

# Managing the development of small business ventures



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Nowadays, businesses are growing day by day. But inflation is becoming challenges in front of small and large types of businesses like there are many countries which are facing this problem. There are lots of countries which are increasing the price of their products day by day because of inflation.

### **Inflation:**

There are negative and positive effects of inflation on small and large type of businesses. Some of businesses want to earn more money that is why they grow the prices of their products and it is also a part of inflation like in New Zealand the burger king (BK) raised the price of a double cheeseburger from \$1 to \$1. 19 and they removed one slice of cheese from double cheeseburger on its dollar menu (they now call it the BK dollar double) due to the inflation dilemma that business ventures are dealing within the current economic environment. Sometimes some restaurant changes their prices on bases on national pay rate of labour like last year the pay rate of labour or minimum pay rate was \$13. 75. But now government has changed it from \$13. 75 to \$14. 25 and that is why BK'S costs are going up on the producer level because of higher commodity prices. Burger king (BK) cut the quantity and raise the price and they launched this burger with new name because they want to attract more and more customers and also want to earn more money by giving it new name like double cheeseburger to BK dollar burger.

On the other hand, BK also have another reason to raise the price like in a healthy economy, BK would have simply raised the price of the burger. However with demand weak, BK is forced to cut its offering by giving its

customers only 1 instead of 2 slices of cheese if they order from the dollar menu.

Interest rate:

An interest rate is the rate at which interest is paid by a borrower (debtor) for the use of money that they borrow from lender (creditor) like banks. Specifically, the interest rate is a percentage of principal paid a certain no. of times per period for example a company borrow a big/small amount of money/capital from bank to buy new assets for their businesses. There are some conditions are apply on loan like if any company borrow small amount of capital then they have to pay high interest rate on that money and there are less chances to expand the business as well. The chances of profit will goes down like Sak Strand bag Company. This company is a highly successful wholesaler of handbags since 1989. The company's forte is fabricating high-quality handbags from distinctive, richly textured textiles.

In 1999, after 10 very successful years in the handbags business, SS decided it was time to expand their products line. They expanded their products lines such as footwear, belts and jewellery.

Mr. Falucci, CEO of this company played spin the wheel of growth and considered getting additional loan from the ANZID bank, the same bank who provided them the company its capital during its first year of operation. After getting loan they have to burden the interest rate of 10% of the amount loaned per month.

Unemployment:

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Unemployment occurs when people are without work. There are positive and negative effects of unemployment like if people are unemployed then there are lot of negative effects. The profits will goes down because of unemployment in a business and the sales become less. Unemployment has negative effects on tax system like the tax will goes to high because of unemployment.

On the other hand, due to unemployment there cheaper labour will be available and we can find more and more people who has good qualification or not for work. Maxx started the big business around of 85 restaurants in Sweden, compared to 40 jut five years earlier. From 2005 to 2010, max expanded extensively to the western parts of Sweden. Plans have been announced to expand to New Zealand in 2013/14.

In their research of New Zealand employment market, the following information was gathered. in January 2011 OECD figured reported youth unemployment in New Zealand at 19. 4% the highest since the early 1990s and above the OCED average. The youth unemployment rate reported in September 2010 by the household labour force survey (HLFZ) was 16. 2%, two and half times higher than the rate for all people. Young men and women have been disproportionately affected by the recession. Indeed youth unemployment has increased significantly since 2008 and is two and a half times more than adult rate. After getting this report, the New Zealand government provided the job assistance to the unemployed people and also organised the many programs by which they could start their own businesses means the government provided the knowledge to the people

about the small and large type of business and how they can start these businesses.

Investment spending:

Money spent on capital goods used in production of capital, goods or services. Investment spending may include purchase such as machinery, land, production input or infrastructure. Investment spending should not be confused with investment means we have to have whole knowledge about that thing where we are going to spend our investment or money. In this condition we have to spend our money on right place or on right time. If we spend money on right place but the time is not perfect to spend money on business like high labour cost, high interest rate, high transport cost and so on at that time. In these conditions our company will go to in loss before starting a whole business. Like a 31-year-old Chinese started a restaurant in Auckland, a business born of true opportunity. In, 2004 the team cobbled together \$100000 in investment money and additional \$500000 for investment spending and started a new company, Salvador's kiwi food and beverage Ltd. This allowed them to open a coffee house in central Auckland. After several hard times, the business started. After few years from start-up the business has been wonderfully successful. They invested their money at right time or at right place that's why they got success and they also did hard work as team.

Business confidence:

In this, any person can start his own new business with fully confident. It means he has whole information about his business what he wants to do. <https://assignbuster.com/managing-the-development-of-small-business-ventures/>

Sometimes people feel very uncomfortable to start a new business with confidence because of lack of knowledge and confidence. Experience about business is important factor for business confidence like Boos and Goud used their experience at right time on a magazine prototype with \$50000 capital from family and friends. They called the magazine Pink, to suggest that women can be both powerful and feminine. An ad recession time for under way and working women magazine had gone out of business in 2001, after 25 year run. When they launched the Pink magazine, there were not too much magazines because of recession. It was positive point for their business. They also used their experience like they started the meeting with big companies for their marketing and promotions and so on like coco-cola and Home Depot. With 300000 coaxed from advertisers over a one- year period, the first 98- page issue was produced in mid-2005. They earn \$5 million in income from ads, conference, and syndication, they claim margin of 16%. They earn this large amount of money because they used their previous experience, time and they were fully confident.

Share market:

The share market is always depending on fluctuations of market prices or rates. When the company needs more money, they produce their shares in market. Sometimes the prices goes to high sometimes it goes to down because of fluctuation but when the prices of shares goes to very low then people (who bought the shares) complaint to the CEO of company about this. We have an example of share market fluctuation like JRV Company and it is NZ's fastest growing company, the company has sustained a remarkable growth rate through a superior product, a very effective sales system and <https://assignbuster.com/managing-the-development-of-small-business-ventures/>

intensive marketing. The business selling construction supplies like cement, ceramic, tiles metal and structural beam and etc. these are coming from different companies in Europe. This franchise is still in its early stages in terms of market penetration, so the potential to grow revenues is enormous. Since the business is imported based, they monitor the flow of the share market.

1. 5) (a) Increase in business: business confidence increase will increase the investment which will help to increase in the business.

(b) Increase in jobs: due to the increase in business Pink will need more people which will increase the jobs in market.

1. 6) sudden changes either up or down on the share market can affect the value of the New Zealand dollar on the international money market. If dollar will falls, import cost move which means importers have to cut margins or increase prices.

1. 7)

1. 7. 1) Credit availability: lack of capital history may affect applications for capital investment expansions however a strong presentation highlighting the company's rapid growth and success to date should go some way to offsetting that negative factor.

1. 7. 2) gross domestic product: wing zones target make is the highly mobile student sectors that traditionally service on fast food and have little consideration for long term financial matters and are not likely to be affected

by GDP. All people have to eat even hard time so GDP factors may not have a major affection on wing zone.

1. 7. 3) national income: decreasing business profit and wages and salaries may cause reduced consumer spending in non- essential market sectors but generally food supplies and sales will maintained.

1. 7. 4 Money supply: reserve bank restriction on May supply may restrict or slow down the availability of funds for business expansion.

1. 7. 5 International trade: McDonald and burger king but they have an international business. They have their franchise almost in all country. Fast internet connection will develop their business and social media network that is best way to develop the business.

1. 7. 6 International Market Fluctuation

International market fluctuation effect the stock market. They also affect a small business.

1. 7. 7Currency Fluctuation

Fluctuation risk on the foreign Exchange their price will low and high they most effect on the small business.

1. 7. 8Balance of Payment

Balance of payments accounts are an accounting record of all monetary transactions between a country and the rest of the world. These transactions



include payments for the country's exports and imports of goods, services, financial capital, and financial transfers

## *Task 2*

### 2. 1

Disposable Income: -Disposable income is total personal income minus personal current taxes. In national accounts definitions, personal income, minus personal current taxes equals disposable personal income. They started a small business it is very hard to save amount because they need a best employers to work and best product goes to market and they also need a promotion like advertisement on TV, Newspaper, Magazines, Etc.

### 2. 2

Population Trends: – In population Trend How many people drink beers and how many people drink a wine in their life. Youth Generation not drink a wine 18-24 aged represent only 6% of wine consumed. But there is different choice in the market to buy a wine and beers choice available.

### 2. 3

Building Permits: – Building permit is a permit required in most jurisdictions for new construction, or adding on to pre-existing structures, and in some cases for major renovations. Generally, the new construction must be inspected during construction and after completion to ensure compliance with national, regional, and local building codes. Failure to obtain a permit

can result in significant fines and penalties, and even demolition of unauthorized construction if it cannot be made to meet code.

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### Task 5

#### 5. 1

Internal Evaluation: – Can have the meeting with the staff to find out the reason of the problem, give them the instructions to follow and perform the work in the correct way.

External Evaluation: – Have to identify the reason of sales which are going down at that stage and need to look for on the market position, Can take a  
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professional assistance to find the reason of the problem and can take advice from professional finance advisor to find out the reason.

## 5. 2

Decision making technique helps alot to choose the option to solve problem because while doing decision many factors come to be naked and we will get many option to solve a particular and we can also select most suitable solution for the problem.

5. 2. 1 Breakeven: – The break-even is the point at which cost or expenses and revenue are equal: there is no net loss or gain, and one has “ broken even”. A profit or a loss has not been made, although opportunity costs have been “ paid”, and capital has received the risk-adjusted, expected return.

5. 2. 2 Decision tree: – A decision tree is a decision support tool that uses a tree-like graph or model of decisions and their possible consequences, including chance event outcomes, resource costs, and utility. It is one way to display an algorithm.

5. 2. 3 Payoffs approach: – In this technique we use cash flow scenarios to model the future. We can use that data which is already available in the company.

5. 2. 4 Professional assistance: – In this we ask help for a professional who is not a member of our business he is expert assistance.

5. 2. 5 Group decision making: – Conduct a meeting with all member of organization. Solve the problem on this meeting. Every member names and priority issues and ranks it's according to the work.

5. 2. 6 Cultural consensus methods: – Cultural knowledge is shared and systematically distributed. A good decision is one which has taken into the different culture of all the member of the group.

5. 3

5. 3. 1 Maori- owned and operated business

Cultural consensus method: – In this method we can share their knowledge. A good decision is one which has taken into the different culture of all the member of the group.

Group decision making: – They conduct a meeting with all member of organization. Solve the problem on this meeting. Every member names and priority issues and ranks it's according to the work.

5. 4. 1 Owners who cannot get out of their own way. They may be stubborn, risk adverse, conflict adverse — meaning they need to be liked by everyone (even employees and vendors who can't do their jobs). They may be perfectionist, greedy, self-righteous, paranoid, indignant, or insecure. You know the problems but continue to make the same mistakes over and over.

5. 4. 2 Out-of-control growth. A successful business is ruined by over-expansion. This would include moving into markets that are not as profitable,

experiencing growing pains that damage the business, or borrowing too much money in an attempt to keep growth at a particular rate.

5. 4. 3 Operational inefficiencies. Paying too much rent, labour, and materials. Not having the tenacity or stomach to negotiate terms that are reflective of today's economy may leave a company uncompetitive.

5. 4. 4 Dysfunctional management. Lack of focus, vision, planning, standards and everything are that goes in good management. Throw fighting partners or unhappy relatives into the mix, and the business is a disaster.

5. 4. 5 A declining market. The annual industry revenues are steadily declining because of the saturation of the market, the decrease in the market size, or the due to the introduction of a service, product or a technology from huge companies with more buying power and advertising dollars.