TARA MOONEY

CO SOLUTION #3

Take **Control**
of your **Future**
Develop your Own
Winning Global CO

PEOPLE CAN TAKE BETTER CONTROL OF THEIR FUTURE AND CREATE A
SECOND INCOME STREAM BY STARTING THEIR OWN ON-LINE BUSINESS

A Co. Affair
Communications to Combat workplace stress

Co Solution - No. 3

**Take Control of Your Future
Develop Your Own Global Co.**

T. Mooney

Index

Introduction

You may be actively seeking a new career, at risk of redundancy or looking to start or expand a business.

This book has been designed for people who are looking at future income and work options. This may be due to the threat of redundancy, a desire to change career, an urge to seek more flexibility, an intention to develop a personal business or expand an existing small business.

It tells you how to create, grow and sustain a global corporation, taking advantage of a window of opportunity that is likely to be available for only a brief period in time. In doing so, it helps you to:

- create a second source of income

- become your own boss

- develop a career based on your passions and beliefs

- make money while you sleep

- spend more time with family and doing what you love

- secure your future.

There has never been a better time to develop a small business that can grow to become a global business.

Many organisations are vulnerable to today's unrelenting shifts in the competitive landscape. Their suppliers, customers and competitors are becoming more powerful, as technologies improve and e-commerce trade increases. Industries that for many years have benefitted from high toll gates, few competitors and protected profits are now increasingly under threat from new entrants, with leaner, more cost-effective structures, sharper strategies, improved supply chain management and contemporary marketing behaviours.

Leaders are facing a challenging journey to prevent their organisations from a loss in market power. Some may even have to defend organisational failure. Recent rapidly failed organisations include Blockbuster (1) and Kodak (2) – for these companies, it took the irreversible plummet in financial performance to signal that once powerful sources of sustainable competitive advantage had disappeared almost overnight, leaving behind large, inflexible, complicated, cost-inefficient structures and processes, and leaders who were ill equipped to turn the fortunes of the company around.

In the past, larger organisations facing such failure may have enlisted the support of high-end consultants to develop and execute complex, leading-edge strategies. Today, however, by the time the first few impressive presentations hit the boardroom, and the first of several invoices have been paid, any remaining sources of competitive advantage have been eroded.

Job and income security are becoming a thing of the past. Owning your own global organisation gives you a better shot at securing your future.

The good old days of a 'job for life' have disappeared. If you currently work as an employee, it is likely that you have already experienced at least one organisational downsizing. This trend is going to continue, as the global marketplace becomes more competitive and companies fight to retain the market power that they once held so easily.

If you already own a small business then you are likely finding it harder to retain your present profits. However, small organisations that operate from a low-cost base, simple strategy and flexible structure do have an advantage over their larger competitors. Small companies can be more agile and more responsive to customers. Internet access also makes research, marketing and many other activities equally as cost effective as for larger competitors.

Indeed, today, a small organisation that you choose to create can quite easily become a global enterprise, generating more income and security for you. All it takes is the desire, discipline and knowledge to set one up.

Developing a successful global corporation can be achieved by anyone, almost instantly, at a low cost. It can even be done while working as an employee, allowing for the 'safety net' of current paid work to be retained while new income streams come on line.

It is easy to begin to develop a successful global organisation while you continue to work for an employer. You can begin with just a laptop, internet access and 'know how'. This book has been developed to provide you with the 'know how'.

In the following chapters, concentric circles have been used as an analogy to help structure a seven-step framework that will help give you all the information you need to get going. This framework is called the Little co Big CO Framework.
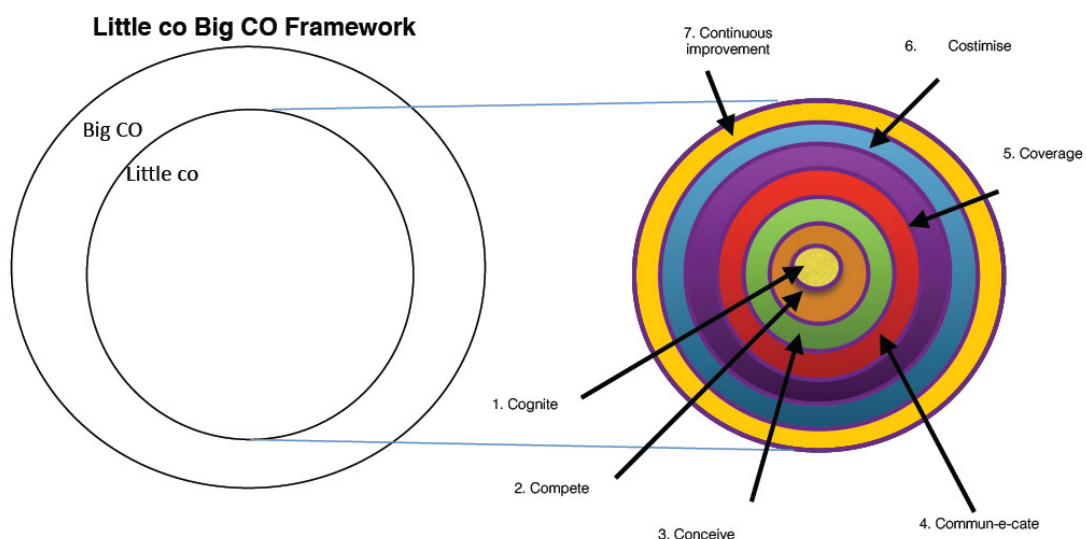
The seven steps are (from inner to outer ring)

1. **Cognite** - How to ignite your best business mindset

2. **Compete** - Coming up with a competitive idea

3. **Conceive** - Conceiving a global brand, target market positioning and goals

4. **Commun-e-cate** - Developing a low-cost integrated marketing communications plan

5. **Coverage and suppliers** - Accessing a global supplier list for the best quality and price, and distributing all over the world

6. **Costimise** - Pricing to optimise your profit, after considering all the costs and other important factors

7. **Continuous improvement** - The tools, competencies, equipment, sources of funds and mindset you need to continue to get started and grow your business and manage setbacks

Concentric circles reveal the pattern of growth in plants. Slicing the trunk of a healthy tree, one would find concentric circles, revealing the number of years that tree had been alive. Similarly, Little co Big CO explains how to achieve healthy annual growth in a newly established or small business.

Because a successful 'Little co' should grow, over time, into a 'Big CO', each step in the framework splits information into that which is relevant to start your own business (**'Little co'**) and that which is relevant for a decision maker of a large company (**'Big CO'**).

Understanding how a large multi-national operates will encourage you to see the 'big picture' and prepare you for the growth of your company. It also helps to illustrate just how easy it is to grow.

The framework and directives are extracted from **Little co, BIG CO ©** – an on-line course, details of which can be found via www.acoaffair.com or inquire at info@acoaffair.com.

Little co Big CO is the framework that I developed once I decided it was time to secure my future, live my dreams and be my own boss, after more than 20 years working in large global corporations.

For over 20 years I was fortunate to work for strong and successful global corporations in a number of wonderful roles. However, even this good fortune didn't stop me from eventually seeking more control over my future income stream. During my time as an employee I experienced no less than twelve downsizings, requiring my job to be re-established or changed. While I was fortunate to work for many exceptional, inspiring leaders, at times I was also managed by less accomplished individuals. Most importantly, throughout my employment, I suffered the nagging feeling that I had more to offer the world and that I needed to do something about it.

Finally, I decided to take the plunge after realising that my children and partner were suffering from my lack of presence. Even when I was present in the home my mind was often absent. The office was demanding more and more of my time and I was lucky to see my children on weekdays. My eldest had started to suffer at school. My youngest would come to me in the night wanting to sleep in my bed. My partner had begun to resent the fact that he had responsibility for most of the home duties. To cope with the strain, I had begun to drink more wine than I should in the evenings which was impacting the quality of my sleep and health.

During the establishment of my own global corporation, there were many hurdles faced. Self-doubt and fear of failure posed the greatest threats to my success. I was frightened of leaving the secure employment of a big company, of being lonely working on my own, and of the loss in a readily recognisable senior corporate status.

Then, once I was up and running, even the best-laid plans seemed not to keep up with my ambitious schedule, making income flow slower than anticipated.

I had to dig around in disparate locations to find all the information needed to design my global business – financial information in one place, marketing in another and general knowledge management in yet another location. If I'd had access to one comprehensive program, it would have saved significant time and money.

I also had quite a battle with my ego and mindset. I didn't want to replace senior full-time employment for any old small business: no sir, I had big dreams. The reality is, however, that large companies generally take some years to establish. Just like a strong and stable tree takes its time to develop deep and solid roots, global companies need time to be successful little companies first.

On many occasions my unconscious biases and complexes threatened to overwhelm and stop me from progressing, producing thoughts like: I can't be successful as I don't have the right background; I need to spend more time with the children, so I'd best not be too successful; and so on.

On more than one occasion I almost returned to the workforce, deluding myself that I might be better off. In fact, I might have done so, had I not found a new level of health and self-awareness that improved my mindset significantly. The teachings and techniques are passed on in Chapter 1 – Cognite, which I believe is also the most crucial step in the framework.

You won't be successful in creating your dreams until you master your unconscious mind and learn to manage change and stress. You also need a detailed business plan and to think big. These items are critical for confidence and courage and set this book and Little co Big Co © apart from its competitors.

Five teachings in this book set it apart from other entrepreneurial/ small business development guides.

The first is **stress management**. Most people are subjected to stress when they face a significant change in their lives. Stress cobbles the brain's functioning, can severely hamper performance, and reduce innovation and the ability to cope with change. Learning how to be resilient to change and stress is a crucial part of establishing a successful global business.

The second is **motivation management**. Motivation is constantly tested with the many ups and downs of a new global venture. Without motivation management, people are 90% likely to fail in sustaining a new business venture. (3) Every person needs to understand and use motivation management tools from time to time.

The third is **mindset development**. This involves taking a much deeper look into your mind and discovering the 'heuristics' that control your preferences, ideas, judgements, ability to plan and achieve goals, and ability to manage both failure and success. People's values, beliefs, and behaviours are wrapped up in unconscious biases, complexes and personality traits. Understanding these and learning to work on unhelpful mind-maps is essential to positing yourself for success.

The fourth is **detailed business planning**. Too often entrepreneurs get engrossed in their creative ideas and take action without spending the time and energy it takes to plan effectively. Together with stress, motivation and mind management, a detailed business plan will build on your confidence and determination to succeed.

Finally, this book specifically references what it takes to **establish a global business**, with a view to potentially growing it into a multi-national corporation. It is not your standard small business development guide. It teaches you to think big . . . but start small.

Developing a successful global corporation can transform your life.

At times we all reach crossroads, where we can make any number of choices. This book should guide you to confidently make decisions about which path is right for you and immediately begin the process of creating your future career, income and success.

Owning your own organisation means you get to do what you want to do – even turn a hobby into a successful global corporation. You get to create a profession based on your passions and beliefs. You get a chance to be your own boss. You get to secure your future and income. You get to live the life of your dreams.

Only a couple of years on and I can't believe how much happier my life is. I look at what I have achieved and feel deeply grateful and appreciative. I am much healthier and my family much happier. My income has grown to the level it was when I left the big corporate job and set to increase over future years. I am living my passion. I am making a real difference to people's lives.

Developing a successful global corporation can transform the world.

At the end of our lives, we are all going to look back and wonder whether we really made the most of it. Whether we lived fully, made a difference to other people and mattered in the world.

If you have that nagging feeling that there is so much more you can achieve and give to others, then it's time for you to create and pursue goals that match your dreams. It's time for you to own your own global corporation so that you can make a difference and leave a legacy that makes you proud.

A Corporate fable

Setting the scene

The Co Solution helps any person to own and manage a successful global organisation.

* * * * *

Joel is a well-respected Australian psychologist with approximately 20 years' experience working to improve the functioning of organisational leaders and teams. He is a board member of the Australian Psychological Society. Over the years he has worked with a number of clients in Australia and parts of Asia. His training, facilitation and coaching has earned him high credibility, repeat business, and a regular and strong salary.

Over recent years, however, Joel has noticed the local market becoming increasingly more difficult to compete in, with a rapid and significant increase in competition from psychologists, industry experts, training and coaching organisations. He is concerned that the downward trend in his business will only continue unless he secures new clients globally. The only problem is, he doesn't know where to begin, as his business has always been through referrals and word of mouth . . .

* * * * *

Lauren is a senior manager in a large global company. She has been working for approximately 25 years across a number of businesses and is well respected for her ability to motivate diverse teams – also a particular passion of hers.

Despite her dedication to the organisation – often leading to the sacrifice of precious time with family on weekends – she was overlooked for promotion for the second time, which has negatively impacted her motivation and morale.

Lauren has decided that it is time to explore her options outside the 'big corporate', particularly those that can support her strong belief in diversity and flexibility with family . . .

* * * * *

Adam is a senior manager in a large manufacturing company. The manufacturing industry in his city is in decline due to many elements of supply chain being outsourced and moved offshore.

Adam is facing his 11th organisational downsizing in eight years and knows that it is only a matter of time before it's his turn to face redundancy. He feels that his back is against a wall. Adam wants to build up his own business while he continues to work which will provide him with a second income stream and additional source of security in the future . . .

Chapter 1- Cognitive management to ignite your best mindset

Mindset management is critical for any new venture.

Starting up a Little co

People are more likely to begin a new business innovation successfully when they learn how to cope with change and stress.

Undertaking a new business venture will create changes that require a period of emotional adjustment. When these changes lead to the belief that you are losing something of value (6), your emotional adjustment can be compared to losing a loved one, or grief. The emotional adjustment during a period of grief is illustrated by the 'Emotional Transition Curve' (Exhibit 1).
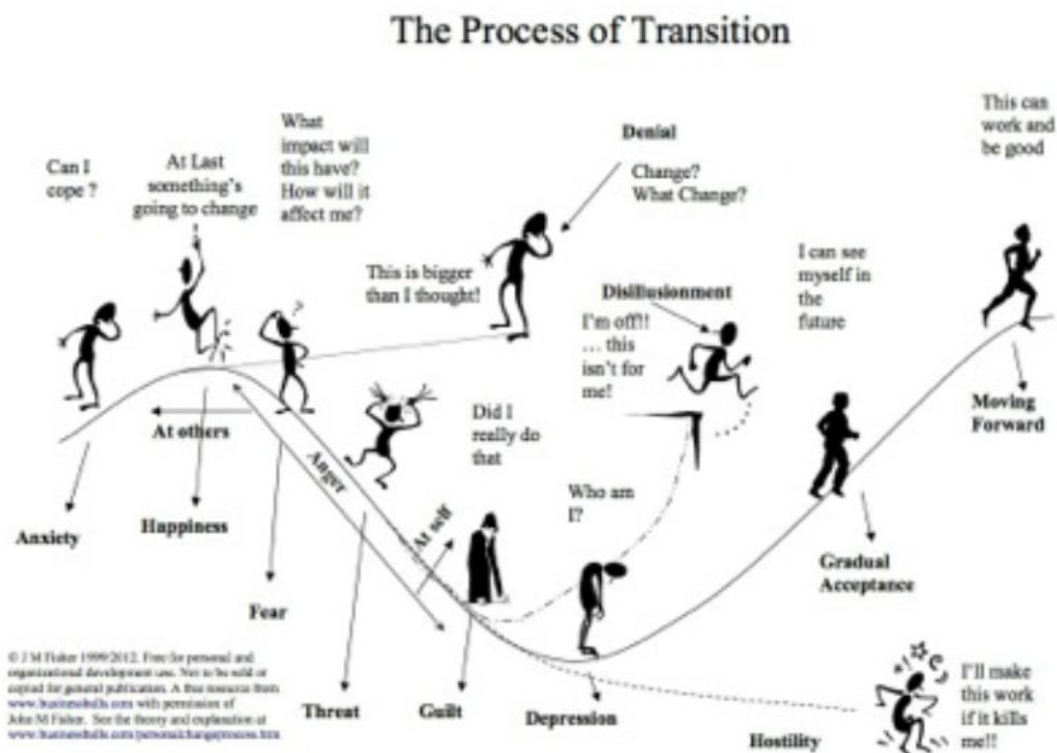
Exhibit 1: The Process of Transition (Emotional Transition Curve)
Source: J M Fisher 1999-2002

Change creates uncertainty and a sense of losing control. Uncertainty is one of the main factors that cause mental stress. (7) When people are exposed to increasing amounts of change, the repeated emotional adjustment process can lead to chronic stress.

Stress can be measured with the Social Readjustment Rating Scale (6), used by governments to measure the costs of stress on economies. A 'score' for stress is given to represent the impact of any one change event on an individual. Quite often there is more than one source of stress functioning at any one time. For example, a person may be made redundant (score 48), leading to a change in finances (score 38), living conditions (score 25), an increase in the number of spousal arguments (score 35) and change in sleeping habits (score 16). Accumulated scores over 200 produce mental and physical illness.

Change Event	Social Readjustment Rating Scale
Loss of a loved one	100
Divorce	73
Physical Injury	45
Retirement	38
Changes to working conditions	47
Business re-adjustment	39
Change to finances	38
Changes to working conditions	25
Spouse begins work	25
Change in living conditions	25
Change in number of arguments with spouse	35
Change in sleeping habits	16
Change in eating habits	16
Change in social activities	18

Table 1: Social Readjustment Rating Scale: Source: Durham Business School MBA: Managing Change module materials.

Stress has a negative impact on learning and cognitive functioning. (4) It can be very difficult to innovate and create a new business venture when under stress. One way to reduce stress is to actively pursue **emotional change management**, which helps you to better cope with change and become more resilient to stress. Emotional change management reduces the swing in negative emotions and the length of time in a state of grief.
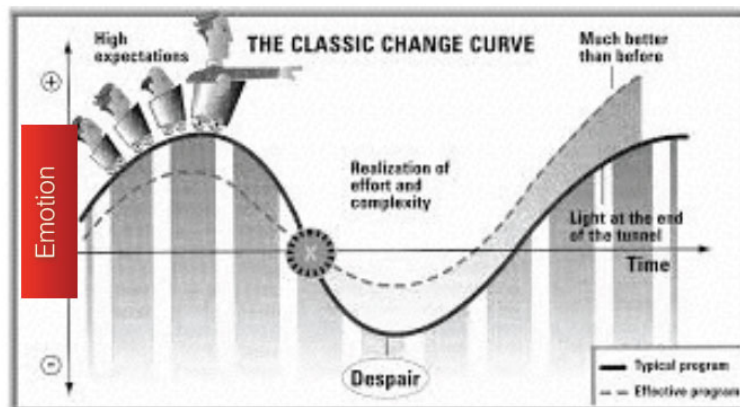

Exhibit 2: Levels of emotion and performance before and after emotional change management
source: www.ucl.co.uk

Emotional change management occurs when the conscious, subconscious and energy layers of the body and mind are actively balanced during change:

- The **conscious layer** represents the physiological condition, which is maintained through a number of activities, including diet, sleep and exercise. A healthy diet provides the nutrients necessary for the body's optimal functioning. Regular exercise and sleep patterns are also vital to boost brain power, regulate the circadian rhythms and hormones, and reduce stress. (7)

- The **subconscious layer** represents the psychological condition which is the home of stress, biases, and other limiting beliefs. The brain works better under certain psychological conditions; for example, the higher up an individual is in terms of satisfying his needs, called the 'Hierarchy of Needs' (Maslow, 1943), the greater the likelihood that an individual will be attentive to the organisation's problems. (8) This layer is managed though techniques for greater awareness of both the 'self' and others, and to reduce stress and other subconscious limitations in beliefs.

- The **energy layer** represents an individual's super-conscious condition. It is most effectively managed by methods such as meditation, yoga, tai-chi and other techniques derived from ancient Eastern cultural practices. (8) Western cultures still have much to learn about the usefulness of balancing energy layers in reducing stress.

Emotional change management also helps to encourage great ideas for business that resonate more closely with people's own passions and strengths (8), thus further increasing the likelihood of a success.

Little co, Big CO© helps people to develop business strategy, marketing plans and financial forecasts with a healthy, stress-free mindset, through the techniques offered in **Module 1- Cognite©**:

Little Co Big CO	Cognite© - Table of Contents: Techniques to create a healthy mind and body
1	Manage circadian rhythms and stress
2	Understand yourself and others, through psychological profiling and other psychological-based techniques
3	Find the 'inner music' or natural rhythm that is unique to you
4	Practise mindfulness and learn how to 'open up' to intuition. This part of the program includes a 45-minute yoga and 20-minute meditation component
5	Visualise a desired end state and find your 'true calling'
6	Set and achieve goals
7	Overcome fears and limiting beliefs
8	Take inspired action, instead of making life 'hard work'
9	Manage time and relationships during life changes

Table 2: Little co, Big CO Module 1 - Cognite© Table of Contents

1.1. Stress creates significant costs

Organisations are beginning to recognise the importance of resilience and mindset management.

It is important for leaders to ensure that people cope as well as possible with change, for without it, there can be the potential for failed attempts at transformation, as well as many stress-related costs, due to absenteeism, claims, turnover, illness and more.

There are a number of tertiary, secondary, and primary interventions that organisations can take to manage stress from change. These are outlined in **Co Solution no. 2- Core Interventions to Combat workplace stress.**

1.2. Innovation must be nurtured for company growth

Innovation happens under the right conditions to harness brain power.

Coming up with an innovative solution to the growth challenges faced by many multi-national organisations today requires considerable brain power.

Humans have the unique ability to symbolically reason, or fantasise; however, this is a skill that must be learned and then reactivated through repetition in order for it to stay sharp. Humans are also powerful natural explorers with brains that are capable of growing new neurons, allowing the capacity for lifelong learning. (4) Humans, therefore, are excellent innovators, provided they are working under the right conditions.

Large organisations that are good at innovation recognise the need to harness and nurture brain power. They establish an innovation environment (5), including, for example, dedicated 'hubs' for problem solving, exercise facilities and wellness activities to help stimulate right brain activity. (4) Google allows employees to spend 20% of their time in fantasy and exploration, which has led to 50% of their new offers. Diversity of thought and opinion is encouraged and sources of employee stress and other factors which can negatively impact on brain power are removed.

Next steps- *Cognite***: Ignite your desired future with the right mindset.**

- Build your resilience. Starting a new business can be difficult. It requires learning how to cope with change and adversity.

- Recognise that you may be under stress. Stress is associated with all life-changing events. Stress makes it difficult for innovation to occur.

- Get 'body, mind and spirit' healthy. Starting a new business is best achieved when the body is healthy, the mind is clear and the spirit is fully energised.

- Sign up for **Little Co Big CO** interactive on-line training and complete **Cognite**. This will help to build your resilience to change and stress and better position your mindset and thinking before you embark on developing a new innovation and global organisation.

Chapter 2 - Coming up with a Competitive offer

Starting up a Little co

You are in a unique position to take over where large multi-nationals can't compete . . . but time is limited.

You have a unique opportunity to enter into global multi-national market spaces because start-up organisations benefit from key sources of competitive advantage over large organisations – they are less complex, more agile and have lower cost bases.

Researching the competitive landscape no longer requires a team of junior staffers or third party support. Information is today available at anybody's fingertips, anytime, via computer and the internet, at very little cost.

Establishing and trialling a pilot offer is comparatively simple and generally faster, requiring only the cost and time associated with offer creation, trial and reiteration. Larger corporations on the other hand, are subjected to many forces that make coming up with a competitive offer challenging. Such forces include a lack of innovation capability, ineffective budgeting, inefficient go-to decision-making process and more.

Beware, there is only a relatively tight window where a company that you develop may be able to compete with larger organisations. Multi-nationals with deep pockets are investing resources in order to combat their competitive disadvantages. Also, there is no guarantee that all people will always have full and free access to internet-sourced information.

Starting a new business requires clarity, courage and confidence. This can be achieved by preparing a detailed business strategy and plan.

Creating a business strategy, marketing plan and financial structure helps to provide you with the clarity you need to conduct a new business, the confidence to request funding to support business growth and the courage to continue moving forward when times get tough. Developing business strategy, marketing plans and financial forecasts are critical to the success of any organisation.

Being clear on how the business is going to operate is very important. Entrepreneurs often have wonderful ideas, but without a business plan in place, can find it difficult to effectively manage their time and resources.

A business plan helps to ensure that the financial forecasts are reasonably accurate, which is critical for making the right decisions about what innovations to pursue and how to pursue them. Simultaneously, a business plan also provides funding providers and other potential partners' confidence that the business is being managed effectively. Without a business plan, people can be more fearful of asking for money to help support the cash flow needed to grow their business.

Sometimes, business plans indicate a low probability of profitability. Should this be the case for you, then it's advisable to pursue an alternative competitive offer.

2.1 Aim for unique competitive advantage

"When investments are being made at the same or higher levels without leading to better margins or growth, or new competitors from unexpected sources are increasing, or levels of employee engagement are reducing and market stock is perennially 'undervalued', organisations can be confident that their market power is increasingly at risk." (5)

In order for an organisation to survive and thrive, it must produce at least one offer that is superior to competitors and difficult to copy. In other words, it must have at least one **unique source of sustainable competitive advantage.** (9) There must also be a marketplace with buyers that perceive value in the offer, enough to pay a profit-making price.

In order to test the feasibility of innovation against the competitive environment, before new offers are developed, the layers of the business environment are assessed in a process referred to as a 'situation analysis'.

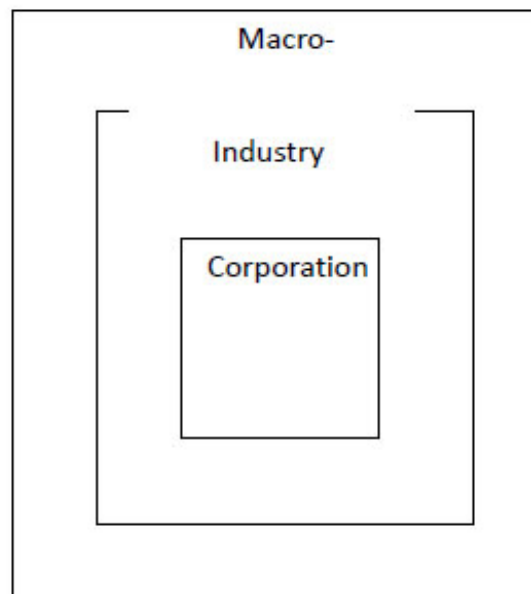

Exhibit 2: Layers of the business environment
Source: Exploring Corporate Strategy, Johnson and Scholes, Sixth Edition p. 317

Popular tools to analyse the layers of the business environment include **PESTLE; Porters Five Forces Framework; Strategic Capability Analysis** and **SWOT**. A simple overview of how these models are used to determine strategic opportunities is illustrated below.

2.2 Research the macro-environment: PESTLE Framework

In identifying any new opportunity, the first step is to analyse the macro-environment. This includes making a detailed evaluation of relevant future trends. Organisations that produce trend-related information, such as Futurist News[1], Wikipedia,[2] and Wired[3], are useful for such a task. There are a number of futurists that also post regular updates on future trends that can be located on the internet.

Some important trends today include, for example:

☒ Baby Boomers are moving toward retirement

☒ Smart phone dependency and mobile application use is increasing

☒ Increasing numbers of women are working full-time

☒ Online shopping preferences are replacing high street retail shopping

☒ Alternatives to carbon-based fuels are increasing and will provide 30% of all energy used worldwide in 10 years

☒ Humans will be able to communicate directly 'mind-to-mind' with the help of communications aids within 20 years (10)

☒ World population is increasing and will reach nine billion within 20 years

☒ Life expectancy of newborn children in developed countries is increasing, to 130 years within 20 years

☒ China's GDP will exceed that of United States by 2027 and India's GDP will exceed that of Japan by 2032

☒ Roughly 50% of all of today's jobs on the planet will have disappeared within 20 years and replaced by a number of new jobs

☒ Self-driving cars will be commercially available within five years and all cars travelling on major roads will be under control of satellite and roadside control systems within 20 years

Trends and other relevant information about the macro environment are summarised with the guidance of the Pestle framework (9), Table 3. The examples represent the external forces that help to create new organisational opportunities.

	Macro-environment	Examples of external influences that may impact on an organisation
P	Political environment	• Political instability • Government actions and current policies • Country risks
E	Economic environment	• Changes to patterns and trends in overall economic activity and world trade (e.g. GFC was not a great time to launch most new offers) • Movements in exchange rates, interest rates, taxation laws (e.g. Australian prices may now seem expensive in UK or USA)

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[1] *http://electronics.howstuffworks.com/future-tech/10-futurist-predictions-in-the-world-of-technology.htm#page=3*

[2] http://en.wikipedia.org/wiki/Timeline_of_the_future_in_forecasts

[3] http://www.wired.com/techbis/startups/news/2005/10/69138?currentPage=all

		• Fluctuations in market demand
		• Industrial trends like increasing industry mergers and concentration
S	Social environment	• Changes to demographic patters e.g. ageing populations in developed countries
		• Changes to attitudes and tastes e.g. changes to leisure time choices like golf and travelling
		• Changes to jobs
		• Patterns of spending on education and health
		• Public issues of concern e.g. increases in mental health concerns, smoking, pesticides in food, etc.
T	Technological environment	• Increasing reliance on smart phones
		• Internet usage for information access, analysis, sales and distribution
		• Other technological changes e.g. Now with the internet, products and services can access a global marketplace and be distributed through the internet, creating changes to competitive scope
L	Legal environment	• Employment laws
		• Product laws
		• Monopolies legislation
E	Environmental landscape	• Environmental protection laws and policies
		• Energy consumption
		• Climate changes

2.3 Research your industry - Porter's Five Forces Framework

The second step is to look at industry competitiveness. Michael Porter's Five Forces Framework (9) helps to analyse the impact of five forces on your industry's competitive landscape and work out whether you can ultimately charge a profit making price:

- **Force no. 1 - Threat of new competitors:** Your prices will be lower and margins tighter when you have high numbers of competitors, as customers will have greater choice.

- **Force no. 2 - Threat of substitute products:** Prices are also forced downwards when competitors produce products that can act as suitable substitutes. For example, the smart phone is a substitute for laptop computers. Suppliers of laptop computers therefore are under increasing pressure to discount the prices of laptops in order to generate more sales.

- **Force no. 3 - Bargaining power of customers:** Your customers will have more power to switch to your competitors when it is easy and cheap to do so.

- **Force no. 4 - Bargaining power of suppliers:** Your suppliers will have more power to charge high prices for your supplies when you are dependent on them and have few alternative suppliers to choose from.

- **Force no. 5 - Intensity of rivalry within an industry:** When rivalry is intense in an industry, there is more downward pressure on prices. Generally speaking, the more competitors, the higher the intensity of industry.

An illustration of Michael Porter's Five Forces Framework to help you research the relative strength of the industry landscape is provided in Table 4.

Table 4: Five Forces framework illustration

Force	Description	Examples
1. **Threat of new competitive entrants**	Depends on existing industry barriers to entry. There is a **low threa**t of competition when an organisation has: • Large economies of scale or cost advantages • Unique distribution channels • High cash flow or capital investment • Scarce skills • Existing brand strength • Ease of exit from the industry	Examples of **high threat** of new entrants e.g. laptop computers are under threat to smart phones, and have already lost market share e.g. vertically integrated retail fuel suppliers are under threat from new entrants in some markets where it's cheaper to import fuel than refine fuel. Such new entrants do not have the same high overheads or complexity and are more flexible and responsive.
2. **Threat of substitute products or services**	Depends on whether there are readily accessible alternatives.	Examples of high threat of substitute products: • Various household products are similar and can be easily substituted, such as washing powders, shampoos, household cleaning products, etc. e.g. Pantene shampoo can be relatively easily replaced with other brand shampoos should the price rise to a point beyond perceived value. • Postal services are under threat from email, which is a substitute
3. **Bargaining power of suppliers**	Supplier power will be high when there is a concentration of suppliers; the switching costs from one supplier to another are high; the supplier could easily integrate forward in order to increase margins; and the suppliers customers are highly fragmented	Examples of high bargaining power of suppliers: • Power companies in remote locations have high bargaining power as it is expensive to switch and there are few suppliers • Financial merchants like PayPal have high bargaining power as there are relatively few on-line sales merchants
4. **Bargaining power of customers**	This will be influenced by how easy and cost effective it is for customers to switch industries or products. The easier it is to switch, the higher the bargaining power of customers	Examples of low bargaining power of customers: • It difficult to switch university courses partway through without incurring costs • It is difficult to switch a smart phone or home loan within the agreement period
5. **Intensity of rivalry within an industry**	Generally speaking the more competitors the higher the intensity of rivalry	Examples of low intensity of rivalry are British Rail, Australia Post Office and other monopolies. Rivalry is becoming more intense in many industries primarily because the other forces are creating more, new competitors and higher customer power

2.4 Research your corporation - Strategic Capability Analysis

The third step in assessing competitive opportunities is to analyse your own corporation for strengths. Sources of sustainable competitive advantage tend to arise from existing strategic capabilities, represented by unique resources, core competencies, value chain advantages and efficiencies. (11)

a. Unique resources include:

- Physical (e.g. the buildings, machinery or distribution network)

- Human (e.g. management expertise, education levels, skills mix and so on)

- Financial (e.g. cash reserves, external financial rating)

- Intangible (e.g. patents, brand names, reputation, organisational networks, etc.)

b. Core competencies are the way in which you manage unique resources through organisational activities. They are identified by analysing all the events that occur to produce, market, sell and distribute your offer. For example, someone wishing to start an online fitness program may have a core competency of several years teaching as a fitness instructor.

c. Value chain advantages occur when there are economies of competitive scope and scale.

- As the **scope of output increases**, unit costs fall because the joint costs of two or more products or services is cheaper than if produced individually. This includes segment scope (increasing the range of products or services), vertical scope (performing more activities in-house), geographical scope (increasing the range of regions in which you operate) and industry scope (increasing the range of related industries across which your organisation competes). Generally a broader scope provides greater economies, as interrelationships between the value chains that serve different segments or industries can be exploited.

- Organisations also benefit when there are **economies of scale**, where unit costs fall as the scale of output increases.

d. Learning from experience over time also creates **experience efficiencies** which can be a source of competitive advantage.

Examples of Strategic Capability Analysis are summarised in Table 5 below

Unique Organisational Resources Examples of organisational capabilities that contribute to opportunities for innovation	
Physical	• offices, facilities, equipment
Human	• education levels, skills, age profiles, management competencies and reputation
Financial	• ability to raise capital, cash
Intangible	• legally protected patents, trademarks, brand name • reputation, networks, trade secrets • supplier and customer know-how • ability to manage change, perception of quality

Economies of Scope	
Segment scope	• The greater the range of products and services, the greater the segment scope
Vertical	• The more activities that are performed in-house versus externally, the greater the degree of vertical integration
Geographical	• The greater the range of regions or countries across which an organisation chooses to compete with a coordinated strategy, the greater the geographical scope
Industry	• The greater the range of related industries in which the organisation competes, the greater the industry scope
Economies of Scale	
The lower the unit cost of production, created when an organisation has the ability to mass produce and distribute a product, the greater the economies of scale.	
Experience Curve	
In general, the more experienced or established an organisation, the better the chances of it successfully implementing and sustaining new sources of competitive advantage.	
Value Chain Linkages	

• Primary activities (such as manufacturing and logistics), support activities (such as procurement and HR), quality assurance and other indirect activities (such as maintenance, sales force administration, etc.) should be reviewed to identify possible value chain linkages
 	
• Examples of linkages that can provide cost and efficiency advantages include:
 	
    o Linking operations and maintenance; activities which must be coordinated, such as inbound logistics and operations; activities that are alternative ways of achieving the same results, such as advertising and direct sales
 	
    o Linkages between business units
 	
    o Linkages between the value chains of related organisations, such as with distributors	

2.5 Research your offer - SWOT

In order to get a full picture of the potential opportunities for your company, key strategic advantages from PESTLE, Five Forces and Strategic Capability analysis should be summarised using SWOT Analysis. (9)

SWOT stands for **Strengths, Weaknesses, Opportunities** and **Threats**. An illustration of how it is used is provided in Table 6.

	SWOT	Examples
S	**Strengths** - list these based on the capabilities and competencies you have identified as unique or difficult for competitors to copy	All strengths identified from Pestle, Five forces and strategic capability analysis • strong local email networks and database • access to unique technological know-how • trademarks • management team capability • large cash reserves, etc.
W	**Weaknesses** - list the unique capabilities and competencies belonging to competitors or currently absent from the organisation	All weakness as identified from Pestle, Five forces, Strategic capability analysis • e.g. high threat of new entrants into the industry and increasing customer power • e.g. strong competitor alliances • e.g. superior competitor technology
O	**Opportunities** - list the possible sources of revenue	These emerge from the strengths and analysis of 2.1 to 2.3 • e.g. Currently there is no existing 'home delivery' on vehicle refueling • e.g. There is currently no means to access a globally integrated list of financial institutions loan rates and apply for loans from any country online
T	**Threats** - list the risks that an organisation must consider when developing an offer	These emerge from weaknesses and analysis of 2.1 to 2.3 • e.g. need further research to identify demand and target segments for home refuelling offers. • e.g. Home loan applications may be subject to local legislation issues

2.6 Pursue an offer when it's at the beginning of its 'S-Curve' and 'window of opportunity'

Finally, you should only pursue those offers which appear to be at the beginning of their lifecycle, or S-Curve.

The S-Curve (12) illustrates the way in which a market is likely to absorb new offers over time. When new offers are first introduced into the marketplace, few people are aware of them. A small group referred to as 'innovators' – characterised by the high likelihood they will take up the new offer – become the focus of first promotion and sales. Next the 'early adopters' are targeted to purchase the offer. (13) At a certain point (A), customer awareness and demand begin to exceed supply and the market enters a fast growth phase. This fast growth phase (from A to B) is known as the 'window of opportunity' where excess demand can lead to new market share and large profits. (12)
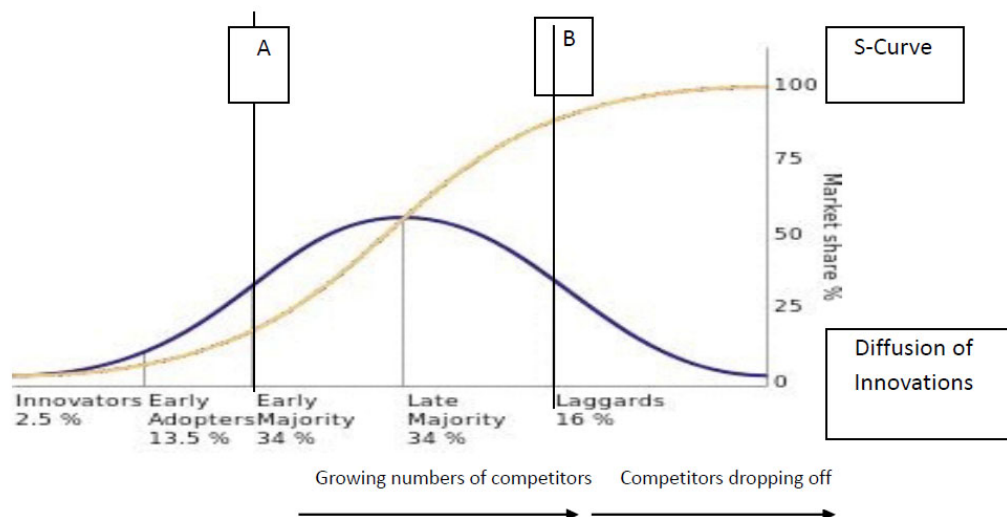
Exhibit 3: S-Curve and Diffusion of Innovations combine
Source; Bygrave and Sacharakis, The Portable MBA in Entrepreneurship;
Lee and Kotler, Social Marketing: Influencing Behaviours for good.

As customers react to the concept, competitors enter the market with products that have been revised to better meet customer needs. Soon, demand and supply equalises, creating the 'maturity' stage of growth, at Point B.

Therefore, you should aim to develop offers up to point A on the S-Curve. While it is difficult to say what market size indicates that the window of opportunity is opening and/or closing, some research suggests that markets become attractive (A) at revenue of around $20 Million and demand and supply tends to equalise (B) at revenue of around $1 Billion. (12)

For example, assume that the innovation process led to your development of a concept for a mobile application for home-delivered refuelling services. The opportunities for market growth would likely have been identified through a number of trends and facts (for example, the growth in dual-income families leading to reduced time to make special refuelling trips) and summarised using the research tools provided in 2.2-2.4. Such an offer may also be at the beginning of its 'S-Curve' and the window of opportunity strong, as it currently does not exist in any known global marketplace. Hence, your next step would be to take the mobile application concept to market through a trial.

There are numerous other models and frameworks that can be used to assess the competitive landscape in order to formulate a strategy. The above tools mentioned in 2.2-2.5 should, however, provide a useful start for any decision maker seeking to test an innovative idea.

2.7 Be prepared to pilot, trial, reiterate and fail

In previous years, companies conducted a thorough review of the competitive landscape, leading to detailed business plans, marketing strategies and financials, before large committees presided by consensus as to which projects to pursue. (3)

Today, the rapidly shifting competitive landscape makes it increasingly difficult for companies to sustain competitive advantage. The traditional approach to research and development is becoming too cumbersome and generally ineffective in delivering breakthrough innovations.

Your strategic approach therefore should be to achieve 'transient' competitive advantage. This means creating a pipeline of strategic initiatives with shorter life-cycles, which can be quickly ramped up or down. (5)

Try to think beyond your traditional industry and solve as many problems for any given market segment as is realistically possible within the constraints of your competitive assessment. This approach worked for Google, for example, who successfully moved into phone operating systems and smart phones after foreseeing that consumers looking for web access wanted to do so 'on the move'. (5)

As you grow, establish a separate budget for innovation. Replace permanent recruitment with contractor teams of world-class experts from industry and academia. (3) Empower people in charge of innovation to make fast and independent decisions about taking an idea into pilot. Quickly develop, trial, reiterate or wind down after feedback. (5)

Replace detailed competitive analysis with simple and quick reviews of traditional models. The Net Present Value method of assessing investment value is not necessarily appropriate, as future income streams are uncertain. (5)

Next steps – Coming up with a Competitive idea

- Developing a business strategy, marketing plan and financial forecasts is the first step to developing your global company. It is much easier to move forward with confidence and borrow money to invest in your company's growth with complete business planning.

- A great business idea needs to make money over a period of time, so ensure

    o there is a market with people that will demand your business idea – otherwise you won't make sales

    o that your idea has at least one unique source of advantage over potential competitors. This will help you to compete through differentiation and specialisation, rather than on price, which can lead to price wars, reduced profits, and corporate failures. (*Chapter 5 provides more detail on this*)

    o that opportunity is at the beginning of its 'S-Curve' or within the 'window of opportunity' before competitors flood into your market

- Be confident – you are capable of obtaining research information as quickly as a large organisation, at zero or for little cost via the internet. Research the competitive landscape, with PESTLE, Five Forces Analysis, Capability Analysis and SWOT.

- Be prepared to pilot, trial, fail and reiterate your products and services. Remember, you can do most of these steps faster than larger, more inflexibly structured global competitors.

- Sign up for **Little co Big Co.** interactive on-line training and complete **Compete** (module 2) to build your competitive analysis and business strategy.

Chapter 3 - Conceiving the offer, its position and establishing success goals

3.1 Conceive your offer

Some offers, particularly digital products and online services, are easy to conceive.

Some products and services are relatively easy to conceive and sell globally, particularly if they are information or service -based offers such as training, education, consulting, brokerage, media and procurement.

It is becoming increasingly harder for organisations in these industries to retain competitive advantage and charge higher prices, as competition is rapidly increasing. Smaller players in particular are increasingly entering the market, with the advantage of offering greater flexibility and speed. Such smaller players also often have lower overhead costs and can enable products and services to be trialled, established and distributed to consumers more quickly.

Chapter 4 Commun-e-cation and Brand talks more about conceiving low-cost digital offers such as e-books, e-magazines, podcasts, webinars, webcasts, blogs, wikis, on-line communities, social media and more. This information is also supported by illustrations in **Little co Big CO**, Module 3.0- Conceive.

3.2 Decide on your target market

Conducting market research and deciding your target market can be done anytime, for very little cost.

In the past, market and positioning decisions would have likely required the support of expensive market research consultants. Today, however, the accessibility of information required to make such decisions is simple, affordable and immediate.

Consumer behaviour modelling can be done through internet and electronic surveying channels, generating effortless and accurate information about potential target markets. Mail-outs can be replaced by surveys that are distributed through social media, internet and email. Focus groups can be conducted online at zero or little cost. Web analytics about internet behaviour can be created on inexpensive software applications.

Target market segments can be **downstream, upstream or midstream**.

Downstream target markets are groups of consumers of companies that are marketed directly. Upstream and midstream target markets, such as government and other organisations, are entities that can help to market your product or offer on your company's behalf, either indirectly (e.g. via policy change) or directly. Upstream and mid-stream target marketing can be very effective for establishing a market position.

For example, if you were creating an online training program about how to quit smoking, you would likely target smokers directly **(downstream)**. However, you may also wish to take a **midstream** approach by persuading organisations that have access to large groups of potential smokers, to market your program on your behalf (for example, medical surgeries). You may even decide to lobby government **(upstream)** for supporting legislation that indirectly promotes your offer (for example, lobbying government to provide a taxable rebate to consumers who can demonstrate they have quit smoking).

Regardless of whether downstream, upstream or midstream target segments are pursued, all segments should be analysed to determine (16):

- Are there any barriers that would stop consumers from purchasing your offer? Using the example of a quitting smoking, one such barrier may be that consumers are addicted to nicotine.

- Are there any **'competing behaviours' – the behaviours that stop consumers from switching to purchase** the offer? One such competing behaviour in this example may be that a consumer may be trying to lose weight and therefore finding it difficult to simultaneously quit smoking.

- What are the **benefits** of the offer for that target segment? Young families, for example, may perceive a benefit in the health benefits for children from the elimination of passive smoke.

3.3 Position your offer for success

Organisations need to set the right marketing position for their offers in order to attract the highest possible profit.

New offers must be positioned correctly in the market in order to stimulate sales and profits (*6.0 Costs, prices and profits*). The Bowman's Positioning clock is a useful tool for understanding the range of strategic positions available to you.

Exhibit 3: Bowman's Positioning Clock
Source: Durham Business School MBA, Managing in the Competitive Environment, 2005, Unit 5.

1. A **low price and low added value** position is used when the market is highly price sensitive and customers expect basic quality. It only works if your organisation benefits from being able to adopt a comparatively lower cost model and if the segment remains unwilling to pay higher prices even when

greater value is on offer. For example, 'No Name' brand groceries and household utilities fit into this category.

2. A **low price** position is often adopted by organisations when launching an offer, with the aim of rapidly penetrating a market. For example, when a new beer or soft drink is launched into the market, it is often promoted at a lower price relative to its value, via trials, coupons, two-for-one offers and so on. (14)

3. A **hybrid** position offers higher perceived quality at relatively low prices. This is similar to the 'low price' strategic position; however, the offer is generally also branded in order to give the perception that there is higher value. For example, shampoos tend to be relatively similar; however, brand names are used to increase the perception of brand. Procter and Gamble thus charge a higher price for Pantene than its Head & Shoulders because the perception of value is higher. (15) Brand is discussed further at *4.0 Commun-e-cation and brand.*

4. The **differentiation and focused differentiation** positions should be used for offers that have unique sources of competitive advantage, providing real added value to consumers that is difficult for competitors replicate. For example, the Apple smart phone when first introduced had unique scope (focused differentiation), charging higher relative prices. As it is moved along its S-sources of competitive advantage. Thus, it was initially positioned to cover a narrow consumer segment curve and competitors began to enter into the market, then positioning shifted to cover a broader competitive scope (differentiation) and prices were lowered. (15) This pricing strategy is also known as a 'skimming' pricing strategy (*6.2 Prices, Costs, and Profits- Pricing Strategies*).

5. It is not possible to sustain the charging of high prices without equivalent high levels of perceived added value or quality. This is a failure strategy that can help lead an organisation to its downfall.

   SAAB is an example of an organisation that suffered because it continued to charge higher prices despite the fact that perceptions of added value had fallen. (11) Had it adopted a different positioning strategy or refreshed its brand to create the perception of greater value, then the outcome may have been different.

Positioning an offer as a **'low cost leader'** (1 and 2) is appropriate when the organisation benefits from large economies of scale or experience advantages (2.3 Coming up with a Competitive idea - Researching the corporation). A **'differentiated'** offer (3, 4, and 5) position is likely to be more appropriate when the offer has perceived unique value-added benefits.

Positioning strategy	Examples
When a low cost strategy might be used	When there is: • low cost distribution or logistics • efficient process design • easy-to-make products
When a differentiation strategy might be used	When there is: • an innovative product • high-quality brand image • quality customer service

3.4 Set goals to measure your success

Once a decision has been made on the product or service that you intend to establish, your target markets have been identified and your positing decisions have been made, then it's time to set clear goals for success.

Clear goals help guide in your offer implementation strategy and provide a benchmark against which success can be measured. These goals should aim to change knowledge, beliefs and behaviours. (13)

Using the quit smoking training e-guide as an example, goals may be set such that within two years of implementation:

- you will have changed the behaviours of 50% of the people who have followed your online course (behaviour goal)

- 80% of all the people who trial your online program believe that your program is the best they have tried (belief goal)

- 90% of people who trial your training will know the key facts about why they choose to smoke (knowledge goal)

There are a number of behavioural change models that can be used to determine how ready each segment is to take action and purchase an offer. These models help not only to shape your behavioural, belief and knowledge goals, but also your marketing campaign strategy (*4.0 Commun-e-cation and brand*) and implementation strategy (*7.0 Continuous Improvement*)

The **Diffusion of Innovations** model explains how the uptake of an offer across a target market segment follows a bell-shaped curve. **Innovators** (13.5%) represent the relatively small subset of the population that is closest to deciding to purchase, because 'trying new things is appealing'. **Early adopters** are the next 34%, drawn by the product's intrinsic value, late adopters the next 34%, after 'jumping on the bandwagon' and laggards the final 13.5%. (13) For marketing implementation purposes, the idea is to target innovators and early adopters before the rest of the population, as these people are most likely to 'take action'. These groups help provide momentum for subsequent marketing efforts to the late adopters and laggards.

The Stages of Change model is also useful to categories' behavioural segments according to your consumer's readiness to purchase your offer. Table 7 illustrates the stages that individuals are at when contemplating change. It provides examples of the types of initiatives that help people move from one stage of change to another, by directly addressing the 'barriers' and 'competing behaviours revealed' from target segment research:

Table 7: Stages of change assessment and examples to shift behaviour using the quit smoking on-line training example

Stage of change of market segment	Details	Research results - barriers, competing behaviours, perceived benefits and marketing solutions
Pre-contemplation	Consumers at this stage have no intention of quitting smoking	This group perceives the greatest number of barriers and competing behaviours. They require information and statistics about benefits and the costs of their competing behaviours

Contemplation	Consumers are weighing up the relative advantages and disadvantages. They may be planning to take action.	Trials and free offers can help push consumers into action e.g. free modules and two-for-one offer.
Action	Consumers are ready to quit	Rewards for reaching milestones or purchasing 'today' e.g. 1000 purchaser gets a mystery prize
Maintenance	Consumers continue to consciously try to stay clean, even if there are still some competing behaviours	Consumers require incentives to continue to on their training e.g. loyalty programs; offering a follow-up coaching session at a significant discount

Next steps - Conceiving the offer, its market position and establishing goals for success

☒ Identify your offer and assess your target segments using behavioural change models and electronic resources – the internet, email, social media and chat rooms. Also use cost-effective survey tools such as 'Survey Monkey' or 'Boomerang. You are capable of researching and reaching your offer and target market segments as quickly as any large corporation, thanks to the internet, email, and social media.

☒ Develop and position your offer according to whether there is perceived or actual added value for consumers over your competitors.

☒ Set goals for your target markets according to their relative stage of behavioural change. This will help you to develop a winning marketing plan and implementation strategy. For example, innovators and early adopters, who are closer to the 'action' stage of purchasing an offer, should be targeted first, and used to endorse the product to other consumers.

☒ **Complete Little co, Big CO© - Conceive (module 3) to help you conceive your global brand, market position, target market segments and goals.**

Chapter 4- Commun-e-cation and brand

Starting up a Little co

Small companies can now afford to develop a global brand and conduct the same integrated marketing campaigns as large companies . . . for virtually no cost.

In the past a promotional budget would have been necessary to develop branding, messaging and other advertising materials. Such materials would have also been distributed via expensive traditional channels.

Today an entire global marketing campaign can be constructed for virtually no cost, eliminating the need for design agencies, advertising, events, sponsorship deals and other expensive forms of marketing. It even eliminates the need for customer facing or on-road sales staff.

Most software packages offer a range of design tools that can create branding logos and letter templates, with complement slips, presentation templates, and business cards at virtually zero cost. If additional assistance is required in creating the brand 'look and feel' then there is a host of information on the internet and a number of cost-effective brand service providers that can be found with a simple search. For example, low-cost providers such as Design Crowd can be accessed online in order to help with branding and packaging.

E-brochures, e-books, e-magazines, podcasts and webinars can be created inexpensively by you and distributed electronically, through email and social media. Software applications can be easily downloaded that help create websites, digital videos and presentations. Websites can incorporate wikis, blogs and communities. Live global webcasts (digitally streamed conferences that enable participants to join in) can be conducted from your living room!

Little co Big Co. provides comprehensive training on creating contemporary branding and marketing strategies, including how to create best-practice:

- e-brochures and e-guides
- e-magazines
- websites with wikis, communities and blogs
- videos – including head shot and presentation videos
- Tele-seminars
- Social media promotions (LinkedIn, Twitter, Facebook, Google Plus, etc.)
- webinars
- podcasts
- webcasts

Co-branding and finding affiliate companies that can help promote your offer are important to helping establish and grow your electronic customer base. Tips to establish affiliates and partners are also provided in full in **Little co Big Co.**

4.1 Creating a global brand and identity

A culturally relative, contextually sensitive approach to international branding should be taken, that considers different perceptions of brand. (19)

This includes, but not restricted to:

- Individualist themes are more favourable in USA, collectivist themes more favourable in China (20)

- Countries in which male and female roles are still traditional prefer brand personality that focuses on 'power and success' over 'team work and fair' (21)

- Japanese cultures prefer more subtlety in communications than USA or Northern Europe (18)

- In the UK, Austria and the Netherlands, the dimensions of 'collectivism' and 'power orientation' differ significantly from Asian-based countries (21)

- The USA shows significant differences in 'power distance' and 'performance orientation' from many other countries (21)

- The youth segment is relatively culturally homogeneous (22)

- Women tend to learn differently to men because their brains are 'wired' differently. Women are more likely to pick up the 'gist' while men prefer the 'detail' (4)

- References to cultural identity is popular in Belgium, Catalonia, Brittany, Scotland, Kosovo, and Usual Hernia (Basque country), which are all associated with the invention of consumer traditions (23) and have a growing interest in local cultural roots and identity systems (24)

Further cultural sensitivities and nuances relevant for marketing communications can be found in Global Conversations© (enquire at info@acoaffair.com).

Globalisation generally increases the value of a brand and enables you to benefit from transnational efficiencies in advertising. It is particularly successful when targeted at markets with an open mindset to becoming global, such as South Africa or Australia. Local brands will tend to remain more popular in countries that wish to remain different, such as France or Greece. (15)

In becoming 'global', your brand should focus on common values across cultures. For example, *Cosmopolitan* magazine advertisements consist of more standardised elements (i.e. advertising copy and models) than domestic advertisements. (15)

A successful global brand must have a name that is easy to pronounce in different languages. It must be cultural and language neutral. For example, Rolls Royce Silver Mist name sounds strange in Germany, where 'mist' means 'manure', as does the Finnish toilet paper, 'Krapp', in English speaking countries. (15)

Internet analysis of popular songs, films, literature, theatre, the internet and other media forms generates a repertoire of cultural attributes that can be used when creating and positioning a brand. (19)

Try to avoid using generic words for branding, as it will be harder to legally protect it.

4.2 Create your brand to convey value and build equity.

Branding can increase your offers' value.

You brand equity – or brand value – will be higher if you can create a brand that has an appealing personality and is easy to remember. (4)

Your brand should convey your offers' points of differentiation. Even if there is little differentiation, use your brand to create the illusion of one when consumers perceive a higher value, then they will likely pay a higher price. For example, household cleaning products, shampoos, tampons and garbage bags have little or no differentiation in their products; however, many use brands and packaging that intimate a unique value proposition.

Brands can create value proposition by promoting length of time in the market (Kellogg's cereals), a higher quality (Toyota), an image that appeals to the younger people (Nike) or a higher psychosocial connection through celebrity endorsements (Castrol lubricants). Brands may refer to a specific ingredient, claiming that ingredient to provide a unique taste that is 'preferred' to other tastes (Kronennburg 1664 beer).

A strong and favourable corporate brand is becoming an important discriminator in an increasingly competitive environment. A leading industrial brand name can command a price premium of 6.8% over the average industrial brand and 14% over a new, unknown brand. Attributes that indicate a higher quality, such as supplier's reputation and perceived product reliability, are generally more important to brand equity than tangible attributes such as price. (17)

Brand names and other elements such as logos, symbols, jingles, spokespeople and packages, should be memorable, meaningful, likeable, adaptable, repeatable, transferrable and protectable. (15) A good brand name is easy to say, spell and recall – excellent examples are 'Dell' or 'Ford'. Using visual stimulation, such as colour and animation, auditory stimulation like music, and even olfactory stimulation (if possible) will be more likely to increase the memory of your brand. Emotive stories and jingles that repeat are also effective. (4)

Brand elements should reinforce the brand attributes; for example, Nike reinforces the concept of using its products to win in sport through its 'Just Do It' campaign.

If a consumer brand name becomes really successful it can become a household name, which generates even greater brand equity. For example, Hoover is a name given to all vacuum cleaners and Aspirin to a range of off-the-shelf pain killers.

The less specific the band name, the easier it will be to transpose the brand name across a portfolio of offers. For example, Nivea could extend its brand range to shampoos, but Head & Shoulders would have difficulty trying to extend its brand to skin care. (18)

Table 9 summarises a range of attributes that successful global brands must incorporate:

Table 9: Successful brand attribute summary

Well-known successful global brands include:	• Apple • Nike • Coca-Cola • Gillette
Successful brands generate:	• High brand equity (=value) • High offer loyalty • A deep (consumers are very familiar with the offer) and broad (consumers are also aware of the related brands e.g. apple iPods, iPads, iPhones, etc.) brand awareness with consumers • A positive 'means-end' experience for the consumer: e.g. the McDonald's low-fat range = less calories, which leads to a means-end experience of 'I feel better about myself'
Successful brands are all characterised by:	• Easily identifiable symbolism • Global and cultural sensitivity • Trademarks and patents • Guidelines that reflect regional considerations and convey a **perception** of: – High quality – Market positioning: low price or differentiation (or both) – Consistent Offer – Meeting of consumer needs – Attributes and benefits – Style – Price – Quality – Fulfillment of a psycho-social needs (e.g. 'I feel I have the best product on the market if I have Apple product'. *Note: this aligns with differentiation positioning strategy.* – Personality that matches the offer (e.g. Nike 'Just Do It' conveys a personality of 'striving to win')

4.3 Consider developing a brand portfolio

The competitive position of your company can be improved if a range of market positions are targeted. (26)

As you grow, a branded portfolio can accommodate a broader selection of consumer segments, deter competition, create a dominant presence by crowding out competitors and enhance the image of your parent brand.

You may decide to leverage the equity benefits and costs of your original brand by introducing new offers under the same brand name, as a **line extension**. This strategy is appropriate when existing brand equity is strong. Coke Zero and Yoplait low-fat yoghurt are examples of this strategy. Similarly Gatorade introduced

Gatorade Be Tough, Gatorade G2 and Gatorade Bring It, to appeal to different tastes. Provided the original brand name does not lose its meaning and clear position and is not cannibalised by the new product, then sales of line extensions can even help increase sales of your original product.

A brand portfolio is the set of all brands and brand lines owned by an organisation. Brands in a portfolio typically serve different functions and can be classified as **bastion, flanker and fighter brands**. Bastions follow a premium price strategy and provide the most profit for the corporation. They generally have high psycho-social meaning and are considered high performance, positioned in the 'differentiation' categories of Bowman's Positioning Clock. A flanker brand typically appeals to a high quality but smaller niche segment. Marriott hotels offer Marriott Edison hotels, which provide luxury amenities for a premium price (bastion brand) while also providing courtyard hotels for the economy minded (flanker brand). A fighter brand is added to confront competitive brands in a product class. For example, Mattel launched its Flava brand of hip hop dolls to combat the growing popularity of Bratz dolls, targeted at the same segment. (15)

4.4 Create a marketing campaign that shows your offer is better than competitors

Integrated marketing campaigns should direct people to form positive conclusions about your offer ahead of your competitor's offers.

Your campaign must convey that your offer meets consumers' needs in terms of its attributes, price and personality. It must also evoke positive 'means-end' identification. Using the promotion of a low-calorie chocolate as an example, consumers must be persuaded to think 'If I eat this low-calorie chocolate, then I will put on less weight, therefore I will be happier'. (15)

4.5 Use content that's arresting

Use best-practice key messages and communications content.

Typically, campaigns are managed and governed as projects, integrating objectives and goals to activities which aggregate key messages and communications channels.

As behavioural profiles and learning styles of individuals and corporations tend to vary across industries and regions, so too should communications messaging, in content, tone and style. A rapidly evolving high technology company will likely respond differently to communications than traditional conservative industries.

Below are listed a number of common recommendations for best-practice integrated marketing content (Table 10):

Recommendation	Explanation of content	Example
Urgency	Establish reasons for your consumers to need the product RIGHT NOW	'If you aren't using a branded premium fuel, then you may damage your car'
Emotionality	Many studies show that the more the message resonates at an emotional level, the more it will be remembered. This must be balanced with an understanding of cultural behavioural profile or your industries learning style	Some Asian cultures may be offended by eroticism in advertisements
Music and jingles	Music helps create brand awareness and establish deep brand awareness, leading to 'top of mind' recall	'Happy Little Vegemite' 'Dumb Ways to Die'
Creativity	Helps to establish a brand personality. Humour tends to be more useful for existing brands rather than new brands (De Pelsmacker & Guens, 2010)	In Spain, a successful advertisement to get children to watch less TV showed a child watching TV and a dog watching him. When the kid did nothing the dog packed his bags and left Beer ads can also be very creative, generating a lasting impression
Storytelling	Heart-felt storytelling helps consumers to connect emotionally in addition to providing a comparison or benchmark for them	Insurance companies often use emotive 'real-life' storytelling to convey the importance of having adequate insurance in a crisis
Consumer participation	A very effective method in brand and content creation is to get consumers to contribute video/ photo/ story to build your brand	M&Ms were very successful in the branded campaign, inviting consumers to upload their photo into storyline, which was later used as advertisements (25)
Cultural Sensitivity	Words and sentences have different meanings and impacts in different cultures and regions	Countries with more conservative and traditional male/female roles are more heavily influenced by communications conveying 'power', 'authority', and 'masculine'

The target segment research against behavioural change models outlined in Chapter 2 helps to determine how your campaign should be implemented. Examples of campaign strategies are provided in Table 11.

Table 11 - Campaign strategies according to target market segment 'stage of behavioural change'

Target market segment - stage of change	Some useful campaign strategies to combat barriers, beliefs and competing behaviours	Campaign Example
Consumers who are at 'Pre-contemplation': This group of consumers have not yet considered purchasing your offer or other similar offers	If research has established that a reason for lack of contemplation is because people are unaware of the offer and the offer is not a 'social norm': Useful campaign strategies may be to involve consumers in collective group surveys; make the 'point of sale' more accessible to consumers, solicit government sponsorship or celebrity endorsement, and to provide information about the offer benefits.	To promote new 'high class' green bags for supermarket shopping to men, a good campaign strategy may be to make green bags available as men get out of their vehicle at the supermarket, or in the men's rooms in offices and sporting locations or to offer households 'free door drops' along with brochures of information. Another useful strategy may be to lobby government for incentives and penalties associated with consumer use of disposable plastic bags.
Contemplation: This group of consumers is aware of your offer and its benefits but is yet to commit to action	If research has identified those consumers perceive a social stigma: Including endorsements from credible sources can be a useful campaign strategy	For a new small car offer: one target market segment may be office based men whose jobs involve little driving. While this segment may agree to the lower cost associated with a small car, such consumers may find the switch to a smaller car difficult for social reasons. The campaign strategy may therefore use endorsements from high-profile sporting celebrities, whose opinion matters to such a target market segment.
Preparation: This group of consumers is making a plan to purchase your offer	The closer a target segment is to taking 'action', the more 'trials and experiences' are used to persuade the consumer to purchase the offer.	For a new premium beer offer: the consumer that already drinks premium beer is more likely to purchase a new premium beer than a consumer that currently only drinks wine. As such, trials and good quality product endorsements are a more appropriate strategy for beer drinking consumers (who would be classified as 'innovators')
Action: This group has purchased your offer before	Campaign strategies involve recognising and rewarding the action	**For a new spa offer:** Every time you purchase a spa treatment you get a free bottle of massage oil.
Maintenance: This group is continuing to purchase your offer	In order to incentivise consumers to continue purchasing the offer, awards, competitions and switching costs may be incorporated	**New premium fuel offer:** Consumer access to a loyalty reward system for purchasing premium fuel, which leads to cheaper fuel in the future.

4.6 Use cheap but highly effective communications channels

The most significant and exciting development in contemporary marketing is in the area of channel strategy.

The internet, technology, and globalisation have all to significant differences that can be contributed achieved in promoting and distributing a new offer into a marketplace today.

In the past, you would have needed a substantial promotional budget – often up to 20% of the expected sales revenue stream (14) – to design and deliver push, pull and positioning marketing strategies. Push strategies included advertising across television, newspaper and radio; printed materials such as brochures, billboards, direct sales and direct mail orders. Pull strategies included telephone research, face-to-face focus groups, consumer surveys, mail out questionnaires, launch events and trade fair participation. Popular positioning strategies included sponsorships, competitions and sweepstakes. Target markets were generally constrained to existing prospect lists, or purchased from marketing list providers.

Today, however, electronic channels can be assembled far more quickly and cost effectively to promote offers to an even broader, genuinely global market place. Table 12: Summary of electronic IMC channels

Table 12 summarises these electronic channels.

Marketing communications promotional channel strategy	Details
Digital photos and videos	Digital format photos and videos are convenient and inexpensive to produce, being also available on smart phones
Blogs	When combined with an effective web presence, blogs enable any individual to write and reach an infinite audience. Audiences can also respond through comments creating a two-way conversation
Wikis	Wikis enable two or more people to co-create a document. This can be useful for a variety of purposes (aka Wikipedia)
Communities	Communities can be established to create greater offer engagement via the internet between: • Senior management and consumers • Technical staff and consumers • Sales staff and consumers • Consumers and consumers
E-books	Online books can be created on websites, and uploaded to emails / social media or squeeze pages, where they can be accessed via computer or mobile application
E-magazines	E-magazines can be created in the Apple iStore for very little cost. They can also be marketed by social media/ email or squeeze pages
Webinars	Webinars can be recorded and later sent via email or uploaded to websites for access

Podcasts	Communications can be recorded onto podcast where they can be downloaded onto smart phone and computers and accessed for listening via email or social media
High-quality presentations that can be made into videos	Most standard software packages incorporate presentation materials at zero cost. Some companies offer services to help organisations produce higher-quality presentations that can be made available electronically and via social media
Competitions	Can be established on corporate website or via mobile application. The offers' packaging can also invite consumers to participate in competitions. Competitions can also be used to help establish promotional and branded materials (see M&Ms example)
Games	Websites and mobile applications can incorporate games that act to promote an offer. This can be particularly useful when marketing to a younger global audience (which also benefits from little cultural sensitivity, as noted above)
Electronic postcards	A simple but effective promotional tool using digital media that can be distributed virally
Live Webcasts	This is the future of communications, enabling people from all over the world to link up through digital video
Website including banner ads, links, RSS feeds	A branded corporate web presence can be established and hosted for relatively little cost. It can provide information about the organisation and its offers via banner ads, links and RSS feeds. It can also host communities and chat rooms and be used as a central source for co-creating marketing solutions with consumers
Mobile applications including games	Mobile applications can also be a useful source for promotional games and competitions, that are commonly played through mobile phone or tablet
YouTube videos	Digital videos can be uploaded at zero cost on to YouTube for viewing
Social media including blogs and micro-blogs (Linked-In, Twitter, Facebook, etc.)	Blogs and micro blogs can be produced and read instantaneously, through computer, smart phone, or tablet access
Co-branding with partners	Advertising on partners' websites and other promotional materials
Affiliate marketing	Promoting other organisations, those have the potential to lead to sales of the organisation's offer
Measurement/Analysis/ Surveys	Websites and other software applications provide analytical information, to determine how well a promotion is being received, at zero or very little additional cost

Among the more effective in persuading consumers to purchase your product are **blogs, webinars, podcasts, online communities and chat rooms**. This is because relationships help to stimulate interest and attention. (4) Electronic channels enable consumers to converse directly and immediately with you, sales staff, technical specialists and other satisfied consumers.

Digital media will facilitate the promotion of your offer via powerful and effective visual and auditory mechanisms. Digital photos, videos and audios can be used to share stories of interest and can easily and simple be uploaded to websites or sent via email or loud storage solutions and used to replace expensive traditional advertising.

Webcasts are the medium of the future, enabling live global conversations to occur through live video streaming. It's like two-way television, where the viewers get to ask questions and have them answered in real time. Webcasts can also be a cost-effective way to host international conferences.

Customers can also participate in a powerful way to help shape your brand and marketing. M&Ms were successful in creating a promotion that required building an image of an M&M character using their own photos and reasons for why they would choose M&Ms. This led to an enriched consumer engagement with the brand and organisation. Further, each consumer that participated was sent a postcard with their personalised character, which could be distributed virally, providing influential 'word- of- mouth' marketing. Afterwards, the evaluation of the promotional activity utilised embedded web-based analytics, thereby providing helpful feedback to ensure the offer remained consumer-led.

Mobile and tablet friendly applications can be relatively simple to create and enable consumers to access your electronic offers (such as e-magazines, e-books, podcasts, webcasts, etc.) at any time, via smart phone or tablet. Mobile applications can also be used to create interactive games or to promote competitions.

Cultural and regional differences must be considered when selecting channels. For example, some consumers may have regular access to social media networks and communities, while others may be more dependent on monthly trade magazine. It is therefore important to consider augmenting digital strategies with printed materials and other traditional channels.

The effective use of digital channels will create **cost advantages**. It can even lead to rationalisation of direct personal sales staff, creating cost advantages. **Little co, Big CO** - Costimise© suggests a useful tool for determining how on-road sales staff may be effectively streamlined and teams made more cost effective.

While electronic promotional channels are vital in modern organisations, it is important to monitor digital communities for brand protection, particularly with the threat of viral spread.

Other non-electronic major marketing communication channels are still relevant to consider when planning integrated marketing campaigns (Table 13). While many of these are more expensive than electronic channels, some can also be very cost effective. Such channels include flash mobs and public art sponsorship. Trade and community publications, press releases and radio are also relatively inexpensive media channels.

Table 13: Summary of non-electronic IMC channels Source: Lee and Kotler (2011)

Advertising (paid media and unpaid public service announcements)			
Broadcast	TV	**Outdoor**	Billboards
	Radio		Train station boards
Print	Newspaper		Bus shelter displays
	Magazine		Taxis
Direct Mail	Paycheck stuffers		Sports Events
	Back of Tickets		Banners

	Ads in Theatres		Free Postcard Racks
Printed Materials	Brochures		Kiosks
	Newsletter		Toilet stalls
	Catalogues		Airport billboards
	Posters		Truck side advertising
	Calendars	**Special Events**	Meetings
	Envelope messages		Speaker bureaus
	Booklets		Conferences
	Bumper Stickers		Exhibits
	Static Stickers		Health screenings
Public Relations and special events	Stories on TV and Radio	**Special Promotions Items**	Demonstrations
	Articles in news and magazines	Clothing	Hats, T-shirts, bibs, etc.
	Community relations / Public affairs	Temporary items	Coffee cup sleeves, bar coasters, brooches, temporary tattoos, balloons, sports cards
	Lobbying	Functional Items	Key chains, flashlights, refrigerator magnets, water bottles, litter bags, pens, bookmarks, notepads, door hangers
	Videos	**Personal selling**	Face-to-Face, presentations, speakers, bureaus
	Media Advocacy		Telephone
Signage and displays	Road Signs		Workshops, seminars, training sessions
	Retail signs		
Popular and entertainment media			
Songs	Public art	Comic Books	Product Integration
Flash mobs	Movie Scripts, TV or radio programs	Video Games	

NAB produced a successful, award-winning campaign utilising a range of inexpensive media. At launch day of their 'Break Up' campaign, street theatre/ flash mobs performed in city centres; DVD hand-outs with love songs were made in commuter corridors; cakes were sent to the CEOs of other banks; and a variety of creative YouTube advertisements were posted, which resulted in a viral distribution that exceeded marketing expectations. Blogs and communities were established on the corporate websites to complement radio advertisements.

You should also consider **co-branding** and **affiliate marketing** with suppliers and other relevant partners. This is a particularly useful strategy for promoting to new global markets where an organisation has no brand identity.

Co-branding includes advertising on supplier, partner, reseller websites, and using affiliate databases for direct and personal sales via email. It also includes combining offers to provide your consumers with integrated experiences. For example, Trek bikes arranged for Volkswagen to offer free Trek bikes with every purchase of a Volkswagen in South America, where Trek bikes had previously had no brand presence.

Overall, the opportunities for you to create contemporary, engaging, far-reaching and cost-effective integrated marketing campaign strategies are not only significant, but the methods are also groundbreaking.

Next Steps - Commun-e-cation and brand

- Develop brand and identity using free or low-cost design packages and designers for the logo/ look (Adobe; Design Crowd)

- Incorporate successful brand attributes (Table 9)

- Follow messaging content tips from Table 10 and programs such as Commun-i-cate (via www.acoaffair.com or email info@acoaffair.com).

- Develop a contemporary and low-cost global integrated electronic branded marketing campaign for global reach and scale (Refer table 12)

    A. Target different segments according to their stage of change (Table 11). Market to those who are most likely to take action and purchase your product first. Not only is this where you will get your first sales, but these people are the 'innovators' who will help you to market to others.

    B. Use e-documents (e-guides, e-brochures and e-newsletters) instead of printed media.

    C. Develop online interactive promotions, seminars and workshops (these are cheaper to develop and can be carried across a far broader platform than live promotions, seminars and workshops).

    D. Use free online channels such as e-mail, social media, internet to distribute (*more in Chapter 5 - Global Coverage*).

    E. Sign up for Little co Big CO. (or Commun-e-cate) to learn how to create electronic promotional tools – from e-brochures to webcasts.

- Ensure your brand, marketing content and channels are culturally sensitive. Become a member of the Global Conversations group for free at www.acoaffair.com.

Chapter 5 Global Coverage and suppliers

Setting up a Little Co

If you have ever felt that you have something to teach other people, then now is the time to do it and make a global business out of it.

As commented on in previous chapters, there are a number of industries with organisations that are rapidly losing market power. Such industries include, but certainly not restricted to, media, educational, training, brokerage and consulting. (27)

Education, training, media, consulting and other information-based products, in particular, can be developed, promoted and distributed by anyone with access to a computer and internet. Products such as e-books, online interactive e-learning modules and e-magazines can be developed online and linked to automatic e-mail distribution (e.g. AWeber) and payment processes (e.g PayPal) that immediately forward the product to, and take payment from, the customer.

For example, you may come up with an idea (Chapter 1) that you want to teach women who stay at home to look after their children how to start their own internet-based business:

- You decide that there is a viable marketplace and that you can create a differentiated and competitive offer (Chapter 2) by including a module designed to help give mothers greater confidence and include a free networking event with every training program purchased, where mothers can meet each other to discuss their ideas.

- You then conceive your brand and offer (Chapter 3), developing the 'Grow Mum' training course and networking group. After careful internet research you create some goals, including a goal to have 2000 paid customers by the end of two years.

- Your offer is produced in the form of an e-book, a book, an online training course, a DVD course, a regular podcast, an monthly webinar, an annual webcast (for those that can't attend the event live) and a bi-annual e-magazine (Chapter 4). You develop a marketing plan that will use push, pull and positing tactics that are mainly digital, utilising social media, email lists and opt-in pages, internet search optimisation and digital advertising through partners (Chapter 4).

- Finally, you begin to make some sales. Customers order online from your internet site. Distribution of e-books, e-magazines, podcasts and mobile applications is made directly via email or can be downloaded from your internet site upon payment. Your books, DVDs and CDs are mailed to their home addresses. Your live webinars, teleconferences, and webcasts are provided to customers via links that they receive from you electronically.

A summary of electronic distribution channels that can be used for global distribution can be found in Table 14.

Table 14: Summary of electronic distribution channels for information/ training/education based products

Email databases	An email database is one of the most valuable distribution tools for digital publishing products Emails and other marketing 'squeeze pages' can be distributed via email database
Website links including blogs, wikis, communities, digital media linkage and analytics	Blogs, e-books, e-magazines, e-mail, webinars and podcasts can be linked to a website and make these available for download. Websites also provide offer distribution evaluation analytics.
Mobile applications	Mobile applications are becoming increasingly popular, enabling any person to access any electronic information anytime, such as e-magazines and websites.
YouTube	YouTube videos can be linked to a website, distributed electronically (email and social media), or accessed from the YouTube application
Social media (LinkedIn, Twitter, Facebook, etc.)	Social media can be accessed via computer, smart phone or tablet and used to link most digital medias and electronic books/ magazines for distribution
Affiliates and partnerships	Partners can be suppliers (such as Amazon) or other companies with a related interest that can also distribute your published materials, perhaps for a commission

Lessons from the Big CO

5.1 Purchase supplies more cheaply over the internet and simplify your supply chain

Suppliers are getting cheaper, there are more of them and they can come from anywhere in the world.

Companies can today access global markets to purchase cheaper or superior goods and services. This helps to streamline and rationalise the supply chain, often creating simpler processes as well as cost savings.

Many companies are rationalising supply chains by developing their technology to harness efficiencies and automate processes (i.e. online ordering, automatic invoice generating, inventory and financial ledger maintenance and automatic distribution systems).

As trade is becoming increasingly globalised, new supplier markets are becoming available. The more suppliers there are available, the more power your organisation has to select supplies based on price or other attributes, leading to cost advantages.

Increasingly, new and developing markets are becoming capable of supplying an equivalent good or service at a lower price than for developed economies, such as USA, Australia and Europe. There are now many more examples beyond cheap supply of manufactured products and call centre services, from China and India respectively.

A number of very experienced consultants are experts in supply chain efficiency. These consultants can often also help with your research needs, through the provision of inexpensive internet-based reports.

The following are examples of some common suppliers required for start-up companies in the education/ information/ media/ consulting and training industries:

1. Product development

- Computer hardware (e.g. Apple MAC)

- Presentation, PDF and word processing software (e.g. PowerPoint/ Keynote)

- Microphone for computer

- HDV Camera (perhaps fees for a camera man)

- Lighting and back screen for camera

- Trademarks and copyright fees

- Website development costs (e.g. Wix, Wordpress)

- Website hosting (e.g. Hostgator)

- Email database hosting (e.g. AWeber)

- Video and presentation hosting (e.g. Vimeo)

- Consulting and training fees

- Design agency if necessary (e.g. Design crowd)

- Business cards and other printed materials

- E-book hosting (e.g. Amason)

- Teleconference/ webinar hosting

- Webcast hosting

2. Overhead

- Company establishment – company registration, accountant, lawyer

- Training and research

- Establish a source of funds

- Office and office equipment

- Filing system (physical and online)

- Printing and stationery

- Postage

- Payment transactions and merchants

3. Marketing and sales

- Landing/ squeeze/opt-in pages (e.g. Optimise Press)

- Brand and communication consulting if necessary (e.g. Commun-i-cate/ Commun-e-cate)

- Mobile applications, games and competitions

- Co-branding with partners and affiliates

- Merchants and online sales rooms (e.g PayPal, Click-bank)

4. Distribution suppliers

- DVD, CD packaging and delivery (disk.com, FedEx)

- Publisher

A detailed list of the conditions of action required to run a small, global organisation is provided in **Little co Big CO -** Global Coverage and Suppliers (module 5).

5.2 Create a business where people can order your offer from anywhere in the world

Many products can now be ordered from and distributed to anywhere on the planet.

The internet enables customers to order online from any location on the planet, via corporate website e-commerce WebPages. This helps to improve your competitive scale and scope, which in turn often leads to greater market power.

Distribution can go directly from the source of offer development (i.e. the 'manufacturer') or it can be channelled via distributors and wholesalers before reaching the 'retailer', where it is purchased by the consumer.

5.3 Create a business using electronic products and internet-based services

Electronic products and online services provide you with immediate payment on purchasing, eliminating the need for debtors or the need to chase up payment.

There is a relatively low cost to establish and market electronic products globally and payment can be taken immediately, in any currency. This helps also to make your idea a fantastic business

The window of opportunity for individual publishers, trainers, brokers and other consultants is, however, beginning to close, as these industries are becoming increasingly competitive due to the ease with which competitors can enter the market.

Next Steps - Global Coverage

✓ Develop E-commerce pages on your website at virtually no cost, that enable any consumer globally to purchase your offer at any time.

✓ Use the internet to select suppliers from virtually anywhere on the planet, giving you better control over cost and quality.

✓ Use email databases and squeeze/ landing pages to develop global prospect, sales and distribution email lists (Table 14)

✓ Don't delay. Remember that there has never been a better time to compete with large companies involved in supplying information and training, such as media companies, educational institutions, brokerages, and consultancies; however, the window of opportunity is closing.

✓ More information about what you need in order to establish an e-commerce site, distribution channels (such including squeeze pages, merchants, etc.) and other relevant reports can be found in **Little co, Big CO© - Coverage** (module 5)

Chapter 6 - Costs, prices and profit

Starting up a Little co

6.1 Build a financial forecast

It's important to build financial forecasts, as this will provide you with the information you need to select the right pricing strategy, source funds for expansion and develop the right marketing plan.

Forecasting should be built from the 'bottom up' in order to be meaningful. Bottom Up forecasting methods are detailed in **Little co, Big CO- Costimise ©** – module 6, which shows step by step how to build up integrated financial statements (income, balance sheet and cash flow), compare these financials to industry metrics and draw conclusions based on statements.

The costs that will need to be integrated into financial statements include costs for all those suppliers listed in **Chapter 5 - product, overhead, sales, marketing and distribution costs** – in addition to any opportunity cost or lost income suffered from not being employed in alternative work while establishing your own global Co.

Small organisations are likely to have lower fixed costs to factor into profit calculation, due mainly to the smaller size of overheads compared to large organisations.

6.2 Calculate the break-even price and your contribution margin

New businesses can be naïve about pricing. Directors can panic when sales are low, lower prices and get sucked into price wars, forgetting that they must always charge, on average, more than the break-even unit cost of production.

Price is a determinant of whether an organisation profits or not. An offer's price must at least cover the unit variable costs, otherwise for each product or service unit sold, there will be a loss.

It is vital to calculate the break-even cost per unit of offer over its estimated lifecycle, which is reached when all the fixed and variable costs for any given volume of sales can be matched by the sales revenue (at P). In other words, an organisation can only begin to profit at the number of units sold represented by Q.
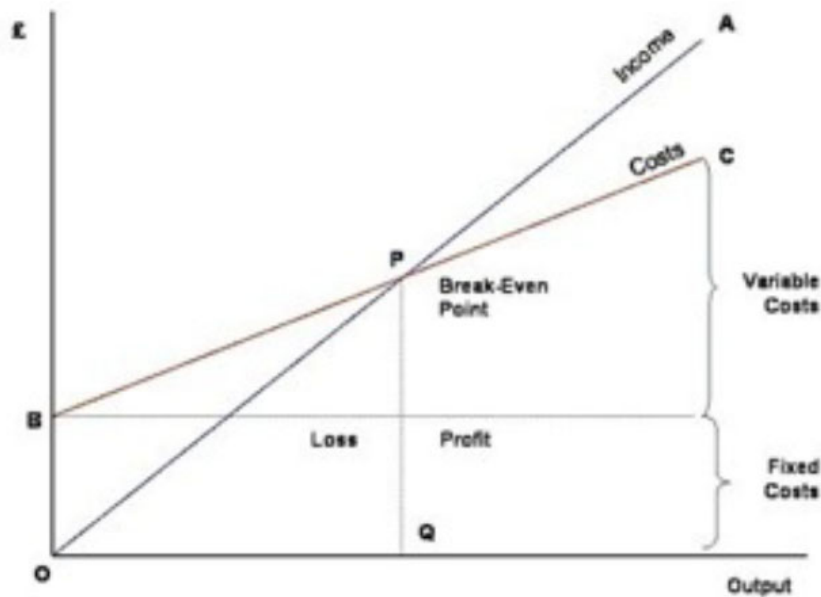
Exhibit 4: Break even cost per unit analysis graph
source: Strategic Marketing Problems, Karin, R. and Peterson R. (2013) p. 54:

Line OA= Revenue (at any given level of output)
Line BC = Costs (at any given level of output)

B = minimum costs, representing all the fixed costs

Sales below volume Q will mean the company makes a loss
Sales above volume Q will generate a profit

The **unit contribution margin** is:

$$\frac{\text{Unit selling price-unit variable cost}}{\text{Unit selling price}}$$

The unit contribution margin and break-even price will help to determine the price floor, or lowest price that you should ever be charging.

6.3 Choose the right pricing strategy

Find the price ceiling by determining what competitors and regulators are setting. Then select a pricing strategy.

Demand for your product or service – established through consumer perceptions and buyer price sensitivity – is the best indicator for setting the **price ceiling, or highest price that can be charged**.

If the offer is unique and at the beginning of its 'S-Curve' (Chapter 2) with very few competitors, and an estimated high level of demand, then you can adopt a **skimming price strategy**. This strategy sets the price higher at offer launch, attracting the innovators and early adopters. As the offer moves along its S-Curve, attracting more competitors, your price can then be lowered.

If the offer is not unique and many competitors exist with similar offers, then a **penetration pricing** strategy is recommended. This means that prices should be **set lower than competitors**, in order to attract buyers, but not lower than the break-even price.

Lessons from the Big CO

When an organisation has a range of offers or a brand portfolio, in order to determine the overall break-even volumes of sales required for an organisation, the unit contribution is measured for each product and averaged out across the range.

In determining which offers are providing the highest profit, contribution margins are applied to individual offer volume sales.

Sometimes when organisations introduce new products into the market, another product in the range can be cannibalised. Understanding the differences in unit contribution helps to determine the net profit impact of cannibalisation. Some products or services may be used to stimulate the demand of another product or service with a higher contribution margin, as a 'loss leader'.

For example, a brewery may introduce a new premium beer into its range of premium beers. It may select to penetrate the market with a pricing strategy that reflects the consumers' perception of value (driven by branding) but also competes with the many other premium beer offers. Thus, the price will likely be at a small discount from its relatively high price demand ceiling. The new beer may take sales away from one of While profit is important, other factors must be considered when determining pricing strategies, such as enhancing brand image, improving customer value, obtaining an adequate return on investment and maintaining price stability in an industry or market. its other closely competing products, which has a higher contribution margin. The net difference in contribution margin multiplied by the sales lost from the other competing product will have to be considered against overall sales, in order to determine overall profitability.

For some products, price influences perceptions of quality. TAG Huer is a case in point – increasing its price for a range of watches from $250 to $1000 and creating more sales through perceptions of increased quality and other 'psycho-social' influences. (14)

Price elasticity is a measure of how sensitive consumers are to changes in prices. It therefore contributes to determining the price strategy over time. If a product has no or few substitutes, many uses and represents a low portion of a consumer's income, then it's more likely to be price inelastic. In other words, consumers are not sensitive to changes in price – if the price increases, they are still likely to continue to demand the offer. 'Tough Mudder', gruelling obstacle course races designed by British special forces agents, is a good example of a product with few substitutes that generally represents a low proportion of a typical car owner's income. (28) A 'skimming' pricing strategy may be deemed appropriate, whereby a product or service is introduced at a high price and lowered over time, as the product moves along its S-Curve and more and more competitors enter the market.

A 'skimming' price strategy (14) is used when:

- Demand is relatively inelastic

- The offer has unique sources of competitive advantage; for example, it may be protected by trade market

- Cost to develop the offers aren't transparent to consumers or competitors

- There is perceived value in the offer

Where a product has many substitutes, few alternatives uses and costs a high proportion of the consumer's income, it is more likely to be **price elastic**. This means that only small increases in the price could lead to a large loss in customers and sales, or a small decrease in price could lead to a large increase in sales. For such a product a **penetration pricing strategy** (14) is more appropriate, with the objective to obtain rapid market growth. Amazon used this strategy when it introduced its tablet at a price that was one third of competitor offer prices.

The more elastic the demand, coupled with high levels of transparency in competitor pricing and declining industry costs, the more likely that **price wars** can occur, where the lowering of prices gets matched by competitors, which can quickly lead to organisational and industry failure. In general, prices should not be lowered unless they have a cost advantage over competitors, the overall market will grow in size if the price is lowered, or the price cut is confined to just a subset of consumers. When products begin to enter their mature phase in the S-Curve or product lifecycle they are more likely to be subjected to price wars. (14)

6.4 Building financial forecasts

A number of common mistakes can be made when building financial forecasts.

Revenue forecasting can be over-optimistic. It's important to have a very clear understanding of target market segments' revenue drivers, including their barriers to purchasing and beliefs.

It is common to underestimate costs. It is easy to misinterpret how much infrastructure is required (i.e. employees, locations, other assets) to sustain higher sales as a product's uptake in the market grows.

It is important to be mindful of the lead time that occurs between establishment of a business and first cash received. For example, a new offer of a business coaching workshop won't be operating at capacity probably for many sessions.

Margins – such as gross margin and net margin – and other common financial ratios should be estimated based on margins and ratios from comparable industries. For example, if typical travel book sales attract a 10% net margin, then the financials for a new travel and leisure e-book should reflect something very similar. (12)

Net Present Value is traditionally a popular method for assessing the investment value of a project. It describes todays' value of estimated future income streams from a project, under an agreed – and often extensive – set of assumptions. However, given the pace of change today, you should be more prepared to trial, experiment and reiterate products without the detailed financial analysis up front; instead **adopting shorter-term measurements for investment value** (5) (*Chapter 2- Competitive Advantage*).

☒ Never set a price lower than break-even price (unless you have a portfolio of goods and can afford to use a product as a 'loss leader' to stimulate the demand of other goods). The break-even price is generally the price floor.

☒ Establish a price ceiling by considering:

    o what competitors are setting for similar offers

    o any government regulations or other price restrictions

    o the level of target market segments' perceived value to customers over your competitors

    o the position on the S-Curve or lifecycle (the closer to the beginning of the S-Curve, the higher the price)

    o the relative quality of the offer

☒ Use a 'skimming' price strategy, where you start with a relatively high price and lower it as competitors enter the market over time providing:

    o Your offer has a unique source of advantage

    o Costs aren't transparent to competitors

    o The demand for the offer is inelastic

☒ Calculate your estimated financials over a three-to-five-year period using the selected price(s) and cost on a spread sheet and follow the bottom up financial forecasting guide in Little co, Big CO.

☒ Complete *module 6 - Costimise* in order to prepare your financials

Chapter 7- Continuous Improvement

Growing from a Little co to a Big CO

7.1 Change must be actively managed

Making successful organisational changes requires substantial people management.

In order to grow over time into a global organisation, your company will undergo internal changes to organisational design, strategies, products, processes and people. You may need to introduce another new offer, generating new sources of income, profit and market power. You will probably also need to continually improve internal efficiencies, through streamlining and simplification.

An effective change management practice is critical for successful transformation of organisations. It is important for leaders to ensure that people cope as well as possible with change, for without it, there can be many costs, including failure to make the changes required. A number of frameworks for managing change are referred to in *Co Solution no. 1- Cost Conscious solutions for Competitive advantage*.

After an initial period of excitement, workplace changes can cause fear and doubt in people, leading to negative emotions such as denial, anger and depression. This generates a loss in motivation and dip in productivity, until a sufficient period of time has passed when negative emotions rescind and individuals accept that change has occurred. At that point, people begin to integrate the change, feeling more positive and motivated, leading to higher productivity. (17)
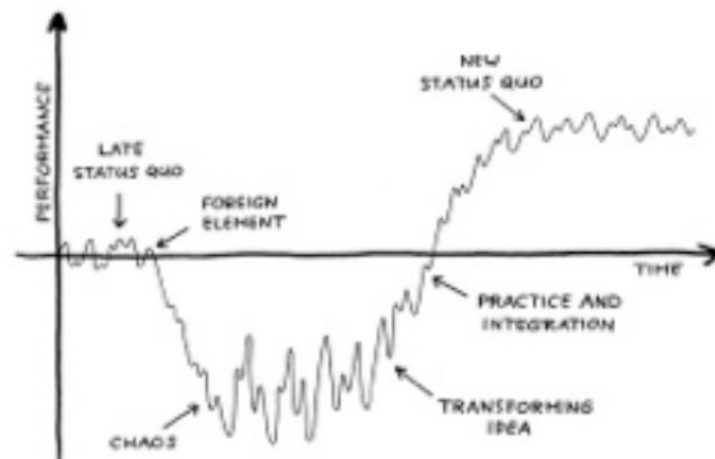
Exhibit 3: Satirs change curve
source: www.ucl.co.uk

The following general principles apply to change and transformation (39):

1. Change strategies should be produced which take into account people, substance and context.
2. Major change takes time.
3. Different people experience change in different ways.
4. Learning from feedback from both successful and unsuccessful change is critical.
5. Employees must be trained on any new methods or procedures.
6. Communications must be ongoing, clear and consistent.
7. Change is a political process requiring support and a powerful coalition.

> **Co** is a prefix meaning together, with, jointly
> **Co** for Co-operation, Collaboration, Compassion,
> and Commitment.
> **Co** for Competitive advantage
> **Co** is the Solution

7.2 Co Culture

As you build your business, you are likely to take on more people. It's vital that you take care to establish the right culture and communications, to enable your people to perform at their best.

Corporate culture is shaped around the organisation's vision, strategies and goals. It encompasses values, leadership style, behaviours, processes, structure, roles and measurement tools. (31) Organisations with specific key cultural characteristics – collectively referred to by the author as a **Co Culture** – are more effective in achieving vision, strategies, goals, improved performance and greater market power.

A Co Culture is defined by a distinct set of values and behaviours that encourage people to:

- ☒ **Co**nnect better together

- ☒ **Co**-create solutions to solve problems

- ☒ **Co**llaborate for innovation

- ☒ **Co**mmit to shared goals for the improved performance of the organisation

- ☒ Display more **Co**mpassion for each other

- ☒ Develop a **Co**mpetitive edge by delivering business results

A Co Culture helps to create a healthy and successful organisation where people share a common purpose, either overcoming an enemy or pursuing a goal. People have the ability to accept new or lose members without feeling the organisation is under threat. They know their role, accountabilities and boundaries. Each member is valued for their diversity and unique contribution and communications is of a high standard, where teams actively collaborate to solve problems, deal with dissent without taking it personally, and achieve other performance outcomes.

Without these characteristics, the organisation can become dysfunctional, which can lead to failure. (32) Eighty percent of organisational cultures exist by accident or default, rather than design. Most are shaped by critical incidents or key events that have happened in the history of the organisation. Many are shaped by key personalities moving through the business.

Organisational performance is more likely to improve when values and beliefs are aligned with the organisation's vision, strategy, and goals, and allowed to manifest through working practices, group dynamics and leadership into expected and actual behaviours. For example, organisations wishing to become more 'customer-centric' need to encourage behaviours that bring customer-focused KPIs to the heart of leadership conversations; empower the front line to make decisions in the best interests of customer service; encourage activities to mirror the customer life-cycle for each segment; and create customer 'solutions' (not 'products') that match the customer value proposition. (34)

Corporate culture can be compared to the behaviour of a tribe. Tribalism refers to a mindset and way of behaving in which people are more loyal to their tribe than to other groups, possessing a strong cultural identity and strong feelings of identity. Tribes are effective in establishing a sense of pride, passion and identity, motivating its members toward achieving a common set of goals while simultaneously dissuading individuals from wandering off, or joining other groups. (39)

Where a Co Culture and tribal culture begin to diverge, however, is in the way that members are kept together as part of the group and aligned with corporate goals.

Tribal cultures often use bullying and coercion as a means to achieve tribe loyalty, ensuring that members stay with the tribe at all costs. Conversely, a Co Culture motivates employees to be committed to performance goals of the organisation, while simultaneously empowering them to be free to 'change tribes'. Motivation is achieved without bullying. This ensures that organisational alumni become future corporate advocates (particularly relevant in today's competitive environment, where corporations are advised to operate with flexible organisational design and groups of contractors performing their 'Tour of Duty'). Improved tribe performance is also achieved, as members experience less mental stress.

Mental stress implications for performance are discussed in detail in *Co Solution no. 2- Core interventions to Combat workplace stress*.

7.3 Co. Leadership

Leadership is one of the most important factors in determining whether organisations will survive and prosper. Co. Leadership is critical to shaping a Co Culture.

People must be able to trust their leader. Leaders establish trust by being authentic, capable and committed to being the most aspiration member of their tribe. They consciously and consistently make the effort to imagine walking in the shoes of the people they are leading. (40)

As a leader, you should take an active listening and coaching rather than directive role, and encourage staff to participate in idea generation and decision making. Involve employees as thought leaders by encouraging them to tell their story (42) , empowering team members (particularly the front line) to make critical decisions and allowing organisational activities to unfold, emerge and self-organise through experimentation and improvisation. (41)

Foster a culture of care, compassion, diversity and consideration for others. Be humble and allow team members to share in profile and leadership responsibilities. Aim to leave a legacy which contributes to improving your organisation, key stakeholders and the community. Strive for solutions which are in the better longer-term interests of the organization. (43).

Don't give yourself all the credit for success. Look to external factors, luck and other influences to explain good performance, which will arm you with information to achieve future successes. (44)

7.4 Co. Mindset

As your organisation grows, cultivating a 'Co' culture, leadership, and mindset is the solution to continuous improvement.

True to the concentric circles analogy, the Co Solution recognises that the mindset necessary to embark on a new adventure and discover a new idea for a business, discussed at Chapter 1, is the same mindset required ensuring that behaviours are optimal for a competitive and continually successful large organisation.

A successful 'Little co' one day should become a 'Big CO'. The cycle from innovation through development, marketing and implementation will likely repeat several times over in order that organisations continue to remain competitive. Industry networks will require active management, further training, and additional research of the competitive landscape and several revisions of offers.

The ability to survive and thrive as the 'Little co' grows into a 'Big CO' stems from a mindset that is controlled, considerate, compassionate, courageous and committed to success. A Co. Mindset means that people choose to be co-operative, collaborative, compassionate, considerate and to adopt other 'Small Ego' behaviours (see Table 21) that are in the nest interests of whole organisation.

Defensiveness, anger, jealousy, frustration, annoyance and disengagement are all examples of 'fear-based' ('Big EGO') behaviours that arise when people perceive that there are barriers between themselves and another. When individuals adopt 'fear-based' behaviours, they behave poorly and the performance of the organisation suffers.

'Small Ego' behaviour examples	'Big EGO' behaviour examples
Helpful	Aggressive
Energised	Frustrated
Sharing	Defensive
Encouraging	Rude
Supporting	Disinterested
Productive	Angry
Receptive	Condescending
Accepting	Backstabbing
Constructive	Disrespectful

Table 14: 'Big EGO' and 'Small Ego' behaviour examples

A Co Mindset increases levels of trust and reduces any perceived barriers between individuals and groups, thus reducing internal politics and other behaviours that are not conducive to high performance.

People must be educated to understand how their brains function and develop emotions, leading to poor inclusiveness behaviours and poor performance. Cognitive neuroscience suggests that understanding how the brain processes information and forms unconscious biases can help individuals to make better decisions and communicate more effectively. (45) When organisations actively reduce biases in decision making, returns of up to 7% can occur. (46)

Social, cultural and individual experiences shape neurotransmitter networks in the brain to create intuitive responses that result in judgments and biases (heuristics). When people act on intuition – as members in organisations working under time pressures consistently do – they tap into their biased heuristics, which can create blind spots in decision making. For example, 'attribution errors' can be made, where individuals judge others more harshly and excuse themselves for making exactly the same error. (47)

Studies have proven that prejudicial biases become stronger in the human unconscious over time. As this occurs, people increasingly gravitate toward 'in-groups', creating walled silos between groups. Micro inequities can be made by people through body language and subtle communications that can be picked up as exclusionary by others, thereby leading to 'bad' behaviours. (45)

To create a consistent culture of consideration, courage and compassion, the unconscious brains of employees must be actively recruited. Studies have proven that if people are consistently encouraged to form loyalties that transcend culture, race and gender, such as a sports team or nation, then unconscious biases can be overridden. (48)

For corporations, one suggestion could be to rearrange workspaces to force diverse, cross-business teams to sit together as one team, in an environment which encourages social time and informal conversation.

Inclusiveness training also helps employees to understand how biases form and can be managed. For example, BP has powerful inclusive leadership training portfolios, which has helped them create some of the highest levels of employee engagement and satisfaction in its industry. (49)

More suggestions for cultivating a Co Mindset and Culture can be found in *Co Solution no. 2-Core interventions to Combat workplace stress.*

Conclusion

You really can develop your own successful global Co.

You have an advantage over large, inefficient multi-national corporations in terms of flexibility, size and cost. You can generally get an offer to market faster, without the 'red tape' of bureaucracy. You can trial, reiterate and disengage without justifying your behaviours to shareholders. You only need a computer and internet access to get started.

The window of opportunity to establish and manage a successful global business is closing.

Larger organisations are doing their best to invest money and resources in order to catch up to the changes in their competitive landscape.

You don't want to miss out on turning your big idea into a success.

The CO Solution no. 3 and Little co Big CO © gives you all the knowledge to help you establish and manage a global organisation – in just seven steps.

Little co Big CO first prepares you mentally, physically and emotionally, before teaching you how to generate competitive ideas, develop offers and position these in the market place for profit. It has been designed to provide you with the maximum of success at the minimum of cost. This makes Little co Big CO your ultimate guide to developing business strategy, marketing and financial plans . . . critical for the confidence, clarity and courage you need to succeed.

You can transform your life and make an impact in the world.

You owe it to yourself and the world to get started today. Contact www.acoaffair.com for information and access to the **Little co Big Co program.**
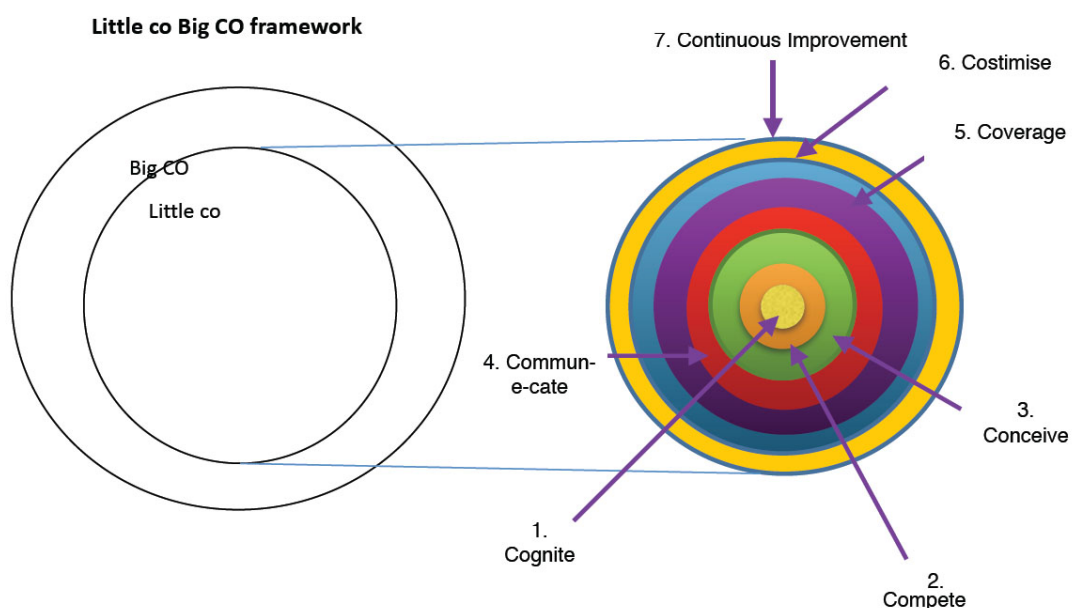
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