



## **TRAINING MANUAL ON ENTREPRENEURSHIP AND MANAGEMENT OF SMALL BUSINESS FOR WOMEN**

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# TRAINING MANUAL

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## Module 1: Participatory Learning Process

### What Is PARTICIPATORY LEARNING ?

Participatory Learning and Action (PLA) is a form of action research. It is a practical, adaptive research strategy that enables diverse groups and individuals to learn, work and act together in a co-operative manner, to focus on issues of joint concern, identify challenges and generate positive responses in a collaborative and democratic manner.

PLA is highly relevant for the field of implementation science because it is a pragmatic multi-perspectival research methodology. This means that it can be used to address practical problems, to focus on solutions to those problems and to explore issues from a variety of points of view.

- PLA is an iterative and organic process which encourages stakeholders to engage in cycles of research, co-analysis, reflection and evaluation together over time. This process enables stakeholders to achieve their goals for practice and/or policy. This process is often enabled by researcher/facilitators who encourage stakeholders to engage in a PLA 'brokered dialogue'. In this dialogue, key stakeholder groups are encouraged to listen to, and learn from, each other's knowledge and perspectives.
- Trust, rapport and mutual respect are essential for a PLA dialogue and, when present, can lead to productive exchanges whereby all types of knowledge and expertise become explicit and valued. Because of its underpinning ethos of inclusion, PLA is particularly suitable for engaging with 'hard-to-reach' groups (e.g., migrant service users) and addressing cross-cultural issues, both of which are important.

- In most countries, PLA approaches are increasingly used in a range of community-based poverty and regeneration projects – whenever the active participation of the community is prioritized.
- By utilizing visual methods and analytical tools, PLA enables all community members to participate, regardless of their age, ethnicity or literacy capabilities.

### **How is it Conducted?**

- The repertoire of PLA tools is large and ever-growing and practitioners of the approach are constantly adapting and adding to the toolkit to meet their needs. What follows therefore are merely descriptions and examples of some of the more commonly used tools intended to give a flavour of the approach.

The approach is conducted by using different techniques such as the following:-

- **Maps**

Mapping activities are often used as introductory activities. They allow the community to show and talk about how they see the area where they live, the resources/facilities available and what is important to them in their environment. They enable 'outsiders' to begin to see a community through the eyes of the local people.

- **Time Lines**

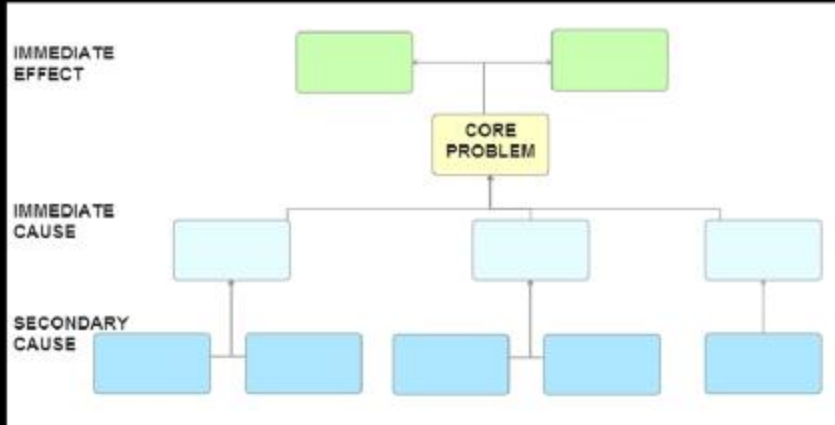
Time lines are a type of diagram that help to record changes in a community/household/life of a community member over time. They are a way of noting the important historical markers and milestones of a community or individual, giving a wider historical context to issues being discussed. They can also enable participants to draw out trends.

- **Problem Trees**

A 'Problem Tree' or 'issue tree' is a type of diagram which enables community members to identify and analyse the causes and effects of a particular problem, and how they relate to one another. In other words, it identifies the context in which an intervention is to occur and starts to reveal the complexity of life.

Constructed around a focal problem/issue, the causes of that problem are traced down below.

## What does a Problem Tree look like?



### ■ Ranking Activities

Ranking/scoring activities provide a way for community members to weigh up/rate/prioritise items or issues either relative to one another or according to criteria.

### ■ Venn / Chapati Diagrams

These are two similar types of diagrams that can be used to explore the roles and relationships of individuals, groups and individuals and the links between them.

These are just some of the tools that are used as part of the PLA approach. The approach itself is dynamic and flexible but is underpinned by some key principles:

- Roles are reversed such that local people are seen as the 'experts'
- 'Handing over the pen' – the community members themselves do the drawing, mapping, modeling, diagramming; the facilitators build rapport, listen, question and learn.

## **Facilitating a participatory learning process**

Practising the facilitation of a participatory learning process allows participants to learn how to facilitate the process themselves.

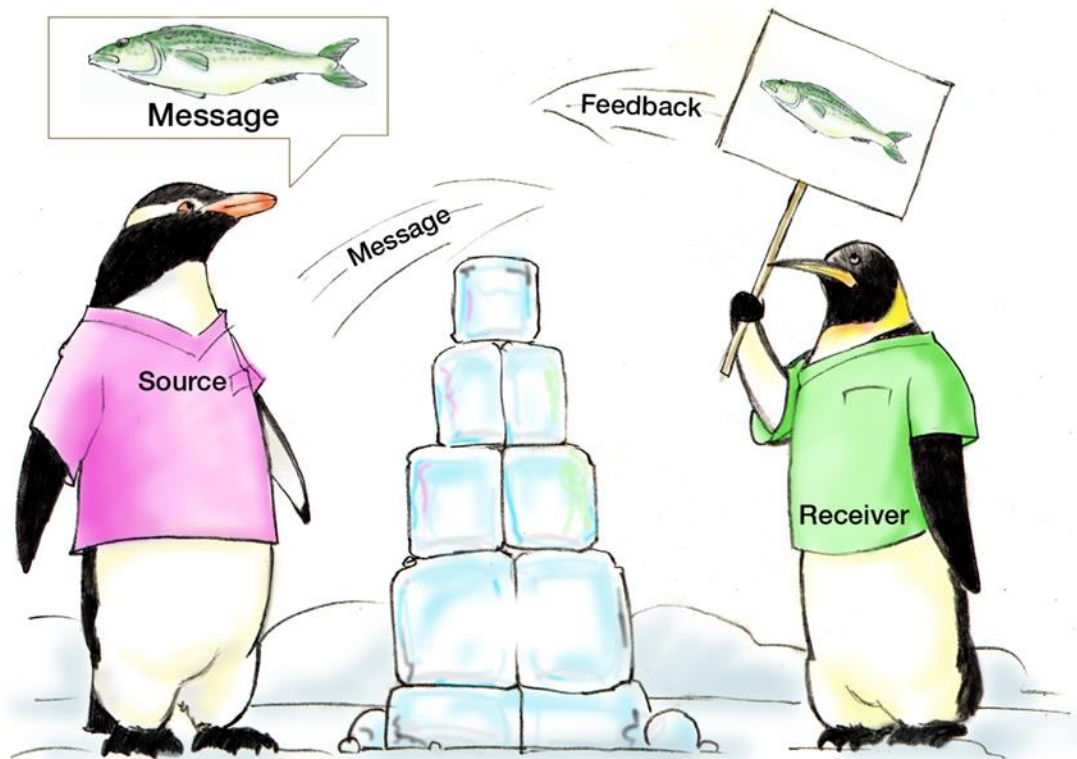
The participatory learning process includes practical exercises on various topics. These exercises are meant to support experiential learning.

## **Participatory methods, techniques and tools**

- The use of participatory methods, techniques and tools is very important for participants to gain a clear understanding of the learning content. We have mentioned previously that according to the basic principles of learning, a person learns best using all senses and the whole body. There are a number of techniques, tools and teaching aids available to support experiential learning, including group or face-to-face discussions, role-plays, performances, drawing pictures and learning with cards.
- The list below indicates some of participatory methods, techniques and tools; however, it is not exhaustive. The facilitator may know additional methods, techniques and tools to employ in the participatory learning process from his/her own previous experience that may be used as well
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## **Module 2: Effective Communication Skills**

## Communication



## Objectives

- Describe the importance of communication
- Recognize the connection between communication and medical error
- Define communication and discuss the standards of effective communication
- Describe strategies for information exchange
- Identify barriers, tools, strategies, and outcomes to communication

## Communication is...

- The process by which information is exchanged between individuals, departments, or organizations
- The lifeline of the Core Team

- Effective when it permeates every aspect of an organization

## **Communication Techniques/Presentation style**

### **Eye Contact**

- Maintain visual contact with your listeners until they feel “seen.”
- Be sure to make eye contact with everyone, or, when speaking with large groups, with all parts of your audience.

### **Vocal Variety**

Speed – slow to fast

Volume – soft to loud

Pitch – low to high

Enthusiasm – amount of energy

### **Stance and Gestures**

- Stand with your feet directly below your shoulders (in a comfortable position)
- Make slow gestures to emphasize or illustrate key points

### **Pause and Breathe**

- Pause and breathe after making a point.
- Breathe from your diaphragm, not from your chest.

### **Avoid Filler Words**

- Vocalized pauses

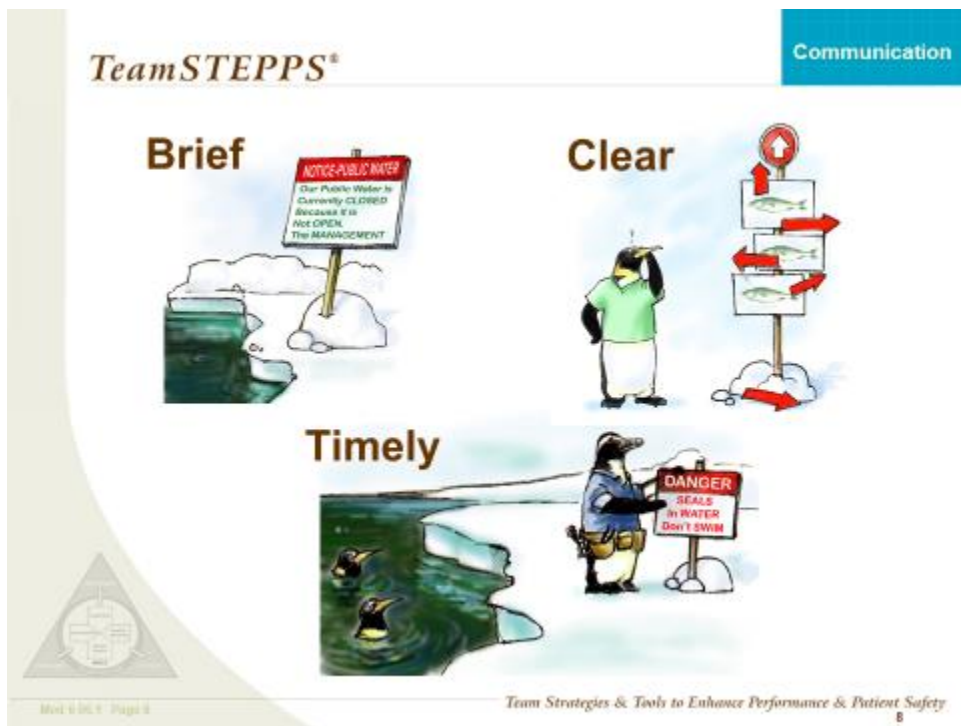


- Examples: “um,” “ah,” “uh,”
- Avoid filler words by:
  - Audio taping yourself
  - Asking friends/family to watch and inform you when the word is used
  - Video taping yourself

### **Standards of Effective Communication**

- Complete
  - Communicate all relevant information
- Clear
  - Convey information that is plainly understood
- Brief
  - Communicate the information in a concise manner
- Timely
  - Offer and request information in an appropriate timeframe
  - Verify authenticity
  - Validate or acknowledge information
- Complete
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- Offer and request information in an appropriate timeframe
- Verify authenticity
- Validate or acknowledge information



### Information Exchange Strategies

- Situation–Background– Assessment– Recommendation (SBAR)
- Call-Out
- Check-Back
- Handoff

### SBAR provides...

- A framework for team members to effectively communicate information to one another
- Communicate the following information:

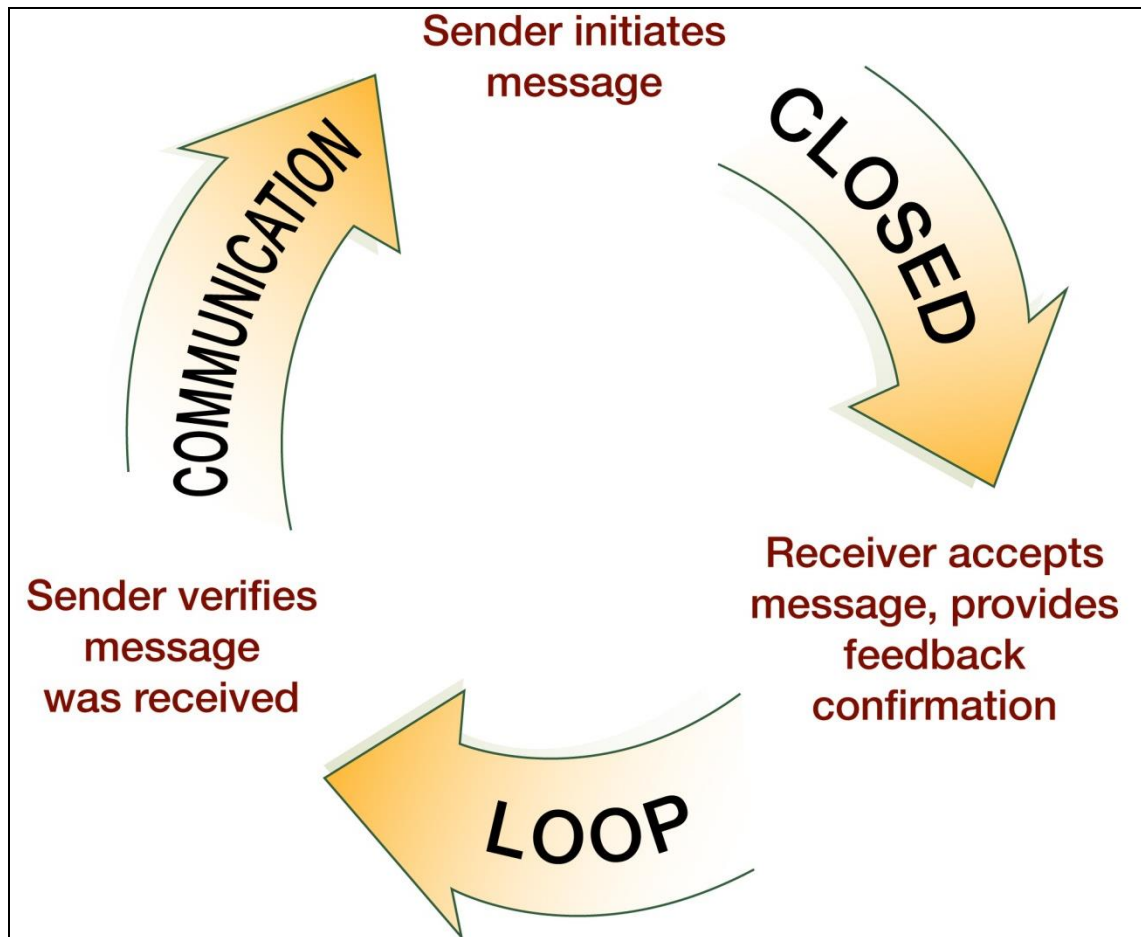
- Situation—What is going on with the resident?
- Background—What is the clinical background or context?
- Assessment—What do I think the problem is?
- Recommendation—What would I recommend?

**Call-Out is...**

A strategy used to communicate important or critical information

- It informs all team members simultaneously during emergency situations
- It helps team members anticipate next steps

**Check-Back is...**



## Handoff

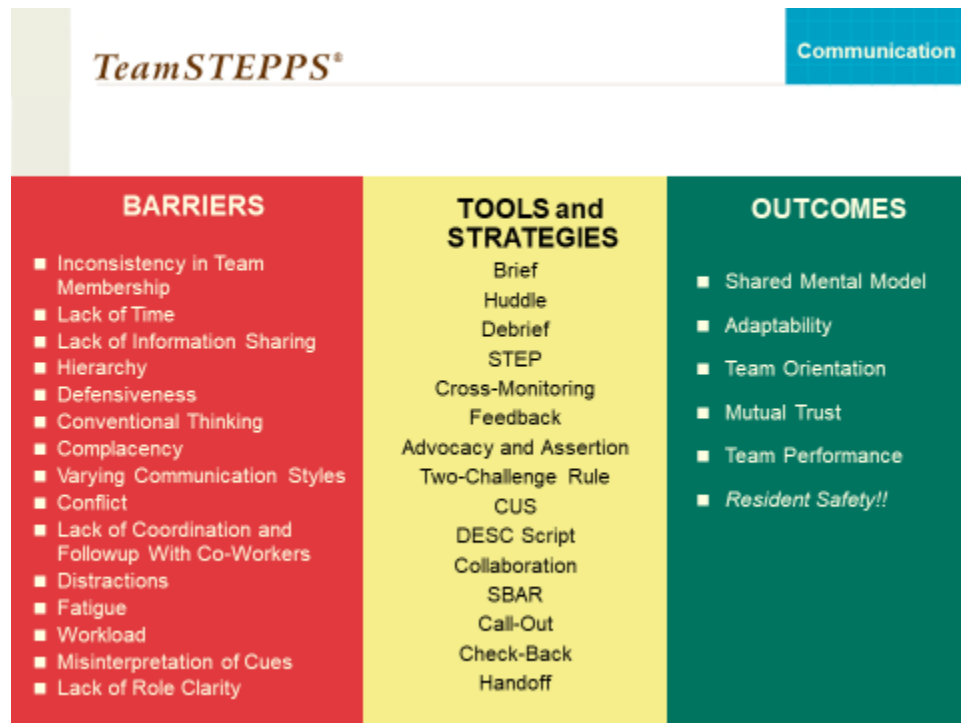
The transfer of information (along with authority and responsibility) during transitions in care; to include an opportunity to ask questions, clarify, and confirm

- Optimized Information
- Responsibility–Accountability
- Uncertainty
- Verbal Structure
- Checklists
- IT Support
- Acknowledgment

## Communication Challenges

- Language barrier
- Distractions
- Physical proximity
- Personalities
- Workload
- Varying communication styles
- Conflict
- Lack of information verification
- Shift change

## Barriers to Team Effectiveness



## Teamwork Actions

- Communicate with team members in a brief, clear, and timely format

- Seek information from all available sources
- Verify and share information
- Practice communication tools and strategies daily (SBAR, call-out, check-back, handoff)

## Module 3: Effective Presentation and Facilitation Skills

### Presentation Skills



#### Speed

Effective speakers change their rate of speed to fit their purpose, content, listeners & personal style

#### Tone

- emphasis placed on a word to create meaning

- variation prevents monotonous presentations

### **Volume / Variety / Vocabulary**

- project your voice
  - aim for the back
- go faster to excite
- to gain maximum attention, say some words **louder**
- repeat important words
- go *s l o w e r* to emphasize major points
- give emphasis with voice & body
- pause often & look round audience

### **Language**

#### ***Avoid.....***

- Acronyms
- being too formal
- long sentences

#### ***try to...***

- use everyday language
- use concrete words

### **Body Language – Don'ts**

- don't point at anyone
- don't move while presenting key points
- don't stand rooted to the spot
- don't leave your hands by your sides
- don't avoid eye contact

### **Body Language - Dos**

- move hands & arms
- move around the room

- move towards audience
- move your eyes around the audience



### **Method 1: Know Your Audience**

Why is it important to know your audience?

**Purpose:** Allows you (the speaker) to determine what and how you should present.

- Demonstrate concern for the audience's interests
- Tailor the presentation to fit the audience's needs

### **Method 2: Know Your Purpose**

Why are you doing the presentation?

- Provide information
  - increase awareness



- Change attitudes
  - create emotion
- Build new skills
  - training activities

### **Method 3: Know The Material**

- **Research**
  - Use content information from credible sources
- **Data/Statistics**
  - Incorporate data /statistics that is relevant to the audience
- **Resources**
  - Provide some resources that will be helpful to the audience

### **Method 4: Know Yourself**

Part of knowing yourself as a speaker is knowing...

- a) Your style
- b) Your skills/strengths
- c) Your weaknesses

### **Three Parts of a Presentation**

#### **Introduction**

Capture the interest of the audience by making your opening statement strong.

- Introduce yourself
- Announce the topic
- Justify the topic
- Establish your credibility

- Give the audience a preview statement.

## Body

The body is where the bulk of your main points and supporting information are located.

- Focus on three main points
- Support each main point with facts, evidence and reasons
- Use a variety of learning styles and interactive exercises to help emphasize each main point

## Conclusion

Provide the audience with a clear “take-home” message.

- Summarize the main points
- Incorporate a memorable closing or call for action
- Provide a list of resources or references
- Ask participants to fill out the evaluation form
- Allow time for questions and answers

## What is a facilitator?

- Literally means: *‘making things easy’*
- A person who helps a group or team to:
  - Achieve results in interactive events
  - By using a range of skills and methods
  - To bring the best out in people as they work together
  - Focus on the process of **how**
- Facilitation means **making all group interactions easier**;

- Facilitation **helps groups and organisations** identify and resolve difficult issues;
- It provides **unique** solutions to **unique** needs;
- It is based on techniques that are only **appropriate** or **inappropriate**, not right or wrong;
- Facilitation is based on **perception**; it is not an exact science.

**Role: Conductor**

**Role: Impartial Helper**

- belonging to no political coalition within an organisation
- being seen as having no stake in the outcomes

**What a facilitator is NOT**

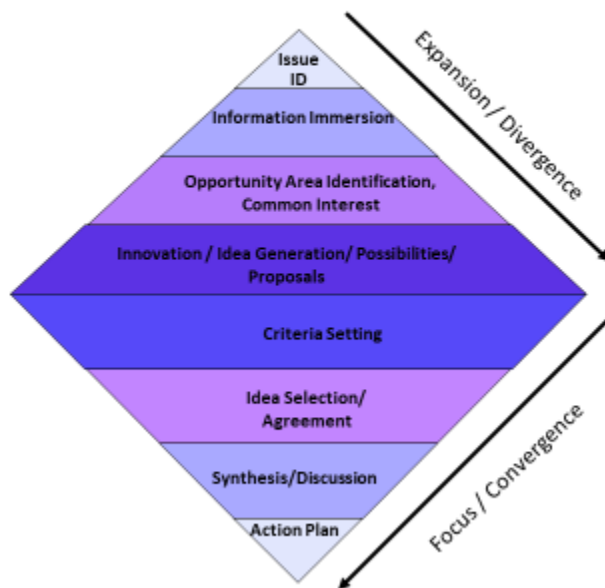
- participant in the team
- team leader
- team organiser/administrator,
- negotiator on the team's behalf,
- servant who simply does the bidding of the team
- expert trainer

**Facilitator's Role: Overview**

- cope with uncertainty
- be calm in times of emotion
- support and counsel others
- empathise
- be understandable
- mobilise energy
- surface difficult issues and help others to do so

- take themselves less seriously
- Is results-oriented
- Masters process
- Is firm on outcome
- Is flexible on tactics
- Listens actively
- Involves everyone
- Pauses and reflects

## Diamond Facilitation Structure



### Facilitating Meetings

- Get the right people in the room
- Control what you can, let go what you can't
- Explore the whole elephant
- Let people be responsible

- Find common ground
- Use subgrouping

### **Presentation & Facilitation Feedback**

- **1. Presentation skills** (voice, language, body language, visuals, use of space, clarity of message and ideas)
- **2 Managing time and session flow** (staying with the purpose of the session, keeping a task-related focus)
- **3. Engaging the whole group and ensuring group understanding** (repeating questions for the whole group, listening skills, paraphrases, giving opportunity for quieter pax to participate)

## **Module 4: Basic Concepts of Entrepreneurship – Qualities of an Entrepreneur**

### **CHARACTERISTICS OF ENTREPRENEURS**

- **An eye for opportunity:** Many entrepreneurs start by finding a need and quickly satisfying it. They are always alert to opportunities. They are very much quick to see and grab opportunities. They plan intellectually and anticipate carefully how to achieve their goals in realizing an opportunity.
- **Independence:** Even though most entrepreneurs know how to work within the framework for the sake of profits, they enjoy being their own boss. They like doing things their own way. The characteristics of independence and the sense of determination are the drives that makes entrepreneurs start their own business. In a way, their own businesses fulfills their need for independence.

- **An appetite for hard work:** Most entrepreneurs start out working long hard hours with little play. Entrepreneurs are always at work even when other people have stopped. They are persistent and strongly believe that working hard will help them attain their goals. They hence focus on the end result.
- **Self-confidence:** Entrepreneurs must demonstrate extreme self-confidence in order to cope with all the risks of operating their own business. Most successful entrepreneurs are confident of achieving realistic and challenging goals. They get into business or industry with a high level of self-confidence. This, coupled with a sense of effectiveness ultimately contribute to the success of the venture.
- **Discipline:** Successful entrepreneurs resist the temptation to do what is unimportant or the easiest but have the ability to think through what is the most essential. Entrepreneurs are economically efficient, do not like to waste time and they like to see work completed. They use discipline as a guide to their destination.
- **Judgement:** Successful entrepreneurs have the ability to think quickly and make a wise decision. This is possible because they have a plan, they have an economic goal, they know what they want and they know what they can do. Entrepreneurs are unaffected by personal likes and dislikes. They stand beyond these types of prejudices as they are realistic in their approach.
- At the time of their need they select experts rather than friends and relatives to assist them. They usually avoid emotional and sensitive attitude towards their business or problem.
- **Ability to accept change:** Change occurs frequently when you own your own business, the entrepreneur thrives on changes and their business grows. An entrepreneur may need to change his/her plans in order to help the business grow. Entrepreneurs look at many solutions to their problems. They realize that other people may know how to do something better. Entrepreneurs can choose the best way to do something, even if it is different from how they want to do it.
- **Make stress work for them:** On the roller coaster to business success, the entrepreneur often copes by focusing on the end result and not the process of getting there. Entrepreneurs are capable of working for long hours and solving different complexities at the same time. As the captain of an industry or an enterprise, an entrepreneur faces a number of problems and in right moment he takes right decisions which may involve physical as well as mental stress.
- **Need to achieve:** Although they keep an “eye” on profit, this is often secondary to the drive toward personal success. Entrepreneurs have strong desire to achieve higher

goals. Their inner self motivates their behaviour towards high achievement. To an entrepreneur, winning is achievement.

- **Focus on profits:** Successful entrepreneurs always have the profit margin in sight and know that their business success is measured by profits.
- **Risk-bearing:** Entrepreneurs are the persons who take decisions under uncertainty and thus they are willing to take risk, but they never gamble with the results. They choose moderate risk rather than play wild gamble. They, therefore, undertake calculated risk which is high enough to be exciting, but with a fairly reasonable chance to win.
- **Locus of control:** Closely consistent with McClelland's theory of need for achievement, is the belief in internal locus of control. According to Rotter's locus of control theory, an individual perceives the outcome of an event as being either within or beyond his personal control. Entrepreneurs believe in their own ability to control the consequences of their endeavour by influencing their socio-economic environment rather than leave everything to luck. They strongly believe that they can govern and shape their own destiny.
- **Creative and Innovators:** Successful entrepreneurs are innovators. They constantly put their efforts in introducing new products, new method of production, opening new markets and reorganizing the enterprise. They always try not to be satisfied with conventional and routine way of doing things, but always think of how they can do them in a better way.
- **Leadership:** Entrepreneurs should possess the quality of leadership. Leadership is the ability to exert interpersonal influence by means of communication towards the achievement of goals. Entrepreneurs as leaders should provide the necessary spark of motivation by guiding, inspiring, assisting and directing the members of the group for achievement of unity of action, efforts and purpose.
- ensure high performance by creating a well-to-do environment among others. They must have the capability to arrive at prompt and correct direction and win the confidence of their subordinates. Being the leader of the enterprise, they should possess the following characteristics:
- Existence of followers; Assumption of responsibility; Empathy conduct o Exemplary conduct; Developing teamwork; Common objectivity o Facilitating change; Building morale; Maintenance of discipline and Active participation.

- Hence, entrepreneurs by their own leadership styles and behaviour reduce the problems with careful listening and proper handling of situations. Good administrative work depends upon effective leadership of the entrepreneur.
- **Ability to mobilize resources:** Entrepreneurs must have the ability to marshal all the inputs to obtain the end product. They have to mobilize '**6Ms**', i.e. Man, Money, Material, Machinery, Market and Method effectively to realize the final product as entrepreneurship is a function of gap filling and input completing.

### Conclusion

- Entrepreneurs have many qualities that help them to manage their businesses successful. However, an entrepreneur does not have to possess all the qualities. In that case he has either to learn or hire the services of those who possess the qualities he does not have.

## Module 5: Developing Entrepreneurship/Business Skills

### What is entrepreneurship?

**Someone who creates and runs a business is called entrepreneur.** This concept has a wide range of meanings. The extreme, an entrepreneur is a person of high aptitude who pioneers change, on the other extreme of the definition, anyone who wants to work for herself.

It originated from the French word, *entreprendre*, which means "to undertake". In a business context, it means to start a business.

Webster Dictionary's defines as '**one who organizes, manages and assumes the risk of a business or enterprise.**

### Schumpeter's view of Entrepreneurship

He places emphasis on Innovation, such as: ***New products, new production methods, new markets and new forms of organization.***



Wealth is created when such innovation results in new demand. From this viewpoint, one can define the function of the entrepreneur as one of combining various input factors in an innovative manner to generate value to the consumer with the hope that this will exceed the cost of the input factors, thus generating superior returns that result in the creation of wealth.

According to Mr. M. P. AKhoury, former Executive Director, National Institute for Entrepreneurship and Small Business Development (NIESBUD), New Delhi, describes an entrepreneur in words that clearly bring out the characteristics of an entrepreneur. He describes entrepreneur “as a character who combines innovativeness, readiness to take risk, sensing opportunities, identifying and mobilizing potential resources, concerns for excellence and who is persistent in achieving the goal.”

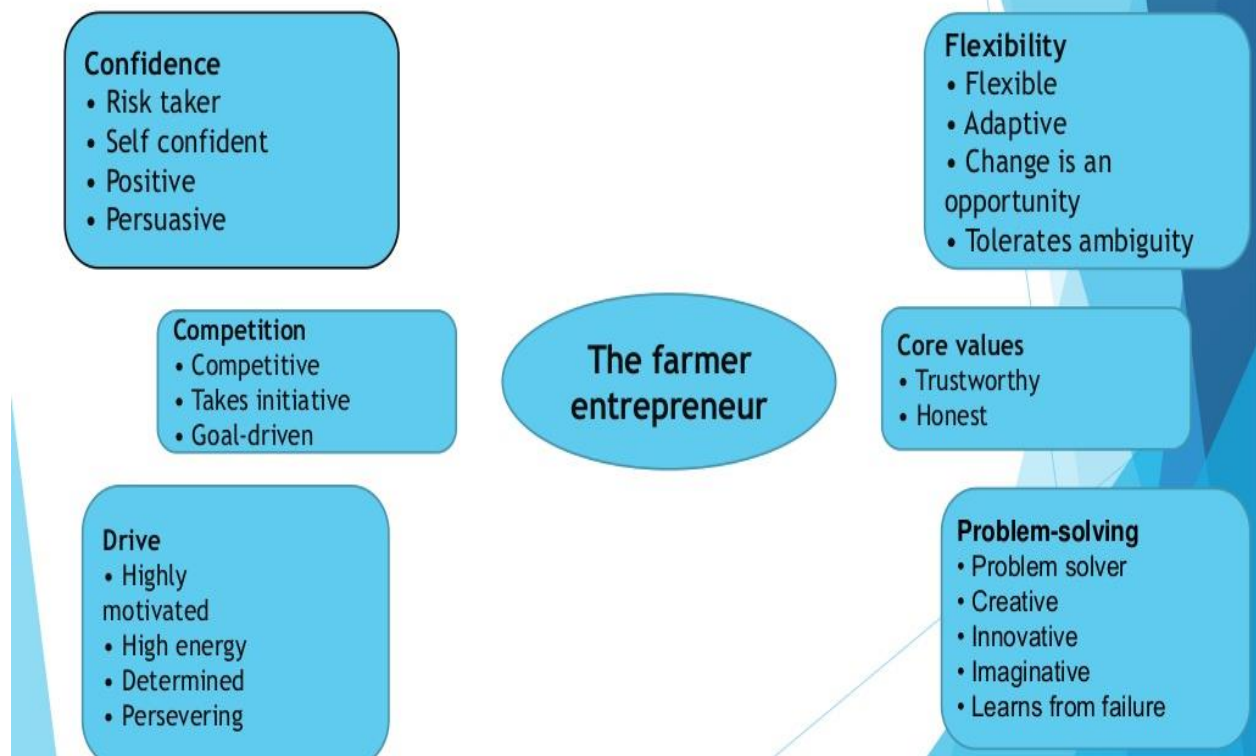
### **ENTREPRENEUR IN DEVELOPING ECONOMIES**

In developing economies like ours (Gambia) the concept of an entrepreneur is understood differently. An entrepreneur in a developing economy is one who starts an industry (old or new), undertakes risks, bears uncertainties and also performs the managerial functions of decision-making and co-ordinating. He also puts new processes based on technological research into operation. He is called an entrepreneur even if he imitates any techniques of production from a developed economy.

The term has now been attributed to all small industrialists, traders and agriculturalists. Hence, all people who are gainfully engaged in work of manufacturing, distribution or service in other sectors are called entrepreneurs. The entrepreneur can be considered as the fourth factor of enterprise. The enterprise is the basic unit of an economic organisation. It produces goods and services worth more than the resources used. Enterprise is an undertaking, especially one which involves four factors, land, labour, capital and now the entrepreneur. It involves the willingness to assume risks in undertaking an economic activity.

### **Entrepreneurial Characteristics/Skills**

# Characteristics of an Entrepreneur...



## Entrepreneurial skills

- ▶ Ability to plan
- ▶ Marketing
- ▶ Interpersonal skills
- ▶ Personal effectiveness
- ▶ Team building skills
- ▶ Leadership skills
- ▶ Communication skills
- ▶ Self confidence, etc.

## Personal Qualities of Successful Entrepreneurs



## STAGES OF EFFECTIVE ENTREPRENURIAL DEVELOPMENT



### STAGES OF EFFECTIVE ENTREPRENURIAL DEVELOPMENT

Stage of development	In this stage, the farmer
<b><i>Awareness</i></b>	Examines who he is, clarifies his values, personality, motivations, capabilities and personal resources. He becomes consciously aware of who he is and what he has.
<b><i>Acceptance</i></b>	Identifies, recognizes and accepts his strengths and weaknesses
<b><i>Vision building</i></b>	Sets long-term goals for himself and his farm business
<b><i>Business planning</i></b>	Develops a business plan and action plan to achieve his vision
<b><i>Learn from direct experience</i></b>	Implements the plan, reflects on the results to learn from the direct experience
<b><i>Empowerment</i></b>	Becomes empowered; the competencies acquired match his personal strengths and weaknesses and his goals

## ENTREPRENEURIAL SKILLS DEVELOPMENT PROGRAMMES

### ☐ Personal Development

- Goal Setting
- Time Management
- Team Building

#### Goal Setting :

Goal setting is a powerful process for thinking about your ideal future, and for motivating yourself to turn your vision of this future into reality.

#### Time Management:

**Time management** is the act or process of planning and exercising conscious control over the amount of time spent on specific activities, especially to increase effectiveness, efficiency or productivity

### Team Building:

Ability to identify and motivate individual employees to form a team that stays together, works together, and achieves together.

### □ Business Development

- ❖ Setting out the Critical Path
- ❖ Managing the Process and Reducing Risk
- ❖ Business Planning

### Setting out the Critical Path:

Longest sequence of activities in a project plan

### Managing the Process and Reducing Risk:

Managing the whole process & taking precautionary measures to reduce the likelihood of a loss, or to reduce the severity of a possible loss, for example, installing a security system.

### Business Planning

Testing the viability of a project or organization by predicting income and expenditure over a period of time.

### □ Marketing Principles

- ❖ Market Research
- ❖ Market Segmentation
- ❖ Product, Price, Place & Packaging

### Market Research:

The process of assessing the viability of a new product or service through techniques such as surveys, product testing and focus groups.

### Market Segmentation:

**Market segmentation** is a marketing strategy that involves dividing a broad target market into subsets of consumers who have common needs and priorities, and then designing and implementing strategies to target them.

Product, Price, Place & Packaging:[4P]

Four major controllable factors of any marketing mix.

#### ☐ Finance

- Calculating Start-Up Needs
- Need of Capital
- Cash flow & Profitability Issues

Calculating Start-Up Needs:

This calculator will tabulate your business startup costs including legal fees, office supplies and equipment, marketing costs.

Need of Capital:

Factors of production that are used to create goods or services and are not themselves in the process.

**Cash flow & Profitability Issues:**

Incomings and outgoings of cash, representing the operating activities of an organization. And Profitability is the primary goal of all business ventures. Without profitability the business will not survive in the long run.

**□ Technology & Quality**

- Introduction to E-Business
- IT for Start-Ups
- Quality Standards

**Introduction to E-Business:**

e-Business is the term used to describe the information systems and applications that support and drive business processes, most often using web technologies.

**IT for Start-Ups:**

The ability to pursue rapid, profitable growth is essential to start-up or spin-off businesses.

**Quality Standards:**

Quality control, or QC for short, is a process by which entities review the quality of all factors involved in production.



## ❑ Compliance with Legislation

- Business Structures
- Taxation & Returns

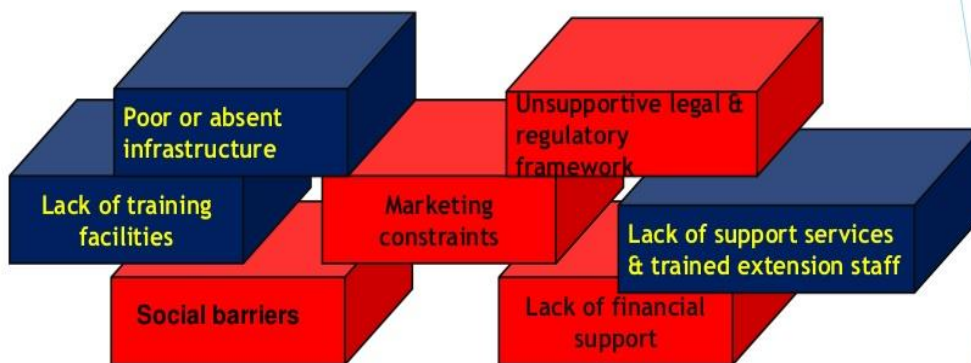
### Business Structures:

A business, also known as an enterprise or a firm, is an organization involved in the trade of goods, services, or both to consumers or to other businesses.

### Taxation & Returns:

a declaration of personal income made annually to the tax authorities and used as a basis for assessing an individual's liability for taxation.

## Barriers to Entrepreneurship



## Module 6: DEVELOPING A BUSINESS PLAN

Learning objectives: By the end of the module, participants will be able to explain the value of having a business plan, understand what a business plan is and how to develop a simple business plan

### **Business plan**

Definition: A business plan is a written summary of your proposed business. It includes information about the plans, operations and financial details, its marked opportunities and strategies, as well as the entrepreneur's personal background

A business plan is a document used to summarise an entrepreneur's business aspirations, secure legal authority and mobilise resources to launch the business. Just as you need a map to help you find the route to an unknown destination, you need a plan to help you determine in which direction to go to get your business up and running. Written document explains your overall strategy and objectives in words and numbers. Your first plan should estimate your goals, your expenses, and how much you plan to charge for your services. It should also show how you plan to attract and keep customers. After you actually begin your business, you will find that the plan needs to be reviewed on an on-going basis. A business plan is a changing, dynamic document. There are no guarantees that your business will succeed but a well-written and well-researched business plan plays an important role in a business's success

### **Why business planning is necessary**

- Business plans show you if the business can expect to make a profit in the future. It shows what money to expect to come into and out of the business. For instance, if your costs are expected to be high, there would be need to increase prices.
- A plan will be able to identify parts of the business that require improvement. In so doing, one will be forced to think about every part of the business. To work out a plan, one must therefore think carefully about everything that affects the business
- A business plan makes it possible to access a bank loan because most banks are interested in knowing the expected sales, costs and anticipated profits as well as cash flows before offering a loan.
- It forces you to think deeply and plan every detail properly before you start you business.
- It helps you to determine the direction you want to move in.

- A business plan serves as a map against which you can determine your process.
- A business plan provides details of resources required and can be given to potential investors/financiers.
- A business plan indicates chances for success and potential critical points.

## **Checklist for business plan**

### The product

- Why would customers buy the product/service?
- Are the product specifications clear and acceptable?

### The market

- Geographical description of the business location
- Is there local demand for the product and if not, how can it be created?
- Who are the big competitors, how can you counteract them and their influence?
- How many competitors does the business have? If they are many, your market share is low, which means that aggressive promotion is necessary to ensure visibility.
- Does your product need publicity and if so, what expenses would that incur?
- What is the trend in the selling price? Is there any seasonality?

### Technical factors

- Have you selected all the necessary equipment? What are your reasons for this selection?
- If you buy machinery, check if you have a guarantee and if after sales service is included.
- Do you know where to source the equipment from? Who is the supplier?
- Do you have the necessary skills and if not, where can you get them?

### Infrastructure

- Is the working/selling space adequate for your business operation to function?
- Are ownership/tenancy documents for the land/shop/workshop in order?
- If water is required for your business to operate, is it available close by?
- Do you have/need a supply of electricity?
- Is transport of raw materials or finished goods a critical factor and if so, how do you plan to handle it while minimising costs?
- Do you need to register your business? What are the legal requirements?

## Financial analysis

- Have you done financial calculations of needed costs, resources, income etc?
- Have all the costs of production been included in your calculations?
- Does the business generate enough cash from the beginning so as to meet immediate liabilities (e.g. rent, loan repayment).
- Check your cash flow projections. Are they realistic?
- Check all estimates of capital required as well as running costs.

## **CONTENTS OF A BUSINESS PLAN**

### 1. General description of business

- Name of business, business location and address
- Nature of business activity
- Type of business organisation (partnership, cooperative, new, old,)
- Any further explanation summarising why the business will be successful

### 2. Personal background

- Name of business owner(s), promoter(s)
- Educational, professional background
- Relevant experience in business-related activities

### 3. Market plan

- Business market area and targeted customers/ customer groups
- Why you will be able to compete with existing products/ services and how do you compare competitors (price, quality, appearance, performance,)
- Past, current, future (projected) market demand for your product/service (if possible in terms of volume/units per day/months)
- Suppliers and supply terms and conditions
- Unit pricing and list of all items/services being offered
- How you will be selling your produce (direct, dealers)

- Tip: Include the market research survey report as an annex

#### 4. Business management plan

- Who will be the actors in this business
- Specify their roles and the division of labour (if applicable)
- How will the business work be organised (e.g. working shifts, working times, working conditions)

#### 5. Financial plan

##### Investments required

- Fixed assets/starting equipment (e.g. land, tools, machinery)
- Preliminary expenses
  - o Pre-operative expenses (e.g. legal fees, licensing fees, bank charges,)
  - o Start-up expenses (e.g. water, electricity connection, cleaning of premises, etc.)
- Working capital (raw materials, rent, water, transport, etc.)

#### 6. Sources of raising funds

- Total requirements
  - o Own contributions/investments
  - o Family/friends contributions
  - o Already secured loans, credits etc
  - o Total funds available
- Deficit/funding gap
  - o Loan support required

#### 7. Operating plan forecast

- Projected operating income statement
  - o Income from sales
  - o Less cost of production and overhead/fixed costs
    - Net profit

- Break even analysis
- Cash flow projection

#### 8. Major assumptions

Give the assumptions you've made that underpin your plan e.g. assumptions that particular resources will be available

#### 9. Business profile

Summary that shows all major aspects on one page

## Module 7: MARKET STUDY /MARKET ANALYSIS

Learning objectives: By the end of the session, participants will be able to

- Define market research
- Know how to identify their likely competitors
- Know how to identify the likely demand from customers

A **market** is an area of potential exchange, i.e., there are potential buyers (customers), and people who are willing to sell products or services. Prices are affected by the forces of demand (of products) and supply (by sellers).

- A **product** is anything that can be offered to a market for buying, use or consumption that might satisfy a want or need, for example, eggs, coffee, and mangoes.
- A **service** is performed when one group offers something to another. A service is not tangible and does not result in ownership of any kind. Examples include training services, and public transport services.

### Market research

Market research is conducted in order to collect information, which enables you to make the right decision on the marketing of your product/service. The main focus within this activity is to find out as much as possible about people's buying habits and your competition.

Market research is a systematic, objective collection and analysis of data about a particular target market, competition, and/or environment, often conducted as the first step in identifying the viability of business ideas. It always incorporates some form of data collection whether it is secondary research (often referred to as desk research) or primary research which is collected direct from a respondent.

Having developed a business idea you first need to know about your potential customers and competitors so you can position your business to maximise customers and overcome competition from others. Market research helps to assess the viability of a business.

Note: It is necessary to define your potential market for the product/service you plan to offer. This could be a village, parish, sub-county, district, region or nearby cities. There are youth groups that produce dried fruits for export. Do not commit yourself to much in the beginning.

How to do market research

1) Talk to potential customers.

Ask them, for example:

- What products or services they want to buy?
- What do they currently buy?
- Where do they buy?
- Why do they buy from XY?
- When do they buy?
- How much do they buy?
- Which price do they pay?
- What are their preferences?
- Do they get any extras?
- What do they think about your competitors?

2) Study your competitors' businesses.

Find about:

- Their products or services, for example quality and design
- What prices they charge
- +What exactly do they sell?
- How does their product differ from yours?
- Where do they get their inputs?
- Where do they sell?
- How do they promote their product/service?
- Do they have any special approaches to customer care?
- How can you compete?

Important note: Be very careful to carry out your research in a friendly, sensitive way; ask questions and also observe— be aware: nobody likes more competition!

### 3) Ask suppliers and business friends

- Which goods sell in their business
- What they think about your business idea
- What they think about your competitor's product.

### Checklist for Market Survey

Instructions: Go out into town with your small group, and find a business that most closely matches the “best business” that you identified in Module 3. Find out if the owner/manager, or an employee has some time to answer some questions for you. Try to gather as much information as you can, based on the categories/potential questions below. If there is time in the two hours that you are out in the field, do the same with a second business, so that you can compare answers. Record what you find out in the middle column. The column on the right is for your own comments, analysis, suggestions, reactions, etc. Remember to be respectful of the person's time— he/she has a business to run – and only take as much time as he/she wants to give. Also, keep in mind that there are some questions that the person may not feel comfortable answering, so be respectful of that as well.

### Checklist: Categories of information to be collected for market survey

Category/Question to be asked	Information gathered during survey	Further Questions/ Comments
Who are customers		
Working place and costing		
Cost of owning or leasing premises		
Availability, supply and cost of raw materials		
Availability of staff		
Cost of working tools and equipment		
Competitors analysis		
Advertising Methods		
Tax issues and legislation		
Challenges		

### Module : FINANCIAL ANALYSIS

Learning objectives: By the end of the section, participants will be able to:

- Develop a budget for their enterprises



- Know how to find out costs of starting a business and how to find out whether or not a venture will be profit-making
- Understand what types of resources are needed to startup a business and know how to identify resource providers

## BUDGET

Every enterprise must have a budget. A budget is a calculated estimation of the value or price of the project and is always composed of the expenses– the costs of the project – and the income – the resources brought into the project to cover the expenses. Without a budget, it is impossible to control the project, and it is impossible to know if it is feasible. If you do not know how much it costs you will not know how much you need.

### Income

Include all sources of funds necessary for the project (your organisations own resources, participants' contributions, grants, materials and services donated or loaned and amount requested from backers).

- Estimate the rental cost of material loaned or donated by sponsors.
- The total amount requested must be made clear (and must not exceed the maximum usually granted).
- Calculate total receipts. This figure must be higher than total expenditure (otherwise there will be no profit).

### Expenditure

- List all expenses connected with the project.
- Estimate the cost of all outgoings (in the currency specified on the form).
- Your estimate must be realistic (show how you have arrived at the final sum).
- Expenditure must correspond to the anticipated programme of activities
- Estimate the rental cost of any material loaned by the private sector and include it under expenditure (and receipts).
- Calculate your total expenditure.

### A simple format for a budget

Activity	Amount in (Currency)
Income (money in)	

Total Income (money in)	
Expenditure (money out	
Total Expenses (money out)	
Savings	
= + Surplus/-Deficit (Money In - Money Out)	

### Resource mobilisation

To mobilise resources effectively, consideration must be given to three elements, which together are referred to as a resource mobilisation framework. The three elements of the framework are 'resources', 'mechanisms' and 'resource providers'. If necessary, define each of these three and clarify their meaning by providing some examples.

- Resources - Money is one of the key resources that all projects need to be able to function and carry out their work. However, there are other resources that are also useful to starting a business. Examples include skills training, staff, inputs (e.g. seeds, tools, land etc).
- Resource mechanisms - Resource mobilisation mechanisms are the ways that resources can be mobilised from resource providers. Mechanisms are the actual processes of requesting or getting resources – for example, writing proposals, holding fundraising events, selling services, Selling products, face-to-face meetings, etc.
- Resource providers – Resource providers are the sources of funds and include banks, micro-credit agencies, government agencies, and charitable organisations.

### Sources of Funds

**Gifts**, offers from family, friends

**Own resources** from saving, sale of assets

**Loans** from family, friends, informal association, savings and credit groups, banks

**Credit** from supplier

A new entrepreneur should investigate as many sources of funding as possible in order to secure the best terms and conditions of repayment. The most important types of start-up funding are owner's equity, loans (personal or from a lending programme) and grants.

### **Owner's Equity**

This is the private money one puts into the business. It is sometimes called risk capital because if the business fails, you lose this money. Investing your own money in a business is risky; however it puts less pressure on the business rather than borrowing. Investing your own capital may be risky but it shows that you have faith in your business idea. This can encourage others to invest with you. If you don't have enough capital you can try and find a partner who may be interested in the same business idea. A partner may or may not be work in the business but can invest money in it. Ensure you have clearly-defined terms of partnership to avoid unnecessary misunderstanding later.

### **Loans**

A loan for start-up capital refers to borrowed money which you will pay back at a later date with interest. The loan may be paid back in full in one or several instalments depending on the agreement. A loan inherently puts significant pressure on the business due to the requirement to pay it back. The more you borrow the more you pay in terms of interest and instalments.

You may borrow money for:

- Land and buildings.
- Equipment.
- Working capital.

### **These are some of the possible requirements when applying for a loan:**

- A thorough business plan with a business idea that the lending institution believes in.
- Some kind of collateral may be required. Collateral means security that the lending institution has for the repayment of your loan. This may be your business if you own one, your home, machinery and any other equipment.
- Being an account holder or member of a bank, credit institution or association and having operated an account successfully for some time
- Having a certain percentage (part) of the total loan as security in your account
- Information on yourself/yourselves and your ability to repay the loan
- Having a minimum age (mostly 18 or above)
- Referees, guarantors (honest people with a good reputation)

### **When is it useful to get a loan?**

- When there is a justifiable financing gap in your business funding plans
- When other options such as saving and group-financing are not possible
- When there is the need to take up an urgent opportunity that could lead to quick profit

### **Where can you borrow?**

- Banks and financial institutions
- Societies and associations
- Friends, relatives, family members
- Suppliers
- Government
- Savings and Credit Cooperatives

### **Types of loans**

- Group loans
- Loans with formal banking institutions
- Individual loans
- Loans with informal savings groups and associations

### **Before one borrows money, they should consider these factors seriously.**

- Develop a solid business plan including total funding requirements and running costs for the first few months
- Develop a financing plan including identifying funding sources
- Identify and approach financial institutions in your area
- Obtain the terms and conditions for the loan to be availed
- Compare them with those of other financial institutions around
- Check your business plan to establish the implications of such a loan (monthly repayment and interest rates will affect your income/profits). Check if your business can cope with these implications
- Initiate further discussions with the financial institution or association

### **Grants**

A grant is an allowance that a government or organisation gives to support small business creations in the country. Government and non-governmental organisations sometimes give grants to potential entrepreneurs to support them in starting small businesses. Further information on accessing funding through grants is covered in a later session.

# Module 8: Identifying your Customers and Customer Service Management

## Who are Customers?

Customers are people who need your assistance. They are not an interruption to your job, they are the reason you have a job.

## Communicating Effectively with Customers

Definition:

What describes GOOD service and BAD service?

Good customer service is taking that extra step to help without being asked! It's all about attitude and skills.

## Attitude Checklist

What attitudes assist in providing good service?

- Enjoy helping people
- Handle people well
- Care for your customers
- Give fair and equal treatment to all
- Be understanding of people with special needs

## Skills for Customer Service

- Know about your organisation
- Learn the technical parts of the job
- Communicate well
- Be consistent
- Be organised
- Know your place in the team and be a team player

## What do Customers Want?

Brainstorm what it is that a customer wants when they enter your organisations

Discuss and share with the group

### **Greeting Customers**

The purpose is to create and maintain a welcoming environment - how can we achieve this?

- Be attentive, acknowledge a person as soon as they appear, even if you're busy
- SMILE!
- Establish eye contact
- Tell them your name
- Ask how you can help
- Give the customer your full attention
- Be polite and courteous.....

### **Establishing Rapport**

What does good rapport feel like?

Practice greeting someone

- Make the customer feel comfortable
- Make the customer feel important and valued
- Use empathy

## Communication is a 2-way Process

### Communication skills involve:

- Listening to others (Receiving)
- Asserting/ Expressing (Sending)



### Guaranteeing Return Business

- Leave a positive impression, smile
- Check customers have everything they need
- If you've said you'll follow-up, do so
- Tell them something that may be useful to them later (eg new service starting soon)
- Invite them back
- Say goodbye

### A Positive Organisational Image

First impressions count and will affect the interaction. People make judgements in the first 30 seconds.

Golden Rule – You only have one chance to make a first impression!

### A Positive First Impression

- Be confident

- Knowledge - know your organisation and the services you provide
- Confidentiality
- Follow up (don't just say you'll do something, do it)
- Strengthen the customer's commitment to your organisation

### **What to Avoid**

- Saying 'I don't know' without offering an option
- Saying you don't know where a colleague is or saying they're at lunch/ toilet/ gone for coffee etc
- Leaving people on hold for a long time
- Ignoring people if you're busy
- Treating people unequally

### **Planning Good Customer Service**

- Recording procedures (when are your busy times)
- Reporting procedures (meeting organisational/ funding/ legislative requirements)
- Observe and report customer needs
- Be proactive in improving service
- Market your organisation
- Have processes and procedures for dealing with difficult situations BEFORE they happen and make sure staff are trained.

### **Dealing with Difficult Behaviour**

- Label the behaviour, not the customer
- Listen
- Don't get defensive
- Don't take it personally
- Find out what the customer wants
- Discuss alternatives
- Take responsibility for what you CAN do



- Agree on action

### **The Talkative Customer**

- Ask closed questions
- Limit the time available for them to interrupt (don't have long pauses)
- Provide minimal response
- Smile and be pleasant, but don't encourage them
- Wind up – thank them for coming, walk them to the door but don't be rude or dismissive

### **The Angry Customer**

- Listen carefully without interrupting so you understand the problem
- Empathise in a broad way
- Stay calm and remain polite
- Don't escalate the problem
- Don't take it personally, be defensive or blame others
- Propose an action plan and follow it
- Seek support if you are scared, if you can't agree on a solution or if the customer asks to see "whoever's in charge"

### **The 'know it all' Customer**

- Acknowledge what they say
- Compliment them on their research
- Be generous with praise
- Don't put them in their place no matter how tempting
- Don't try to be smart – you can't win!
- Ask them questions and use them to improve your knowledge

### **The Indecisive Customer**

- Find out what they really want
- Ask them for the options

- Reflect back to them what they've said
- Assume control gently and point out the best course of action from what they've told you they need
- Be logical
- Confirm a plan of action with them
- Maybe even put it in writing

### **The Suspicious Customer**

- Establish your credibility
- Ensure you know your product or service
- They will try and catch you out so don't guess or tell them something you're not sure of
- Be careful what you say
- Be polite
- Don't take it personally, they don't trust anyone!

- In order to market your product or service, it is imperative that you tailor your marketing and sales efforts to specifically reach the segment of population that will most likely buy your product or service. It is critical that you first determine or clearly identify your primary market. Your energies and funds then can be spent more efficiently.
- If you don't know who your customers are, how will you be able to assess whether you are meeting their needs? Since success depends on your being able to meet customers' needs and desires, you must know who your customers are, what they want, where they live and what they can afford.
- Targeting your market is simply defining who your primary customer will be. The market should be measurable, sufficiently large and reachable.

## Types of Markets

A market is simply any group of actual or potential buyers of a product. There are three major types of markets.

1. The consumer market. Individuals and households who buy goods for their own use or benefit are part of the consumer market. Drug and grocery items are the most common types of consumer products.
2. The industrial market. Individuals, groups or organizations that purchase your product or service for direct use in producing other products or for use in their day-to-day operations.
3. The reseller market. Middlemen or intermediaries, such as wholesalers and retailers, who buy finished goods and resell them for a profit.

## IDENTIFYING YOUR MARKET

- Here are three steps to follow when identifying your market:
  1. Identify Why A Customer Would Want To Buy Your Product/Service
  2. Segment Your Overall Market
  3. Research Your Market

### Step One — Identify Why A Customer Would Want To Buy Your Product/Service

- The first step in identifying your target market is understanding what your products/services have to offer to a group of people or businesses. To do this, identify your product or service's features and benefits. A feature is a characteristic of a product/service that automatically comes with it.

### Step Two: Segment Your Overall Market

- It is a natural instinct to want to target as many people and groups as possible. However, by doing this your promotional strategy will never talk specifically to any one group, and you will most likely turn many potential customers off. Your promotional budget will be much more cost effective if you promote to one type of customer and speak directly to them. This allows you to create a highly focused campaign that will directly meet the needs and desires of a specific group. Again, this is called market segmentation.
- Larger markets are most typically divided into smaller target market segments on the basis of geographic, demographic, psychographic and behaviorist characteristics:

***Geographic. Potential customers are in a local, state, regional or***

- national marketplace segment. If you are selling a product such as farm equipment, geographic location will remain a major factor in segmenting your target markets since your customers are located in particular rural areas. Or, if you own a retail store, geographic location of the store is one of the most important considerations.

***Demographic. Potential customers are identified by criteria such as***

- age, race, religion, gender, income level, family size, occupation, education level and marital status. Choose those characteristics of your demographic target market that relates to the interest, need and ability of the customer to purchase your product or service.

***Psychographic. Many businesses offer products based on the***

- attitudes, beliefs and emotions of their target market. The desire for status, enhanced appearance and more money are examples of psychographic variables. They are the factors that influence your customers' purchasing decision. A seller of luxury items would appeal to an individual's desire for status symbols.

***Behaviorist.***

- *Products and services are purchased for a variety of reasons* . Business owners must determine what those reasons are, such as : brand, loyalty, cost, how frequently and at what time of year customers in a segment use and consume products. It's important to understand the buying habits and patterns of your customers . Consumers do not rush and buy the first car they see, or the first sofa they sit on.

What the customer is **thinking**, and what they want is often different than...

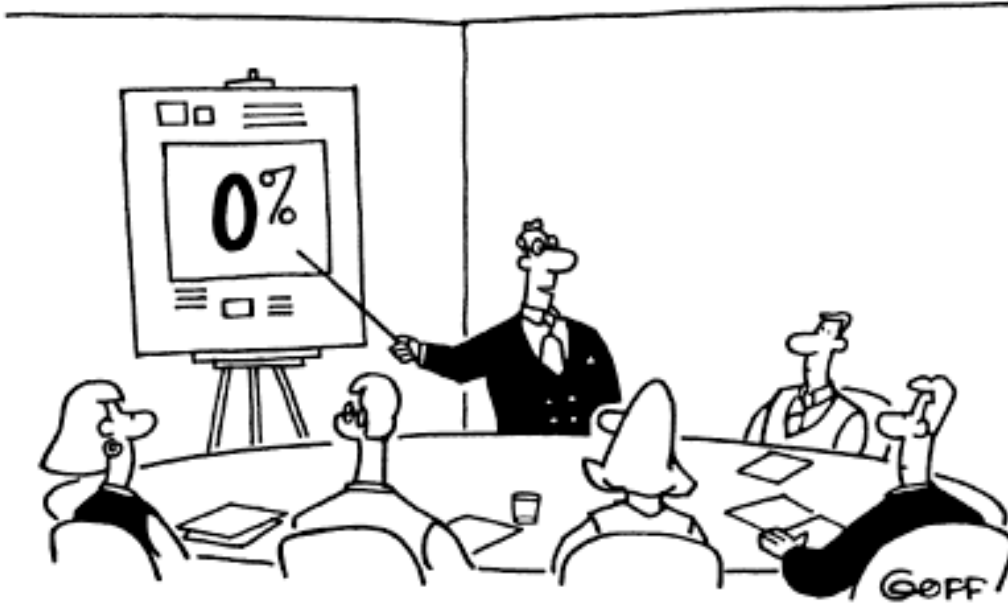
what the salesperson is **thinking** and what they want.



- Your thinking preferences may be quite different than those of your customers.
- Your customers give clues as to their thinking preferences.
- It may be necessary to adapt your interactions with your customer to better match the customer's thinking preferences.
- Challenging Customer: Write down a few areas where you may have "common ground" with this customer. Write down the areas that you feel might be the most different from your own thinking preferences. This may be the focus of your "stretch" to better interact with this customer.

- New Customer: Write down a few ideas on how to do a better job with gathering clues about a customer who is new to you.

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"Our study concludes that this is the percentage of our customers who will buy from us without any effort whatsoever on our part."

***What the Typical Buyer is Dealing with Today***

*Higher expectations placed on them ..... tighter resources ... increased scrutiny on their spending*

*"Every purchase decision is expected to have a clear business benefit."*

*Workloads are escalating ..... email inboxes are overflowing... including from people constantly trying to sell them something*

*“Customers want fast and highly efficient transactions.”*

### **What Customers Want**

Flexible approaches ..... solutions that simplify ..... and address complex challenges

*“Customers want partners... who will add value by solving their problems.”*

### **Understanding Your Target Audience**

- Answer these questions to define your target audience:
  - Who will buy your product or service?
  - What value proposition are you offering?
  - What is your competition offering its customers?
  - How are you different than your competition?
  - What is the best way to reach your audience?
  - How will you get repeat business?
  - Who are potential customers that have the problem your product solves?
  - How frequently will your product be purchased, e.g., one-time purchase, quarterly purchases, etc.?

### **Finding Out More about Your Current Customers**

- Market to past and existing customers. It is much more cost effective than finding new customers, but you must have the right information about them.
- To gather this information:
  - Send surveys to existing customers using online survey tools, such as SurveyMonkey , CheckMarket, Qualtrics, or Zoomerang.
  - Use existing sources of information from the U.S. Census Bureau, other government agencies, trade associations, or third-party research firms.
  - Take advantage of meetings at the customers’ office. Do they have photos of children on their desk, are diplomas or training certifications on the wall? Do they belong to civic

or professional organizations? Knowing details about your customers can give you a competitive advantage by establishing rapport.

- Take time to build a relationship and take good notes.
- Find out your customers' buying habits – how, what, and where do they purchase products and services?
- Research three potential areas of customer data:
  - Demographics – statistical data including income levels, age, etc.
  - Psychographics – the attitudes and tastes of a certain demographic.
  - Ethnographics – examination of particular cultures.

### **Defining the Market for Your Product**

- Define your target market to ensure you spend your valuable resources on prospects who are more likely to buy your product or service.
  - Create a product profile:
    - Look at the characteristics of your current customers and find similarities. These similarities will help define who is buying your product.
    - What type of company has a need for the product you are selling?
    - Who are the decision makers?
  - Determine who is in direct competition with your current customers. Can they use your product? Why or why not?
  - Determine if your customers' vendors use your product. Why or why not?
  - Consider smaller market segments:
    - Consumer vs. industrial.
    - Private vs. public companies.
    - Short sales cycle vs. long sales cycle.
    - Create niche target markets, and customize your marketing materials to each niche.
  - Determine which media sources best reach your audience, e.g., direct mail, advertising, sponsorships, cold calling, etc.

### **Generating Sales Leads**



1. **Analyzing metrics.** Analyze and track how you obtained your current customers and continue these efforts, such as advertising, interest in articles written by your company, marketing materials, web sites, and relationships.
2. **Cold calling.** Find the right contact name. Knowing a name gets you further than asking for the “IT director.” Call a certain number of prospects each day or week.
3. **Networking.** Attend business and social events, e.g., trade shows, civic organizations, chambers of commerce, industry associations, and open houses. Connect with friends and colleagues on LinkedIn, Facebook, and Plaxo.
4. **Creating product champions.** Work with customers to create case studies, testimonials, or product endorsements and post them on your web site. Ask customers to share your success story with others. Encourage positive reviews on web sites such as Angie’s List.
5. **Teaming with affiliates.** Co-market with affiliates or vendors that offer complementary services, e.g., newsletters, brochures, web sites.
6. **Using your Web site.** Update your web pages regularly to allow search engines to find your data more easily. Use key phrases instead of single words so your web site appears first in searches. Consider paying for search engine promotion or search engine optimization (SEO).
7. **Advertising.** Determine if it’s worth advertising directly against your competition. Advertise for free or pay-per-click using sites such as Pinterest, LinkedIn, Facebook, or Twitter.

### **Selling More to Existing Customers**

- Sell to existing customers.
- They are the easiest to sell to because they already trust you.
- To increase sales to existing customers:
  - **Bundle products.** Offer customers multiple services for a special/reduced price. Customers are happy to consolidate services with one vendor as long as they are satisfied with your service.
  - **Look for up-sell or cross-sell opportunities.** If the customer already purchased a service from you, offer the warranty or the first software upgrade at a discounted price.
  - **Offer a discount.** Discount the products you know your customer is interested in or tell them when the product will be on sale.
  - **Reward customer loyalty.** Offer loyal customers a gift with purchase or free product with 10 purchases.
  - **Offer free samples.** Let your customer try it before they buy it. Create a desire within the customer to purchase the product.

## Creating a Customer Loyalty Program

- Goals of a successful customer loyalty program:
  - Customer retention.
  - Maintain current customer spending levels.
  - Reward customer loyalty.
  - Information gathering.
  - Sales increase.
- Most effective types of customer loyalty programs:
  - Buy-ahead discount:
    - Benefit is immediately apparent to the customer and money is immediately in the bank.
  - Free reward after reaching purchase level:
    - One free product after purchasing ten or similar promotion.
    - Offer customer card for hole punch or stamp; the customer will constantly carry your advertisement and be more likely to return to your business.
  - Upgrades/Special treatment:
    - Give small upgrades to best customers.
  - Surprise rewards:
    - Unexpected coupons, discounts, upgrades, or other small services make customers feel special.

## Module 9: General Business Management

### General Management Concepts

It includes all of the following:

- Planning,
- Organization
- Coordination of resources and activities
- Controlling resources and activities
- Delegation of responsibilities
- Implementation/execution

- Monitoring and evaluation of business activities for useful outputs/results and outcomes beneficial to owner(s) and humanity.

## WHAT PLANNING ENTAILS IN MANAGEMENT

**PLANNING**      the Business      =      **PASS**

- Purpose, aim/goal, objectives of the business
- Audience/targets, customers, clients and other stakeholders of the business
- Style of managing the business
- Structure of the business set-up

### Organizational Structure

- Organization: is a collection of one or more people working together for a common or shared goal.
- Is the framework or skeleton of the organization showing the defined relationships, form, tasks and people within the set-up

### 7 Ps of Organization:

- Superordinate goal(s) – “Shared values” or common goal(s)
- Staff (people working in the organization)
- Structure (framework, skeleton or outline of the organizational entity; it shows how the organization looks like in structure)
- Skills (Knowledge, technical know-how, capabilities and competencies of staff)
- Style of management - patterns of actions and symbolic behaviour (culture, power, management styles and values)
- Systems – [procedures and processes in place – management information system (MIS), finance, accounting, reward and sanction, control, training and appraisal systems as well as Standard Operating Procedures (SOP)]
- Strategy (plan, patterns, position, perspective and ploys)

### Strategy to Assess Staff Issues

#### Hard End

- **Appraisal of performance**
- Pay scales
- Formal training obtained

#### Soft End

- **Morale**
- Attitudes towards work and others
- Motivation

- Control systems
  - Recruitment and selection
  - Absenteeism
  - Accident and injuries rates
  - Turnovers / attrition rate
- Behaviour
  - Satisfaction
  - Trust
  - Commitment to work
  - Loyalty

### **Categorization of Organization**

- By type of activity
- By size of business
- By profit and non-profit orientation
- By legal status and ownership. sole proprietorship, partnership, limited company, public sector organizations, unincorporated associations such as clubs and associations, and charitable organizations

### **Overall there are two main structure:**

- Hierarchical or bureaucratic or autocratic or top-down Structure, and the
- Organic or Matrix or Flexible of Flat Structure.

## **Module 10: Entrepreneurship Marketing/Marketing for Small Business**

### **Learning Objectives:**

By the end of this module, learners will be able to:

- Define marketing concepts.
- Describe the role of marketing in achieving the goals of a business enterprise.
- Apply the various marketing strategies in their businesses.

### **What is marketing?**

Marketing is the effort to identify and satisfy customers' needs and wants. It involves finding out who your customers are, what they need and want, the prices, the level of competition. It involves the knowledge and all the processes you undertake to sell your product.

Marketing answers the following questions;

- Who are my customers?
- What are my customer's needs and wants?
- How can I satisfy my customers'?
- How do I make a profit as I satisfy my customers?

### **Who are your customers?**

Your customers are the people or other businesses that want your products/ services and are willing to pay for them. They include;

- People who are buying from you now.
- People you hope will buy from you in the future.
- People who stopped buying from you but you hope to get them back.

### **What are my customer's needs and wants?**

An Important point to note is that customers want to look at different products so that they can choose what they like best. Some customers want a different design and others want high quality and are willing to pay extra for that.

### **How can I satisfy my customers'?**

You need to do everything to find out who your customers are and what they need and want in order to satisfy them improve your sales and make a profit. You need to find out;

- Products/services your customers want.
- Price your customers are willing to pay.
- Location of your business in-order to reach your customers (Place).
- Promotion to use to inform your customers and attract them to buy your products or services.

## **THE 4 P'S OF MARKETING**

### **1. PRODUCT**

Product refers to goods/services produced for sale, the product /service should relate to the needs and wants of the customers

Some important questions you need to ask yourself include;

- What products/services do I sell?

- Why did I decide to sell these products?
- Do I have the products customers want?
- Do any of my products not sell well?
- Do I stock products that do not sell well?
  - Always listen to what your customers like and don't like. When their needs change, change your products and services to satisfy the new needs.
  - Do more market research in order to provide those products or services and increase your sales.
  - If your product is not selling well, think of new ideas like finding new customers.

## **2. PRICING**

Pricing refers to the process of setting a price for a product/service. Your prices must be low enough to attract customers to buy and high enough to earn your business a profit.

To set your price you need to;

- Know your costs.
- Know how much customers are willing to pay.
- Know your competitors price.
- Know how to make your prices more attractive

## **3. PLACE**

Place means the different ways of getting your products or services to your customers. It is also referred to as distribution. If your business is not located near your customers, you must find ways to get your products/services to where it is easy for customers to buy. You can distribute your products to your customers through;

- Selling directly to the consumers of the products.
- Retail distribution and wholesale distribution.

## **4. PROMOTION**

Promotion means informing your customers of your products and services and attracting them to buy them. Promotion includes advertising, sales promotion, publicity and personal selling.

Use advertising to make customers more interested in buying your products or services. Some useful ways of advertising include signs, boards, posters, handouts, business cards, pricelists, photos and newspapers.

You can use sales promotion to make customers buy more when they come to your business, you could also;

- Ensure you maintain attractive displays.

- Let customers try new products.
- Have competitions
- Give demonstrations
- Sell complementary products (products that go together)

## MARKET RESEARCH

Before starting a business, it is absolutely important to know the market conditions, in which the business will be operating: What are the customer needs? Who is the competition? What are the prices at which products and services are sold? These are only some of the questions that need to be clarified before starting. So, after having come up with a brilliant idea, you need to check if it can work in the market. You need to carry out a market survey. The main focus within this activity is to find out as much as possible about your potential customer's buying habits and competition

- What do they buy?
- Where do they buy?
- Why do they buy from XY?
- When do they buy?
- How much do they buy?
- Which price do they pay?
- What are their preferences?
- Do they get any extras?

## The Marketing Process

**Market research:** is the gathering of information that ties a small enterprise to its customers. It provides the information that is necessary for companies to correctly position their product in the marketplace and offer the best combination of product, price, place/distribution, promotion, and person.

Well-designed market research gives a person an edge on their competition, reduces their risk, and improves the effectiveness of their enterprise activities. Quality market research is the key to success for the small entrepreneur. If a person does not understand their customer and their needs they will likely fail in their enterprise.

## Why Conduct Market Research?

- To develop product, price, promotion, place/distribution, and people plans
- To identify problems in their marketplace and discover new opportunities
- To learn about competitors and how they are marketing their products.
- To find out what consumers think about their product category
- To gauge the performance of existing products

Market research involves the organised, objective collection and analysis of the above data. It is often conducted as the first step in identifying the feasibility of an enterprise idea. It always incorporates some form of data collection and is either secondary research (often referred to as desk research) or primary research (direct from an individual).

### **How to conduct market research**

Talk to potential competitors to find out;

- Their products or services (for example quality and design)
- What prices they charge
- What exactly they sell
- How their product/services differ from yours
- Where they get their inputs?
- Where they sell?
- How they promote their product/service
- Any special approaches to customer care
- How you can compete

## **Module 11: Sales and Negotiation**

### **Marketing and selling**

Marketing: What and how to sell

Selling: moving the product

### **Personal Selling**

The two-way flow of communication between a buyer and seller, often in a face-to-face encounter, designed to influence a person's or group's purchase decision.

### **Stages and objectives of the personal selling process**



STAGE	OBJECTIVE	COMMENTS
1. Prospecting	Search for and qualify prospects	Start of the selling process; prospects produced through advertising, referrals, and cold canvassing.
2. Preapproach	Gather information and decide how to approach the prospect	Information sources include personal observation, other customers, and own salespeople.
3. Approach	Gain prospect's attention, stimulate interest, and make transition to the presentation	First impression is critical; gain attention and interest through reference to common acquaintances, a referral, or product demonstration.
4. Presentation	Begin converting a prospect into a customer by creating a desire for the product or service	Different presentation formats are possible; however, involving the customer in the product or service through attention to particular needs is critical; important to deal professionally and ethically with prospect skepticism, indifference, or objections.
5. Close	Obtain a purchase commitment from the prospect and create a customer	Salesperson asks for the purchase; different approaches include the trial close and assumptive close.
6. Follow-up	Ensure that the customer is satisfied with the product or service	Resolve any problems faced by the customer to ensure customer satisfaction and future sales possibilities.

### Relationship Selling

The practice of building ties to customers based on a salesperson's attention and commitment to customer needs over time.

### **Partnership Selling**

The practice whereby buyers and sellers combine their expertise and resources to create customized solutions; commit to joint planning; and share customer, competitive, and company information for their mutual benefit, and ultimately the customer.

### **Order Taker**

Processes routine orders or reorders for products that were already sold by the company.

### **Order Getter**

A salesperson who sells in a conventional sense and identifies prospective customers, provides customers with information, persuades customers to buy, closes sales, and follows up on customers' use of a product or service.

### **Team Selling**

Using an entire team of professionals in selling to and servicing major customers.

### **Sales Plan**

A statement describing what is to be achieved and where and how the selling effort of salespeople is to be deployed.

### **Sales Management**

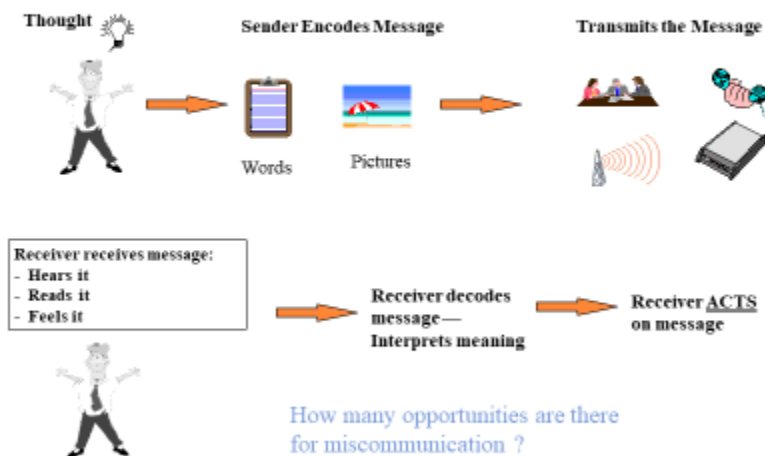
Planning the personal selling program and implementing and controlling the personal selling effort of the firm.

## **THE SALES MANAGEMENT PROCESS**



## THE COMMUNICATION MODEL

o Negotiating involves communicating with **people**.



## Persuading, Negotiating and Influencing

### I. PERSUADING

involves being able to convince others to take appropriate action.

- o Focus on the needs of the other party.

-Take time to listen to them carefully and find out about their interests and expectations.

-This leads to trust and respect.

- Argue your case with logic. Do careful research on your ideas and those of your competitors (if there are any) and make sure that any claims you make can be verified.
- The more **hesitant language** you use such as "*isn't it*", "*you know*", "*um mm*" and "*I mean*" the less people are likely to believe your argument.
- **Use positive rather than negative language:** instead of saying "You're wrong about this", say "That's true, however ...", "That's an excellent idea, but if we look more deeply ....." or "I agree with what you say but have you considered .....".
- **Try to remember the names of everyone you meet.**

## II. NEGOTIATING - DEFINITION:

- Negotiation is the process of securing an agreement between parties with different needs and goals, but each having something to offer the other, and each benefiting from establishing the agreement.
- **NEGOTIATING** involves being able to discuss and reach a mutually satisfactory agreement.
- The gain of one party will result from the other's loss.
- Simplistic assumption that negotiation is a 'zero-sum' process-i.e, winner takes all.

## B. Negotiating - approaches

- i. **Distributive** (also called Competitive, Zero sum, or Win-lose).
  - One side "wins" and other side "loses."
  - There are fixed resources to be divided
  - So that the more one gets, the less the other gets.
  - One party's interests oppose the other's.

- The dominant concern in this type of bargaining is usually maximizing one's own interests.
- Dominant strategies in this mode include **manipulation, forcing, and withholding information.**

ii. **Integrative** (Collaborative or Win-win).

- There is a variable amount of resources to be divided and both sides can "win."
- Dominant concern here is to maximize joint outcomes.
- Dominant strategies include **cooperation, sharing information, and mutual problem solving.**
- This type is also called "creating value" since the goal here is to have both sides leave the negotiating feeling they have greater value than before.

**B. Negotiating to win**

- This involves **pursuing your own interests to the exclusion of others: I win: you lose!**
- Whilst you might get **short term gain**, you will build up **long term resentment** which can be very disruptive if you ever need to work with these people again.

**B. Negotiating jointly**

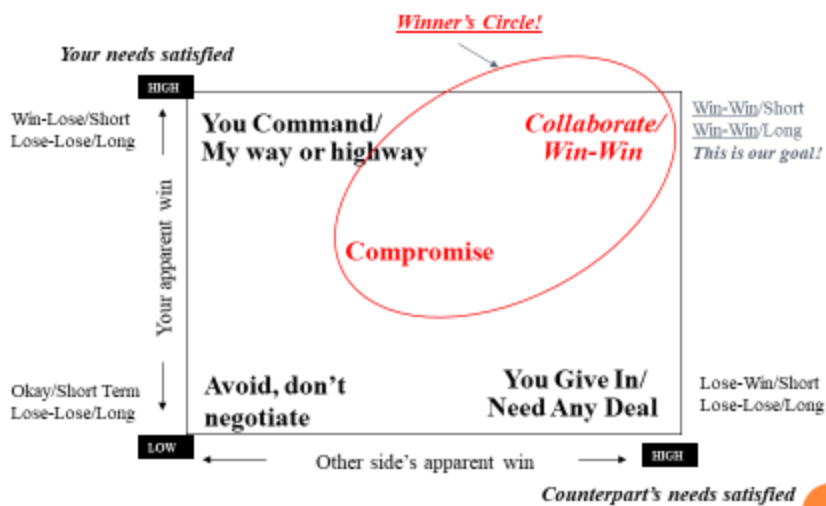
- This involves coming to an agreement where everyone gets what they want, reaching a **mutually satisfactory agreement: win-win**
- establish **mutual trust** - honesty and integrity from both parties.
- **Both sides work together** to come up with a compromise solution

**C. Strategy for successful negotiations**

- **Listen carefully** to the arguments of the other party and assess the logic of their reasoning
- **Clarify issues** you are not clear about by asking how, why, where, when and what questions.

- **identify the key issues**
- **Identify any areas of common ground.**
- Understand any **outside forces** that may be affecting the problem.
- **Keep calm** and use assertive rather than aggressive behaviour.
- Use tact and diplomacy to diffuse tensions.
  
- Remember :**NO** is a little word with big power!
- Use both verbal and non-verbal persuasion skills.
- Know when to **compromise**. Offer concessions where necessary, but minor ones at first.  
Distinguish between **needs** ( cannot compromise) and **interests** (can compromise)
- Make sure there is an agreed deadline for resolution
- Decide on a course of action and **come to an agreement.**
- The final agreement needs to be **summarised and written down** at the conclusion of the negotiations.
- Plan for **alternative outcomes** if you can't reach agreement.

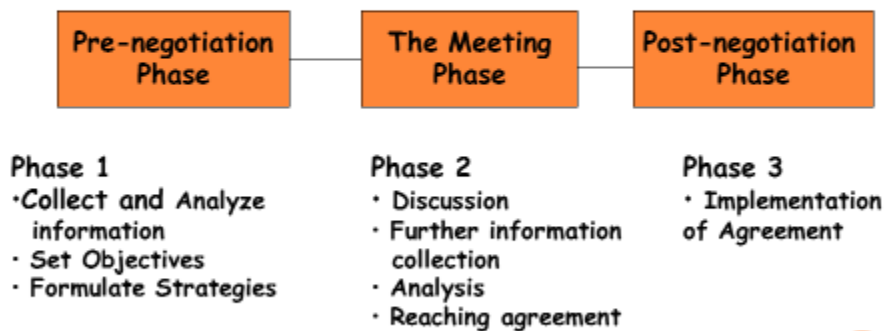
## POSSIBLE NEGOTIATING STRATEGIES



## THE PHASES OF NEGOTIATION

### Three-phase process

Figure 1: Basic Phases of Negotiation

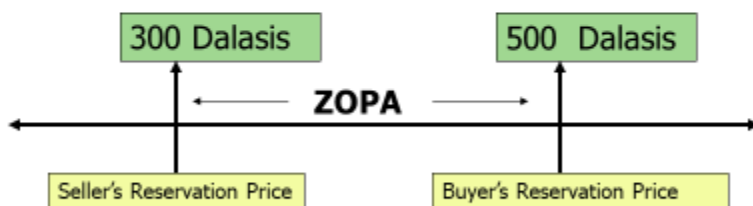


Setting up a negotiation

- Preparing to Negotiate
  - BATNA - Best Alternative to Negotiated Agreement: result of walking away from negotiation
- Identify discussion topics
- How many negotiators other party brings
- Importance of relationship
- Time constraints
- Reservation price or the walk away price
- Zone of Possible Agreement (ZOPA)
  - The space between each person's reservation price.
  - Lowest price you will take, highest price you will pay

## ZONE OF POSSIBLE AGREEMENT (ZOPA)

- Zone of Possible Agreement
- The space between each person's reservation price.





## **Price-setting and profit calculation**

### **Profit**

Is net income: total earnings after expenses are considered. Profit is the money a business makes after accounting for all expenses. Making profit is the goal of every for-profit company

### **Revenue**

The total amount of sales during a specific period, including discounts and returned merchandise.

### **Price**

The sum or amount of money or its equivalent for which anything is bought, sold, or offered for sale.

### **Sales Volume**

Quantity or number of goods sold or services rendered in the normal operations of a firm in a specified period

### **Expenditure**

Actual payment of cash or cash-equivalent for goods or services

### **Some simple formulas**

Profit = Revenue - Expenditures

Revenue = Price x sales volume

Expenditure = Material + Labour + Transportation...

Price = Cost + Profit

### **Ways to Increase Profit**

In order to increase profit one or both of the following must be done:

- Increase Revenue.
- Reduce Expenditure.
- Revenue can be increased by taking measures on the marketing mix. The marketing mix is a planned mix of controllable elements of a product's marketing plan commonly termed as 4P's: product, price, place, and promotion. These elements are adjusted until a right combination is found that serves the customers' needs while generating optimum revenue.

Examples of increasing revenue include:

- Selling more by reducing price
- Aggressively promoting the product
- Changing places where it is sold.
- Making the product more attractive.
- Increasing quality, etc

Expenditure can be reduced by taking measures on cost components between the producer and consumer. Examples of reducing expenditures include;

- Acquiring supplies from more affordable sources
- Joining with other traders to reduce the cost of transportation or selling costs

## Module 13: Profit Calculations Concepts

### Learning Objectives:

By the end of this session, learners will be able to:

- Learn about the cost of starting an enterprise.
- Determine whether or not the venture will make a profit.
- Identify the various influences on price and understand the methods used to determine the best price for a particular product

### Introduction to Costing

To be able to set your prices and making financial plans, you need to calculate the cost of manufacturing or providing your products or services. Costs are all the money needed to operate your business. Costing is the way you calculate the total cost of making or selling a product, or providing a service. It will allow you to calculate the net profit you can make from your business.

### What is costing?

Costing is the process of establishing the exact amount paid to produce or provide a product or a service.

### Importance of costing

- To determine what price you should sell your product/ service
- To evaluate how much profit/loss your business is making

- To know which items cost too much so that you can develop alternative ideas.
- To find out how much each product/service costs

Costing helps your business to:

- Set competitive prices for your goods and services.
- Reduce and control costs
- Make better decisions about business.
- Plan for future needs of the business.

## **Types of costs**

### **1. Fixed costs**

These are costs that do not change with the level of production. They are incurred even if no production takes place e.g. rent of premises.

### **2. Direct cost**

Direct cost refers to costs which are directly connected with the production of products or services. Examples include the cost of raw material, stock, cost of labour (wages), transportation and handling expenses

### **3. Variable costs**

These are costs that are directly related to the level of production. They increase or decrease in direct proportion to the level of production. For example: raw materials, stock, cost of packaging, transport, handling of goods and electricity (if machines are used).

### **4. Indirect cost**

These are costs that relate to the running of the business but not directly to the production process. Examples include maintenance costs, equipment, electricity, and interest on the loan.

## **Product Pricing**

Prices of products and/or services:

Pricing is the monetary value of a product or services that you charge to cover your total costs (direct and indirect costs) and profit that you desire on each unit of product or service.

## **Mark Up**

When you add a certain percentage of profit desired on the sale of a product or service, it is called a mark up. For example: If you desire to mark up the cost of a wooden cupboard by 20% and it cost you 13,000 to make, the following is the calculation;

Your cost =13,000/

Mark up - 20% =2,600/

**Selling price 15,600/=**

Your selling price =15,600/=

Cost =13,000/=

Profit = Selling price - Cost

=15,600 - 13,000

= 2,600

Price is important in all business ventures. This is because it determines the profits that the entrepreneur will make. In setting the price, one has to make marketing mix decisions, estimate the demand curve, calculate the cost, understand the environmental factors, set pricing objectives and determine the selling price.

A formula that articulates how to estimate the selling price is:

**Selling price = cost of goods sold/unit + Operating costs/Unit + Desired profit/ unit**

### **Factors that influence pricing**

1. Nature of the market: open market with little competition - abundant supply and low demand normally means low prices, and vice versa
2. Consumer demand for a product; customers generally buy more of a product when prices are low.
3. Costs in the distribution channel; If a product is sold through a middle-person the price charged will be affected by how that middleperson treats the product.

Once the influences on price have been considered, the entrepreneur must develop goals for the product price. These goals could be to maximise profits, maximise sales volume or establish a

competitive position. After all of the above factors have been considered, the process of setting the product price begins. It requires research and careful consideration.

### **Breakeven Analysis**

A breakeven analysis is used to determine the volume of sales your business needs to start making a profit. The breakeven analysis is especially useful when you're developing a pricing strategy, either as part of a marketing plan or a business plan.

$$\text{Break Even} = \frac{\text{Fixed costs}}{\text{Revenue per unit} - \text{Variable cost per Unit.}}$$

## **Module 14: Budgeting**

### **A Budget and Importance of Budgeting**

It is a tool for -

- (a) Quantitative expression of the planning
- (b) Evaluation of financial performance in accordance with plans
- (c) Controlling costs
- (d) Optimizing the use of resources
- (e) Directing the total efforts in to the most profitable channels

A Budget shows;

- Income & Expenditure
- Total estimated costs
- Defined period of time

### **Importance of Budgeting**

- Stay within a limit
- Control
- Forecasting
- Delegate

- Prioritise Wants, Organise Needs,
- Within the realm of what we Can

### Preparing a Budget

1. Estimate your total expected income
  - Gross income
  - **Disposable income**
2. Decide how much of your income you want to save.
3. Estimate your total expenses
4. Financial plan
  - A **financial plan** is a set of goals for spending, saving, and investing the money your receive
  - Resources and obligations

### Types of Budgets

- Enterprise Budgets  
Projected costs and returns associated with one production process.
- Partial Budgets  
Projected costs and returns associated with some change in the business.
- Whole Business Budgets  
Physical and financial plans for the entire business for a specific period of time.
- Family Budgets  
Projected family income and family expenses.
- Other
  - A budget can cover a short time span (for example, a newly formed VDC develops a budget to ensure that it will have enough cash to cover operating expenses for the next month or two).
  - Project budget : probable expenditure and likely revenue for a specific project

- Departmental budget
- Operating revenue budget- related to volume of work anticipated
- Cash budget : provision for anticipated cash expenditures , for planning the cash flow e.g. salaries, bills etc.

**Budget Worksheet**

CATEGORY	BUDGET AMOUNT	ACTUAL AMOUNT	DIFFERENCE (SAVING)
INCOME			
EXPENSES			
TOTAL			
SURPLUS/DEFICIT			

**8. Analyzing Variance**

- Budget deviation analysis (variance analysis) regularly compares what you expected or planned to earn and spend with what you actually spent and earned.
- Variation analysis can help greatly when detecting how well you're tracking your plans, how much to accurately budget in the future, where there might be upcoming problems in spending.

## Example of a variance report

Date: June 30, 2017

Account: Product Development

MONTH TO DATE

ACCOUNT	REF.	ACTUAL	BUDGET	VARIANCE	%
SALARIES	5025	£48,000	£43,750	- £4,375	- 10
TRAVEL	6442	£1,500	£1,200	- £300	- 25
SUPPLIES	5320	£500	£700	£200	28.5

### Benefits to checking variance

- Understand the reason for the differences
- Prepare a more accurate budget in the future
- Evaluate budget goals
- Isolate problems
- Identify weak areas
- Motivate managers
- Communicate with all levels
- Forecast

### Response to budget warnings

1. Freeze spending
2. Freeze activity



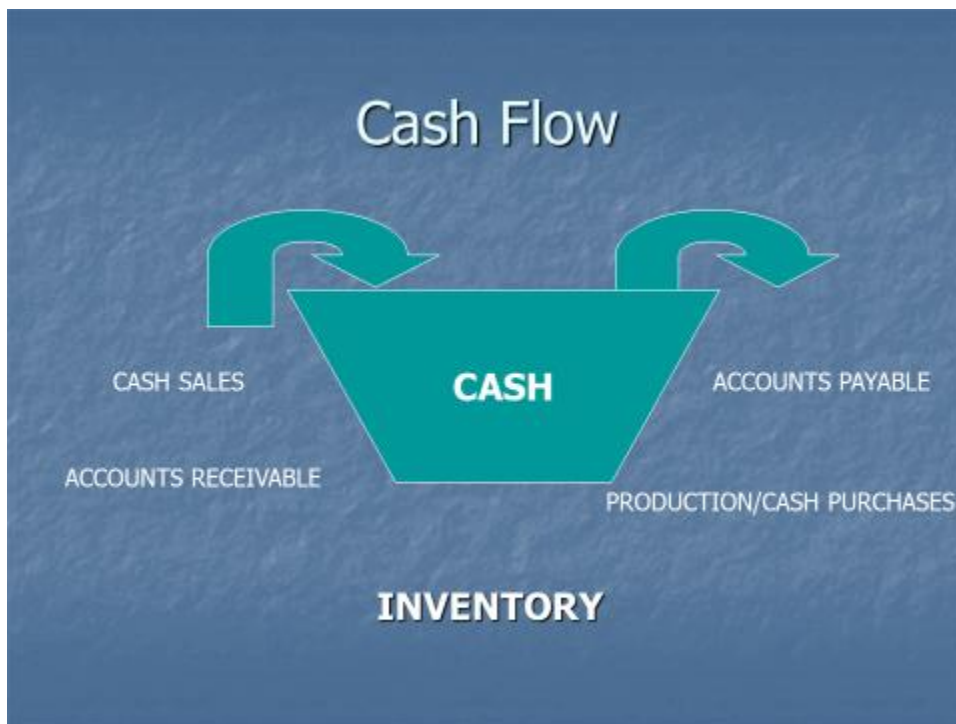
3. Put off “unnecessary” projects activity
4. Re-schedule/cost your project
5. Downsize your project

## Module 15: Cash Flow Planning and Debt Management

Cash management – forecasting, collecting, disbursing, investing, and planning for the cash a company needs to operate smoothly.

Common cause of business failure: Cash crisis!

A business can be earning a profit and be forced to close because it runs out of cash!



### Five Cash Management Roles of an Entrepreneur

- Cash Finder
- Cash Planner
- Cash Distributor
- Cash Collector
- Cash Conserver

### **Benefits of Cash Management**

- Increase amount and speed of cash flowing into the company
- Reduce the amount and speed of cash flowing out
- Make the most efficient use of available cash
- Take advantage of money-saving opportunities such as cash discounts
- Finance seasonal business needs
- **Develop a sound borrowing and repayment program**
- **Impress lenders and investors**
- **Reduce borrowing costs by borrowing only when necessary**
- **Provide funds for expansion**
- **Plan for investing surplus cash**

### **Cash Flow Cycle**

- |                 |          |
|-----------------|----------|
| ■ Order goods   |          |
| ■ Receive goods | 14       |
| ■ Pay invoice   | 25       |
| ■ Sell goods    | 178      |
| ■ Deliver goods | 3        |
| ■ Send invoice  | 9        |
| ■ Customer pays | 50       |
| ■ Total         | 240 days |

### **The Cash Budget**

- A “cash map,” showing the amount and the timing of a firm's cash receipts and cash disbursements over time ( daily, weekly, or monthly basis )
- Predicts the amount of cash a company will need to operate smoothly.
- A helpful tool for visualizing the firm's cash receipts and cash disbursements and the resulting cash balance.

### **Big 3 of Cash Management**

- Accounts Receivable

collect early

- Accounts Payable

stretch payments

- Inventory

don't tie up cash in wrong inventory

### **Avoiding the Cash Crunch**

- Barter
- Trim Overhead Costs
- Look out for employee theft
- Invest surplus cash
- Ask for discounts or freebies
- Periodically evaluate expenses
- Lease, instead of buy
- Avoid nonessential outlays
- Negotiate to cash flow cycle
- Buy used or reconditioned equipment
- Outsource
- Control employee advances or loans
- Develop system for check fraud
- Change shipping terms

## **DEBT TO INCOME RATIO**

- Debt to income ratios look at how much you owe in comparison to how much you earn.
- It usually gives a good picture of your financial well being.
- The lower your debt to income ratio, the more money you have to spend on things other than your monthly bills.

### **Debt to Income Calculation**

- Take the amount of money that goes to paying monthly obligations (loans, credit cards, rent, etc.)
- Divide that amount by your gross monthly income (this is the amount before taxes are taken out)

Monthly debt payment / gross monthly income = D/I

- Most experts recommend that your total D/I be no more than 36% when paying all of your recurring debt.

### **Tips for managing debt**

- Shop around.
- Compare interest rates. Don't accept your first offer.
- Keep within your budget.
- Borrow only what you can afford to pay back regularly and on time.
- Pay back more and pay more often.
- Additional payments mean you'll pay it off sooner and pay less interest.
- Use savings to pay off balances.
- Pay down your highest interest rate debts first.
- Call creditors to negotiate lower rates.
- Start automatic/online bill payment to stay on schedule.
- Avoid "buy now, pay later" offers.

- Get a consolidation loan to make one low-interest payment.

## Module 16: Business Record/Book Keeping

### Definition of Record and Record-keeping

- A **record** is some written, oral/verbal, visual or audio information that can be documented;
- It is a reference point and a guide showing how the business is going;
- **Business records** are information relating to all kinds of business transactions;
- **Record-keeping** is systematic way of putting information in record form;
- It is the process of putting data or information in record form.

### Why Do We Need To Keep Records?

- To help find and solve problems in a business
- To control business capital, especially cash
- To show the direction of the business
- To plan for the future
- Records allow business people to oversee expenditures, costs, and profit
- Records help to analyse business development over time

### Characteristics of Good Business Records

- Some key characteristics of good business records include:
  - Accessibility,
  - Legibility (i.e. clearly written ),
  - Simple format,
  - Using appropriate format(s) including all items,
  - Well document or kept record(s), and

- Relevant.

### **Some Key Record-keeping Methods for Businesses**

- Some major record-keeping methods for business entrepreneurs include:

#### **(1) Gregorian Numbering System.**

2      3      4      5      6      ....

#### **(2) Roman Numerals Counting System.**

1	2	3	4	5	6	7	8	9
I	II	III	IV	V	VI	VII	VIII	IX
10	20	50	60	100				
X	XX	L	LX	C				

### **Types Business Records Kept**

Record-keeping tools/types are critical to a successful business, and should be put in place before the business is launched. These tools help to ensure that documents are stored safely and methodologically. Each type of document should be stored separately, for example:

- Daily sales record
- Credit sales
- Receipt book
- Cashbook
- Stock taking
- Purchases/Cost
- Memos
- Creditor
- Letter
- Debtors
- Contracts
- Bank account
- Reports
- Invoices
- Minutes of Meetings

- Personnel records
- Financial Statements

**Daily Sales Record Form**

This form is used to record all daily sales. It helps to establish the total sales per day.

DAILY CASH RECORDS				
DATE.....				
S/N	Particulars	Quantity	Price	Amount
	Total Sales			

**Receipt Book**

The receipt book records money coming in (income of the business).

NAME OF BUSINESS ADDRESS TIN 000-01100	
DATE.....	
Received from .....	
Being payment of.....	
Amount in words.....	
.....	.....
Amount in figures	Signature of receiver

**Cashbook**

The cashbook is used to records all cash transaction of the business usually after specific periods of time, that is, monthly, quarterly, semi-annually or annually.

A cash book:

- Records sources and uses of cash
- Records who has input what capital, and when
- Records selling prices at market
- Can help decide how to share profits
- Can help budget (and thus save) for the future

To calculate the balance of the cash book, take the greater total and subtract the lower one. If the expenditure side is greater than the revenue then balance should be recorded in revenue side but counted as debt.

CASH BOOK FOR THE MONTH OF .....YEAR.....			
DATE	PARTICULARS	REVENUE	EXPENDITURE
	Opening balance	XXX	
	TOTAL		
	Closing balance	XXX	XXX

### Stock Control

STOCK CONTROL				
DATE.....MONTH.....YEAR.....				
DATE	PARTICULARS	STOCK IN	STOCK OUT	STOCK BALANCE
	Opening balance (bal b/d)			
	Closing balance			

## Module 17: Leadership and Team Building/ Networking

### 1. Leadership

#### Basic Definitions

- Leadership: drawing people together to identify shared values and goals and then formulating plans to achieve them
- Management: overseeing activities to carry out plan and accomplish goals, including planning, organizing, delegating, and coordinating activities
- Supervision: guiding production and procedures of staff to accomplish a delegated goal or objective

#### Components of Management

- (a) Planning: identifying ways, means, and resources to accomplish goals



- (b) Organizing: creating structures and assignments to pursue goals
- (c) Coordinating: overseeing the application of people and resources to accomplish goals
- (d) Monitoring: assessing progress toward goals; rearranging applications of resources to refine pursuit of goals

### **Core Skills of Management**

- Planning, goal setting
- Problem-solving and decision-making
- Delegating
- Motivating
- Sustaining communications
- Facilitating meetings
- Ensuring accomplishment of goals
  - Monitoring staff performance
  - Removing barriers to performance
- Managing oneself, improving interpersonal skills

## **2. Team Building and Teamwork**

- The main objective of this module is to equip participants with the knowledge team building and teamwork
- Specifically, participants will be able to:
  - ✓ **Recruit Teams**
  - ✓ **Develop Teams**
  - ✓ **Manage Teams**
  - ✓ **Provide leadership to teams**
  - ✓ **Understand Team Building the 12 C's**
  - ✓ **Understand Tuckman Model of Team Life Cycle**
  - ✓ Understand factors that promote or hinder good working relationships
  - ✓ **Understand motivation and organization theories**

## What is a team?

Any group of people organized to work together or interdependently in order to cooperatively meet the needs of their customers by accomplishing a purpose or goal. A team provides a framework that will increase the ability of employees to participate in planning, problem solving, and decision making.

- Together
  - Everyone
  - Accomplishes or Achieves
  - More
- Teams are a part of everyone's life

*“Great people don’t equal great teams.” –Tom Peters*

## Why do companies use teams?

- Satisfies the human social need to belong
- Two heads are better than one
- The whole can be greater than the sum of its parts
- Team members build trust and want to help each other
- Promotes better communication
- Multiplies the potential of individual members
- Produces positive peer pressure

## Four-Step Approach

### 1. Assess

Look for strengths and weaknesses in team members. For a team to be successful, the following characteristics are needed:

- a. A clear direction that is understood by all team members
- b. Team players
- c. Understood and accepted accountability measures

## 2. Plan

Planning should be based on the results of a needs assessment and activities should be based on the strengths and weaknesses of the needs assessment.

## 3. Execute

- a. Just-in-time
- b. Continuous improvement

## 4. Evaluate

- a. Effectiveness can be measured based on how well weaknesses identified in the needs assessment were strengthened.
- b. Re-administer the needs assessment
- c. Could result in additional team building activities

### **Process of Team Building The 12 C's - The Leaders Institute**

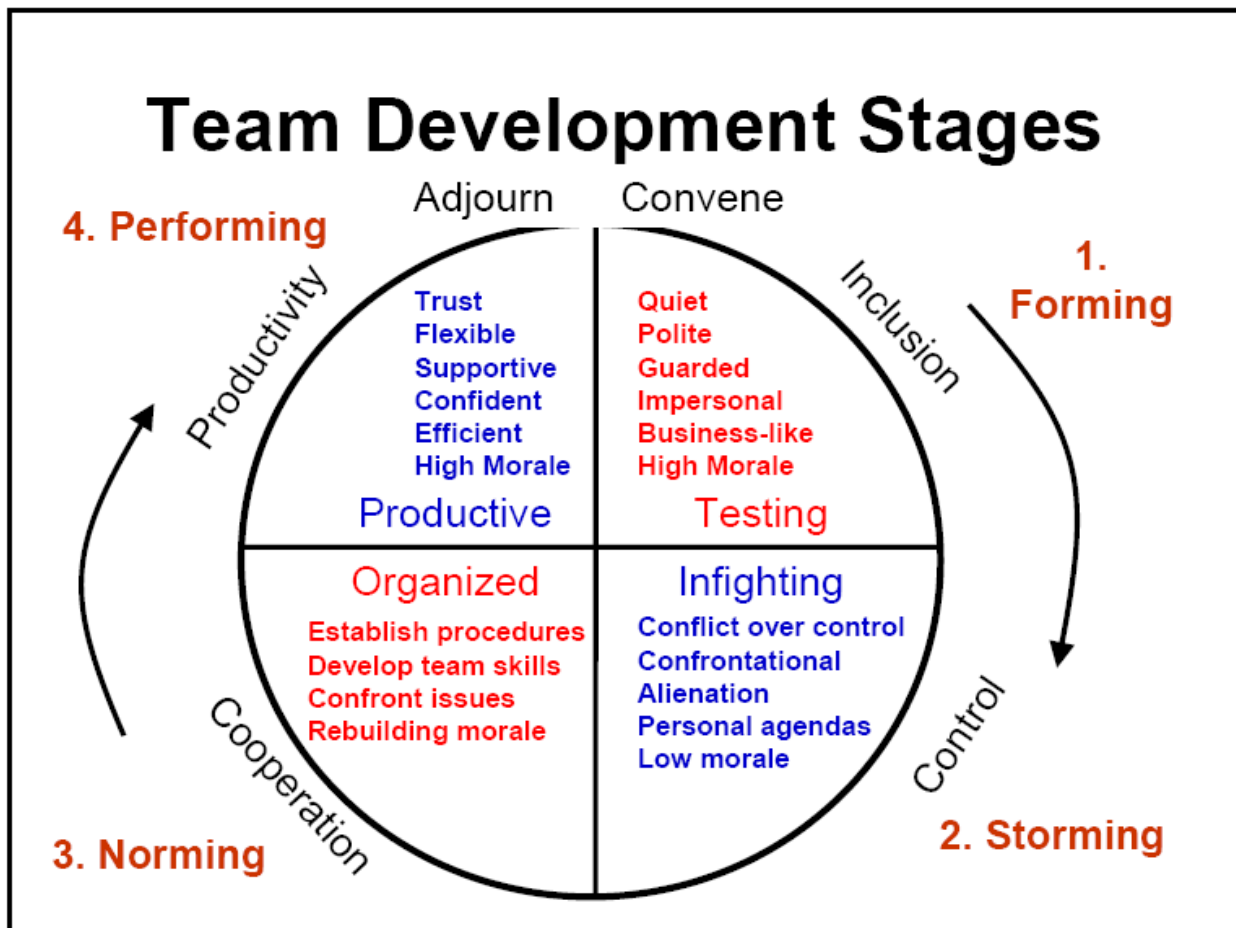
1. Set Clear Expectations. Determine/clarify goal(s) of the organization.
2. Context: Understand the vision, mission and objectives of the org.
3. Commitment: Do members want to participate?
4. Competence: Do the members have the knowledge, skills and capability to address issues for which the team forms?
5. Charter: Has the member taken leadership for their assigned area?
6. Control: Does the team have enough freedom and empowerment to feel ownership to the organization?
7. Collaboration: Does the team understand team and group process? Is conflict resolution established?
8. Communication: Are members clear about the priority of their tasks? Do they communicate clearly and honestly with one another?
9. Creative Innovation: Is the org. interested in change? Does the org. value creative thinking and new ideas?
10. Consequences: Do team members feel responsible and accountable for team achievements?
11. Coordination: Are team members working together effectively? Is planning occurring with other departments/organizations?

12. Cultural Change: Does the organization recognize when change occurs or when change is needed?

### Team Building

- Team Building Activities-Five stages of team development
  - Forming, Storming, Norming, Performing, Adjourning
  - It is the responsibility of the project manager to:
    - ✓ Enhance the ability of all to contribute as individuals and as a team
    - ✓ Incorporate team building activities into all project activities
    - ✓ Use the creation of the WBS as a team building tool
    - ✓ Make sure team building starts early in the project

### Tuckman Model of Team Life Cycle



### **Stage One - Forming**

Period in which members are often guarded in their interactions because they're not sure what to expect from other team members. This is also the period in which members form opinions of their teammates. During this stage, productivity is low.

Forming – Enhance Team Development by:

- Share responsibility
- Encourage open dialogue
- Provide structure
- Direct team issues
- Develop a climate of trust and respect.

### **Stage two - Storming**

Characterized by competition and strained relationships among team members. There are various degrees of conflict dealing with issues of power, leadership and decision- making. This is the most critical stage for the team.

Storming - Enhance Team Development by:

- Joint problem solving.
- Norms for different points of view.
- Decision-making procedures.
- Encourage two-way communication.
- Support collaborative team efforts.

### **Stage three -Norming**

Characterized by cohesiveness among members. In this phase, members realize their commonalities and learn to appreciate their differences. Functional relationships are developed resulting in the evolution of trust among members.

Norming - Enhance Team Development by:

- Communicate frequently and openly about concerns.
- Encourage members to manage the team process.
- Give positive and constructive feedback.
- Support consensus decision-making efforts.
- Delegate to team members as much as possible.

### **Stage four -Performing**

The team now possesses the capability to define tasks, work through relationships, and manage team conflicts by themselves. Communication is open and supportive. Members interact with without fear of rejection. Leadership is participative and shared. Different viewpoints and information is shared openly. Conflict is now viewed as a catalyst that generates creativity in the problem-solving process.

Performing - Enhance Team Development by:

- Offer feedback when requested.
- Support new ideas and ways for achieving outcomes.
- Encourage ongoing self-assessment.
- Develop team members to their fullest potential.
- Look for ways to increase the team's capacity.

## **What is Teamwork & Team Building**

### **Teamwork**

- Concept of people working together as a team

### **Team player**

- A team player is someone who is able to get along with their colleagues and work together in a cohesive group

### **Team Building**

- Process of establishing and developing a greater sense of collaboration and trust between members

## **Other Team Roles – Members Can Formally or Informally Take on These Roles**

Initiator - Someone who suggests new ideas. One or more people can have this role at a time.

Recorder - This person records whatever ideas a team member may have. It is important that this person quote a team member accurately and not "edit" or evaluate them.

Devil's Advocate/Skeptic - This is someone whose responsibility is to look for potential flaws in an idea.

Optimist - This is someone who tries to maintain a positive frame of mind and facilitates the search for solutions.

Timekeeper - Someone who tracks time spent on each portion of the meeting.

Gate Keeper - This person works to ensure that each member gives input on an issue. One strategy to do this is to ask everyone to voice their opinion one at a time. Another is to cast votes.

Summarizer - Someone who summarizes a list of options.

## **Motivation And Motivation Theories**

### ***What is Motivation?***

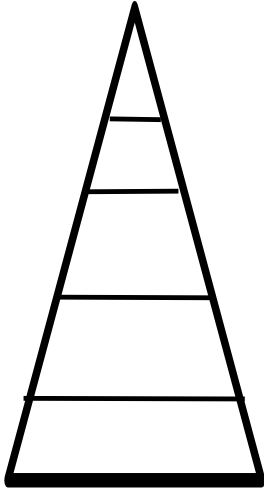
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## **Organizational Theories**

### **a. McGregor's Theory of X and Y**

- Theory X
  - ✓ People are naturally lazy and need to be watched in order to do a good job
- Theory Y
  - ✓ People are willing to work without supervision and therefore can direct their own efforts

### **b. Maslow's Hierarchy of Needs**



1. **Self-Actualisation** (Living and Working at full potential)
2. **Esteem** (Feeling of importance, attainment of recognition)
3. **Acceptance** (Being part of a team)
4. **Security** (Freedom from fear, job protection, safety)
5. **Physiological** (Basic biological needs i.e. Food, sleep, clothing)

c. **Hertzberg's Theory of Motivation**

Hygiene Factors

• Poor hygiene factors may destroy motivation, but improving them will not improve motivation, e.g.

- ✓ Working conditions
- ✓ Salary
- ✓ Personal Life
- ✓ Relationships at work
- ✓ Security
- ✓ Status

Motivating Agents

• What motivates people is the work itself, such as

- ✓ Responsibility
- ✓ Self-actualization
- ✓ Professional Growth
- ✓ Recognition

• Motivating people is best done by rewarding them. Simply giving them pay increases will not do.



### **Factors that promote good working relationships**

- Staff meetings-with agenda and sufficient time to discuss
- Job descriptions with annual review
- Knowledge of others' job descriptions and responsibilities
- Respect for professionalism regardless of person's sex, age, and race
- Recognizing talents of the others
- Giving credit
- Recognizing a job well done
- Understanding and supporting others' programs.

### **Factors that hinder good working relationships**

- Lack of understanding of others' jobs and responsibilities
- Lack of concern about total staff efforts
- Disregard for feelings of others
- Unwillingness to compromise
- Poor communication
- Disregard for talents of others
- No job descriptions
- Gossip, rumors
- No evaluation and/or feedback from supervisors
- Limited understanding of total program

### **Definition of Networking and Partnerships**

Various interactions occur in organizations and communities/societies as they carry out their set agenda to meet the desired goals and objectives. Managers and other members of the organizations and communities/societies spend a lot of time in meeting the set agenda by **networking** and forming **partnerships**.

- **Networking** is the building up of relationships and sharing information and other resources with colleagues who can help in the achievement of the set agenda of the organization or community/society.

- A **partnership** is an association of two or more persons or entities who conduct business as co-owners for profitable ends.

### **Community/Organizational Networking**

- Community/Organizational networking is the linkage(s) between community/organizations or the members of society.
- Community/Organizational or societal members spend much of their time and other resources communicating with each other, as well as participate in activities that are crucial in getting the job done.
- Community/Organizational networks are not limited to immediate members only, but also to other communities/organizations and their stakeholders and partners.
- Community/Organizational networks provide contacts with information and advice on diverse topics.
- Networks help community/organizational leaders to carry out their responsibilities.

### **Institutional Networking for Community Based Organizations (CBOs)**

- **Communities can network with:**
  - **Non Government (al) Organization (NGOs):** NGOs tend to be urban-based organizations that have access to funds, and generally have skilled or “professional” staff.
  - **Community Based Organizations (CBOs):** CBOs are small organizations often with very little access to skills or funding. They tend to be located in rural areas
  - **Parastatal:** An independent service organization set up, and supported by government funding.
  - **Private Institution:** Sometimes organs of civil society that are neither

### **Technological Networking**

- A **technological or computer/telephone network** is a system that allows different computers within communities/organizations/society to be connected together and communicate with each other.
- The other technological networks for communities can be a local area network (LAN) or a wide area network (WAN) or the world wide web (WWW).
- A **LAN** is where the computers or telephone are limited together directly within a limited area e.g. within one small community/organization.

- Both the **WAN** and **WWW** uses computers or telephone lines limited for long-range communication between community/organization's and societies.
- Technological networking is very useful in the MIS of an community/organization.

## Module 18: Business Finance & Financing Opportunities for SMEs

By the end of the Module, participants should be able to:

- Understand business finance
- Understand the sources of finance and cash management
- Understand financial investment decisions
- Use the financial management techniques learnt to develop their medium and small business enterprises (MSE).
- Know and understand key issues surrounding effective Financial Management for MSE businesses

### **The Definition of Small and Medium Sized Enterprises (SME)**

Small and medium-sized enterprises (SMEs) are a very heterogeneous group of businesses usually operating in the service, trade, agri-business, and manufacturing sectors. They include a wide variety of firms such as: village handicraft makers, small machine shops, and computer software firms that possess a wide range of sophistication and skills. Some are dynamic, innovative, and growth-oriented while others are satisfied to remain small and perhaps family owned. SMEs usually operate in the formal sector of the economy and employ mainly wage-earning workers. SMEs are often classified by the number of employees and/or by the value of their assets. The size classification varies within regions and across countries relative to the size of the economy and its endowments. It is important to note that there is a minimum as well as a maximum size for SMEs.

### **Importance of SMEs**

- SMEs are Critical for Poverty Reduction
- SME sector is the largest provider of employment in most countries, especially of new jobs

- SMEs are a major source of technological innovation and new products
- Well managed and healthy SMEs are a source of employment and wealth as well as poverty alleviation. Moreover, there is a positive relationship between a country's overall level of income and the number of SMEs per 1,000 people (IFC, 2006)
- Globally, SMEs contribute over 90% of Business Enterprises and 50-60% of Total Employment.
  - **(UNIDO Report 2009-10)**

## **Business Finance**

### **1. What is finance?**

Finance is the study of how people allocate scarce resources overtime

### **2. Why you need to study Finance?**

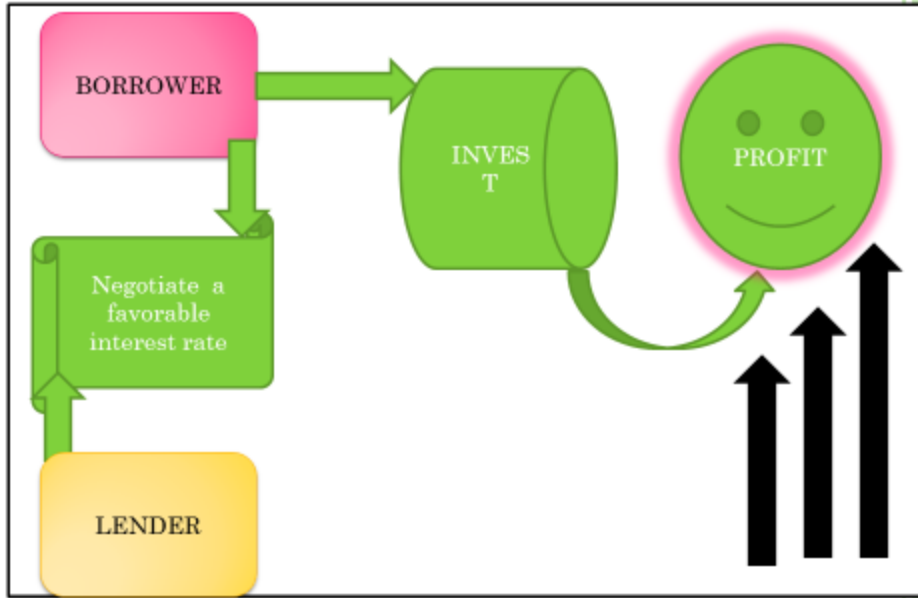
- To manage your personal resources
- To deal with the world of business
- To better manage your poultry and horticulture businesses

## **Business Enterprise**

Is a profit-making or benefit-seeking unit/activity/business entity with its own accounting system.

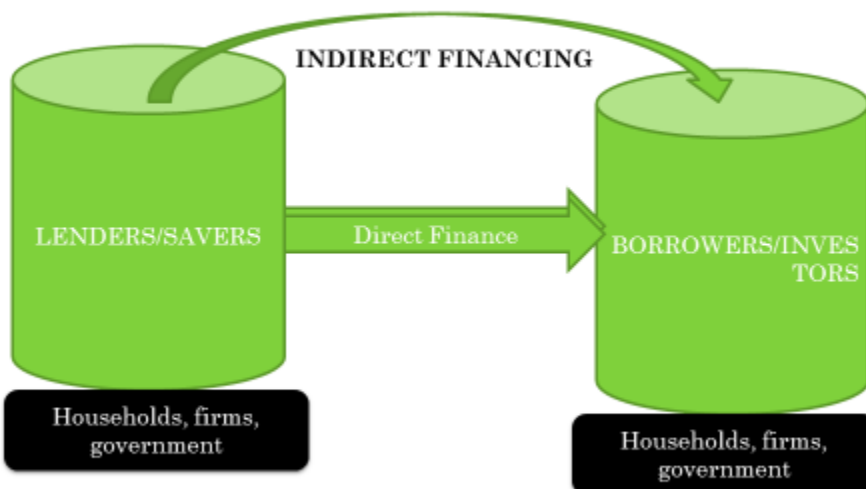
## **Borrow – Invest - Profit**

## BORROW-INVEST-PROFIT



## Direct and Indirect Financing

### DIRECT AND INDIRECT FINANCING



## **Sources of Finance and Cash Management**

The main sources of finance and cash in the Gambia include:

- Money lenders, friends and family members
- Osusus
- Micro Finance Institutions (MFIs)
- NGOs
- VISACA Banks
- Credit Unions, and
- Commercial Banks

Cash obtained from any of these sources must be managed properly by investing it for the desired profitability or benefit sought, saving it where excess exists or borrowing where shortage occurs. Cash obtained from any of these sources must be managed properly by controlling it using the appropriate cash control mechanisms.

The entrepreneurs require mainly three types of finances:

- (i) equity capital - to finance assets at the start of a business;
- (ii) debts – to refinance assets; and
- (iii) working capital – to maintain the day-to-day activities (Jesmin, 2009)

Access to credit/financing is deemed to be one of the greatest hurdles faced by SMEs

## **Financial Ratios**

## **(1) LIQUIDITY RATIOS**

Tells how liquid a business is to settle short-term debts as they come due.

$$(a) \quad \text{Current Ratio (CR)} = \frac{\text{Current Assets (CA)}}{\text{Current Liabilities (CL)}}$$

Generally a good CR should be between 1 and 2

e.g. Fatou Kujabi's Poultry Farm,

CA = 33,600, CL = 21,000, and Inventory = 31,000

$$\text{Current Ratio (CR)} = \frac{\text{Current Assets (CA)}}{\text{Current Liabilities (CL)}} = \frac{33,600}{21,000} = 1.6 . \text{ This ratio seems OK}$$

$$(b) \quad \text{Quick Ratio (QR) (Acid Test Ratio)} = \frac{\text{Current Assets} - \text{Inventory}}{\text{Current Liabilities}}$$

Generally a QR of 1 to 2 may be considered good

$$\text{Quick Ratio (QR)} = \frac{\text{Current Assets} - \text{Inventory}}{\text{Current Liabilities}} = \frac{33,600 - 31,000}{21,000} = 0.12 . \text{ This is not good!!}$$

$$(c) \quad \text{Working Capital (WC)} = \text{CA} - \text{CL}$$

Working Capital (WC) = D33,600 - D21,000 = D12,600. This is fairly OK

$$(d) \quad \text{Working Capital Ratio (WCR)} = \frac{\text{CA} - \text{CL}}{\text{CL}} = \frac{33,600 - 21,000}{21,000} = 0.6$$

Generally a WCR of 0.5 to 1.5 is considered reasonable

### **Financial Investment Decisions**

A. Net Present Value (NPV) Concept and Discounting

- NPV is a means of determining whether or not a capital investment decision should be made in future.
- For every given rate of payment and time period there is a calculated Present Value (PV) factor.
- The PV factors are often given in tables or can be obtained from business calculators.
- To get the NPV, we multiply each periodic payment by its PV factor and the total of the products give us the NPV.

**Table 1: Cash Flows Associated with Possible Purchase of New Farm Machinery**

End of Year	Net Cash Inflow/Outflow (in Dalasis)	PV Factor 25% Rate	Present Value of Cash Flows (in Dalasis)
0	(100,000)	1.0000	(100,000)
1	50,000	0.8000	40,000
2	45,000	0.6400	28,800
3	40,000	0.5120	20,480
4	30,000	0.4096	12,288
<b>Total</b>	<b>D65,000</b>		<b>D1,568</b>

Note that for NPV, as long as the values for the total PV products are positive, then it would be profitable for the business to pursue the “go” decision.

The calculation therefore discounts the value of our money to give its true value in the future and is therefore useful in making projections.

## B. Payback Period

This is the number of periods that it takes to recover an investment with the realistic cash flows of the business. The payback period indicates the time it would take to make the total cash inflows equal to the initial investment. The shorter this time is, the better for the business.



### **C. Cost-Benefit Analysis**

This is where the total costs of an investment are computed as well as the total benefits (direct or/and indirect) and then the two (Total Cost and Total Benefits) are compared. If the total costs out-weigh the total benefits, then we may not go for the investment decision. If on the other hand, the total benefits out-weigh the total costs then we might go in for the investment.

### **SME Access To Finance**

- Loans and Mortgages
- Bank loans – fixed repayment terms
- Overdraft facilities – flexible lending but repayable on demand
- Trade Credit – suppliers
- Leasing & Hire Purchase – lending against assets such as motor vehicles, equipment and computers
- Proprietor and Friends and Family
- Business Angels – wealthy entrepreneurs
- Business Angel Syndicates – groups of Bas
- Venture Capital

### **What banks look for:**

1. Cashflow forecasts
2. Aged Debtors & Creditors Lists
3. Management Accounts
4. Historic Trading accounts for 3 years

### **SME Financing – Issues**

- Credit constraints
- Small enterprises are largely excluded. They are the “Missing Middle’. This group has nether access to formal credit market nor do they have access to micro credit market.
- Collateral is a constraint for promoting SMEs, in particular small enterprises.

- This means informal sector meets their financial requirements, though at times with stringent conditions
- Nearly 23.7% of SMEs disappear in two years and nearly 52.7% of SMEs exit the market in four years due to business failure, bankruptcy, or other reasons (Estimates IFC 2010)
- Lack of successful track record of SMEs creates a perception of greater credit risk among the banks
- SMEs lack the substantial asset base (collateral) to provide as security against bank loans
  - More pronounced for SMEs in the services sector

### **What documentation is required for raising finance?**

- Typical requirements:
  - Business plan
  - Financial projections/assumptions
  - Management team
  - Unique product or service
  - Financing strategy

## **Module 19: Savings and Investment**

### **Learning Objectives:**

By the end of this session, participants will be able to:

- Describe the meaning of saving and various forms of savings
- Understand how to **finance start-up businesses**

- Describe the **sources of Equity Financing**

### **What are savings?**

Savings is the portion of current income not spent on consumption. Savings is derived by deducting total consumption expenditure from the total income for a given period of time.

### **Sources or forms of Savings**

Savings can be done through

- Deposits
- Deductions from salaries, wages or income
- Informal saving: Savings societies, village banking
- Traditional forms of saving: Buying assets (e.g. houses, animals, art works), holding cash in pots, or mattresses.
- Formal savings: Bank savings account; savings account with micro-finance institutions.

### **Advantage of saving**

- To have access to monetary or other assets whenever needed
- To ensure financial independence
- To make one's own resources inaccessible for others without one's approval
- To qualify for certain types of loans

### **Start-Up Money**

The main sources for start-up money for entrepreneurs include friends, family and other resources, such as savings, credit cards, loans, and investments

### **Financing the Start-Up**

Some sources of financing include banks, finance companies, investment companies and government grants.

### **Sources of Equity Financing**

To obtain equity capital as a source of funding for a business, the owner must give equity to obtain the financing. Equity capital is cash raised for a business in exchange for an ownership stake in the business.

Sources of Equity Financing include Personal savings, Friends and family, Partners, Private investors and angels. An angel often invests because of his or her belief in a business concept and the founding team.

### **Investments**

Investing is the purchase of assets with the goal of increasing future income. In short, investment means the use of money to make more profit in the future.

### **Time Value of Money**

The time value of money refers to the fact that a dollar in hand today is worth more than a dollar promised at some future time.

### **Inflation**

Inflation can work against your money. You need to learn to invest wisely, follow the rate of inflation, and make sure your investment rates are higher than those of inflation.

## **Module 20: Financial Literacy – Use of Calculator and mobile phones**

### **Objectives**

- To help participants understand the concept of financial literacy
- To learn the importance of number and financial literacy in business transaction
- To identify benefits and costs of financial literacy and numbers in doing business

## Financial Literacy

- Literacy: Having an expanse of knowledge in a certain subject
- Finance: The management of money

## Financial Literacy and Business

An entrepreneur is a person who owns, manages, and takes the risks of a business venture. He/She has to be financially literate in order to succeed at his/her business venture. He or she needs to understand how to spend, manage, and budget his/her money to get the most profit.

## Use of Calculators and Mobile Phones

The use of numbers is important in business. For example, profit is defined by total revenue minus expenses. Calculation of profit requires using basic arithmetic signs (+, -, x and /) and numbers. Mobile phones and calculators can be used to perform calculations in the business.

Examples:

### Calculations

- a.  $10 + 6 = 16$
- b.  $12 - 4 = 8$
- c.  $5 * 5 = 25$
- d.  $8 / 2 = 4$

### SMS messages

When are you supplying the goods?

The shop is close today.

## Mobile Phones

A mobile phone (also known as a cellular phone, cell phone and a hand phone) is a device that can make and receive telephone calls around a wide geographic area. Mobile phones have

arithmetic functions and numbers (a calculator) to perform calculation and to send Short Message Service (SMS), email to customers, suppliers, and others

In many countries, mobile phones are used to provide mobile banking services, e.g. M-PESA in Kenya.

### **Calculators**

Calculator is a small, portable electronic device used to perform calculations. Calculators can enhance quick and easy arithmetic operations and to check the accuracy of the entries in the cash book, financial statements, etc.

## **Module 21: Basics of Taxation**

### **Definition**

Tax is a fee charged by a government on a product, income, wealth, corporation or activity and the rate of taxes may vary. The most important source of revenue of the government is taxes. The act of levying taxes is called taxation. A tax is a compulsory charge or payment imposed by government on individuals or corporations.

**Revenue so raised is utilised for meeting the expenses of government like defence, provision of education, health-care, infrastructure facilities like roads, dams etc.**

### **Types of taxes**

There are different types of taxes.

#### **1. Direct taxes**

A direct tax is that tax whose burden is borne by the same person on whom it is levied.

**If tax is levied directly on the income or wealth of a person, then it is a direct tax**

Thus income tax, corporation tax on company's profits, property tax, capital gains tax, wealth tax etc are examples of direct taxes.

- Income Tax
  - Tax on all yearly profits arising from property, possessions, trades or offices
  - Tax on a person's income, emoluments and profits
  
- Capital Gains Tax
  - Tax imposed on the gains presumed to have been realized by the seller for the sale, exchange or other disposition of real property located in the Philippines, classified as capital assets

## **2. Indirect taxes**

An indirect tax is that tax which is initially paid by one individual, but the burden of which is passed over to some other individual who ultimately bears it.

**If tax is levied on the price of a good or service, then it is called an indirect tax**

Excise duty, sales tax, service tax, custom duties or value added tax etc are examples of indirect taxes.

- Value-added Tax (VAT)
  - Tax imposed and collected on every sale, barter, exchange or transaction deemed sale of taxable goods, properties, lease of goods, services or properties in the course of trade as they pass along the production and distribution chain
  
- Excise Tax
  - Tax applicable to specified goods manufactured in the Philippines for domestic sale or consumption
    - Specific tax: imposed on certain goods based on weight or volume capacity or any other physical unit of measurement (Specific tax = volume x tax rate)
      - Alcohol products, petroleum products, tobacco products

- Ad valorem tax: imposed on certain goods based on selling price or other specified value of the goods

(Ad valorem tax = selling price x tax rate)

- Mineral products, automobiles

## **Tax on Businesses**

As a business owner, you are required to pay several different types of taxes. Taxes come in several varieties. There are also different types of taxes depending on various business activities, like selling taxable products or services, using equipment, owning business property, being self-employed, having employees, and, of course, making a profit.

If you are just starting your business, you need to know what taxes to pay. If your business has changed – if you have bought property or started hiring employees, for example – you'll need to know about the taxes associated with these activities.

## **Two Basic Components of Tax Structures**

**Tax base:** The amount to which tax rate is applied to determine the tax due. Example: taxable income

**Tax rate:** The percentage rate applied to the tax base

## **Types of Tax Rate Structures Individual Income Tax Rates**

Possible tax rate structures are

Progressive: Rate increases as tax base increases

Proportional (flat tax): Rate is the same regardless of tax base, such as sales tax

Regressive: Rate decreases as tax base increases

- Sales taxes, because they are based on sales value (a gross amount) rather than on taxable profits (eg tax based on total sales value from sale of alcohol or cigarettes).
- Consumption taxes such as value added tax (VAT), or goods and services tax (GST), which are taxes levied on any value that is added to a product.
- Some production taxes may not meet the definition of income tax depending upon the specific terms (eg a tax imposed on mining companies for each unit mined (based on an individual item)).



- Taxes payable on employee benefits paid (eg social security taxes payable based on a percentage of employee's wages). Such tax would be accounted for under Section 28 Employee Benefits.
- Stamp duty, a form of tax that is levied on documents.

What is "Indirect Tax"? • A tax collected by an intermediary (such as a retail store) who bears the ultimate economic burden of the tax (such as the consumer)

- GST – Goods and Services Tax
- PST – Provincial Services Tax
- Both required to be filed either monthly, quarterly, or annually depending on amount collected and/or payable

- Income Tax
- Corporation Tax
- VAT

**Taxable capacity is the maximum amount which the citizen of a country can contribute towards the expenses the public authorities of without having undergo an unbearable strain.**

### **Shifting the incidence of taxation**

- Shifting taxation is the process of passing the burden of the tax to others.
- A tax can be shifted when the taxpayer is able to obtain a higher price for something he sells or when he pays a lower price for a commodity he purchases.

### **Tax Evasion**

- When there is fraud through pretension and the use of other illegal devices to lessen one's taxes, there is tax evasion
  - Under-declaration of income
  - Non-declaration of income and other items subject to tax
  - Under-appraisal of goods subject to tariff
  - Over-declaration of deductions

## Module 22: Risk Management

### What is risk?

Risk is a measure of likelihood to achieve objectives. It is the possibility of loss or gain due to uncertainty. It comprises of two components (probability and consequences). Hence,

$$\text{Risk} = \text{likelihood of an event (Probability)} \times \text{severity of outcome}$$

The objectives and goals of a business, project or activity must first be identified to ensure that all significant risks are understood. Risk can result to threats or opportunities. The threat is the possibility that an action or event will adversely or beneficially effect an organization's ability to achieve its objectives.

### Risk Management

The purpose of risk management is to secure better project results by proactively identifying, assessing and controlling undesired outcomes

Risk management is a 4 step process with integrated monitoring and control feedback mechanism.

1. Establish the process framework
2. Identify risk
3. Analyze and rank risk
4. Develop and implement risk response strategies and action plan

#### Establish the process framework

Factors important in structuring the process include the project complexity level and organizational risk tolerance level. Projects with high complexity and /or low risk tolerance level will require more sophisticated risk management and projects with complexity levels of 2 or 3 should not exit the planning stage without a clearly defined risk management plan

#### Identify risk

Purpose of risk identification process is to Identify a list of potential risk that could impact the project. Brainstorming is the classic way to identify risk. Other ways to identify risks are SWOT analysis, checklists, flowcharts, interviews, asking question related to triple constraints.

### **Analyze and rank risk**

Determine which risks are important enough to warrant active management. This determination is achieved through an analysis and ranking process that leverage the risks register. The risk register is the common way/tool for tracking, prioritizing and managing project risks.

### **Develop and implement risk response strategies and action plan**

Strategies to respond to risk include the following:

- 1. Avoidance:** requires elimination on both the probability and impact of the risk from occurring.  
(This is the best response strategy because the root cause of the risk is addressed)
- 2. Acceptance:** implies no action response strategy is adopted because nothing is possible or alternatives are too expensive to implement. This is the least optimal strategy. If selected, a contingency plan should be developed to address the fallout should the risk occur.
- 3. Enhance:** A response to an opportunity that increases either the probability or impact of the opportunity occurring.
- 4. Exploit:** A response to an opportunity that guarantees the opportunity will occur (This the most effective strategy for realizing opportunities)

### **Monitor and Control Risk**

Known risk identified during risk identification process and new risk that surface must be monitored and controlled to ensure prompt action is taken when appropriate.