

Tool #2

The SUPPORTING EMERGING ENTERPRISES (SEE) MODEL

USING THE S.E.E. MODEL

-A Guide to Student Consulting Teams-

The Supporting Emerging Enterprise (SEE) Model is a proprietary consulting framework developed by Dr. Michael H. Morris for use by the University of Notre Dame, University of Florida, the University of Colorado, Texas A&M University, and the University of the Western Cape as part of the Entrepreneurship Empowerment in South Africa Program. Permission to copy all or part of it must be obtained from Professor Morris at mmorri24@nd.edu

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Introduction

The Supporting Emerging Enterprise (SEE) Model provides a simple and logical framework to guide the consulting efforts of student teams. It has been developed and refined based on years of experience in managing interventions with small businesses over twenty years. The model is specifically designed for consulting engagements involving emerging businesses owned and managed by local entrepreneurs. It has proven highly successful with early stage ventures operating under conditions of adversity.

The ability of student teams to help entrepreneurs is tied to their understanding of the business in its entirety. Developing a marketing plan or an improved bookkeeping approach requires that the student understand operations, the basic cost structure of the business, and internal resources, among other issues. The SEE Model is a tool that enables the student to effectively “wrap their head around the business”, determine consulting needs, and set priorities for what can realistically be accomplished over the term of the consulting engagement.

The model structures the front end of the consulting engagement as an evolving process that moves through three inter-connected layers or levels of analysis (see Figure 1). In essence the consultant moves from a) an examination of the fundamental core of the business to b) an assessment of internal operations and issues to c) an analysis of how the entrepreneur interacts with external publics and resource providers. Each layer also consists of a number of sub-areas. For instance, internal issues include the basic operations of the business (how the product is produced or the service is delivered) as well as the infrastructure in the business (skill levels of staff, adequacy of facilities and equipment, use of technology).

-Figure 1 About Here-

It is expected that teams will comprehensively explore all three layers within the first weeks of the consulting engagement, so that the majority of the semester can then be spent on problem solving and value creation. The expression “comprehensively explore” indicates that the current situation must be described or characterized, analyzed, and then critiqued. It is also expected that, while contributions will be made in multiple areas, the key outcomes or deliverables from the team’s consulting engagement will be concentrated in particular sub-areas within one of the layers. Thus, a given engagement may be especially concerned with solving a marketing need, which lies at the third or outer layer of the model. It might be concerned with designing bookkeeping and accounting system or an inventory management system at the second or internal layer of the model.

The model is further designed to produce three types of outputs. The first of these is *learning*, and it is concerned with ensuring that there is some documentation of experiences, lessons learned, information and records available, and the intelligence gathered in support of the firm’s operations. The second output is *focus*, or the specification of vision, setting of priorities, ensuring of consistent strategic direction and the existence of a plan of operation. The third output is *growth*. Growth is concerned with untapped opportunities, the expansion the business, acquiring new equipment or facilities, increasing the customer base or entering a new market, and so forth. While the consulting team is likely to make contributions in all of these areas, any given consulting engagement should concentrate principally on one major type of output.

Further, while these outputs overlap, the team should prioritize the relative importance, at the present time, of learning versus focus versus growth in terms of the entrepreneur's attention and allocation of resources. Thus, it would make little sense to emphasize growth opportunities if there is insufficient focus.

A Brief Note on the Maps

During the process of putting together the SEE Model, seven "Maps" can be developed that capture key areas of the business in a diagram or flow model. These include:

1. Map of "How the Entrepreneur Spends his/her Time in a Given Week"

This is a map of the percentage of time the owner spends on major activities in the business (administration, selling, producing, supervising, solving client problems, purchasing, etc.). It is used to assess the efficiency of the entrepreneur's time allocation while also evaluating delegation and leadership skills.

2. Map of "Customer Buying Process"

This map illustrates the identifiable decision making process or set of steps that a customer goes through when making a purchase of the product/ service.

3. Map of the "Economics of the Business"

This diagram looks at the relationship between the margins, volumes, cost structure, and revenue drivers in the business. The consultant should have a sense of where the firm is making its money in terms of different revenue drivers or product categories.

4. Map of "Bookkeeping Process"

This map lays out the proper steps in recording expenses and revenues and transforming these inputs into financial statements and useful managerial forms, and notes where flaws exist in the client's current approach.

5. Map of the "Operations Process"

This map captures the production or service-delivery process of the business as a flow of inputs, throughputs and outputs. In some cases, the consultant may need to develop two maps, one for 'front stage' operations and the other for 'back stage' operations.

6. Map of "Points of Customer Contact" or "Moments of Truth"

This is a map of all the points where a customer makes a judgment about a company based on a point of contact that is either direct or indirect. These points will be numerous and range from interacting with a sales person to simply walking or driving past the storefront, receiving an invoice, or even using the bathroom on the premises.

7. Map of the "Marketing and Sales Process"

This is a map of the way in which the organization moves a potential client from awareness creation through a closed sale and a growing relationship.

While these seven maps capture critical elements affecting the business, the instructor may want to have students map other activities or processes taking place within the company.

Layer One of the Model: The Entrepreneurial Core

Layer one is concerned with the entrepreneurial core of the business. The challenge is to get acquainted with what is being produced and sold, to whom it is sold, and the people that drive the business. It has three sub-components: a) the entrepreneur himself or herself, b) the business concept, and c) the opportunity (or market).

The business is a projection of the personality of the founder/owner. In conducting analysis and ultimately making recommendations, it is vital that you take into account the personal characteristics and background of the people running the business. Your recommendations can be technically sound but useless if they do not fit with the personality and capabilities of your client. This is a critique, so it must include a table of both strengths and weaknesses (financial skills, selling skills, production skills, IT skills, etc.). Key issues to be assessed and documented with regard to *the entrepreneur* include:

- age
- family circumstances
- work history/experience
- educational background
- training
- motivation for starting business
- financial circumstances/commitments
- maturity
- future outlook
- growth orientation
- skills (bookkeeping, marketing, production, supervisory, etc.)

This is where you should map “How the entrepreneur spends his/her time in a given week”

Survival and growth of a venture are dependent upon a clearly defined and somewhat unique business concept. The concept is concerned with the essence of the business, the value it creates, and the benefits it delivers to a customer. The *business concept* should be examined with regard to:

- the basic product or service being offered
- complete product/service mix
- sources of differentiation
- sources of value being created for customers
- packaging
- how the business makes its money (e.g., low margin/high volume)
- core attributes or benefits
- location if retail or consumer service
- brand identity if any exists
- unique aspects of pricing, sales or distribution that in effect define the business

One can have a great business concept and high quality products, but still fail in the marketplace (or generate anemic returns), simply because there is no opportunity. The opportunity is in the marketplace, and so is concerned with market needs that have profit potential. In looking at *the opportunity (market)*, the major concerns include:

- forces creating the opportunity
- market definition
- market size and growth potential
- profit opportunity in this market
- how well segmented is the market
- buyer descriptors
- customer buying behavior
- customer switching costs and loyalties to competitors
- how low are barriers to entry
- competitor shortcomings and strengths
- competitive intensity
- fit between opportunity & concept

Here is where you should map the “Customer Buying Process”

Layer Two of the Model: Internal Operations and Resources

Based on the foundation established in terms of the entrepreneurial core, the team must explore the basic workings of the business. Three sub-components are involved here: a) business numbers (accounting, bookkeeping, and the economics of the business), b) operations, and c) infrastructure.

The first of these can be quite a sensitive issue with the entrepreneur, but is vital to the completion of any consulting engagement. Early on, the teams must thoroughly review (and, in some cases, construct) the financial records of the business. Further, the entrepreneur must be an integral part of this process. In many instances, the team must help educate the entrepreneur both in terms of the benefits of systematic record-keeping, and in terms of fundamental accounting issues. Systems should be kept simple, as it serves no purpose to develop either a system or a set of procedures that the entrepreneur will simply ignore. The team should stress that:

- Adequately tracking costs in proper categories allows the owner to see what expenses are more significant and where increases or changes are occurring;
- By properly recording revenue and expenses in a systematic manner, profit can be regularly determined (many don't know if they are profitable or how profitable they are);
- Comparisons of financial information can be made on a period to period basis only if consistent record-keeping is used;
- Most of the businesses will rely on cash-based accounting as opposed to an accrual basis, and you should be aware of the implications (especially in terms of distorting the true financial picture since revenues and expenses are not properly matched) and share these with the entrepreneur;
- There is a need for basic internal controls, such as distinguishing whether the person keeping the books has access to the cash.

In looking at the firm's numbers, the concern is the *financial records* and what they say about the viability and needs of the business. Critical issues include:

- | | |
|-------------------------------------------------------------------------|----------------------------------------------------|
| - existence of records | - costing structure (key fixed and variable costs) |
| - existence of a book-keeping system | - breakeven point |
| - level of sophistication | - cash flow |
| - completeness of system | - receivables (timeliness and amount) |
| - ease of system use | - payables (timeliness and amount) |
| - accuracy of records | - financial controls |
| - system for collection and payment of sales tax (or VAT) & other taxes | - budgeting/financial planning |
| | - performance benchmarking ratios |
| | - revenue drivers and profitability of each |

You also want to note the linkages between accounting information and the marketing, production and financing needs of the business. For instance, in the marketing area, are sales expenses tracked properly and are all marketing costs built into the price of the product? In

production, is inventory turnover properly tracked and is the cost of goods sold broken down into direct material, direct labour, and overhead? In the financing area, what is the interest expense and how much is it a percentage of total expense?

Here is where you should map of the firm's "Bookkeeping Model"

A key issue is to determine what the breakeven point is for the business on an annual basis, and how much that means the entrepreneur must be selling each day. This requires a clear delineation of fixed and variable expenses.

Here is where you should map the "Economics of the Business"

Moving to operations, key operational considerations address how the product is made or produced; if a service business, how the service is actually delivered; and if a retail business, how the store is run and the experience managed. It is a day in the life of the business. The team will want to develop a step-by-step diagram of the production or service delivery system. The critique of *operational considerations* includes issues such as:

- modeling of the production or service delivery process
- key bottleneck points
- process and information flows
- capacity vs. demand patterns
- inventory management
- purchasing policies
- inventory management
- inventory storage costs
- value of inventory
- obsolete inventory
- internal controls
- health & safety
- administrative procedures
- handling complaints and returns
- hours of operation
- resource productivity
- customer service
- delivery or shipping
- outsourcing (of what particular activities?)
- quality controls
- theft/pilferage

Here is where you should map of the firm's "Operating Model"

Turning to the internal infrastructure, the team's concern becomes assets and resources that the entrepreneur has accumulated to support operations. Thus, assessing *the internal infrastructure* of the business involves an evaluation of the adequacy of:

- operating facilities
- production equipment
- the staff (other than the entrepreneur)
- information systems
- employee compensation package
- cars/trucks
- computers/cash registers/accounting machines/administrative equipment
- customer parking
- security
- formal registration of business (CC, partnership, etc.)
- databases and records (other than financial)
- location

Layer Three of the Model: External Relationships and Activities

In moving to layer three, the team's focus now shifts to external publics, the principal ones of which are customers, financiers, suppliers, tax/regulatory/municipal authorities, community authorities or bodies, distributors, and sources of transport. These have been organized into

three major sub-components: a) marketing and selling, b) financing, and c) the external network.

The first of these, marketing, is a common problem in many of our client enterprises. While marketing is an internal function, its purpose is to interface with external publics. It is vitally important that the team obtain a first-hand feel for the customer. Further, team members should be made study the ways in which the entrepreneur approaches and interacts with current and prospective customers. Teams should strive to interview some customers, and to observe the entrepreneur when he/she is involved in selling, customer relations, and customer service. A key issue concerns the steps or process for making a sale happen.

The marketing efforts of these firms must involve doing more with less. You should assess the use of “guerrilla techniques”, or creative mechanisms for communicating with the market, bartering services for services, co-marketing or sharing resources with other businesses, tapping into under-utilized vehicles for promotion, and so forth. In examining *marketing efforts*, the team should specifically explore the following:

- positioning
- targeting of segments
- selling efforts and approach
- distribution channels
- signage
- marketing plan
- market research
- customer relationship building
- marketing media
- branding and the brand identity
- advertising
- sales promotion
- pricing
- collection of receivables from customers
- tracking of market performance
- capturing customer data
- customer screening (for high risk customers who cannot make payments)

Here is where you should map of the firm’s “Marketing and Sales Model”

Here is where you should map “Points of Customer Contact”

Many of our clients need money, but they do not really know how much. They are heavily reliant on their own resources and those of friends and family for financing, and do not qualify for conventional sources of funding. Analysis of their *financing needs*, resources and relationships should include:

- ownership structure
- financial structure & debt position
- ability to service debt
- access to capital
- business and personal credit
- cost of capital
- short term vs. long term assets & liabilities
- availability of alternative financing
- current and future capital needs
- financing preferences of entrepreneur (e.g., self vs. debt vs. equity, control vs. risk)
- number people the entrepreneur is attempting to support through the business

Entrepreneurial success is frequently associated with a well-established network of people, agencies and organizations outside the firm. The network will be extensive, with stronger and weaker components. The entrepreneur will cultivate this network, ensuring regular communication with key members. It is helpful to try and diagram a summary picture of this network. Thus, when looking at and characterising the *extended network*, primary issues are:

- relationships with suppliers
- relationship with legal experts

- relationships with bankers
- other financial contacts
- contacts with community agencies
- sources of publicity or low cost visibility
- relationships with distributors
- government contacts
- access to sources of labor
- sources of free or cheap advertising and promotional assistance
- other advisors

Conclusions

This discussion is not intended as a comprehensive listing of all the facets of the enterprise that teams must investigate. Rather, it represents a logical and systematic process for taking the business apart and putting it back together again. It is expected that other issues are likely to come up along the way, but these issues will still fit within the general SEE model.

Importantly, teams must follow the logic of the model, starting with the core, and only then examining internal issues, after which external relationships and activities are reviewed. The team should adhere to the discipline of this approach in spite of potential resistance from the entrepreneur, who is likely to want to focus only on a particular interest at a point in time. Obviously, some of the areas will be investigated simultaneously. The important thing, is that the team not “put the cart before the horse” or, mixing metaphors, try to “jump the gun”.

It is also critical to recognize that the three layers and the various sub-components of the model are not independent. Instead, they work together. For instance, an examination of the bookkeeping and accounting issues can help clarify problems in production, operations and marketing. Similarly, the assessment of marketing and customer issues may serve to identify a problem with the infrastructure of the company. These interdependencies must be reflected in the team’s review of the business. It is critical that, once they have moved through the three layers of the model, the team conducts a detailed review of the internal consistency among the nine sub-components of the model. Those areas least consistent with the others must be identified.

-Figure 2 About Here-

Approached in this manner, the SEE model will enable consulting teams to clearly distinguish problems from symptoms from causes. Further, it will enable teams to establish clear-cut priorities in terms of where they and the entrepreneur should focus. Figure 2 provides a logical step-by-step process for prioritizing client deliverables once the SEE model is completed. Finally, our experience suggests the model itself can be instrumental in helping the entrepreneur to better understand his/her own business from an outsiders perspective, and to manage it more effectively and efficiently.

Growth
(Improvement, Enhancement, Innovation, Expansion)

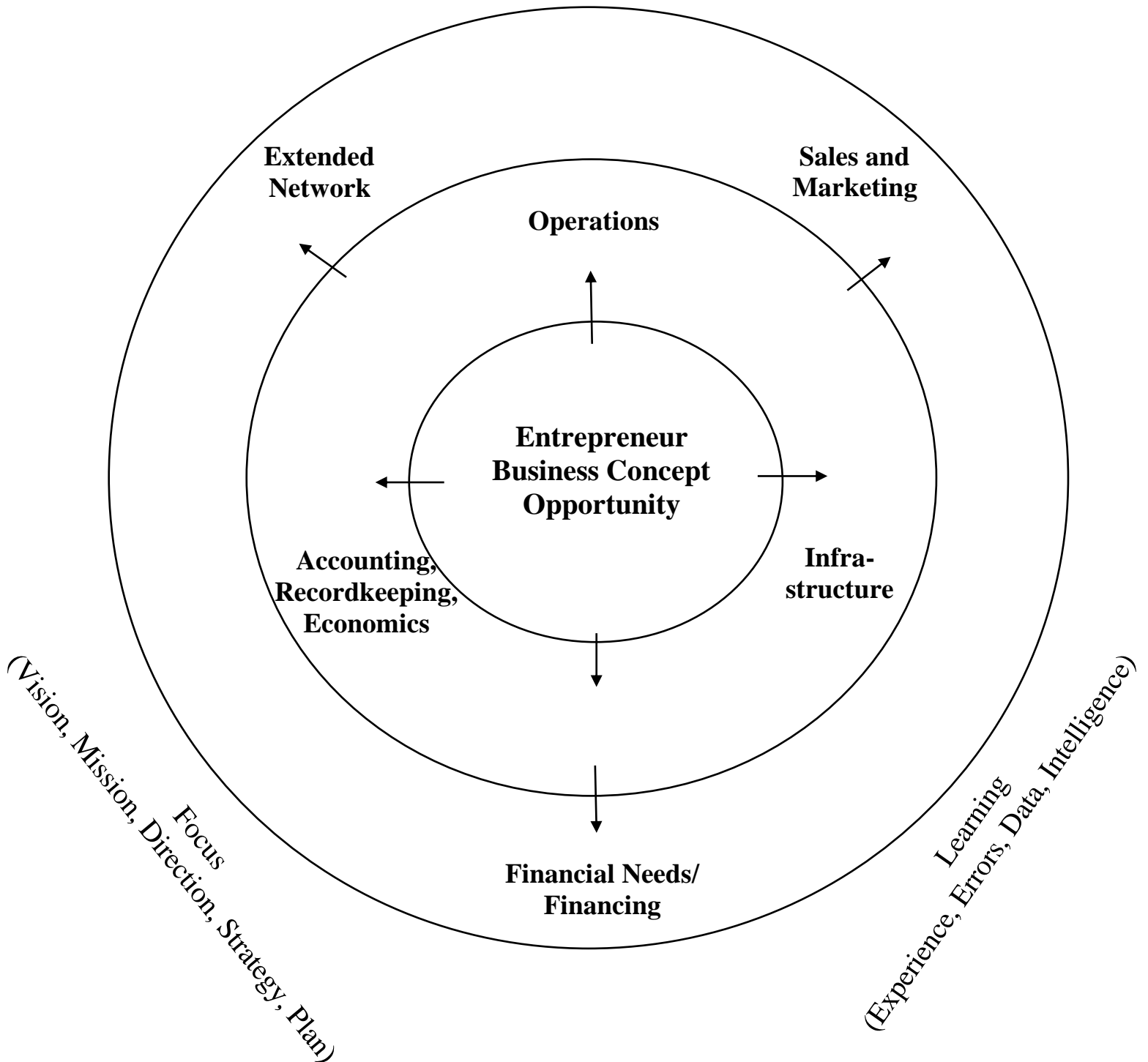


Figure 1: Three Layers of the SEE Model and the Overall Consulting Focus

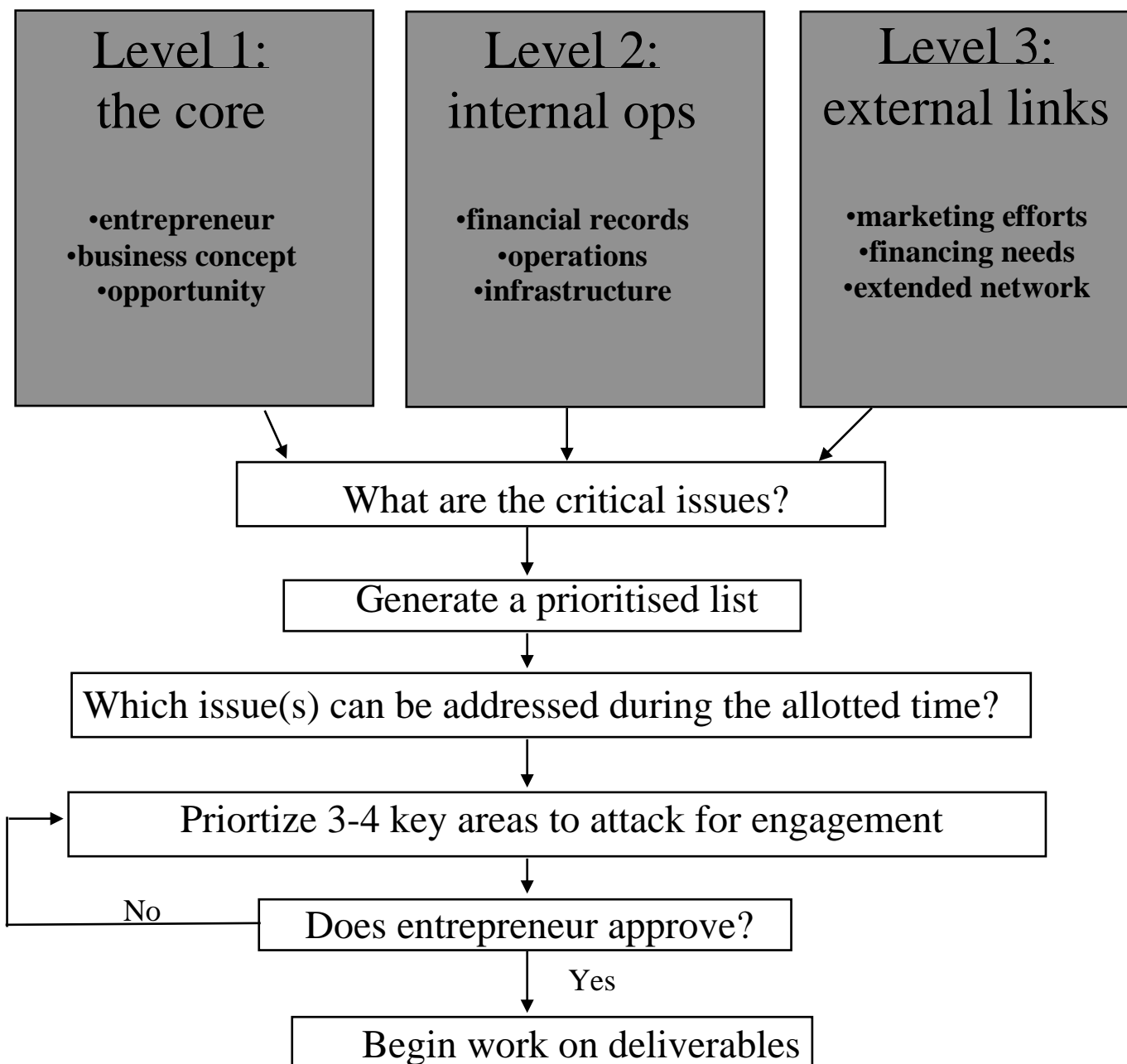


Figure 2: Setting Priorities based on the SEE Model