

Business analysis - your guide

Chartered accountants don't just balance the books. They also offer strategic business advice that can help companies make more money or attract more customers. They must be able to scrutinise what works and what doesn't, figure out what and how things can be improved and identify key opportunities and seize them. In short, they need to know how to carry out business analysis.

The business analysis project you'll do during your work experience could well have a big impact for your employer. It might help them solve a long-standing problem, give them an idea for a new product or service, or it might identify a new market.

You'll benefit from it too. As well as deepening your understanding of the company's operations, you'll boost your ability to interact with different people, gain experience of research, and learn how to put together your findings and present them back. Skills like these are invaluable whether you decide on a career in accountancy, or you opt to do something else entirely.

The project itself consists of four simple steps, which we'll look at in more detail below:

1. Pinpoint what you need to analyse
2. Identify who you should talk to
3. Pick a tried and tested business analysis technique
4. Report what you've learned, and what you think should happen next

1. PINPOINT WHAT YOU NEED TO ANALYSE

Your employer may well have a particular issue they want you to look at. Maybe there's a problem with the way a specific department operates, or perhaps they're after ideas for potential new markets. They might want a better understanding of what their competitors are up to. Whatever your goal, make sure it remains clear in your mind at all times, so you remember to ask the right people the right questions.

TIP

Decide what you need to know before you decide who you need to talk to.

2. IDENTIFY WHO YOU SHOULD TALK TO

Who you should talk to depends on what you need to find out. Let's say the business wants to update its computer system. Then your first point of call would be with the people using the system so you can understand what they need.

You would also need to speak to senior managers to find out what the business needs, and you might also talk to someone who holds the purse strings to pin down the budget available.

So think about the kind of information you need. Work out the questions to ask, and decide who'll have the answers. Then set up meetings with the appropriate people, giving them a good overview of what you want to find out from them.

TIP

Ask lots of questions - because the more questions you ask, the greater the chances you'll ask the right questions and get the answers you need. And don't be afraid to ask what may seem like simple or 'silly' questions - often they're the ones that need to be asked.

3. PICK A TRIED AND TESTED BUSINESS ANALYSIS TECHNIQUE

There are lots of different ways to analyse the shape of a business, and below are a few examples. If you have your own technique and would rather use that then please feel free.

SWOT

(STRENGTHS, WEAKNESSES, OPPORTUNITIES AND THREATS)

Perhaps the most common is the **SWOT** technique. It's fast, flexible and visual, and one of this technique's other great benefits is that you can apply it not just to a company or industry, but to products, processes, places, markets and even people.

By identifying both the good and bad internal and external factors affecting a business, the SWOT technique enables you to spot danger, tackle weaknesses and work out where the best opportunities are.



Then add your findings to each quarter, based on the following:

STRENGTHS

How is the business better than its competitors? Here are some questions that will help you find out:

- What does the business do better than others?
- What advantages does it have?
- What low-cost or unique resources does it have that others don't?
- What does the market think its strengths are?
- What factors help it sell products?
- What is its Unique Selling Proposition?

WEAKNESSES

What puts the business at a disadvantage? Internal processes? Lack of investment? Location? Reputation? Ask things like:

- What could the business improve?
- What should it avoid because they're not capable of achieving with existing resources?
- What does the market think its weaknesses are?
- What factors could lose it sales?

OPPORTUNITIES

Opportunities often lie in areas where a business's competitors perform poorly. These opportunities could be linked to a new market – maybe one that's overseas, or that's local but has been overlooked. They might involve a potential merger or a strategic alliance. Or they could relate to a gap in the market, an innovative technology or a new distribution or communication channel. Investigate:

- What customers are looking for
- The most interesting trends in the market
- Gaps in the market the company currently operates in
- Areas of strength the company has but doesn't fully use.

THREATS

New competitors. Price wars. Smarter products. Legislation. Threats come in all shapes and sizes. And the faster you spot trouble ahead, the faster you can overcome it. Some of the questions you can ask here are:

- What's stopping the business growing?
- What are its competitors doing well?
- Are the quality standards or specifications for the products, services or job changing?
- Are technological advances threatening the company's position?
- Are there any cash-flow problems or bad debts?
- Could these weaknesses seriously threaten the business?

TIP

Remember, threats and weaknesses can also present opportunities.



In Appendix C, you'll find an example SWOT analysis chart we prepared earlier. This will give you an example of what you should be working towards.

PESTLE

(POLITICAL, ECONOMIC, SOCIAL, TECHNOLOGICAL, LEGAL AND ENVIRONMENTAL)

No business operates in a vacuum. So it's vital to keep a close eye on what's going on in the world. The better a business can adapt and respond, the more successful it will be.

PESTLE is an acronym of the many different external influences on a business. Use it if you want to examine opportunities and threats in a lot more detail. You'll be looking at the following factors:

POLITICAL

This is all about finding how much a government might influence the success of the business. There may be new taxes, or changes to policy or trade agreements. Or a change of government might bring instability.

ECONOMIC

Economic growth, interest and exchange rates, inflation - not just in the country where the company primarily operates but globally - all can have an impact. They could affect the buying power of customers as well as the company's costs.

SOCIAL

This is all about consumer behaviour. Are people becoming more health conscious for instance? Are their shopping habits changing? Are they exercising more or going out less? And are the company's markets growing or shrinking?

TECHNOLOGICAL

This might relate to developments in IT generally or to the technology specific to a business or market. Is the business making the most of recent technological advances? What about up-and-coming ones? How fast is the technology evolving? And is the government investing in technology research?

LEGAL

Local, national and global legislation can all play a part. You might need to look at everything from health & safety laws to laws on discrimination, consumer protection and copyright.

ENVIRONMENTAL

Factors here include how companies dispose of their waste, the use of green products and practices, and laws on pollution and recycling. Changes in weather and climate are important too - particularly for farming or agricultural businesses.

TIP

Use PESTLE to work out how a wide range of external factors will affect the long-term performance of the business.

Click on an icon to see how PESTLE has been applied to Google and Apple.



MOST

(MISSION, OBJECTIVES, STRATEGY AND TACTICS)

Maybe your focus needs to be on the nitty-gritty detail of planning what a business does. If so, MOST is your go-to technique. It will help you ask the right questions and create a logical link between the high-level mission of the business and its day-to-day activities.

MISSION

This explains the purpose of the business, and how it helps its customers. Most organisations already have a mission in place.

OBJECTIVES

These are the goals the business needs to meet in order to achieve its mission. Objectives should be SMART (Specific, Measurable, Achievable, Relevant and Timely).

STRATEGY

This is the plan for how the business will achieve its objectives. It might involve deciding which markets to target, what products to make, where to open an office or whether to lower costs or increase quality.

TACTICS

This is the detail behind how the business will put its strategy into action. Should it offer discounts or launch a big advertising campaign? Change a supplier or overhaul a process?

For instance, let's say a retailer's mission is to sell more products while delivering exceptional customer service. A core objective, then, might be to help customers in the shop straight away. One strategy to achieve this could be to have as many sales assistants on the shop floor as possible. Perhaps a supporting tactic is to cut the number of stock checks a sales assistant has to carry out.

TIP

Start with the company mission and keep asking, 'What do we need to do to make that happen', and you won't go far wrong with MOST.

4. WRITE UP WHAT YOU'VE LEARNT AND WHAT YOU THINK SHOULD HAPPEN NEXT

However you gather your information, the next step is critical: recommending how the business moves forward.

Let's say you carry out a SWOT analysis. How can a company harness its strengths to take advantage of the opportunities? How can it use its opportunities to overcome weaknesses and avoid threats?

When you're researching, writing and presenting your business analysis, don't forget to use the soft skills you learnt from our videos.

Always take the company's reputation into consideration; analyse data with an accurate, thorough approach; evaluate all potential risks involved; show your technical competence; and consider other people's workloads, while asking questions where appropriate.

If you think your knowledge can help a situation, share it with your colleagues. Build logical arguments and demonstrate that you can go the extra mile when working on a project. And finally, make sure you consider all opportunities and communicate in a clear and concise way.

As a work experience trainee, you may feel your lack of knowledge about a business or an industry is a big drawback. It's not. Often a fresh pair of eyes and an ability to ask the obvious questions can help people look at old problems in new ways. Experience and know-how are far less important than enthusiasm, curiosity and common sense - and when it comes to your business analysis project, those are the qualities your employer will value.

TIP

Use pictures, graphs and tables to convey information faster and more memorably than lots of words.