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**BU111 Exam Aid Session**

**Oct 9/10 @ 10pm-1am, LH1001**

*Prepared by: Adam Yoshida and Adam Figura*

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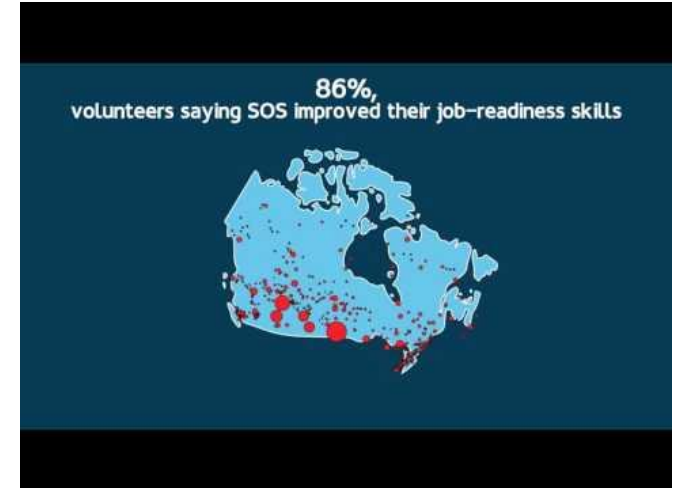
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- **Be apart of the SOS family**
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**CONTACT: Lindsay Tsoulis (Co-VP of ED)**





## Our students place in top firms across industries

## Our Accomplishments

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7x Winner, "School of the Year"



\$40,000+ raised each year for charities



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# Instructor Profile – Adam Yoshida

**Program:** BBA/Bmath (4A)

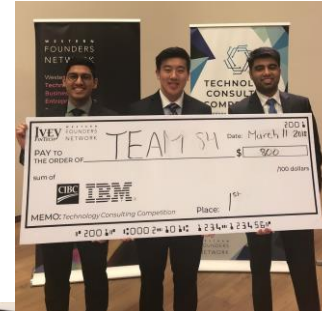
**Work Experience:**



**Extracurriculars:**



**Interests:** Boxing, Camping, Snowboarding, Wakeboarding, Soccer, Case Competitions



# Instructor Profile – Adam Figura

**Program:** BBA/Bmath (4A)

**Work Experience:**



**Extracurriculars:**



**Lazaridis Management Consulting Practicum**

Professional Management Consulting Services for Impact-Focused Enterprises

**Interests:** Hockey, Soccer, Golf, Blackjack,  
Case Competitions, Travelling



# Instructor Profile – Maggie Sutherland

**Program:** BBA (3A)

**Work Experience:**



**Extracurriculars:**



**Interests:** Fitness, reading, Case Competitions, Travelling



# DISCLAIMER

We have not seen the midterm! (i.e. we do not know what the questions are)

The information presented is based on our experience in the course as students when we took BU111.

# Agenda

- 1. Critical Success Factors**
- 2. Diamond-E**
- 3. Break (10 Minutes)**
- 4. External Analysis**
  - a. Porter's Five Forces
  - b. PEST
- 5. Entrepreneurship**
- 6. Exam Tips**



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**CRITICAL SUCCESS FACTORS**

# Critical Success Factors



# Critical Success Factors

For the critical success factors it is important to ask:

1. Why is each CSF important? i.e. What happens if you don't achieve them?
2. How are they interconnected?
3. Why must you pursue all of them?

# Critical Success Factors

For the critical success factors it is important to ask:

1. Why is each CSF important? i.e. What happens if you don't achieve them?
2. How are they interconnected?
3. Why must you pursue all of them?

REMEMBER (in #twitter version ie. Short form):

- Financial, needs, quality, innovation, employee and competitive advantage

# Critical Success Factors

It is also important to be able to recognize critical success factors when they come up in examples.

## 1. Joe's Java

(Meeting Customer Needs, Achieving Financial Performance)

## 2. High Tech Bar Top

(Innovation & Creativity,  
Competitive Advantage)

You can't recognize them if you don't know them so start by being able to list the 6ix factors and understanding their implications and then you'll be able to recognize them on sight

# Critical Success Factors

Example:



Critical Success  
Factors

Diamond-E

External Analysis

Entrepreneurship

Exam Tips

# Critical Success Factors

Adam Figura and his ridiculously smart co-tutor Adam Yoshida run the BU111 SOS review session. SOS is a charity organization that uses the money from the review sessions to assist in nations around the world. To be an SOS tutor you must have received an 11 or 12 in the course you are tutoring. Figura is a returning tutor after dunking last year like Siakam attacking the rim. Yoshida is a new tutor who brought new slides and examples to the session. Both tutors are BU111 TA's who have prepared what is sure to be the most lit session of 2K19 for the Wednesday and Thursday before the exam.

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Gaining Employee  
Commitment

# Critical Success Factors

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Encouraging  
Innovation &  
Creativity

# Critical Success Factors

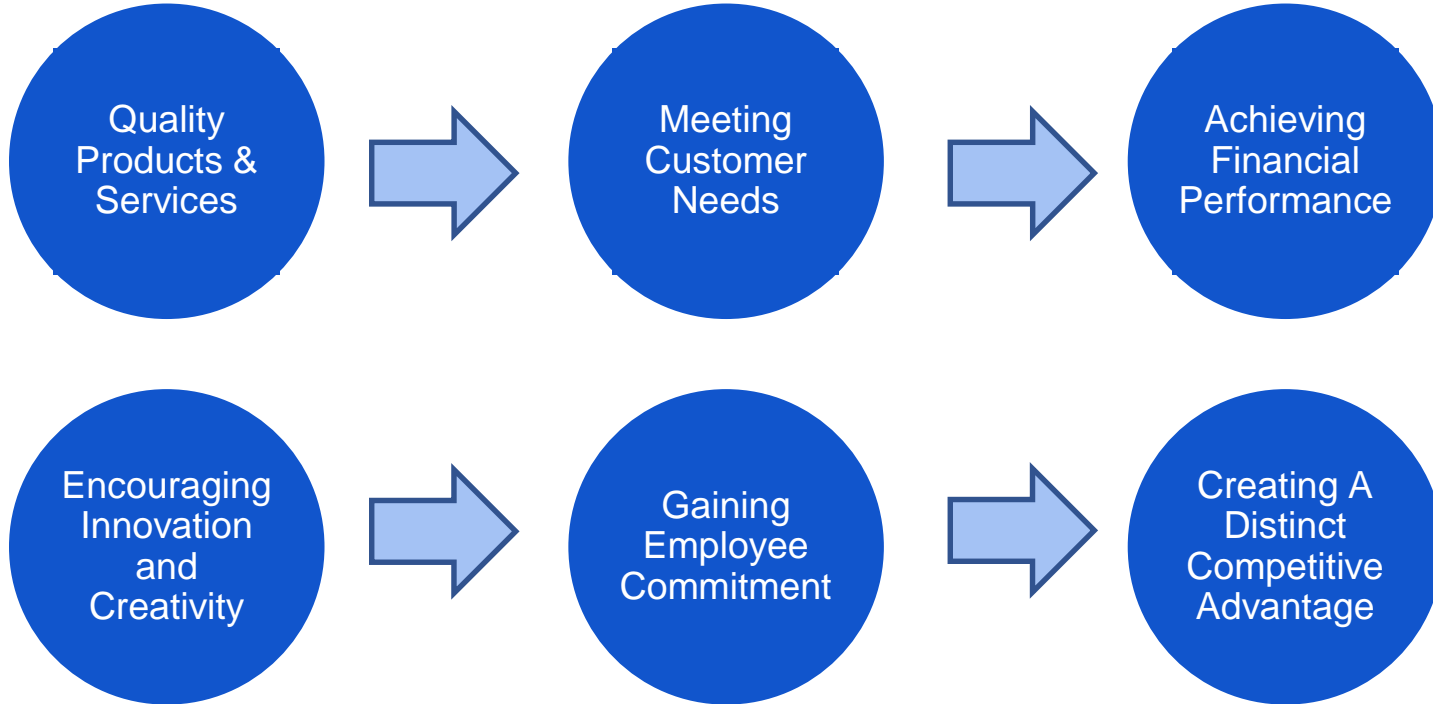
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Meeting Customer  
Needs

# Critical Success Factors

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# How are CSF Related?



# How are CSF Related?

Quality  
Products &  
Services

**These are just a few of the links between the CSF's for this specific example! I encourage you to try and find some more! It's important to recognize that these factors work forwards backwards and every way in between.**

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Encouragin  
Innovation  
and  
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**Critical Success  
Factors**

Diamond-E

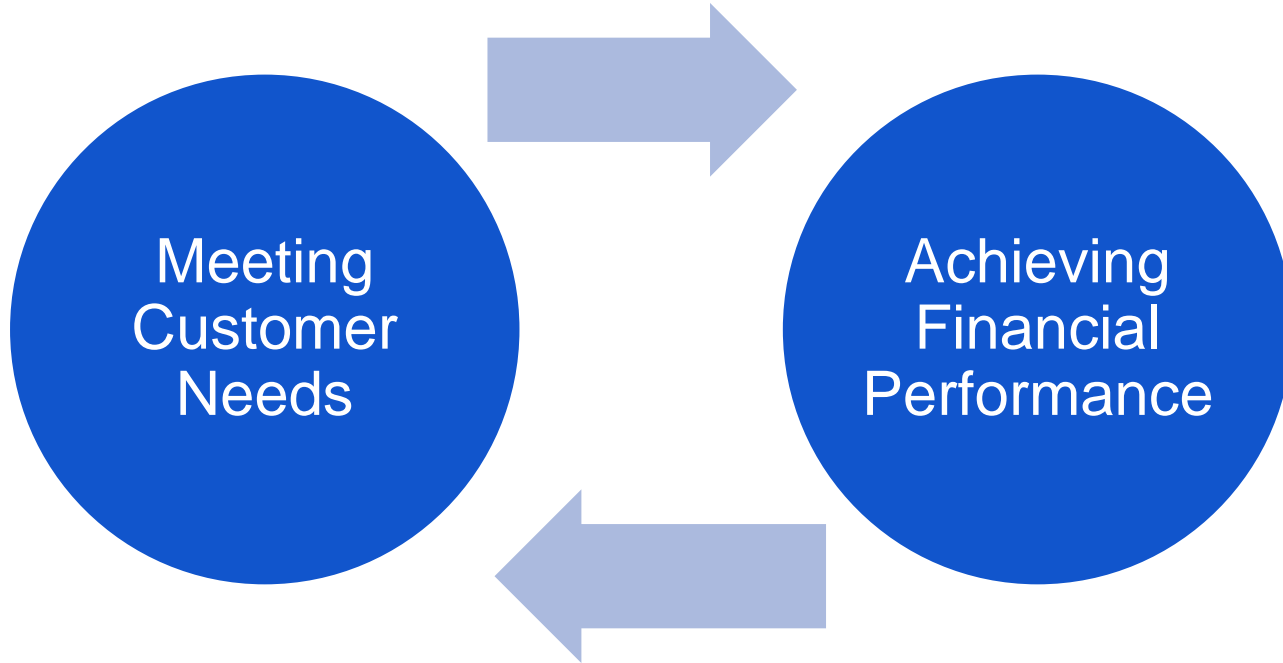
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Entrepreneurship

Exam Tips

# How are CSF Related?

For  
Example



**Critical Success  
Factors**

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# How are CSF Related?

For  
Example

Customers were looking for **cold caffeinated drink options**, that didn't **taste like coffee**.

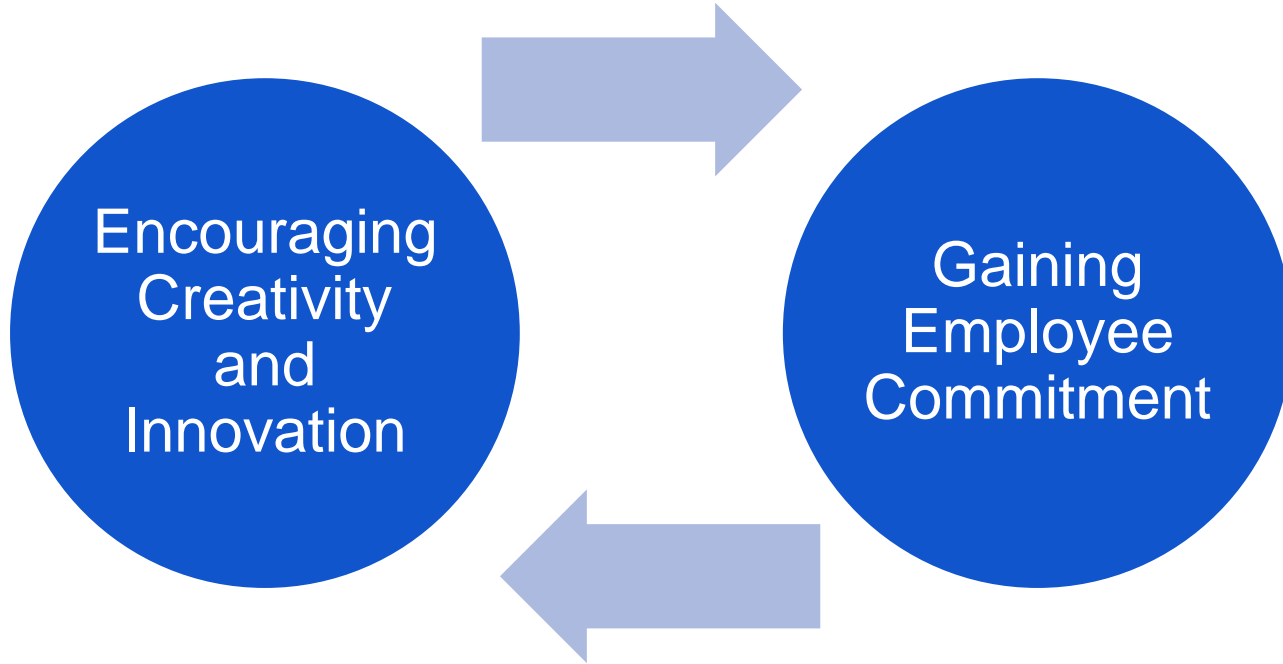
So...

Starbucks **expanded its cold drink selection** with the Refreshers line. (ex. "Pink Drink")

Customers loved the new drinks, and **increased the number of trips** they made to Starbucks. Cold beverages contributed to **40% of overall revenue growth** last quarter!

# How are CSF Related?

For  
Example



**Critical Success  
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# How are CSF Related?



For  
Example

Every quarter, employees submit **ideas for projects** they want to work on, **not restricted** to Shopify's operations.

Employees can see each others' ideas and work in teams to implement them. They work **solely** on those projects during Hack Days, and the best projects are presented at the end.

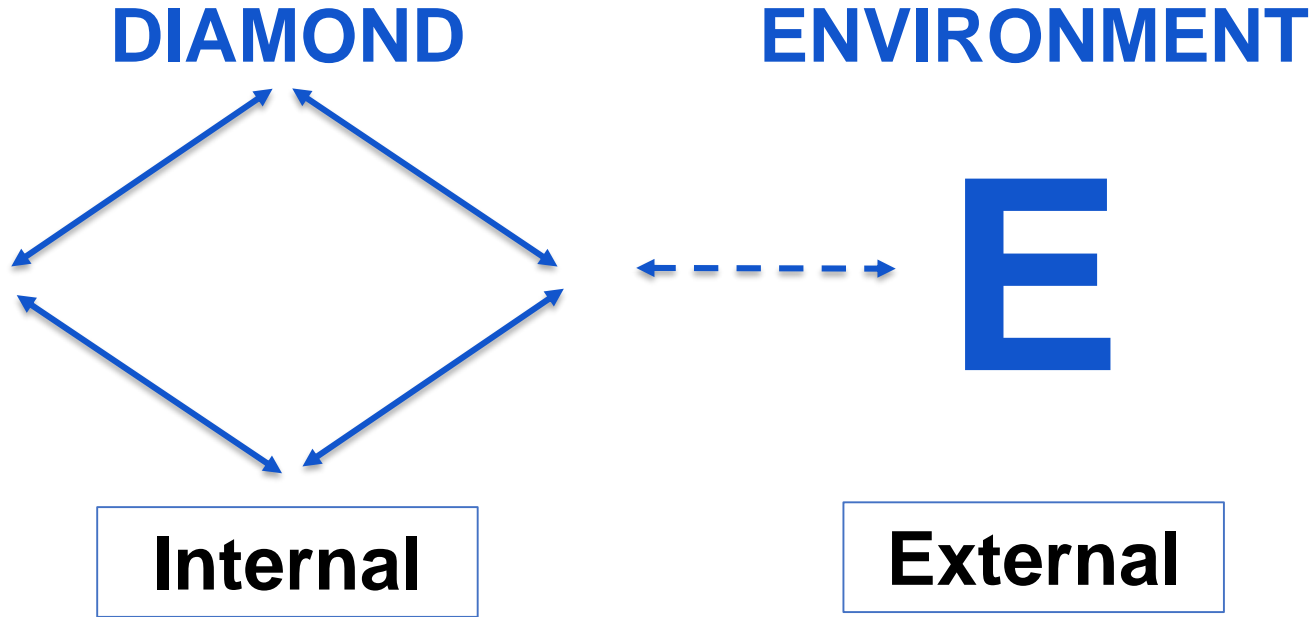
Any ideas that are viable for business can be **incorporated into the company's offering**. Employees get **bragging rights**, and **free travel** to another office.



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**Diamond-E**

# What is the Diamond-E?



What we want:

1. Consistency
2. Alignment

Example:



Critical Success  
Factors

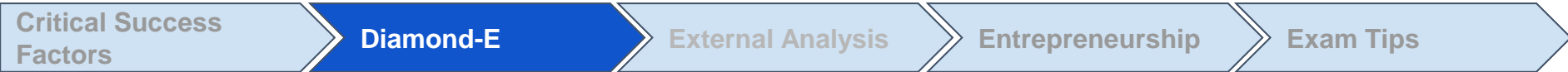
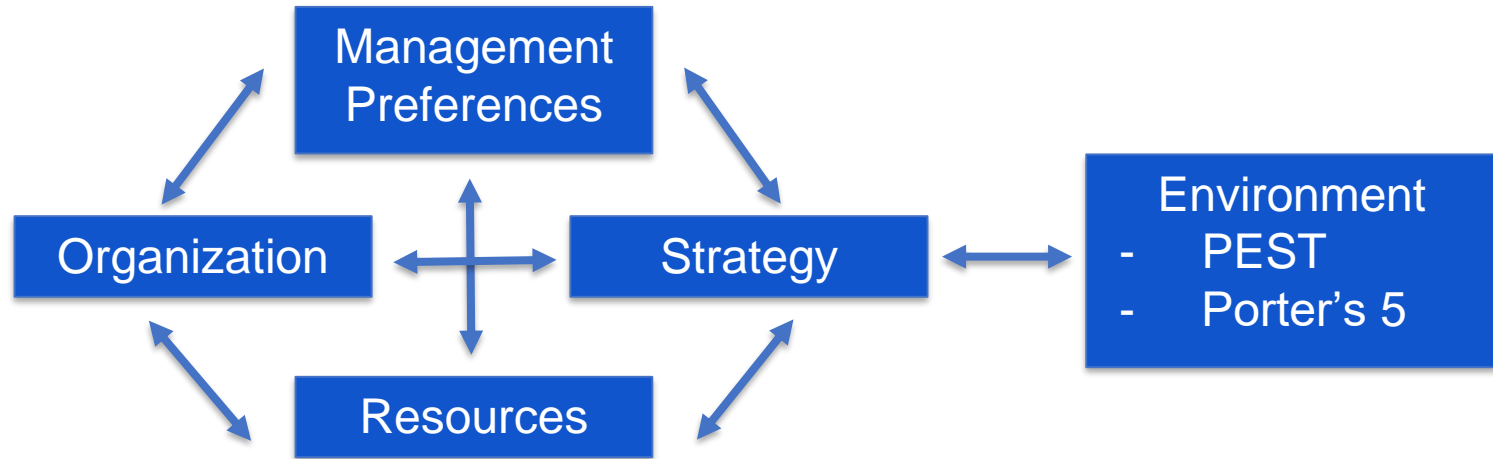
Diamond-E

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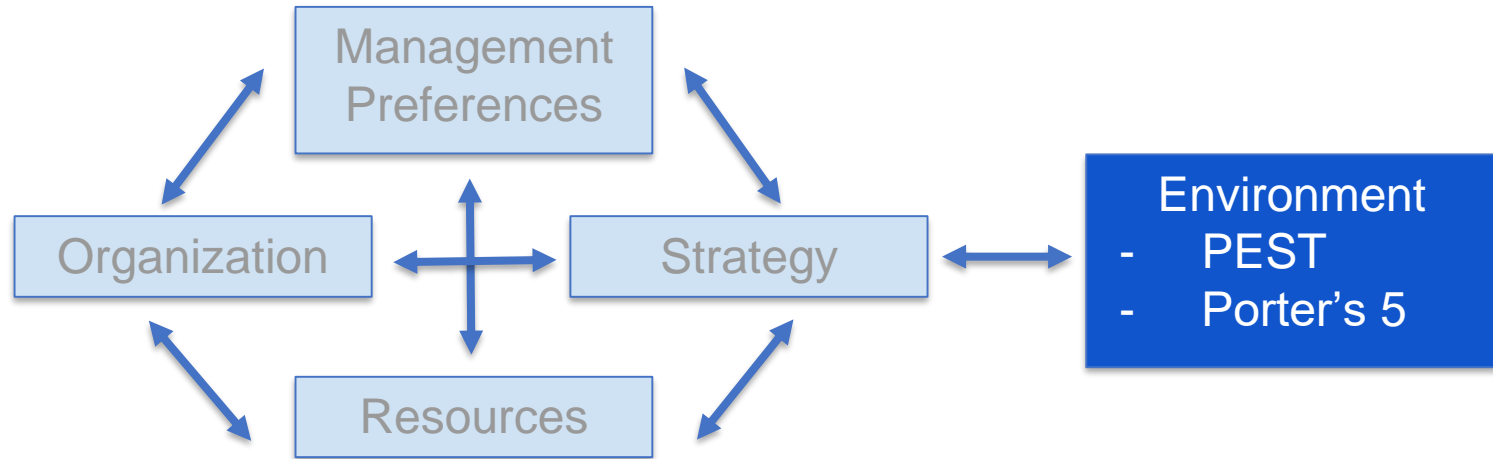
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# The Model



# Environment



# Environment

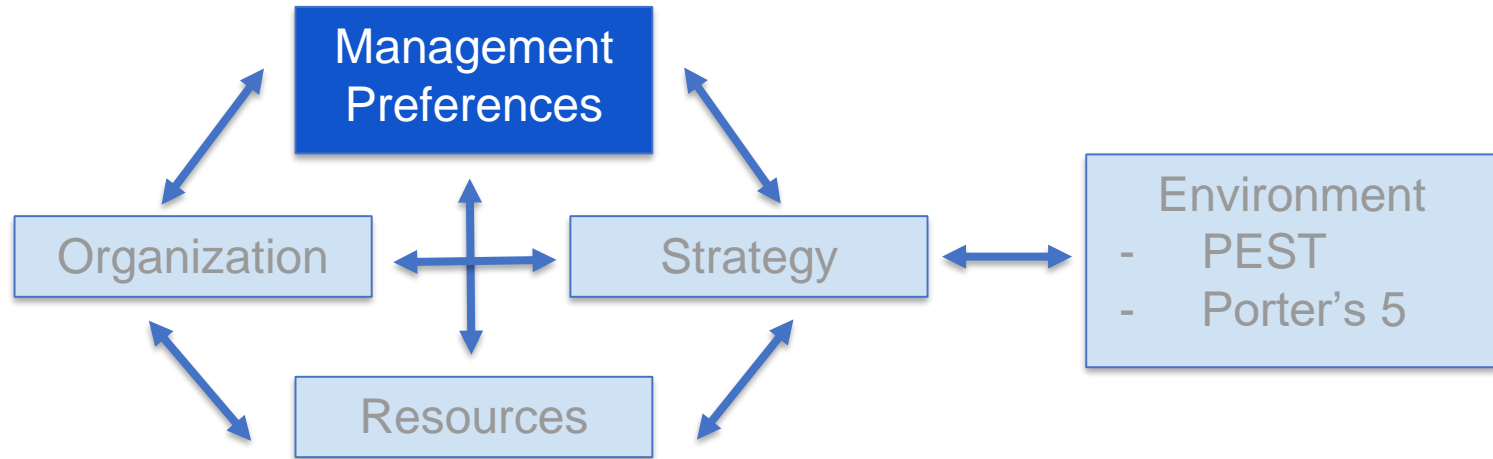
**Idea:** What industry do we compete in or want to compete in?

1. Porter's Five Forces
2. PEST Analysis

Help to identify opportunities to pursue or threats to defend against. Organizations that fail to do so will **not survive**.



# Management Preferences



# Management Preferences

## Underlying:

- History
- Motives
- Characteristics
- Biases



## Obvious:

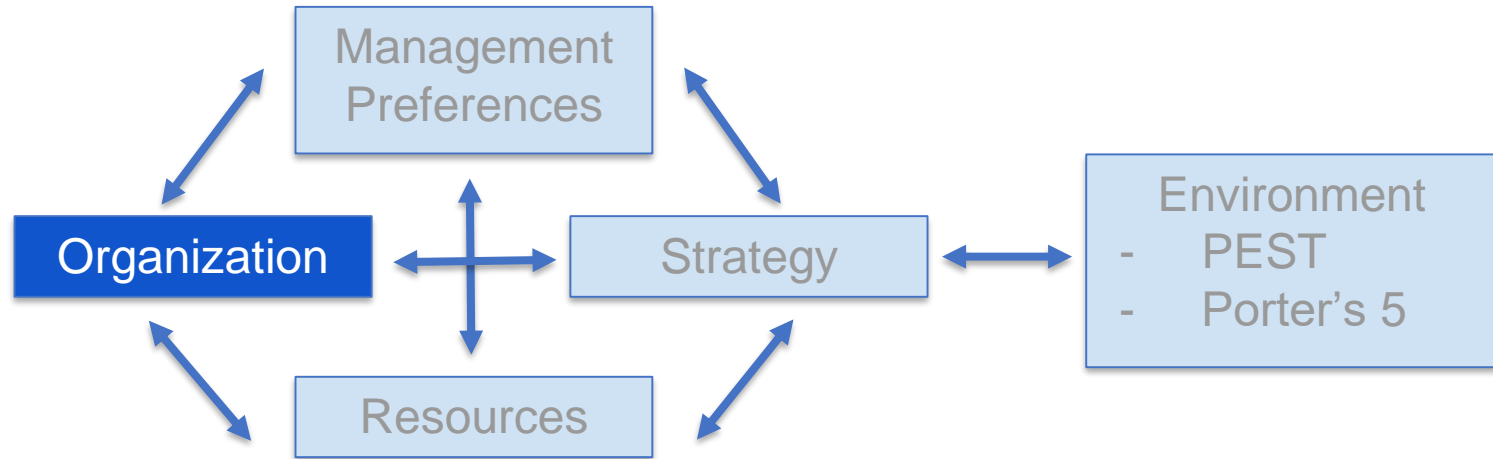
- Vision
- Mission

## Example:

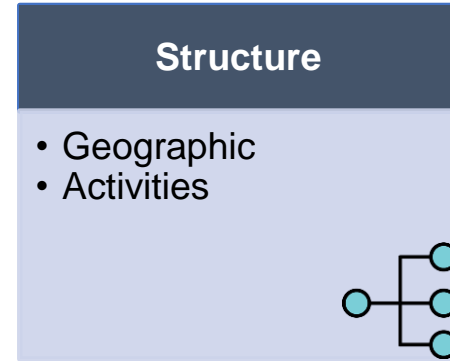
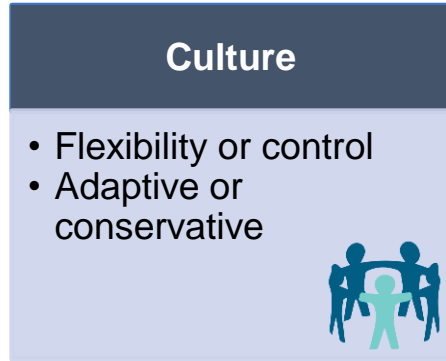


How do managers make decisions? Will they be susceptible to your recommendation?

# Organization



# Organization



**Example:** Consider differences between



and



Characteristics of the organization that **enable** the firm to carry out its strategy

Critical Success  
Factors

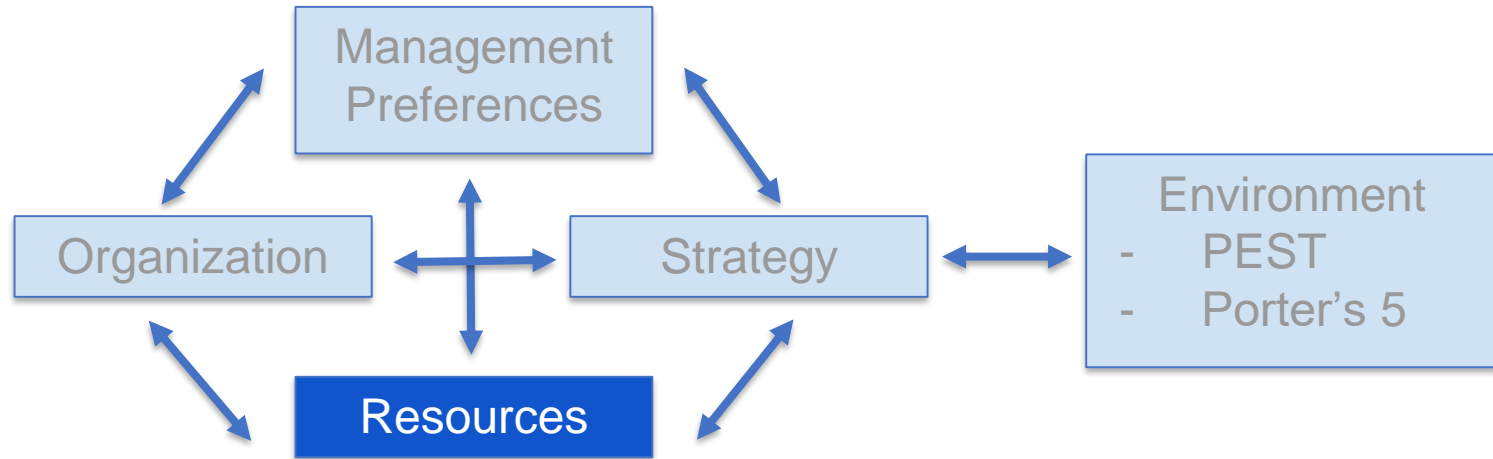
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# Resources



# Resources



Human - Employees



Capital - Buildings, equipment



Financial - Cash, profits, funding

**Example:**



What is the firm's **Tool kit** that it can use to carry out a strategy

Critical Success  
Factors

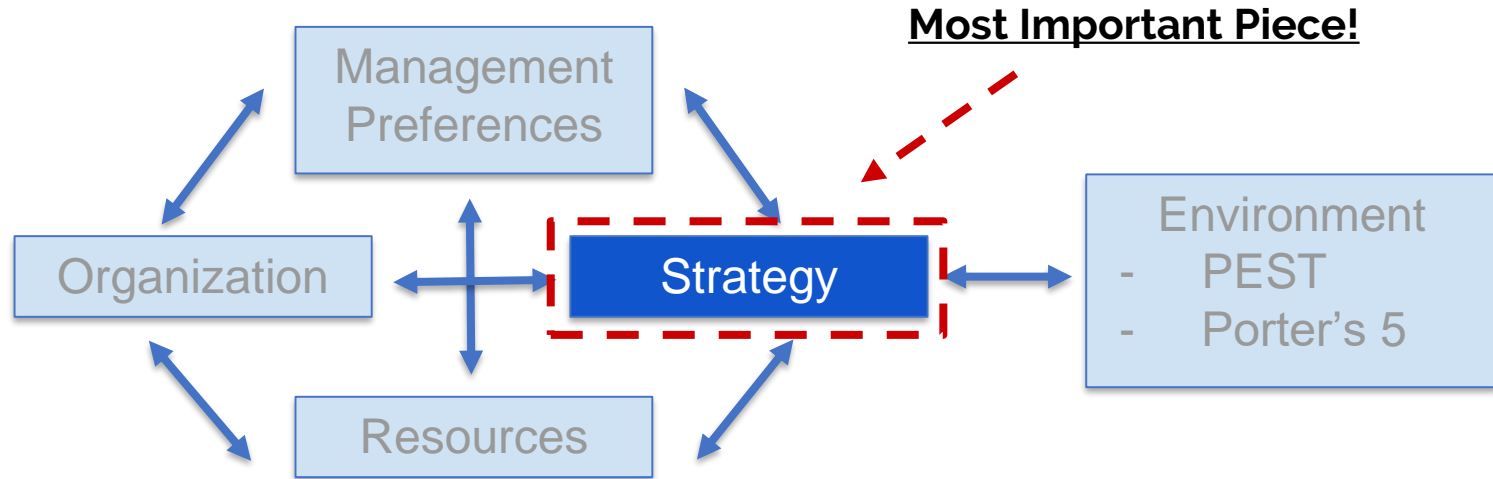
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# Strategy



Critical Success  
Factors

Diamond-E

External Analysis

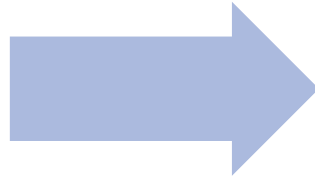
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# Strategy

**What is it**

- Plan of action
- Trying to create a competitive advantage



**Lenses**

- Assess current strategy
- Generate new one
- Evaluate proposed strategies



## Examples:

Assess:



Generate/Evaluate:

High Tech Bar  
Top

This piece **glues** together your internal and external components

Critical Success  
Factors

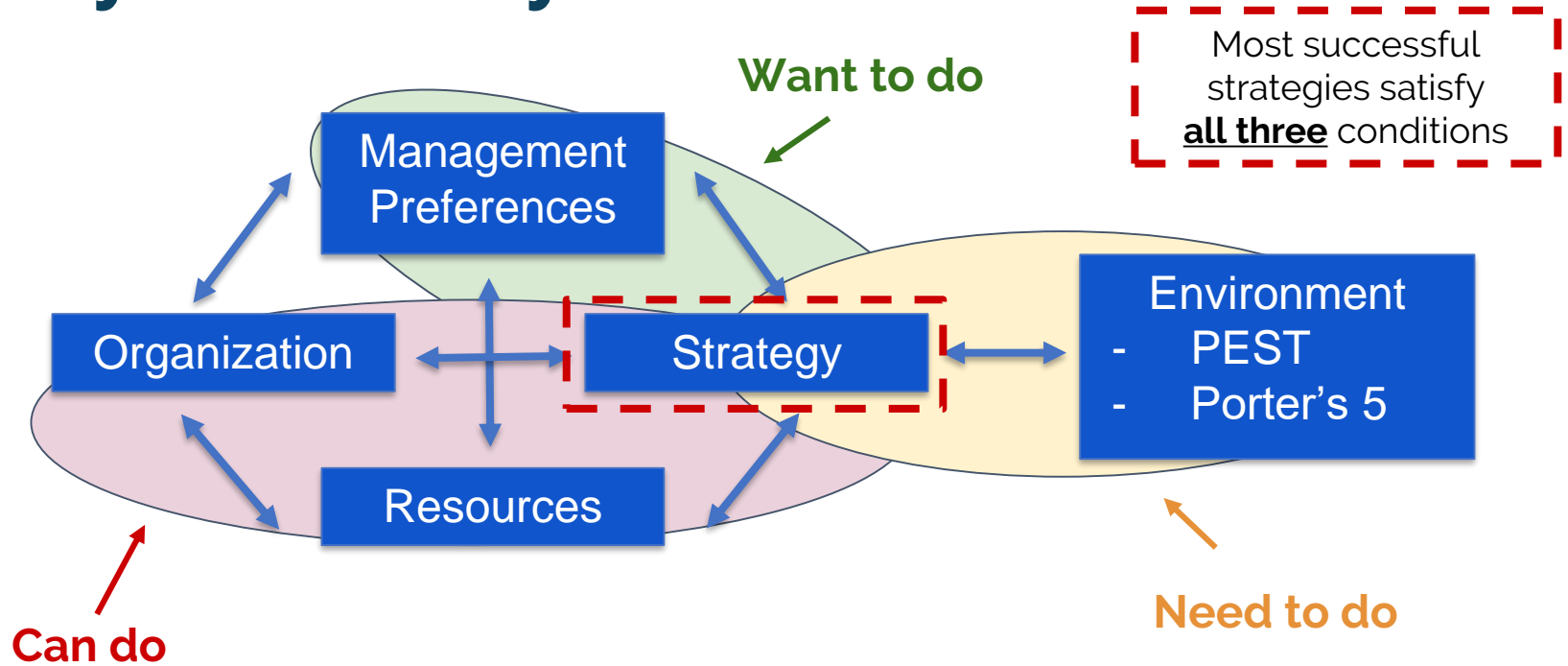
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# Key Takeaway



Critical Success Factors

Diamond-E

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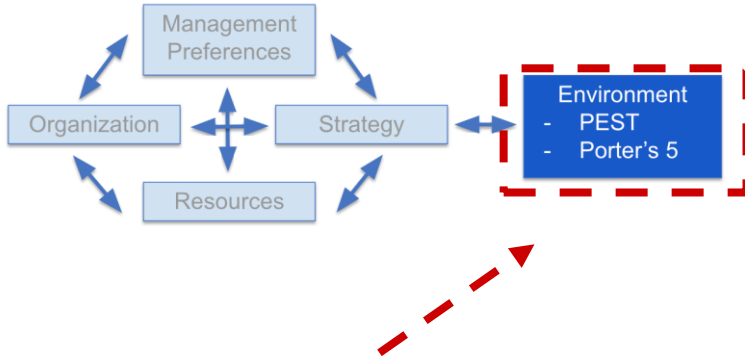
**Break - 10 Minutes**



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**External Analysis**

# What is External Analysis?



This is the **E** part of the Diamond-E!

- Process of scanning the and evaluating the external environment
- Where are the opportunities and threats that exist in the market
- Environment can be classified as **general (PEST)** which effects all businesses or **Specific (Porter's 5)** which effects only industry participants

# Why is it important?

## Benefits

- Managers are proactive
- Discover information useful for planning
- Cope with uncertainty
- Highlight gaps in resources
- Consistency and performance



## Challenges

- Time consuming
- Forecasts and analyses imperfect
- Rapidly changing environment hard to keep up with



1. Understanding [current situation](#)
2. Anticipating [future trends](#)
3. Anticipate [quick change](#)

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**External Analysis:  
Porter's Five Forces**

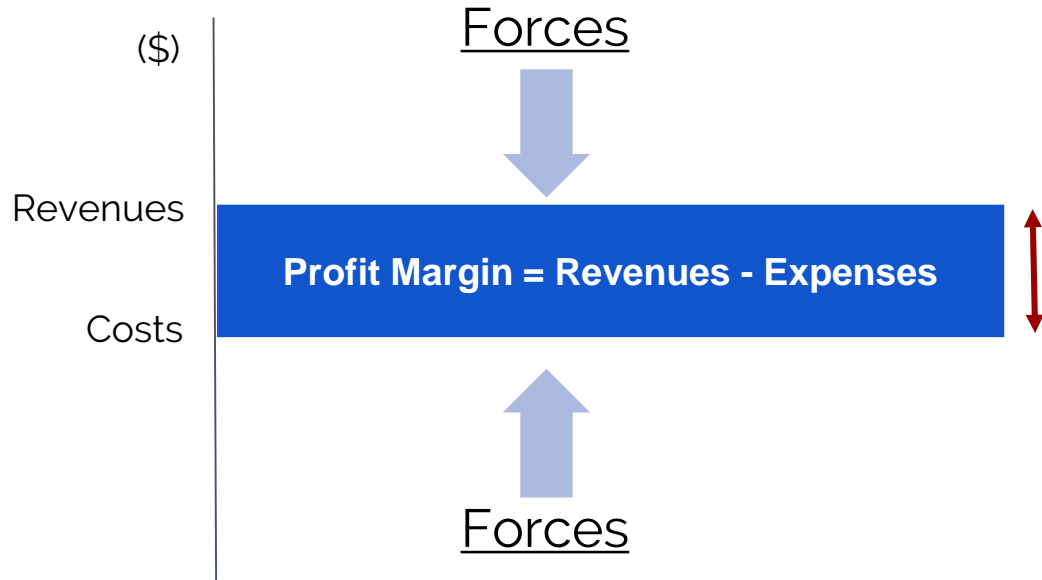
# Porter's Five Forces

What are the factors that will predict Industry profitability?



And how can I proactively **manage** them?

# Determining Profitability



## Higher Margins = Higher Profitability

The forces put downward pressure on revenues and upward pressure on costs.

You want the spread as large as possible!

Critical Success  
Factors

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# Porter's Five Forces – Rivalry

How it affects industry profitability

Rivalry  
among  
existing firms

- High Rivalry can result in lower volumes, price competition and increased costs
- ***(Arguably) the most powerful of the five forces***

# Porter's Five Forces – Rivalry

## What affects rivalry

### Low Industry Growth Rates

- If the industry isn't growing quickly competitors may try to source their growth from your market
- Established CPG's such as P&G competing in mature categories such as Soup

### Low Consumer Switching Costs

- If consumers have frictionless switching then you have to be more aware of your rivals as customers will be able to abandon your product for theirs at no extra cost
- Shaving cream vs. Razor Blades

### Perishable/Commodity Products

- When products are perishable competition intensifies as rivals try to sell their product while it is still good
- Groceries vs. Gold

### High Exit Barriers

- Companies that may want to leave the industry but have difficulty doing so or recouping their investment may stay in the industry and continue competing.
- Auto manufacturing - Hard to liquidate

# Porter's Five Forces – Rivalry

Methods to reduce its power



# Porter's Five Forces – Suppliers

How it affects industry profitability?

Suppliers

- Organizations or people that provide your “Key Inputs”
- The higher the force of your suppliers the higher the cost of your inputs and the lower your profitability will be

# Porter's Five Forces – Suppliers

## But what affects the bargaining power of suppliers?

### Low Number of Suppliers

- When you don't have a lot of choice, your bargaining power goes down
- Air-Lines

### Few Good Substitute Suppliers/Inputs

- If switching to a substitute supplier will reduce your quality this affects your bargaining power
- Windows Vs. Linux

### High Switching Costs

- If your suppliers have created a lock-in your threat of switching becomes less credible
- Contracts
- Geographic considerations

### Threat of Forward Integration

- If your suppliers pose a credible threat of Forward Integration... that's not great for you
- Acquisition - Suncor acquiring PetroCan
- Small farmers market relying on one large farm for vegetables and fruits

# Porter's Five Forces – Suppliers

Methods to reduce its power

- Form a Strategic Alliance
- Internal Supply
- In the Long Run: redesign your product or needed input

# Porter's Five Forces – New Entrants

How it affects industry profitability?

## Potential Entrants

- These are people currently outside of the industry looking to get in #NoNewFriends
- Potential entrants have the ability to disrupt an industry and can drive intense competition if the barriers are low to entry

# Porter's Five Forces – New Entrants

## But what affects the threat of potential new entrants?

### No Regulations or Government Policy

- How easy is it to open a new bank?

### Lack of Capital Intensity or Economies of Scale

- Your industry is protected from entrants when there is a significant disadvantage to starting small
- Telecom

### Lack of Specialized Assets/Networks/Knowledge/Tech

- If your industry doesn't have any special "tricks" or anything that would be difficult to learn the door is wide open to new entrants
- Wood chair builder

### Low Switching Costs or Lack of Brand Loyalty & Identity

- Wheat

# Porter's Five Forces – New Entrants

## Methods to reduce its power

- Grow to Achieve Scale
- Control Distribution Network
- Lobby the Government
- Differentiate and Create Brand Loyalty/Identity
- Lock Customers in

# Porter's Five Forces – Substitutes

How it affects industry profitability?

## Substitutes

- Substitutes aren't other members of your specific industry but products and services that provide a subset of the value that you do
- Freshii, consumer looking for a healthy and good food. **Competitors:** Salad Days, Subway. **Substitutes:** eating food from home, grocery store meals, fast food.
- Substitutes create a Price Ceiling

# Porter's Five Forces – Substitutes

## But what affects the threat of substitutes?

### Lots of Good Quality Substitutes

- Having more high quality options for substitutes reinforces the price ceiling you can charge
- The Keg vs. Fast Food

### Low Switching Costs

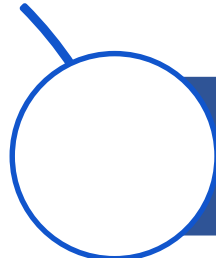
- Fast Food

### High Buyer Propensity to Substitute

- Function of the two above

# Porter's Five Forces – Substitutes

Methods to reduce its power



Strong Marketing & Differentiation



Attempt to Lock Customers In

Critical Success  
Factors

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# Porter's Five Forces – Buyers

How it affects industry profitability?

## Buyers

- These are the people who actually purchase your product or service
- High Buyer force reduces the price you can demand and increases your costs

# Porter's Five Forces – Buyers

## But what affects the bargaining power of buyers?

### Few/Concentrated Buyers

- If you can only sell to a few people you're going to offer them great prices to actually make the sale → Selling an iPhone 4

### Discretionary Purchase

- How much do customers need your product or service or is it just “nice to have” → Water Vs. Porsche

### Standardized Products

- Price competition is a larger driver in purchasing when products are standard → Commodities

### Low Switching Costs

- Fast food

# Porter's Five Forces – Buyers

Methods to reduce its power

- Form Alliances with other sellers
- Engage in Strong Marketing and Differentiation
- Create Switching Costs and Lock-In

# Questions to Answer From a Porter's Analysis

1. Is the industry a realistic place for a new venture to enter? If yes, then...
2. Can we do a better job than incumbents at avoiding or diminishing factors that suppress industry profitability?
3. Is there a unique position we can pursue?
4. Is there a superior business model that incumbents would find hard to duplicate?

# When studying Porters...

*Don't just understand the factors that affect an industry, understand why.*

It's not enough to say "Having a standardized product gives power over your buyers" you should extend your response to show you understand why "**because** you can't charge high prices or your customers will switch to your competitors cheaper but identical product."

*Don't just state a solution... state a solution and why it helps you.*

Don't stop at "creating a strategic alliance reduces the force of your suppliers" continue on to "**because** getting them to see you as a partner and not an adversary means they will charge lower prices as your success becomes their success"

BECAUSE BECAUSE BECAUSE that word  
saves lives... and degrees.

Critical Success  
Factors

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# Let's put it all together

The logo for 'Wilf's' is displayed in a large, bold, black serif font. The letters are thick and closely spaced, with a classic, slightly stylized appearance. The apostrophe in 'Wilf's' is positioned between the 'f' and the 's'. The logo is centered on the page.

Critical Success  
Factors

Diamond-E

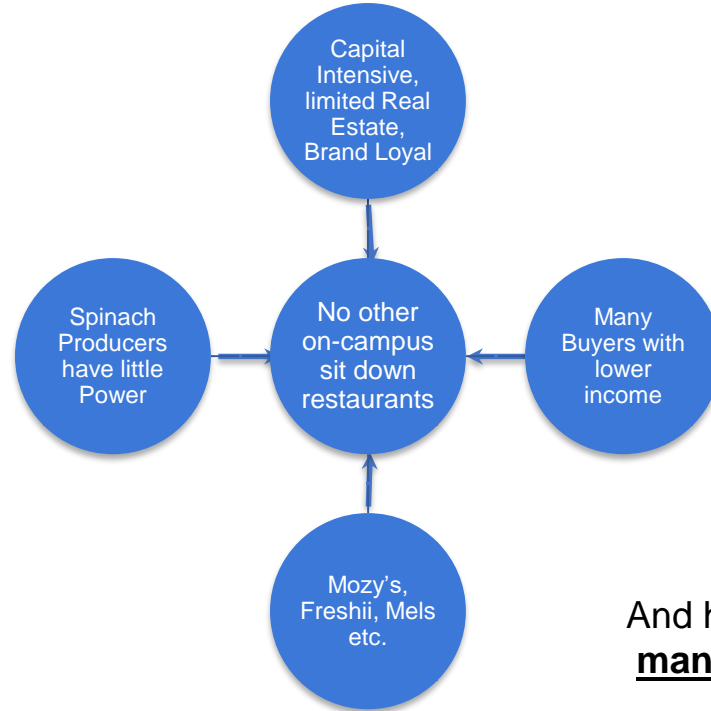
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# Porter's Five Forces - Restaurants at/near Laurier

What are the factors that will predict Industry profitability?



And how can I proactively **manage** them?

Critical Success Factors

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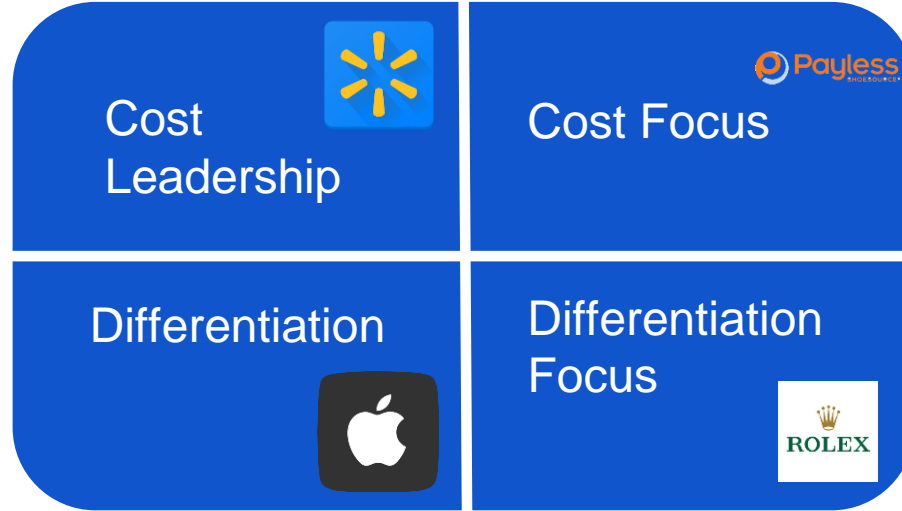
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# Porter's Generic Strategies

Competitive Advantage

Low Cost

Uniqueness



Broad Target

Narrow Target

Competitive Scope

Critical Success Factors

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**External Analysis:**  
**PEST**

# PEST – Why does it matter?



Framework for analyzing the general environment

Identify trends or changes in the environment that will have an effect on our business

Helps managers identify opportunity and prepare for threats in the environment

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# PEST – Why does it matter?

## Political

- Laws, regulations
- Taxes
- Trade agreements
- Political system
- Political stability

## Economic

- Balance of trade
- Exchange rates
- Productivity
- Inflation (deflation)
- Interest rates
- Employment rates/measures

## Social

- Customs
- Values
- Attitudes
- Demographics
- Trends

## Technological

- Internet and e-commerce
- Information technologies
- Innovation cycles

Critical Success Factors

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# PEST – Why does it matter?

P

- Can create incentives for businesses and provide support when needed
- Affects uncertainty, risk, and constraints/costs faced by a firm

E

- Affects costs, sales & financial uncertainty

S

- Influences customer preferences
- Influences corporate social responsibility and worker attitudes
- Affects how we live, work, consume and produce

T

- Results in firms needing to constantly scan the environment

Critical Success  
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# Questions to Answer from PEST

1. Are there any opportunities provided by the government that can help my business? E.g. Grants
1. Do the economic conditions support my business? What current and future economic factors affect my industry and product? E.g. exchange rates in US/Canada
1. What demographic and social trends affect my business? How?
1. What technological forces affect me now and in the future? How do they assist or constrain?



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**Entrepreneurship**

# Definitions and Importance

## New Venture

Is a recently formed commercial organization that sells goods/services

## Entrepreneurship

Identifying an opportunity and accessing resources to capitalize on it

Government may provide tax incentives, resources (advice, funding), and help you set up your business

## Small business

Owner-managed, not dominant in market, <100 employees

98.1% of businesses in Canada are “small”

Contribute 30% annually to GDP

Provide more jobs than large businesses and drive innovation

Critical Success  
Factors

Diamond-E

External Analysis

Entrepreneurship

Exam Tips

# Why are SMEs supported by the Gov't?

Small businesses are the majority of our economy

98.1% of businesses are small

More jobs than big businesses



Small businesses drive economic growth

30% of GDP

New businesses introduce innovation



Governments support small businesses to drive growth

Lower tax rates

Funding

Easy to establish

Critical Success  
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# Entrepreneurial Process

## Identify Opportunity

- Seeking out an opportunity typically using external analysis (e.g. PEST)

## Access Resources

- Having access to necessary resources to make business a reality

## Entrepreneur

- An individual willing and able to seek out an opportunity

*Must achieve alignment among these three factors and begins with an **opportunity being identified***

- Similar to the Diamond-E, misalignment will lead to failure

Critical Success  
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# Opportunity Recognition

## Idea Generation

- Paradigm shifts
- Solving Daily Problems
- Combining Features



## Screening

- 3-Component Process
- Eliminates bad ideas
- Save time and \$\$\$

# Three-Component Idea Screening Process

You know you have a **good idea** when:

## Creates or adds value to customer

- Solves a problem, meets a need
- Customer willing to pay for it
- *CSF: Meeting Customer Needs*

## Sustainable competitive advantage

- Product unique in a *valuable* way
- An advantage that can be protected either legally or through other barrier development
- *CSF: Distinct Competitive Adv.*

## Idea is marketable and financially viable

- Ensuring quantity of long-term customers
- A growing market that you can enter and succeed in
- Porter's 5 Forces!
- *CSF: Meeting financial performance*

Critical Success Factors

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# Accessing Resources - Bootstrapping

- In general, many small businesses and new ventures have limited funds and resources
  - They rely on external sources of funding, and may have to give up certain things they can't afford right away
- Lack of resources tends to lead to *bootstrapping*
  - Bootstrapping is essentially making do with minimal resources and taking advantage of free/cheap resources that are available
  - This can take the form of:
    - Using other people's/companies resources (esp. when they aren't using them) e.g. plant capacity
    - Using free products instead of their more robust paid alternatives. E.g. using gmail and google apps instead of managing your own domain and using Microsoft Office Products

# Accessing Resources - Equity



No interest  
Doesn't  
have to be  
paid back

Give up  
control of  
your  
company



Equity is essentially selling a piece of ownership of your business -- this is usually what you see on Dragon's Den

**Sources:** Savings, private investors, angel investors, venture capital etc.

# Accessing Resources - Debt



Maintain control  
Once it is paid back that's it - they can't get more money if you do really well

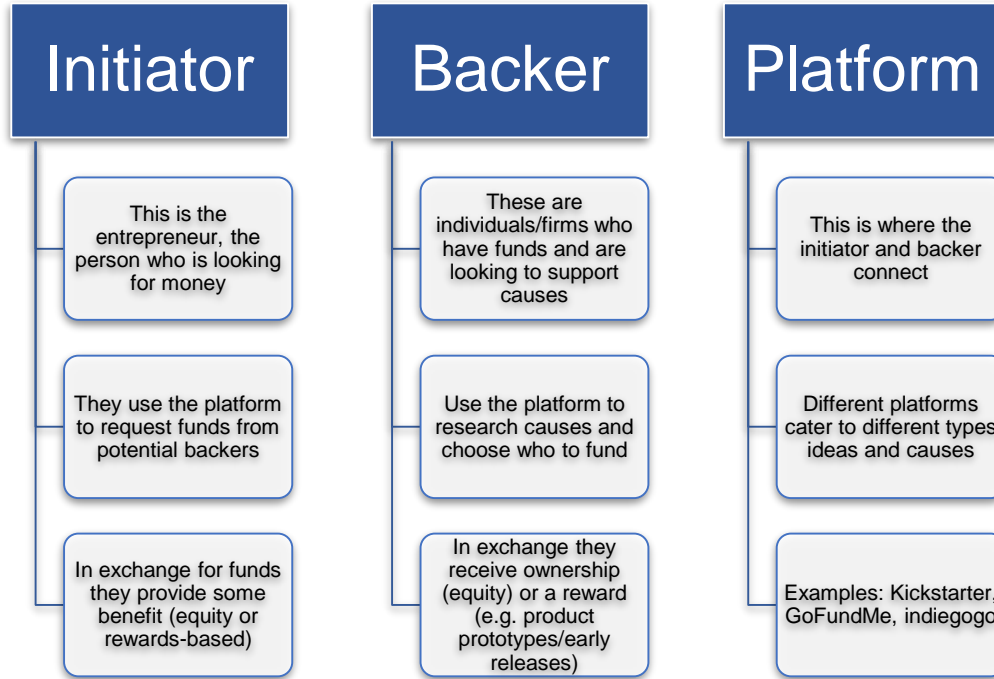
Interest payments are a legal requirement - need to pay this even if you aren't making money

Principal needs to get paid back on time

Debt is essentially an IOU --. You receive money now, and in exchange you promise to pay it back (and more) later

**Sources:** Financial institutions, suppliers

# Accessing Resources - Crowdfunding



Critical Success Factors

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# Social Entrepreneurship – What is it?

## Overcome market inequalities/failures

- Seek innovative solutions to the world's problems, often in education, healthcare, and the environment

## Social value is the primary objective

- Some economic benefit will be created as a byproduct
- Financial sustainability is integral

## Form of business can vary

- Could be a not-for-profit, for-profit, or a registered charity (but, see point about charity)

## Accountability to community stakeholders

- Compared to a traditional business, social businesses need to satisfy more than just their investors, they also need to satisfy community stakeholders

## Social businesses are self-sufficient and do not rely on donations

- This is the key distinction between charity and social businesses. Charities rely on donation from outside sources. Social ventures raise their own funds through their operations. E.g. SOS - ownership is a registered charity, but it is a social venture since the funds come from its operations and providing a service

Critical Success  
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# Social vs. Traditional Entrepreneurship

Must understand the difference between the two and how they create advantages/disadvantages

Traditional Entrepreneurship	Social Entrepreneurship
Value defined economically – high net profit (return to investors) is primary	Social Value Proposition – social benefit is primary
Social benefit may be created as by-product of economic value	Economic wealth created as by-product and allows for self-sustainability
Serving Markets that can afford the new product or service	Target underserved populations; cannot afford (financially or politically) to achieve the benefit on their own
Social involvement in the form of “CSR” initiatives	Social motives at the core of the business (not limited to CSR)
Innovation is driven by a need to stay ahead of competitors	Innovation is driven by a need to solve world problems and social inequalities
<p>Both need to be unique in a valuable way – just being a social business isn’t enough! Both need to have committed and motivated employees</p>	

Critical Success Factors

Diamond-E

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**STUDENTS**  
**OFFERING SUPPORT**

**Exam Tips**

# Tips from your TAs

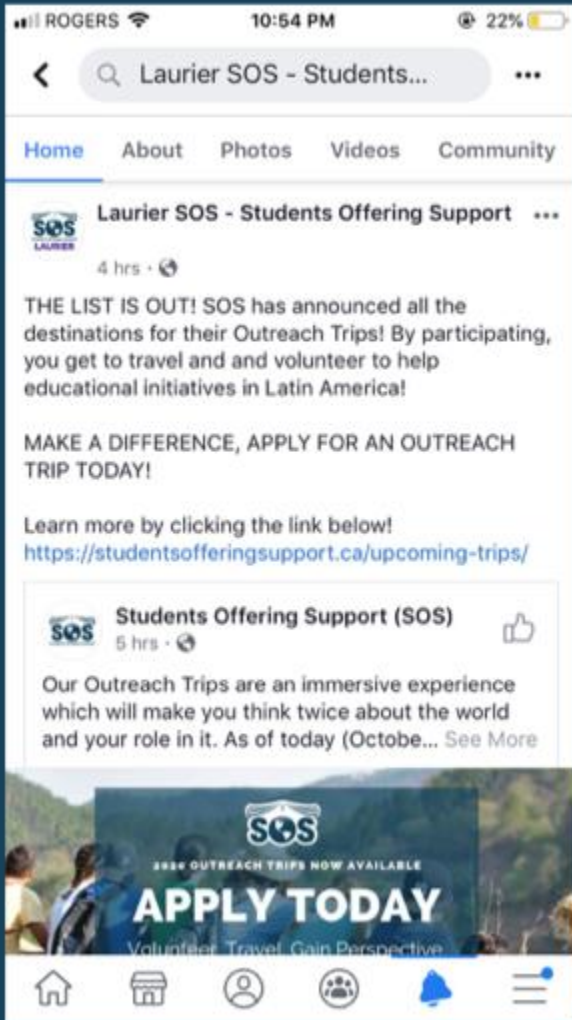
## Trust us... we're paid to know what we're talking about

- ✓ Make sure you are reading each and every question to not only gain an understanding of what the question is asking, but also to assess the weighting of each e.g. if the question is out of 2, provide two points usually
- ✓ Answer what the question is asking for -if you provide material that is technically right, but isn't related to the question, you won't get marks
- ✓ Quality>Quantity...It is CRUCIAL to structure your answers in a clear way that gets to the answer without the fluff
- ✓ Use tables, diagrams, bullet points etc. to structure your answer in a clear and concise way. You don't have to use paragraphs if that isn't the easiest way
- ✓ Use examples to help illustrate your understanding. You might not know the exact way to explain something, but in *some* questions we can give you marks if the example clearly illustrates you understand

# Tips from your TAs

## Trust us... we're paid to know what we're talking about

- ✓ We are NOT marking for keywords, but you need to be very clear about what you mean. Sometimes what you meant isn't what comes across from what you wrote → we aren't mind readers, we can only reward you for what is on the page
- ✓ Course models are things you should know the exact words for (e.g. the 5 Forces, the 6 CSFs) and using business vocabulary makes your point clearer
- ✓ Read the entire exam before you start writing. Otherwise you might know the answer to the last question, but not get there if you run out of time.
- ✓ Do yourselves a favour and try to avoid leaving questions blank as sometimes you are closer to the answer than you think!
- ✓ Thoroughly read your textbook for further concept clarification, and use the Pearson study resources for potential multiple choice questions



# FOLLOW US!

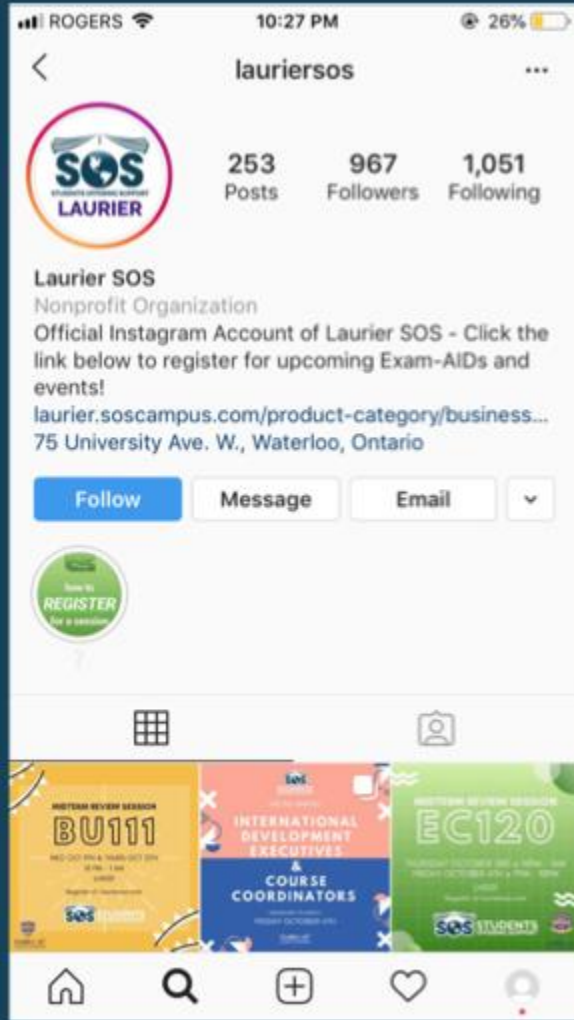
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**Thank You!**