

# risky business

## TEACHERS NOTES

by Dr Bob Arnall

*RISKY BUSINESS provides an excellent resource for teaching a small business/entrepreneurship subject or general business studies subject at either high school, TAFE, undergraduate or MBA level.*

RISKY BUSINESS highlights the stresses and strains that face the entrepreneurs involved in the running of four separate businesses, each with their own problems.

### the charismatic cellular cowboys

This case study traces the battles of Marcus and Francesco who are part of the new breed of 'technopreneurs' involved in the telecommunications industry. Students will relate particularly well to these young and brash entrepreneurs. They provide a refreshing change from case studies that are dominated by middle-aged small business owner/operators.



### the dynamic design duo

In this case study the pressures and strains of operating in the high fashion market are illustrated through designers Ian and Natasha as they experience the highs and lows of preparing for Australian Fashion Week.



### the feisty fast-food family

This case study presents the trials and tribulations of a family that is involved in various aspects of the food business in regional Australia. The emphasis is very much on highlighting the unique problems associated with conducting a family business.



### the cool combo

The focus in this case study is in preparing for the opening of a new ice cream café situated in Sydney's Darling Harbour area. The case study highlights the many dependent variables that go into the project planning stage of a new business opening.



## pedagogical purposes

RISKY BUSINESS contains a wealth of material which is presented in a lively and 'fresh' style. Time taken by the instructor in previewing the video prior to class and utilising these guidelines will result in an excellent pedagogical outcome.

The four case studies presented in this program provide a significant resource for any instructor involved in teaching entrepreneurship/small business at either the high school, TAFE, undergraduate or MBA level. The case studies are such that the level of analysis can vary according to the ability of the students.

The case studies are most effective in the later half of a small business/entrepreneurship class. However, they can still be of considerable use at any stage of a course. The cases are intended to draw out the students' observation skills and to make them aware of some of the potential problems involved in the entrepreneurial arena.

The tape is presented in four 26-minute parts and can be used individually or as a series of four. Questions and discussion guidelines are provided for each part. It is advised that only one part be used in a single session to maximise the benefit. More than one part in a session will result in concentration levels waning. For effective discussion it is suggested that a minimum of one hour's classroom time be allocated for each part of the tape.

The suggested format for classroom analysis and discussion is that the class be divided into groups of four or five students. Group work will promote a richer and more thoughtful discussion than on an individual basis.

The task of presenting the group's findings can be rotated amongst the group. The sequence of group presentations should also be rotated to avoid one group dominating the presentations.

## risky business: part 1

### Introduction to the Cellular Cowboys

The tape opens with Marcus and Francesco who are involved in the mobile phone industry as retailers. They operate in an industry dominated by large players. They are growth-oriented entrepreneurs with the modus operandi that if you don't grow you will be eaten by the bigger fish. This has prompted the dynamic duo to open a new retail outlet in a prime city location involving a lease commitment of \$250,000 for three years.

Marcus and Francesco believe they are in a strong position to demand a better wholesale pricing arrangement from their network provider RSLCOM and set out to negotiate a deal.

After the completion of the unsuccessful negotiations it is suggested that the tape be stopped and the following questions presented to the class.

### DISCUSSION FOCUS:

#### ENTREPRENEURIAL CHARACTERISTICS

1. What entrepreneurial characteristics do Marcus and Francesco demonstrate?

### DISCUSSION GUIDELINES

The class's exposure to Marcus and Francesco is at an early stage. They will learn more about them as the case study unfolds. However, the following characteristics are evident:

- Drive and ambition. In entrepreneurial literature this is often referred to as a strong need for achievement.
- Confidence. Some members of the class might feel that Marcus and Francesco are 'full of themselves' and are over-confident. Ask the class whether they think this is a good or bad quality.
- A positive outlook in the face of adversity. They have been unsuccessful in negotiating a more favourable agreement with their network provider RSLCOM. Yet they remain positive and are determined to improve their business so that they will have a better negotiating position next time.

### DISCUSSION FOCUS: NEGOTIATION

1. Comment on Marcus's approach to negotiating with RSLCOM. What alternative negotiation approaches can you suggest?

### DISCUSSION GUIDELINES

Although we are not privy to the actual meeting between Marcus and the executive from RSLCOM we do get the impression that Marcus has thought out the bargaining process, albeit in a rather naive way. Their bargaining position is quite weak. They must improve their volume of business to strengthen their position. The problem with this type of business is that the retailer is totally reliant on the network provider and as such is in a vulnerable position.

The strength of Marcus's and Francesco's bargaining position with RSLCOM is dependent on the terms of the contract: if they are committed contractually to RSLCOM under the present network arrangements then their position is substantially weaker. However, if they can 'walk away' from the arrangement and negotiate a more favourable deal with another network provider, then they are in a more favourable position. If their volume of business is increasing and RSLCOM does not have them contractually committed, then they are in stronger position to negotiate a more favourable deal.

The negotiating process possibly could be improved by the preparation of a well documented discussion paper to be presented to RSLCOM in which their arguments for a better deal are clearly set out. Maybe the 'all guns blazing' approach is not the way to go.

## Introduction to the Dynamic Design Duo

Ian and Natasha are involved in the high end of the fashion industry with their labels Pigs In Space and YPV. The couple is preparing for a showing of both labels at Fashion Week. They provide an interesting contrast to Marcus and Francesco as they are involved in an 'artistically creative' industry.

*After viewing this segment stop the tape and ask the following questions.*

### DISCUSSION FOCUS: THE MARKET

1. Describe the type of market that Ian and Natasha operate in.
2. What are the product characteristics that they are attempting to encapsulate in their two labels Pigs In Space and YPV?
3. Why is Fashion Week such a critical incident for this developing high fashion business?

### DISCUSSION GUIDELINES

1. Ian and Natasha operate in a niche market: the high fashion industry. To succeed, their products must be innovative and creative. The product lifecycle is generally limited to one season. The market is also highly competitive and it is difficult to penetrate the crucial overseas markets.
2. The two labels Pigs In Space and YPV are separate identities. Natasha's Pigs In Space label presents high fashion women's design whereas Ian's YPV is young urban wear with an 'anti-fashion' approach. Ian mentions that the average shop could not sell his designs. They are clearly targeting the top overseas fashion houses. They are both aiming to present innovative designs: as Ian says, 'if it's not fresh, it ain't fresh'.
3. Fashion Week is a very critical incident in the life of this business. Overseas buyers will be present and the success of



this season's collection for both labels will be dependent on a successful showing. Emphasise the many elements that go into making this a success. Some of these include:

- (a) the design and production of the product
- (b) the attitude of the overseas buyers
- (c) the reaction of the press (as Ian says, 'good press is good press, bad press is shit')
- (d) the staging of the parade

## Introduction to the Chicken King

The lead entrepreneur (Chicken King Arthur) and his family operate several food businesses in Armidale, a regional city. Arthur is negotiating to buy another fast food/chicken outlet in the nearby town of Guyra, although the other members of his family are in dissent.

The case illustrates the tensions that can develop and erupt in a family business. The scenario is amusing and will promote quite a bit of laughter in the class. Nevertheless, it does introduce some very serious issues facing many small family businesses.

After viewing the segment on the Chicken King, open the following topic up for group then class discussion.

### DISCUSSION FOCUS: FAMILY BUSINESS

1. Discuss the causes of family business stress that are illustrated in this case study.
2. Is Arthur's decision to open another fast food outlet the correct move? Give reasons for your decision taking into account all known factors.

### DISCUSSION GUIDELINES

1. The situation illustrated in this case study is not unusual in family-operated businesses. Family emotions and tensions often run high. The main problem would appear to be Arthur's patriarchal decision-making style. He believes that when it comes to business his decisions are the correct ones and that consultation is not necessary. However, his decisions impact very directly on all members of the family, resulting inevitably in conflict.
2. There is no financial analysis available on the Guyra outlet. However, we are exposed to Arthur's analysis of the Guyra opportunity. In a family business, unlike other businesses, the decision to expand must also take into account the effect on the operation of the family. Arthur has not considered this at all. It may well be that the Guyra opportunity is a good one. However, family factors should be taken into account in the analysis.

## risky business: part 2

### Introduction to the Cool Combo

The Cool Combo is a joint venture between Wing and Connie, who currently operate an ice cream café, and

Sarah and Richard who manufacture ice cream. The proposed business is a new ice cream café to be situated in Sydney's Darling Harbour area. It is essentially a business based in Chinese culture and the partnership has plans to eventually expand the concept into Asia.

The problem that the viewer is presented with is basically one of project management. As with most projects there are many variables that must all come together. In order for the opening to coincide with Mothers Day the partners have set a tight timeline. They have four weeks to pull the project together.

Almost immediately one senses the stress that the pressure of meeting the deadline is creating. Tension is mounting and the 'laid back' attitude of Iain the builder combined with some design problems is not helping the situation.

*Stop the tape after this introduction to the Cool Combo and pose the following questions to the class.*

### DISCUSSION FOCUS: PROJECT MANAGEMENT

1. Identify the key variables of the Passionflower 2 project.
2. How would you organise the project management of a shop opening such as this?

### DISCUSSION GUIDELINES

The key project variables are the builder, the designer and the suppliers of equipment. All these variables must be made to work together in a coordinated way in order to meet the project deadline of opening on time. Students' views on the project management process might vary — from changing builders to exerting more pressure on all the parties. A major difficulty in this type of situation is that significant investment in terms of time and experience has been made in the builder and the designer. To change these people at this stage could be disastrous given the tight timeframes. Effective management of the project is indeed a challenge.

*Continue the tape.*

### The Chicken King

The second case presented in Part 2 is the continuing saga of the Chicken King. Again the emphasis is on the stresses and strains of running a family business.

Arthur has decided to buy the fast food outlet that he has been negotiating for in the nearby town of Guyra. He reveals this to his children but has not yet told his wife who is against the idea.

This part of the case study demonstrates some very important issues with respect to reaching consensus in the family business decision-making process. Arthur clearly believes that the business decision he makes is the best one and the family will just have to accept it. His children clearly are on their mother's side and deeply oppose the decision-making style of their father.

*It is suggested that the tape is stopped at this point and the following questions posed to the class.*

### DISCUSSION FOCUS: DECISION-MAKING

1. Comment on the decision-making style of Arthur as demonstrated by his decision to go ahead and purchase the Guyra fast food outlet.
2. Suggest a process that should be followed to ensure that:
  - (a) the correct business decision is made and;
  - (b) family harmony is maintained.

### DISCUSSION GUIDELINES

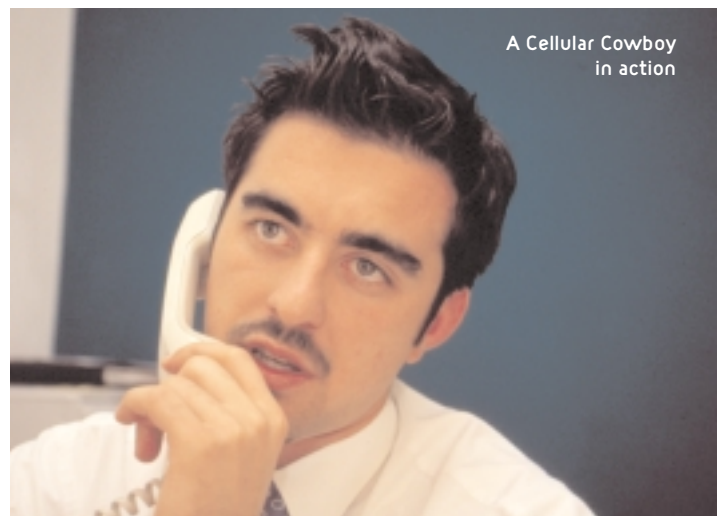
1. Arthur clearly demonstrates a patriarchal style of management. He believes that consultation with other members of the family is not necessary because he is capable of making the best business decision.
2. The decision-making style of Arthur should focus more on achieving family consensus. A 'round-table kitchen conference' over such a matter would go a long way to achieving this objective. If family members were made to feel part of the decision-making process then much of the obvious derision and ill-feeling would be avoided. This is especially the case with Arthur's wife.

*The tape can be continued until the end of Part 2.*

The final segment in Part 2 shows the stress that is building up in the businesses conducted by the Cellular Cowboys, the Dynamic Design Duo and the Cool Combo.

### The Cellular Cowboys

The stress of opening another retail outlet involving a significant financial risk is starting to take its toll on Marcus and Francesco. Tension is rising between the two partners. The scene in their flat after soccer training demonstrates signs of personal jealousies starting to emerge as the partners conflict over the amount of communication and the level of commitment needed to ensure business success.





## The Dynamic Design Duo

Tension is also building up between Ian and Natasha as the pressure of preparing two collections for the Fashion Week showing is mounting. Note in particular the body language of all the characters in this segment for the obvious signs of stress. Natasha is very focused on her label Pigs In Space whereas Ian feels that he has to be involved in all aspects of the business. Ian's YPV label preparation is running late and stress is evident.

## The Cool Combo

Project management of the ice cream café opening would appear to be close to chaos. The problems are placing tremendous stress and pressure on the partnership.

The cultural aspect of the business that this segment introduces is an interesting one and will stimulate classroom discussion. The business is essentially aimed at the Chinese market and Wing is deeply concerned about losing face. Ian's apparent laid back attitude seems to portray insensitivity to the client's needs in general and to the cultural importance of meeting the opening deadline.

Promotional plans also hinge around the launch function — invitations have been sent to some high-profile guests in the Chinese community and the damage that would be done by not opening on time would be significant. Wing's reputation is at stake, so it's about much more than just the missed trading opportunity. Ian finally agrees to meet the deadline in a 95 per cent way. Perhaps his experience tells him that things can go wrong and therefore making a firm commitment can only get him into trouble. However, this is no comfort to the Passionflower partners.

### DISCUSSION FOCUS: SITUATIONAL PROBLEM SOLVING

1. Describe how the partners in all three businesses are handling the crises that they are currently facing. In your discussion list specific examples of evidence of business stress as illustrated in the segment.
2. Suggest ways in which the partners could better manage each crisis that they are facing.

### DISCUSSION GUIDELINES

1. The segment summary provides plenty of evidence that pressure and resultant stress is building up in all three businesses and with all partners. Encourage students to give specific examples of why they think stress is building up amongst the partners. The conflict between Marcus and Francesco, the body language between Ian and Natasha and the frustration caused by Ian the builder are key pieces of evidence.
2. Here students should be given a 'free rein' in suggesting how each crisis could be better managed. Encourage some creative thought in this area. For example, maybe Marcus

and Francesco should take 'time out' and do an adventure training or stress management course. 'Left Field' answers are encouraged.

In summary, the instructor should emphasise that the stress caused by the pressure of business can be very intense and must be managed. If it is not correctly managed the results can be devastating.

## risky business: part 3

*It is suggested that Part 3 be viewed in its entirety.*

Part 3 focuses on the Cellular Cowboys and the Dynamic Design Duo with a short segment on the Chicken King towards the end.

The Cellular Cowboys' new shop is due to open in two weeks. Marcus and Francesco believe that the negotiation of a new network deal is critical to the future of the business. They set up another meeting with RSLCOM.

Again, the outcome of the negotiations with RSLCOM is disappointing to Marcus and Francesco. They realise that to be in a stronger negotiating position they must increase the level of their business from 120 to 350 connections per month. Everything is riding on the success of the new city shop.

The Dynamic Design Duo is frantically preparing for Fashion Week. Many of the top overseas buyers are present. The behind-the-scenes preparations seem chaotic, yet there is a certain amount of composure exhibited, especially by Natasha.

Natasha's Pigs In Space showing seems to attract strong interest from the overseas buyers. An important new customer is signed up — Barneys of Japan place an order for the label.

However, Ian is less enthusiastic about the showing of his YPV label. There are a few problems with the showing and Ian is clearly unhappy with the overall result.

The third segment of the tape concludes with a short visit to the Chicken King's new Guyra outlet which seems to be doing well. His wife Christine is disappointed with the decision-making process, however seems to be moving more to a position of support for the new operation.

### DISCUSSION FOCUS: GENERAL QUESTIONS

1. Ask students to summarise the results of the following critical incidents to the individual entrepreneurs and the business in general:
  - (a) the unsuccessful negotiations by Marcus and Francesco with their network provider RSLCOM
  - (b) the Fashion Week showings of Natasha's Pigs In Space label and Ian's YPV label
2. The Chicken King's new outlet seems to be working well. What do you think would have happened if it had proved to be unsuccessful?

## DISCUSSION GUIDELINES

The focus in the discussion should be on the ability of the entrepreneurs to handle the results of a critical incident and to move on in a positive way. The negotiations with RSLCOM are unsuccessful yet Marcus and Francesco are philosophical about the failure. They have a positive attitude and are determined to move on and create the necessary level of business required to place them in a stronger negotiating position with RSLCOM. The ability to handle failure in a positive way is an essential characteristic for the small business owner/operator.

Natasha is very buoyant after the successful showing of her Pigs In Space label. However, Ian is clearly 'down' after the mixed results from the showing of his YPV label. Emphasise that the ability to deal with disappointment is a key element of business success. The successful entrepreneur will treat failure as a positive learning experience and move on to the next challenge. The ability of the partners to support each other during tough times is also a key element.

Arthur the Chicken King is obviously feeling very pleased with himself over the success of his new chicken outlet in Guyra. His wife Christine is warming to the idea but is still unhappy with the way the decision is reached. Students should be encouraged to suggest how Arthur and his family would have handled the situation had the new outlet failed. While students may suggest outcomes such as total humiliation for Arthur or the possibility of a marriage break-up, they should be encouraged to suggest positive ways in which to deal with such an adversity.

## risky business: part 4

*It is suggested that Part 4 be viewed in its entirety.*

Part 4 concentrates on the last-minute crises facing the Cool Combo and the Cellular Cowboys with their respective shop openings.

The opening preparations for Passionflower 2 becomes a 'meltdown' situation in more ways than one — with freezer and dishwashers breakdowns, electrical problems and general disorganisation. Richard appears ready to crack under the pressure. However, everything finally comes together and the opening time of 3.00pm is achieved with apparent success.

Marcus and Francesco open their new mobile phone outlet, only to find that there is a major problem with the phone system. They reconfigure their mobile phones to handle the situation and the opening day concludes with a positive result.

## DISCUSSION FOCUS: PROBLEM SOLVING AND CRISIS MANAGEMENT

Again, the emphasis in Part 4 is on the ability of the entrepreneurs to handle the pressure and solve problems.

## GENERAL QUESTIONS

Part 4 concludes with the successful opening of the Cellular Cowboys' and the Cool Combo's new outlets. It provides an opportunity for the class to reflect on the four case studies with the following questions:

1. What lessons have you learnt from the four case studies about the operation of a small business?
2. Summarise the entrepreneurial characteristics that are needed to succeed in business.
3. Do you have what it takes? Discuss your strengths and weaknesses.

## The Cool Combo

1. The opening of the Passionflower 2 outlet was a last-minute panic with many problems. Suggest ways in which the organization of the opening could have been improved.
2. Comment on the problem-solving abilities and the ability to handle pressure of each of the four partners.

## DISCUSSION GUIDELINES

1. The problems encountered with the opening of the Passionflower 2 are a result of the delay in having the shop-fit completed. Successful management of a project like the Passionflower 2 opening requires that certain stages of the project be completed by certain times so that the next part of the project can then be completed. The process can be likened to fitting the pieces of a jigsaw puzzle together. If the shop fitout had been completed earlier the problems with the freezers and dishwashers could have been solved without the last minute panic that we see taking place. Perhaps too much faith was placed in and freedom given to Iain in his contract to fit out the shop. This could have been overcome with a proper project plan in which specific milestones were stated together with financial penalties for not completing on time.

Not one of the four partners seems to exhibit the necessary project management skills. Emphasise that it is very difficult for small business owner/operators to possess every skill necessary to deal with every situation. However, the project management skill is a necessary one in this situation. Successful entrepreneurs often recognise their own shortcomings and employ experts to 'fill the gaps'. Perhaps the shop designer was meant to provide this skill but she was clearly found wanting in this area.

2. Although Passionflower 2 does open on time, one can only describe the problem-solving style as one of crisis management. Richard clearly has trouble coping with the situation. As mentioned in question 1, proper planning would have eliminated much of the stress. However, in business everything does not always go to plan. A major component of business success is the ability to solve problems and the partners through their combined efforts and support do manage to achieve this. However, the

problem-solving process does seem chaotic and might have been improved by some 'round table' conferences between the partners.

## The Cellular Cowboys

1. Summarise the entrepreneurial characteristics of Marcus and Francesco.
2. Do you think they will succeed in business? Why/why not?

### DISCUSSION GUIDELINES

1. Marcus and Francesco exhibit many of the classic entrepreneurial characteristics, including:

- a need for achievement
- perseverance and persistence
- a high level of locus of control, which is the belief that you can make things happen
- high levels of energy
- risk-taking ability

Encourage the class to enter into a wide-ranging discussion on the personality characteristics of these two young entrepreneurs. A younger class (high school, undergraduate) will relate well to the age group of Marcus and Francesco. They may see themselves in their position some day.

The personality characteristics and qualities that emerge can also be used in the general discussion points below.

2. The discussion on whether the business will succeed or fail should focus on the following:

(a) the qualities of Marcus and Francesco: have they got what it takes?

(b) the product lifecycle of mobile phone outlets such as their First Choice outlet. The instructor can develop this point by pointing out that the sale of mobile phones is slowing down as the market is starting to become saturated. What other product/technologies should the Cellular Cowboys be thinking about as the product life cycle of the mobile phone shortens? Encourage a wide-ranging discussion on any marketing/technological developments that the students might feel are relevant.

## Case study conclusion

### GENERAL DISCUSSION POINTS

1. Discussion should focus on the students' observations and conclusions gleaned from the four case studies. This activity would make an excellent project, either conducted individually or in teams. Such a project would provide the opportunity for students to reflect on their observations of the four case studies. Discussion on this topic should be 'free ranging' with many possible scenarios.

2. The main characteristics of entrepreneurship that emerge from all four case studies are:

- achievement motivation
- risk-taking ability
- problem-solving ability
- veridical awareness (ie being aware of one's own weaknesses and the need to use experts when necessary)
- communication skills
- drive and commitment
- the ability to handle stress
- the ability to learn from mistakes
- a positive outlook

This list is not exclusive and students should be encouraged to discuss any relevant characteristic.

3. While the case studies do focus on certain critical incidents that the four businesses face, and the resultant pressures they experience, students should be encouraged to focus on the positive side of owning and operating a small business. An entrepreneurial career is challenging and exciting and can reap substantial rewards. However, it is not a career for the unwary and students should be aware of what it takes to succeed. Again the emphasis here is on being positive. Try not to focus on failure rates but on factors such as the significant contribution that the sector is making to all economies around the world.

## about the author

**Bob Arnall DBA, MEcon, DipFinMan, CPA**

Bob is a lecturer in Small Business, Entrepreneurship and Accounting at Southern Cross University and has been involved in small business consulting, training and research for over 20 years. He is President of the Small Enterprise Association of Australia and New Zealand and a board member of the International Council for Small Business.

## ordering the video

To order a copy of Risky Business, or to find out more about Film Australia programs and accompanying teachers notes, please contact:

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**Executive Producer:** Mark Hamlyn **Director:** Susan Lambert

**Series Producers:** Susan Lambert, Denise Haslem

**Writers:** Susan Lambert, Greig Pickhaver **Narrator:** HG Nelson

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