

A LEVEL
ENTREPRENEURSHIP EDUCATION
PAPER ONE (P230/1)



Entrepreneurship education, paper one, tests the theoretical understanding of entrepreneurship elements among the candidates.

Summative assessment

- ❖ This is a three hours paper consisting of sections A and B.
- ❖ Section A is compulsory, carrying 20 marks.
- ❖ Section B consists six optional questions, each carrying 20 marks. A candidate is required to choose four questions.

COURSE OUTLINE

NO:	TOPIC	CLASS	TERM
1.0	INTRODUCTION TO ENTREPRENEURSHIP EDUCATION	S.5	Term 1
1.1	❖ Change	S.5	Term 1
1.2	❖ Creativity	S.5	Term 1
1.3	❖ Innovation	S.5	Term 1
1.4	❖ Entrepreneurial Motivation	S.5	Term 1
1.5	❖ Risk Taking	S.5	Term 1
1.6	❖ Negotiation	S.5	Term 1
1.7	❖ Business Ethics	S.5	Term 1
1.8	❖ Communication	S.5	Term 1
1.9	❖ Personal Branding	S.5	Term 1
2.0	ENTREPRENEURIAL ENVIRONMENT	S.5	Term 2
3.0	SOCIAL ENTREPRENEURSHIP	S.5	Term 2
4.0	BUSINESS IDEAS	S.5	Term 3
5.0	BUSINESS OPPORTUNITY	S.5	Term 3
6.0	SMALL AND MEDIUM ENTERPRISES	S.5	Term 3
7.0	GENDER AND ENTREPRENEURSHIP	S.5	Term 3
8.0	BUSINESS PLANNING	S.6	Term 1
9.0	PRODUCTION MANAGEMENT	S.6	Term 1
10.0	MARKETING MANAGEMENT	S.6	Term 2
11.0	SALES PROMOTION	S.6	Term 2
12.0	MANAGING PERSONNEL	S.6	Term 2
13.0	TAXATION	S.6	Term 2
14.0	BUSINESS COMPETITION	S.6	Term 3
15.0	CAPITAL MARKETS	S.6	Term 3

TOPIC: 1

1.0: INTRODUCTION TO ENTREPRENEURSHIP EDUCATION

Overview: Studying entrepreneurship enables a learner to develop unique real life skills (such as problem solving skills, financial management skills, critical thinking skills, and advocacy skills). This enables a student to take on entrepreneurship as a career.

Entrepreneurship is the process of creating an opportunity and pursuing it regardless of the resources currently controlled. Is the process of taking a risk to start a business usually with the aim of making profits. It is a process where people identify opportunities and transform them into practical business opportunities.

Entrepreneurship Education is the training which motivates and allows learners to develop and use their creativity, take initiatives, responsibilities and risks in order to encourage entrepreneurial success in

a variety of settings. It is the training that involves developing personal qualities and attitudes as well as knowledge and skills to start a business and become successful.

Components Of Entrepreneurship Education

- a. Opportunity recognition. This involves identifying a business idea and turn it into a workable business concept. It enables learners to identify business ideas and turn them into feasible/workable businesses.
- b. Commercial Opportunity. This enables learners to turn business ideas into business opportunities with sellable products.
- c. Allocating resource in the face of risk. This enables learners to imagine and take risks in business and committing resources (capital, time, labour) to it.
- d. Initiating a business venture. This encourages students to start businesses with the main aim of making profits.
- e. Instruction in traditional business disciplines such as management. This equips learners to acquire skills to manage their businesses successfully.
- f. Marketing information systems and finance. This provides learners with information on marketing and finance. For example, sources of business finance, how to draw business budgets, how to prepare a marketing plan, among others.

Reasons For Studying Entrepreneurship Education

- ✓ To encourage students to choose entrepreneurship as a career. This makes a person to become a job creator but not a job seeker.
- ✓ To enable learners imagine and take risks in business. A person learns different business risks such as accidents, and how to manage those risks.
- ✓ To enable students address some of the modern /current needs of business education such as employment creation.
- ✓ To enable the teaching and learning of entrepreneurship elements such as marketing management, finance management.
- ✓ To provide learners with transferable skills and knowledge needed to succeed in an increasingly changing business environment.
- ✓ To equip students with skills for starting and expanding business enterprises.

- ✓ To equip students with skills of how to mobilize the various resources needed in production like human resource, financial resources (like capital)
- ✓ To provide one with knowledge on how to properly relate and communicate with clients /customers. This is because in business a customer is the boss.
- ✓ To impart and promote a sense of self discipline, ethical values, and collective personal responsibility and initiative.
- ✓ To instill learners with positive attitudes towards productive work and strong respect for dignity of Labour.

An Entrepreneur is a person who has the ability to spot and evaluate business opportunities, gathers the necessary resources, starts a business and takes appropriate activities to ensure its success. An entrepreneur is a person who operates and assumes the risks of business venture. Is a person who organizes, operates and takes up risks in a business. An entrepreneur is a person who produces new or better goods and services with view of selling them to customers and making profits. She/he starts up a business with the main aim of making profits. <http://www.forbes.com/real-time-billionaires>

Role of entrepreneurship in the economic development of the economy and society

- ✓ Creation of employment opportunities. Entrepreneurs start business enterprises that need people to work in the different departments e.g. accountants, managers etc
- ✓ Improvement in the Standard of Living. this is due to increased access to good quality products
- ✓ Promoting small enterprises in a society. This encourages self-reliance.
- ✓ Encouraging creativity and innovation. This leads to more wealth,
- ✓ Using locally available resources. This avoids resource wastage.
- ✓ Correcting regional imbalances/income inequalities. This is as a result of establishing businesses in previously less developed areas.
- ✓ Developing an entrepreneurial culture. More people get encouraged to start their own businesses.
- ✓ Increasing tax revenue collected. Such as rental tax, pay as you earn tax, profit tax, among others.
- ✓ Promoting linkages. For example, factories buy agricultural products as raw materials and farming businesses buy agricultural inputs from factories.
- ✓ Improvement of balance of payment position /international trade. More products are sold on the international market and this improves foreign exchange earnings.
- ✓ Development of infrastructure such as roads, buildings, among others.
- ✓ Developing entrepreneurship skills through practical business training.
- ✓ Reducing country's dependence on foreign products. This is because more products can be manufactured locally.
- ✓ Facilitating technological advancement. For example, craftsmanship skills
- ✓ Increasing access to goods and services. This improves people's welfare,
- ✓ Providing a source of information/research/study purpose. Such as allowing students field visits
- ✓ Providing market for local products. This increases people's incomes.
- ✓ Conserving the environment. For example, tree planting projects
- ✓ Preserving/promoting culture. For example, music and drama businesses
- ✓ Participating in community development programmes such as improving access to clean water
- ✓ Preventing rural urban migration. This is through starting up businesses even in rural areas.
- ✓ Promoting international relations. This is through signing international trade agreements.
- ✓ Promoting urbanization. More businesses lead to development of towns.
- ✓ Acting as a basis for further industrialization. Small businesses provide ground for developing large industries.
- ✓ Diversifying the economy. Different businesses are developed in a variety of sectors.

Factors promoting / facilitating entrepreneurship in Uganda.

- ✓ Presence of market i.e. availability of customers and consumers to buy the products.
- ✓ Favourable government policies of rewarding entrepreneurial effort e.g. tax holidays by the government that promotes the enterprising spirit.
- ✓ Availability of financial institutions that provide the capital required in form of borrowed funds to form and run businesses.
- ✓ favourable political climate and presence of security in the country
- ✓ Existence of good transport networks that ease movement of both resources and goods to the market.
- ✓ Government support e.g. through the Entandikwa and Bonnabagagaware schemes that provide initial capital to begin businesses.
- ✓ Possession of entrepreneurship skills like creativity, risk taking, endurance, flexibility etc.
- ✓ Mobility and exposure which offers the entrepreneurs the chance to develop new ideas which shape creativity that saves entrepreneurship.
- ✓ Command of business and existence of technical skills in marketing, finance, management etc which helps to effectively exploit the full potential of business.
- ✓ presence of role models in the community
- ✓ presence of resources like raw materials, labour and capital
- ✓

Challenges Faced By Entrepreneurs In Uganda

- ✓ Uncertainty of income.
- ✓ Risk of losing your entire investment
- ✓ Long hour and hard work
- ✓ Low quality of life until the business gets established
- ✓ High levels of stress
- ✓ Complete responsibility
- ✓ Discouragement and disillusionment
- ✓ Limited viable ideas and misconception
- ✓ Pandemics and Epidemics such as COVID 19
- ✓ Limited access to finance
- ✓ High cost of finance (interest rate).
- ✓ Under developed transport system
- ✓ Limited incentives
- ✓ Discriminatory interventions such as, discriminatory land give away to investors.
- ✓ Macro-economic instability e.g. inflation, price fluctuation
- ✓ High corruption rates/bureaucracy. This increases the cost of doing business.
- ✓ Insecurity/political instabilities

- ✓ Un favorable tax policy and administration
- ✓ Limited access to finance

Measures Being Taken By The Government To Develop Entrepreneurship

- Carrying out education reforms such as changing curriculum, vocationalisation of education,
- Introduction of training programs such as skilling Uganda
- Providing initial capita/loans such as through operation wealth creation
- Promoting rural development such as rural electrification
- Carrying out land reform policies.
- Conducting trade exhibitions and trade fairs
- Carrying out fair taxation
- Improving the political climate
- Creating a wider market for products. For example, joining the East African Community
- Encouraging development and use of appropriate technology
- Promoting savings. For example through SACCOs
- Developing infrastructure such as roads
- Promoting further privatization. This facilitates private sector led development.
- Liberalizing of trade. This reduces trade restrictions among entrepreneurs.
- Encouraging creativity and innovation.
- Recognizing/rewarding successful entrepreneurs
- Modernizing of agriculture such as use of tractors
- Promoting gender partnerships. This has encouraged more women to join business
- Gazzetting areas for business such as business parks
- Setting up organizations that support entrepreneur such as Uganda Investment Authority
- Simplifying business start up processes. For example, reducing the time taken for registering a business
- Enacting laws that protect entrepreneurs.
- Ensuring economic stability. Such as stable exchange rates, low inflation rates,

Entrepreneurial Characteristics

Successful entrepreneurs possess the following features

- **Hard working:** This involves putting in extra efforts e.g. working for long hours in order to achieve the set goals.
- **Goal oriented:** They set goals and work hard towards achieving them.
- **Risk taking:** They take calculated risks with a higher chance of success.
- **Self-confidence:** They believe in themselves and their ability to achieve set goals.
- **Profit oriented:** They aim at earning profits through maximising sales and minimizing costs.
- **Creativity and innovation:** They come up with new ideas of doing things and new products.
- **Persistent.** They have a strong desire to continue doing something even if they face problems. They do not easily give up.
- **Demonstrate initiatives:** They are self-driven. They make own/independent decisions without waiting for someone to tell them what to do.
- **Building for the future:** They create long term enterprises that provide secure job and income for themselves and their families.
- **Respond to feed back:** They are concerned to know how well they are doing and keep track of their performance. They keep monitoring their general performance.
- **Willing to listen:** They seek and listen to advice from people such as, customers, suppliers, bankers and banks.
- **Cope with failures:** They recognize failures, learn from them and look for new opportunities.
- **Set own standards:** They set performance standards for income, quality or sales and work towards achieving them.
- **Build on strengths:** They build their businesses basing on their strong abilities. For example, enter personal skills, marketing and selling skills, quality management skills, among others.
- **Reliability and integrity:** They are honest and usually fulfill their promises.
- **Copes with uncertainty.** Entrepreneurs deal with a lot of unknowns without becoming too stressed. Uncertainties such as amount of sales, cash flow, price changes, labour turnover, competition, among others.

Competencies For Successful Entrepreneurship

There are three major abilities for successful entrepreneurship

These include;

1. A body of knowledge

2. A set of skill
 3. A cluster of traits.
- a) A body of knowledge. This is information stored which is recalled at the right time e.g. knowledge about customers, competitors, business management.
 - b) A set of skill. This is the ability to apply knowledge to do something e.g. technical skills like engineering, computing mechanics, saving, baking skills; management skills such as marketing and selling, decision making, planning skills, negotiation skills, communication skills, time management, financial management, etc.
 - c) A cluster of traits. This refers to total x-tics that constitute/make up one's personality.

NB: For a successful entrepreneurship a person needs to have all the three competences

Entrepreneurial Culture

Is a culture that encourages the whole population to take advantage of the abundant/many opportunities in the environment.

How To Develop An Entrepreneurial Culture

- ✓ Through acquiring knowledge and practice/skills in business management
- ✓ Through being in contact with many successful entrepreneurs to act as role models.
- ✓ By accepting opportunities to practice entrepreneurship (entrepreneurial competencies), such as ,active participation in school business clubs.
- ✓ Improving one's ability to live with uncertainty. This is because the business environment is full of many unknowns.
- ✓ By carrying out small business tasks during the youthful stage.
- ✓ By networking with many businesses so as to get opportunities.

Difference Between Entrepreneur, Intrapreneur And Enterprising Person

An Entrepreneur is a person who organizes, operates and assumes the risks for business ventures.

An Intrapreneur is a person who focuses on innovation and creativity and transforms a dream/ idea into a profitable venture by operating within the organization's environment. Is a person who operates a business within another business.

Features Of An Intrapreneur

- ✓ Works in an existing business
- ✓ Is hired to manage a business
- ✓ Identifies new products or opportunities for an existing business
- ✓ He is creative and uses ability to market a product
- ✓ Organizes and controls resources to ensure a profit for existing business.
- ✓ Prefers benefits of an existing business such as salary other available resources.

An Enterprising Person. Is someone who takes on imaginative and risky projects.

Features Of An Enterprising Person

- ✓ Sees the future in the present
- ✓ Always finds a way to take advantage of a situation.
- ✓ Goes after opportunities. Does not wait for opportunities to come his/ her way but looks for them.
- ✓ Is hardworking

Career: A career is a continuous, ever evolving, ever expanding opportunity for personal as well as business growth and development.

OR: Is an occupation / activity / work that one does over a period of time for his survival or to achieve his goals.

Examples of career options include; Teacher, land Surveyor, chef, Farmer, Accountant, zoo keeper, pilot, doctor, waiter, entrepreneurship, among others.

Factors To Consider When Selecting A career

- ✓ Job security. People usually select careers that guarantee them a longer stay on the job than those that are temporary such as contract jobs.
- ✓ Personal interest. A person usually selects a career s/he likes/enjoys doing.
- ✓ Demand for the career in the job market. People usually choose careers with high demand in the job market.
- ✓ Job satisfaction. One selects a career that provides a lot of benefits such as financial benefits.
- ✓ Talent and abilities of a person. Individuals usually choose careers where they have strong natural abilities. For example, a talented musician takes up a music career.
- ✓ Family preference/ bias. A person selects a career that receives family support/approval.

- ✓ Government policy towards particular career. People usually select careers that are supported by the government in terms of sponsorship and employment creation.
- ✓ Role models. People take up careers of the individuals they admire or look up to.
- ✓ Peer influence. A person selects a career because a friend is having a similar career.
- ✓ Personality traits. One's personal characters influence his/her choice of career.
- ✓ Religion. A person selects a career that is in line with his/her beliefs.

Difference Between Wage Employment And Entrepreneurship

- ✓ A person works for others under wage employment while under entrepreneurship you are your own boss.
- ✓ A person follows instructions under wage employment whereas under entrepreneurship you make own decisions.
- ✓ One follows routine activities under wage employment while entrepreneurship involves creativity.
- ✓ A person earns fixed income under wage employment while there is unlimited income under entrepreneurship.
- ✓ One creates wealth and contributes to GDP (factories infrastructure, product output) under Entrepreneurship, while under wage employment one doesn't create wealth

Self-Employment

Is a situation where an individual starts his own business and gets employed in it.

Benefits Of Self Employment

- ✓ It creates satisfaction since one is a boss of his own.
- ✓ It leads to unlimited income for the owner since there is no fixed earning.
- ✓ It creates wealth and profits for the owner and employment of other people.
- ✓ It promotes one's social recognition and respect in the community
- ✓ It encourages development of self-confidence especially where one runs a successful business.
- ✓ It encourages creativity and personal initiative as one looks for better ways of operating the business
- ✓ It promotes high job security since one is a boss of his own, therefore cannot fire him/her self.
- ✓ It facilitates independent and quick decision making since the owner is in control.

- ✓ It leads to provision of more goods and services in the community which improves on people's welfare.

Disadvantages Of Self Employment (Challenges)

- ✓ It is associated with a low life style. This is because the owner works for long hours.
- ✓ It is associated with uncertainty of income. One's income is neither stable nor guaranteed.
- ✓ It is hard to delegate work since the business tends to be a one man's enterprise.
- ✓ The owner suffers all the business risks alone.
- ✓ It involves too many responsibilities where by one finds himself doing all the work alone in the business.
- ✓ There are limited fringe/ additional benefits such as transport medical and housing allowances.
- ✓ It involves long and irregular schedule of work

Paid employment

Is a type of employment where one is hired to do a particular job (piece of work) in a given period of time. Is where a person works for another person or institute and is paid a uniform wage / salary either on a daily, weekly or monthly basis for a specific assignment given by the employer.

Advantages of paid employment

- ✓ A worker enjoys steady and stable income
- ✓ Ones working hours are limited. For example, from 8a.m -4p.m
- ✓ There are fringe benefits attached to the job like transport, sick leaves, housing allowances.
- ✓ The employee is assured of his pay even when risks occur.
- ✓ It is less tiresome since a person works for a given period of time per day.
- ✓ Employee duties are well stipulated/ laid out. That is, the employee is subjected to specific duties.
- ✓ Delegation of work is possible. That is, an employee may authorize another person to perform his/her duties.

Disadvantages of paid employment

- ✓ Employees are usually subjected to a lot of pressure at work.
- ✓ There is limited job security.
- ✓ It is difficult to initiate and implement ideas.
- ✓ Limited responsibility towards the activities of the business.

- ✓ One earns fixed income.
- ✓ There are limited chances of employing family members by the employee.
- ✓ It limits the worker from acquiring new skills since one does not go beyond work specifications.
- ✓ There is limited room for innovation since a person works under instructions.
- ✓ There is limited independent decision making since the employee has to consult the boss for approval.

Ways Of Becoming An Entrepreneur

- ✓ Through buying shares in a business.
- ✓ Inheriting an already existing business.
- ✓ Starting up your own business enterprises.
- ✓ Buying an already existing business.

Stages Of An Entrepreneurial Process

There are mainly three stages involved in the entrepreneurial process.

1. Income generation. This is where a person saves part of his income earned from paid employment.
2. Self employment. This involves starting a business and working there full time.
3. Entrepreneurship. This involves setting up a business venture and one looks for diversification and growth of the business. It involves expanding the business operations. (Diversification may be in terms of products or markets)

TOPIC:2

ENTREPRENEURIAL SKILLS

These include;-

- 1) Change
- 2) Creativity
- 3) Innovation
- 4) Entrepreneurial motivation
- 5) Risk taking
- 6) Negotiation
- 7) Business ethics
- 8) Communication skills

9) Personal branding

1.1: CHANGE

Overview: This sub topic equips a learner with skills to develop flexible business strategies that enable a business to easily adapt to new conditions within the environment.

Is to give a completely different form/ appearance to an object/something.

Different organisations go through different types of change.

Types of change

There are three types of change namely

- ✓ Developmental change
- ✓ Transitional change
- ✓ Transformational change.

Developmental Change. This is where the business makes an improvement to its current standards. For example, improving performance standards such as, quality standards, sales standards, among others.

Transitional change. This involves replacing existing methods with something completely new to the business. For example, replacing labour intensive technology with capital intensive technology e.g. changing from use of chalk to use of projectors in class.

NB: Transitional period is the time when the old process is being dismantled and the new process is being implemented.

Transformational change. This involves making drastic changes in the business rather than implementing new methods. It involves both developmental and transitional change. for example, change from a single school to a mixed school.

Factors That Bring About Change In An Organization

- ✓ Change in competition. This requires improvement of the quality of goods and services being produced.
- ✓ Change in technology. New technology leads to production new goods and services.
- ✓ Efficiency. Businesses need to develop better ways of achieving the set targets but with minimum wastage of resources (time, money, power, among others)

- ✓ Change in management: Different managers come with different management style/ skills. For example, a new head teacher usually comes with new leadership skills.
- ✓ Social changes (change in society). The community under goes change in terms of population growth which therefore requires the business to change its products to satisfy the needs of the society. For example, population growth requires the businesses to change products that can satisfy the needs of society.
- ✓ Change of desire by the entrepreneur. When entrepreneurs change their attitude towards certain business conditions, it leads to change in policies, products, among others.
- ✓ Change in environmental conditions. For example, increased global warming requires businesses to use environmentally friendly raw materials.
- ✓ Change in market conditions. For example, the development of e-commerce has led to online marketing of products. Also, change in consumer tastes and preferences leads to change in quality of products.
- ✓ Change in government laws and regulations. For example, change in set quality standards by the government leads to change in quality of products produced. Also, banning the use of polyethen bags led to introduction of polyester bags and paper bags.
- ✓ Change in company strategy. For example, merging of two firms usually leads to a change in leadership structure.
- ✓ Change in employee attitude: Dissatisfaction among workers leads to change in management style.

Factors To Be Considered When Planning For Change

- ✓ Capital. This is usually difficult and expensive to get.
- ✓ Raw materials. These increasingly become costly and difficult to obtain and small business need to identify other substitutes.
- ✓ Labour. Businesses will replace labour intensive with capital intensive technology due to its advantages.
- ✓ Technology. Technology will become more important in small business so as to develop better quality products.
- ✓ Markets. Customers will put much emphasis on price and durability of products.
- ✓ Government laws: Governments will set up new laws to govern business activities.
- ✓ Entrepreneurs. These will have to show greater professionalism so as to guide small businesses through economic scarcity.

Importance Of Change

- ✓ It helps to respond to customers' needs. This is through developing new products.
- ✓ It leads to increased efficiency. This is due to adoption of new technology and skills.
- ✓ It leads to adoption of new technology. This increases productivity and service delivery to customers.
- ✓ It leads to growth opportunities. For example employees learn new skills and earn promotions at work. Also, new technology (new products) enables the business to access new markets.
- ✓ It leads to new ideas and innovations. For example, improvement in production technology leads to new and better products.
- ✓ It determines the direction of the economy. For example, businesses changing from analog to digital technology.
- ✓ It challenges the status quo. For example, new employees can identify new areas of opportunity that might have been overlooked by previous staff.

Short Comings Of Change In Business (Disadvantages)

- ✓ It results into loss of jobs. People who fail to learn new skills do lose their jobs.
- ✓ It results into geographical relocation of industries and workers. This is as a result of change in markets among other factors.
- ✓ It leads to over dependence on advanced technology. This reduces the number of jobs available for labour.
- ✓ It forces employees to acquire new skills. This is costly in terms of time and money spent.
- ✓ It complicates methods of production. This is due to use of advanced technology.

Reasons why people resist change

- ✓ To avoid time cost involved. For example, hours spent acquiring new skills.
- ✓ To avoid financial costs involved. Change requires initial financial investment before long term profits are achieved.
- ✓ In order to maintain job security. Change may lead to loss of jobs by some workers.
- ✓ Inability to cope with change/feeling of inadequacy. Some people resist change because they feel they are not able to handle it. This is mainly due to low self esteem.

- ✓ Some people take pride in being stubborn and independent. No matter how good the change is, some people insist on their idea, their decision, their way, or not at all!
- ✓ Change benefits a few people at the expense of others. Change at times damages some one's reputation.

Change Process

The following are the steps to follow when implementing change in an organisation.

- i) Understanding the situation. This involves finding out the main reason why change is needed. E.g. the situation could be decrease in number of sales or students.
- ii) Defining the problem. This involves identifying the actual cause for which specific action is needed e.g. the problem could be reducing quality of products.
- iii) Finding alternatives. This involves coming up with different alternatives and evaluating their ability to effectively solve the problem e.g. coming up with different ways of how to improve the quality of products.
- iv) Selecting the best course of action. This involves selecting the best alternative for action with best fits the business goals and capabilities.

Indicators of resistance to change in an organization

- ✓ Low work force efficiency
- ✓ Reduction in product out put
- ✓ Grievances about pay
- ✓ Aggression against management
- ✓ Increased absenteeism
- ✓ Low levels of aspiration
- ✓ Expression of feelings of failure
- ✓ Expression of feelings of frustration

Ways To Foster (bring about) Change In Business

- ✓ Through giving explanations. This involves giving reasons why change is taking place and its potential impact.
- ✓ Providing enough training. This enables individuals to aquire more skills and knowledge to implement new changes.

- ✓ Offering extra incentives. Appreciate those who have done well so as develop a positive attitude among other workers.
- ✓ Encouraging feedback on progress. This involves leaders listening to people's thoughts and concerns about the intended changes.
- ✓ Evaluating readiness. This involves checking how prepared workers are and what is needed to implement change.
- ✓ Using managerial authority. For example, setting strict rules to be followed by workers in order to implement change.
- ✓ Involving those who resist in the change process itself. For example, giving them positions of responsibility.

1.2: CREATIVITY

Overview: This sub-topic aims at improving learner's ability to transcend traditional ideas, rules, patterns, relationships or the like, and to create meaningful new ideas, forms, methods, interpretations and imaginations.

Definition of creativity: Is the ability to come up with solutions to needs and to market them.

An entrepreneur's creativity is often the difference between success and failure in business.

Importance of Creativity

- ✓ It leads to development of new ideas. For example, through brain storming.
- ✓ It helps to update products. This is through making products developments or improving existing ones.
- ✓ It helps to solve everyday problems in business. E.g. low sales, high labour turnover.
- ✓ It enables the business to effectively use of the limited resources/ it minimizes resource wastage. E.g. through developing raw material saving technology, having day and night work shifts to minimize time wastage.
- ✓ It opens up one's mind to thinking. This is as a result of paying extra attention to challenges in society.

Obstacles To Creativity

- Negativity .Bad attitude towards something limits one's ability think of better ways to improve it.

- Thinking that you are not creative enough. This is due to lack of self confidence/low self esteem.
- Fear of failure. Fear of losing resources invested (such as money) limits creativity when one thinks that the idea may not work out.
- Limited quality thinking time. Creativity requires concentration and stress free environment.
- Over conformance to rules and regulations. This prevents someone from finding new and better ways of doing the same thing.
- Apply too much logic. Engaging in too much reasoning limits imagination and creativity.
- Having conflicting goals. These are goals with divergent/different demands. For example, a business goal of increasing product quality and another goal of reducing product prices.
- Making assumptions. This gives an easy way over a problem and prevents creative thinking into solving the real problem.
- Being comfortable with the current situations. This limits one from thinking of better ways of doing something.

Features of non-creative people

- ✓ Not able to think positively about problems. Does not see problems as opportunities.
- ✓ Too busy or stressed to think objectively or think at all.
- ✓ Very self-critical.
- ✓ Timid in putting forward a new idea(fearing ridicule)
- ✓ Viewed as a conformist by friends/colleagues
- ✓ Prone to apply logic as the first and last resort
- ✓ Skeptical that many people are capable of being creative.
- ✓ Unable to think laterally.
- ✓ Uninspired even when confronted with a new idea.

Characteristics Of Creative People

- Originality. They do things that no one else has done before.
- Independent thinking. They make personal decisions free from influence of other people.
- Growth and change. They do not restrict themselves to doing things the same old way but change for the better so as to achieve growth. They keep improving themselves such as acquiring new skills.

- Flexibility. They easily adjust and adopt new inventions.
- Ask questions. They always seek to find out more information about different subjects/activities.
- Sensitivity. Creative people have strong ability to understand their environment and this enables them to respond to the needs of the world.
- Motivated by challenges. This is because they see opportunities in every problem.

Ways of Improving Creative Ability

- ✓ By recognizing when assumptions are being made and challenge them. One needs to verify information received to see whether it is based on facts.
- ✓ Getting ideas from more than one source. This equips one with a variety of information necessary to solve a given problem.
- ✓ Transferring technology from one field to another. For example, zoom meeting technology now used for online/virtual classes.
- ✓ Suspending judgments and avoiding premature criticism. This motivates a person to generate many ideas to solve a given problem.
- ✓ Being prepared to use unpredictable events to one's advantage. That is, looking at problems as opportunities to grow.
- ✓ Writing down ideas that abruptly drop into the mind so that they are not forgotten. Today's solutions could have been ideas created in the past.
- ✓ Knowing when to leave a problem and you wait for solutions to come. This allows the mind to organize the stored information so as to create solutions.
- ✓ Improving one's imaginative thinking so as to find solutions to the problem.
- ✓ Understanding concepts or points that are outside your own area of expertise. This equips a person with more information relevant to solve everyday problems.
- ✓ Improving one's curiosity in everything, and skills of observation, listening and reading. This equips one with more knowledge and ability to solve business problems.
- ✓ Accepting to occasionally live with doubt and uncertainty. This is because some innovative solutions come after many failed attempts.
- ✓ Thinking beyond the invisible framework that surrounds problems/situations. One needs to dig deeper into the actual cause of the problem.
- ✓ Avoiding narrow minded thinking and widening the field of vision. This can be done by getting experiences from other people/businesses.

Stages of A Creative Process

Creative process involves the following steps

1. **Preparation.** This involves gathering information about the subject matter.
2. **Incubation.** This involves stepping back from the problem and letting the mind work upon the information previously gathered.
3. **Insight/ illumination.** This involves the mind abruptly coming up with different ideas intended to solve the problem at hand.
4. **Verification.** This involves evaluating the ideas generated so as to test their ability to provide solutions to the problems at hand.

NB: creativity is about **thinking** new and better ways while innovation is about **doing** new and better things.

1.3: INNOVATION

Overview: This topic equips a learner with skills to implement new ideas, improve products or create dynamic products, so as to grow the own business beyond your competitors.

Innovation. Is the way of transforming resources of an enterprise through creativity of people into new resources and wealth.

(innovation relates to renewal or improvement. for an improvement to take place, it is necessary for people to change the way they make decisions or make choice outside of their norm. innovation can be seen as a change in thought process for doing something, or the useful application of inventions or discoveries.)

Types Of Innovation

1. **Product innovation.** This involves the introduction of a new or improved product. For example; mobile phones functional features, technical abilities, ease of use, among others.
2. **Process innovation.** This involves creation of new or improved method of production. E.g. change from use of hoes to use of tractors to dig.
3. **Marketing innovation.** This involves development of new marketing methods, with improvement in product design, packaging, promotion methods and pricing. For example introducing of plastic soda, using people's names on soda bottles, and so forth.

4. **Business model innovation.** This involves changing the way business is being done in terms of capturing/ adding value e.g. mobile money used to pay electricity bills, school fees, among others.
5. **Organizational innovation.** This involves creation of new business structures, practices and policies e.g. changing the organization structure.(NB; organizational innovation therefore includes ,process, marketing , and business model innovations)
6. **Supply chain innovation.** This is where innovation occurs in buying of business inputs from suppliers and delivery of products to customers. For example online purchasing of items.
7. **Service innovation.** Involves improving the available services in terms of ease of use, accessibility, among others.
8. **Financial innovation.** This involves development of new financial products,(combining risk sharing, liquidity, credit), as well as exploiting the weaknesses of the tax system. To address problems or capitalize on opportunities, new financial products are developed, new business models emerge and business processes are adapted and improved.(NB; Financial innovation involves most of the above types of innovation)

Advantages of innovation

- It helps to increase productivity. New and better production methods lead to increase in output.
- It improves production processes. This results into quality products.
- It leads to general improvements in an enterprise. Such as, good working environment.
- It increases consumers' choice. This is due to many product improvements from different producers.
- It reduces production costs. This is through acquiring more efficient production methods.
- It helps to meet government set standards. Such as quality standards, environment standards, among others.
- It attracts and improves relationship with investors. This is through brining experienced management to the team.
- It enables development of new distribution channels. This makes the business products standout.
- It increases the market share. This is due to reaching out to new markets or groups of customers in innovative ways.
- It improves packaging of business products. This facilitates global product distribution

Sources Of Innovation (Factors That Lead To Innovation)

The sources of innovation are categorized into two that is internal sources and external sources.

Internal sources include;

- ✓ Unexpected occurrences. It is often from such unexpected failures that new ideas come up. At times, new products are developed accidentally.
- ✓ Process needs. These are innovations created to support some other products (the existing product). E.g. news papers advertisements were introduced so as to cover the cost of printing news papers.
- ✓ Incongruities. Is where the business expected results do not match with the reality (actual results). E.g. Demand for the product may be increasing yet profits are falling.
- ✓ Industry and market changes. This is due to a shift in market condition. E.g. change in consumer tastes leads to new product developments.

External sources include;

- ✓ Demographic changes. These include change in people's income, education levels, sex, age structure, and population size. E.g. the increase in population size led to development of flat houses especially in cities, change in age structure leads to change in products produced.
- ✓ Change in perception. A shift in away people think leads to innovative opportunities. E.g. a shift in the way people think about health has led to innovative products like food supplements, aerobic classes, among others.
- ✓ New knowledge. New technology leads to production of new and better products.

Characteristics Of Innovators

- Compelling vision. They have the ability to develop and clearly express their vision to other people that can make it happen.
- Opportunity oriented. They are able to identify opportunities even where other people see nothing but problems. They are optimistic that something will eventually work out.
- Self disciplined. They carry out the most important tasks first.
- Inner directed. They know what to do without external influence.

- Extraordinarily persistent. They do whatever it takes to achieve business objectives in spite of difficulties. They hardly give up even if they face problems. They do not let obstacles get in their way.
- Passionate about what they believe in. they focus on something with all their effort until it is achieved.
- Trend spotters. They are able to identify something new and its impact.
- They associate with positive people. They usually surround themselves with people of positive attitudes.

Ways of Promoting Innovation In Small Business

- ✓ Expecting change. This leads the business to always come up with new ideas to cope with change.
- ✓ Implementing new rules. This involves creating new ways that go beyond existing limits so as to achieve greater profitability. This allows one to think and create new products beyond existing limits.
- ✓ Developing innovative strategies. E.g. financing continuous research to ensure that innovation happens all the time.
- ✓ Avoiding barriers. This involves putting in place measures that ensure good internal relations among departments so as to encourage innovation. E.g. ensuring that workers from different departments interact and share information freely.
- ✓ Always being a learner. One needs to learn faster and better than competitors and turn learning into new products before your competitors imitate/copy your last innovation.
- ✓ Being fast. One needs to be quick at implementing business innovation other than waiting for perfection.
- ✓ Thinking global. This enables the business to get new markets and technology abroad which facilitates innovation. There are more opportunities for innovation on the international market than the local market.
- ✓ Thinking like an entrepreneur. Entrepreneurs make things happen and do not give up.
- ✓ Measuring performance indicators. This involves putting your energy on the most profitable activities of your business. Focus your energy on what really drives the future success of your business.
- ✓ Doing well for others. Success can easily be achieved by improving service delivery.

Reasons Why Small Businesses Are More Innovative Than Large Business.

- Most small business owners are willing to try new approaches make their business more successful.
- Small businesses understand customers' needs, identify new opportunities, and fix problems quickly and efficiently.
- Small businesses can quickly implement new business practices and adapt to changing market conditions.
- Many small business owners experiment, improvise, and accept failure as part of the path to success.
- Small businesses easily do more with less, and resource scarcity helps them to innovate.
- Small businesses rely on strong local social networks to share information needed for innovative thinking.

How To Become Innovative

- ✓ Through improving your questioning skills.
- ✓ Through enhancing your observation skills
- ✓ By networking with various people.

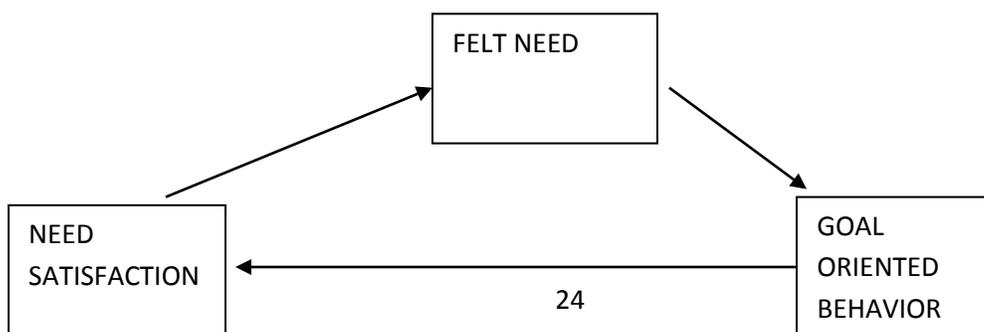
1.4: ENTREPRENEURIAL MOTIVATION

Is the strong desire, impulse, dedication and drive of an individual to achieve a specific business goal.

Motivation. Is the inner state that activates or moves the intervening variables. It consists of all those inner striving conditions described as drives, desires, and needs.

Intervening variables are internal and psychological processes which are not directly observable but in turn influence the behavior of individual e.g psychological needs of recognition, power responsibility, respect, compassion, esteem, among others.

Motivational Process



- Felt need. This involves the inner wishes or desires of an individual for example a wish or desire to be highly recognized in society.
- Goal oriented behavior. This involves the different activities one does to achieve the stated goals or to attain something.
- Need satisfaction. This involves achieving your inner desires /wishes such as recognition and so forth.

Classical Concepts Of Entrepreneurial Motivation

- ✓ Power motive. Is the desire to influence others to behave in a way that suits/satisfies one's purpose. E.g. infants and politicians usually have this power motive to influence people's behaviours.
- ✓ Affiliation motive. This is the desire to be with other people regardless of whether nothing but company is gained. People seek or want company from others so as to gain interpersonal rewards from them, such as money, favour, protection or socializing.
- ✓ Competence/ achievement motive. This is interest to know what the world is like. It is the desire to make things happen, desire to create events rather than merely waiting for them passively.
- ✓ Unconscious motive. This involves having a taste, bias, or attitude that strongly influence one's behavior but for which one cannot really account. That is, you cannot tell why you like something or why you have a particular attitude towards something. This is because people are not normally aware of everything they want.

Achievement Motivation

This is the intense urge to excel and do something unique.

People with a strong need to achieve, have intense (too much) desire for success, they set moderately difficult but not impossible goals for themselves, take realistic risks and prefer to take personal responsibility to get a job done.

Behavioural Characteristics Associated With Strong Need For Achievement.

- Formulation of concrete/ tangible goals. That is, goals are specific and measurable.
- Goals formulated stretch one's abilities and effort
- Goals set are not impossible or too difficult but not too easy.
- Development of a strong internal commitment or involvement with the goal.

- Taking personal responsibility for the outcome.
- Analyzing the environment to create opportunities for achievement rather than passively waiting for chance to come ones way. That is, where there are difficulties and obstacles, one is able to see opportunities and possibilities.
- Anticipating possibilities of success and failure and doing something about the obstacles which can cause failure, thus improving their self confidence.
- Seeking help from experts rather than from friends so as to overcome both external and internal/personal limitations.
- Getting maximum satisfaction from achievement itself and less from other factors like recognition and money.
- Experiencing positive feelings of joy and satisfaction towards achieving relatively challenging goals and disappointment but not self condemnation in failure.
- Learning from feedback by analyzing whether the goal set was realistic and attainable; or whether the right methods were employed.
- Working for long hour
- Having too much desire for success.
- Experimenting with novel (original/new) activities to reach the goal.

Advantages Of Achievement Motivation

- ✓ It increases self confidence. This is because one believes in himself and ability to achieve the set goals.
- ✓ It creates enjoyment. This is through taking carefully calculated risks with a higher chance of success.
- ✓ It leads to high determination and strength in overcoming problems. This is as a result of taking personal responsibility of getting a job done.
- ✓ It creates much interest on how one is performing. This makes it easy to timely overcome obstacles.
- ✓ It enables the entrepreneur to scan his environment actively. This creates more opportunities for the business.
- ✓ It enables one to overcome external and personal limitations. This is through getting help from expert rather than from friends.
- ✓ It promotes creativity. This is as a result of experimenting with original activities to reach the set goal.

- ✓ It encourages risk taking. This is because one does not unduly worry about possible failures but finds a way to overcome risks.
- ✓ It leads to producing high performance. This is due to high determination and taking personal responsibility for the outcome.

Costs/challenges Of Achievement Motivation

- It is associated with constant pressure and stress. This is because a person has strong desire to excel and do something unique.
- It leads to high anxiety regarding one's performance. This is as a result of fear of failure.
- It leads to setting goals that are too low so as to ensure success. This limits/stifles one's abilities.
- It leads to setting goals that are too high which might fail. This eventually discourages a person from trying and achieving success.
- It encourages thinking about problems in the environment rather than concentrating on ones strengths and opportunities.

Factors That Hinder Entrepreneurial Motivation

- ✓ Society barriers. So societies do not encourage entrepreneurship and the strong desire to excel.
- ✓ Fear of risks
- ✓ Price fluctuation
- ✓ Limited capital
- ✓ High taxes
- ✓ Under developed infrastructure such as reliable roads, water, electricity among others.
- ✓ Negative social cultural beliefs. These act as barriers to entrepreneurship development. E.g. a belief that certain roles are for a particular gender.
- ✓ Limited individual freedom. This contradicts individual motives and the desire to excel.
- ✓ High conformity to rules and regulations, and high need for affiliation. This kills the desire to achieve specific business goals.
- ✓ Limited access to credit facilities. This limits investment and dedication to achieve the set business goals.
- ✓ Limited access to labour.
- ✓ Limited access to raw materials

- ✓ Low levels of technology
- ✓ Political instabilities
- ✓ Natural calamities.
- ✓ Stiff competition.
- ✓ High levels of corruption.
- ✓ Limited experience and skills by the entrepreneur.

Ways of developing a positive mental attitude

(Ways To Improve Entrepreneurial Motivation)

- Having faith in oneself. Success comes to those who believe in their abilities.
- Being result oriented. One needs to focus on how to solve specific problems.
- Having work objectives. These should be achievable and have a good impact.
- Networking with successful entrepreneurs. This enables one acquire their thinking, characteristics and ways of doing things.
- Knowing that each experience is an opportunity to learn. This helps to overcome negative thoughts that results from failure.
- Getting involved in positive activities. Engaging in productive activities help to improve one's mental attitude. E.g. reading self- help.
- Taking advantage of opportunities to improve yourself. E.g. acquiring more skills.
- Identifying successful entrepreneurs to be your role models and mentors. These motivate a person to achieve the set business goals.
- Avoiding negative thoughts and ideas. Undesirable thoughts limit one's ability of achieving the set business goals.

1.5: RISK TAKING

Overview: 'A lot of business owners have taken risks to get their businesses to where they are now. Taking risks, however does not mean going into business blindly and then expecting great results'. This sub topic equips a learner with ability to take well calculated risks with a higher chance of planning.

A risk is the possibility of suffering harm, loss or danger.

A business risk refers to the factor(s) that may have a negative impact on the profitability or success of a business.

Types Of Risks

There are three types of risk namely.

1. Low /minimal risks- these have high potential of success but are associated with low profits. e.g. Selling airtime.
2. Moderate risks. These are risks that can be forecasted, calculated and managed by the entrepreneur. E.g. fire outbreak, theft, accidents, and so forth.
3. High risks. These are risks whose chance of happening is very high and yet the entrepreneur has little control over them. Once such risks occur, they cause a lot of damage to the business. E.g. political instabilities, natural calamities like floods, landslides, drought, among others.

Examples of business risks.

- Theft and burglary. This may be by business workers or members of the community.
- Fire outbreak. This could be due to short circuits, burning charcoal stoves, among others.
- Industrial strikes
- Accidents
- Bad debts. This is where people get products on credit but fail to pay.
- Damage/loss of goods in transit. E.g. goods damaged during loading and off-loading.
- Machine breakdown
- Wrong managerial decisions.
- Fall in market
- Natural disasters
- Over speeding

Ways of minimizing risks in business

- ✓ Insuring the business against certain risks like fire, accidents, and so forth.
- ✓ Employing skilled workers to reduce damage and wastage of materials.
- ✓ Offering credit to only credit worthy customers so as to minimize the risk of bad debts.
- ✓ Installing fire extinguishers so as to protect business against fire outbreaks.
- ✓ Maintaining enough security to protect the business against theft.
- ✓ Improving the quality of products so as to capture a bigger market.
- ✓ Improving infrastructure so as to minimize accidents.
- ✓ Improving production technology to meet the changes in consumer tastes.

- ✓ Motivating workers effectively so as to reduce the risk of employee strikes.
- ✓ Carrying out effective consultations before making a decision.
- ✓ Giving safety precautions to employee
- ✓ Ensuring regular servicing of machines
- ✓ Locating reliable sources of raw materials to avoid shortage

Risk Situation

Is one where a choice is required between two or more alternatives whose potential outcomes is not known, and therefore must be subjectively evaluated.

Procedure For Analyzing Risk Situation

1. Assessing the risk. This involves establishing whether or not a risk is involved in choosing a particular alternative.
2. Determining goals and objectives. This involves determining whether risk involved is in line with the objectives of the business.
3. Clarifying the alternatives. This involves determining all the costs involved in the respective alternatives e.g. financial costs, social costs like loss of social prestige, personal costs like time invested, among others.
4. Gathering information and weighting the alternatives. This involves assessing the likely returns/benefits to the business for each alternative.
5. Minimizing the risks. This involves realistic assessment of how best to reduce the risks while maximizing the benefits out of the available alternatives.
6. Planning and implementing the best alternative. Once the best alternative is selected an action plan is prepared for its implements.

Factors To Consider When Choosing A Risky Alternative.

- Attractiveness of the alternative. A more attractive alternative in terms of financial returns is usually selected.
- The probabilities of success and failure. An alternative that has a higher chance of success is usually selected as compared to one with low chance of success.
- The extent to which the risk taker is prepared to accept the potential loss. An entrepreneur selects an alternative for which s/he is willing to accept potential loss.

- The degree to which one's efforts increases the likelihood of success and reduce the likelihood of failure. One selects an alternative where his/her effort can bring about success.

Factors that improve risk-taking ability

- ✓ Capacity to assess the risk situation realistically
- ✓ Ability to alter the odds
- ✓ Comprehensive planning
- ✓ Looking at the risk in terms of established goals
- ✓ Proper implementation
- ✓ Willingness to use abilities to the fullest extent to move the odds.

NB. Risk takers make decisions in conditions of uncertainty, and they balance potential success against potential loss. Most people think of risk in terms of loss, yet, risks can also present opportunities that will be lost if a risk is not taken. That is why learning to take wise risks is very critical to both personal and business success.

1.6: NEGOTIATION

Overview: Negotiation equips a learner with skills to effectively bargain with customers and achieve a win-win solution.

Negotiation refers to the process of bargaining that precedes (comes before) an agreement. It involves communication between individuals that aim at reaching an agreement to the satisfaction of both parties.

Basic concepts of negotiation

1. Negotiation can prevent the 'zero sum perception', which is, "the winner takes it all" view. With negotiation, both parties can benefit at the end.
2. 'Homes theorem'. This involves using negotiation devices like inducements, alternatives, and re-organization of ideas of the opposing party so as to reach an agreed decision.
3. "Toughness or softness". this means holding out or giving in, and this can be decided depending on the value of the item at stake; and the ability of a party to knock off a bit in order to achieve a compromise.

Nature of negotiation

- I. Negotiation is a balanced process. This means that, both parties are at equal levels in terms of information, facts, and approach. E.g. either party can go soft or tough. This could result in a deadlock.
- II. Negotiation is not finite. That is, moves can go in all directions; therefore, there is no winning strategy. This therefore requires a person/leader to be tolerant, flexible, and persistent.
- III. Both parties anticipate and react during negotiation resulting in double motivations. For successful negotiation, one must be accommodating since different behavior could be shown/exhibited in different situations.

Principles of Negotiation

The following are the rules governing negotiation so as come to an agreement.

- ✓ You do not have to be right to settle. Emotions arising from the feeling that one is right or better have to be put aside if negotiation is to be successful. This requires compromising certain aspects so as to reach an agreement.
- ✓ Look to the future. Do not focus on the past, but deal with the current issue so as to solve the dispute.
- ✓ Focus on the goal. Concentrate on what you need to achieve from the negotiation and avoid being destructed by emotions, such as anger.
- ✓ Set the tone and look the part. Act as though you know what you are doing and get to the point quickly. E.g. wear professional clothes.
- ✓ Be prepared and do you research. It is important to have as much information as possible about the item you are going to negotiate about.
- ✓ Always have a plan B. It is important to have a backup plan in form of alternatives that will help you seal the deal. This helps you to become flexible.
- ✓ Know what you want and what the other side wants. Have a detailed plan of what you want, as well as what you are willing to give up in order to get what you want.

Keys to successful negotiation

- Negotiation outcomes should be a win-win for both parties. No party should win at the expense of another party.

- Both parties should feel satisfied with the results. This means that each party needs to achieve its negotiation goals.
- Do not become emotional. For example, avoid getting angry during negotiation.
- Focus on solving problems. Forget what happened in the past, but aim at solving current disagreements.
- Use the negotiation style of the other party to achieve positive outcomes. This facilitates agreement.
- Be flexible in your demands. Have back up alternatives ease agreement.
- Be prepared to compromise. Not all your demands will be accepted.
- Ask relevant questions and be a good listener. This enables you to learn a lot and reach an agreement.

Challenges In Negotiation

- ✓ Time pressure. is where one party does not give you enough time to bargain. That is, the other party attempts to push you to your fallback position, such as, asking you to give your best price; without room for bargaining.
- ✓ Influence of another decision maker. This involves negotiating with a person who is not a final decision maker but must also get permission from another person.
- ✓ Delay tactics. Top officials tend to hold up the negotiation in order to make junior officers more nervous or feel under pressure to agree to whatever they want in order to keep the discussion short.
- ✓ Last minute wavering. This involves one party being indecisive/undecided especially when negotiations are about to end.
- ✓ An early concession. Some negotiators begin by taking an early stand on a particular issue and wait for you to reciprocate (do the same) just in the spirit of relationship building.
- ✓ Aggressive behaviours. The other party may bully, make sarcastic comments, bribe, or make you feel inferior such that it wins at your expense.
- ✓ Price only negotiation. This is where negotiators pay attention only to the price and ignore other important none price factors such as relationship building, image, among other. Less experienced negotiators often undervalue the importance of developing working relationships with the other parties by using tough tactics.
- ✓ Letting positions override interests. Some negotiators focus on their own interests and are not willing to reconcile with the other party's interests, with the intention that the other party loses.

- ✓ Neglecting the other side's problems. Some negotiators are self centered and do not try to find out what the other party wants out of the negotiation.
- ✓ Linking logic. This involves connecting two things which many not actually be related in order to mislead the other party to accept your position or argument.
- ✓ Language barrier. This is where one of the parties is not able to effectively communicate in the language used during negotiation.

Ways of overcoming challenges in negotiation

- Demanding to discuss matters with the actual decision maker so as to facilitate agreement
- Reconciling interests to create value to all parties.
- Understanding and addressing the other party's problems so that it can also accept your demands.
- Focusing on non-price factors like relationship building , rather than price only negotiations
- Making reference to previously agreed upon points/issues where there is last minute wavering.
- Rescheduling the negotiation if one discovers delay tactics.

Steps Involved In Preparing For Negotiation

1. Doing your home work about the other party. This involves finding out what the other party wants out of the negotiation and compare it with yours. Find out what motivates the other party to come to the negotiation.
2. Deciding whether to use an individual or a team as your representative. When the other party uses a team you also use a team of representatives.
3. Choosing a chief negotiator. This should be a person who has experience and training in negotiation, as well as on the issue to discuss.
4. Selecting the meeting side. This can be at the business premises, the other party's premises, or having a neutral location.

Personal Attributes Of Good Negotiators

- Integrity. They are honest so as to build mutual trust.
- Empathy. This is the ability to understand another person's situation/point of view.
- Patience. They are calm and they endure prevailing situation.
- Tenacity. This involves being extremely persistent and determined in doing something. Good negotiators do not give up easily. They over persist.

- Self confidence. They have strong belief in themselves and their abilities. They have high self-esteem.
- Stamina. This is the physical and mental strength to withstand hardship.
- Ingenuity. They have the ability to solve difficult problems especially in original and creative ways. They are clever and creative.

Negotiation Skills

- ✓ Accepting to compromise. Do not expect all your demands to be accepted.
- ✓ Focusing on solving the problem.
- ✓ Controlling your emotions.
- ✓ Clarity in communication. E.g. Getting to the point quickly.
- ✓ Sticking to the objectives.
- ✓ Asking good questions and being a good listener
- ✓ Ensuring negotiation outcomes are a win-win for both parties.
- ✓ Being flexible in your demands by having alternatives.
- ✓ Using the negotiation style of the other party so as to achieve positive outcomes.

Negotiation Tactics With Customers.

- Communicating frequently to the customers. This involves sending messages to customers about product usage and product innovations. This can be through e-mail, telephone contact, face-to-face, among others.
- Offering customer rewards. This helps to remind customers of your business and its products. For examples, giving them branded products such as, branded company umbrellas, T. shirts, among others.
- Holding special events. This involves organizing special occasions that allow the entrepreneurs and his staff to interact with customers e.g. listeners party, among others.
- Promoting two-way communication. This involves having an interaction with customers as well as asking for feedback from customers.
- Improving customer care. This involves creating a dedicated staff that solves customers' problems quickly and effectively.
- Launching multicultural programs e.g. making product adverts in different local languages.
- Visiting the customers. This involves occasionally going to customers' locations so as to find out the challenges they face as well as helping them to solve those problems.

Basic rules of negotiation with employees

- ✓ Balance both strengths and weaknesses. Know what you want to get across to the employee.
- ✓ Listen actively to what your employee has to say. Effective hearing and reading between lines helps to solve employee problems.
- ✓ Have a fall-back position when it comes to salary increases. Be flexible, but have limits you are willing to accept.
- ✓ Make concessions together. Ensure that both of you benefit from the negotiation.

Salary Negotiation Tactics With Employees

Set a salary ceiling. Establish a maximum amount of money you can pay out on salaries.

Set a salary floor. Establish the least amount that you will have to pay out.

Decide on hourly or monthly pay. Salary Payment should keep employees' morale high.

Making payment attractive. For example, giving allowances such as housing, medical and transport allowances.

Avoid legal tussles. The entrepreneur needs to be familiar with the available labour laws.

Be sensitive. This includes keeping employees' personal needs in mind before offering them a compensation package.

1.7: BUSINESS ETHICS

Overview: This sub topic equips a learner with skills generally acceptable in the world when dealing with business clients, and the natural environment.

Ethics are a set of moral principals which are recognized in respect to a particular group. E.g. medical ethics, teaching ethics, legal ethics, business ethics, among others.

Business ethics are virtues/values that people apply when making business decisions.

Or

These are acceptable ways in which businesses should conduct themselves towards customers, competitors, suppliers, government, and society. These are standard practices expected within the business world.

Parties to business ethics include; customers, suppliers, government/authority, competitors, and society/environment.

Principals Of Good Business Ethics

- ✓ Honesty. This involves sharing true information and not misleading the customers.
- ✓ Keeping promises. This involves keeping commitment and ensuring that you do not make promises that you cannot fulfill. One should not keep empty promises.
- ✓ Fairness. Entrepreneurs should follow a process and achieve results that are just. E.g. business should not overcharge customers
- ✓ Respect for others. Entrepreneurs need to value the abilities and contribution of others.
- ✓ Compassion. This involves maintaining an awareness of the needs of others and acts to meet those needs whenever possible.
- ✓ Integrity. This involves living up to ethical standards even when faced with problems.

Business Ethics Towards Customers

- Honesty. This involves giving true product information to customers such as product pricing, quantity among others.
- Courtesy. This includes being respectful, polite, humble, and considerate when dealing with customers.
- Responsibility. This means fulfilling the business obligations or commitments to customers as agreed up on.
- Geniality. This involves being pleasant, friendly, joyful, and cheerful, even when dealing with difficult customers.
- Providing the required after sales serves .e.g. free product repairs, giving free information, and free delivery of goods, among others.

Business Ethics Towards Employees

- ✓ Giving employees fair pay. This should be in relation to the work done.
- ✓ Providing fair and clear terms of employment, such as, giving employees appointment letter.
- ✓ Ensuring job security. E.g. avoiding abrupt and unfair dismissal of workers.
- ✓ Providing good working conditions. For example protective items such as helmets, enough working furniture, clean working environment, among others.
- ✓ Respecting workers. E.g. not shouting at them in public.

Business Ethics Towards Society

- Preserving the environment. This business should use technology that is environmentally friendly even if it is more costly.
- Protecting people's health. For example, avoiding use of harmful materials and clearly indicate the expiry date.
- Respecting of people's beliefs and cultures of the society in which the business operates.
- Contributing to the society needs. E.g. constructing the roads, providing security.
- Providing employment opportunities to members of the community before foreigners especially where they have required qualifications.
- Helping the society in emergency situations such as natural calamities like floods.

Business Ethics Towards Government

- ✓ Paying taxes promptly. Entrepreneurs should provide accurate information to help in tax assessment.
- ✓ Fulfilling production standards in terms of quality, weight among others.
- ✓ Complying with the recommended labour laws.
- ✓ Observing environmental laws so as to protect the environment.
- ✓ Keeping contractual obligations made with the government.

Business Ethics Towards Suppliers.

- Paying them promptly.
- Offering them a fair price
- Respecting terms and conditions of transactions
- Attending to suppliers 'complaints effectively and in time.

Business Ethics Towards Competitors.

- ✓ Engaging in fair trading practices.
- ✓ Merging with competitors where possible.
- ✓ Forwarding some customers to your competitors where possible.
- ✓ Sharing information and advice with competitors.

Unethical Practices In Business Today.

- Disrespecting customers
- Evading taxes
- Unfair pricing
- Selling expired products
- Sexual harassment
- Dishonesty
- Poor hygiene
- Corruption
- Intimidation of workers, among others.

Importance Of Business Ethics.

- ✓ They enable business people to meet their obligations towards their customers. This creates customers loyalty.
- ✓ They enable the business to win government support, such as, government tenders/contracts.
- ✓ They lead to increase in business sales. This is as a result of engaging in fair trading practices such as fair pricing of businesses products.
- ✓ They increase business access to inputs. This is due to practicing good business ethics towards suppliers of raw materials and other production inputs.
- ✓ They lead to business recognition in society. This builds the brand image of the business.
- ✓ They facilitate easy access to labour. This is through practicing good business ethics towards employees.
- ✓ They lead to increase in business profits. This is as a result of attracting more customers.
- ✓ They help to build a good business image and reputation.

Decision Making

Is the process of consciously choosing of a course of action from a number of alternatives so as to achieve the stated business goal. It is the process of making choice between two or more alternatives.

Steps Involved In The Decision Making Process.

1. Defining the problem. This involves identifying a problem which requires a decision.
2. Considering alternative solutions. This involves coming up with possible measures intended to solve the problem.
3. Evaluating the alternatives. This involves identifying both the short and long term effects likely to result from any of the alternatives.
4. Selecting the most appropriate alternative. This happens after all the necessary information has been collected and clearly analyzed.

Factors Influencing Decision Making Process

- Time pressure. Availability of limited time leads to quick decision making while too much time leads to slow decision making.
- Knowledge and skills possessed. An entrepreneur makes a quick decision if s/he has knowledge about the subject matter while a person with limited knowledge is slow to decide.
- Past experience. An entrepreneur who has a lot of experience in the subject matter makes quick decision while a person without experience delays to make decision.
- Availability of resources. Existence of enough resources, such as finance, leads to fast decision making while limited resources lead to slow decision making.
- Self confidence. An entrepreneur who believes in himself makes quick decisions whereas a person with low self esteem delays to make decisions.
- Degree of creativity. An entrepreneur who is more creative makes fast decisions while a person who is less creative delays to make decisions.
- Amount of expectations. High expectations and benefits from the decision to be made leads to quick decision making while few benefits expected lead to slow decision making.
- Costs involved. High costs involved leads to slow decision making while low costs lead to fast decision making.

1.8: COMMUNICATION SKILLS

Overview: This topic equips a learner with skills on how to effectively send and receive information among business clients.

Communication is the process of exchanging information between the sender and the receiver. It refers to giving and receiving of information and feedback.

Effective Communication. Is the process of transferring information from the sender to the receiver and the information being understood by the receiver in the same way as intended by the sender.

Importance Of effective Communication

- It facilitates the use of business documents. For example invoices, purchase orders interpretations.
- It allows flow of information in business for example information about goods and services required by customers.

- Facilities competition in business. Business gets competition strategies of other businesses and it's able to make plans of out competing them.
- It links the business to commercial services e.g. banking, insurance transport services.
- It facilitates advertising of business products. For example, using radio stations.
- It acts as evidence of contracts between an enterprise and its clients. E.g. appointment letter given to employees.
- It helps to save life and property from being damaged. This is through contacting the responsible organs such as the police, medical persons, among others.
- It improves the employee- employer relations. This helps to motivate workers and reduce chances of strikes by employees. This leads to increased productivity.
- It provides permanent record for future reference about the transaction. E.g. use of receipt, payment voucher act as a record for future use.
- It helps in recruitment and selection of workers. All job adverts, interviews, appointment letters, are done through effective communication.
- Facilitates decision making. It helps business people to make choices from an informed position.
- It helps to keep good relations with customers. This is done through regular communication with customers.
- It helps to stabilize prices in case of shortages. This is through transferring products from areas of plenty to areas of scarcity.
- It helps the entrepreneur to implement business policies. This is by giving instructions to supervisors and other employees.
- It enables the public to get information about the business. This improves the public image of the business.
- It helps the government and other regulatory organizations to monitor, guide or direct business operations. This enables the business to achieve set government standards.

Essentials / Elements Of Effective Communication

- ✓ Completeness. The message should include all facts the receiver needs to know about the subject matter which is being communicated.
- ✓ Correctness. The message should be accurate to avoid any losses that may be suffered due to errors.
- ✓ Considerate. The sender should have the receiver in mind when sending messages.
- ✓ Clearness/clarity. The sender should choose words and language that the receiver is familiar with.

- ✓ Conciseness. The message should be in the fewest words possible but ensure that it is complete.
- ✓ Concreteness. The message should be specific to the point and not vague.
- ✓ Timing. The message should be communicated at the time when the receiver is ready for it.
- ✓ Environment. The environment should be conducive. E.g. Free from interruption such as noise.
- ✓ Media. The sender should use a communication medium that the target receiver can access.

Barriers To The Effective Communication

A barrier to communication is any hindrance that stops the receiver from getting the message the way the sender intended. They include the following;

- Language differences. This involves the sender using the language that the receiver is not familiar with.
- Physical barriers. These include disruptions in the environment such as noise, moving cars, among others.
- Use of wrong address. This blocks the receiver from getting the message especially with written and oral communication.
- Wrong choice of medium of communication eg communicating through newspapers yet the receiver cannot access newspapers.
- Emotional barriers. E.g. anger and fear may limit the receiver from interpreting the sender's message correctly.
- Wrong timing of the message communicated. This involves communication the message at a time when the receiver is not ready to receive the message.
- Poor listening skills. E.g. low levels of concentration,
- Information overload. Too much information limits the receiver from interpreting the message correctly.
- Poor packaging of the information. This makes the information not attractive to listen to which makes the receiver to lose interest in the message being communicated.
- Bad personality of the sender. This hinders effective communication especially verbal communication.
- Incompleteness of the message. The message sent may miss out some facts about the subject matter.
- Lack of interest in the subject matter. This limits reasoning and correct interpretation of the message

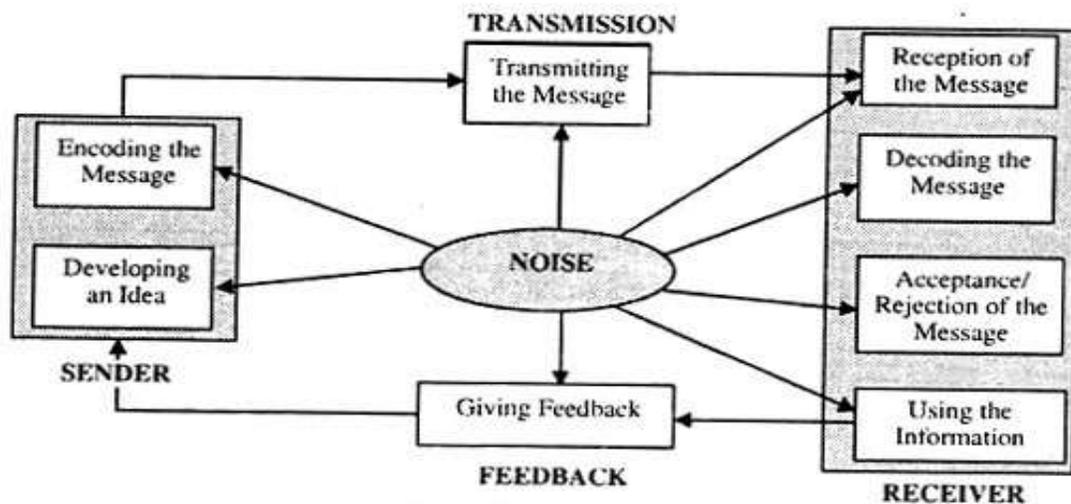
Possible remedies to barriers to effective communication

- ✓ Eliminating disruptions like noise from the environment.
- ✓ Ensuring proper timing of the communication
- ✓ Developing good listening skills
- ✓ Communicating reasonable amounts of information to avoid information overload.
- ✓ Using a communication channel that the receiver can readily access.
- ✓ Making the message clear and specific to the point.
- ✓ Allowing two-way communication.
- ✓ Asking questions and seeking clarification of difficult terms in the message being communicated.
- ✓ Using effective communication equipments.
- ✓ Using a language the receiver easily understands.
- ✓ Attracting the receiver's interest in the message.
- ✓ Using a correct receiver's address
- ✓ Sending complete messages with all the required information.

Communication Process

This refers to various steps followed to convey a message between different parties.

Illustration of the communication process



1. Idea creation. This involves the sender coming up with what to communicate.
2. Encoding. It involves the sender translating the idea into words, symbols and gestures that can be understood by the receiver.
3. Selecting the medium of communication. This is the channel through which the message is transmitted from the sender to the receiver. This should be a medium the receiver is able to readily access. E.g. telephone, face-to-face, letter, radio, among others.
4. Sending the message. The message sent should be clear and complete.
5. Receiving the message. Here the receiver gets in contact with the message.
6. Decoding. Is the process by which the receiver interprets the message and translates it into meaningful information.
7. Providing Feedback. This is a response from the receiver to the sender.

Components of communication:

- | | |
|---------------|------------|
| ✓ Sender | ✓ Receiver |
| ✓ Environment | ✓ Message |
| ✓ Medium | ✓ Timing |

Forms/methods/types Of Communication

This refers to the methods or manner through which the entrepreneur can communicate his or her message. They include the following:

- 1) Oral communication or verbal. This is communication by word of mouth. E.g. face to face, by telephone, among others. It is often used when bargaining, during interview, in meetings and training.
- 2) Visual communication. It involves communication by representing information using diagrams and pictures. E.g. using charts, photographs, posters or graphs, which may show different situations in business such as business growth, product performance, and composition of sales, among others. Illustration:
- 3) Audio-visual communication. This combines both video and audio communication at the same time. E.g. television, documentaries, films, among others.
- 4) Non verbal or body language. This involves use of body movements like gestures, nodding, and eye movements.
- 5) Written communication. This involves sending written messages such as letter, circulars, memorandum report and so forth.

Forms of written communication

- i. Business letter. This is a written document used to send information from the business organization to an individual or another business.

Components/ elements of a business letter

- ✓ **Letterhead.** This gives the business name, physical address, telephone, email address and other relevant information.
- ✓ **Date.** This shows the date when the letter was written to enable the organization to keep records.
- ✓ **Reference.** This is a number used to identify the subject matter and recipient of the letter. The reference can include the addressee, the subject and the date. E.g. L2/M/21/09/2020
- ✓ **Inside address.** This shows the name and addresses of a person /business to whom the letter is being addressed to.
- ✓ **Salutation** this is a general greeting used to start the letter. E.g. Dear sir/ madam
- ✓ **Subject heading.** This gives a brief indication of the content of the letter. Usually capital letters or bold prints are used.
- ✓ **Body of the letter.** This communicates in detail the intended information to the recipient.
- ✓ **Complementary clause.** This is the general closing of the letter. E.g. 'yours faithfully', (if Dear Sir or Madam has been used) or "Yours sincerely" ,(if Dear and name of recipient has been used)
- ✓ **Signatory.** Business letters must have a sign with the name of the sender and title.
- ✓ **Enclosures.** This is used if the letter has any other relevant document enclosed. It is usually stated using abbreviation "ENC"
- ✓ **Carbon copy.** This shows copies of the letter circulated to other offices in the organization abbreviated as "cc".

Illustration:

Business Letter

BENDO AND CHILDREN LTD P.O BOX 005 Tel: 0704229990 Date: 28/ 08/2020
Reference: 12/m/08/16
THE MARKETING MANAGER OSIO FARM SUPPLIERS P.O BOX 10 BUSIA

Dear sir;

RE:: POUTRY FEEDS SUPPLIED

We wish to notify you that the poultry feeds you supplied to us on 10th/08/2020 were expired and of poor quality. As a result most of the chicken died.

This is therefore to request you to observe high quality standard and supply fresh poultry feeds to avoid causing loss to us.

Otherwise, we will be tempted to cancel our business relationship with you.

Yours faithfully

.....

KWEMBOI VICENT
PURCHASING MANAGER

- ii) Memo/ memorandum. Is written communication from one officer to another within the same organization.
- iii) Circulars. This is used where the entrepreneur wants to give same information to a large number of people.
- iv) Notice. This is used to send short messages to concerned persons.
- v) Reports. These are prepared to give conclusions and recommendations based on investigated facts and situations.
- vi) Agenda. This shows the list of items to be discussed in the meeting.
- vii) Minutes. These are formal records of what transpired in a meeting.
- viii) Action/circulation slips. These are used to give points for action by the respective officer.
- ix) Bulletins, journals and manuals. These give information on business operations, products or performance results.

Channels Of Communication

This is the way through which the message is transmitted from the sender to the receiver. For example, news papers, radio, television, magazines, telephone, social media like whats app, among others.

Factors to Consider When Selecting a medium of Communication

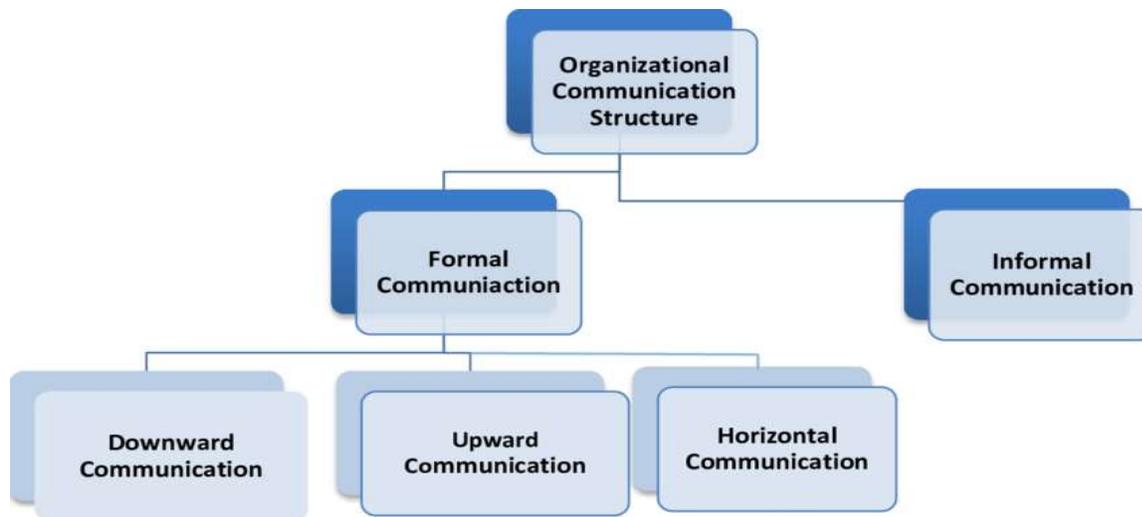
- ✓ Urgency of the message. Urgent information is sent through a faster medium like telephone, email, among others.
- ✓ Distance to be covered. If the distance is short, face to face can be used. Telephone works better with long distance.
- ✓ Cost of the communication channel. A cost effective channel should be used so as to minimize expenses.
- ✓ Availability of the medium. A person uses a medium that is readily available to both the sender and the receiver.
- ✓ Audience to communicate to. E.g. one can choose newspapers if communicating to people who can read and write. (audience is in terms of economic class, age group, sex, and social class)
- ✓ Need for future reference. A letter is suitable where record is needed for future use.
- ✓ Need for confidentiality. Secrete information is better communicated through letters than use of radios.

Organizational communication.

Refers to communication structures in an organization through which information flows(is conveyed) from one person to another.

Types Of Communication Structures

Illustration of communication structures



- Downward communication. This is where information flows from top level management to lower level. It carries information in form of policies and instructions.
- Upward communication. This is where information flows from lower level staff to top level management. It usually involves complaint, feedback, suggestions, and problems, among others.
- Horizontal communication. This is communication between individuals at the same level in an organization.

NB. Grapevine. This is the informal underground network that channels communication both within and outside the organization.

Techniques of Communicating with Customers

i) How to present a product

- Giving samples and guarantees to support the product.
- Using presentation aids like photographs, catalogue and charts, to back up the product.
- Considering the target customers' needs are in line with the product presented.
- Ensuring customer's privacy, convenience and ability to use the product.

ii) How to bargain with customers

- Being a good communicator.
- Convincing the customer as to why the product is being sold at a particular price.
- Giving counter offers such as reduction in price or free delivery.

iii) How to collect overdue accounts.

- Sending polite reminders to customers proposing a date for debt settlement.

- Sending more strongly worded reminder in case there is no response in the first place.
- Involving courts of the law to recover the debt.

iv) How to handle difficult customers.

- Accepting and evaluating customers' objections fairly
- Listening carefully to the words being used and feelings being expressed.
- Encouraging a customer to open up so as to understand the basis of their difficulty.
- Compensating customers through price reduction or replacement of goods in case of a problem with the previous purchase.
- Buying more time by promising to look at the issue later.

Listening

This is the absorption of the meaning of words and sentences by the brain.

How to develop listening skills

- Avoiding talking while the speaker is talking
- Avoiding distractions and getting ready to listen.
- Making eye contact to get the message clearly.
- Clearing the mind of your own thoughts to avoid mental wandering.
- Acknowledging the speaker to let him know you are listening.
- Having good body posture so as to stay attentive. E.g. a slight leaning-in posture.
- Facing the speaker squarely to show that you are attentive.
- Giving feed back or response
- Using non verbal attending behaviour like nodding the head.
- Concentrating on the message being communicated.
- Being relaxed to allow in more information
- Not anticipating the message before it is communicated.
- Avoiding making a reply before the message is completed.
- Not being defensive about your point of view during communication.

Benefits Of Listening

- ✓ It enables the entrepreneur to influence the business.
- ✓ Enables the entrepreneurs to identify opportunities for growth and increased productivity.

- ✓ It helps the entrepreneurs to manage conflicts in the business in a more effective way.
- ✓ Attracts customers to the business since customers feel that they will be listened to in case of any problem.
- ✓ Enable entrepreneurs to develop long relationship with customers and other businesses.
- ✓ Helps entrepreneurs to grow as leaders and draw more people to themselves.

1.9: PERSONAL BRANDING

Overview: Personal branding equips a learner with skills of developing own business brand that communicates great value in the minds of customers, and being able to stand out from the crowd of competitors.

Branding is giving a name to a product to differentiate it from other similar products on the market. Is giving a name, mark, design, or symbol, to a product to distinguish it from other similar products of other producers.

A brand is a name to which a set of associations and benefits has become attached in the consumers' mind.

Personal branding is the process by which entrepreneurs differentiate themselves and stand out from the crowd by having unique features.

Procedure/ Steps Followed In Developing A Personal Branding

1. Determining who you are. This involves identification one's strengths and talent.
2. Determining what to do. This involves identifying an area of professional interest and passion that adds remarkable and distinctive value. It involves identifying the kind of work one wants to do.
3. Positioning yourself. This involves identifying different features that make one unique / stand out from the competitors.
4. Managing your brand. This involves marketing your personal brand through a network of friends, colleagues, clients, and customers, so that they continue associating the business with positive results.

Principles Of Effective Personal Branding

- ✓ Specialization. A good personal brand should concentrate on a single core/ main strength, talent or achievement.
- ✓ Leadership. A good personal brand should be recognized by people as the main brand in a particular market segment.
- ✓ Distinctiveness. A good personal brand should be expressed in a way that is different from the competitors.

- ✓ Good will. This person behind a brand should be perceived (looked at) in a positive way by the community.
- ✓ Unity. The private person behind a personal brand must stick to the moral and behavioural code set out by the brand. Private conduct of the entrepreneur must mirror/reflect the public brand.
- ✓ Persistence. A good personal brand takes time to grow.
- ✓ Visibility. A good personal brand must be seen over and over again.

Importance Of Developing A Personal Brand

- It builds the business reputation/ image. This is as a result of fulfilling business promises.
- It helps the business to compete with already established brands in the market. This is as a result of building loyal customers.
- It helps increase sales. This is because a good brand attracts more customers.
- It improves brand visibility and presence in the market. This brings higher profits for the business.
- It positions the business message in the minds of the target customers. This is through advertising.
- It helps to show the promise of the brand. This helps to maintain product quality.
- It increases authority and credibility of decisions. This is because well branded products are seen as leading products in a particular market.
- It attracts the right people and opportunities. E.g. good suppliers always want to deal with a business with a good brand image.
- It adds perceived value to the product. Branded goods are usually of higher quality than unbranded goods.
- It helps in implementing new business plans with clients. This is because you already have a reference point through the personal brand.

TOPIC: 3

2.0: ENTREPRENEURIAL ENVIRONMENT

Overview: A student is able to acquire knowledge of different dimensions that affect business activities from the external environment, and develops abilities the opportunities within the environment.

Entrepreneurial environment is a combination of external factors and their organic integration which makes an impact on the startup process by an entrepreneur.

Characteristics Of Entrepreneurial Environment

- 1) Resources scarcity. Resources are limited in supply such as land, labour and capital. Resources can be broken down to include technology and respective know-how, financing, social capital (contact networks), market access, and human resources and skills.
- 2) Opportunity orientation. Business environment is full of many chances which a person can exploit or take advantage of to start a business.
- 3) Uncertainty. The business environment is full of many unknowns or risks. Entrepreneurs need to demonstrate ability to accommodate risks and act without having full information and clarity about the situations.
- 4) Flexibility. The business environment keeps on changing. The entrepreneurial environment has many opportunities which do not remain open for long.

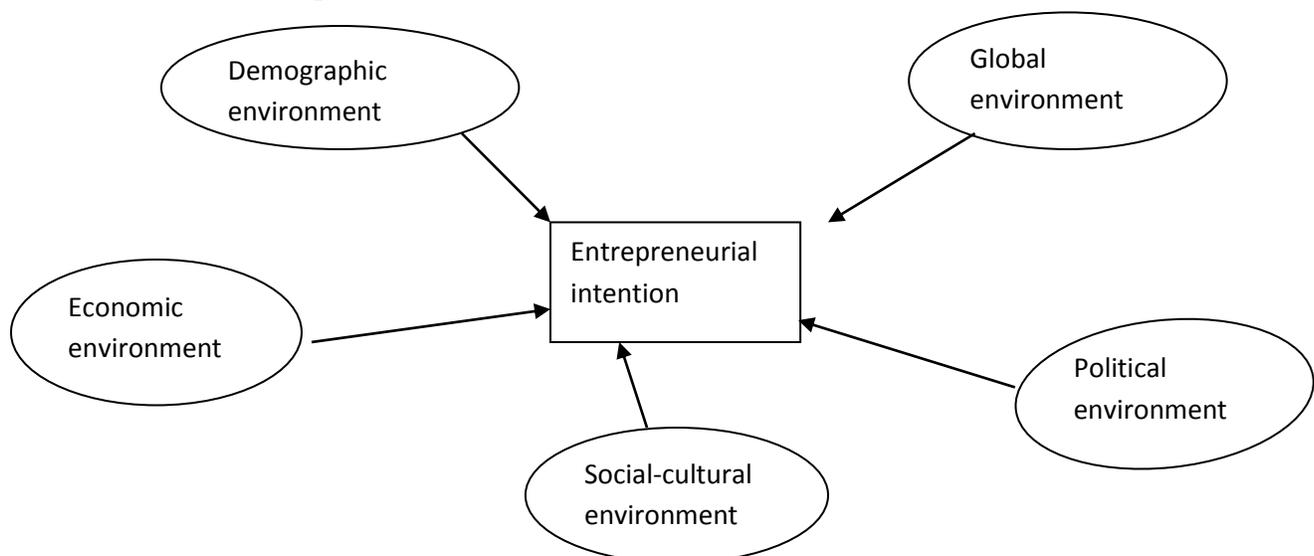
Types Of Entrepreneurial Environment

The entrepreneurial environment is divided into five dimension frame work for entrepreneurship development. These dimensions influence entrepreneurship attitudes and opportunity identification among individuals in different societies.

They include;

1. Economic environment
2. Social culture environment
3. Political environment
4. Global environment
5. demographic environment

illustration of the entrepreneurial environmental framework



2.1: Economic Environment

This refers to the nature of economic systems of a particular society that directly affect the level of entrepreneurship development. For example, infrastructure, availability of resources, cost of business, among others.

Economic Factors That Influence Entrepreneurship Attitudes And Opportunity Identification

NB: one is supposed to give a 'neutral point' with 'two-sided explanation'.

- ✓ Level of development of infrastructure. Well developed infrastructure such as good roads, reliable electricity and good telecommunication network, encourage entrepreneurship development while under developed infrastructure discourage entrepreneurship development.
- ✓ Level of development of financial systems. Well developed financial systems such as banks promote entrepreneurship development, for example by giving out business loans, while under developed financial systems limit entrepreneurship development.
- ✓ Availability of resources. Presence of enough resources such as land, labour and technology, encourage entrepreneurship development while limited resources discourage entrepreneurship development.
- ✓ Cost of business. High cost of doing business such as, high business registration fees, high cost of rent, discourage entrepreneurship development while low cost of business encourage entrepreneurship development.
- ✓ Economic initiatives. Presence of enough economic support or privileges given to investors such as tax holidays, free land, business incubation centers, industrial parks, among others, encourages entrepreneurship intentions while limited economic support discourages entrepreneurship development.
- ✓ Legal requirements. Presence of unfavourable business laws such as restrictive labour laws, weak copyright laws, rigid land ownership law, discourage entrepreneurship development while favourable business laws encourage entrepreneurship development.
- ✓ Administrative issues. Many business rules and procedures such as many steps followed to register and get a business license, many steps of filing tax returns, do hinder starting of businesses while few procedures encourage people to start up businesses.

- ✓ Economic policy. Allocation of resources by forces of demand and supply encourages entrepreneurship development since it has more rewards for innovators while allocation of resources by the government discourages business development. (free market economy vs. restrictive market economy)

Economic factors limiting entrepreneurial intentions and opportunity identification

NB: one is supposed to give a 'negatively biased point' with 'one-sided' explanation.

- High business costs. For example, high business operating costs such as high rent, discourage many people to start up business.
- Limited resources. For example, limited access to land hinders businesses to start up in particular areas.
- Limited economic initiatives/support. Few privileges given to investors in form of free land, tax holidays, discourage development of entrepreneurship.
- Underdeveloped infrastructure. For example, limited access to electricity discourages development of many businesses such as factories.
- Allocation of resources by the government/having a restrictive market economy
- Unfavourable business laws. For example, a weak copyright law discourages creativity and innovation which limits entrepreneurship development.
- Under developed financial systems. This limits access to credit facilities hence hindering business development.
- Many administrative procedures. For example, many steps followed to register a company limit people from starting up business.

Economic factors that encourage entrepreneurial intentions and opportunity identification

NB: one is supposed to give a 'positively biased point' with 'one-sided' explanation.

- ✓ Allocation of resources by forces of demand and supply.
- ✓ Few administrative issues.
- ✓ Well developed infrastructure
- ✓ Favourable legal requirements/ favourable business laws.
- ✓ Well developed financial systems
- ✓ Low cost of business
- ✓ Presence of enough resources

- ✓ Presence of enough economic initiatives.

Measures for improving the economic environment

- Providing enough economic initiatives to investors. For example, giving out free land and tax holidays to both local and foreign investors.
- Improving access to resources. Such as long term capital financing through sell of shares.
- Promoting development of financial system like commercial banks and insurance companies. These provide financial services such as loans/credit which lead to development of businesses.
- Setting up well developed infrastructure like good road network and reliable electricity. This encourages more businesses to start.
- Reducing the cost of doing business. For example, cutting the business registration fees.
- Having few administrative issues. This makes it faster for one to start up a business hence encouraging entrepreneurship development.
- Ensuring favourable legal requirements/business laws. These help to protect rights and resources of investors, hence encouraging business development.
- Ensuring that resources are allocated by forces of demand and supply/ having a free market economy. This promotes creativity and innovation hence encouraging entrepreneurship development.

Organizations supporting entrepreneurship development in Uganda

- | | |
|--|---|
| ✓ Uganda National Chamber of Commerce | ✓ Uganda Export Promotion Board |
| ✓ Uganda Investment Authority | ✓ United Nations Development Programme |
| ✓ Uganda Manufacturers Association | ✓ Uganda Registration Services Bureau |
| ✓ Uganda Revenue Authority | ✓ Uganda Small Scale Industries Association |
| ✓ Capital Markets Authority | ✓ Uganda Industrial Research Institute |
| ✓ Private Sector Foundation | ✓ Insurance companies |
| ✓ International Labour Organization | ✓ Enterprise Uganda |
| ✓ Kampala City Traders Association | ✓ Educate Uganda, among others. |
| ✓ Uganda National Farmers' Association | |
| ✓ Uganda Coffee Development Authority | |

Qn. Explain the services offered by different support Organizations to businesses in Uganda.

2.2: Social Cultural Environment

This refers to the social and cultural values, attitudes and practices in a given society. For example, value attached to innovation, risk taking, entrepreneurship among others.

Social Cultural Factors Influencing Entrepreneurial Attitudes And Opportunity Identification

NB: one is supposed to give a 'neutral point' with 'two-sided explanation'.

- Culture. A society that places high value on entrepreneurship (high entrepreneurial culture) encourages risk taking and innovation hence promoting entrepreneurship development while a culture that attaches less value to entrepreneurship (low entrepreneurial culture), such as one where people are risk averse and lazy, discourages development of entrepreneurship.
NB. Culture refers to more permanent ways of behaving and thinking of people in a given community.
- Social financial support. Easy access to social financial support, such as, from personal savings, relatives or private individuals in the local community, facilitates entrepreneurship development while limited social financial support discourages entrepreneurship intentions.
- Social identification. Societies where people are proud of starting business as a career, and have high self-esteem for being entrepreneurs, encourages entrepreneurship development while high value and self-esteem attached to white collar jobs discourages entrepreneurship development.
- Availability of role models. Easy access to role models such as having close family members successful in business inspires one to become an entrepreneur hence promoting entrepreneurship intentions while limited access to role models limits entrepreneurship development.
- Religion. Productive religious values, beliefs and practices that encourage hard work promote entrepreneurship development while unproductive religious belief and practices discourage entrepreneurship development.

Social cultural factors that encourage entrepreneurship development

NB: one is supposed to give a 'positively biased point' with 'one-sided' explanation.

- ✓ Easy access to social financial support. For example, enough capital from personal savings and relatives encourages one to start a business which promotes entrepreneurship.
- ✓ Easy access to role models. For example, having close family members as successful entrepreneurs motivates a person to start a business hence encouraging entrepreneurial intentions.

- ✓ High value attached to entrepreneurship/high entrepreneurial culture. This encourages risk taking and innovation resulting into setting up more businesses hence entrepreneurship development.
- ✓ High self-esteem and pride attached to being an entrepreneur. This motivates a person to behave like entrepreneurs thereby starting a business, hence promoting entrepreneurship development.
- ✓ Productive religious practices and values. These encourage hard work which promotes entrepreneurship in society.

Social cultural factors that limit entrepreneurship intentions and opportunity identification

NB: one is supposed to give a ‘negatively biased point’ with ‘one-sided’ explanation.

- Unproductive religious practices
- High self esteem and pride attached to white collar jobs
- Low value attached to entrepreneurship/low entrepreneurial culture
- Limited access to role models
- Limited access to social financial support

Measures for improving social-cultural environment

- ✓ Increasing access to role models
- ✓ Promoting a saving culture among people
- ✓ Sensitizing people about the importance of entrepreneurship as a career
- ✓ Engaging in productive religious practices
- ✓ Increasing access to finance, such as reducing the interest rates. This encourages businesses to get capital hence promoting entrepreneurship development
- ✓ Improving the entrepreneurial culture. This encourages people to identify opportunities from the environment hence leading to entrepreneurship development.

2.3: Political Environment

This includes all laws in place and government agencies that influence business in societies.

Political Factors Affecting Entrepreneurial Attitudes And Opportunities

NB: one is supposed to give a ‘neutral point’ with ‘two-sided explanation’.

- Political climate. Favorable political environment such as one with no wars and civil conflicts encourages entrepreneurship development while unfavorable political climate discourages business development.
- Government policy of taxation. Low tax rates charged on business activities encourage entrepreneurship opportunities while high tax rates limit business development.
- Government expenditure. High government expenditure such as roads, education and health, encourages entrepreneurial attitudes while low government expenditure discourages entrepreneurship development.
- Legal environment. Favorable laws governing business activities encourage people to start up businesses while unfavorable business laws discourage entrepreneurship development.
- Level of effectiveness of government institutions and departments. Highly effective government institutions that support entrepreneurs do encourage entrepreneurship development while less effective government institutions that cannot perform their intended duties, do discourage business set up.
- Political and religious refugees. Negative displacement of people resulting from wars and natural calamities like floods, limits people from carrying out business and this discourages entrepreneurship development while positive displacement of people such as during construction of public infrastructure like roads, encourages entrepreneurship development since people are given financial compensations which they can use to start up businesses.

Political factors that promote entrepreneurial intentions and opportunities

NB: one is supposed to give a 'positively biased point' with 'one-sided' explanation.

- ✓ Favorable political climate. For example, a peaceful political environment without wars encourages people to start businesses hence promoting entrepreneurship intentions.
- ✓ High government expenditure. For example, high government expenditure on roads creates more opportunities for businesses in construction industry hence promoting entrepreneurship.
- ✓ Favourable business laws. Existence of strong and effective laws that can easily be implemented encourages business set up hence promoting entrepreneurial intentions.
- ✓ Positive displacement of people. For example, people who are displaced due to construction of government projects like oil pipelines are given financial compensations which enable them to start businesses.

- ✓ Low tax rates charged. This leads to low operating costs thus attracting more businesses to start up there by, encouraging entrepreneurship development.
- ✓ Presence of highly effective government institutions and departments. These are able to support business operations like carrying smooth business registration, and this encourages entrepreneurship development.

Political factors that limit entrepreneurship development

NB: a learner is supposed to give a ‘negatively biased point’ with ‘one-sided’ explanation.

- Presence of less effective government institutions and departments
- High tax rates charged
- Negative displacement of people
- Unfavorable political environment
- Low government expenditure
- Unfavorable / weak business laws

Measures for promoting political environment

- ✓ Ensuring political stability in the community. This encourages more businesses to start since there are no wars or civil conflicts.
- ✓ Increasing government expenditure. This leads to more business opportunities especially in sectors where the money is spent.
- ✓ Reducing the tax rates. This will attract more businesses to start, hence promoting entrepreneurship.
- ✓ Ensuring effective government institutions and departments. This can be through educating government officials about the needs and importance of business.
- ✓ Enacting strong/favorable business laws. These are laws that can easily be implemented so as to support business activities.
- ✓ Ensuring positive displacement of people. This involves giving financial compensation to people who are displaced, and this enables them to startup businesses.

2.4: Global Environment

Globalization is the greater movement of people, goods, capital and ideas due to increased economic integration which in turn is caused by increased trade and investment.

Global Factors That Affect Entrepreneurship Development

NB: a learner is supposed to give a 'neutral point' with 'two-sided explanation'.

- Global finance. Presence of enough global finance from international bodies such as World Bank, International monetary fund (I.M.F), encourages business activities while limited global finance discourages business activities.
- Government global policy. Favorable government global policy such as liberalization and privatization of the economy encourages entrepreneurship development while unfavorable government global policy such as nationalization, discourages entrepreneurship.
- Market openness. A wide international market leads to high demand for products hence encouraging entrepreneurship while a small international market discourages entrepreneurial intentions.
- Global trade. Few restrictions in international trade encourage entrepreneurship development while many restrictions in international trade discourage business activities.
- Import policy. Favorable import policy such as low taxes on imports encourages entrepreneurship development while unfavorable import policy discourages entrepreneurial intentions.
- Export policy. Favorable export policy expands market for entrepreneurship and this encourages entrepreneurship development while unfavorable export policy such as high taxes on exports, discourages business activities.
- Democracy. Presence of high freedom of initiative or innovation encourages business activities while limited freedom of initiative discourages business activities.

Global environment factors that promote entrepreneurship development

NB: a student is supposed to give a 'positively biased point' with 'one-sided' explanation.

- ✓ Favorable export policy. For example, low taxes on exports encourage more export businesses to set up, which encourages entrepreneurship development.
- ✓ Favorable import policy. E.g. low taxes charged on imports encourage more businesses to start, hence promoting entrepreneurship.
- ✓ Presence of a wide international market. A big international market attracts more businesses to set up due to high demand for products.
- ✓ Few restrictions in international trade. This leads to easy business access to the international market hence promoting entrepreneurship.

- ✓ Favorable government global policy. For example, privatization and liberalization leads to more privately owned businesses, hence encouraging entrepreneurship development.
- ✓ Existence of high freedom of initiative/innovation. This leads to creation of more original business ideas and opportunities, hence facilitating entrepreneurship development
- ✓ Presence of enough global finance. For example, high business funding from the World Bank leads to establishment of many businesses hence promoting entrepreneurship.

Global environment factors that hinder entrepreneurial intentions and opportunity identification

NB: a learner is supposed to give a ‘negatively biased point’ with ‘one-sided’ explanation.

- Existence of limited global finance
- Limited freedom of initiative/innovation
- Unfavorable government global policy
- Many restrictions in international trade
- Existence of a small international market
- Unfavorable import policy
- Unfavorable export policy

2.5: Demographic Environment

This deals with variables such as family, population size, gender, education level among others.

Demographic Factors That Affect Entrepreneurship Development

NB: a learner is supposed to give a ‘neutral point’ with ‘two-sided explanation’.

- ✓ Family size. A big family size discourages entrepreneurship through consuming all the would be business saving whereas a small family size encourages business set up. (Either use ‘family size’ as a point, or ‘family background’, or ‘family inheritance/family succession’, or ‘changing roles and responsibilities of family’.)
- ✓ Population growth rate. High population growth rate increases business opportunities which encourage entrepreneurship development while low population growth rate limits demand hence discouraging entrepreneurship development.
- ✓ Level of education and training. High levels of education and training equip people with skills to identify business opportunities, hence encouraging business development while low levels of education discourage entrepreneurship development.

- ✓ Age structure. A community dominated by the youth finds it easy to start business hence promoting entrepreneurship whereas a population dominated by the old or married people discourages entrepreneurship since they are more risk averse.
- ✓ Income levels. People with lower incomes do seek for more opportunities to earn a living which promotes entrepreneurship while people with high incomes limit entrepreneurial intentions since they are comfortable with their current welfare.
- ✓ Gender differences

Assignment:

- a. Mention any four components of family under entrepreneurial environment.
- b. Explain the different ways of promoting the global environment.
- c. Explain the demographic factors that hinder entrepreneurship development.

TOPIC:4

3.0: SOCIAL ENTREPRENEURSHIP

Overview: This topic equips a student with advocacy skills, abilities to identify root causes of problems in society; so as to provide a lasting positive solution.

Is the creating of innovative enterprises to make a positive and sustainable impact on the community.

A social entrepreneur is a person who identifies a social problem and uses entrepreneurial principles to organize and manage a venture to create a positive social change.

A social problem is a situation which negatively affects society as a whole. E.g. diseases, violence, unemployment, pollution, poor sanitation, poor drainage, street children, insecurity, environmental degradation, among others. These are social concerns upon which social entrepreneurship emerge.

3.1: Key Concepts Used In Social Entrepreneurship

A vision. Is the ability to see a clear detailed mental picture of an idea or the future.

Visionary leadership. Is the ability to influence others to see a clear detailed mental picture of an idea or the future.

Principle. This refers to a basic rule that sets standard for ethical decision making.

Perception. Is the act of personal understanding or interpretation of something.

Poverty perception. Is when one thinks of life as a competition with winners and losers.

Advocacy. Is the verbal , written or symbolic actions to promote a mission or cause,

Social enterprise planning. Is the process of identifying threats and opportunities in the community and utilizing them to create an enterprise for sustainable impact.

Social enterprise development. Is the process of encouraging a culture of entrepreneurship in schools or society.

Resourcefulness. Is the ability to use available resources to create new opportunities.

Social innovation. Is the establishment of new and better ways to achieve a social mission.

Impact assessment. This involves measuring the effect of a social enterprise to the community.

Root cause. Is the primary source/origin of a situation or problem.

Root cause analysis. Is the process of identifying the primary source of a problem and providing a lasting solution.

Theory of change. is the process of identifying the end goal, and working backwards to achieve the goal.

Sustainability. Is the ability of something to renew its own resources or maintain its impact.

Team dynamics. Is the interaction/influence between personalities, skills and interests of different/individual team member to achieve a group aim.

Internal decision-making structure. Is a set of rules that determine hoe decisions are made in an organization?

Prioritizing. This involves arranging tasks/activities according to order of importance and urgency.

Empowerment. Refers to increasing one's ability, power and strength to do something.

3.2: Importance of Social Entrepreneurship

- ✓ It creates a sustainable positive impact on the society. This is by addressing the root cause of the problem instead of coming with short term solutions.
- ✓ It leads to infrastructural development. E.g. schools, hospitals
- ✓ It facilitates innovation. This improves the way we live and work.
- ✓ It creates employment opportunities. e.g. jobs for project managers and supervisors of NGOs
- ✓ It leads to use of local resources in a more effective way. E.g. through recycling and re-using some items.
- ✓ It encourages transformation of societies. This is through providing new ideas to solve problems.
- ✓ It reduces harmful effects on the environment. E.g. by recycling plastic waste.
- ✓ It encourages harmony and unity in the community. This is as a result of community members participating in particular projects.

- ✓ It improves the quality of life of people. E.g .by promoting sanitation.
- ✓ It empowers community members. E.g. through skilling/training them.
- ✓ It facilitates change in people's thinking and attitudes. That is, from negative to positive living.
- ✓ It promotes social services such as schools and hospitals.
- ✓ It prevents the end of something good. E.g. through advocating for protection of natural resources like swamps and forests.
- ✓ It increases opportunities for the disadvantaged and vulnerable groups. E.g. setting up babies' homes for the abandoned children.
- ✓ It contributes towards government revenue through paying taxes.

Attributes of Social Entrepreneurs

- Personal leadership. Social entrepreneurs lead by example and have the ability to influence others.
- Ethical and principle centred. They make decisions basing on set values.
- Hard working and committed. They go an extra mile. They put in a lot of effort.
- Goal oriented and visionary. They set long term targets for the enterprise so as to reach their vision.
- Good listeners. They pay attention to people's ideas and comments and learn from them.
- Risk takers. They take well calculated /moderate risks that have a chance of success.
- Empowering. They improve people's ability to do something. Social entrepreneurs believe in and use the potential of the people they help.
- Advocators, they speak up and take action for what they believe is right, even if there is opposition.
- Optimistic and flexible. They expect favourable outcomes and they are positive to change.
- Good time managers. Social entrepreneurs keep time and use time effectively.
- Innovators and creative. They come up with new ideas to solve community problems.

Steps of becoming a social entrepreneur (steps of social entrepreneurial development)

1. Discovering vision, passion and skills. This involves identifying a long term dream which is related to one's skills and interest. E.g. a dream to become a Hollywood star, top musician,
2. Identifying the opportunity in the community. This involves finding out social problems that need to be solved. E.g. poverty, unemployment, violence, and hunger.
3. Matching vision with community opportunity. One uses his/her long term dream to come up with a project to solve a given community problem. E.g .one starts a youth music project so as to reduce unemployment or violence or drug abuse in society.
4. Acting and spreading change. This involves coming up with a plan to implement the project.

Responsibilities of Social Entrepreneurs to the Community

- They provide access to health facilities such as hospitals.
- Improving access to education facilities e.g. giving education sponsorships.
- Provision of employment opportunities. E,g, NGOs
- They provide sustainable source of income.

- They improve infrastructure
- Reducing harmful effects on the environment. e.g recycling plastic waste
- Equipping community member with survival skills or empowering people.
- Providing market for community products.
- Increasing opportunities for the disadvantaged or vulnerable groups.
- They facilitate change in people's thinking and attitudes. E.g. from negative to positive living.
- Encouraging unity and harmony in the community.
- Utilizing the would be idle resources
- Contributing towards government revenue by paying taxes.
- Preventing the end of something good.
- Encouraging creativity and innovation in society. This is through addressing the root cause of a problem other than creating short term solutions.

Qn. Explain the challenges faced by social entrepreneurs

3.3: Social Enterprise

Is an organization established with the major purpose of solving a social problem in a particular community.

Types of Social Enterprises

- Non-profit. Is an enterprise that does not make financial profit for delivering its goods or services, but relies on donations for funding. E.g, TASO, compassion Uganda, citizen coalition for electoral democracy Uganda(CCEDU), Child Fund International, Greenwatch, religious institutions, sanyu babies' home, Care Uganda, among others.
- For-profit. Is an enterprise that sells its products for profit but aims at creating a sustainable positive impact in society. E.g. private schools, Eco-stoves, among others.
- Hybrid. Is an enterprise which mixes non-profit and for-profit strategies. E.g. a private school that offers free bursaries to some vulnerable students

Ways of Using Proceeds from Sales (Profits) of a Social Enterprise.

- ✓ Re-investing profits back into the social enterprise
- ✓ Funding the creation of new and smaller social enterprises
- ✓ Investing in community needs
- ✓ Donating to the disadvantaged

Opportunities for Social Entrepreneurship

- Social investment funds. These collect financial donations from different sources and invest in social enterprises. Money received by the social enterprise is paid back overtime.
- Foundations. These give start up grants for new social enterprises, and money does not have to be paid back.

- Community based organizations ((CBOs) and non-government organizations (NGOs). These are organizations that do not earn profits but have a social mission. They generally aim at improving social and economic conditions of society member.
- Governments and embassies. Foreign embassies often set aside funding for local solutions to local problems.
- Social entrepreneurship as a career option. Here one gets a job opportunity as a social entrepreneur.

How to Make a Social Impact in the Community

- Making the world a better place
- Increasing the quality of life of others
- Turning a wrong into right
- Preventing the end of something good.

Differences between Social Enterprises and Business Enterprises

- ✓ The main goal for social enterprises is sustainable positive impact while the main goal for business enterprises is profit maximization.
- ✓ Social enterprises combine non-profit, for-profit and hybrid while business enterprises are purely for-profit enterprises
- ✓ Social enterprises create social and environmental benefits for communities while business enterprises create money returns for investors.
- ✓ Social enterprises aim to serve the vulnerable, disadvantaged and undeserved people while business enterprises aim to serve potential customers.
- ✓ Social enterprises empower partners in development while business enterprises make superior products to meet customer needs
- ✓ The impact of social enterprises is social, environmental and economic development while the impact of business enterprises is production of new products.
- ✓ Social enterprises usually aim at long term results while business enterprises aim at immediate results.

3.4: Perceptions of Conflicts

This shows different personal interpretations of how to solve problems/challenges/disagreements.

There are basically four perceptions of conflicts, namely;

Win-lose. This is where one does everything possible to win and makes sure others lose.

Lose-win. This involves letting others always get what they want at the expense of your own needs.

Lose-lose. This is when there is no agreeable solution, so both sides lose.

Win-win. This is when both sides win because the solutions have benefits for everyone involved.

Positive and Negative Opportunities for Social Entrepreneurship

- Positive opportunities. These are strengths and assets of the community that inspire the creativity of new ideas. These include; clean and sustainable, health, educated and empowered, wealthy, safe (CHEWS)
- Negative opportunities. These are threats, needs and problems of the community. E.g. poverty, environmental degradation, diseases, violence, uneducated and disempowered (PEDVU)

Social entrepreneurs use positive opportunities as solutions to negative opportunities.

Threats to Community Development

- ✓ Dependency. Is the state of relying on someone for help or support especially financial support. Dependency is mainly caused by ignorance, inequality and laziness.
- ✓ Discrimination. Is the unfair treatment of one person or group usually because of their place or family of birth, age, sex, physical ability, among others.
- ✓ Dishonesty. Is the use of lies or misleading words and actions.
- ✓ Corruption. Is when people who are in charge of community resources abuse their powers and position to re-direct the resources to themselves or their partners for private benefits.
- ✓ Exploitation. Is to take selfish or unfair advantage of a person/situation usually for personal gain.
- ✓ Diseases. A lot of money which would have been used for development is spent on treatment
- ✓ Violence. E.g. wars, crimes, domestic violence
- ✓ Poor quality education. This leads to low skills and productivity.
- ✓ Natural calamities. ,g, floods, drought, landslides
- ✓ Laziness. This limits productivity and development

Strategies Used By Social Entrepreneurs to Ensure Community Development

- Increasing access to goods and services for different communities. This allows more people to have access to what is already available to others.
- Increasing knowledge through education and awareness. This helps people to understand the dangers and opportunities of their environment. E.gg increased awareness about a particular disease helps to reduce its transmission.
- Increasing opportunities for the disadvantaged
- Developing sustainable income generating activities
- Sensitizing community members against violence
- Empowering community members through giving them skills
- Increasing access to clean water
- Improving the health standards of people.
- Improving safety of people.
- Reducing harmful effects on the environment

3.5: Visionary Approach (Bridge- The- Gap Approach)

1. Defining your vision
2. Examining the current reality
3. Identifying and acknowledging the gap
4. Setting action steps to close the gap

- | | |
|---|--|
| 5. Identifying resources required | 8. Getting commitments from the people |
| 6. Setting priorities | 9. Agreeing on the start and end time |
| 7. Choosing who is accountable for what | 10. Getting started |

A goal. Is a long-term target of a business or person usually achieved one year and above.

Characteristics of good goals

- Specific. They give a clear picture of what you intend to achieve in future.
- Measurable. Good goals are quantifiable so as to determine your progress.
- Time bound. Good goals come with deadlines or due dates.
- Challenging. They are able to push you beyond limits.
- Inspiring. Good goals create a strong desire for achieving them.
- Achievable. Good goals are within your reach.

Action steps. Refers to a series of activities carried out in a logical order so as to achieve a given goal.

Characteristics of good action steps

- | | |
|---------------------------------|--|
| • Produce clear impact | • They are simple to understand |
| • Have clear start and end time | • They are in a logical order |
| • Are measured results | • They encourage progress towards achieving a goal |
| • . | |

Advocacy. Is the verbal, written or symbolic actions to promote a mission or cause.

3.6: GEPIC structure for advocacy

- i. Greet. This involves recognizing and thanking the audience for coming, and stating the purpose for speaking or writing.
- ii. Engage. This involves giving a shocking fact, story, statistics or quote in order to capture the attention of the audience.
- iii. Problem. This involves expressing the problem in clear facts without your personal opinion. It involves explaining how serious or wide spread the problem is, or details about the current reality.
- iv. Inform. This involves explaining one's perspective about the problem/opportunity and suggesting your innovation or vision. That is, you give details of what you think should be done.
- v. Call to action. This involves suggesting a specific activity to be done and request the audience to support you.

Example. You have established a social enterprise to address the unemployment problem in your community. Prepare a GEPIC structure for advocacy

Solution:

Nambute community development enterprise, P.O Box 2, Mityana, GEPIC structure for advocacy against unemployment

Greet. Good morning ladies and gentlemen. Thank you for coming to listen and participate in this meeting aimed at solving the unemployment problem in our community.

Engage. As you may remember, last week we buried two of our brothers who died from the Middle East after their kidneys were forcefully removed for sell on the black market. These had gone to look for jobs abroad, only to return in plastic coffins.

Problem. Statistics show that 90% of our youth cannot find employment.

Inform. Many youths do not have jobs due to lack of relevant practical skills which are required to start their own project. We need to equip our youths with practical skills.

Call to action. I therefore ask you to join and support our poultry and brick making projects so as to acquire different skills as well as improve incomes

3.7: Social Enterprise Planning

Is the process of identifying threats and opportunities in the community and utilizing them to create an enterprise for sustainable development.

Structure/Components of a Social Enterprise Plan

- i. Introduction. This shows the project title, vision, goals and objectives.
- ii. Theory of change. This explains in details how the enterprise is going to achieve its vision.
- iii. The opportunity. This identifies the impact area and the current reality of the problem.
- iv. Innovation. This involves the root cause analysis by identifying the actual cause of the problem and providing a lasting solution.
- v. Management and operations. This shows the different management roles, day to day activities to be carried out, project strategic partners, among others.
- vi. Sustainability. This shows the necessary budgets, source of funds, and how to ensure that the project maintains its impact.

Qn. Explain the significance of preparing a social enterprise plan

Theory of Change

Is the process of identifying the end goal and work backwards to achieve the goal.

Components of the Theory Of Change

1. Vision. Is the long term ultimate goal of the enterprise.

2. Impact. These are long term results that lead to achievement of the vision.
3. Outcome. These are direct measurable results of one's activities.
4. Activities. These are tasks done to achieve an impact.
5. Inputs. These are resources needed to accomplish the project. E.g. financial, human resources, natural resources, technological resources

Example 1. You are operating a social enterprise in your community. Prepare a theory of change to solve the unemployment problem.

Solution.

Nambute Community Development Project. P.O Box 2 Mityana, Theory of change

Vision. 'To reduce unemployment in Nambute village by 40% by the year 2024'

Impact. –Number of jobs created

Outcome. –number of project/industries started.

Activities. Skills training

Workshops to share with successful entrepreneurs

Starting of saving clubs

Inputs. –money

-land and buildings

-industrial training equipments

Example 2.

Prepare a theory of change to reduce illiteracy in the community.

Solution.

Vision. 'To reduce illiteracy to 10% in Misesbe village by the year 2024'

Impact. –increase in number of children finishing senior 4

-increase in number of children graduating from the university

Outcome. –number of secondary schools started

Activities. –sensitising community members about the importance of education

-lobbying for funding from different organizations

Input.

-money

-computers and other equipments

-land

-trainers and project managers

Qn. Explain the importance of preparing a theory of change.

Root Cause Analysis

Is the process of identifying the actual cause of a problem and providing a lasting solution.

Example 1. Your home district is experiencing high levels of unemployment. Prepare a root cause analysis for unemployment.

Solution.

Naama Community Development Project

P.O Box 2, Mityana

Root cause analysis for unemployment problem in Mityana district

Statement of the problem: High levels of unemployment in Mityana district, Uganda.

Why? This is because people do not have the required skills and knowledge.

Why? This is due to high level of school drop outs.

Why? This is because of high levels of poverty.

Poverty is the root cause.

Root cause: poverty

Action steps to be taken:

- Increasing access to free universal education
- Improving the average income levels for families by carrying out income generating activities
- Developing community saving groups so as to promote investment.

Prepared by;

Approved by;

Nkl

signature.....

Dida dida

Name

Project manager

Title

Steps for Identifying Social Opportunities for Social Entrepreneurship

1. Defining the impact area. This includes people, plants, animals, or place that the project is to affect.
2. Researching the current reality. This involves determining the existing problems and threats to the vision.
3. Brain storming on impact potential. This involves identifying the root cause to problems and coming up with innovative solutions.
4. Listing resources and financials. This involves establishing the required resources such as money, raw materials, human resource, technology, use of renewable resources, profit potentials, among others.

Qn. Explain the challenges faced in implementation of a social enterprise.

3.8: Sustainability

Is the ability of something to renew its own resources or maintain its impact.

Types of sustainability

- Financial sustainability. Is the ability of an enterprise to finance itself
- Resource sustainability. Is the ability of resources to renew themselves.
- Impact sustainability. Is the ability of the impact to continue and be long lasting without putting in more effort or resources.

Strategies to Ensure Sustainability of a Social Enterprise

- ✓ Lobbying for government support such as technical support
- ✓ Insuring the enterprise against risks like fire, theft
- ✓ Ensuring democratic leadership
- ✓ Carrying out employee training
- ✓ Promoting social responsibility
- ✓ Reinvesting the profits
- ✓ Encouraging savings for future investment
- ✓ Negotiating for community acceptance
- ✓ Lobbying for various regular donations
- ✓ Involving the community in project management
- ✓ Using locally available resources
- ✓ Ensuring effective monitoring and evaluation of the project activities.
- ✓ Diversification of the enterprise by having more than one product or activity
- ✓ Developing a wider relationship with partners

Sustainable Development

Is development that meets the needs of the present without harming the ability of future generations to meet their own needs.

Qn. Explain the causes of unsustainable development.

How to promote sustainable development

- Maintaining a minimum population
- Reducing poverty
- Ensuring optimal utilization of renewable and non-renewable resources
- preventing environmental degradation
- Improving energy efficiency
- Removing subsidies on producers
- Enacting restrictive trade policies
- Participating in global environmental efforts
- Encouraging community or public participation

3.9: Environmental Threats Caused By Businesses

Environment refers to mans surrounding and what is found in it

Environmental threats refers to the negative impact created on environment by business activities.

They include;

- Pollution
- Deforestation
- Depletion of resources/over exploitation of resources
- Land degradation/land exhaustion/loss of soil fertility
- Displacement of people, animals, insects
- Reclamation of wetlands /destruction of wetlands
- Moral decay
- Global warming. This is increase in temperature of the planet.
- Accidents
- Poor health in society/diseases
- Rural urban migration
- Silting of water bodies
- Congestion/traffic jam
- Land fragmentation
- Conflicts
- Vibration by machines
- Poor waste disposal
- Extinction of species/loss of bio diversity

Measures employed to reduce business threats on the natural environment

- Setting environmental standards
- Recycling of used products
- Undertaking compulsory environment impact assessment of all new businesses
- Sensitizing entrepreneurs on way of conserving the environment
- Re-afforestation/afforestation

- Using packaging materials that are environmentally friendly
- Ensuring proper garbage disposal
- Conserving the soil/using appropriate farming methods
- By proper treatment of waste before disposal
- Using clean sources of energy like solar power
- Advocating for enactment of environmental protection laws
- Using silencer on machines, tools and equipments
- Using protective gears
- Delocalization of industries
- Compensating those displaced by businesses
- Re-using the by-products
- Reducing the use of natural resources
- Recognizing entrepreneurs who conserve the environment
- Promoting carbon exchange program among entrepreneurs

Climate Change. It refers to the changing temperatures of the planet.

Causes of Climate Change

- Deforestation
- Wars hence atomic bombs
- Transport emissions e.g old cars
- Poor agricultural practices e.g swamp reclamation
- Volcanic eruption
- High population growth rate
- High levels of industrialization which leads to destruction of the environment.

Effects of Climate Change

- | | |
|---|--|
| ✓ Leads to melting of glaciers in mountainous areas hence increase in river side and change of course | ✓ Leads to change in vegetation belts e.g from forests to savannah or savannah to desert |
| ✓ Leads to change in the partners of seasons e.g rainy seasons | ✓ Leads to floods due to drought |
| ✓ Leads to extinction of species which cannot survive the changing temperatures | ✓ Leads to infection e.g skin cancer |
| | ✓ Leads to displacement of people due to floods |
| | ✓ Leads to low agricultural yields hence causing inflation |

- ✓ Increases the unemployment problem

- ✓ Leads to destruction of physical infrastructure etc

Solutions to Climate Change

- ✓ Reducing the amount of natural resources used
- ✓ Recycling the waste products that would be thrown away
- ✓ Repairing of broken resources to use again e.g a broken tractor is repaired instead of being thrown
- ✓ Controlling population growth rate
- ✓ Encouraging planting of trees on a large scale
- ✓ Reducing the use of old cars
- ✓ Carbon pricing i.e paying people who grow carbon trees
- ✓ Taxing highly those with polluting industries
- ✓ Using alternative sources of energy e.g renewable energy like solar energy
- ✓ Treating waste before disposal
- ✓ Establishing strict laws e.g environmental laws/standards

Environmental Standards to Be Observed By Social Entrepreneurs in Uganda

- Air quality standards
- Water quality standards
- Standards of discharge of influents and waste
- Standards of control of noxious/poisonous gases
- Noise and vibration pollution standards
- Standards for sub-tonic vibrations
- Soil quality standards
- Building and other structures standards
- Standards of other matters and activities that may affect the environment for example management of wetlands

Impact of Business on Natural Environment

Positive impact:

- ✓ Provides employment opportunities
- ✓ Source of government revenue through taxation
- ✓ Provides market for the community products
- ✓ Provides goods and services to the community
- ✓ Acts as a source of Information for research
- ✓ Helps in recycling of waste products hence cleaning the environment
- ✓ Helps to improve on security of the community by employing security guards for their businesses
- ✓ Leads to development of infrastructure like roads
- ✓ Encourages development of new technologies which uses less natural resources
- ✓ Sponsors community activities for example supply of water to communities
- ✓ Conserving the environment for example planting trees etc
- ✓ Acts as a centre for developing local man power for example internship
- ✓ Provides social services for example health, education etc

- ✓ Contributes to community development programmes like cleaning wells, helping orphans etc

Negative impacts:

- ✓ Leads to pollution of air, water and noise
- ✓ Leads to deforestation with its negative effects like change in climatic conditions
- ✓ Leads to depletion of resource especially non renewable resources
- ✓ Leads to land degradation
- ✓ Leads to displacement of people
- ✓ Leads to moral decay
- ✓ Leads to global warming because of gases from industries
- ✓ Leads to accidents
- ✓ Leads to poor health in society due to gases that result into diseases like lung cancer

Ways of Reducing Negative Effects of Business on Environment

- Encouraging planting of trees
- Recycling products
- Conserving soils for example by use of organic manures, terracing etc
- Treating waste products before disposal
- Protecting the natural resources like wetlands and forests
- Using raw materials and other inputs that have less effect on the environment
- Avoiding the use of chemicals especially in agricultural businesses
- Allocating specific areas where to establish plants or factories E.g. industrial parks
- Setting environmental standards to be followed by businesses
- Supervising business operations to ensure that they comply with set regulations
- Contributing funds towards environment protection programme's like garbage collection etc
- Using silencers on noisy machines to reduce noise pollution
- Compensating those who have been affected by business activities
- Undertaking impact assessment of all new business before licensing them
- Providing protecting equipments for workers like gloves etc

Ways in Which Business Depends on Natural Environment

- | | |
|--|---|
| ✓ Provision of land | ✓ Provision of energy for example good fuel |
| ✓ Source of raw materials | ✓ Provision of transport network |
| ✓ Providing packaging materials | ✓ Provision of capital for example loans |
| ✓ Provision of facilities for waste disposal | ✓ Provision of security to the business |
| ✓ Provision of human resources like labour | ✓ Provision of market for services |

Environment Protection Bodies In Uganda

These are organizations that come up with ways and means of protecting the environment. They include;

- Uganda Wild Life Authority
- Uganda National Wetlands Conservation And Man Made Programmes
- National Forestry Authority
- Uganda Wild Life Education Centre
- Uganda Tourism Board
- National Environmental Management Authority (NEMA)

Mentoring:

Is the process of senior and experienced entrepreneurs working together and familiarizing upcoming entrepreneurs with the business world

3.10: Importance of Mentoring

To the mentee;

- Improves performance and productivity
- Encourages positive risk taking
- Improves creativity and innovation
- Improves knowledge and skills
- Improves understanding of the business policies, products and customers
- Provides possibility of learning from mistakes of others
- Improves job satisfaction and motivation

To the mentor;

- Improves communication hence better performance
- Increases idea generation and knowledge enhancement
- Increases networking hence increased sales
- Enhances confidence
- Motivates successful completion of objectives
- Improves performance
- Improves on leadership skills and productivity.
- It increases the mentor's self esteem

To the organization where mentoring is taking place;

- Improves business stability hence improved business loyalty
- More job creation and performance

- Reduces labour turnover
- Improves information flow and communication
- Improves employer-employee relation hence greater morale
- Motivates older managers
- Helps in dissemination of business values and developing the business culture
- Leads to better service delivery due to cultivated loyalty and commitment.

3.11: Impact Assessment

It refers to the process of establishing whether a project has achieved its goals or not.

Importance of Impact Assessment

- ✓ It helps an entrepreneur to establish the project is achieving its goals.
- ✓ It helps to evaluate effectiveness of different activities within the social enterprise.
- ✓ It enables an entrepreneur to improve performance of particular activities.
- ✓ It provides an opportunity for social entrepreneurs to listen to people they work with hence solving the problems.

Indicators of Community and Environmental Impact

- ❖ Number of sources of clean water
- ❖ Trees planted
- ❖ Areas cleaned
- ❖ Number of people affected
- ❖ Schools opened
- ❖ Jobs created for disabled
- ❖ Health facilities created
- ❖ Level of poverty after the project

TOPIC:5

4.0: BUSINESS IDEAS

Overview: Business ideas equip a student with skills to turn business ideas into competitive products that satisfy customers' needs.

A business idea is a response of a person or an organization towards solving an identified problem (or to meeting perceived needs) in the environment/community.

Reasons for Generating Business Ideas

- Need for an idea. This is intended to start a business.
- To respond to market needs. New product ideas are generated so as to satisfy needs of different customer groups.
- To respond to natural threats and scarcities. Such as, new innovative irrigation methods to respond to unrealizable rainfall.
- To respond to changing fashions and requirements. New product ideas enable businesses to meet new customer tastes and demand.
- To stay ahead of competition. This is through coming up with better product ideas than those of competitors.
- To exploit technology to do things better. New and better technology improves productivity of the business.
- To respond to the product life cycle. Products usually become out dated (obsolete) and therefore, new product ideas need to be generated.
- To spread risks and allow for failure. Many business products on the market increase the chance of getting customers, and this reduces possibility of failure.
- To help specific groups of people. Such as the elderly, the disadvantaged and those with disabilities. That is, Special products are developed to help particular groups of people. E.g. optical glasses designed to help those with sight problems.

Sources of Business ideas

- ✓ News papers. For example reading other business adverts in news papers.
- ✓ Magazines. These provide articles about what is trending.
- ✓ Hobbies. One develops a business idea from activities he/she enjoys doing such as music, sports, traveling, and so forth.
- ✓ Trade shows and exhibitions. These provide different product information which enables one to come up with a business idea.
- ✓ Surveys/market research. This involves finding out customers' needs which enables you to develop products that satisfy those needs.
- ✓ Brainstorming. This involves coming up with many ideas and the best idea is implemented.
- ✓ Vocational training and experience. Business ideas are also developed from ones' acquired skills and experience.
- ✓ Customer complaints. This enables one to identify areas of improvement thereby developing new product ideas.

- ✓ Internet. Visiting different business websites enables you to come up with different business ideas.
- ✓ Successful entrepreneurs. Relating /contacting successful entrepreneurs lead to generating of similar business ideas.
- ✓ Franchise. This happens when a manufacturer of a given pct gives exclusive rights for distribution to independent retailers. E.g. K.F.C chicken franchise, total petrol stations, among others.

Measures to ensure effective brainstorming as a group

- By not criticizing another person's idea. Criticism discourages members to forward their ideas.
- Developing many ideas. This improves the chance of coming up with a better idea.
- Combining different ideas. This helps to develop better ideas.
- Encouraging freewheeling. This involves accepting ideas from different fields.

How to identify business ideas from the environment

- ✓ By understanding who you are; That is, your interests and abilities.
- ✓ Noting down your daily experiences and problems. This enables you to identify better business ideas to solve the existing problems.
- ✓ By effectively listening and observing ones' surrounding. This enables you to identify the needs of customers and how to solve them.
- ✓ Through modifying your existing idea. This involves constantly improving your business idea so as to make it more profitable.

Ways of protecting a business idea

- Keeping trade secrets
- Getting a copyright for your expression of ideas. E.g. artistic work like songs, books and movies.
- Getting a patent for your invention. A patent is a right granted by the government to exclude others from making, using or selling one's invention without permission.
- Having a trade mark for your name. a trade mark is a symbol, sign or name used to identify and distinguish products of a particular business from other similar businesses.

Steps involved in materializing a business idea

1. Looking long term. This involves long term planning to ensure that the business idea is successful.
2. Jumping in. This involves developing a prototype so as to test the business idea.
3. Being patient. This involves allowing time for the business idea to grow (fully materialize). That is, developing a new business comes with setbacks, but you need to wait a little longer.

Steps involved in researching a business idea

1. Identifying the idea. This involves developing the business idea and thinking about its possibilities.
2. Analyzing the idea. This involves identifying the strengths; weaknesses, opportunities and threats (SWOT) of the business idea.
3. Checking out the competition. This involves finding out what your competitors are doing so that you can do it better.
4. Retooling/ reworking the idea. This involves rebuilding the business idea so as to improve it, when you realize that it had some weaknesses/defects.
5. Implementing the business idea. This involves putting the idea into action.

Factors considered when evaluating business ideas

(i.e to determine the potential success or failure of each business idea generated.)

- ✓ Present market. A business idea with high potential of immediate sales has a higher chance of success than one with low potential of immediate sales.
- ✓ Market growth. A business idea with high prospects for rapid growth and high return on invested capital has a higher chance of success.
- ✓ Costs involved. A business idea with low costs presents a chance for higher profitability and success.
- ✓ Business risks. A business ideas with few and well calculated risks has a higher chance of success.

NB. It is not automatic that a business idea with a higher chance of success is the one selected for implementation.

Factors considered when selecting a business idea for implementation

- Skills possessed. A person selects a business idea which is in line with his/her skills for easy implementation.
- Interest. A person selects a business idea whose activities/ work s/he enjoys doing.
- Personal commitment. one selects a business idea that allows him to attend to his personal responsibilities such as family than a business ideas that is too demanding.
- Market considerations. One selects a business idea with big market potential than a business idea with a small market potential.
- Amount capital you can raise. One selects a business idea that it is within the available capital as compared to a business idea that requires more than the available capital.

Factors that affect business sales

(i.e either sales to be high or low)

- ✓ Market size. A large market size leads to high sales while a small market size leads to low sales.
- ✓ Level of competition; High competition reduces sales while low competition leads to high sales.
- ✓ Price of product.
- ✓ Low product prices attract customers leading to high sales as compared to high prices.
- ✓ Quality of product high quality of business products lead to high sales while low quality products lead to low sales.
- ✓ Level of product servicing required. Products that require a lot of servicing lead to low sales while products that require less servicing lead to high sales.
- ✓ Level of consumers' income. High incomes among consumers of the product lead to high sales while low consumers' income lead to low sales.
- ✓ Quality of distribution methods. Good distribution methods lead to high sales while poor/ineffective distribution methods lead to low sales.
- ✓ Export possibilities. High export potential of business products leads to high sales while low export potential leads to low sales of business products.

Indicators of market growth

- Increase in sales
- Increase in customer acceptance

- Having many new products
- Increase in Competitive advantage of the business
- Small number of competitors
- Favourable economic changes such as stable currency value and low inflation rates.

Factors considered when assessing business risks

- ✓ Available market size. A big market for business products leads to few risks while a small market leads to many risks.
- ✓ Profitability of the business. High business profitability leads to high risks while less profitability leads to low risks.
- ✓ Reliability and honesty of people involved. Highly honest people such as business employees, lead to few risks while less honest people lead to many risks.
- ✓ Cash flow of the business. Favourable cash flow of the business leads to few risks while unfavourable cash flow leads to many risks.
- ✓ Experience and abilities of the entrepreneur. Highly experienced entrepreneurs face few risks while less experienced entrepreneurs face many risks.
- ✓ Flexibility of the business. Highly flexible businesses lead to few risks while less flexible businesses lead to many risks.
- ✓ Political climate. Stable political climate leads to few risks while political instabilities lead to many risks.
- ✓ Level of technology used. High levels of technology lead to few risks while low levels of technology lead to many risks.
- ✓ Initial investment cost. High start up costs lead to many risks while low start up costs lead to few risks.

Steps involved in turning a business idea into a business opportunity/product

1. Documenting the idea. This provides evidence of when you came up with the invention, how it works, and how you plan to market it.
2. Researching the idea. This involves finding out whether there is no other business operating a similar idea.
3. Making a prototype. This is a model built to test your invention/concept. It is a product model of your invention that reflects your idea.

4. Filing a patent. This involves applying to the government agency so as to secure (protect) your invention and having a privilege of stopping others from making, using or selling your invention. It involves applying for intellectual rights so that no other person can use your invention without your permission.
5. Marketing the invention. This involves coming up with a plan on how to bring the product to the market.

TOPIC:6

5.0: BUSINESS OPPORTUNITY

Overview: This topic equips a learner with abilities to test the feasibility and viability of a business idea so as to make a profitable business.

A Business opportunity refers to an attractive investment idea that provides the possibility of a monetary return for the person taking the risk.

Characteristics of a good business opportunity

- ✓ Sizeable market gap. Many people are willing and able to buy the business products.
- ✓ Good income potential. The business is able to generate reasonable amount of money.
- ✓ Low or moderate startup capital. It requires fewer amounts of money to start/ for investment.
- ✓ Properly timed. A business is started at a time when customers need the product so as to solve their problems.
- ✓ Good growth potential. The business has the ability to expand in size.
- ✓ Ease of entry into the market. It is simple for the business to enter the market due to less restriction.
- ✓ Related to ones' skills and experience. This enables smooth/ effective running of the business
- ✓ Reasonable return on investment. The business is able to make enough profits.
- ✓ Able to use locally available resources. E.g. labour, raw materials, among others.
- ✓ Acceptability by the community. The business activities are allowed in the community.

NB: Before investing in a business, ones needs to find out whether it is both feasible and viable.

Feasibility And Viability

A feasible business is one that can easily be implemented using the available resources.

While **A viable** business is one that is profitable.

Feasibility of a business idea is the extent to which a business idea can be implemented using the available resources.

While **Viability** of a business idea is the extent to which a business idea is profitable.

A **feasibility** study is one carried out to find out the extent to which a business idea can be implemented using the available resources, while a **viability** study is one carried out to find out the extent to which a business idea is profitable.

Indicators/ manifestations of a viable or feasible business

- Presence of enough market/real demand. Many people are willing and able to buy products of the business.
- Availability of required resources for example, capital, raw materials, labour and land
- Reasonable return on investment. the business is able to make enough profits.
- Presence of required technical skills. These include machines and skilled labour needed to produce the required goods and services.
- Acceptability by the community. The business operations are allowed within society.
- Favourable government policy of taxation for example low tax rates, tax exemptions, and so forth.
- Availability of well developed infrastructure such as roads, power, telecommunication network, among others.
- Presence of well developed infrastructure like roads, buildings, electricity, among others.

Types of feasibility study

1. Market feasibility study. This is a study aimed at finding out the market available (demand) for the product and potential market growth.

Components of a market feasibility study

- potential current market
- potential market growth
- business competitors
- product details like quantity, quality, and packaging
- prices charged by competitors
- sales promotion methods to use

- distribution channels to use
2. Technical feasibility study; Is a study that shows the ability of the production facility (plant and machinery or technology) to produce the required products without expensive breakdowns.

Components/elements of a technical feasibility study

- | | |
|---|---------------------------------|
| ✓ Raw materials requirements | ✓ Possible business location |
| ✓ Labour requirements | ✓ Cost of buildings |
| ✓ Technology requirements | ✓ Transport requirements |
| ✓ Utility requirements like water and power | ✓ Waste management requirements |
3. Financial viability study. This shows how attractive or hopeless a business idea is from a financial point of view.

Components of a financial viability study

- Estimated total business costs. E.g. fixed capital costs, working capital costs, startup capital costs
 - Sources of finance. E.g. personal savings, bank loans, sell of shares
 - Capacity utilization of the project. This is the ability of the business to use the available resources to bring productivity.
 - Income estimates. That is, how much revenue to receive in a given period of time.
 - Expenditure estimates. That is, how much money to spend out in a given period of time.
 - Profitability estimates. That is, the expected return on investment in a given period of time.
 - Risk analysis. Involves finding out the potential business risks.
 - Risk mitigation/risk control. Involves coming up with potential ways of reducing business risks.
 - Estimated cash flow. Involves identifying the possible sources of cash inflow and cash outflow.
4. Legal feasibility study. This shows the ability of the business to operate within the available business laws.
 5. Environmental feasibility study. This shows the ability of the business to be implemented while observing the set environmental standards.
 6. Cultural feasibility study. This shows the ability of the business to be implemented while observing existing cultural beliefs and practices.

Purpose of carrying out a feasibility study

- To find out the potential current market
- To identify the potential market growth
- To establish business competitors
- To come up with product details like quantity, quality, and packaging
- To identify prices charged by competitors
- To establish sales promotion methods to use
- to identify the distribution channels to use in selling business products.
- To find out Raw materials requirements
- To establish different Labour requirements
- To establish different Technology requirements
- To find out Utility requirements like water and power
- is, how much revenue to receive in a given period of time.
- To come up with Expenditure estimates. That is, how much money to spend out in a given period of time.
- To establish Profitability estimates. That is, the expected return on investment in a given period of time.
- To carry out a Risk analysis. Involves finding out the potential business risks.
- To come up with different Risk mitigation/risk control measures. Involves coming up with potential ways of reducing business risks.
- To identify the estimated cash flow of the business. Involves identifying the possible sources of cash inflow and cash outflow.
- To identify Possible business location
- To establish Cost of buildings
- To find out the Transport requirements for the business
- To establish Waste management requirements
- To establish the inventory plan such as, re-order levels
- To find out the Estimated total business costs. E.g. fixed capital costs, working capital costs, startup capital costs
- To identify the Sources of finance. E.g. personal savings, bank loans, sell of shares
- To establish the Capacity utilization of the project
- To establish income estimates. That

Evaluating of a business opportunity

This involves determining whether it is profitable to start a given business

Steps involved in determining the profitability of a potential business

1. Deciding on the type of business. That is, manufacturing or service business and the respective products to deal in.
2. Choosing the location. The business needs to be near the market and raw materials especially for manufacturing business.
3. Estimating sales. That is, how much you revenue is expected from the sale of business products.
4. Estimating costs. That is, expenses for running the business such as rent, power, salaries and so forth.
5. Estimating profits. This involves subtracting estimated costs from estimated sales.

TOPIC:7

6.0: SMALL AND MEDIUM ENTERPRISES (SMEs)

Overview: This topic enables a learner to identify the roles and challenges of SMEs, and come up with measures of operating a successful business. It also taps into the opportunities of operating a family business.

Micro enterprises are businesses employing a maximum of four people with annual sales turnover of 12 million and total assets of 12 millions. Examples include, kiosks, hawkers, groceries, roadside selling.

Small businesses are enterprises employing a maximum of 50 people with annual sales turnover of three hundred sixty million (360m) and total assets of maximum of Uganda shillings 360 million. For example bakeries, millers, wholesale shops, 850 forth.

Medium enterprises are enterprises employing more than 50 people with annual sales turnover more than Uganda shillings 360 million and total assets of more than Ugandan shillings 360 million.

Formal and Informal Businesses

Formal businesses. These are businesses which are registered with registrar of companies. For a person to start a business he/she must be aware of the different labour laws taxes, licenses and permits to avoid breaking the business laws.

Advantages of Formal Businesses

- They are legally recognized
- They are properly organized
- They have a sound base for further growth and development
- They are reliable and somehow permanent and therefore it is easy to get skilled human resources (labour).

- It is easy for them to get loans from financial institutions
- They easily benefit from government services such as tenders and financial support.
- They do comply with social security regulations such as payment of NSSF.

Disadvantages of Formal Businesses

- They are always governed by strict laws and rigid regulations
- They are not flexible and therefore, do not easily adapt to new changes.
- They are not easy to start because of a lot of formalities.
- They limit generation of employment opportunities due to strict labour laws.

Informal Businesses. These are businesses that are not registered with the registrar of companies, though they have licenses.

Advantages of Informal Businesses

- They are easy to start and most people run them on a full or part time basis.
- They easily adapt to new changes
- They form a basis for starting new industries
- They lead to fast employment generation especially self employment

Disadvantages of Informal Businesses

- They are not legally recognized
- They are not always reliable as profit making enterprises
- They do not have clear access to loans from financial institutions
- They do not comply with social security regulations
- They are not properly organized

Role of Small and Medium Enterprises in Development

- Provision of social services such as health units, schools etc
- Providing government revenue through payment of taxes
- Development of infrastructure e.g. the transport network
- Provision of goods and services to meet society needs
- Providing a centre for training and developing local manpower
- Provision of market for society's products

- Provision of employment opportunities to people in society
- Participation in the community development programmes e.g. providing assistance to charitable organizations.
- Improvement of food security through processing agricultural products
- Providing information for research and study purposes to students and other researchers.
- Recycling wastes that would have harmful effect hence clearing the environment
- Improving the environment through planting trees.
- Sponsoring community activities such as education

Advantages of Small and Medium Enterprises

- Decision making is easier since there are few people involved
- They require relatively less capital to start
- They have low operational cost due to fewer number of workers
- They are flexible in that they can easily change from one line of business to another.
- They are a source of employment to families since they mainly employ family labour
- There is personal contact with customers since owners are directly involved in marketing and selling
- They bring goods nearer to consumers since enterprises are even set up in remote areas.
- Lead to regional balance since small and medium enterprises are established in all areas of the country.
- They help to utilize locally available resources. This reduces resources under utilization
- They require simple technology which is readily available.

Reasons for the popularity of small and medium enterprises in Uganda

- | | |
|---|--|
| • Require little capital to start | • Sell goods and services in affordable quantities and price |
| • Low operating costs | • Located near customers |
| • Easy decision making | • Simple management |
| • Ability to tap available resources easily/availability of required skills | • Flexibility, since they can easily change from one line of business to another |
| • Can be located any where | • Easily attract government support |
| • Creation of employment opportunities for family members | • Require simple technology |

- Less legal formalities to start
- Require local market
- Low risks are involved

Disadvantages of Small and Medium Enterprises

- They do not enjoy economies of scale like large enterprises such as transport and management economies.
- They usually produce low quality product leading to limited market
- It is not easy for them to obtain loans from financial institution due to limited collateral security.
- They easily collapse as soon as the owner dies. This is because they are usually sole trade businesses.
- They frequently suffer from changing customer tastes and preferences. This negatively affects sales.
- They have limited storage facilities especially for perishable goods.
- Have limited access to skilled manpower to manage their business. This is due to limited funds to employ experts.

Challenges Faced By Small and Medium Enterprises

(Reasons for high rate of failure of SMEs in Uganda)

- Unsuitable location of the business. Poor business location leads to its failure e.g. Far from the market.
- Limited market for the business products. This results from stiff competition and changing customers tastes.
- Improper management of the business. This involves poor record keeping, wrong costing and pricing methods resulting into big losses.
- Wrong handling of customers. Failing to handle customers very well makes them dissatisfied and they end up running away from the business.
- Limited market research. This makes the entrepreneur fail to understand the market, the customers and their buying habits.
- Over expansion. This arises from confusion between success and how fast a business can expand.
- Inadequate financing. Insufficient funds to buy the required inputs to improve business operation result into business failure.
- Choosing a business that is not profitable. This limits sustainability of the business.

- Inadequate cash reserves. Small and medium enterprises usually do not have enough cash to carry them through the first six months before they start to make profits.
- Low quality products for sale. This reduces the number of customers as they go to competitor businesses resulting into business failure.
- Failure to adequately predict the cash flow for example, A period it takes you to pay your suppliers and also when to receive payment from customers who bought goods on credit.
- Believing you can do everything yourself. This limits creativity of the people you employ since all decisions are made by the entrepreneur.
- Unreliable sources of material. This forces some businesses to operate seasonally especially agro-processing business.
- Improper product pricing. This result into over pricing or under pricing of products which eventually makes them fail.
- Unfavorable government of taxation. E.g. high tax on business profits.
- Inappropriate technology in relation to the existing labour and market demands.
- Inadequate support services like roads, electricity, which include it difficult to operate businesses.
- Founder's inability. E.g. limited commitment in terms of supervision.
- Over dependence on a single customer. Once you lose this big customer it means closing the business.
- Industrial unrests. These are in form of strikes at work places
- Limited skilled manpower
- Stiff competition especially from low priced imported goods.
- Bad debts. These reduce the working capital
- Hostility from the community
- Natural disasters like floods, land slides
- Poor transport network
- Insecurity
- Limited storage facilities
- High cost of business operation
- Economic instabilities like high inflation and unstable exchange rates

Ways of Overcoming Challenges Faced By Small and Medium Enterprises

- Choosing good business locations for example in areas where they can easily access support services, market as well as raw materials.
- Starting businesses for good reasons for example passionate about the business and with mental stamina to withstand potential challenges.
- Undertaking research and development to come up with raw products meet the customer's needs and beat off the competition.
- Having enough cash reserves, this helps to sustain the business in the early stages before they make profits.
- Ensuring good business management e.g. through creating a work environment that encourages productivity, helping competitive people and training them.
- Establishing good relationship with their customers and ensuring that they are always satisfied with their business products.
- Conducting effective market research before starting their business to ensure that they go into business whose goods and services will be competitive, have a fair market size and profitable prices.
- Avoiding over expansion. Over expansion should only be done after careful research and analysis as well as identifying what you need to add in order for you business to grow.
- Regularly training their staff to ensure that they are skilled enough to manage business operations
- Saving and reinvesting their business profits back to the businesses to ensure that they maintain adequate working capital to run their operations.
- Advertising and promoting business products so as to attract new customers and keep/maintain the old ones.
- Keeping and using up-to-date information and data on suppliers, customer's tastes and their buying habits to ensure that their businesses are not left behind by the changes taking place.
- Monitoring and keeping up-to-date with what their competitors are doing and learning from their mistakes.
- Forming and being active members of the relevant business associations e.g. Uganda manufacturers Association, small scale industries association.

Strategy for Rural Development

The government has put in place the following strategies to ensure development of rural areas;-

- Rural development policy. This aims at solving issues of rural poverty and backwardness; as well as improving productivity by coming up with modern methods of production.
- Rural industrialization strategy. This aims at bringing industries and industrial employment to the rural areas. This is through setting up industries in different regions so as to service the needs of the agricultural sector for example, processing of animal products like milk, meat, grain mills , vegetable and fruit canning and so forth.
- Adoption of appropriate technology. This involves testing and approving new production techniques for rural areas and assist farmers with the design and production of small scale farm equipments.
- Spreading of industries. This aims at helping entrepreneurs to produce products that meet the rural daily basic needs.

Constraints of rural development

- Low level of education among rural entrepreneurs
- Shortage of required tools , equipments and machinery for business operation
- Inadequate skills in rural areas required for starting and managing enterprises
- Shortage of finance as most rural enterprises lack collateral to access loans
- Poor infrastructure like roads, electricity, water that hinders industrial development.
- Negative cultural beliefs and practices that hinder productivity

Measures undertaken by government to promote SMEs in Uganda

- Maintaining political stability
- Reducing interest on capital so as to encourage borrowing
- Reducing taxes so as to lower the costs of production
- Encouraging savings so as to get finance for investment for example through SACCOs.
- Controlling the population growth so as to reduce the dependency burden
- Increasing incomes of people so as to create capital for investment
- Encouraging capital inflow by attracting foreign investors
- Improving entrepreneurial skills through organizing training workshops.
- Increasing the size of market by joining regional integrations such as EAC, COMESA.
- Increasing the exploitation of the available resources such as minerals like gold and oil.

- Maintaining macro-economic stability, such as the exchange rates, inflation, interest rates and so forth.
- Providing free information about investment opportunities for example, through Uganda Investment Authority (UIA).
- Providing credit facilities to low income groups for example, the youth livelihood programmes.

Insurance for Small and Medium Enterprises

Insurance. Is a service that undertakes to safeguard and compensate the unfortunate few people or organizations which might suffer from risks insured against.

Insurance works on the theory of pooling risks that are faced by different parties or persons.

Pooling of risks. This means that each person exposed to a particular risk pays a small amount of money which goes to a common pool from which those who actually suffer from a stated risk are compensated.

Examples of insurance companies

- Excel Insurance Company
- National Insurance Company
- Lion Insurance Company
- UAP Insurance
- Golden Insurance Company
- Pax Insurance Company
- Jubilee Insurance Company

Common terms used

- ✓ **Insurer.** Is the insurance company that provides insurance cover against risks.
- ✓ **Insured.** Is a person that takes out an insurance policy
- ✓ **Risk.** Is the event against which an insurance policy is taken out
- ✓ **Loss.** Is the occurrence of the risk insured against.
- ✓ **Premium.** Is the periodic/regular payment made by the insured to the insurer as consideration for the insurance cover provided.

Determinants of the amount of insurance premium

- Value of the property insured/sum insured
 - The age of the person in case of life policy
 - Chance of the risk insured against happening
 - Government policy toward insurance
 - The number of risks to be insured
 - Length of the insurance policy
 - Number of applicants for a particular policy
 - Rate of inflation
 - Level of competition in insurance industry
- ✓ **Sum insured.** Is the total value of the property as stated by the insured at the time of filling a proposal form.
 - ✓ **Proposal form.** Is an application form where the insured gives details of the item being insured.

Principles of Insurance (Canons/Doctrines)

These are the basic rules or guidelines that govern insurance business and contracts. These include:-

Insurable interest. This principle requires that a person insures only that property whose destruction would result into a financial loss to himself. For example; one cannot insure the property of his friend because he will not lose financially if it is destroyed.

Utmost good faith. This principle requires a person applying for insurance or filling a proposal form to disclose all relevant material facts about the property or life being insured. This helps the insurance company to assess its suitability for insurance and calculate premiums accurately. If the insured conceals information or deliberately gives wrong information and it is later discovered, the insurer has a right to declare the contract invalid or null and void.

Indemnity. This principle states that insurance doesn't aim at benefiting the person but to restore him back to his original financial position s/he was in before the occurrence of the loss. Therefore an insurance contract is said to be a contract of indemnity. This policy does not apply to life insurance and personal accident.

Subrogation. This principle states that in the event of a total loss, and the insurer has fully compensated the insured, the insurer acquires the rights that the insured previously had in the destroyed property.

Proximate cause. It states that there must be a fairly close connection between the cause of the loss and the actual risk insured against for compensation to be made.

Types of Insurance

There are two major categories of insurance that is:-

1. Personal insurance (life insurance).
2. Property insurance (General insurance)

Personal Insurance/Life assurance. This is a type of insurance where an entrepreneur insures his life. It is referred to as life insurance to confirm that the event insured against must take place. It involves insurance for only human life.

General Insurance/ Property insurance. This ensures risks that would cause financial loss due to damage or destruction of property. Examples of property insurance policies include;

- i) **Fire insurance.** This is taken by an entrepreneur to protect his/her business against loss resulting from the fire burning business property.
- ii) **Theft and burglary.** An entrepreneur can insure against loss resulting from theft of business merchandise, property. Etc.
- iii) **Loss of profits.** An entrepreneur can insure against making operational loss and compensation is made up to an agreed percentage of the loss suffered.
- iv) **Motor insurance.** This involves insurance of vehicles by either taking out a comprehensive motor insurance policy or a motor third party policy.
- v) **Money at premises or in transit.** Money being moved from one place to another is insured against loss while in transit.
- vi) **Employers' liability or work man's compensation.** This involves insuring workers against injuries that may happen to them at the place of work.
- vii) **Machinery breakdown.** This is insurance cover against loss resulting from machinery break down.
- viii) **Marine insurance.** This is insurance cover for goods transported on water and the ship it's self.
- ix) **Aviation insurance.** This is taken against loss resulting from personal accidents and cargo damages due to aircraft crashes.

Insurance Contract/Policy

This is a legally binding agreement between the insurer and the insured regarding the terms and conditions under which the insurer is supposed to compensate the insured for the loss suffered.

Parties to an Insurance Contract

- Insured. Is a person or firm that takes out an insurance policy.
- Insurer. Is the insurance company that provides insurance cover against risks.

Process of taking an insurance contract

1. Taking quotation from different insurance companies before you decide which insurance company you want to do business with.
2. Deciding which insurance company and the type of policy you want.
3. Filling a proposal form. This acts as an application form for insurance. This involves the entrepreneur giving all the relevant material facts about the property to be insured.
4. Calculating the premiums. The premium calculated is based on the information given in the proposal form, the value of the policy and the chance of the risk insured against happening.
5. Issuing a cover note. This is issued to the insured to confirm that the first premium has been paid.
6. Issuing an insurance policy. This is a contract between the insured and the insurer. It is issued, one month after the payment of the first premium.

Contents of an insurance policy

- | | |
|--|--|
| ✓ Name and address of the insurer | ✓ Insurance policy number e.g. PRU/EDU/1893/2021 |
| ✓ Name and address of the insured | ✓ Next of kin details |
| ✓ The property insured | ✓ Days of grace allowed for unpaid premiums |
| ✓ Period for which the policy is valid | ✓ Policy exclusions |
| ✓ Amount of premium paid | ✓ Basic sum assured in case of life assurance policy |
| ✓ The value of property insured (sum insured) | ✓ Cooling off period |
| ✓ Terms and conditions for compensation | ✓ Policy exclusions |
| ✓ The type of insurance policy undertaken (risk insured against) | |
| ✓ Beneficiaries of the policy | |

Importance of an insurance policy

- ✓ It holds the two parties responsible

- ✓ It serves as evidence of contract between the insurer and insured
- ✓ It acts as collateral security for the insured to acquire a loan
- ✓ It guarantees the continuity of the business in case the risk happens
- ✓ It enables the insured to be compensated in case of loss.
- ✓ It spells out the terms and conditions of the contract
- ✓ It promotes saving

Circumstances under which an insurance policy may be terminated

- ✓ In case of expiry of the insurance contract/policy
- ✓ If the insured has been compensated
- ✓ If one fails to display utmost good faith
- ✓ If there is agreement among both parties
- ✓ In case of destruction of the subject matter
- ✓ When there is breach of contract for example failing to pay premiums
- ✓ In case of court action/operation of the law for example bankruptcy
- ✓ In case of frustration for example, death, insanity and any other condition making it difficult to continue with policy.

Importance/benefits of insurance to business

- ❖ It allows individuals and business people to save money that can be used for unexpected emergencies.
- ❖ It assures business continuity as a result of compensation after the loss has occurred.
- ❖ It increases customers' trust in the business as a result of assurance of its continuity.
- ❖ It gives confidence to the entrepreneur to undertake business operations. This is because the property of the business is guarded against risks.
- ❖ Insurance companies act as trustees and referees to their clients who would like to get loans from commercial banks.
- ❖ The insurance policy (contract) is used as collateral security when applying for bank loans.
- ❖ It promotes international trade because entrepreneurs are able to import and export goods
- ❖ It provides educative information to business community such as campaigns on safety and health care.
- ❖ It provides individuals and business people with loans.

Challenges Facing Insurance Industry in Uganda

- ❖ Limited valuable assets/properties. The majority of people in Uganda don't have property worth to be insured.
- ❖ Limited information about insurance. Many people are not well sensitized about the importance of insurance and are not willing to undertake insurance. They think insurance is wastage of money.
- ❖ Loss of trust among people in insurance business. Some insurance companies are reluctant to compensate the insured and others take long to settle insurance claim.
- ❖ Laxity among clients who fail to use risk precautions such as fire extinguishers, helmets, and so forth.
- ❖ Corrupt employees. This discourages some people from taking out insurance policies.
- ❖ High inflation rates. This reduces the value of money at the time of compensation.
- ❖ Limited skilled labour such as actuaries, assessors, and underwriters.
- ❖ Urban concentration/poor distribution of insurance companies. Insurance companies are not widely spread throughout the country. They are found mainly in urban areas.
- ❖ Presence of many small and micro businesses. Many businesses in Uganda operate on small scale and therefore there is no need for insurance. For example hawkers.
- ❖ Misconception of insurance as being for the rich.
- ❖ Limited capital. Many insurance companies are still small and hence have limited capital for expansion so as to take up big insurance policies like aviation policies.
- ❖ Stiff competition. There is excessive competition among the insurance companies such that some companies do not have enough clients to make profits.
- ❖ Expensive policies in terms of high premium charged
- ❖ Long procedures for getting an insurance policy

Family and Business

A family is the smallest unit of society.

Factors that necessitate good relationship between the family and the business.

- Joint family funding. Some family members put their resources together to start business. Therefore, all those members have a say on the business operations and can influence decisions.
- Inheritance. Some businesses are inherent and passed on from one generation to another.
- Fear of hired management. Family management is seen as a way of reducing and protecting family property from incidences such as theft and embezzlement which they believe are associated with outsiders.
- Source of employment of family labour. Family business is regarded as the main employer of family labour due to the perception that they are more secure and materially more rewarding.
- Managerial decision making. All managerial tasks of planning, organizing, supervision and control which are performed in big organizations need also to be performed in family businesses.

Challenges Associated With Family Business

- ✓ **Challenge of decision making.** People who want to make important financial decisions are misinterpreted for having personal interest that do not favour the business.
- ✓ **Challenge of succession of business.** This is especially common when the founder dies and there is no clear succession plan.
- ✓ **Emotions.** Usually family problems like divorce, separations, financial problems etc. create difficulties for family members which end up affecting the business.
- ✓ **Informality.** There are no clear business policies and business norms for family members.
- ✓ **Challenge of compensating family members.** There are no clear payment terms for family members.
- ✓ **Limited managerial skills.** Some family members lack required skills and abilities for the organization yet firing them is nearly impossible.
- ✓ **Conservatism of family members.** E.g. elders always want to be the ones to make decisions for the business.
- ✓ **Role confusion.** The responsibilities and roles of each member are not clearly defined.
- ✓ **Challenges of tunnel vision.** There is limited outside opinion and diversity on how to operate the business.
- ✓ **Limited training.** There are no specific training programmes for family members when they are brought into the business.
- ✓ **Taking the business for granted.** There is low value attached to the business activities by many family members.
- ✓ **Challenge of misuse of business resources.** E.g. withdrawing cash and goods from the business for private use.

SOLUTIONS TO OVERCOME CHALLENGES ASSOCIATED WITH FAMILY BUSINESSES

- Hiring a professional manager from outside the family cycle, in case family member lack managerial skills.
- Spelling out clearly the specific roles to be performed by every member of the family.
- Registering the family enterprise and have it operate as a company with legal identity rather than physical human identity.
- Providing counseling and guidance services to the members of the family who do not want to follow the set guideline.
- Providing clear payment packages that are tied to the type of work individuals perform while at the same time keeping pace with those of the similar enterprise within the locality.
- Exchanging information with other firms on various issues such as, sources of raw materials.
- Developing clear policies to govern business operations.
- Training family members so as to equip them with more skills.
- Having a clear succession plan so as to ensure smooth business continuity.

Importance of Family Savings in Establishing SMEs

- ✓ They are used for paying business licenses.
- ✓ They are used in paying for business rent.
- ✓ They are used to buy tools, machinery, equipments and furniture.

TOPIC:8

7.0: GENDER AND ENTREPRENEURSHIP

Overview: This topic equips a learner with knowledge to promote gender partnership in business through encouraging two-way communication and ensuring each member is fairly rewarded.

Gender refers to the way in which males and females are differentiated and ordered in a given social cultural system.

Gender looks at the social relationship rather than the biological differences between women and men.

Common Terms Used In Gender

- ✓ **Sex.** This refers to the biological differences between a male and a female.
- ✓ **Culture.** This refers to more permanent rules and ways of behaving and thinking of people in a given community.

- ✓ **Society.** This is an organized body of people sharing common beliefs, attitudes and modes of action within a given social or political boundary.
- ✓ **Division of labour.** This refers to distribution of tasks among different people. There are assumptions that there are things men can or cannot do and those which women must or must not do. For example historically women carried out agriculture while men went out for hunting.
- ✓ **Labour market.** This refers to the mechanism of interaction between demand and supply of labour. Occupational discrimination in employment such as hiring and promotions, and absence or lack of child care facilities may discourage career aspirations among women as well as limit their contribution to development.
- ✓ **Access.** this is the means or right to obtain commodities
- ✓ **Empowerment.** This is the process by which people take control of and act in order to overcome obstacles.
- ✓ **Gender stereotyping.** is the constant portrayal (showing) , such as in the media or in the books, of women and men occupying social roles according to traditional gender division of labor.
- ✓ **Conscientization.** this is the process of becoming aware of the extent to which problems arise not so much from an individual's inadequacies/limitations, but rather from the system discrimination against a social group which puts all members at a disadvantage.
- ✓ **Patriarchy.** is the male domination of ownership and control of all levels in the society which maintains and operates the system of gender discrimination.
- ✓ **Patriarchy resistance.** This refers to the various ways authority (patriarchal government) would try to stop or resist women's collective action for an equal share in decision making and equal control over distribution of resources.

Gender Identity And Gender Roles

Gender identity. Refers to the subjective awareness that one is a member of the male/female sex with the consequence that one conforms to culturally determined expectations of appropriate masculine or feminist behavior.

Gender identity is acquired as a product of conditioning process i.e children are selectively rewarded or punished for gender appropriate or inappropriate behavior so as to learn their future roles in the society.

Gender roles. these are culturally determined patterns of behavior that are expected of males and females. These include personality characteristics, social, economic and domestic tasks and responsibilities for example fishing for male , cooking for females.

N.B: gender roles are dynamic and therefore they change as various political and cultural forces change .

Gender Partnership

This refers to the idea of men working harmoniously with women as joint partners.

NB.:A partnership is the agreement between two or more equally recognized individual or organization to engage in a task.

Gender Equality

This is an arrangement where everyone is given the same opportunity and ensures that basic rights and obligation are similar for all groups so that nobody feels or is treated as more or less worthy than others.

Gender equality is the basis for effective gender partnership

Indicators Of Gender Equality

- There are no threats of exploitation or victimization of any member. That is, no member is sacrificed or punished unjustly. E.g. neither male or female can lose a job because of gender differences.
- The development of each member is enhanced or improved. E.g. both women and men have equal access to work promotions.
- Each member is justly/fairly rewarded for his/her services. E.g. financial rewards are based on merit but not gender differences.
- Participants are aware of their own membership and that of others. That is, there are no interferences in other people's roles.
- Each member gets satisfaction from participating in any activity taking place. That is, different activities are provided to cater for the different gender differences and interests.
- Each member strives to communicate his/her own feelings and ideas as fair and accurately as possible. This is because there is freedom of expression.
- There is two-way communication. Information flows from both males and females.

REASONS WHY THERE IS NEED TO PROMOTE GENDER PARTNERSHIP

- ✓ To increase the ability of women to participate in the labour force
- ✓ To promote the development of women entrepreneurship
- ✓ To promote employment for women as a strategy for poverty eradication
- ✓ To ensure that each member is fairly rewarded for his or her services
- ✓ To eliminate threats of exploitation and victimization

- ✓ To ensure that each member communicates his or her feelings and ideas as clearly and accurately as possible
- ✓ To ensure two way communication

Gender Myths/Stereotypes

Gender myths are fictitious beliefs (not real) that are related to gender. Examples of gender myths include:

Girls are less capable and less able in fields of science and technology

Men display spatial skills and females show greater verbal skills

Factors That Affect Women Participation In Entrepreneurial Activities In Uganda

NB: a student gives a ‘neutral point’ with ‘two-sided explanation’

- Level of education. Women who are highly educated involve more in entrepreneurial activities while women with less education involve less in business activities.
- Marriage age. women who are married off at an early age hardly participate in business activities while those who get married at a mature age do participate more in business activities
- Levels of income/ accessibility to capital. women with high income levels easily engage in entrepreneurial activities while women who earn low incomes hardly participate in business activities..
- Marital responsibilities. Women who are given many marital responsibilities find it difficult to participate in business activities whereas women with few marital responsibilities easily participate in business activities.
- Accessibility to women role models. Women with more access to other successful women entrepreneurs do involve more in business activities while women who have limited access to other successful women entrepreneurs involve less in business activities.
- Demands of the girl child. Girls who are given a lot of responsibilities at home find it difficult to engage in entrepreneurship while girls who are not given a lot of responsibilities easily participate in entrepreneurship.
- Level of career guidance about business.. Women who receive a lot of career guidance about business do engage more in entrepreneurship while women who receive little or no business career guidance hardly involve in business activities.
- Women attitude towards entrepreneurship/business. Women with a positive attitude towards business activities do engage more in entrepreneurship while women who have a negative attitude rarely participate in business activities.

- Accessibility to child care facilities. Women who easily access child care facilities easily participate in entrepreneurial activities while women with limited access to childcare facilities hardly participate in entrepreneurship.
- Level of sensitization. Women who have enough information about the benefits of involving in entrepreneurial activities easily participate in business while women with limited information do not easily participate in business.
- Parent's perception of the girl child. Girls whose parents believe that they are supposed to stay at home and take care of children have turned out to participate less in business activities while girls whose parents believe that they are supposed to generate income for the family participate more in business activities.
- Nature of education system. Women who are exposed to a more practical education system do participate more in entrepreneurship while women who are exposed to a more theoretical system of education hardly participate in business.
- Political climate. Women who live in politically stable areas easily participate in business whereas women who stay in politically unstable regions do not easily engage in business activities.

Barriers/Obstacles To Women Participation In Entrepreneurship

- ✓ Discriminatory Labour Market Practices. This leads to low payments for women.
- ✓ Limited access to finance by women. This makes it difficult for women to start their own business activities.
- ✓ Early marriages. This limits women access to education and hence limited participation in business activities.
- ✓ Limited role models and career guidance for women. This leaves many women without inspiration or motivation to engage in business activities.
- ✓ Double demands on girls. These include traditional demands like having to prepare meals and school demands, which leads to low education performance/grades and limited involvement in entrepreneurship.
- ✓ Negative parents' perception about a girl child. Some parents still believe that educating a girl child is a wastage of resources and they tend to keep them at home hence limiting their participation in business activities.
- ✓ Relegation of women to the home following colonization where only men were trained for assistant administrative roles.
- ✓ The masculine image of science and other technical subjects projected in text books and in the community. this limits women entrepreneurial abilities

- ✓ Too much marital demands for women. Women have a lot of responsibilities to do in marriage which leaves them with little or no time to engage in business activities.
- ✓ Negative attitude of some women towards business activities. Some women believe that it is men who are supposed to engage in business activities and this limits women's participation in entrepreneurship.
- ✓ Limited accessibility to child care facilities. Child care facilities are few and expensive which limits women's involvement in business activities since they have nowhere to live their children.
- ✓ Low levels of sensitization about the benefits of women involvement in business. This information gap limits women participation in entrepreneurship.

SOLUTION TO BARRIERS TO WOMEN PARTICIPATION IN ENTREPRENEURSHIP

Providing easy and subsidized financing for women's entrepreneurial projects

Developing of career counseling or guidance sensitive to girls' needs and making visible the existing successful women entrepreneurs to act as role models.

Ensuring that job opportunities for women combine flexible work patterns and child care facilities

Providing special incentives for girls to study science subjects and entrepreneurship education

Reducing the administrative requirement for women to participate in entrepreneurship, such as license fees

Promoting women entrepreneurs to high areas of growth i.e job promotions

Reducing labour market discrimination by recognizing the abilities/talents of the girls by employers

- Offering prizes and recognition to outstanding women entrepreneurs
- Practicing family planning so as to get more time to participate in business activities.

Ways to reduce gender imbalance in accessing education and entrepreneurship

- ✓ Raising general awareness of issues and modification of socialization patterns. It involves community sensitization about equal opportunities for men and women in entrepreneurship.
- ✓ Stopping subject bias on sex. There is need to encourage girls not only to take home economics but also technical courses.
- ✓ Encouraging girls to take science subjects. Girls need to take subjects like physics, chemistry and business related subjects

- ✓ Avoiding discrimination in the labour market. Women and men need to have equal treatment in the labour market when awarding opportunities.
- ✓ Providing equal educational facilities for girls and boys. This helps to solve labour shortage and equips girls with required skills.
- ✓ Giving special incentives to women education. Special consideration for girls like free 1.5 points to university added helps to encourage them stay in school and take science and entrepreneurship courses.
- ✓ Giving flexible work terms and conditions to women. These include sick leave, maternity leave etc.

TOPIC:9

8.0: BUSINESS PLANNING

Overview: This topic equips a learner with skills to prepare a a marketing plan, production plan, organizational plan and financial plan; all of which act as a road map to the success of a business.

A **Business plan** is a document that summarizes the operational and financial objectives of a business and it contains detailed plans and budgets to achieve the set objectives.

Users of the business plan

- | | |
|-------------------|--------------|
| ➤ Entrepreneurs | ➤ Customers |
| ➤ Managers | ➤ Financiers |
| ➤ Other employees | ➤ Government |
| ➤ Suppliers | |

STEPS INVOLVED IN PREPARING A BUSINESS PLAN

1. Selecting the type of business to engage in. that is, trading, service, agri business, or manufacturing business.
2. Conducting market research. This is aimed at identifying customer's needs.
3. Collecting relevant data and information concerning the different aspects of the business e.g. raw materials, labour requirements, cost of machinery among others.
4. Drafting a proposed business plan. This is a sample business plan
5. Discussing the drafted business plan with an experienced person with similar business for advice.
6. Finalizing the business plan and preparing an action plan for implementation.

FUNCTIONS/REASONS/RATIONALE FOR PREPARING A BUSINESS PLAN

1. To test the feasibility of the business idea. That is, the ability of the business idea to be implemented using the available resources.
2. To assess the viability/profitability of the business.
3. To identify the business challenges and provide for solutions in advance.
4. To secure funding such as bank loans.
5. To assist management in setting goals and long-term planning.
6. To identify gaps for further research.
7. To give a new business the best possible chance of success.
8. To attract employees especially the organizational plan.
9. To attract investors especially the financial plan.
10. To act as a time table for the implementation of business activities.
11. To help the entrepreneur define specific objectives of the business.
12. To act as a basis for obtaining permission to start a business.
13. To provide a benchmark against which the future performance of the business is measured.

The structure, components, layout, elements, or contents of a business plan

These include;

1. Executive summary
2. General description of the business
3. Statement of vision, mission, goal and objectives
4. Marketing plan
5. Production plan/operation plan
6. Organizational plan/Administrative/Human resource/Management
7. Financial plan
8. Action/implementation plan

Executive summary

Is an overview of the key points of the business plan. It contains the following;

- ✓ The background of the business. This shows when the business was started, ownership of the business, and location.
- ✓ The objectives of the business. These are short term targets of the business to be achieved in less than a year.

- ✓ The products/services offered by the business this shows the goods and services the business offers.
- ✓ Market overview. This shows the existing potential market for the products.
- ✓ Competitive advantage of the business. This shows the strength of the business in comparison with its competitors. That is, what the business does better than the competitors.
- ✓ Projected market growth. This shows the expected expansion of the business especially in terms of increase in sales for a given period of time.
- ✓ Funding requirements of the business. Shows the amount of money still needed by the business and for what purpose.
- ✓ The key members of the business. This shows the main stakeholders and owners of the business including the positions they hold in the business.
- ✓ Future plans of the business. Looks at future development plans of the business.
- ✓ Charts/tables showing financial forecasts of the business. E.g. estimated cash flows

Illustration:

CROWN BAKERIES LTD
P.O. BOX 2345 KAMPALA

Executive summary

Background of the business: Crown Bakeries Ltd was established on 1st January 2001 by a prominent entrepreneur called Varsani Shreya.

Vision: “To be the leading producer of bakery products within East Africa.”

Mission statement: “To provide high quality bakery products to our customers at affordable prices.”

Objectives:

To increase profits of the business by 5% in the next 3 months.

To produce 500 cakes every week in the next 6 months.

To increase the market share by 10% in the next 6 months.

Product offered: Crown Bakeries Ltd produces bread varieties such as white bread, salt bread, and cake varieties such as vanilla cake, chocolate cakes, and pies.

Market overview: There is an increasing number of customers buying bakery products in Uganda especially due to increasing population size and also increase in average incomes of people.

Competitive advantage: Crown Bakeries Ltd employs advanced technology better than that of its competitors such as automatic machines like ovens, mixtures. The business also employs highly skilled workers some whom are foreign experts.

Projected growth: The business expects to increase its production capacity to 10,000 loaves of bread per week at the end of 3 years.

Funding requirements: Crown Bakeries Ltd needs to acquire a loan of sh 20,000,000 so as to purchase production machinery such as ovens 8 mixtures. The business plans to pay back the loan in interest in the space of 3 years.

Key members: The members of the business include Mrs. Shrey Varshani who is the board chairperson of Crown Bakeries Ltd and also she is the secretary for Uganda's Manufacturers Association.

Future plans: Crown Bakeries Ltd plans to open up a production plant in Nairobi in the year 2020.

General Description Of The Business: Components include

1. Name and address of the business
2. Business location. Shows the physical place where to find the business. That is, district, plot number, village, among others.
3. Purpose of the business. This explains both the long and short term targets of the business. That is, vision, mission statement, goals and objectives
4. Products offered. Goods and services the business deals in.
5. Nature/legal ownership of the business. Shows the type of business and form of business ownership. That is, manufacturing, service, agribusiness or trading business; sole proprietorship, partnership or joint stock Company.
6. Source of business fund. Shows where the business plans to get its capital.
7. Target market/customers served. These are people the business plans to sell its products to.
8. Description of fixed asset. This shows the long term belongings of the business, their size, and number, among others.
9. Uniqueness of the business. This captures business features/aspects that make it stand out/different from other similar businesses.

10. SWOT Analysis. This refers to the strengths, weaknesses, threats and opportunities of the business.

- i) **Strength.** Is what the business does better than the competitors. E.g. good quality products and better customer care.
- ii) **Weaknesses.** Is what the business does poorly compared with competitors. E.g. poor quality products and poor technology
- iii) **Opportunities.** These are advantages enjoyed by the business due to its location in the environment. E.g. well developed roads and improved security
- iv) **Threats.** These are challenges faced by the business due to its location in the environment. E.g. bad weather, high inflation, and limited space for expansion.

11. Date of establishment. This shows the date on which the business was started.

Illustration:

CROWN BAKERIES LTD
P.O. BOX 2345 KAMPALA
GENERAL DESCRIPTION OF THE BUSINESS

Name & address f the business: The name of the business is Crown Bakeries Ltd, P.O. Box 2345 Kampala.

Business location: The business is located on plot 10 20km along Kampala-Jinja highway, Nakawa division.

Purpose of the business: -

Vision: “To be the leading producer of bakery products within east Africa.

Mission statement: “To provide high quality bakery products to our customers at affordable prices.”

Goals: To increase profits of the business by 20% in the next 3 years.

To produce 1000 cakes every week in next 3 years.

To increase the market share by 20% in the next 3 years.

Objectives: To increase profit of the business by 5% in the next 3 months.

To produce 500 cakes every week in the next 3 months.

To increase the market shareby 5% in 6 months.

Products offered: Crown Bakeries produces bread varieties such as white bread, brown bread, cake varieties such as vanilla cake, chocolate cake.

Date of establishment: Crown Bakeries was established on 1st January, 2001.

Nature of the business: Crown Bakeries Ltd is a joint stock company owned by 3 shareholders and it deals in production of bakery products.

Source of business of bakery products: This includes personal savings from the entrepreneurs through sell of shares, bank loan from Crane Bank.

Target market: The target customers of the business include supermarkets, small retailers, education institutes and the general public.

Description of fixed assets: This include buildings such as the factory block, vehicles such 2 Isuzu Trucks, machinery such as mixers and ovens, one acre piece of land among others.

Uniqueness of the business: These include production of high quality product such as attractive production materials i.e. white and blue polythene bags.

SWOT Analysis:

Strength of the business; provision of after sale services e.g. customers who buy more than 500 loaves of bread is given transport facilities.

- Providing discounts. A discount of 500 shillings per loaf is given to customers who buy in large quantities.
- Good customer care
- High skilled workers
- Good quality products
- Ideal location
- Use of advanced technology
- High access to capital
- Strong brand name
- Attractive packaging

Weakness:

- Unskilled workers
- Low levels of technology
- Poor quality products
- Poor packaging of products
- Poor sanitation
- Poor customer care

Opportunities:

- Ready market due to increasing population.
- Well developed infrastructure
- Availability for cheap labour
- Presence of raw materials
- Availability of enough electricity to run machines.
- High level of security in the area.
- Favourable government policies such as low taxes.

Threats:

- Insecurity
- Stiff competition
- Undeveloped infrastructure

Statement of Vision, Mission, Goals and Objectives

- i. A vision.** Is an inspirational statement of what a business would like to become in future. E.g. ‘To be the leading providers of bakery products in East Africa’
- ii. A mission statement.** Is a brief description that explains the fundamental purpose of the business and how to achieve it. E.g. “To provide high quality bakery products to our customers at affordable prices”

Benefits of preparing a mission statement

- it defines the scope of the business. That is, the business area of operation in terms of products.
 - It provides a basis for setting business goals and objectives
 - It reminds customers what the business offers
 - Provides a permanent point of reference during period of change
 - It brings together internal stakeholders of the business who have /hold different views about the business
 - Facilitates communication towards customers and investors
 - Provides strategic options to be taken to achieve business targets
- iii. Goals.** These are long term targets of the business to be achieved one year and above. E.g. ‘To increase sales by 10% within 1 ½ years’
 - iv. Objectives.** These are short term targets of the business to be achieved in less than a year. E.g. “ To increase sales by 10% within 6 months”

Marketing Plan

Is an analysis of the possible position and opportunities of the planned business in the current market situation.

Factors considered when preparing a marketing plan

- ✓ Target customers. This includes the people the business intends to sell its products to.
- ✓ Products offered. This includes the items the business provides to the customers.
- ✓ Position of competitors. This includes who your competitors are their strength and how long they have been in the industry. It also includes how you plan to out-compete them.
- ✓ Pricing strategies. This includes how much you are charging your products in comparison with competitor product prices.
- ✓ Projected sales. This includes the amount of revenue to be bought from the sell of goods or services in a given period of time.
- ✓ Distribution strategies. This includes how products will move from the business premises to the customer.
- ✓ Sales promotion and advertising strategies. This includes how the business plans to attract customers to buy its products.
- ✓ Projected marketing expenses. This includes costs incurred by the business when marketing its business.

Illustration:

CROWN BAKERIES LTD
P.O. BOX 2345 KAMPALA
MARKETING PLAN

Target customers. The target customers of the include supermarkets, small retailers, education institutes and the general public.

Products offered: Crown Bakeries produces bread varieties such as vanilla cake, chocolate cake.

Position of competitors: These include Hot Loaf Bakeries, Bravo Bakeries in Kampala, Dipika Bakery in Kireka and these have been in existence for more than 10 years. However Crown bakeries boost of high quality products and lower prices which will help business to outcompete its competitors.

Price strategies: A business sells its products at low prices such as 1kg loaf of bread is sold at shs. 3,500 and yet competitors sell a loaf at shs. 4,000

Item	Crown Bakeries	Dipika Bakery	Bravo Bakery
1kg loaf of bread	Shs 3,500	Shs 4,000	Shs 4,100
Chocolate cake	Shs 4,000	Shs 4,500	Shs 5,000
Doughnut	Shs 500	Shs 600	Shs 800

Project sales: The business expects to sell goods worth shs. 10,000,000 a week.

Distribution strategies: A business uses a medium distribution channel where it sells its products to retailers then to consumers.

Sales promotion and advertising strategies: Crown Bakeries promotes its products through advertising on radio, offering discounts to those who buy more than 20 loaves, offering credit facilities to credit worthy customers, giving business cards to investors among others.

Project Marketing Expenses

Item	Qty	Unit Price (Shs)	Total (Shs)
Newspaper	5	300,000	1,500,000
Sales person	10	10,000	100,000
Television	3	50,000	150,000
Radio	10	2,000	20,000
Banners	3	25,000	75,000
Total			1,745,00

Production Plan/Operation plan

Is an analysis of the projected needs for manufacturing the proposed goods or services.

Components of a production plan

- Business site and location. Shows where the business production facility is located.

- Description of day to day operation of the business. Shows the daily activities carried out by the business and time of operation.
- Machinery and equipments used. Show the type of machines, their source and cost.
- Description of the actual production process. This shows the stages taken to produce a given product.
- Quantities produced per day, week or month (plant capacity). This explains the business product out put in a given period of time.
- Production standards such as quality control standards. This shows ways to ensure production of good quality products.
- Raw materials used. That is, type of raw materials, their source, quantity and cost.
- Purchasing plan. Shows how the business plans to buy its products. E.g. whether to buy in large quantities or small quantities, re-order level, among others.
- Utilities (power & water). Type of utility and its cost or per production cycle. per day
- Packaging materials used i.e. type, source, quantity and cost.
- Transport costs. That is, method transport and cost
- Waste management. Shows how the business disposes off waste products.
- Labour requirements. That is, number of employees and skills required.

Illustration:

CROWN BAKERIES LTD
P.O. BOX 2345 KAMPALA
PRODUCTION PLAN

Business site and location: The business is located on 1020km along Kampala-Jinja road, Nakawa division. The business site was selected because it is easily accessible and near many schools and supermarkets.

Description of day to day operations: Bread production is carried out on a daily basis from 5:00am to 6:00pm.

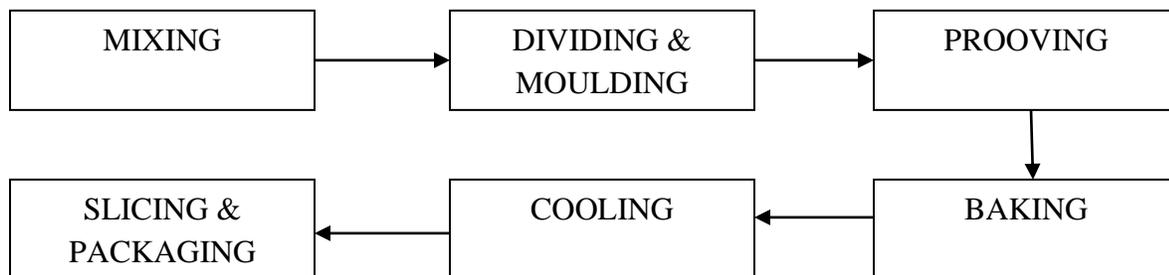
Machinery and equipments used, their source and cost. Crown Bakeries uses both power driven and hand operated machines. This produces a capacity of 500 loaves of bread per day. Most of the machines are bought from German because of their quality and lower prices charged.

Summary costs for machinery and equipments

Item	Quantity	Unit cost (shs)	Total cost (shs)
Generator	2	1,000,000	2,000,000
Mixers	3	2,000,000	6,000,000
Oven	5	5,000,000	25,000,000
Slicing machine	1	500,000	500,000
Total cost			33,500,000

Description of the actual production process. Crown Bakeries produces high quality bakery products basing on the projected demand, it produces 500 loaves of bread.

Production process for bread



Raw materials required: The major raw materials include wheat flour, yeast which is sourced from local suppliers and Arab countries especially for yeast.

Labour requirements: Crown Bakeries employs 3 technical workers with skills food science and technology and 10 casual workers with A level certificates.

Summary of Labour costs

Item	Quantity	Salary/wage (shs)	Total cost (shs)
Technicians	3	700,000	2,100,000
Ass. Technicians	3	400,000	1,200,000
Casual	10	200,000	2,000,000
Total cost			5,300,000

Packaging materials used: The bread is packed in transparent blue and white polythene bags. The business also uses paper bags for purchasing customer's products.

Power and utilities: The business uses both electricity and diesel power generator. The generator was brought at shs. 1,000,000 so as to avoid production stoppage in case of electricity failure. The cost of electricity is shs. 35,000,000 per month.

Transport costs: The bakery owns 4 trucks used to move raw materials from the suppliers to the factory premises and also to distribute finished products to the market centres. Monthly transport costs in form of fuel is shs. 3,000,000.

Waste disposal: Waste products such as damaged and expired bread is dumped in plastic bins form where KCCA picks it from.

Purchasing and Re-order level plans: The business buys raw materials in large quantities so as to reduce transport costs as well as obtaining discounts.

Organizational/Administrative/Human Resource Plan

This is a frame work around which people, machines and other physical parts of the plant are put together to have a moving organization.

Factors considered when preparing an organizational plan

- ✓ People to work in the business. This shows the number of workers to be employed.
- ✓ Tasks to be performed by each worker. This shows the responsibilities of the workers and their supervisors.
- ✓ The skills and qualifications of workers. E.g. technical abilities required for particular duties.
- ✓ Administrative/organizational structure. This is a chart showing the different positions in the business and hierarchy, and how different departments relate.
- ✓ Employment terms. That is, permanent, part time or contract basis.
- ✓ The amount to be paid to each worker. This includes the monthly salaries or wages to be paid.
- ✓ Fringe benefits. These are allowances given to workers e.g. housing, medical, and transport allowance.

Illustration:

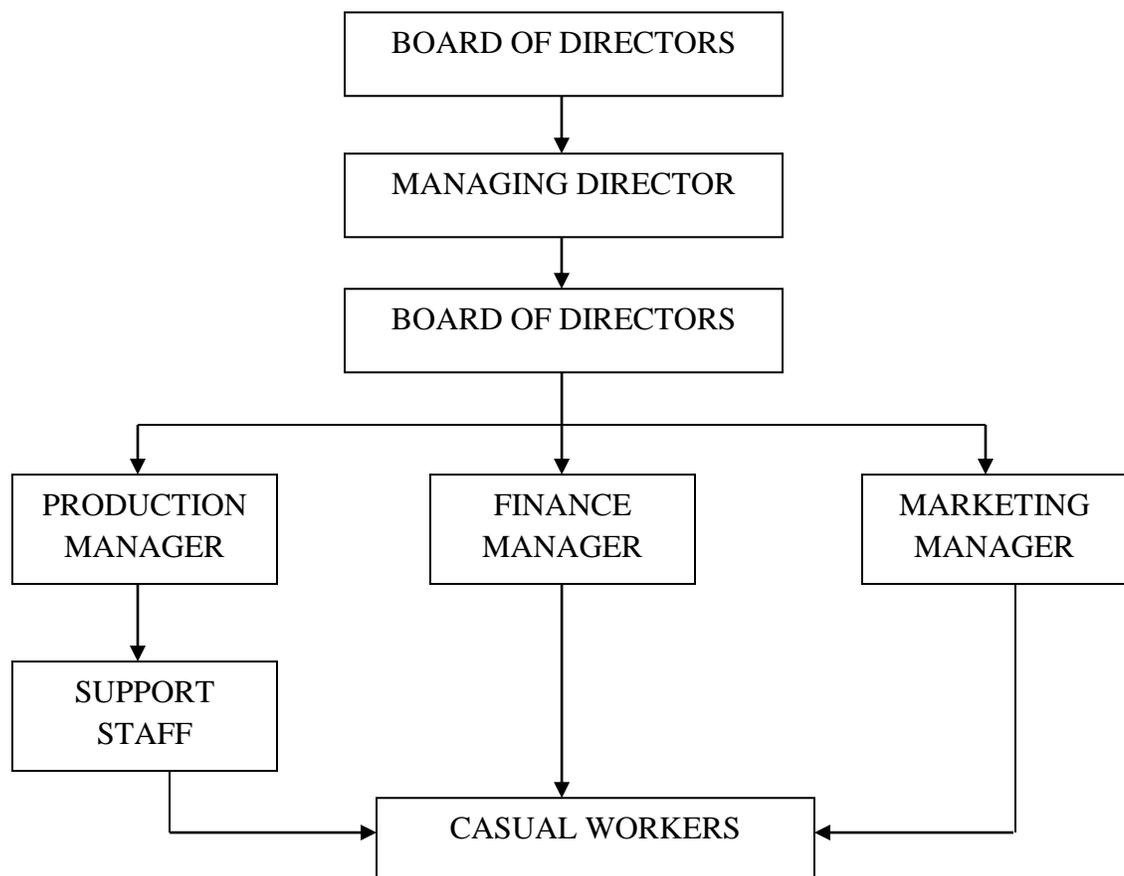
CROWN BAKERIES LTD
P.O. BOX 2345 KAMPALA
ORGANIZATIONAL PLAN

People who work in the business. Crown Bakeries employees 16 workers. This includes the general manager, financial manager, production manager, marketing manager, 2 production staff and 10 casual workers.

Tasks to be performed: The general manager is in charge of the overall supervision of the business. Financial manager is in-charge of receiving and payment of money. Production manager is the head of all production activities in a business. Casual workers are responsible 4 cleaning the compound among other tasks.

Skills and qualification of workers: The general manager possess a master's in Business Administration, production Manager possess a Bachelor of Food Science and Technology, Financial Manager in Finance and then casual workers possess a certificate in A' level.

Organizational structure



Employment terms: The business employs workers both on permanent and part time basis. The general manager, finance manager are employed on permanent basis while casual workers are employed on part time basis.

Amount to be paid. The General Manager is paid 1.5 million per month. Casual workers are paid shs 200,000 per month.

Other fringe benefits: The General Manager is given housing allowance of shs. 300,000 per month airtime allowance of shs. 100,000 per month, airtime allowance of shs 100,000 per month, casual workers are given shs. 2000 per day.

Financial Plan

Is an analysis of the projected financial needs of the proposed business.

Components of a financial plan

- ✓ Projected cash flow. Shows the planned sources of cash inflow and cash outflow.
- ✓ Projected balance sheet. Shows the expected financial positions of the business as at a particular date,
- ✓ Projected incomes or sales. Shows the expected revenue to be received from the sale of goods in a given period of time.
- ✓ Source of finance and associated costs of the respective. Shows where the business plans to get its capital such as personal savings, loans, sell of shares, among others.
- ✓ Taxes on income
- ✓ Breakeven analysis/break even sales. Shows the amount of business sales required to cover the total costs of the business.
- ✓ Profitability of the business. This shows the expected returns to be earned by the business in a given period of time.
- ✓ Fixed capital requirements. Shows the different long term assets of the business such as buildings, vehicles, machinery, among others.
- ✓ Working capital requirements. Shows the different business expenses required in the day to day running of the business.
- ✓ Start up costs. Shows expenses incurred by the business before beginning actual production.

Illustration:

CROWN BAKERIES LTD
P.O. BOX 2345 KAMPALA

FINANCIAL PLAN

Item (S)	Amount (Shs)	Total Amount (Shs)
Fixed capital		
Buildings	50,000,000	
Land	20,000,000	
Machinery	30,000,000	
Motor vehicle	50,000,000	
		150,000,000
Start up costs		
Market research	100,000	
Advertising	500,000	
Licence	5,000,000	
Business registration	3,000,000	
		8,600,000
Working capital		
Salaries & raw materials + wages	500,000	
Rent	500,000	
Electricity	3,000,000	
		4,500,000
		281,100,000

Projected sales/incomes: The expected sales for the business are estimated to be shs 50,000,000 per year.

Profitability of the business: The expected profit is shs. 10,000,000 per year.

Sources of finance: The main source of business finance include personal savings, a bank loan and donations.

Source of business finance	Amount (shs)
Personal savings	30,000,000
A bank loan	40,000,000
Donations	30,000,000

Cash flows: The following are the sources of cash inflow that is cash at the beginning of a planning period, cash from debtors, share capital and the cash outflows include Direct costs, cash payments for labour related expenses.

Break even analysis/break even sales of the business. This is where the total revenue of the business equals to the total cost in a given year. This is expected to be 90,000 unit I loaves of bread per year.

Action Plan/ Implementation Plan

This is a time table for the implementation of the planned business activities in a logical order.

Uses of an action plan

1. It helps the entrepreneur to remain focused during the implementation of the business.
2. It helps to identify business challenges in advance and solve them.
3. It helps to mobilize resources such as funds and information needed for the business.
4. It acts as a timetable for the implementation of the business activities.
5. It helps the entrepreneur to budget for the project.
6. It helps to monitor the progress of the business.
7. It helps the entrepreneur in allocating responsibilities to employees.
8. It helps to get information and feedback on the performance of the business.

Illustration:

CROWN BAKERIES LTD P.O. BOX 2345 KAMPALA ACTION PLAN				
Activity	Time	Resources needed	Person in-charge	Remarks
Selection of the business site	11/04/2017	Transport	Entrepreneur	
Obtaining funds	21/04/2017	Collateral security	Entrepreneur	
Purchasing land	23-30/04/2017	Capital	Entrepreneur	

Construction of buildings	From 03/05/2017 to 03/08/2017	Building materials, labour, money	Project engineer	
Installing of machines	04/09/2017 – 05/10/2017	Money, funds, labour, transport	Project engineer	
Recruitment of workers	06/10/2017 – 06/11/2017	Money, stationary, refreshments	Recruitment agency	
Purchasing of raw materials	07/11/2017 – 14/11/2017	Transport Money	Purchasing manager	
Starting normal production	01/12/2017	Labour	Production manager	
Prepared by Signature Name: SHREYA VARSANI Title: PRODUCTION MANAGER	Approved by Signature Name Title			

Challenges faced in implementation of a business plan

1. Limited funds
2. Limited cooperation among stakeholders
3. Industrial unrests (strikes among employees).
4. Resistance from competitors
5. Incompleteness of the business plan
6. Underdeveloped infrastructures like roads.
7. Natural calamities like floods, landslides.
8. Unrealistic priorities/targets
9. Low levels of technology
10. Laziness of the entrepreneur
11. Threats from the community
12. Limited information
13. Insecurity
14. Corruption and embezzlement by business employees.
15. Economic instabilities such as high inflation
16. Government interference
17. Inconsistencies in the flow of donation

Tools used in monitoring business operations

Monitoring refers to a set of activities undertaken to ensure that the business objectives are achieved.

The following tools are used in monitoring business activities;

1. Sales targets

This involves keeping records of actual sale and periodically compare them with the set targets.

2. Cash flow statement

This shows the entrepreneur how much and from where the business would get its cash and how it would be spent in a given period.

3. Bank statement

This shows the various transactions between the bank and customer during a given period of time.

4. Balance sheet

This shows the assets, liabilities and capital as at a particular date.

5. Stock records

This is done through stock taking, physical stock counting, stock valuation among others.

6. Production targets

This involves keeping record of actual production output and periodically compare it with the set production targets.

7. Operational budget

This shows the summary of expected income and expenses over a given period of time.

8. Work order and work schedules

This ensures that work is done effectively and efficiently.

i) Work order: Is a document where the customer's work to be done is recorded.

<p style="text-align: center;"> VARSANI FURNITURES LIMITED P.O. BOX 21367 KAMPALA WORK ORDER FORM </p>							
Date	Customer's name and address	Work description	Employees responsible	Start time (Date)	End time (Date)	Work order No.	Job cost (shs)
12/04/2017	Kato Norman P.O. Box 23 Tel: 071223459	Painting doors	General staff	13/04/17	14/04/17	01	2,000,000
12/04/2017	Shrey Varsani P.O. Box 44 Tel: 0771526897	Wardrobe making	General staff	15/04/17	17/04/17	02	1,000,000

14/04/2017	Brian Mark P.O.Box 52, Muyenga Tel: 0414363636	Door fixing	General staff	17/04/17	20/04/17	03	1,500,000
Prepared by Signature Name: SHREYA VARSANI Title: SALES MANAGER				Approved by Signature Name Title			

- ii) Work schedule: Isa document that specifies the work to be done, the customer's name when it will be done and employees to do the work.

<p style="text-align: center;"> VARSANI FURNITURES LIMITED P.O. BOX 21367, KAMPALA WORK SCHEDULE </p>						
Day	Customer name and address	Work description	Employees description	Start time	End time	Work order No.
Monday	Kato Norman P.O. Box 23 Kamuli Tel: 071223459	Painting doors	Deo Kamoga Arafat Atusime	8:00am	5:00am	01
Tuesday	Shrey Varsani P.O. Box 44 Tel: 0771526897	Making wardrobes	Taha Ahmed Kenan	9:00am	6:00am	02
Wednesday	Brian Mark P.O.Box 52, Muyenga Tel: 0414363636	Fixing doors	Deo Kamoga Ampaire Brenan	8:00am	5:00am	03
Prepared by Signature Name: BHARVI SUTHAR Title: SALES MANAGER			Approved by Signature Name Title			

Importance of work scheduling

1. It enables the completion of the work on time.
2. Enables one to meet customer's order in time.
3. It facilitates sequencing of time or certain jobs need to be completed.
4. It reduces overlapping of work functions to the organizations.
5. It helps in coordination of work in your business with those of other businesses.
6. Helps to reduce time wastage due to poor time management since workers are busy on their work.

Importance of an operational budget

1. It enables an entrepreneur to know the sources of income to run the business operations.
2. It helps the entrepreneur to prioritize the expenditure of the business basing on the available funds.
3. It enables the entrepreneur to calculate the cost of goods sold in a given period.
4. It helps an entrepreneur to price the goods appropriately so as to get the desired profit.
5. It enables in calculating the profitability of the business for a given period.
6. It's used in fixing business targets e.g. expected sales and profits to be realized in a given period.
7. It helps to ensure that the cost doesn't exceed the budgeted figures for the business.
8. It helps to limit deviation and take corrective actions as it is used as a guide.
9. It is used as a planning tool and helps in monitoring the business operations.

Functions for monitoring business activities

1. To show the organization's transaction to financiers.
2. To measure achievements of the management through use of business plan.
3. For calculating profit or losses suffered by a business in a given period of time.
4. To check on the financial position of the business.
5. To find how much and where the business obtains cash.
6. To assess whether all the business departments are achieving their target.
7. To plan for the production process as per the schedules.
8. To follow up the materials issued and received into the store in a given period time.
9. To keep the records of actual periodical sales and production to compare with targets.
10. To compare the actual profits with the plan.

TOPIC:10

9.0: PRODUCTION MANAGEMENT

Overview: production management equips a learner with skills in making production decisions, product design, quality control, inventory control, cost control, and management of the product life cycle.

Production management is the process of planning for production and ensuring that your production plans are put into efficient operation.

Production is the process of transforming inputs into goods or services that satisfy a want or need. Inputs can be tangible e.g. raw materials, semi finished goods or intangible e.g. ideas, information and knowledge.

A product is a good or service that is intended for sale and satisfy a want or need.

Types of products

The business can either offer a good or service.

- A good is a tangible item that can be owned and stored e.g. books, shoes, etc.
- A service is an intangible economic activity that cannot be stored and owned for ex, education, insurance, baking, clearing.

How to make a product different from others

- Through unique packaging. A product is wrapped in a unique box so as to differentiate it from others.
- Branding. This involves giving a distinctive name to a product so as to differentiate it from other similar products.
- Using different product attributes/features e.g. fashion, material, durability, texture etc.
- Producing better quality items
- Through unique pricing of products.

Capacity Planning and Design

This focuses on the factors and operational ingredients/inputs needed to produce the targeted number of units of a product. These factors include;

- Physical capacity needed (space needed)
- Equipment and tools required
- Amount of labour required
- Time needed to produce the total number of products
- Amount of raw materials and supplies needed
- Any other support assistance

Factors considered when developing a new product

- Availability of raw materials
- Production facilities required
- Production standards to be observed
- Customers' needs
- Products of competitors
- Environmental considerations

Production process

It refers to the steps involved in producing a particular product. They include;

Step

1. Carrying out marketing research
2. Developing a product idea
3. Translating a product idea into a product design
4. Acquiring raw materials
5. Carrying out the actual production while observing quality standards
6. Packaging the products
7. Branding the product
8. Branding the product distributing the product
9. Distributing the product
10. Making the follow up of customers to find out how the product is performing in the market
11. Making any improvements desired

Factors Affecting Production Decisions

- **Facilities and organization.** Presence of required equipments and buildings encourages production decisions while limited access to equipments discourages production decisions.
- **Sales potential.** High sales potential encourages production decisions while low sales potential discourages production decisions.
- **Costs.** High costs involved discourage production decisions while low costs encourage production decisions.
- **Sales promotion and growth.** Existence of good sales promotion methods encourages production decisions while poor sales promotion methods discourage production decisions.
- **Money requirements.** High initial capital required discourages production decisions while low capital encourages production decisions.
- **Labour requirements.** Presence of required labour encourages production decisions while limited access to labour discourages production decisions.
- **Supply sources.** Easy access to raw materials encourages production decisions while limited access to raw materials discourages production decisions.

- **Transportation.** Presence of well developed transport system encourages production decisions while poor transport system discourages production decisions.
- **Acceptance by the community.** High community support of business activities encourages production decisions while low community support discourages production decisions.
- **Legal requirements.** Favorable legal requirements such as licenses, encourage production decisions while unfavorable laws discourage production decisions.
- **Past experience in production.** High experience in production facilitates production decisions while limited experience discourages production decisions.
- **Political climate.** Favorable political climate encourages production decisions while unfavorable political climate discourages production decisions.
- **Capacity utilization.** High capacity utilization of business facilities encourages decision making while low capacity utilization limits decision making.
- **Climate / weather conditions.** Favorable weather conditions especially for farming businesses encourages production decisions while unfavorable weather conditions discourage production decisions.
- **Distribution channels used.** Effective distribution channels for business products facilitate production decisions while poor distribution channels limit production decisions.

Measures for Reducing Production Costs (Ways of Minimizing Cost and Maximizing Profits)

- Through ensuring that raw materials and other inputs are received in time. This helps not to disrupt the production process.
- Through proper storage of inventory. This helps to avoid losses arising from damages.
- Through clearly specifying duties and responsibilities of employees. This helps to minimize conflicts, duplication of tasks, and lack of coordination and wastage of time.
- By training workers. This equips labour with more relevant skills required to increase efficiency in production. (Production of a maximum output at a low cost).
- Through strict supervision and monitoring of workers. This helps to minimize wastage of time and other production inputs.
- Through purchasing high quality raw materials and other inputs from cheaper sources. This helps to keep production costs low.
- Through adequately motivating workers. This improves employees productivity (quality and output) hence reducing on production costs.

- Through re-using/recycling business products. This helps reduce the cost of raw materials since scrap products are cheaper.
- Through employing part time workers. This helps reduce on the cost of employing full time workers yet the work available can't occupy them full time.
- Through proper accountability of business funds. This helps to avoid unnecessary/wasteful expenditure of business money.
- Through proper numbering of storage bins. This enables easy reference and retrieval of inventory.
- Introducing support facilities like tools and equipment possible. This helps to ease the process of handling work.
- Fixing time standard for all operations. Maximum and minimum time for any operation or process should be observed to avoid time wastage.

Purchasing skills

Purchasing is keeping production supplied with the required goods and services at the right price.

For effective purchasing or procurement of raw materials (production inputs) the business follows set guidelines/rules and regulation. These are known as principles of purchasing. They include;

1. Right quality. Is the ability of the item bought to serve the intended purpose. This refers to the suitability of an item bought for the purpose it is required.
2. Right quantity. This helps to avoid over stocking and under stocking.
3. Right time. Production inputs should be purchased when stock (for a particular item) reaches its minimum level/re-order level.
4. Right source. This is a supplier who can provide the required materials at the right price and right time.
5. Right price. This is the price which brings the best value for the money invested in purchasing the materials. Deciding the right price depends on a number of factors among which include quality, delivery time, product life span, after sales services, discounts offered, terms of purchase, etc.
6. Right place. Required materials should be purchased from a place with good transportation and low materials handling costs.

The purchasing process

The following are the procedures entrepreneurs should follow when purchasing inputs from suppliers.

1. **Determining your business needs.** The customers' needs help to determine the material needed to produce the required goods.
2. **Identifying potential suppliers.** These are suppliers who sell goods the business needs. This can be done through;
 - i) **Asking your business friends**, people who work with you and others and even try to find out suppliers used by your competitors.
 - ii) **Contacting business organization** e.g. Uganda Local Chamber of Commerce.
 - iii) **Reviewing newspaper, magazines, trade journals, telephone directories** for names and addresses of potential suppliers.
3. **Contacting the suppliers.** This is done by visiting the supplier's offices, making phone calls, or sending letters of inquiry.

The letter of inquiry seeks to find out the following;

- Availability of goods needed by the business in the desired quantity and quality.
- Terms of payment i.e. cash or credit basis
- Discounts offered
- Terms of delivery
- The suppliers lead time

N.B: The supplier responds to an inquiry through writing a quotation

4. **Selecting the best supplier.** This is a supplier who offers the best products and terms of sale.
5. **Ordering for supplies.** A purchase order can be made orally or by writing a local purchase order (LPO). It is important however to make a written order for reference purposes when goods are delivered.
6. **Checking the goods as soon as they are received.** The buyer checks the items received to ensure that what was ordered for is actually what has been delivered.

The buyer signs a delivery note as proof that he has received the goods listed. However some suppliers send an invoice instead of a delivery note or they send both.

NB. An invoice is a document sent by the supplier to the buyer showing the items that have been sold on credit and then amount due.

7. Making sure that the invoice is correct. This involves comparing the invoice with the delivery note to ensure that details of items are the same on both.
- NB. In case of an overcharge in the invoice, the supplier writes a **credit note** while in case of an undercharge the supplier writes **debit note**.
8. Making the payment to the supplier by cash or cheque. Here you are given a receipt which serves as evidence for payment.

Documents Used in Purchasing

1. **Letter of inquiry.** After purchase requisition from different departments is made, the department sends a letter of inquiry to different suppliers requesting them to quote prices for supply of materials required.

<p>WALWEMA METAL WORKS P.O.BOX 694, MBALE TEL. 0452345678</p>			
<p>LOP NO.002 Date..... To.....</p>			
<p>Dear Sir/Madam</p>			
<p>LETTER OF INQUIRY</p>			
<p>Please quote us your price, terms of payment and delivery for the following</p>			
Quantity	Description	Rate Shs	Amount' Shs
<p>Please note that the items are urgently required Prepared by Sign</p>			
<p>Name</p>			
<p>Title</p>			

2.Quotation. It is a document which shows the price, particulars of a product, terms and conditions of payment. It is sent to customers after receiving a letter of inquiry.

<p>MANAFWA METALS LTD P.O.BOX 4926, MANAFWA TEL.045654323</p>			
<p>QuotationNo. 002Date</p>			
<p>QUOTATION</p>			
<p>M/S</p>			
<p>Dear sir/madam</p>			
<p>In response to your letter of inquiry datedwe are glad to send you the following particulars of goods we have in stock</p>			
Quantity	Description	Rate	Amount

		Shs	Shs
E&OE	TOTAL		
The quoted price include delivery: VAT Quoted by Sign			

3. Local purchase order/purchase order form. After selecting a supplier, an order for supplies is made. The local purchase order (LPO) should be made in at least five copies. Original for the buyer and duplicate to the supplier and copies to: Accounts, purchasing and the user. The ordering stage will involve signing of a contract if appropriate.

WALWEMA METAL WORKS KMMFP.O.BOX 775 MBALE TEL.045654383 No: 2563 Date LOCAL PURCHASE ORDER To: Please supply the following items			
Item no.	Description	Rate Shs	Amount Shs
This order is valid for 2 weeks as delivery period. Suggested nature of packaging; in boxes. -Goods to be delivered to factory premises within two weeks time. Enclosed is a cheque of Shs. 10,000,000 Issued by Sign Kato James KULOBA FRED PURCHASING MANAGER			

4. **Delivery Note.** This is a document that is sent to the buyer along with the goods. The buyer should cross check the goods to ascertain whether what is on the delivery note is what is actually delivered and then sign the duplicate copy and send it to the supplier.

BAKHANA BEAUTY PRODUCTS LIMITED P.O.BOX 2162, SIBANGA TEL. 0452876957 DELIVERY NOTE Delivery note No. 222 Date... Purchases order No..... Item No. M/S.....			
Quantity	Description	Rate Shs	Amount Shs

	Total		
Terms of and conditions of supply			
Delivered by Sign.....			
.....			
All goods are received in good order and condition			
Received by..... Sign.....			

5. An Invoice. This is sent when goods have been sold on credit. It shows details of goods that have been sold on credit and the amount due.

BUSUKUYA ROOFINGS LIMITED			
P.O.BOX 2162, MBALE TEL.0784 963776			
INVOICE			
Invoice No. 271		Date	
LPONo			
M/S.....			
Quantity	Particulars	RateShs	Amount Shs
E&OE	Total		
Accounts are due on demand.			
Terms of delivery			
Terms of payment.....			
Issued by		Sign.....	
Goods received by		Sign.....	

6. Payment voucher. This is a document that authorizes payment. Before payment, the purchase order, delivery note must match with the suppliers invoice. If the three match then the invoice is cleared for payment.

YETANA HARDWARE			
P.O.BOX 694, BUSIA TEL. 0785432189			
PAYMENT VOUCHER			
NO. 296		Date	
Credit to M/S.....			
Account No		Invoice No	
Quantity	Purpose	Rate Shs	Amount Shs
	Total		

Amount in words	
Prepared by	Sign
Authorized	Sign
Received by	Sign

7. Cash Receipt. This is issued when cash has been received from a person.

KHAINZA HARDWARE ENTERPRISES LTD	
P.O.BOX 148, MBALE	
TEL: 0782427900	
RECEIPT	
Receipt No. 1626	Date
Received with thanks from	
The sum of shillings	
Cash/cheque No	Balance
Shs	
With thanks	Sign

9. **Sale Receipt.** This is given when goods have been sold on cash basis.

<p>KAINZA HARDWARE ENTERPRISES LTD</p> <p>P.O.BOX 148, KAMPALA</p> <p>TEL. 0782427900</p> <p>CASH SALE RECEIPT</p> <p>C/SNO. 002Date.....</p> <p>M/S</p>			
Quantity	Particulars	Rate (shs)	Amount
E&OE	Total		
Goods once sold are not returned or exchanged			

Purchasing Of Raw Materials

A raw material refers to a basic material from which products are made through transformation process. Raw materials may either be natural e.g. cotton for cloth, clay for bricks or artificial raw materials e.g. plastic, nylon.

Factors considered in selection of the right supplier of raw materials.

1. **Terms and conditions of payment.** One chooses a supplier who offers better terms and conditions of payment, such as credit terms.

Examples of payment terms include;

Spot cash/cash down payment. This involves simultaneous exchange of products for cash i.e. the buyer pays cash as he picks them from the suppliers' premises.

Cash with order. This is where an order for goods is accompanied by cash payment.

Cash on delivery. Is where cash is paid after goods have been delivered and received by the buyer.

Credit terms. Is where a buyer obtains goods but pays for them at a later date.

2. **Lead time.** An entrepreneur selects a supplier who can deliver the items in the shortest time form when orders are made.
3. **Mode and availability of transport.** One chooses a supplier who has effective means of delivery of goods and at a low cost.
4. **Price variations.** One selects a supplier whose products are less priced without necessarily sacrificing the quality of products.
5. **Taxes charged on the products.** One chooses a supplier whose goods do not attract a lot of taxes due to her/his position in international trade.
6. **Ease of communication with the supplier.** An entrepreneur chooses a supplier who is easily accessible and who is reliable at all times when a need arises for continuous business.
7. **Quality of raw materials.** One chooses a supplier with the right quality of raw materials necessary to meet the business needs.
8. **Quantities available for supply.** An entrepreneur selects a supplier who is able to supply the business with required quantities of goods.
9. **Location of the supplier.** One chooses a supplier who is near the business production unit so as to minimize the operation costs.
10. **Reputation of the supplier.** One chooses a supplier who has a good business record than one with a bad record.

Factors Considered In Selection of Raw Materials

- **Source of raw materials.** Raw materials that are nearer to the business are preferred to those that are far so as to avoid high transport costs.
- **Quality of raw materials.** Raw materials of relatively good quality are selected in order to produce good quality products needed by customers.
- **Terms of purchase.** Most manufacturers select materials whose suppliers offer favorable terms of purchase e.g. credit terms, discounts etc.
- **Cost of raw materials.** The raw materials selected need to be relatively cheap and affordable since high cost materials reduce the business profits.
- **Lead time.** Manufactures select raw materials that can be delivered by their suppliers in the shortest time possible.
- **Availability and reliability of raw materials.** The entrepreneur selects raw materials that are readily available and easy to access when he needs them to ensure continuous production.

- **Amount of units of raw materials used per production cycle.** Businesses prefer using raw materials that yield more output than those with less output.
- **Risk of damage.** Businesses prefer to use raw materials that are less likely to get damaged while in transit or during storage.
- **Amount of waste.** Entrepreneurs prefer to use raw materials that produce as little waste as possible to reduce waste management expenses.

Inventory Management

Inventory is the stock of goods held in the business at a given period of time. Or Refers to stock at hand in form of raw materials, goods in process of production, goods under repair, goods for sale and operating items.

Inventory management refers to activities employed to ensure that the right quantity and quality of stock is maintained at the right time.

Inventory management systems ensure that customers always have enough of what they want and balance that goal against a retailer's financial need to maintain as little stock as possible.

Mismanaged inventory means disappointed customers, too much cash tied up in stock or warehouses and slower sales.

Objectives of Inventory Management

- To minimize tying up a lot of working capital in inventories. This is through ensuring that right quantities of inventories are kept in store to support continuous production.
- To meet demand fluctuations and avoid embarrassing and expensive stock outs. This is through ensuring that right quantity and quality of inventory are kept to match customer's demand.
- To ensure timely replacement of materials for continuous production process. E.g. using the re-order level
- To reduce stock losses due to damage/expiry and theft.
- To allow flexibility in production as well as marketing. The maintenance of high levels of finished goods reduces pressure on the production system and allows them flexibility in time tabling which reduces unit production costs.
- To minimize overstocking and under stocking
- To reduce on storage costs especially rent.
- To ensure efficient use of raw materials.
- To encourage proper accountability for inventory which has been purchased and issued.

Types of Inventories

- ✓ **Raw materials.** These are goods which are not yet subjected or committed to the production processes but have been received by the business to be processed to produce other products.
- ✓ **Work in progress.** These are goods that are still in the production process and have not yet been completed and therefore not yet ready for sale.
- ✓ **Finished goods.** These are goods that have completed the production process but have not yet been sold.
- ✓ **Office supplies.** These are materials used to support the production process e.g. stationery, cleaning materials, computers etc.

Tools Used For Inventory Management

- **Re-order level.** It is the minimum level below which stock should not fall before new orders are placed. It is a technique which forces the entrepreneur to place new orders as the stock is running out so as to avoid stock outs.
- **Lead time.** It is the time it takes from when one places an order and when he receives goods ordered for. It's a time between ordering for goods and actual receiving of the goods. If the lead time is long, one needs to place large orders or place his orders much earlier to avoid stock outs.
- **Working capital.** This is the amount of money used to by stock for given business or meet its day to day (routine) operating needs if an enterprise has little capital it will place small but repetitive orders.
- **Asset register.** Is a document used to record and establish the number of assets usually at the end of the year.
- **Proper stores management.** This involves use of better methods of receiving and keeping in the store to prevent it from getting spoilt, damaged or stolen.

Tools for Store Management

A store is a place where stocks of materials are kept before they are sold or before they are ordered for.

Store management is the application of good methods of receiving and keeping inventory so as to reduce stock losses.

The tools of stores management include

- **Stock card/Bin card.** Is a document showing information about the items in the store. They show the amount of goods available, date when goods were received and issues that have been made.

Stock cards help in determining the re-order level, conducting stock taking and also tracing where stock went.

Stock card

DESMA SPORTS CENTRE P.O.BOX 10							
DSCKAMPALA				<i>STOCKCARD</i>			
Name of item				Item code no.....			
Minimum stock level /Re-ordered level							
Maximum stock level							
Date received	Particulars	Quantity received	Date of issue	Quantity issued	Balance	Issued to	Authorized by

- **Stock requisition and issue form.** This is a document that shows details of what is being requested and corresponding record of issues.

MATYAMA SECRETARIAL BUREAU

P.O.BOX 200, BUGIRI

TELEPHONE: 0778-100200



STOCK REQUISITION FORM

Date	
Form No	097

Department:

Description of materials	Quantity	Rate	Value

Supplied from Bin No

Requisition by	Authorized/Approved by	Received by
Signature:	Signature:	Signature:
Name:	Name:	Name:
Title	Title	Title
Date:	Date:	Date:

- Stock reconciliation. Is the comparison of the recorded stock with actual stock available.
- Stock taking. Is the physical counting of stock available in store to ascertain the actual number of items in store.
- Stock valuation. Is the counting of stock available while attaching its monetary value. This is recorded on a document called a stock ledger.

Factors That Affect Stock Levels

- **Availability of raw materials.** Easy access to raw materials leads to low stock levels while limited access to raw materials leads to high stock levels.
- **Lead time.** A long lead time leads to high stock level while a short lead time leads to low stock level.
- **Stock holding cost.** High stock holding costs lead to low stock level while low stock holding costs lead to high stock levels.
- **Consumption rate.** Higher consumption levels lead to high stock levels while low levels of consumption lead to low stock levels.

- **Amount of trade discount received.** High trade discounts lead to high stock levels while low discounts lead to low stock levels.
- **Durability of stock.** Durable items are stocked in large quantities while perishable items are stocked in smaller quantities.
- **Size of storage space.** Large storage space call for large stock while small storage space leads to low stock levels.
- **Level of demand.** High demand leads to large stock while low demand leads to low stock levels.
- **Size of the working capital.** Large working capital leads to high stock levels while small working capital leads to low stock levels.

Labour Requirements

Labour is human effort, physical or mental engaged in the production of a good or provision of a service in return for payment.

Types of labour

- **Skilled labour.** This is any worker who has special skill, knowledge or ability in their work and requires no close supervision. A skilled worker may have attended a college, university, technical school or may have learned the skills on the job. Examples of skilled labour jobs include, engineering, accounting, lawyers etc.
- **Semi- skilled labour.** This is one who posses particular skills and can perform a job in his/her area but requires close supervision.
- **Unskilled labour.** Is one who possesses no special training and whose work involves the performance of simple duties which require no previous experience.

Labour Planning

This is the determination of the number of workers, level of skills required and wages or salaries to be paid to the labour.

Reasons why labour is needed

- ❖ To increase production of goods and services
- ❖ To manage business operations
- ❖ To facilitate exploitation of would be idle resources
- ❖ To increase government revenue through payment of tax
- ❖ To combine with other factors of production like capital, so as to aid production
- ❖ To promote good public image of the business
- ❖ To replace the dead, inefficient and retiring employees.
- ❖ To minimize damage on machines

Factors to consider when determining the number and type of employees to work in a business

- ✓ **The size of the business.** Large business requires a large number of employees compared to a smaller business.
- ✓ **Degree of family support.** Business with high support from the family employs few workers while those with low support employ a large number of employees.
- ✓ **Level of technology used in business.** Business with advanced technology employs skilled labour while those with low level of technology employ semi or unskilled labour. Also, advanced technology calls for few workers while low levels of technology lead to many workers employed.
- ✓ **Cost of hiring labour.** High labour costs lead to few people employed while low labour costs lead to many people being employed.
- ✓ **Level of demand of business products.** High demand of business products lead to employment of many workers so as to produce more goods while low demand for business products leads to few people being employed.
- ✓ **Types of skills required.** A business that requires highly specialized people employs skilled labour unlike those that do not need specialized people.
- ✓ **Number of jobs available.** More jobs lead to more labour while few jobs lead to few workers.

Factors to Consider When Selecting/Recruiting Employees

- Qualifications of the employee
- Working experience of the employee
- Gender / sex of the employee
- Age of the employee
- Interpersonal relations of the employee i.e. how the employee interacts with others.
- Source of employees i.e. whether to hire from university, employment agencies or other enterprises.
- Health conditions of the prospective employee
- Marital status of the employee
- Languages spoken by the employee

Production Facilities and Equipments

The following are facilities and equipments required to produce a good or service.

1. Technology and equipment
2. Plant capacity

3. Plant layout and civil works

Technology in Production

Technology refers to the know-how, design and intellectual inputs of doing things.

It includes a collection of tools, machinery, modifications, arrangements/layout, and procedures used by people to produce products.

Types of technology

- **Capital intensive technology.** Is one that uses more of machines than labour to produce the required products.
- **Labour intensive technology.** Is one that uses more of labour than machines to produce the required products.
- **Intermediate technology.** Is one that strikes a balance between labour intensive and capital intensive technology.
- **Indigenous technology.** Is one developed within the country and passed on from generation to generation often with no improvement.
- **Advanced technology.** Is one that has been developed from modern scientific principles.
- **Adapted technology.** Is one developed by one country/society and copied by another.
- **Transferred technology.** Is one developed by a country and exported to another country.
- **Appropriate technology.** Is technology that is suitable to the social and economic conditions of the geographical area in which it is to be applied. Is technology that suits the level of development of a country or business.

Characteristics of Appropriate technology

- **Simplicity.** It is easy to use.
- **Cost effective.** It is acquired at a low price.
- **Flexibility.** It changes with the changing conditions of the area where it is applied.
- **Availability.** It is locally available.
- **Durability.** It is long lasting and requires less maintenance and repair costs.
- **Efficient.** It involves minimum wastage of effort and time.
- **Effectiveness.** It is able to serve the intended purpose.

Factors Influencing Choice of Technology

NB. a student gives a ‘neutral point’ with ‘two-sided explanation’

- ❖ **Plant capacity.** Large plant capacity requires advanced technology while small plant capacity requires low levels of technology.
- ❖ **Skilled manpower requirements.** Entrepreneurs use technology that can be easily operated by the available skilled man power than technology which can't be operated by the available manpower.
- ❖ **Availability of spare parts.** One selects technology with ready supply of spare parts and leaves out technology with scarce spare parts.
- ❖ **Availability of inputs.** One chooses technology whose inputs are readily available and leaves out technology whose inputs are not available.
- ❖ **Initial investment cost.** Technology with lower initial investment cost is chosen by most entrepreneurs as opposed to technology with high initial investment cost.
- ❖ **Financial resources available.** Businesses with more finance choose advanced technology while businesses with little finance select low levels of technology.
- ❖ **Market size.** A big market size requires use of advanced technology with greater output while a small market size requires the use of low levels of technology.
- ❖ **Durability/lifespan of the technology.** One selects technology that is long lasting and leaves out technology that cannot last for long.
- ❖ **Simplicity/ease of use of technology.** Easy to use technology is selected as compared to difficult to use technology.
- ❖ **Productivity of the technology.** A person selects technology that produces a lot of quality output and leaves out technology that produces less output.
- ❖ **Complexity of work to be done.** Highly complex work requires advanced technology while easy tasks require low levels of technology.
- ❖ **Impact of technology on the environment.** Environmentally friendly technology is selected other than technology which is harmful to the environment.
- ❖ **Rate of power consumption.** Technology that consumes less power is selected than technology that uses a lot of power.
- ❖ **Guarantee given by the supplier.** Technology with a bigger guarantee is selected compared to technology without guarantee.
- ❖ **Government policy towards the technology.** One selects technology that meets government regulations and leaves out technology that is against government regulations.

NB.

- **Machinery.** This refers to a group of machines in general that gets work done. for example building machinery like concrete mixers, lifting machines, tractor.
- A machine is a device in which each part works together with the other to perform a given function for example, washing machine, sewing machine etc.
- **Equipment.** Refers to any instrument needed to do specific work. They are used for specific functions e.g. cash counters, calculators, type writers, weighing scales.
- **Tools.** A tool is any instrument which is held in the hands to do some work e.g. an axe, hammers, and spade.

Plant Capacity

The production of goods and services depends on the capacity of machines used. Plant capacity can be defined in two ways.

Types of plant capacity

1. **Feasible normal plant capacity.** Is the actual amount of units of a product that are produced during a given period. It looks at the actual output but not the would be maximum output.
2. **Normal maximum plant capacity.** Is the production output which is technically achievable and often guaranteed by the supplier of the machine/plant.

Plant Layout and Civil Works

Plant layout is the arrangement of physical facilities such as machinery and furniture within the factory building in such a way so as to have the quickest flow of material at the lowest cost and with the least amount of handling in processing the product from the receipt of materials to the shipment of finished products.

OR

Plant layout is the allocation of space and arrangement of physical facilities such as machinery so as to reduce operating costs. That is, time, money, among others.

Objectives of Plant Layout

- To reduce materials handling costs. E.g. damages.

- To improve working conditions for example through comfortable movement of workers within the production facilities.
- To reduce space wastage. That is, using floor space in the best way possible.
- To improve employee safety and health. E.g. space is created for workers which reduces accidents.
- To allow flexibility in production operations.
- To cut down expenses. E.g. labour costs and material costs
- To increase production as work is done easily and faster.
- To ease supervision and control. This is because each production department can easily be reached.

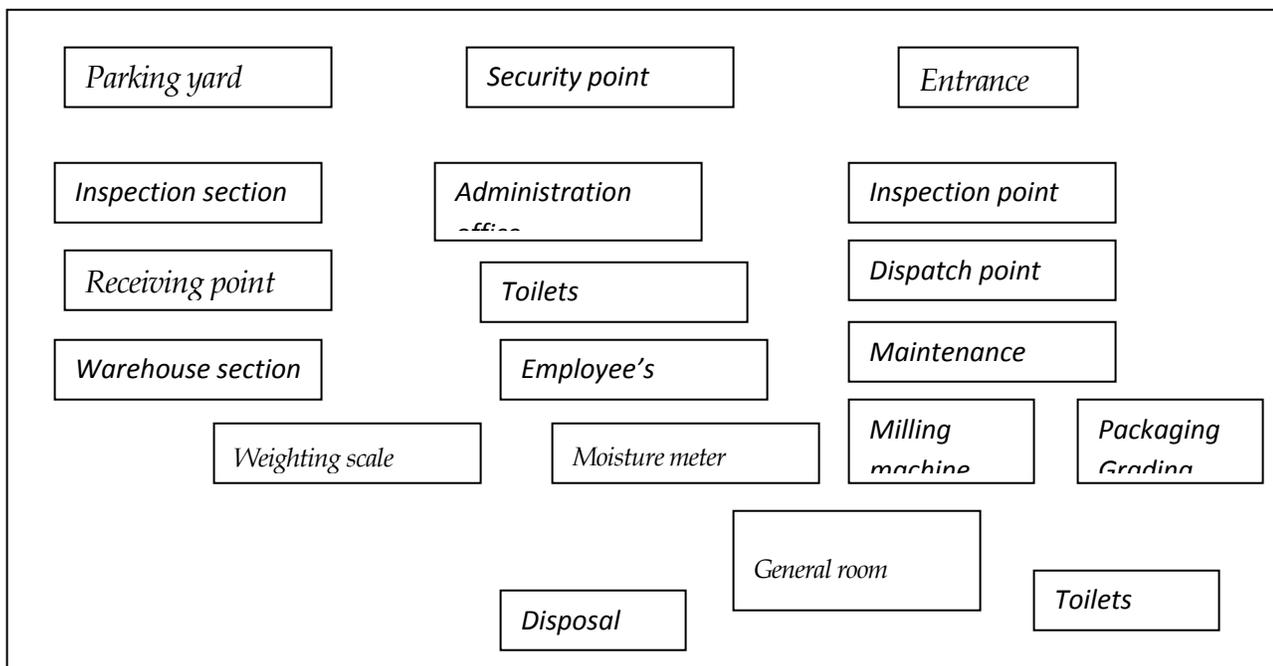
Elements/Components of a plant Layout

A plant layout contains the following aspects

- | | |
|--|--|
| ✓ Security section | ✓ Machinery section/processing section |
| ✓ Parking yard | ✓ Production /administrative offices |
| ✓ Receiving and departing section | ✓ Employee facilities like washrooms, dining etc |
| ✓ Inspection room | ✓ Power room |
| ✓ Warehouse/storage facilities for materials | ✓ Waste disposal section |
| ✓ Maintenance section | |

Illustration: plant layout

KIBUKWA MILLERS, P.O BOX, 43 MBALE, Tel. 0785 543654



1) Building such as factory/workshop building, stores, dining

- ii) Basic infrastructure such as utilities like water and electricity.

Factors Considered when designing a plant Layout (Factors That Affect the Design of a Plant layout

- The nature and size of the factory building
- Nature of the product to be produced
- The production process for the product
- The type of machinery to be used in production
- Repairs and maintenance required
- Human needs e.g. dining, toilets
- Plant environment e.g. heat, light, noise etc.

Production /Operation Plan

Is an analysis of the projected needs for manufacturing the proposed goods or services.

Components of the Production plan

- Business/plant location and site. One talks about the size and location business.
- Description of business day to day operation such as hours of work , days of operation and so forth.
- Machinery, equipments and tools used their source and cost
- Description of actual production process
- Costing. This involves determining the total cost of producing a product.
- Office space required. That is, amount of office space needed for the key personnel to operate.
- Raw materials used i.e. what materials, their source, cost and other terms purchase.
- Inventory management plans e.g. the re-order level
- Production standards such as quality control standards to be observed
- Packaging materials used i.e. type, source, quantity required , etc
- Waste disposal i.e. what waste products, how it is disposed of and the costs involved.
- Utility (power and water), utility costs per day, week or product cycle.
- Transport costs.

NB. The above operation plan has to be monitored to ensure that it achieves its objectives. This is referred to as production control

Production Control

Production control refers to monitoring of the implementation of the production plan in order to achieve its objectives

Important aspects in the production of goods and services

These are various production related factors which are important and therefore must be considered in the entrepreneur's production process. These include,

1. Quality control
2. Technology and technical skills for the production process
3. Production process

Quality. Is the ability of a product to satisfy customers; needs.

Quality planning. Is the process of establishing what an enterprise is going to do, how, when and where in order to achieve quality.

Quality control. Refers to operational techniques and activities that are used to fulfill product quality requirements.

Quality policy. Is the overall intentions, directions and aims of an organization with regard to quality as formally expressed by top management. Or, Is the top management's expression of its intentions, directions and aims regarding quality of its products and processes.

Quality assurance. Is a part of quality management focused on providing confidence that quality standards will be fulfilled/achieved.

Quality system. Refers to the organizational structure, procedures, policies and resources needed to implement quality management.

Benefits of Quality Control

- ✓ It improves the brand image of the enterprise. This helps to retain and expand the business market.
- ✓ It facilitates standardization of products. This is because it results into production of uniform products.
- ✓ It reduces production costs. This is through avoiding resource wastage that arises from production of commodities that do not meet production standards.
- ✓ It improves customer satisfaction. This enables the business to retain customers and build consumer loyalty.
- ✓ It enables the enterprise to comply with quality standards set by responsible supervisory authority e.g. Uganda National Bureau of Standards (UNBS).
- ✓ Enables the enterprises to determine production costs before production starts. This helps the enterprise to set prices at competitive levels.
- ✓ It helps the business to out compete other businesses. This is through improving the quality of output.
- ✓ It helps to increase demand for the product.

Factors that influence quality standards of product

N.B. a student gives a 'neutral point' with 'two sided explanation' i.e. low and high quality.

- **Level of cleanliness.** A clean environment leads to production of high quality products due to good hygiene standard while a dirty environment leads to production of low quality products.
- **Nature of packaging materials.** Use of attractive packaging materials improve the quality of the products while poor packaging materials lead to poor quality products
- **Quality of inputs/raw materials.** use of high quality raw materials leads to production of high quality products while the use of low quality raw materials leads to production of low quality products.
- **Level of technology used.** High levels of technology lead to production of high quality products while low levels of technology lead to production of low quality products.
- **Nature of storage facilities.** Use of good storage facilities lead to production of high quality products while use of bad storage facilities leads to production of low quality products.
- **Degree of motivation of workers.** Workers who are highly motivated, produce high quality products while less motivated workers lead to low quality products.
- **Level of skills.** Highly skilled labour leads to production of high quality goods while unskilled labour lead to production of low quality products.
- **Degree of monitoring and supervision.** Effective monitoring of the production process lead to high quality standard as workers follow the instructions unlike where there is limited monitoring.
- **Technical specifications regarding quality and quantity.** Maintaining the technical formula when mixing product inputs leads to high quality products while changing the technical formula leads to low quality products.
- **Transport and distribution methods used.** Good distribution methods lead to high quality product while poor distribution methods lead to low quality products.
- **Degree of market research.** High market research leads to production of high quality products while low market research leads to production of low quality products.

Costs of Production

These are expenses incurred when producing goods and services

Types of costs of production

1. **Prime costs/Direct costs.** These are expenses directly incurred/traced or chargeable to a particular job. The amount of direct costs changes with the level of output. Prime costs include.
 - i) **Direct material costs.** Refers to those materials that can be physically identified on a particular product as part of finished product. E.g. timber or wood that is used to manufacture furniture, cotton for clothes, leather for shoes.

- ii) Direct labour costs/direct wages. Direct labour consists of labour that can be specifically identified or traced with the production of a particular product. That is, without which a product cannot be produced. E.g. wage paid to carpenters, salary to teachers,
 - iii) Direct expenses. These are expenses that are directly linked with the production of a particular product. E.g. hiring machinery to produce a particular product, fuel or energy for running the factory machines, chalk expenses in school, among others.
2. **Indirect costs/overhead costs/work costs.** These are costs that cannot be easily traced to a particular product. They do not usually change with the level of output. These include;
 - i) Indirect material. These are material that are not traceable to a particular product but get used up in the process of production. E.g. glue and sand paper when making furniture, water when making bread, among others.
 - ii) Indirect labour. This consists of supportive labour of a product e.g. gate keepers, compound cleaners, among others.
 - iii) Indirect expenses. These are expenses that are not directly linked to production of a particular product. They do not vary with the production output e.g. electricity, factory rent, insurance, charges, repair of machinery, among others.
 3. **Total production costs/manufacturing costs.** It is the sum of direct costs and indirect costs. These include all the costs incurred in the production of a particular product.
 4. **Administration, selling, and distribution costs.** These include all office expenses plus expenses incurred in selling and distribution of products e.g. delivery expenses, advertising, costs and samples given to potential buyers, printing stationery etc.
 5. **Total costs/gross costs.** This includes the sum of total production costs and administration, selling and distribution costs.

Projected Production Cost Statement

This is a document that shows the estimated costs for producing and distributing particular products at different stages. This provides data for estimating the cost of various stages of production and distribution of goods and services.

Illustration:

J.B enterprises is operating a costing system and had the following expenses for the year ended 31st Dec 2019

Item	Amount (shs)
Machinery repairs	5,700,000
Machinery depreciation	12,800,000
Direct wages	85,500,000
Indirect wages	24,200,000
Wages to store keeper	800,000
Materials used on job	100,000,000
Hire of crane for the job	1,400,000
Power	10,100,000
Worker's salaries	5,400,000
Auditors fees	200,000
Office salaries/expenses	2,900,000
Factory light	1,800,000
Rent	4,600,000
Postage and stationery	600,000
Drivers wages	400,000
Travelling expenses	2,800,000
Salaries to salesmen	9,20,000

Required

Prepare a total cost statement for J.B enterprises

J.B ENTERPRISES**STATEMENT IN SHOWING TOTAL COST****FOR THE YEAR ENDED 31ST DEC 2015**

	Amount (shs)	Amount (shs)
<u>Prime costs</u>		
Materials used on job	100,000,000	
Direct wages	85,500,000	
Hire of crane for the job	1,400,000	
Total prime costs		186,900,000
<u>INDIRECT COSTS</u>		
Machinery repairs	5,700,000	
Machinery depreciation	12,800,000	
Indirect wages	24,200,000	
Wages to store keeper	800,000	
Power	10,000,000	
Worker's salaries	5,400,000	
Factory light	18,800,000	
Rent	4,600,000	
Total indirect costs		65,400,000
Total production costs		252,300,000
<u>ADMIN EXPENSES</u>		
Auditors fees	200,000	
Office salaries/expenses	2,900,000	
Postage in stationery	600,000	
Total admin expenses		3,700,000
<u>SELLING AND DISTRIBUTION</u>		
Driver's wages	4,000,000	
Travelling expenses	2,800,000	
Salaries to salesmen	9,200,000	
Total selling distri costs		16,000,000
Gross costs		<u>272,000,000</u>

Importance of Determining the Manufacturing Costs of a Business

(Benefits of a Production Cost Statement)

- ✓ It provides detailed figures for determining the selling price for products.
- ✓ It gives data for estimating costs at different stages in the production n distribution process.
- ✓ It indicates the level of profitability and efficiency since it shows a cost, volume and profit relationship.
- ✓ It helps the business to survive stiff competition since it gives clear knowledge of costs of production at different stages of production.

Costing

This is an analysis of various items which together form the final selling price of a manufactured product at a profit.

Elements of costing

- | | | |
|-------------------------|--------------------------|----------------------|
| - Direct labour | - Indirect expenses | - Selling charges |
| - Indirect labour | - Management expenses | - Distribution costs |
| - Direct Materials used | - Administration | - Profits |
| - Indirect materials | including general office | |
| - direct expenses | expense | |

Methods of costing

There are different methods used by different businesses to determine the unit cost of items produced. The method used, depends on the nature of production and type of product. They include;

- **Job costing.** This involves finding out the cost of each job/ work order especially if the work is carried out on request of the customer. E.g cost of tailoring a dress cost of making a wedding cake, among others.
- **Contract costing.** This is used in contract work e.g. dam construction, road construction, house construction. Each stage involved is treated as a separate unit in order to determine the total costs. For example in construction of a house, the foundation, roofing and other stages are charged separately so as to arrive at the total cost of constructing the house.
- **Batch costing.** This involves dividing the total cost of producing similar/identical products with the number of products produced so as to get the cost per unit of output. E.g in a bakery if you want to determine the cost of producing one loaf of bread.

- **Process costing.** This is used in industries where production is carried on through different stages before getting a final product. That is, the output of one stage becomes the raw material for the next stage. Here costs are determined separately for each stage e.g. oil refining, textile industry etc.
- **Service/operating costing.** This is used when determining the cost of providing a particular service. For example; education, electricity
- **Operation costing.** This is suitable for industries where production is continuous and units are exactly identical to each other. Such as mining firms.
- **Multiple costing/composite costing.** It is a combination of two or more methods of costing.

Ways of Minimizing Costs and Maximizing Profits

- ✓ Paying labour a low wage
- ✓ Making labour work for long hours
- ✓ Reducing fringe benefits for labour
- ✓ Buying right quality raw materials from the cheapest source
- ✓ Avoiding unnecessary costs
- ✓ Employing few workers.
- ✓ Negotiating with government to get tax holidays, tax exemptions, or tax reduction
- ✓ Increasing sales of a product
- ✓ Slightly increasing the prices of products
- ✓ Re-using and recycling business products
- ✓ Employing part time workers especially if there is less work available

TOPIC :11

Business Control Systems

This involves ways of controlling business assets and the internal control systems.

a) Mechanisms for controlling business assets

The business assets that need protection include;

- i) Cash
- ii) Accounts receivables (debtors)
- iii) Inventory of stock for sale or raw materials
- iv) Fixed assets
- v) Customer merchandise

Qn. Explain the measures for effective handling of

- i) Cash

- ii) Accounts receivables
- iii) Fixed assets
- iv) Customers merchandise
- v) Inventory

b) Internal control systems of small businesses

Control over business operations may be exercised in the following areas.

1. Purchasing. This is controlled by buying from at least two suppliers to check on prices, quality and also cater for shortage in case one of the suppliers is affected.
2. Quality control. This is controlled through;
 - i) Spot checking your stock to make sure it is up to your own quality standards with respect to the price.
 - ii) Making research on your customers to find out if they are satisfied with the level of product quality.
3. Employee morale. This is controlled through keeping an open channel of communication so that the entrepreneur is made aware of any problems which might reduce efficiency or cause employees to quit/sabotage the business activities.
4. Financial analysis. This involves controls such as;
 - i) Comparing your business operating costs and profits with other similar businesses (competitors) to find out areas of improvement.
 - ii) Dividing your business into logical profit centres in situations where you are performing more than one function or selling multiple product lines.
5. Cost controls. These include among others analyzing the labour efficiency to see if workers are performing up-to their ability.
6. Sales. Here the businesses sets sales quotas/target and keep track of the actual business sales.
7. Pricing. This is controlled through;
 - i) Setting product prices high enough to provide a reasonable profit after subtracting expenses.
 - ii) Ensuring that the product prices are in line with competition so that business does not lose sales extremely.

Time Management

Time management is a technique for allocation of the manager's own time through setting goals, assigning priorities, identifying and eliminating time wasters so as to reach the set goals efficiently. Time is a unique resource because everyone has 24hrs a day and 168 hours a week – no more, no less.

Time structuring. This involves planning and scheduling (time tabling) is time for the day so as to achieve more productivity.

Ways of structuring time for increased productivity

- i) Making productive use of your hidden time. This involves using moments or minutes that you previously mismanaged and turn them into productive use. E.g. the time you spend travelling or in traffic jam you can use it to read, return emails and so forth.
- ii) Using your energy highs and lows. Tasks/activities that are more demanding are scheduled at a time of the day when you have more energy. Therefore one needs to be aware of his/her personal energy highs and lows. That is whether morning, afternoon, evening or a combination and schedule time accordingly.
- iii) Having your executive time. This is a period of time for which you do not allow interruptions in order to attend to planned priority activities. E.g. from 3pm till departure.

Measures/ways for effective time management

Effective time management is achieved through the following ways;-

- i) **Spending time planning and organizing.** This involves getting time to think on how to better spend your time. If you fail to plan, you are planning to fail.
- ii) **Through setting goals.** This gives you a sense of direction on how to spend your time. Set goals which are specific, measurable, achievable, realistic and time bound.
- iii) **Prioritizing.** One needs to concentrate more on those items/activities with the greatest reward/e.g. how to prioritize sports, academics, and business.
- iv) **Using a to-do list.** This involves writing down activities to be done on a given day.
- v) **Being flexible.** This involves leaving some time to attend to emergencies. Some interruptions may be very important unplanned appointments or opportunities.
- vi) **Considering your biological prime time.** You need to know the time of the day when you're at your best so as to use that time for your priority activities.
- vii) **Doing the right thing right.** This promotes effectiveness and efficiency.
- viii) **Establishing deadlines.** This involves setting realistic timelines to achieve certain tasks. This helps to avoid important tasks from becoming urgent!
- ix) **Avoid being a perfectionist.** Paying unnecessary attention to details causes one to postpone task since he/she wants to be perfect. Perfectionism causes delay of assignments!
- x) **Avoiding procrastination.** This habit of postponing assignments/tasks causes work to pile up and pressure begins to mount.

- xi) **Learning to say no.** this enables you to focus on planned goals.
- xii) **Rewarding yourself.** Always celebrate achieving even the small goes and this motivates you to work harder towards achieving greater goals.
- xiii) **Being self-motivated.** This involves having strong desire to produce great results within a given period of time.

Techniques for time management

- **Identifying goals.** This involves setting up goals to accomplish each month, week and day; and arranged according to their order to importance.
- **Being self-motivated.** This is the strong desire to produce high output within a specific time.
- **Establishing deadlines.** This involves setting realistic timelines when to achieve certain tasks.
- **Taking notes.** This involves writing down thoughts and ideas for future appointments and other things to do.
- **Working in blocks of time.** here one does major tasks during the time of day when one feels most effective.
- Being reflective. This is the act of learning from one's past and present activities.
- Planning in detail for tomorrow

Personal activities for better time management. (How entrepreneurs save time)

- Having alternative plans
- Making decisions quickly
- Keeping diaries
- Selecting priorities
- Delegating duties
- Avoiding unnecessary interruptions
- Conducting meeting properly
- Reducing paper works
- Avoiding queues
- Using faster, but safe travel means

How entrepreneurs waste time.

1. Talking with people about personal matters unconnected to work.
2. Having unnecessary or extra-long meetings
3. Allowing too many interruptions
4. Being disorganized such as not having a to do list but you do what comes to your mind
5. Being late or absent for duty
6. Engaging in little or no delegation thereby wasting time on simple tasks that can be handled by your junior officers.

7. Being indecisive.
8. Using slow means of traveling
9. Having conflicting roles

Benefits of good time management

- It leads to increase in productivity
- It leads to increase in sales
- It promotes team work
- It improves employee employer relationships
- It improves customer satisfaction
- It leads to quick service delivery
- It reduces business costs
- It facilitates decision making
- It makes the business more competitive
- It improves employee morale/it reduces stress among workers
- It improves resource utilization

Qn. Explain the costs of wasting time.

TIME CHART

This shows how a person plans to spend his/her time on a given date. That is, goals, activities to perform at given time intervals.

GREEN HIGH SCHOOL			
P O BOX 32, KAMPALA			
<u>TIME CHART</u>			
MAIN TASK <u>Visitation</u>		DATE	
		DAY.....	
TIME	GOAL	ACTIVITY	OUTCOME
8:00AM	To ensure cleanliness of the compound	General cleanliness	Clean compound
9:00AM			
10:00AM			
11:00AM			
11:00-6:00PM			

Packaging

Packaging refers to wrapping, crafting, filling or compressing of goods to protect them or handle, transport, use and preserve them more easily.

Types of packaging

- ✓ Bottling and canning
- ✓ Bagging/putting in bags
- ✓ Bales/tying in bales/baling. E.g. second hand clothes
- ✓ Tinning/putting in tins
- ✓ Boxes or cartons/putting in boxes

Types of packaging materials

- i) Metals such as aluminum, steel and tinplate
- ii) Plastic such as polyethene bags, jerry cans and bottles
- iii) Wood such as cartons and packing cases
- iv) Paper such as paper bags,
- v) Glass such as bottles
- vi) Laminates
- vii) Polyesters
- viii) jute for bags

Factors considered when choosing the type of packaging to be used for a product.

- **Cost of packaging.** Entrepreneurs usually move in for low cost of packaging materials but of quality so as to minimize operating costs and maximum profits.
- **Availability of packaging materials in the required amounts.** The entrepreneur selects packaging materials that are always available and in sufficient quantities wherever required so as to maintain the production schedules in the business.
- **The nature /type of products to be packaged** e.g. liquid products into bottles and cans, cottons into bales etc.
- **Purpose of packaging.** E.g. better quality packaging materials are used if the business wants to attract customer.
- **Means of transport to be used.** E.g. metal such as steel is not good for packaging products to be air lifted.
- **Environmental/legal issues.** Packaging materials that are environmentally friendly are preferred to those that harm the environment.
- **Quality of product to be packed.** High quality products are packed in high quality materials.

Importance of packaging

- ✓ Helps to protect the goods. E.g. from rough handling and external conditions.
- ✓ Facilitates easy handling of goods. Well packaged goods are easy to handle and transport especially liquids, cereals and flours e.g. soda bottles in a crate are easy to carry.
- ✓ Provides space for relevant information. such as ingredients of a product as well as the manufacture and the expiry date.
- ✓ Provides name of the producer. This helps to make produce more responsible when producing goods.
- ✓ Helps to preserve the products. Packaging helps in preserving the contents of goods especially food products and chemicals are protected against atmosphere germ and contamination.
- ✓ Helps in portioning. The product can easily be packed in different quantities and volumes.
- ✓ Facilitates easy distribution of goods. Packaged goods can easily be delivered to customers e.g. using mail order.
- ✓ Eases selling. E.g. using automatic machines.
- ✓ Facilitates self service. This is because one can easily identify a product he/she needs.
- ✓ Provides space for instruction labels. This helps to educate the customers about the usage of the products.
- ✓ Enables product differentiation. This is because the products are usually branded.
- ✓ It improves the quality of products. This leads to more sales.

The Product Life Cycle

This is the period of time over which an item is developed, brought to the market and eventually removed from the market.

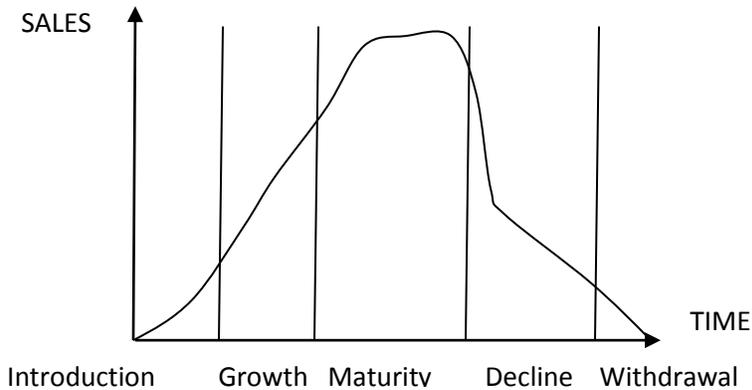
Indicators that a product has life

- Products have limited life. That is, products are brought to the market and they disappear.
- Products sales go through distinctive stages. That is, each producer faces different challenges and opportunities.
- Profits rise and fall at different stages of a product life cycle.
- Products require different marketing, financial, manufacturing, purchasing and human resource strategies at each product life cycle.

Product Life Cycle Stages

This provides a summary of the major difference between the stages in the product life cycle with respect to sales, costs, profits, type of customers, and nature of competition.

Illustration of the Product Life Cycle (PLC)



Introduction/Development stage

There is a slight market size growth. Products at this stage have to be carefully monitored to ensure that they start to grow.

Characteristics of the introduction stage

- ✓ Production costs are high per unit of sales because the firm is still producing on a small scale.
- ✓ Competitors are few in numbers
- ✓ Sales are generally low and somehow slow to take off
- ✓ Profits tend to be negative/very low because of low sales and high unit cost.
- ✓ There are high marketing costs required so as to increase customers' awareness and interest.

Growth stage

This involves rapid growth in sales and profits due to increase in output and better prices.

Characteristics of growth stage

- ✓ Declining costs per unit of output because of increase in sales and economies of scale in production.
- ✓ Customers are mainly early adopters
- ✓ Sales increase rapidly due to many customers rapidly spreading positive word of mouth about the product.
- ✓ There is rapid increase in profits due to increasing sales.
- ✓ Competition continues to grow throughout this stage

Maturity stage

This involves intense competition as businesses fight to maintain their market share. At this stage highest profits are earned by the market as a whole.

Characteristics

Costs continue to rise during maturity because of increasing competition.

Customers are mainly the late adopters.

Sales continue to grow in the early part of maturity but at a much slower rate than the one experienced during the growth stage.

Profits continue to increase but at a slower rate.

Competition is most intense

Decline Stage

At this stage, the market is shrinking/reducing the overall profit hence great care has to be taken to manage the product carefully.

Characteristics

- ✓ Sales continue to reduce or deteriorate
- ✓ Profits continue reducing with little hope of recovery
- ✓ Customers are mainly laggards. That is, those who fear risks a lot and are most resistant to adopt new products
- ✓ There are generally many competitors still in the industry at the beginning of the decline.

Withdrawal Stage

This is a stage where there is down turn in the market

Characteristics

- ✓ More innovative products are introduced
- ✓ Consumers' tastes change too much
- ✓ There is intense price cutting
- ✓ Many more products are withdrawn from the market

Limitations of the Product Life Cycle

- ✓ Very few products follow such a cycle
- ✓ The length of every stage varies enormously/extremely
- ✓ The decision of the marketers can change the stage
- ✓ Not all products go through each stage. That is, some products skip particular stages.
- ✓ It is not easy to identify the stage at which the product is.

WORKPLACE MANAGEMENT

A workplace refers to a place where production of goods and services takes place.

Elements of a Workplace

1. Materials handling and storage
2. Workstation
3. Machine handling and storage
4. Control of hazardous substances
5. Lighting facilities
6. Premises
7. Work organization
8. Welfare facilities

Material handling and Storage

This involves proper handling and storage of materials in right places

Reasons for Proper Material Handling & Storage

- To reduce material damage and losses due to theft
- To reduce time wastage during production
- To reduce accidents that would be caused to workers
- To gain space for further production and easy
- To reduce costs related to over/under stocking

Ways of Ensuring Proper Material Handling and Storage

- By keeping items that are not frequently used away from the workplace

- Through providing convenient storage racks for tools and materials to ensure that and requirements are stored and managed frequently
- By providing specifically designed equipments in workplace for moving inventory
- Through using caterpillars, cranes, pulleys when moving heavy loads
- By providing stores and cupboards for easy handling of materials/machines

Workstation

Refers to the actual place where production of goods and services is done

Ways of Ensuring Proper Workstation Management

- Putting machine switches and other tools within easy reach of workers
- Using lifts and other mechanical measures to reduce the effort required by the workers
- Providing a stable work surface at each workstation
- Using cramps for holding things tightly and vices with two jaws for holding things firmly
- Adjusting the height of equipment to avoid bending postures or high hand position which strain workers
- Providing chairs or benches of correct height with steady back rest to promote efficiency of workers
- Provision of enough space within workstation which enables smooth production take place

Control of Hazardous Substances

Hazardous substances refer to dangerous materials. e.g. brokers, glasses, chemicals, contaminated food

Reasons for Controlling Hazardous Substances

- o To minimize losses in business
- o To improve or enhance quality
- o To minimize health complaints among workers
- o Need to promote efficiency/productivity of workers
- o To minimize or control pollution
- o To avoid accidents
- o To maintain good relationship within the society

Ways of Controlling Hazardous Substances

- Substituting hazardous substances or chemicals with less hazardous ones

- Keeping hazardous substances in covered containers
- Providing adequate and appropriate types of protective equipment
- By ensuring proper disposal of hazardous substances
- By training workers on proper use and maintenance of protective substances
- By providing adequate emergency, health and safety facilities
- Through reading and understanding instructions on the hazardous substances before using them
- Ensuring proper lighting facilities or ventilation
- Providing warning labels on hazardous substances or areas to minimize accidents
- Developing general rules on safe working habits and publicizing them e.g. washing hands with soap, changing clothes and cleaning the environment
- Through maintenance of health and safety records
- Through proper supervision and monitoring

Ways of Ensuring Proper Welfare Facilities

- Providing adequate supply of cool safe drinking water in all workplaces to the workers
- Providing regularly cleaned sanitary facilities, close to the workplace including soap for washing hands and separate toilets for both sex
- Providing a separate comfortable hygienic place for meals of the workers while at work
- Availing storage space for personal clothing, bicycles or private changing rooms to workers as they report for work
- Providing resting time (breaks) and resting place to help workers get refreshment at work
- Providing recreational facilities to the workers within the workplace to help workers spend their time
- Providing first aid equipments
- Providing special clothing e.g. company uniforms
- Providing working incentives which keep the mind awake like music during production

TOPIC: 12

10.0: MARKETING MANAGEMENT

Overview: ‘consumers make purchases based on how products and services are packaged. It is not a decision based on truth, but rather perception of truth’. Marketing equips a learner with abilities to influence decisions and buying habits of customers.

Marketing refers to a series of activities done to identify customer needs and satisfying the needs effectively and profitably.

Marketing activities include: Market research, product planning and development, product distribution, product pricing, promotion, customer care, product branding, business image, among others.

A market is an arrangement where buyers and sellers meet with an aim of exchanging goods and services **or** a market is a situation where buyers and sellers come into contact to exchange a well defined commodity using a given medium of exchange.

NB: Selling is the exchange of a product for a given price.

Differences between marketing and selling

- ✓ Marketing focuses on customer's needs while selling focuses on the seller's needs.
- ✓ In marketing, a customer enjoys supreme importance while in selling a product enjoys supreme importance.
- ✓ Marketing converts customer's needs into products that satisfy them while selling converts products into cash.
- ✓ In marketing profits are achieved through customers' satisfaction while in selling profits are achieved through increased sales volume.
- ✓ Marketing focuses on long term results while selling focuses on short term results.
- ✓ Marketing emphasises caveat venditor (let the seller beware) while selling emphasises caveat emptor (let the buyer beware).

Importance of marketing in an enterprise

- ✓ It stimulates consumer demand. Marketing makes customers aware of the products available for sell.
- ✓ It increases products sales. This is due to product promotion.
- ✓ It reduces resource wastage. This is because one carries out market research before products are produced.
- ✓ It creates a good business image. This is through providing positive information and right products.
- ✓ It helps to improve the quality of business products. This is through regular product development.
- ✓ It creates loyalty and trust with customers. This maintains the business sales.
- ✓ It helps to build product authority and credibility in the market. This is through regular product promotion.
- ✓ It helps customers to make purchase decisions quickly. This is because customers become aware of the existing products on the market.
- ✓ It improves the channels of communication. E.g. through networking and writing news letters.
- ✓ It increases business profits. This is due to charging higher prices for particular products.

The marketing mix

A marketing mix is a combination of controllable variables used in making marketing decisions.

Elements of the marketing mix

Product. The product produced should be able to satisfy customers' needs. The product element of the marketing mix combines the physical product and all its attributes for example product services or functions, guarantees, brands, packages, quality, shape / style color. These should also make a product unique and have competitive advantage over those of competitors.

Promotion. This involves ways of informing and attracting customers to buy products either as new or repeat buyers. It helps to make consumers aware of the products available for sale and also be motivated to purchase them.

Price. The price should be high enough to enable the business make profits and also low enough to attract and maintain customers.

Place / distribution. This involves transportation, storage and stocking of products so that they are available for customers at the right place and time.

People. This involves the appearance, professionalism, attitude, and skills of the business employees.

Process

This involves the ways in which the marketer's task is achieved of procedures, policies, speed, etc.

Physical layout. This involves the general appearance of the business and it is particularly very important in the service industry. For example the plant layout, design of premises, logos and uniforms, etc.

NB; Questions on a market survey guide are generated using the elements of the marketing mix!

Target market population

Target market population is a group of people one is supposed to sell his/her products to.

Factors that determine a target market population

Income levels. The higher the income of people within the target market, the higher the target market population and the lower the income of people, the lower the target market population.

Consumption habits. A big market exists when customers are addicted to consumption of certain commodities as compared to when customers are not addicted.

Number of business competitors/Level of competition. The more the number of business competitors in the target market, the smaller the target market population and the lower the number of business competitors, the higher the target market population.

Market share of the business. The bigger the market share of the business, the bigger the target market population and the smaller the market share, the smaller the target market population.

Age and sex composition. A population made up of a large number of potential customers of a given age or sex, results into a bigger target market population for a product but when the population is made up of a smaller number of potential customers of a given sex or age then the target market population is small.

Market changes. Favourable market changes, such as more people coming to live in the target market; leads to a big target market population while unfavourable market changes lead to a small target market population.

Marketing objectives of a firm. A business aiming at profit maximization charges higher prices for its products leading to a small target market population while a business aiming at sales maximization leads to a big target market population.

Accessibility of the target market. The easier the accessibility of the target market, the higher the target market population but when the target market is hard to access the target market population becomes low.

Market research/survey

Market research is the systematic gathering, recording and analyzing of data about problems relating to the marketing of goods and services.

Objectives of carrying market survey/research

- To identify the potential customer of the business.
- To find out where to locate your business.
- To find out who your competitors are, level of competition, their strength and weakness in order to develop strategies to out compete them.
- To identify the existing market gaps.
- To find out customers' needs that need to be satisfied.
- To check the effectiveness of the advertising and sales promotion methods used by the business.
- To find out whether there are problems and identify the areas of expansion to meet the customer's needs.
- To enable the business test its product in the market without launching expenses.
- To assess the profitability of the business.
- To determine the volume / quantity of products to be put on the market.
- To determine the best channel of distribution of goods or services most appropriate to reach particular customers.
- To increase sales of the business.
- To find out consumers' reaction about the prevailing prices.
- To find out the type and nature of products preferred by customers at a given time.
- To determine the most suitable terms and conditions for selling the business products

Tools for market research

Market research is carried out using the following tools/methods:

- **Observation.** Involves monitoring the purchasing behavior of customers and the business activities in the community.
- **Questionnaires/survey guides.** This is where a list of questions is prepared and sent to respondents to fill them. People would be asked about their demographic characteristics, buying behavior, beliefs, etc.
- **Interviewing.** These are formal discussions in which people involved give their views on different areas of interest.
- **Brainstorming.** This involves people developing new ideas through making different suggestions and the best idea is the one selected.
- **Experimenting.** This involves test marketing of a product in a small area before attempting on nationwide distribution. That is, a product is given to a selected group of customers to taste and give their comments.
- **Internet surfing.** Involves visiting different consumer websites to find out their needs.
- **SWOT analysis.** Involves evaluating the strengths and weaknesses of the available competitors.

Sources of data for conducting market research

- Company employees
- Company records and files
- Competitors
- Customers
- suppliers

Steps involved in conducting market research

1. Defining the problem. E.g. decline in sales
2. Developing objectives of the study. E.g. 'to find out why business sales are reducing each month'
3. Selecting the research methods to be used. That is, observation, interviewing, among others.
4. Collecting of data. Involves gathering information from the field.
5. Analyzing of data. Involves grouping data into specific categories.
6. Integrating data. This involves getting meaning out of the data collected.
7. Preparing a research report. Involves giving findings and recommendations about the concluded research.

Challenges faced when conducting market research

- **Language differences.** Researchers sometimes miss the information they need due to inability to communicate in the languages understood by the different respondents.
- **Limited funds.** It is very expensive to carry out market assessment. Small firms with limited capital may not be able to carry out research.
- **Inadequate skills to handle data collection.** This leads to wrong interpretation of information from the public.
- **Inadequate communication facilities.** Accessibility of some areas of the country is difficult due to poor road network. Therefore information from such areas cannot easily be got by researchers.
- **Limited co-operation from the consumers or public.** Some people refuse to answer the questions; others give wrong answers while some chase away the researchers.
- **Changes in demographic factors like population size, age, and sex composition,** all of which affect the findings.
- **Sabotage from competitors.**
- **Insecurity/ hostility** in some areas which hinders effective data collection.

Marketing strategy

This is a process through which an organization plans to concentrate its resources on the best possible opportunities with the aim of increasing sales and achieving a sustainable competitive advantage.

Tools for effective marketing strategy

The following are the ways of attracting new business opportunities so as to increase sales and achieve a sustainable competitive advantage.

- ✓ **Networking.** This involves the activity of meeting and talking to people to exchange information and advice about business activities.
- ✓ **Referrals.** This involves telling people who your ideal clients is, and ask for their help in finding and forwarding you to those clients.
- ✓ **Cold calling.** This involves making abrupt telephone call or visit by someone trying to market the business products.
- ✓ **Giving free information to interested prospects.** This is aimed at solving customers' problems.
- ✓ **Offering a product guarantee.** This gives assurance to customers about the quality of the products. This helps to eliminate fear among prospective clients /potential clients about the risk of choosing a new supplier who may be worse than their current suppliers.
- ✓ **Advertising.** This involves spreading information about business products and how these products can solve customers' problems.
- ✓ **Newsletters.** This involves providing customers with new information about business activities and how to solve customer problems.
- ✓ **Displays of products.** This involves attractive arrangement of products so as to capture the attention and interest of customers.
- ✓ **Negotiations.** This involves effective bargaining with the customer on how best the business product can be distributed and sold.
- ✓ **Decision making.** This involves making right choices on how to market and distribute the products.

Marketing techniques

These are tools/methods employed by the business so as to carryout marketing effectively. They cut across promotion, distribution and selling. These include;

- **Decision making.** This involves making the right choice to produce right products for the customers.
- **Effective communication.** This involves sending messages successfully from one party to another so that it is understood and acted upon as intended by the sender.
- **Display.** This involves strategically arranging items so as to attract the attention of customers.
- **Personal selling.** This involves employing a team of salespersons to sale the product directly to customers.
- **Quality improvement.** Involves adding value to a product so as to satisfy customers' needs.
- **Favourable pricing policies.** For example, penetrative pricing.
- **Negotiation.** This involves bargaining with the customer to reach an agreement.
- **Promotion and advertising.** Involves informing customers about the available business products.

Potential customers

Is a group of people sharing common needs and characteristics that a business decides to serve.

Characteristics of potential customers

- ✓ **Age.** This is important where the product is aimed at a specific age group. For example toys for children.
- ✓ **Sex.** Some products are tailored/designed to serve a particular sex. for example bras for women.
- ✓ **Location.** Potential customers are defined by where they live, work and where they go. for example, a small restaurant may cater for workers in nearby offices.
- ✓ **Occupation/employment.** Some products target people of a particular occupational group. E.g. hoes for farmers,
- ✓ **Income.** Some businesses appeal to particular income groups for example if a business is going to focus on high priced quality products, your potential customers will be in a high income bracket.
- ✓ **Product usage.** This involves identifying segments based on the way your product is used by your customers e.g. is the product bought in large quantities of small quantities! Those who buy in large quantities are potential customers of a wholesale shop.

Market segmentation

Market segmentation refers to the dividing of a market into groups of individual markets with similar wants or needs.

Segmentation groups customers with similar needs and responses. The main objective of market segmentation is to more accurately and profitably meet the needs of selected customers.

Basis of market segmentation

(Factors considered when dividing the market into groups of individual markets)

- **Demographics.** Customers are grouped according to age, gender, race, religion and nationality.
- **Psychographics.** This divides buyers into different groups based on social class, lifestyle, personality characteristics and opinions.
- **Social economic characteristics.** This divides customers according to income, education and occupation.
- **Geographic segmentation/geography.** This involved dividing the market into different geographic units such as nations, states, regions or neighborhoods. It is easy to reach particular areas using the local press, outdoor; but not general mass media!
- **Generation.** This involves dividing people according to period of time when they were born. E.g. music played on radio stations.
- **Benefits sought.** Customers are grouped according to the need they want to get from a product for example, some people are price sensitive, and others seek quality of a product.
- **Product usage.** Consumers are grouped according to their purchasing behavior of business products. For example a market segment can be created for large scale consumers of a product and a segment for small scale consumers e.g. electricity has industrial consumers and household consumers.
- **Geo-demographic.** This aims at identifying groups of small geographic areas that have similar demographic profiles. For example, men (which is demographic) living in urban areas and those of rural areas (which is geographic)

- **Discussion.** Here customer groups are created basing on the decision to be made. For example, when determining a price to charge, the segments/customer groups would include; those who are price sensitive and those who are quality sensitive!

Criteria for selecting a market segment

The market segment identified should satisfy three criteria:

1. **Internal homogeneity.** This means that potential customers within a particular segment should have similar responses to the marketing mix variables and their response differs from that of members in other segments.
2. **Parsimony.** The segment should comprise a small set of groupings but of a substantial/reasonable size which can make them a unique target.
3. **Accessibility.** The identified segment should easily be reached by the business.

How market segmentation can increase business profits

- Through increasing the market share. This is because it leads to increase in sales volume.
- Enabling an increase in price of products. Some customer groups are charged higher prices for the product.
- Through reduction in the marketing cost. E.g. advertising costs

Reasons for market segmentation

- ✓ To effectively satisfy customer needs. Creating separate offers for each segment helps to provide customers with a better solution.
- ✓ To improve profits for the business. This is through raising the average prices for particular segments which leads to increase in business profits.
- ✓ To increase opportunities for growth. Market segmentation helps to build sales especially where customers are introduced to a particular product at a lower price.
- ✓ To retain more customers. This involves providing products that satisfy customers at different stages of their life. That is, customers grow older, have families, change jobs and get promoted and change their buying patterns.
- ✓ To effectively communicate to the target market. By segmenting markets, the target customers can easily be reached.
- ✓ To gain share of the market segment. Careful segmentation helps small businesses to achieve competitive production and marketing costs.

Benefits of a market plan

- It acts as a rallying point. It brings employees together and usually get excited and appreciate being involved in the making of a marketing plan.
- It provides a chart to success. It gives direction on where the business is going which help to achieve success.

- It captures thinking. The written marketing plan lays out your game plan which provides information to new people joining the organization and also remind old ones of what you agreed on.
- It allows top level reflection. It helps to periodically evaluate the business performance whether it is achieving the set marketing targets.
- It provides company operational instructions. It helps to put together a set of instructions on how to carry out the company activities.

Customer care / services

Customer care is the provision of service to customers before, during and after purchase so as to improve customer satisfaction.

Ways of improving customer care in an organization

- Through being honest and trustworthy when dealing with business clients.
- Through providing after sales services.
- Through offering good quality products
- Through effective and timely handling of customer complaints
- Through providing timely and continuous services to customers
- Through improving the organization culture. that is, values, norms and beliefs
- Through motivating employees adequately.
- Through having knowledge about the business products. This helps to give information concerning products to customers.
- Through being pleasant. That is, doing the job with joy and happiness.
- Through extending credit facilities to credit worth customers.
- Offering occasional price reduction or discounts to customers.
- Being clear when communicating to customers (ensuring effective communication towards customers/clients)

Benefits of good customer care in an enterprise

- ✓ It leads to increased sales.
- ✓ Helps business to become popular and acquire good will.
- ✓ Helps business to retain its market share.
- ✓ Helps the entrepreneur to introduce new products or designs.
- ✓ It informs new customers about the available products.
- ✓ Helps to constantly remind customers of the available business products.
- ✓ It creates direct contact between business person and customers.
- ✓ It persuades customers to buy business products instead of buying those of competitors.

Pricing products in a market

Price is the monetary exchange value of a commodity.

Factors considered when determining price of a product.

- Marketing objective of a business. If the objective of the business is profit maximization, the business sets a higher price but when the objective is sales maximization, the business sales at a lower price.
- Cost of production. High cost of production leads to high price charged while low cost of production leads to low price charged.
- Price elasticity of demand for a product. The entrepreneur charges relatively low prices for commodities whose price elasticity of demand is elastic and relatively higher prices for commodities with inelastic demand.
- Degree of competition in the market. High competition leads to product prices while low competition leads to high prices.
- Degree of consumer loyalty. The entrepreneurs charges high prices if he has highly loyal customers than when he does not have loyal customers.
- Customer perception of price in terms of quality of the products.
- Quantity of goods customers are able and willing to buy. Entrepreneurs charge relatively low prices for customers buying in large quantities so as to maximize sales and charge higher prices to customers buying in small quantities.

Methods used in pricing products

- ✓ **penetrative pricing.** This is where a firm sets a relatively low price for the product to stimulate growth in the market and obtain a large market share; this is usually done when a firm is entering a market.
- ✓ **target pricing.** This is where a firm predetermines a target level of profits, estimates its potential sales and then sets a price to generate the target profits.
- ✓ **cost oriented pricing.** This is where the manufacturer charges a price to cover the cost of producing a product plus a reasonable profit.
- ✓ **skimming.** This is where a high price is set for top quality new versions in a product so as to earn a high profit and recover the cost of investment in the original research into the product. This strategy is employed only for a limited duration and it usually targets early adopters who are relatively less price sensitive.
- ✓ **limit pricing.** This is where a monopolist firm sets its products' prices too low or below the average cost of production so as to discourage other firms from joining the industry.
- ✓ **loss leader pricing.** This is where a firm sells a product below its market price / value as a way of attracting customers and improve the demand for other profitable business products.
NB: A loss leader should be a fast selling item.
- ✓ **price leadership.** This is where a dominant firm / leading firm in an industry sets a price for its products and other firms follow by setting a similar price for their products. This happens when firm are few in the industry and there is one leading firm (a firm with a bigger market share).
- ✓ **Through psychological pricing.** This is where a business fixes a price for its products so as to create a positive feeling among customers that the product is well priced. for example selling a product at shs. 399 rather than shs. 400.
- ✓ **value based pricing.** This is where a price is set basing on the usefulness /importance of the product to customer but not on any other factor. The perceived value will depend on the alternatives available to the customer at a particular time.

- ✓ **auctioning.** This is where the price is set by the highest bidder of the product (one who offers the highest price for the product.)
- ✓ **haggling/bargaining.** This is where price is determined by discussion of product price between the seller and the buyer until an agreed price is reached.
- ✓ **forces of demand and supply.** This is where the price of a product is established at a point where demand meets supply for that product.
- ✓ **price legislation by government.** This is where the government sets prices for particular commodities and it becomes illegal to sell or buy below or above the set price.
- ✓ **product life cycle pricing.** This is where the price is changed according to the product's stage in its life cycle. for example, a high price may best during the early stages of selling the product and then later lower the prices.
- ✓ **competition oriented pricing.** Here price is determined basing on the price of competitors' products. The price may be higher or lower than those of the competitor depending on the marketing objectives of the business.

11.0: SALES PROMOTION

Overview: Promotion is one of the key elements of the marketing mix. This topic equips a learner with skills to promote incremental sales, to create brand awareness, as well as build brand equity among the consumers.

Sales promotion refers to the ways that an entrepreneur uses to influence people so that they can buy more of his goods and services.

Or Sales promotion refers to the various activities undertaken by the entrepreneur to increase the sales of his goods or services.

Or Refers to all other activities other than advertising and personal selling that help to increase sales of a product.

Objectives of sales promotion

- ✓ To introduce new products to customers for example through giving free product samples.
- ✓ To attract new customers and retain the existing ones for example through offering discount, gifts and prizes upon purchase.
- ✓ To maintain sales of seasonal products for example providing discounts on umbrellas or raincoats during the dry season.
- ✓ To meet the challenges of competition. New products usually come on the market and at the same time improvement also takes place which requires the seller to have sales promotion in order to retain the market shares.
- ✓ To increase sales.
- ✓ To remind the public the availability of the products. E.g. through giving out coupons
- ✓ To promote the image of the firm. E.g. through donations
- ✓ To dispose products that are about to be off fashion or expired. Through giving discounts
- ✓ To create confidence in the mind of customers about quality of goods through claims like money back offers.
- ✓ To target a particular market segment by sponsoring competitions

Importance of sales promotion

To the customer.

- Customers enjoy lower prices for commodities since there is a reduction in prices of goods.
- Customers enjoy high quality goods and services as a result of competition among businessmen.
- It creates awareness to consumers about the availability of new products and services on the market.
- Provides information to customers about the quality, price and uses of different products.
- It enables consumers to compare products on the market so as to make informed decisions.
- It enables customers to benefit materially especially where customers are given free samples and prizes.
- It creates confidence in the minds of customers about the quality of product through methods like money back offers.

To business people

- It helps to increase sales in a competitive market and thus increases profits.
- It helps to introduce new products in the market by drawing/attracting the attention of potential customers.
- It helps to quickly dispose of old stock especially where there is a change of fashion or taste of customers.
- It helps to retain the market by stabilizing sales volume.
- It improves the image of the business. E.g. through donations
- It leads to direct contact between the entrepreneur and customers.

Sales promotion strategies

Sales promotion strategy is an activity that is designed to help boost the sales of a product or service.

Types of sales promotion strategy

- A push sales promotion strategy. This involves pushing distributors and retailers to sell your products and services to consumers by offering various kinds of promotions and personal selling efforts for example buy-back guarantees discounts, trade contests, free training programs, etc.
- Pull sales promotion strategy. This involves getting the consumer to purchase the product directly from the company itself for example, giving product samples, cash refunds, loss leader, loyalty reward programs, contests, Games, coupons.
- A combination of push and pull strategies

Sales promotion strategies used by entrepreneurs in Uganda

- ✓ Advertising campaign. E.g. using news papers
- ✓ Networking and public relations campaign
- ✓ Free product sampling campaign
- ✓ Product demonstrations and trade fairs/exhibitions
- ✓ Prize giving competition like scratch and win offers
- ✓ Free gift campaign such as giving bonus and donations
- ✓ Telemarketing e.g. on social media like facebook
- ✓ Personal sales letters and emails
- ✓ Temporary price cuts such as discounts and exchange schemes

- ✓ Coupons. E.g. coupon for music shows
- ✓ Sweepstakes. A kind of betting where the winner takes all the money paid by everyone. E.g. supra jackpot show,
- ✓ Displays

Methods of sale promotion

The following are the major ways of attracting customers which can be used by the business:

- ✓ Free product samples. Free samples are distributed to attract consumers to try out a new product and thereby create new customers.
- ✓ Premium/bonus offer. This is the extra and free item given to a customer after buying a particular product e.g. a bonus of a tooth brush when you buy a tooth paste.
- ✓ Exchange schemes. This refers to offers to exchange an old product for a new one at a price less than the original price of the product. This is useful for drawing attention to product improvement.
- ✓ Price off offer. This involves selling a product at a price lower than the original price especially during off-peak this season. This type of scheme is designed to boost sales in off-peak seasons.
- ✓ Coupons. This is a piece of paper that allows the holder to buy a product at a reduced price if presented to the seller. Coupons are issued to sellers either in the package of a product or through an advertisement medium like news papers.
- ✓ Trade fairs and exhibitions. These are events at which businesses showcase their products. The aim is to introduce new products, demonstrate the products and to explain the special features and usefulness of the products.
- ✓ Trading stamps. Here customers are requested to collect stamps of sufficient value within a particular period in order to get benefits. This tool induces customers to buy that product more frequently to collect the stamps of required value.
- ✓ Scratch and win offers. This involves a customer scratching a specific marked area on the package of the product and gets the benefit according to the message written there.
- ✓ After sales service. These are free services offered to the customer after purchasing a particular product, for example free product repairs, delivery services, etc.
- ✓ Money-back offers. This involves giving customers an assurance that full value of products will be returned to them if they are not satisfied with the product. This creates confidence among the customer with regard to the quality of the product.
- ✓ Window display. This involves attractive display of goods in the shop so as to capture the attention of customers.
- ✓ Selling goods on credit. Here customers make down payment and use the product, as the balance is paid later.
- ✓ Offering cash discounts. This involves a reduction in the original price for customers who pay promptly or those who buy in large quantities.
- ✓ Giving donations. This is in form of contributing money or products to charitable organizations or communities.
- ✓ Organizing competitions. This involves sponsoring games and prizes are given out to the winners.
- ✓ Branding. Involves giving a unique name to a product so as to attract customers.
- ✓ Attractive packaging.
- ✓ Personal selling.
- ✓ Renovation of business premises. E.g. painting buildings.

Advertising

Advertising refers to the act of spreading information about one's product to the customers.

Types of advertising

Informative advertising. Is when the information is intended to make people aware of a product and give information about the product. e.g. 'airtime available', 'milk available'

Persuasive / competitive advertising. This is when the information given is intended to convince the customer to buy the commodity in preference to competitor products on the market.

Mass or collective advertising. Is where many businesses dealing in related products carry out advertising together as a group. E.g. during trade exhibitions

Direct advertising. Is a form of advertising intended for a specific group of consumers. E.g. adverts for contraceptives

Indirect advertising. Is advertising of products to the general public. For example, adverts for food spices.

Advertising media

Is the means through which the advertising message is conveyed / passed on to the customers.

Examples of advertising medium

- Magazines
- Television
- Radio
- News papers
- Business directory
- Outdoor advertising for example billboards, sign posts, poster, etc.
- Specialty advertising. This involves the business in printing its name and sometimes its products on items and give them away to people e.g. T-shirts, pens, caps, etc.
- Internet advertising
- Direct mail
- Cinema and films
- Spoken work (loud speakers)
- Exhibitions and trade fairs
- Window display

Components of an advertising message

- **The appeal.** This refers to the underlying idea that captures the attention of a message receiver. Appeals can fall into categories like emotional, fearful and sexual.
- **Value proposition.** This emphasizes the benefits obtained from using the product.
- **Slogan.** This is in form of a word or phrase that is repeated across several different messages and media outlets. This helps to position the product in a customer's mind and distinguish it from competitors'
- **Business name**

- Business location
- Products offered
- Contacts

Factors considered when selecting a medium of advertizing

- Cost of the medium. A cost effective and efficient medium is used to minimize on the cost of production.
- Target customers. A business should advertise on a medium which its target audience can access. That is, depending on their age, income, education, sex and so forth.
- Coverage of the medium. A medium that covers a wide area should be chosen if the advert is targeting many people.
- Duration of the advertising campaign (life of an advertisement). A short campaign is suitable for newspapers, radio and TV but not suitable for billboards.
- The medium used by business competitors. In most cases an entrepreneur uses a similar or better medium than that used by her/his competitors.
- Availability of the medium. The medium needs to be available for both the business and the customer.
- Speed and urgency of the information. It is better to use a fast medium when information is needed urgently.
- Nature of product. Products that require illustration and demonstration are better advertised on television than radio.

Importance of advertizing

- ✓ It leads to increased sales. People demand more goods when they are frequently advertised.
- ✓ It creates a good will for the business. This is because the business is known by many people.
- ✓ It enables intelligent buying and thus has an educative purpose. People buy the products after being educated about them through adverts.
- ✓ It helps to minimize marketing costs. This is because the consumers are already aware of the products on the market and where to find them and at what price.
- ✓ It facilitates competition among different producers. This helps to improve quality of products.
- ✓ It helps the business to retain its market share so as not to lose it to competitors.
- ✓ It informs new customers about the available business products. This increase the business market share.
- ✓ It helps to introduce new business products on the market. Some advertisements inform the public about the new product designs, product blends, and so forth.
- ✓ It helps in expansion and diversification of the product in the market. This is due to continuous informing of the public about the availability of the product.
- ✓ **Limitations/challenges for effective advertizing in Uganda**
- ✓ Language differences
- ✓ Poor readership and listening culture
- ✓ Social-cultural and religious rigidities. For ex, negative attitude against condom adverts.
- ✓ High cost of advertising

- ✓ Misconception about advertising. That is, 'advertised products are of low quality'.
- ✓ Limited skilled manpower in the advertising industry.
- ✓ Under developed infrastructure like roads and telecommunication which limits accessibility.

Distribution channels

Refers to the ways through which the products of the business move from the producers to the final consumers.

Types of distribution channels

1. Short channel/Direct channel/Manufacturer to consumer channel.
Here the manufacturer sells directly to the final consumer through his own retail shop/outlets for example Bata Shoes Company.
2. Manufacturer to retailer to consumer/medium distribution channel/Retail Distribution Channel. Here the producer sells to large retailers like supermarkets who in turn sell to consumers. It is common in the distribution of consumer and durable goods like refrigeration, Television sets, furniture, etc.
3. Manufacturer to wholesaler to Retailer to consumer/wholesale distribution channel/long distribution channel. This involves the producer selling products in large quantities to wholesalers who in turn sell to retailers and retailers to final consumers. It is widely used on the distribution of consumer products like cosmetics, drugs, groceries, etc.
4. Manufacturer to agent to consumer distribution channel/agent distribution channel. With this channel agents sell products on behalf of the producer and receive a commission on each product sold. This is commonly used in international trade where a producer in one country sells his products in other countries through agents.

Factors considered when selecting a distribution channel (Determinants of a choice of distribution)

- **Nature of product.** Perishable products like vegetables require a short distribution channel while durable goods can be sold through a long distribution channel
- **Nature of the market/ size of the market.** Products with a small market require a short distribution channel while goods with a large market require a long distribution channel.
- **Nature of the producer.** Manufacturers who are financially strong and with marketing expertise use a direct distribution channel while financially weak manufacturers usually use a long distribution channel.
- **Value of the product.** A short distribution channel is suitable for expensive products while a long distribution channel is suitable for low priced products.
- **Availability of middlemen.** Existence of many middlemen with required expertise, a long distribution channel is used while limited access to middlemen require the use of a short distribution channel.
- **Degree of competition.** Stiff competition requires a short channel of distribution so as to deliver goods quickly, but when there is less competition a producer uses a long distribution channel.

- **Speed and urgency requirement.** Products which are urgently needed by consumers are distributed through a short channel while products which are not urgently needed are distributed through a long channel.
- **Nature of business.** Service businesses require a short distribution channel because there is direct contact between producer and consumers while a product business can use a long distribution channel.
- **Buying behavior of consumers.** A short channel is used for consumers who buy in large quantities while a long channel is used for consumers who buy in small quantities.

Personal selling/creative selling process

This is where a team of sales persons is deployed in the field to sell directly to customers as a means of sales promotion.

Or. Is a situation where a team of sales persons are employed to sell directly to the customers so as to increase the sales of a business.

Advantages of personal selling

- It helps in winning over the buyers' confidence by persuading them to buy.
- It creates a good relationship between the buyer and the producer due to frequent interactions.
- It helps in understanding the buyer's needs since they sell directly and share the dialogue.
- It enables the sales person to customize the message to suit a customer's specific interests and needs.
- It helps to practically demonstrate the product functions and performance features.
- It facilitates quick feedback from customers about the business products such as suggestions for improvement

Steps for carrying creative/effective personal selling

1. Pre-customer contact. This involves acquiring knowledge about the business, the products offered, competitors and selling techniques.
2. Prospecting. This involves sales persons searching for and identification of potential buyers of goods and services.
3. Initial contact. This involves the sales person introducing himself to the customer in a polite and dignified manner.
4. Presentation. The sales person is required to present the product by describing its features especially the benefits of the products and demonstrates how it works. The aim is to attract the attention of the customer and allow customer desires.
5. Handling objections. The sales person clears all the doubt and objections the customer had with the product by answering different questions of the customer.
6. Closing the sale. A sales person guides his customers in making choice about which product to take.
7. Suggestion selling. Here a sales person proposes to a customer to buy another product that is complimentary to the one already bought. For ex, one suggests that you buy a shirt to match the suit you have already bought!
8. Sales follow-up. This involves checking on the customer to find out whether the product bought effectively served the promised purpose.

Characteristics/attributes of a creative sales person

- Good judgement. A good sales person employs commonsense, maturity, intelligence and never criticizes the firm in front of customers.
- Tactful. A creative sales person is very careful on the way he speaks and behaves so as to avoid upsetting the customer.
- Good attitude. A good sales person has positive feelings towards customers, products and the business in general.
- Good personal attributes. A good sales person has a fresh breath and puts on clean clothes among others.
- Knowledgeable about the business products, target customers and competitors.

Business transaction

A business transaction is any dealing between two or more parties that involve exchange of value. They include both cash and credit transactions.

Cash transactions

This refers to the exchange of goods and services and payment is immediate.

Advantages of selling on cash basis

- It avoids risks related to bad debts.
- It ensures a constant supply of working capital.
- It reduces on the effect of inflation such as reduction in money value.
- It minimizes book keeping expenses such as use of many documents.

Ways of ensuring proper cash management in business.

- Ensuring that cash received by the business is banked on the business bank account so as to minimize cash misuse and theft.
- Issuing a receipt for all cash sales of the business. This helps to prevent employees from stealing business funds since the receipts work as dividends.
- Through proper storage of receipts and other books of accounts so as to avoid unauthorized people from getting access to them.
- Receiving bank statements on a regular basis. This helps to know the money received or withdrawn from the business bank account in a given period and also reconcile the bank account balance.
- By regularly employing an external auditor so as to detect any fraud in business.
- Keeping and locking business cash in durable safes to minimize theft.
- Authorizing specific people in business to receive or pay out business cash so as to ensure proper accountability.

Credit transaction. This involves exchange of commodities but payment is done at a later date.

Conditions necessary for an entrepreneur to sell on credit

- ✓ When the entrepreneur needs to dispose of some stock for example if goods are due to expire or getting off fashion.
- ✓ When the entrepreneur has enough working capital to finance the credit sales.
- ✓ If the entrepreneur can also purchase on credit.
- ✓ If there are strong and effective laws which can protect and help the entrepreneur to recover the debts from credit sales.
- ✓ When the entrepreneur is operating in a deflation economic situation (period of low levels of economic activities characterized by low purchasing power).
- ✓ When the buyer is proved to be credit worthy and therefore able to pay his debts.
- ✓ If the buyer presents a collateral security which the entrepreneur can sell off in case the buyer fails to pay the money.

Advantages of selling on credit

- ✓ It increases profits for the business. Since higher prices are charged on credit sales.
- ✓ It increases business sales since many customers are attracted to buy on credit.
- ✓ It helps to quickly get rid of goods which are about to expire so as to minimize losses.
- ✓ It helps in building goods customer relationship which results into repetitive purchasing.
- ✓ It helps the business to maintain sales even during period of recession or high levels of competition.

Disadvantages of selling on credit

- ✓ It requires a lot of paper work and book keeping which increases business operating expenses.
- ✓ It results into bad debts as some customers fail to pay their debts.
- ✓ It destroys the business image when the entrepreneur takes court action against defaulting customers.
- ✓ It ties up a lot of business working capital in debts

TOPIC: 13

12.0: PERSONNEL MANAGEMENT

Overview: this topic equips a learner with skills to recruit, conduct interviews, deal with conflicts resolution, and managing workers' payments.

Personnel management is the process of planning, organizing, compensation, integration and maintenance of people for the purpose of contributing to organizational, individual and societal goals.

Or Personnel Management is that part which is primarily concerned with human resource of organization. Personnel manager is the head of personnel department. He performs both managerial and operative

Role of personnel manager role can be summarized as:

1. **provides assistance** to top management- The top management are the people who decide and frame the primary policies of an enterprise.
2. **advices the line manager** as a staff specialist, Personnel manager acts like a staff advisor and assists the line managers in dealing with various personnel matters.
3. is a **counselor**; personnel manager attends to problems and grievances of employees and guides them. He tries to solve them in best of his capacity.
4. acts as a **mediator**; He is a linking pin between management and workers.
5. acts as a **spokesman**, this is because he is in direct contact with the employees,
6. represents company in training programmes.

Elements of personnel management

1. manpower planning
2. Job analysis and job design
3. Recruitment
4. Selection processes
5. Employment arrangements and remuneration
6. Induction
7. Training and development
8. Recognition and reward
9. Performance appraisal
10. Termination management

(1) MANPOWER PLANNING

All organizations have to plan for the positions that inevitably become vacant. That is Employees retire, resign or get promoted. Also, new positions develop as the business expands. Therefore, for most organizations, determining staffing needs is an ongoing process. Therefore

Human resource (HR) planning is the process that involves forecasting the number of employees available and the number of qualified employees demanded in the future. HR planning must be related to business strategies. That is taken to achieve an organization's objectives.

HR must forecast the future demand for employees and estimate the supply available to meet that demand in order to avoid having too many employees on the payroll. If supply of employees is forecast to be greater than demand, HR will have to plan for a reduction of the workforce.

Objectives of man power planning/the need for manpower planning To:

1. determine the number of employees required
2. determine their qualifications, including skills, previous experience and knowledge
3. Determine when and where these employees will be needed.
4. To do a job design
5. To upgrade the existing employee skills e.g. through carrying out on job training
6. To ensure proper placement of employees
7. To minimize labour costs associated with high labour turnover

(2) JOB ANALYSIS

Job analyses involve determining business's human resource needs. There is no sense in hiring people unless the organization is clear about what it is hiring them for. In other words, the business must determine the exact nature of a job before it can recruit the right person to do it.

Job analysis is a systematic study of each employee's duties, tasks and work environment. A job analysis examines:

1. Actual job activities (duties and tasks i.e. Job description)
2. The equipment used on the job
3. Specific job behaviors required
4. working conditions
5. The degree of supervision necessary.

Steps in job analysis

- a) Determining the information needed, this is best obtained through interview
- b) Reviewing the background information, this include business communication chart, job description, job specification, business core value, mission and goals etc
- c) Selecting the position for analysis, this refers to the job representative in a business and information obtained is used to analyze other similar jobs in an enterprise
- d) Verify the job analysis information; this is done by collecting data on the activities such as employee behaviors, working conditions. Etc
- e) Developing a job description and job specification

JOB DESCRIPTION:

This is a written statement describing the employee's duties, and tasks and responsibilities associated with the job

Elements of job description

- a) Duties to be performed by a worker
- b) Responsibilities of the worker
- c) Working conditions
- d) Equipments to be used in performing the job
- e) The reporting line or relationship
- f) Job title
- g) Job duration
- h) remuneration

JOB SPECIFICATION:

This is a list of the key qualifications needed to perform a particular job in terms of education, skills and experience.

Elements of job specification

- a) Qualifications

- b) Special qualities
- c) Skills and knowledge required
- d) Working experience
- e) Job title
- f) Working habits
- g) Gender
- h) Age
- i) Marital status
- j) Religious issues
- k) Place of residence

Once staffing needs have been identified, a business is able to begin its recruiting procedures.

NB (a) Develop a description of the sales manager of your business

(b) Develop a job specification of the human resource manager of your business

JOB DESIGN

Job design refers to details of the number, kind and variety of tasks that individual employees perform in their jobs. Good job design takes into consideration the satisfaction of the employee's needs.

In your school canteen, for instance, jobs may be divided according to tasks, with one person handling food and another handling money only. Alternatively, a single employee may do both tasks and may have other responsibilities such as ordering supplies, developing menus or cleaning the canteen.

NB

1. Job Grade

Job grade is defined as a collection of jobs that are considered having the same value or worth for compensation purposes. The jobs that form a part of a specific job grade have similar job descriptions and requirement of knowledge, skills and abilities, thus making the pay scale similar for all those jobs.

2. Job classification

Is a process used to differentiate between jobs on the basis of tasks, duties and responsibilities involved while performing the job. Job Grade classification helps in the recruitment process, compensation system and training and development planning of the employees in the organization

3. Job pricing

Job pricing is defined as the process of determining the pay (salary) values depending on the job that the employees are performing in the organization. Job pricing takes into account the job description and the relative industry and regional values and analyze data to decide on to an appropriate pay/salary value

4. Job criteria

A Job criteria is defined, as the minimum requirements that an applicant needs to possess to get selected and perform the job in an organization. The organizations define and publish their job criteria during recruitment advertisements to enable the appropriate candidates to apply for the job.

Key parameters which are covered as a part of job criteria:

Employers' perspective-1. Education qualification

2. Previous work experience
3. Skills of the candidate, both soft skills & personal skills
4. Domain & industry knowledge

Job criteria can also be seen from a potential candidates or employees perspective:

Candidate's perspective-

1. Job profile & security
2. Salary, benefits & perks
3. Location
4. Future opportunities & growth

(3) RECRUITMENT

This is the process of hiring talented employees for certain jobs by motivating them to apply for those jobs which are available in an enterprise through using advertisements, employment agencies and word of mouth. When an organization decides to recruit staff, it may choose internal or external recruitment methods.

Internal recruitment

Internal recruitment includes:

1. Promotions, this is where present employees are considered as applicants for available positions. This often provides a strong motivation for current employees
2. Referral schemes, here Potential candidates are identified and recommended by existing employees. This help the organization find the right person for the job.
3. Unsolicited applicants, here those who applied to join the enterprise and previously not considered are given an opportunity to absorb.
4. Transfers, this is where a worker is moved from one branch to fill a position in another branch where it would have fallen vacant
5. Internal advert, this is where the existing employees are given opportunity to apply for the job, here advertisement is done internally within the enterprise by pinning the advertisement on the notice board.

Advantages of internal sourcing

It's a cheap method

It makes employees to work hard so as to be recommended for new tasks

It makes employees acquire more knowledge about the jobs in an enterprise Its increases labor productivity this is because of the acquired skills

External recruitment

A suitable applicant for a position may be found from outside the organization (external recruitment). A business will use external recruitment methods when it wants to bring in people with new or different ideas and attitudes this include.

1. Headhunting, this refers to the process of indentifying talented and experienced people currently working in different businesses who are persuaded apply for existing jobs and join the business by offering better incentives.

2. Educational institutions, these include colleges, universities, where an entrepreneur, may be invited to present facts about his or her enterprise more especially those in their final year of study and are introduced to the opportunities available hence they are encouraged to apply for those positions .
3. Private employee agencies, many organizations use private agencies or recruitment companies to source suitable applicants for a position. The agency does the preliminary screening of candidates and presents potential employees who fit all the criteria of experience, education and training.
4. Online advertisement, this is where Organizations provide an efficient way for job seekers to search online for jobs that meets their qualifications and expectations. Employers and recruiters use organizations such as job line Uganda to advertise positions online, in order to reach a wide audience.
5. Internees, these are students that are sent out by institutions to prove their theories and also get used to working environment and those that excel and in their final study are given opportunity to be recruited to fill a position that may need manpower.
6. Advertising, this is where the existing jobs in existing in an enterprise are publically made available to general public through the newspaper this means that an organization has to screen applicants, and then proceed with interviews.
7. Specialty media publication, these are media houses that have specialized in availing information on various jobs available in organizations to the job hunters who are encouraged to apply and be recruited.
8. Labour unions, there are organizations that receive and register members of their unions and those seeking employees can contact such organizations.
9. Competing enterprises, these are businesses in the same line of product, hence they are contacted to refer those employees that would applied, interviewed but not taken on such employees are recommended to another business

Advantages of external recruitment

New skills are acquired

It reduces the cost of training employees to acquire new skills

Factors considered when recruiting employees in an enterprise

1. The age of the employee, in most cases employers don't want to use minors because they are not responsible in case of any challenge .that is to say they are not held by law.
2. The experience of the employees, many enterprises seek to recruit employees that are knowledgeable, skilled, so that less cost is incurred in training those employees that are inexperienced.
3. The cost of the employee, employees that are cheap, efficient and productive are more preferred in order to minimize wage bills and increase profitability of the enterprise than expensive employees who may not be cost effective.
4. The nature of the job to be done, some jobs require physical ability while others require mental abilities therefore when the job is physically demanding more labour that are physically fit are demanded
5. Communication and interpersonal skills, employees with good communication and interpersonal skills have high chances to be recruited because these employees act as public relation officers for the enterprise than those who have poor interpersonal skills
6. Gender of the employees, different enterprises have different policies on gender therefore enterprises that emphasizes woman more of the female gender is to be recruited than male gender.

7. Attitude of a worker, employees with positive attitude towards work increases efficiency of the enterprise, increases retention and hence reduced recruitment costs than those with poor attitude towards work.
8. The size of the business, large enterprises need more workers whose are experienced to take on the various tasks available in an enterprise than small enterprises.

Recruitment process

1. **Making analysis of the business man power needs**, this involve analyzing the current employees and skills so as to determine which skills are needed, what type of job is the new recruit is to perform, this makes recruitment easy
2. **Preparing the job description and person specification**, These are written descriptions of the role you are recruiting for and, the type of candidate needed to fill it. This enables the entrepreneur to. Attract the right applicants with the right documents which are worth spending time on them.
3. **Designing a job advertisement and placing in the media**, this done so as to attract the right applicants the media selected depends on the nature of the source for example news papers, social Medias can be used for outside sourcing.
4. **Receiving applications and handling inquiries**, this done so that the business give chance to many candidates as possible to apply
5. Reviewing applications and short listing suitable candidates, this is guided by the elements of the job that detects the nature of individual to be recruited.
6. Conducting interviews, the process provide the entrepreneur invaluable contact time with the candidates, at the same time allowing the interviewing team to have in depth-dive into each applicant's professional background to see how well they might be suited for the vacancy. At the same time, candidates will be also looking to see whether the advertised business is the right fit for their career.
7. Checking references, Once top candidates have been shortlisted, it's time to check their references to establish Candidate's background that help the employer to make sure they are everything they claim to be
8. **Drawing up a contract and offering the job**, once everything is in order, employees are communicated to about the job offer clearly indicating the salary, working hours, and a responsibility including the number of holidays.
9. Induction and orientation training to the new employees, this is the new employees are officially introduced into the organization by helping them to settle as much as possible hence making new employee feel welcomed

In Conclusion, The recruitment process has many interlocking parts that are cross-related. Therefore, the consequence of poor quality is a lower return on investment for the recruiting effort and budget, which can be extremely detrimental. The most effective recruiters know what some critical factors that affect the company's recruitment process are, and they strive to improve the

NB 1. The above steps are used to develop recruitment programme

- 2 QN Develop appointment letter and job application form for the business of your choice
- 3 Develop personal CV
- 4 Develop job advert for sales manager

(4) SELECTION

Is the process which involves gathering information about each applicant for a position, and then using that information to choose the most appropriate applicant. The processes include tests, physical examinations, and referee

Selection techniques

- *Application forms.* Candidates outline information about themselves. The form may be simple, requiring details such as name, address and contact number, or it may require more detail about an applicant's personal history, skills and experience.
- *Tests.* These may be written or practical and are designed to assess aptitude, intelligence or ability. They are not used by all industries, and they are not always reliable as the sole indicator of an applicant's suitability for a position.
- *Interviews.* This is the most common technique used in the selection process. The interview must be well organized and structured, and common questions must be used in each interview to ensure a consistent basis for selection.
- *Background checks.* The employer verifies the information on the application form by contacting referees or agencies for information about an applicant's previous experience, performance or record.
- *Medical examinations.* Some jobs require certain physical attributes. For example, Police requires medical assessment as part of their background checks.

Reasons why most enterprises use interviews for selection

The job interview is the most commonly used selection technique because

- a. Interviews provide an opportunity for the job seeker and the organization to learn more about each other.
- b. Interviewers ask questions to evaluate the candidate's motivation, personality and attitudes.
- c. The interview also provides the candidate with the opportunity to find out more about the job.

Selection process

1. Applications received
2. Holding a planning meeting to discuss and plan for candidate job interview
3. Screening each candidate's application
4. Short list candidates who are to appear for interviews
5. Deciding on the interview style to be used, this is determined by vision the entrepreneur at the same time it help to design the questions
6. Selecting the interview team, this is also determined by the number of applicants and the current needs of the business
7. Selecting interviewing venue and date for the interviews. It also involve allocating each candidate a group in case they are many
8. Inviting the shortlists candidate for interview, this can be done through calling them or sending a message about the interview
9. Conducting Interviews
10. Contacting Referees to establish the true facts about the candidate checks Offer job to candidate

(1)Confidence ,(2)creativity and innovativeness ,(3)intelligence,(4) knowledge,(5) good communication,(6) time management,(7) decency, (8)respect,(9) ability to control emotions,(10) smartness,(11) listening skills,(12) relaxed, (13)concentration,(14) qualification,(15) interpersonal skills, (16) team work, consistence

(5) INDUCTION

The induction process

The process of induction (sometime on boarding) introduces new employees to the job and shows them where they can find the basics they need to begin the job. or

It is process by which a newly recruited employee IS introduced into a job and the various aspects of the enterprise.

Objectives of induction

1. To make new employees feel welcome and comfortable
2. To enable the new employee achieve job satisfaction and make him or her abilities to achieve the organizational goals
3. To create a positive perception and build confidence in the enterprise
4. To communication the basic enterprise procedures, policies, and core values of the enterprise, to enable new employee get knowledge which is to be use when making a decision to work with the enterprise or not
5. To begin the process of integrating new employee into the workforce, so as to make friends coach and counsel the new recruit.
6. To increase the chances of commitment of new employee, this is because the first impression is lasting impression
7. To reduce the cost and inconveniences of early leavers
8. To enable new employee access more information about the enterprise, so as to make adjustments

The induction process or programme

An effective induction program is carefully planned to introduce new employees to the job, their coworkers, the organization and how it operates. Topics covered in the induction program include; 1.Information about the history of the organization,

2. Enterprise culture,
3. General conditions and benefit training,
4. Safety and career paths,
5. Supervisors, coworkers and the human resources policies
6. Describing the organizational structure, and its implication on the workers
7. Issuing written terms and conditions of employment, at the same time guiding them through issues that may be abstract to new employees
8. Explaining the nature of the job, this include the job description, minimum expected standards, performance appraisal issues
9. Touring the business premises and explaining work flow
10. Giving new employees tools and equipments, as well as explaining how they are used ,how they are stored and serviced
11. Placement of new workers
12. The Human resource department may be involved in the induction process. Research shows that most employees who leave an organization depart in the first six months, so the need for support is greatest when an employee is new in a job.

Methods used in induction

- Lecture method
- Power point presentation

- Group discussion

- Roll play sessions

The benefits of induction

- Reduce stress and anxiety that may be associated with starting a new job
- Build a new employee's confidence in the job by: assisting the employee to feel part of the organization
- Helps employees to establish good working relations with coworkers and supervisors
- Helps employee ensure greater awareness of major safety policies and procedures.

(6) THE EMPLOYMENT ARRANGEMENTS

The different needs of organizations will determine the types of employment arrangements offered to employees this can be;

1. **Full-time permanent** employment is the traditional method of employment for most people. Permanent full-time employees usually work for between 35 and 38 hours per week, and are entitled to a set of benefits such as big salaries, medical allowances NSSF etc
2. **Part-time permanent employment**, where they work for less than the ordinary full-time hours. Part-time employees have continuity of employment and similar entitlements to those of full-time employees. The difference is that their entitlements are calculated on a proportional basis.
3. **Fixed term contract**, Wages and conditions of employment is pre-arranged that is finishing date
4. **Casual employees**, these are employed on an hourly basis and do not receive a range of entitlements (non-wage benefits) such as long-service leave and sick leave

(7) EMPLOYMENT REMUNERATION

Remuneration refers to the financial payment an employee receives in return for working for an employer. These payments can be made in the form of a **wage** or a **salary**.

Importance of paying employees appropriately

1. It increases productivity by increasing employee motivation,
2. Lowers rates of absenteeism and staff turnover,
3. It is a necessary condition in attracting and retaining good employees.
4. It increases the enterprise competitiveness in the labour market
5. Reduces the cost of frequent hiring of workers
6. It increases commitment of employees
7. It create a pool of loyal employees

Salary sacrifice (also referred to as salary packaging), is combination of a basic wage and extras form of payment such as bonuses, commissions and allowances. It also includes the use of a company car, laptop computers, childcare facilities and holidays.

The total cost of an employee is not solely the wage or salary paid but also non wage benefits which constitute expense remuneration package such as.

- Superannuation
- Occupational health and safety
- Long service leave
- Sick leave
- Holiday pay
- study leave
- Parental leave
- Workers' compensation

REMUNERATION STRUCTURE

PAYROLL

EMPLOYEE N O .	NAME OF EMPLOYEE	BASIC P A Y	ALLOWANCES		GROSS P A Y	DEDUCTIONS		ADVANCES	N E T P A Y
			MEDIC	TRANS		PAYE	NSSF		

METHODS USED TO PAY WORKERS

1. **Time rate method**, this is a method through which workers are paid basing on the number of hours worked either per day or per month.
2. **Piece or output method**, this is a method of payment where workers are paid according to the amount of work done out output produced irrespective of the time spent to do a particular work.
3. **Bonus pay**, this is an extra pay given to a worker basing on his or her output and its given to workers who are more efficient
4. **Contract based payment**; this is where employees are paid an agreed amount of money according to agreed time and piece of work.
5. **Over time payment**, this is where a worker is paid money over and above the agreed amount of time
6. **Shift pay**, this is a type of payment made to workers who work during unusual working hours. The payment is made to compensate works for inconvenience and hardships.
7. **Cost of living allowance**, this is a method used to compensate workers who work in areas with increasing cost of living.
8. **Payment in kind**, this is a method of rewarding workers where they are paid in terms of goods or services for their services offered instead of money.
9. **Bargaining method**, this refers to method of determining wages where worker or employees discuss with employer until both agree on the pay.

Factors considered when determining payments for workers in an enterprise

1. The profitability of the employer, business enterprise that make more profit and with ability to pay, such enterprises pay high wages compared to those with low profits.
2. The level of competition for workers among different employers, high level of competition makes workers scarce and expensive this makes employers to pay high wages in order to attract highly trained workers;

however absence of competition for workers labour becomes in plenty, this lowers the level of wages paid to workers

3. The level of education and training that a person undertakes, workers who have attained high level of education are paid a high wage on their hand low wages are paid to workers with lower qualification
4. The amount of work done by the employee, employees in an enterprise with a lot of tasks to perform negotiate for higher wages because of the extra assignment; however those with fewer tasks are paid low wages
5. The bargaining power of the individual worker, employees with strong bargaining power, whose services are highly demanded, are paid a high wage compared to those with low bargaining power where employer take advantage and pay lower wage.
6. The demand for services or goods produced by a worker, those whose services are highly demanded, such workers are paid a high wage compared those whose offering a service whose demand is low hence are paid low wage level.
7. The nature of work being done, workers who perform knowledge based type of work are paid high salary than those who use physical abilities.
8. The risks involved in the work being done, employee who do more risky jobs like the night guard are paid more wages than those who perform less risky tasks e.g. secretary in an organization.
9. Experience and skills possessed by the worker, high wage is paid to employee with more experience, this because of the ability to reduce damage at work than those with less experience hence an enterprise spends on them in form of training which reduces their wages.
10. The cost of living, employees who work in areas that frequently experience price rise make employers to pay high wages compared those in enterprises located in area where the cost of living is low

Factors that lead to differences in workers earnings in an enterprise

1. Differences in the nature of jobs, jobs which are risky and unpleasant tend to attract high wages and hence they receive more earnings than tasks which are less risky and pleasant are paid low wages hence receiving low earnings.
2. Differences in the level of education and training, highly skilled workers who are highly demanded are paid high wages this makes such workers to receive more earnings than those who are not highly educated hence paid low wages and hence less earnings.
3. Differences in the bargaining power of the individual worker, workers with strong bargaining power have high chances of setting a high wage level hence they are able to receive more earnings than those with weak bargaining power that they can't bargain for more wages hence receiving low earnings.
4. Differences in the number of hours worked, workers who work for more hours are paid more wages more specially when the employer use time rate system of wage payment than workers who work for few hours, they are paid low wages and hence receiving less income
5. Differences in natural talents and gifts among workers, workers that combine talent and skills perform more income generating activities and as such they are able to earn extra income as compared to those workers without talent and skills.e.g sports employees, singers etc
6. Differences in the employer's ability to pay, employers who have the ability and willingness to pay high wages, makes workers to earn more wages than those in competing enterprise that pay irregular payments and hence workers receiving less income.
7. Discrimination in payment of employees, sometimes employers' deliberate makes payment differences therefore those in sections that are paid low wages earn little income than those in sections where the wages paid are high.
8. Differences in the nature of employment, employees on contract works tend earn more income and receive more earnings than those on permanent basis whose earning may be low for a long period of time with hope of receiving pension in future.

10 Difference in the cost of living

EMPLOYEE RELATIONS

1. For an enterprise to effectively maximize employee potential, there is need to develop good and exciting relations between employees and employers or employers and employees, the following strategies can be used;
2. Providing a good pay to workers, that is a pay that reflect employee skills, knowledge and experience.
3. Providing fringe benefits to employees, these include medical care, decent accommodation, allowances. This makes employees happy.
4. Provision of job satisfaction, this refers to the conditions that promote worker welfare and creativity. This makes workers to be committed to their work and happy.
5. Provision of the best kind of physical surrounding to employees, this include good work lay out, that provide opportunity for resting, recreation facilities all these makes workers happy and committed.
6. Providing effective communication, that is providing feedback to employees how well, they are doing, and areas of weakness.
7. Sharing concerns together, this include incase of sickness, it should be the concern of every member in an enterprise, incase celebrating an achievement, all employees should be part
8. Keeping worker`s information secrete, this improves the relationships between employers and employees.
9. Appreciating workers for work well done, this could be on monthly basis where the best performing employee or team is recognized and appreciated by management.
10. Starting suggestion programme, and when a worker`s suggestion is found to be useful, a token of appreciation is given.

TRAINING AND DEVELOPMENT

Training and development are aimed at improving employees' skills and abilities they are necessary for both personal and organizational growth. New employees may need some training and development, depending on their level of experience. Existing employees also needs training and development to continually upgrade their skills.

TRAINING

Is the act of increasing the knowledge and skills of employee for doing a particular job more productively.
The need for training

1. **It increases productivity of a worker**, that is after training the worker gain efficiency as he or she gets more skills required
2. **It leads to better use of raw materials in an enterprise**. That is a trained work is able to make better of machines as acquire the scientific way of doing work
3. **It reduces the cost of supervision and direction**, as the trained worker does not require be inspecting or directing all time
4. **It leads to development of employee`s moral**, training develops efficiency of workers hence developing self control and increased pride
5. **It helps an enterprise to achieve long-term change in employees' skills, knowledge**, attitudes and behavior in order to improve work performance in the organization. Because training and development benefit both the employee and the employer.
6. **IT increases employee mobility**, this is because trained workers are mentally developed and prepared to take on any task and hence helping an enterprise to grow and trained employees take on new responsibility.
7. **It minimizes accidents in an enterprise**, this is because workers learn the best way of using different instruments and handle work with care.

8. **It is a form of motivation to workers in an enterprise**, this is because a trained work is able to deliver the best using the acquired skills and knowledge at same time it's used as yardstick for promotion
9. **It increases the enterprise competitiveness**, this due to the efficiency acquired by workers and commitment increases labour productivity
10. **It improves the corporate image of the enterprise**, this is through possession of highly motivated employees and production of high quality goods
11. **It facilitate old employee to adjust to changes in enterprise structures and customer taste**. As such employees are trained in the skills and knowledge which is required to produce the desired output
12. **It provide adequate human resource base for an enterprise**. This is in form of skills and new knowledge which is required for expansion and attaining new enterprise goals
13. **It enhance the enterprise's ability to adopt and use advanced technology**. This is increases the ability of the enterprise to respond to changes in business climate as well as change in consumer taste and preference.
14. **It creates a pool of readily available manpower for replace**, this is critical for enterprises that experience high labour turnover, those being promoted and replacing those that die
15. **It's used in the induction process**, it's a method used in inducting new workers to understand their roles and responsibilities, history of the organization and policies of the enterprise.

Identifying training needs

Training needs can be assessed by making analysis of the following areas in order to be able prepare training material and sessions for those that have been identified as candidates for the exercise. These areas include

1. Analysis of entire organization, this include assessing the status of the enterprise on what it's doing, what it used to do best ,the ability of employees in terms of their duties and task performance in order to determine areas that need training.
2. Analysis of the future plans of the enterprise (the long term strategic plans), this is done such that a training program provided is able to move the enterprise from where it is now to where it wants to be.
3. Analysis of organizational financial ability, this is done so that the financial ability of the enterprise to support training activities is established
4. Determine the training gap, these are areas that need training to achieve this internal audit is carried out to help in identifying areas that may benefit from training.
5. Assessing the skills possessed by the existing employees, the skill inventory analysis is performed to determine what skills are available, what skills are needed for future development of the enterprise.
6. Analysis of the job description, this involves analysis of how the job is performed on task by task basis. This reveals of gaps of what should be done better basing on the training needs.
7. Individual employee evaluation by comparing their current skill levels and set enterprise performance standards, this is done such that if there is any discrepancies between the actual and anticipated skill level. This indicates the training gap.
8. Analysis of the past training programmes, this is done to determine what was trained, what training package was provided, the impact of the training on output so as to determine

Training process

In order to produce desired results in training, a well sought of procedure must be laid down so that the right training is carried. These logical steps include:

1. **Setting organizational objective for training**, this is done so that the desired training program is designed to achieve the organizational objectives of training e.g achieve efficiency, have knowledge based organization etc

2. **Assessing the organizational needs for training.** training begins with the identification of training needs that is to say what is required to do the job, what is already possessed by the job holder etc in order to determine the training gap
3. **Determining training objectives,** this is done so that at the end of the training, its assessed to establish whether the objectives have been achieved or not and at the same time focusing the training on what is the desired outcome
4. **Selecting the trainees,** this is done basing on the skills, knowledge, attitudes, motivations and expectations so that the training is able to close the performance gap that would have indentified.
5. **Selecting the training methods and modes,** this done so that all those to trained are on board. the methods selected must favour all the trainees
6. **Selecting the trainers,** these are the individuals to conduct the training, they should be knowledgeable in the area of training so that they are able to bring out the meaning of conducting training In the organization
7. **Administering the training,** this refers to actual training where those indentified as need for training undergo training ether in form of teaching or allowing the trainees to bring a learning situation a good deal of prior experience learning
8. **Evaluating the training.** Evaluation deals with the overall benefits of training. It helps to improve the quality and effectiveness of the training course.

Importance evaluating the training

- a) It provides the trainer and the trainee a form of feedback, in terms how relevant was the training content
- b) It's used to measure whether organizational objectives of training has been achieved
- c) It helps the trainee to reflect on what they have learnt as basis for identification of future training needs.
- d) It reveals of whether training has been worth the cost

Why small business don't train employees

Businesses that plan their training process are more successful than those that don't .however for small businesses want to succeed on the expense of the worker`s innovativeness sand they hardly encourage workers to train while being supported by the businesses where they are working. This is due to:

1. Limited time that employees stay ,because small business managers find that time demanded is not enough to make training possible
2. Small business owners expect that employees learn on job. hence they believe that training can be a waste of time since workers can get the required skills and knowledge on job
3. Owners of small enterprise hire managers that have broad expert on a range of business issues ,such as planning, sales financial management production etc hence small businesses prefer employees with general knowledge and experience than specialized ones that may need training in order to make adjustment
4. Lack of trust and openness by managers of small businesses. that is to say many managers prefer to keep information to themselves away from subordinates for fear of taking over manager`s position in case they are trained.
5. Skepticism about the value of training. Some small business owners believe that the future of a worker is not predicted either controlled hence most of the effort is centered on the current activities than what may happen tomorrow to both the enterprise and workers.
6. Lack of restrictions to labour movement from one enterprise to another. this makes owners of small enterprises to be reluctant to train workers thinking that any time their valuable workers
7. The cost effect is another reason why small enterprises don't want to train employees, managers of small businesses think that training is very expensive hence taking on it may affect the profit level yet their returns of the trained workers is sought to be low

8. Lack of a strategic plan. Many small businesses exist because the owner exists. Hence the future of the business depends on the life of the owner whose plans are not written down and not known to the workers this makes assessing the training needs to be difficult.

Methods used in training

There are two broad types of training available for enterprises. These are

On job experience training

Off job experience training

On job experience training

This where training experience is delivered to employees while the task is being performance. The methods include;

- Orientation, this refers to the means of providing with information about the job, it include information on tasks, company policies and instruction
- Job instruction training, this is where employee are trained on the instruction of performing a specific task it involves showing, illustrating new skills, asking questions
- Apprenticeships, this is where the train is place under a qualified supervisor or instructor for a long period of time to acquire skills that are necessary for the enterprise.
- Internships, this is where the trainee is place under supervisor for short period of time to acquire practical skills for use in an enterprise.
- Job rotation, this involves moving the trainee through a series of jobs in order to get better training and discipline. For example, a manager may move from one section of the business to another, taking with them their management skills and applying them to a different situation. This is intended to reduce boredom because the employee is exposed to new situations and is given plenty of variety.
- Coaching this refers to one to one learning focused on a specific skills and goal. This is aimed at increasing performance and improvement at workplace through development of individual
- Job Counseling this refers to process of advising a junior employee as and when they face problems while doing their work
- Mentoring, this refers to a partnership between two people often working in a similar field sharing work experiences. This is intended to provide help on what should do rightly.

Off job experience training

This refers to method of training given to employee outside the business. The methods adopted include;

- **Lectures**, this is where real learning is applied in lectures for short period of time
- **Conferences**, this is where trainees are organized in small groups to discuss a particular aspect of the job so that feedback is provided.
- **Simulation**, this involves providing or creating atmosphere which is similar to the original work environment .this method helps trainees to manage stress, handling work which has a lot of pressure.
- **Business games**, this method involve providing a market situation in for a game and the trainees are asked to provide solutions.
- **Role play**, this method the trainees to assume the role and act it out in situation connected to the learning concept.

Factors considered when choosing training venue

1. Location

2. Facilities, these include water, power, toilets, conference hall, packing space ,free space for relaxing etc
3. Accessibility by the trainees and trainers
4. Comfort ,in terms of the nature of chairs, tables writing desks floor and ceiling board
5. The availability of training facility aid, these include sockets for power, curtains,
6. The training equipments available, these include projectors, chalkboards
7. The cost of training venue and facilities
8. The experience of management in training conferences so far handled and how flexible is the management.

EMPLOYEE DEVELOPMENT

This is the process of preparing employees to take on more responsibilities in the future through acquiring better knowledge and skills and gaining more experience in a particular area. Developing staff often involves training. It is interesting to note that many employees expect their organization to provide them with opportunities to grow and learn and ultimately improve their employability. Employer must plan for future human resource needs at both the managerial and entry levels. Hence effective development programs ensures that staffs are retained, motivated so that they are able to stay for long

How an employee is developed in an organization

This depends on the organization's needs as well as the employee's career stage. In the early stages of an employee's career, the focus may be on gaining qualifications. As they move from one employment area to another, younger employees focus on experiencing a variety of roles to determine their interests and talents. Later, developing specialist or managerial competencies Hence they must be:

Trained

Motivated

Appraised

Supported

LABOUR TURN OVER

This refers to the number of employees leaving an organization in specified period of time.

Causes of labour turn over

1. **Inadequate wage level**, this cause employee to move to the competing business where they are paid highly with good working conditions
2. **Poor morale**, this is caused by low levels of motivation either monetary or non momentary benefit this cause employees to move where they are highly appreciated
3. **Recruiting and selecting wrong employees**, these are employees which either had high expectation or poor human resource practices which makes workers uncomfortable.
4. **Employees being not engaged**, therefore find alternative to where his or her skills can be put to better use.

5. **When employees are mismanaged**, a bad manager make any worker miserable, hence even if the staff is committed, bad immediate supervisor create unfavorable conditions which force workers to stay for a short period of time,
6. **Limited fringe benefits enjoyed by employees in comparison with the competing firms in the industry**, such free accommodation a lot of allowances medical allowances these force employees to leave more specially when what the firm offer is the worst on market
7. **Poor relationships between employees and employee with their supervisors**, this makes it hard for employees to settle in an enterprise hence as they are recruited they serve for shorter time.
8. **Poor working conditions and facilities**, for example no toilets poor office space no staffroom, long working hours, etc
9. Poor handling of discipline.

Costs of labour turnover

1. **It leads to additional recruitment costs**, this incurred to continue replacing those that leave the enterprise
2. **It leads to loss of production**, as the enterprise continue to lose experienced workers in production, sales etc
3. **It increases the cost of training to replace those that have left**. This reduces the profitability of the enterprise.
4. **Loss of customer goodwill**, as they attribute high labour turn over to poor quality out, this increases loss of an enterprise.
5. **Loss of employee morale**, this lowers their productivity as keep wandering who is next to go.
6. **It leads to loss of enterprise reputation in the labour market**, making it had to hire experienced and knowledgeable workers.
7. **It increases damage of machines by disappointed employees who are soon leaving**. This increase repairing expenses and replacement which also reduce revenue of the enterprise
8. **Increases accidents in the enterprise**, this due to fact that managers may resort to hiring part-time worker who may not be familiar with work routine
9. **It increase wage experience**, this is because of the need to offer good wage packages and other working conditions in order to attract and retain workers in the enterprise for some time.

Managing labour turnover

When confronted with high employee turnover, management has several options that can used to reduce the problem these include;

1. Engaging employees
2. Training of employees
3. Sharing of information with employees
4. Empowering employees coaching employees
5. Regular revising of the working conditions and terms
6. Performing job analysis on regular basis
7. Providing on the welfare of workers

MOTIVATION

Motivation is derived from the word motive which means need, desire, wants or drives within an individual.

By definition, motivation is the process of inspiring a person to use his or her capacities to achieve desired objectives of the organization.

Importance of motivation

- 2 It leads to stability of the work force in an enterprise. This makes employees remain loyal to the enterprise.
- 3 It encourages hard work among worker of an enterprise. For example motivation in form of cash, makes workers to work hard in order to earn more
- 4 It prevents employees from seeking alternative employment. This is because it is used as a strategy that makes employees happy
- 5 It promotes good relationship between the employer and employees in an enterprise. This is because it brings employee satisfaction eg motivation in form money, promotions etc
- 6 It enhances productivity of an enterprise. This is because well motivated employees always want to save the organizational costs in order to maximize on their welfare
- 7 Motivation helps to build teamwork and individual commitment to an enterprise. This makes workers enjoy whatever they do and hence increasing efficiency as well as achieving enterprise goals faster.
- 8 It's used to minimize labour turn over and the associated costs. This is because motivation makes workers to stay in an enterprise longer than those that are not motivated hence reducing recruitment expenses.
- 9 Motivation in form of monetary and material gains improves on the welfare of the workers. For example motivation in for physical assets like a house, motor van etc hence improving on the standard of living of employees.
- 10 It provide a sense of belong amongst workers. For example motivation in form of fringe benefits like medical allowances, housing, future sponsorship for further studies, etc.

Ways /method used to motivate employees

It doesn't matter whether you are running a small business or manufacturing business or multinational business motivation can make a difference in the performance of most employees most often used methods include

1. Provision of good working condition. This motivate employees to work hard eg providing flexible work schedules ,lunch
2. Fringe benefit. These include medical housing transport allowances. these incentives help the workers to concentrate and work harder for the benefit of the organization
3. Provision of favorable job content. That to say content that match with employee training. This enable employee to settle faster, increase their productivity and stability of the work force
4. Provision of on and off job training. These trainings increase skills and knowledge of employees hence allowing them to be flexible which increases productivity and efficiency of employees
5. Promotion of hard working employees objectively. This is where promotion is based on merit. this stimulate the effort of other workers to work hard hence increasing productivity of the business
6. Provision of social gatherings to employees. These include company end of year parties, celebrating events such as labour day, women`s day cultural day etc. these events enhance bonding which in turn helps to have team spirit among employees.
7. Recognition of the best performing employees of the company. This is in form of shaking hands with executive director, special calling to employee to thank him or her for the good performance or giving certificate of recognition to best employee of the year, or giving accord etc this create a positive impact on the performance of the worker
8. On the spot praises. This is where employees are praised when the achievement is still fresh on one`s mind. This provides positive impact on the employee.

9. Conducting performance appraisal on regular basis. continuous assessment of workers' performance and providing feedback on areas that he /she has performance better, areas that need improvement increases productivity of a worker
10. Proper management of discipline at work place. This is done by putting in place rules and regulations which discourages bad behaviors
11. Provision of casual dress day. This demonstrates togetherness as well as the desire to work as a team to achieve higher performance.
12. Organizing contests among employees. For example football cultural shows singing competition. This helps to maintain a positive work environment

EMPLOYEE WELFARE

This refers to the various ways of how employees in an enterprise can be kept health, alert and informed so as they can enjoy leisure and increase their productive efficiency. This can be done through the following;

1. Provision of sanitary facilities, these be cleaned regularly so as to maintain the health of the workers
2. Provision of room for lunch and breakfast, this should be comfortable with chairs and desks for meals and sharing of ideas
3. Providing time for resting and lunch as well as breakfast
4. Provision of recreational facilities to workers, for example football patches, marks for different games.
5. Provision of first aid box and standby nurse, in order to give first aid services for workers that may get inquires while performing their duties
6. Provision of storage facilities for workers valuable assets,
7. Use of friendly facilities for disabled workers, for example wheelchairs
8. The premises should have good ventilation, with sufficient heating and cooling facilities as well as good lighting.
9. Protective gadgets should be provided, for example gloves, helmets, masks, and tools to ease the performance of work.
10. Special clothes should be provided to workers, such us uniform with name of the name of the worker.
11. Provision of fringe benefits, such as work leaves, accommodation
12. Provision of adequate supply of good and facilities to workers, more especially when workers spend more time at worker place.

PRACTICAL WORK

You have been hired by JAK Cosmetics Company which is experiencing declining sales;

Develop guidelines for promoting good welfare of employees

Design a questionnaire to be used in establishing the cause of low motivation among employees

PERFORMANCE APPRAISAL

Is refers to the systematic description of employee`s job relevance, strength, weakness in order to make him or her perform better

Or

Performance appraisal is the continuous process of assessing employees and providing feedback to employees on how well they are performing or how poorly they are doing their tasks in an organization.

Elements of an effective performance appraisal system

1. Relevance, there should be a clear link between performance standards and objectives of the organization.
2. Reliability, it should provide consistence judgment i.e. appraisals made by different independent appraisers should match over time in terms of results
3. Sensitivity, the appraisal system used should be able to tell which employees are effective and those who are not such that the skill gap is revealed.
4. Objectivity, an effective performance system should not be biased i.e. the results should come from objectives of the organization.
5. Practicability, the methods used should be easy to understand and use by the implementers.
6. Comprehensiveness, the performance standards should capture the entire range of employees` responsibility, abilities, skills and the gap missing.

Methods used in performance appraisal

Companies use different methods of appraising its workers among those include;

1. **Confidential report method**, this method involves the senior to write a report about the junior giving details about the performance.
2. **Behavioral anchored rating scale**, this method is used to evaluate the attitude of the employee towards his or her work.
3. **Management by objectives**, this is one of widely used performance appraisal technique where the employer and employee discuss and agree on the objectives to be evaluated. The employee`s progress is reviewed periodically and, if needed, corrective measures are implemented.
4. **Essay method**, a manager keeps a journal on each employee being appraised. Notes may be restricted to specific aspects of job performance, such as customer service, sales, personal presentation and cash register use.
5. **Critical incident method**, this is similar to the essay method except that the manager records only exceptionally good or bad aspects of work performance.
6. **Comparison method**, each employee is ranked according to a list of predetermined performance characteristics. This method often incorporates statistical values as a means of measurement. For example, a rating scale of 1 to 5 may be employed (1 being poor and 5 being excellent). This scale may be used to assess knowledge, speed, accuracy, communication, interpersonal skills, oral and written skills, personal presentation and administration techniques.
7. **360 degree**, this is where feedback is taken about the employee is taken from the employee him or herself, his supervisors, juniors and colleagues.

No matter which appraisal technique is used, the results should be discussed with the employee as soon as possible. The manager should explain both the positive and the negative aspects of an employee`s performance, encourage the employee to continue with his or her positive behaviour, and let the employee know what to do to be recognized as a more productive employee in the future. Without this **performance feedback**, performance appraisals are a pointless exercise. The most crucial aspect of any performance appraisal method is for the process to be completely objective. Performance based on the opinion of one person can often be subjective and open to manipulation. The article opposite also sheds some

Importance of performance appraisal

- 2 It`s used to provide feedback from management to employees regarding work performance

- 3 To act as a measurement against which promotion and pay rises can be determined, this is because after appraisal those that have satisfied work performance, qualify for wage increment.
- 4 It's used to identify employees' training and development needs; this is realized by identifying areas where improvement has taken place, skills that have been acquired by the worker and skills that are lacking.
- 5 It's used to set new objectives and put a plan in place to improve future performance. For example, If most employees continually perform below expectations, the organization's recruitment and selection process may need to be changed, or extra training and development may be required.
- 6 It helps departmental members to evaluate their performance based on the set targets. This is because it reveals what objective have been achieved and those that have not been achieved.
- 7 It enables the organization to determine the future use of employees. That is to say whether the employee is to remain in the present job ,those that is to be transferred ,and those to be demoted
- 8 It is used to evaluate the jobs available in an organization. This is because some of the key factors to be evaluated are contained in the job description and job specification which help in redesigning the job.
- 9 It serve as a basis for evaluating organizational policies, this because after appraisal, it becomes easy to establish whether such policies made it easy for employees to work with them or not.
- 10 It is used to reinforce desired behavior amongst workers. This is because employees perform their duties having in mind that their behaviors shall be appraised.

Limitation of performance appraisal

- 2 Sometimes appraisal doesn't give true account of the employee. This is because it is based on certain key factors of the job and performance.
- 3 In some cases supervisors appraise workers basing on predetermined values, this prevents talented workers from getting promoted incase their performance is below what is expected.
- 4 Fear of losing subordinates and spoiling the relationships, this makes appraisal waste of time where the appraisers end up giving all positive comment to the employee.
- 5 It is a bitter process for most employees; this is because it sometimes creates emotional pressure and stress.
- 6 It affects the morale of employees more specially those whose performance my below but quality, this cause poor relationship between the employee and the appraiser.

Procedures for effective appraising

- 2 Analysis of organizational vision, mission and objectives, this I done to establish the dream dentine of the enterprise.
- 3 Review of the departmental objectives, this is done so that an understanding of what has been done to achieve it or what is missing.
- 4 Determining key target areas to be appraised, this done so as to communication to workers to work while knowing the critical areas to be appraised at the end of year.
- 5 Selecting the team that is to appraise, this can be managers or supervisors
- 6 Selecting the methods to be used, this is done so as to enable the appraiser to prepare employees for the exercise
- 7 Setting the time frame for appraisal
- 8 Carrying out appraisal
- 9 Discussing the results with supervisors' areas appraised
- 10 Discussing the way forward for the areas that need improvement of training

SUCCESSION PLANNING

Succession planning is ensuring that there are managers in the organization who can step into senior management positions, if for some reason a vacancy occurs.

This is particularly important for many organizations, because some management roles require specific skills and a detailed knowledge of how the organization operates. It may take years of grooming the right person to ensure that when a senior manager does move on, there is someone to take his or her place.

RECOGNITION AND REWARD PROGRAMS

Recognition refers to acknowledging the fact that an employee has performed well. Acknowledgement may involve giving the employee a reward, such as a bonus, in exchange for doing a good job.

A recognition and rewards system can also reinforce strategies that will facilitate change or support desirable corporate values, such as a focus on the customer. For example offering employee awards in categories such as health, safety recognition, certificate of recognition this stimulates hard work,

PRACTICAL ASPECT

Design a certificate to given to the best employee of the year

Write recommendation letter to Mr. Okello max who is seeking who has secured a new job with max bookshop

Write a letter to mark consultancy service asking them to come and train your workers

PERFORMANCE MANAGEMENT

Performance management aims to improve both organizational and individual employee performance by relating the organization's performance objectives to the employee's performance objectives.

For example, if a food company wishes to increase market share, it might develop a new and exciting range of 'heat and eat' meals. The advertising manager would then have the task of promoting these new products, and his or her objective might be to create an advertising campaign that increases sales by 10 per cent in the first year.

Performance management is about setting objectives that help the organization achieve its overall objective. Effective performance management examines;

1. Whether jobs are well designed,
2. Whether employees with the right skills are hired to undertake work,
3. Whether appropriate training has been taken,
4. Whether appropriate reward and recognition programs has been effected,

EMPLOYEE DISCIPLINE

Discipline means systematically conducting the business by the organizational members who strictly adhere to the essential rules and regulations. These employees/organizational members work together as a team so as to achieve organizational mission as well as vision and they truly understand that the individual and group aims and desires must be matched so as to ensure organizational success.

A disciplined employee will be organized and an organized employee will be disciplined always. Employee behaviour is the base of discipline in an organization. Discipline implies conforming with the code of conduct established by the organization. Discipline in an organization ensures productivity and efficiency. It encourages harmony and co-operation among employees as well as acts as a morale booster for the employees. In absence of discipline, there will be chaos, confusion, corruption and disobedience in an organization.

In short, discipline implies obedience, orderliness and maintenance of proper subordination among employees. Work recognition, fair and equitable treatment of employees, appropriate salary structure, effective grievance handling and job-security all contribute to organizational discipline. Discipline is viewed from two angles/dimensions:

1. **Positive Discipline:** Positive Discipline implies discipline without punishment. The main aim is to ensure and encourage self-discipline among the employees. The employees in this case identify the group objectives as their own objectives and strive hard to achieve them. The employees follow and adhere to the rules and regulations not due to the fear of punishment but due to the inherent desire to harmonize in achieving organizational goals.
Employees exercise self-control to meet these goals.

2. **Negative Discipline:**

This refers to actions taken by the management to ensure desired standard of behaviour/code of conduct from the employees in an organization. Here employees adhere to rules and regulations in fear of punishment which may be in form of fines, penalties, demotions or transfers. In this case, employees do not perceive organizational goals as their own goals. The fear of punishment prevents the employees from going off-track.

Characteristics of a Sound Disciplinary System (Red Hot Stove Rule)

Discipline should be imposed without generating resentment. Mc Gregor propounded the “red hot stove rule” which says that a sound and effective disciplinary system in an organization should have the following characteristics-

1. **Immediate-** penalty for violation should be immediate/ immediate disciplinary action must be taken for violation of rules.
2. **Consistent-** there should be high consistency in a sound disciplinary system.
3. **Impersonal-** impersonality should be maintained by refraining from personal or subjective feelings.
4. **Prior warning and notice-** a sound disciplinary system should give advance warning to the employees as to the implications of not conforming to the standards of behaviour/code of conduct in an organization.
5. **Acquaintance/Knowledge of rules-** The employees should be well aware of the desired code of conduct/ standards of behaviour in the organization. This code of discipline should be published in employee handbook.

6. **Timely action-** Timely enquiry should be conducted for breaking the code of conduct in an organization. The more later the enquiry is made, the more forgetful one becomes and the more he feels that punishment is not deserved.
7. **Fair and just action-** There should be same punishment for same offence/ misconduct. There should be no favoritism. Discipline should be uniformly enforced always.
8. **Positive approach-** The disciplinary system should be preventive and not punitive. Concentrate on preventing misconduct and not on imposing penalties. The employees should not only be explained the reason for actions taken against them but also how such fines and penalties can be avoided in future.

INDISCIPLINE AMONGST EMPLOYEES

This simply refers to lack of control or discipline. It's transgression of some established and definite rules. Or it's committing of acts that violate a law or command or moral code. In terms of a business organization, it is violation of rules and regulations. It is an act which is prejudicial to the interest of employers leading to impair a business organization.

Causes

1. Unfair practices in the workplace. Such as, wage differentials, unfair declaration or nonpayment of bonus.
2. Job role overload, under load or job ambiguity can be some of the causes of indiscipline among workers. If there is a lot of ambiguity as to which tasks should be performed and which should be excluded and if it makes unclear as to whom and when an employee should report, it becomes a great cause of stress and undisciplined behavior.
3. Improper service conditions of defective communication process by superiors can also lead to indiscipline. Besides, ineffective leadership style can be one of the causes for employees to involve in misconduct.
4. **Absence of Effective Leadership:** Absence of effective leadership results in poor management in the areas of direction, guidance, instructions etc.
Communication Barriers: Communication barriers and absence of humane approach on the part of superiors result in frustration and indiscipline among the workers. The management should clearly formulate the policies regarding discipline. These policies should be communicated and the policies should be consistently followed in the organizations. The management should also be empathetic towards the employees.
5. **Varying Disciplinary Measures:** Consistent disciplinary actions must be there in the organization to provide equal justice to all concerned. At different times and for everyone, the same standard of disciplinary measures should be taken otherwise it may give rise to growing indiscipline in the industry in future i.e., the judicious function on the part of management must be free from bias, privilege or favoritism.
6. **Defective Supervision:** Supervisor is the immediate boss of the workers and many disciplinary problems have their in faulty supervision. The attitude and behavior of the supervisor may create many problems. As the maintenance of the discipline is the core of supervisory responsibilities, indiscipline may spring from the want of the right type of supervision.
7. **Inadequate attention to personnel Problems:** Delay in solving personnel problems develops frustration among individual workers. The management should be proactive so that there is no discontent among the workers. It should adopt a parental attitude towards its employees
8. **Victimization:** Victimization of subordinate also results in indiscipline. The management should not exploit the workers. It is also in the long-term interest of the management to take care of its internal customers

9. **Absence of Code of Conduct:** This creates confusion and also provides chance for discrimination while taking disciplinary action. We will be discussing Code of Discipline in details etc.

NB. CODE OF CONDUCT

Is a set of rules outlining the responsibilities of or proper practices for an individual, party or organization. Related concepts include ethical codes and honor codes.

9. **Divide and Rule Policy:** Many managers in the business obtain secret information about other employees through their trusted assistants. The spying on employees is only productive of a vicious atmosphere and of undesirable in the organization. Henry Fayol has rightly pointed out that dividing enemy forces to weaken them is clever, but dividing one's own team is grave sin against the business
10. **1. Deferring settlement of Employee Grievances:** The employee grievances cannot be put off by deferring or neglecting their solutions. The grievances should properly be inquired into and settled by the managers in a reasonable period. Neglect of grievances often results in reduced performance, low morale and indiscipline among the employees. Strikes and work stoppages stem in many cases from the utter neglect of employee grievances.
11. **Misjudgment in Promotion and Placements:** Misjudgment in personnel matters like promotion and placements contribute to the growth of indiscipline in an enterprise. Cases of misjudgment are carefully noted, widely circulated, and hotly debated by the employees. Expecting discipline from misruled people is not possible. Sometimes, undesired persons are placed on the jobs which make the employees discontented, then giving rise to the problem of indiscipline.

Procedures for handling indiscipline staff in an enterprise

Procedures of handling indiscipline differ from organization to organizations. In Formal organization, the owner may simply discontinue the employee however for the case of formal business organization, the following steps may be considered;

1. Documenting the details of the indiscipline, this includes details of the offence, finding out whether it's the first time.
2. Making verbal warning, this is done by the immediate supervisor, where necessary counseling of the employee and drawing action areas for change is made.
3. Facing disciplinary committee, this is done when the employee fail to reform .this is done so that one can defend him or herself, it also involve reminding employee about rules and regulations governing the company.
4. Making a written warning by the immediate supervisor, this is done to ensure that employee is given room to reform, once this is done; a copy is filed while other copies are given to the relevant offices.
5. Suspension of employee for given period of time. For example one month, in case of serious case, may be three month with half monthly pay
6. Demotion of employee, incase all the above is still a challenge by the employee ,a demotion is effected with reduction in salary and other benefits as observation is made on the behavior of the person
7. Termination and dismissal is under taken, this is done in case the reform methods have failed to yield results

TERMINATION OF EMPLOYMENT

Gone are the days when a person would commence their full-time working life at the age of 16 or 17, work for approximately 65 years, and then retire. Work patterns and organizational operations have undergone radical change over the past two decades and this has dramatically altered the movement of people into and out of jobs. Due to increased international competition, many organizations, large, medium and small have

been forced to restructure. As a result, there has been a marked increase in the number of voluntary and involuntary redundancies being offered. Hence

Termination of employment is when an employee leaves a particular workplace, ending the employment relationship. Termination of employment is usually managed by the human resource manager, who must ensure that the employee is treated both fairly and within the law. There are

many reasons why employees leave an organization. These include

Retirement is when an employee voluntarily leaves the workplace and the workforce.

Resignation, or 'quitting', is a voluntary ending of the employment relationship. People resign for a variety of reasons, including:

- The offer of a promotion with another business
- To start their own business
- Boredom with their present job
- A change of lifestyle.

Usually, the employee needs to give the employer sufficient notice of his or her intention to resign. The length of notice varies from job to job, ranging from a few hours for casual employees to a month for some professionals.

Whenever an organization wants to downsize, that is, decrease the size of its operation it will not fill vacancies that have come about due to retirements and resignations.

Redundancy occurs when the job a person does is no longer necessary, usually due to technological changes, restructuring or a merger or acquisition. Unless the existing employee can be retrained for another job, he or she will be made redundant.

Dismissal

There will be occasions when the behavior of an employee is unacceptable and it then becomes necessary for an organization to terminate the employment contract of that employee. This is called **dismissal**. The most serious form of dismissal is *summary dismissal* when an employee commits a serious breach of their employment contract. For example, an employee who is drunk at work or is found to have engaged in criminal activity may be summarily dismissed. If an employee is given a summary dismissal, no notice is required.

Another form of dismissal is referred to as *dismissal on notice*, when an employee is not performing the job satisfactorily. Poor performance may be identified during an appraisal or performance process. The amount of notice (or payment given in lieu of notice) will vary depending on a number of factors, such as whether the employee is governed by a particular award or contract, the age of the employee and how long they have worked for the employer on a continuous basis.

To avoid misunderstandings, written warnings and/or notice is preferable.

Written confirmation of resignation is also preferable to verbal statements made in the 'heat of the moment'. This way, a lengthy unfair dismissal case can be avoided.

Unfair dismissal occurs when an employer dismisses an employee for discriminatory reasons.

This is an issue that both employers and HR managers need to be aware of. Some examples of discrimination under Commonwealth workplace relations laws include dismissal because of:

- Absence from work due to illness or injury
- Either belonging or not belonging to a trade union
- Race, colour, sex, sexual preference, age, disability, marital status, family responsibilities, pregnancy, religion, political opinions held, or nationality.

TOPIC: 14

13.0: TAXATION

Overview: This topic equips a learner with knowledge about different taxes charged on business activities, and the dangers of non-tax compliance.

A tax is a compulsory charge/levy imposed by the government on persons/businesses in order to finance its activities.

Taxes are a general obligation and are not paid in exchange of a specific obligation.

Taxation is the process through which governments obtain money from eligible persons by application of the law.

In Uganda taxes are collected by Uganda Revenue Authority (URA) on behalf of the central government and local administrators collect local government revenue.

Terms used in taxation

1. Tax base. This is an item or economic activity that is subject to taxation. The tax base may include;
 - Income earned from employment e.g. wages, salaries, allowances, fear etc.
 - Property or assets such as houses, land and other investments.

- Consumption of commodities which are subject to taxation.
 - Profits earned from economic activities such as manufacturing and trade.
2. Tax burden. This is the effect of a tax on a tax payer.
 3. Tax impact. This is the initial resting place of a tax.
 4. Tax incidence. This is the final resting place of a tax i.e. the one who actually bears the money burden of the tax.
 5. Taxable income. This is a proportion of a person's income that is subject to tax.
 6. Taxable capacity. This is the ability of an individual to pay tax assessed on him/her and yet remain with enough disposable income to maintain the SOL he is accustomed OR is the extent to which an individual can pay the taxes imposed to him without affecting his SOL.
 7. Taxable capacity of a nation. Is the ability of the government to (collect) realize revenue from taxes charged on tax payers.

Reasons for low taxable capacity in Uganda

- i. High poverty levels
- ii. Wide spread unemployment
- iii. Limited information about taxes
- iv. Low levels of monetization
- v. Dominance of the agricultural sector which is subsistence
- vi. Many tax exemptions
- vii. Political sabotage
- viii. Under developed infrastructure
- ix. High corruption levels

Measures that can be taken to increase taxable capacity in Uganda

- i. Improving infrastructure
 - ii. Putting strict laws to punish corrupt officials
 - iii. Setting up anti-smuggling units
 - iv. Diversifying taxes by introducing new taxes
 - v. Carrying out intensive tax education among others
8. Tax evasion is the deliberate refusal by the tax payer to pay a tax assessed on him or her.

Examples of tax evasion

- Smuggling
- Refusal to declare income or property owned

- Bribing tax collectors
- Giving wrong value of goods and services
- Hiding from tax collectors
- Overstating expenses
- Under declaring incomes

Causes / reasons for tax evasion

- ✓ Unfair assessment characterized by high tax rates
- ✓ Discontent about provision of services by the government from taxes paid
- ✓ Low income levels/high levels of poverty
- ✓ Inadequate information about importance of paying taxes
- ✓ Desire by tax payers to retain all their earnings
- ✓ Weakness in the tax system
- ✓ Political sabotage
- ✓ High levels of corruption among tax officials

Negative effects of tax evasion

1. It leads to permanent or temporary closure of business.
 2. It shows bad public image for the business
 3. It leads to forceful payment of unpaid taxes from the entrepreneur's personal resources or business profits.
 4. It results into penalty from nonpayment of taxes.
 5. It leads to denial of public tenders.
 6. It leads to loss of smuggled goods
9. Tax avoidance. Is where an individual dodges tax payment by exploiting the weakness within the tax system e.g. producing a commodity which is not taxed and abandon one which is taxed.
 10. Tax identification number (TIN). This refers to a computerized number given to a specific tax payer.
 11. Tax compliance. This is the degree to which the taxpaying community meets the tax obligation as set out in the appropriate legal and regulatory provisions.
 12. Tax threshold is the level of income/profit at which you start to pay a tax.
 13. Tax liability. This refers to the amount of money that a tax payer is expected to pay within a given period of time.
 14. Tax yield. Is the total amount of tax revenue collected from a given number of taxes.
 15. Tax holiday. Is a period of time during which a tax payer is exempted from paying tax.
 16. Tax clearance. this is a process of certifying that one has completed settling his/her tax obligations.

Purpose for taxation

1. To raise government revenue. The revenue obtained is used to promote economic growth and development.
2. To discourage consumption of harmful commodities. This is through charging high taxes on such commodities making them very expensive for some individuals to buy.
3. To control inflation. High taxes imposed on people's incomes reduces their purchasing power and commodity price.
4. To protect infant domestic industries. Taxes are imposed on imported goods making them more expensive than locally produced goods.
5. To reduce income inequalities. A progressive tax is used where the rich are taxed highly than the poor.
6. To reduce dumping in the country. Improving high taxes on dumped goods, make them expensive which discourage their consumption.
7. To improve BOP position. High taxes imposed on imports discourages their importation hence saving the scarce foreign exchange.
8. To encourage hard work. Taxes encourage people to put in more effort in order to meet their tax obligations.
9. To recover community wealth which individuals have obtained not as a result of their effort but as a result of effort of other people.
10. To regulate economic activities in the country. This is through charging low taxes on desirable activities and high taxes on undesirable activities.
11. To create employment opportunities. This is through charging low taxes on business which creates more jobs.
12. To charge those who use government facilities such as roads, police and other social services.

Negative roles of taxation

1. Discouraging investment. This is due to high taxes on business profits.
2. Widening income inequalities. This is a result of indirect taxes charged on commodities consumed by both the rich and poor.
3. Reducing people's SOL. High taxes on incomes reduce total demand for consumer goods.
4. Discouraging saving. This is as a result of a reduction in people's disposable income.
5. Discouraging effort and hard work especially progressive taxes.
6. Encouraging illegal activities. This is as a result of high taxes on goods which force people to involve in illegal activities such as smuggling.
7. Making the government unpopular. High taxes cause people to hate the government in power.

8. Causing misallocation of resources. Taxation causes people to transfer their capital from heavily taxed activities to less productive but low taxed investments.

Principles/canons of taxation

These are laws that should be followed/observed in assessment, collection and administration fo every tax. They include the following;

1. Principle of equity/fairness. Tax assessment should be such a way that tax payers bear appropriately equal burden.
2. Principle of certainty. Tax payers should be aware of the tax imposed against them, where to pay and the amount to be paid.
3. Principle of convenience. The time and method of payment should be favorable for the tax payers.
4. Principle of simplicity. The tax levied should be easy to understand by both tax payers and tax collectors.
5. Principle of elasticity/flexibility. The tax levied should be able to change with the changes in economic conditions or the tax base e.g. when income change, the tax rate should also change.
6. Principle of productivity. The tax levied should generate enough revenue for the government.
7. Principle of comprehensiveness/diversity. There should be different taxes targeting different sources rather than concentrating on a single source f tax revenue.

Types of taxes

There are two broad categories of taxes that is (i) Direct taxes (ii) Indirect taxes

Direct Taxes. This are taxes levied on incomes and profits of individuals and businesses.

Types of direct taxes

1. Income tax. This a tax levied on incomes earned by an individual or business.

Forms of income tax

- a. Personal income tax is one imposed on incomes of individuals e.g. PAYE (Pay As You Earn)
- b. Company/corporation/profit tax is tax imposed on the net profit of the company. The tax base of income tax include;
 - Profits from business
 - Income from investments such as shares, debentures
 - Rent income and royalties

2. Wealth/property tax is a tax levied on one's total asset holdings such as buildings, land and other investments.
3. Capital gains tax is a tax imposed on profit received from the sale of fixed capital assets.
4. Death tax/estate duty is a tax levied on property of the deceased person. This is usually done before the property is shared out to the different beneficiaries.
5. Inheritance duty is a tax paid by the beneficiary from the property of the deceased.
6. Gift tax is the tax charged on property/income given freely to an individual. It covers assets given to a living person by another living person.
7. Road toll is a tax imposed on those who use particular road services.
8. Sur-tax is a tax levied on incomes of very rich people exceeding a certain level.

Advantages of direct taxes

1. They are flexible
2. They are easy to understand e.g. PAYE
3. They help to control inflation
4. They are based on the principle of certainty.
5. They help to reduce income inequalities. This is through use of a progressive tax system.

Disadvantages of direct taxes

1. They are easy to evade.
2. They discourage saving and investment.
3. They discourage people from working hard.
4. They are discriminative in nature since they are not imposed on all income groups.

INDIRECT TAXES

These are taxes imposed on commodities. The impact rests on producer or trader but the tax incidence can be totally or partially shifted to the final consumer of the products.

Types of indirect taxes

1. Customer duty is a tax imposed on either imports or exports i.e. import tax and export tax.
2. Excise duty is a tax imposed on locally produced goods or imported goods to influence their consumption.
3. Value added tax (VAT) is the tax levied on the value added on the product at each stage of production.
4. Sales tax is the tax imposed as a percentage of the value of goods sold.
5. Sumptuary tax is a tax levied on a commodity to discourage its consumption.

6. Octopi tax is a tax levied on goods passing through territorial boundaries of another country.
7. Advalorem tax is a tax charged on goods according to their value.
8. Specific tax is a tax imposed on each unit of output produced or sold.
9. Lumpsum tax (many) is the tax imposed irrespective of level of output produced.

Advantages of indirect taxes

1. They are difficult to evade since they are included in the price of the commodity.
2. They are convenient to pay since they are paid for while buying the commodity.
3. They help to discourage consumption of harmful commodities.
4. They encourage hard work.
5. They are cheap to collect.
6. They are comprehensive in nature since they are charged on different kinds of commodities.
7. They help to protect infant industries where import duty is levied.

Disadvantages of indirect taxes

1. They are inflationary of indirect taxes
2. They discourage demand and there negatively affects the level of investment.
3. They force consumers to buy inferior/low quality products.
4. They tend to inconvenience the business community since they are paid before goods are sold.
5. They lead to misallocation of resources as business people run away from production that is highly taxed to producing a product that is not relevant in the economy.

MERITS OF VAT

- .Avoids double taxation since every expenditure on raw materials are refunded
- It encourages efficiency in business management since it promotes book keeping
- Encourages exports since exports are zero rated
- It's cheap or economical in terms of administration and collection
- It's difficult to evade since it is imposed in commodities

DEMERITS OF VAT

- It's difficult to understand as many tax payers are illiterate about this tax
- It's difficult to assess especially where there is limited book keeping
- It leads to low revenue collected as it is mainly an urban tax
- Reduces consumption of goods and services since it makes prices higher

- Increases inflation as the seller passes on tax burden to their customers
- Discourages investment as it increases production costs
- It tends to be proportional hence hardening small firms more than large firms

Proportionate, progressive and regressive tax

Appropriate tax is one where tax rate is fixed at a given percentage irrespective of the size of income or tax base.

Progressive tax is one whose tax rate increases as one's income increases. It helps to reduce on income inequalities.

Regressive tax is one whose tax rate reduces as one's income increases. It encourages hard work as people try to avoid a higher rate charged on low incomes.

Tax Authorities in Uganda

There are two bodies responsible for tax revenue collection in Uganda i.e. 1. Ugandan Revenue Authority, 2. Local Government Authority

Local government authority

Local Government Authorities are responsible for collecting local revenue.

Uganda Revenue Authority

URA is responsible for collecting revenue of the central government.

Roles of U.R.A

1. Assessing taxes
2. Collecting taxes according to the tax laws.
3. Accounting for all the revenue collected to the Ministry of Finance in Uganda.
4. Advising government on matters of policy relating to tax and revenue administration.
5. Facilitating trade and investment e.g. clearing of imports and exports.
6. Issuing tax identification numbers (TIN) to tax payer/registering all tax payers.
7. Sensitizing of tax payers on tax matters

8. Keeping secrets of tax payers/confidentiality of tax payers

Challenges Faced By Tax Authorities

- Narrow tax base
- High levels of tax evasion
- Shortage of skilled man power to assist in management
- High levels of tax avoidance
- High rate of corruption and embezzlement among tax authorities
- Low taxable capacity
- Frequent changes in employment
- Under developed infrastructure to facilitate tax assessment, administration and collection
- Resistance from public against tax payment
- Conflicting government objectives which sometimes conflict with taxation system
- Difficulty in identifying tax base
- Political interference especially by opposition politicians
- Political instabilities in some parts of the country

Tax Compliance

Is a degree to which a tax paying community meets the tax obligations as a set out in the appropriate legal and regulatory provisions.

Tax compliant/tax payers meet timely and accurate declarations to tax authorities and also voluntarily settle their tax obligations.

Tax payers who are non tax complaint evade taxes e.g. by under declaring incomes, over stating expenses etc.

Levels of tax compliance

There are 4 levels of tax compliance and these include;

1. Tax payers who fully comply and are willing to fulfill their tax obligation voluntarily (supporters).
2. Tax payers who reluctantly comply. They know that non compliance will be expensive and therefore accordingly comply (triers)
3. Tax payers who show slight resistance to compliance. When such tax payers are advised or educated and some pressure is exerted on them, they will comply (resisters).
4. Tax payers who are non complaint and show strong resistance to meeting their tax obligation (disengaged).

Factors influencing tax compliance

1. Level of tax rate. High tax leads to resistance among tax payers leading to low levels of tax compliance while low tax rates encourage tax payers to meet their tax obligation resulting into high levels of tax compliance.
2. Levels of simplicity of tax laws. Complicated tax laws and along administrative procedures lead to low levels of tax compliance while easy to understand tax laws lead to high levels.
3. The extent to which the tax system is equitable (fair). Unfair tax systems discourages tax payments leading to low levels tax payment leading to low levels of tax compliance while fair tax system leads to high levels of compliance.
4. Level of consistence and fairness in application of tax laws. Inconsistent application of tax laws involving favoritism encourages tax evasion leading to low levels of tax compliance while fair and consistent application of tax laws leads to high level of tax compliance.
5. Popularity of government and quality of the governance. Popular government with high levels of honest and accountability for tax payers money encourage people to meet their tax obligations leading to high levels of tax compliance while unpopular government discourage tax payment leading to low levels of tax compliance.
6. Quality of tax administration. High levels of professional and customer care shown by tax administrators encourage tax payment leading to high levels of tax compliance while unprofessional behaviors by the tax administrators such as corruption lead to low levels of tax compliance.
7. The quality of business management in form of records or book keeping. Absence of accurate records of business transactions encourage tax evasion lading to low levels of tax compliance while presence of accurate book keeping leads to high level of tax compliance.

Factors that lead low levels of tax compliances

- High levels of tax rate
- Unpopularity of the government
- low levels of professionalism/unprofessional behavior
- Complicated tax laws
- Underdeveloped infrastructure
- Limited information about the importance of taxes
- Unproportional distribution of the tax burden among tax payers.
- Poor business management in form of poor record keeping
- Long procedures of paying taxes.
- Political instabilities
- Low levels of income among tax payers.

- Inconsistent application of the tax law
- High levels of corruption
- Inconvenient time for tax collection
- High rate of inflation

Measures for encouraging tax compliance

- Shortening tax payment procedures.
- Publishing the names of tax defaulters in media.
- Rewarding compliant tax payers e.g. with certificate of recognition.
- Making the tax system equitable whereby the tax burden is fairly distributed to the payers.
- Improving the quality of business management in terms of book keeping.
- Popularizing the government and improving the quality of governance in terms of accountability for public revenue.
- Maintaining low tax rates so as to allow tax payers to remain with enough disposable income to support the decent standards of living.
- Making the tax laws easy or simple for all tax payers to understand.
- Ensuring consistence and fairness in application of tax laws.
- Carrying out tax education to show the importance of paying taxes.
- Fighting and reducing corruption among tax officials.
- Improving of infrastructure such as computerizing the tax system.
- Ensuring political stability to encourage economic activities.
- Ensuring application of the principle of convenience such as collecting at a time when tax payers have received revenue from their economic activities.

Importance of tax compliance to the business

1. It earns good will and reputation. Customers and suppliers want to deal with a business that will continue surviving from a long period and not the one that can easily be chased.
2. It enables businesses get government support. Government support such as subsidization is usually given to only those businesses that are tax compliant.
3. It eases access to resources and finance. Finances such as Banks always want to deal with tax compliant businesses since they have no risk of being closed by the government.
4. Improves business chances of getting contracts. Government tenders are usually given to tax compliant businesses.

14.0: BUSINESS COMPETITION

Overview: competition has always been part of business. Even the largest companies in the world suffer as a result of competition. With competition, it is possible that every time one enterprise comes up with a new product, the competitors copy the idea and reproduce almost exactly the same thing (even better). It may not seem fair, but that is business!

Definition of Competition. Is a battle between businesses to win consumer acceptance and loyalty.

Ways of winning competition in business

- ✓ Through charging lower prices for your commodities than prices charged by your competitors.
- ✓ Through using attractive packaging materials and improving the appearance of your product,.
- ✓ By providing high quality products than your competitors
- ✓ Giving credit to loyal and credit worthy customers
- ✓ Rewarding loyal and regular customers. i.e giving them gifts, Inviting them for customers parties, etc
- ✓ Treating customers with respect and always adopt the attitude that the customer is always right no matter how wrong she/he is.
- ✓ Offering added convenience such as opening for longer hours
- ✓ Communicating regularly and effectively with customers
- ✓ Providing after sales services such as free delivery of goods, free repairs, free installation of equipments, etc.

Factors considered when analyzing competition

- Quality of products produced by competitors. High quality products of competitor imply high competition while low quality products of competitors indicate low competition.
- Size of competition. Many competitors indicate high competition whereas few competitors imply low competition.
- Profitability of competitors. High profitability of competitors implies high competition while low profitability implies low completion.
- Operating methods. Effective operating methods of competitors such as good distribution methods , imply high competition while ineffective competitor operating methods indicate low competition.

- Nature of after sales services offered by competitors
- Nature of labour employed by competitors
- Stock levels held by competitors
- Price charged by competitors
- Hours of business operation by competitors
- Reputation of competitors' business
- Location of competitors

Factors affecting competition

- ✓ Mobility and accessibility overlap. A business that is near or easily accessible by customers has a better competitive advantage over its rivals that are far or not easily accessible.
- ✓ Product overlap/variety. A business that provides a variety of similar products provides a one shopping point for all customers' needs leading to a better competitive advantage over its rivals that sell only one type of product.
- ✓ Degree of product priority. A business that influences customers to spend on its products has a better competitive advantage over its rivals whose products are not a priority to customers.
- ✓ Level of public awareness. A business that is well known by customers has a competitive advantage over businesses that are not well known by customers.
- ✓ Level of substitution. A business whose products cannot easily be substituted for other products has a higher competitive advantage over its rivals whose products can easily be substituted.

Indicators of a decrease in competition

- Increase in sales
- Increase in production orders
- Reduction in quality of competitor's products
- Reduction in labour turnover
- Increase in profits
- Reduction in hours of operation by competitors
- Reduction in number of competitors
- Reduction in advertising of competitors
- Increase in price of competitors' products
- Increased inefficiency of competitors' distribution methods
- Reduction in after sales services given by competitors
- Reduction in employee demands such as allowances

Sustainable Competitive Advantage

Is an advantage that enables a business to survive against its competitors over a long period of time Or

Refers to the advantage or benefit that allows the maintenance and improvement of the enterprise's competitiveness in the market.

Ways of maintaining a competitive advantage

- Through advertising. This involves reaching potential customers in order to attract their attention and build priority for your product or service
- Through creating a good business image. This is in terms of improving customer care, among others..
- Ensuring customer convenience. for example, favorable business location and methods of production such as opening hours.
- Through competitive prices. This involves the business charging slightly lower prices for its products than what its competitors charge for similar products
- Through charging everyday low prices. This is where a business offers particular goods at a low price on a daily basis so as to maintain a steady customer base
- Through merging of firms. This involves combining of two or more firms leading to better economies of scale and sustainable competitive advantage.
- Through providing a variety of products. This enables customers to do shopping from one place hence leading to a sustainable government advantages.
- Through seasonal sales prices. This helps to maintain product sales even during off season.
- Through strategic display of products. This attracts more buyers.
- Ensuring regular supplies. This is through maintaining the required stock levels.
- Using attractive or proper packaging. This attracts more customers
- Providing after sales services. E.g. free delivery of goods
- Improving on quality of business products.
- Through offering discounts. E.g. trading and cash discounts.

Factors considered when evaluating competition

- Volume of sale
- Flow of customers
- Amount of production orders
- Cash flow
- Nature of technology used
- Nature of substitute products
- Number of worker employed/nature of labour employed

Positive effects of competition

It leads to better quality products. This is because businesses are fighting to acquire a bigger market share.

It leads to better employee remuneration/payment. Businesses pay their highly skilled employees well so as not to lose them to competitor organizations

It results into better customer satisfaction. This is because competition ensures better service delivery to the customers

It leads to production of a variety of products. This increases consumers' choice.

It leads to more efficiency in production. Producers find better methods of minimizing/reducing input such as raw materials and maximizing output from inputs used

It encourages creativity and innovation. This is because the business tries to find better ways of managing competition

It leads to reduction in prices of products. This allows consumers to buy at lower prices.

It encourages hard work

Leads to free material benefits like free product samples

Negative effects of competition

It leads to reduction in market share (demand of customers).

It leads to increased cost of operation e.g advertisements

It leads to misleading adverts. Some competitors run adverts with false information.

It leads to reduction in business profit especially due to reduction in commodity prices

It limits expansion of the business due to low sales

It leads to over exploitation of available resources hence resource exhaustion

It results into unemployment due to collapse of inefficient firms

It leads to low self esteem among entrepreneurs who lose out on competition

It leads to over duplication of goods and services. This results into resource wastage.

It leads to increased employee turnover (labour turnover) because workers keep moving from one organization to another.

TOPIC: 16

15.0: CAPITAL MARKETS

Overview: Capital markets are the exchange system that transfers capital from investors who do not currently need their funds to individuals or businesses that require the capital to finance various projects or investments.

Definition of Capital markets. Are markets which trade in long term financial products known as securities; for example shares, debentures, bonds, etc.

Security is any document that gives the holder a right to money or property specified on it. For example, share certificate, debenture certificate, bond certificate, so forth.

Capital market is therefore used to raise long-term funds or finance for the government and companies.

N.B: A money market is one where short-term securities are traded for example bills of exchange, commercial paper.

The financial products are traded on the stock exchange / securities exchange.

Stock exchange

Stock exchange is a market where already issued securities are traded.

Roles of securities exchange/ stock exchange to the country

- ✓ Enabling companies to raise long term capital. This is through selling shares to the public.
- ✓ Creating investment opportunities especially for small investments. This enables people with little capital to have a share in large companies.
- ✓ Facilitating company growth. This is through takeovers or merger agreements which are allowed in the stock exchange market.
- ✓ Encouraging savings for investment. This is through buying long term securities like shares
- ✓ Enabling government to raise capital for development projects. This is through selling government bonds and treasury bills to the public.
- ✓ Encouraging corporate governance. Stock exchange sets rules for companies (public limited companies) so as to improve their management standards.
- ✓ Facilitating privatization of government owned enterprises. This is through selling shares of state owned enterprises to the public.
- ✓ Serving as a barometer / yardstick of the economy. The market share prices (increase and decrease) show the level of demand and supply in the economy/ Provision of stock exchange indices as a measure of a country's growth.

- ✓ Facilitating redistribution of wealth. The stock exchange enables investors to enjoy capital gains when share prices increase.
- ✓ Publishing information on various listed companies. This helps investors to make informed decisions.
- ✓ Provision of employment opportunities e.g. stock brokers
- ✓ Enhancing the flow of international capital by encouraging foreign investors. This improves the country's foreign exchange reserves.
- ✓ Generating government revenue through taxes
- ✓ Ensuring meaningful transferability of shares by investors.
- ✓ Setting prices for different securities such as share price
- ✓ Ensuring easy transfer of shares
- ✓ Provision of ready market for those who want to buy and sell shares
- ✓ Keeps track of the performance of all listed companies.

Challenges faced by the stock exchange in Uganda

- Limited number of listed companies.
- Low interest rate offered on securities.
- Macroeconomic instabilities that affect the performance of the country. e.g. Unstable currency.
- Slow growth in the securities exchange market
- Limited confidence among the public to invest in listed companies.
- Limited liquidity in the country due to high levels of poverty
- Limited awareness about the importance of capital markets
- Limited access to stock brokers since most of them are located in city centers.
- Under developed infrastructure especially internet services

Examples of companies listed on Uganda securities exchange include: Uganda Clays Limited, Bank of Baroda (U) Limited, Development Finance Company of Uganda (DFCU) Limited, National Insurance co-operation, Stanbic Bank (U) Limited, Vision Group, National Media Group Ltd, Uchumi Supermarkets Ltd, Jubilee Holdings Ltd, Equity Bank Ltd, East African Breweries Ltd, UMEME Ltd.

NB; In Uganda the capital markets industry is regulated by the Capital Markets Authority (CMA).

TOPIC:16

Capital Markets Authority (CMA)

This is a semi-autonomous body responsible for promoting, developing and regulating the capital markets industry in Uganda with the overall objectives of investor protection and market efficiency.

Functions or reasons or purpose

Capital Market Authority is mandated to do the following:

- To regulate and promote the development of capital markets in Uganda.
- To approve stock exchange and securities central depository system.
- To license dealers / brokers, investment advisers, fund managers and trustees.
- To approve all offers of securities to the public.
- To approve collective investment schemes.
- To advise government on rules and regulations governing operations of capital market.
- To provide protection to both local and foreign investors.
- To create market in which securities are issued and traded.
- To provide facilities for raising long-term capital or funds such as bonds and shares
- To provide a yardstick to companies' performance.
- To provide opportunities for those who require additional capital and other who wish to invest their money.
- To regulate the operation of a compensation fund.

NB

- **Central depository system (CDS).** Is a computer system that facilitates holding of securities in electronic accounts opened by share holders.
- **Security central depository (SCD).** Is a financial organization holding securities such as shares so that ownership can easily be transferred through book entry rather than the transfer of physical certificates.
OR. Is one in which stocks belonging to a particular company are deposited such that transactions are carried out in book entry form.

Key players in capital markets

Capital market authority

Stock exchange/securities exchange. E.g. Uganda Securities Exchange

Stock brokers. These are licensed financial professionals authorized to buy and sell securities on behalf of their clients. For example, African Alliance (U) Ltd, Baroda Capital Markets (U) Ltd, Crested Stocks and Securities Ltd, Dyer and Blair (U) Ltd, Equity stock brokers (U) Ltd, UAP financial services, and so forth.

Investment advisors. These are licensed persons who engage in the business of advising their clients about investing in issued securities. That is, whether to buy or sell particular stock and when. For example, UAP financial services, crested stocks and securities, African alliance, Baroda capital markets, and so forth.

Registrar. This is in charge of keeping record of stock and shares of floated/quoted companies. For example, Deloitte (U) Ltd is the shares registrar for 8 listed companies on the Uganda securities exchange, namely; Stanbic bank, DFCU bank, New vision, KCB, Uganda clays, NIC,BAT and Bank of Baroda.

N.B.: floated company is one whose shares are sold and bought on the stock exchange.

Shareholders. These are individuals or companies that buy shares in a company and therefore own part of that company.

Fund managers. These are companies contracted to manage a client's portfolio (collection of investments).

For example, African alliance (U) Ltd, UAP financial services

Custodians. These are financial institutions which are employed to safeguard the assets or securities (including cash) on behalf of the owners or investors. They also manage accounts, settle transactions, collect dividends and pay interest on behalf of the investor. For example, Citigroup, JPMorgan chase, Standard chartered bank

NB. Custodian banks do not usually engage in traditional commercial/consumer banking such a personal lending, mortgage, personal accounts, automated teller machines, and so forth.

Products/ instruments in Uganda capital markets

These are financial instruments through which capital can be raised and investments made on capital markets.

Instruments include:

Debt instruments such as bonds.

Equity instruments i.e. shares

Collective investment schemes

Investment opportunities include:

Investing in shares

Investing in bonds

Investing in collective investment schemes

Debt instruments

These are financial products that allow for borrowing and lending arrangement showing evidence of a debt and the promise of timely payment over a specified agreed period of time. Examples of debt instrument include: bonds, debentures, short-term loans, treasury bills, commercial paper, mortgage, leasing, and bill of exchange.

NB.

- ✓ **A commercial paper** is an arrangement that enables a company to borrow money from the public for a short period of time.

- ✓ **A debenture** is money borrowed by a company from the public and payable after a long period of time.

BONDS

A bond is a long-term debt instrument that is used to borrow a stated amount of money for a fixed period of time and gives a fixed rate of interest.

Types of bonds.

1. Government bonds/Treasury bonds. These are bonds issued by the government to borrow a stated amount of money from the public at fixed rate of interest and for a fixed period of time.
2. Corporate bonds. These are bonds issued by the private or public companies that wish to borrow a stated amount of money from the public for a fixed period of time and at a fixed rate of interest.

Terms used in bonds (items contained in a bond)

- Face value/par value/principal. This is the value of the bond initially paid by the creditor as indicated on the certificate.
- Coupon rate. This is the annual rate of interest payable on the bond.
- Maturity date (identifiable term). This is the date upon which the issuer pays back the face value of the bond. The bond terminates at maturity.

Calculation of bond interest

Calvin acquired a 10 year bond of face value shs. 10,000,000 with a 6% coupon rate. How much interest does he receive semi-annually?

Solution:

Face value = shs 10,000,000

Coupon rate = 6%

Annual interest = $\frac{6}{100} \times 10,000,000$

100

= 600,000

Semi-annual interest = $600,000 \times \frac{1}{2}$

2

= shs 300,000

Advantage of investing in bonds

- ✓ They are more predictable. You know how much interest you expect to receive, how often you will receive it and when your principal will be paid.
- ✓ Bonds are more stable compared to shares. The value of bonds does not usually change as compared to shares.
- ✓ They provide regular income. The amount to earn from a bond is known and even the time of payment.
- ✓ They provide a higher interest rate. Higher interest rates are paid on bonds than those paid by banks on savings accounts.
- ✓ Bonds are safer since they are usually issued by the government

Disadvantages of investing in bonds

- Companies and municipalities can go bankrupt which may cause bonds to lose value and even become worthless.
- They tie up capital. This is because bonds mature after a long period of time.
- Bonds do not offer high long-term returns as compared to shares.
- Company bonds lose value especially due to price fluctuations.

Factors considered when investing in bonds

- Interest rate. Is a percentage rate earned on the money invested in bonds.
- Maturity date of the bond.
- Principal payments and average life. Before investing in bonds, one should consider when he needs the principal to be repaid.
- Puts. These allow the lender or investor the option of asking the borrower /issuer to repurchase the bonds at specified time before maturity.
- Call provisions. These require the issuer (borrower) to pay the investor's principal at a specified date before maturity.
- Yield. This refers to the return earned on the bond based on the price paid and the interest payment received (sum of interest earned and principal payment).

Collective investment schemes (CIS)

These are private financial arrangements that collect resources of many small savers generating a large pool of funds which they can invest in different assets such as shares, bonds, property like real estates, with a purpose of making profits. CIS enable small investors to participate in capital markets.

Types of collective investment schemes

There are two types of collective investment schemes in Uganda. That is, Unit Trust Schemes and Investment Company with variable capital.

1. Unit Trust schemes

These are schemes where one's investment is represented by the units he holds in the scheme. Unit trusts are divided into units of equal monetary value. For example, Each unit can be valued at UGX10,000. Therefore a persons who invests UGX100,000 will own 10 units. The unit trust is established by a Trust deed between a fund manager (which must be a body corporate) and the Trustee (usually bank or insurance company).

2. Investment company with variable capital

These are schemes that are established as companies and investments are represented by the shares held by the investors but the scheme can buy back the shares.

Process of investing in collective investment schemes

- Identifying a Unit Trust manager.
- Filling an account opening form.
- Selecting the type of unit trust account. That is, short term or long term
- Depositing money on the account given.
- Sending a copy of deposit slip to the trust manager.

Terms commonly used in CIS

Trust deed. This is an agreement between a fund manager and a trustee spelling out each one's duties and obligations.

Trustee. This is a company which safeguards the assets of the scheme.

Trust Manager. This is a body corporate that carries out investment decisions on behalf of the investors. For example, African alliance ltd, UAP financial services.

Advantages of investing in a CIS

- ✓ It allows spreading/diversification of risks. This is because funds are usually invested in different securities.
- ✓ It eases access to securities investments. Small investors can access high price markets because of the pooled resources which create a large fund.
- ✓ It involves lower transaction costs. This is because transaction costs are generally related to the size of the transaction and the investors benefit from the fund manager's ability to deal in large quantities of shares at lower average dealing cost.

- ✓ It allows professional management. Collective investment schemes (CIS) provides full time professional management by employing services of a trust fund manager and trustee.
- ✓ It offers investor protection. This is through the Collective Investment Scheme Act that protects investors' funds.
- ✓ It makes liquidity easy. This is because it allows you to sell your units back to the trust fund manager.
- ✓ It allows flexibility since one can easily change from one unit to another

Disadvantages of investment in CIS

- ✓ It leads to loss of control. This is because investment decisions are made by a unit trust manager but not the investor.
- ✓ It attracts fees and charges. This is in form of costs of operation of the scheme which reduces the investor's earnings.

Shares

A share is a unit of ownership in a company.

When you buy a share, you become part of the owners of the company. Shares can be bought in form of Initial Public Offerings (IPOs) in a primary market or bought from existing shareholders in a secondary market on the stock exchange.

Initial Public Offer (IPO)

This refers to the first time a company offers its shares to the public for subscription.

Share certificate

Is a document that shows evidence of ownership in a company and the number of shares held.

Prospectus

Is a document that invites members of the public to subscribe to the shares of a company.

Dividend

Is payment to shareholders from profits made by the company.

Stock

This is a group or block of shares.

Ways of buying shares

1. Through buying new issues on primary market.
2. Through buying existing shares on secondary market.

Types of shares

There are two types of shares, namely:

1. Ordinary shares common stock equity.
2. Preference shares.

Ordinary/common or equity shares

These are shares with no fixed rate of dividend

Preference shares

These are shares with a fixed rate of dividend. Preference shares are further categorized into:

- (i) Accumulative preference shares
- (ii) Non-accumulative preference shares
- (iii) Redeemable preference shares
- (iv) Irredeemable preference shares
- (v) Participating preference shares

Ways in which company shares are issued

Through issue of shares at par (par value of shares). This is where a share is issued at a value or price which is equal to its face value for example a share of face value of shs 1,000 being issued at exactly shs 1000.

Through issue of shares at a discount. This is where a share is issued at a price which is lower than that of its face value.

Through issue of shares at a premium. This is when a share is issued at a price which is greater than its face value.

Process of investing in shares (initial public offering)

1. Visiting a broker, the issuer or the selling agent.
2. Getting a copy of the prospectus and read it well or seek advice about the company.
3. Filling an SCD (Securities Central Depository) account opening form.
4. Filling in a share Application form. SAP and pay for shares. You will be issued with a receipt.
5. After the allocation period, shares you have been allocated will be deposited on your SCD account.
6. If there is any refund, the money will be deposited on your bank account.

Process of investing in shares (secondary market)

1. Visiting a broker and request for advice about companies to invest in and their prices.
2. Filling in an SCD account opening form (Security Central Depository)
3. Filling in a purchase or sale order form SOF.
4. Depositing money on the broker's bank account and give a copy of deposit slip to the broker.
5. The broker will go to securities market and transact on your behalf relative to demand and supply.

6. When trade is successful, shares will be deposited on your SCD account in case of purchase or money deposited on your bank account in case of sale.

Examples of stock brokers in Uganda include

African Alliance Uganda Limited.

Equity stock Brokers "U" Limited.

Crane Financial Service Ltd.

Baroda Capital markets "U" Ltd.

Dyer and Blair "U" Ltd.

MBEA Brokerage Services.

Advantages of investing in shares

- ✓ They provide dividends. Shareholders earn income in form of dividends which is the percentage of the profits earned by the company.
- ✓ They provide capital gains. Shareholders enjoy profits when their shares are sold a price which is higher than the price at which they purchased them.
- ✓ They provide one with voting rights. Shares give the shareholder the right to attend and vote on important company decisions at the company's Annual General Meeting.
- ✓ They act as collateral securities. Shares can be used as a collateral security when a shareholder wants to get a loan from a financial institution.
- ✓ They are easy to transfer. Shares can be passed on from one person to another by selling to another person on stock exchange. They can also be inherited.
- ✓ One enjoys tax benefits. There are no taxes paid on capital gains from sale of shares/stock.
- ✓ Shares offer protection against inflation especially when share prices increase greater than inflation.

Disadvantages of investing in shares

- ✓ They depreciate in value. Share prices sometimes go down due to a number of factors such as a decline in company performance, decline in economic conditions in the country, etc.
- ✓ They provide unpredictable incomes to investors. Shareholders go without dividends if the company's profits fall and therefore no dividends declared by the company's directors.
- ✓ They provide a risk of losing the invested funds. If the company goes into liquidation, shareholders are the last to be paid when all creditors have been paid.
- ✓ There is lack of direct control over the business activities by the shareholders. This is because day-to-day activities are managed by appointed directors who are not shareholders.

Types of Investors

1. **Private individual investors.** These are people who hold securities for their own benefits.
2. **Corporate investors.** These are companies that hold shares in other companies for their own benefit.
3. **Institutional investors.** These are institutions that invest money in securities on behalf of others. They include pension funds like NSSF, insurance companies, etc.

Main contents of a prospectus

A caution note. Showing that permission has been granted by the capital market authority to the issuer to offer shares to the public.

The purpose of offering shares and the use of the funds received from the sell of shares.

Statement on legal affairs of the issuer. Rights to shareholders as regards to dividends, interest, etc.

Company structure i.e. details of the directors and senior management such as their qualifications, business experience, etc.

Financial statements. The issuer must provide audited financial statements showing the financial performance of the company during the last three / five years.

Accountant's report covering all the financial statements.

Company policy on dividends and future development.

Risk factors. The issuer must state clearly any risks related to his business e.g. construction risks, taxation risks, etc.

Loan/debt profile. That is, list is company debts and how they are being serviced

Information on bankers. These are banks in which a business holds accounts

Professional advisor details. That is, financial institutes offering professional investment advice to the company.

Equity financing and debt financing

Equity financing is the raising of capital by a business through selling shares or by retaining some of the profits earned.

Advantages of equity financing for a business

- ✓ The business assets do not have to be pledged as collateral security in order to obtain equity / sell shares to the public.
- ✓ The business does not have to make debt and interest payments to the shareholders.
- ✓ The company is well governed given the international accounting standards followed by listed companies.
- ✓ More money is raised in a short period of time.

Disadvantages

- ✓ The business loses privacy since it has to publish its annual accounts to all the shareholders.
- ✓ The company owners may have to relinquish (to give up /transfer) ownership of all proceeds and may have to share their business profits with other equity investors.

Debt financing is the raising of capital by a business through borrowing money from the public or institution.

Advantages of debt financing

- The company does not have to give up any ownership of the company.
- The lender has no control over how to run the company.
- The company is not required to pay the lender dividends when it makes profits as the case with shareholders.

Disadvantages of debt financing

- The company is required to pay back the principal and interest regardless to its financial situation.
- The banks have the power to place the business into administration bankruptcy if it defaults on debt payment.
- The company must have sufficient cash flow to repay the loan and interest

Sources of long term business finance

- | | |
|---------------------|-------------|
| • Loan | • Mortgages |
| • Debentures | • Leaving |
| • Share capital | • Shares |
| • Retained earnings | • Bonds |

Reasons for long term finance

- To purchase fixed assets
- To finance growth and expansion of the business.

Benefits of raising finance through capital markets

- It enables the business to raise capital faster
- It enables a business to access funds at no interest
- It facilitates inflow of international capital
- It facilitates good corporate governance such as proper book keeping practices
- It encourages savings for future investments
- It acts as a tool for controlling inflation
- It allows spreading of risks
- It facilitates merging of different firms
- It facilitates selling and buying of business shares
- It reduces government dependence on foreign aid

Documents used in trading shares

- a) Clients information form (individual)
- b) Purchase contract note
- c) Share certificate
- d) Share application receipt

PAPER 1 GUIDING QUESTIONS AND QUALIFIERS

1. Reasons/rationale/purpose/functions/aims/objectives/need for/why...../justify the need for/account for the need

- Begin with To/In order to/ Need for/ “ing”

Questions:

- Explain the rationale for preparing a business plan.
- Why is there need for ensuring good time management in business
- Justify the need for carrying out a feasibility study
- Explain the purpose of developing a mission statement for a business

2. Benefits/advantage/importance/merits/arguments for

Use present simple tense

(It creates/they create, e.t.c)

Questions:

- Benefits of an effective organizational chart
- Arguments for training employees in an enterprise
- Merits of mentoring in the development of social enterprise
- Importance of keeping records in small businesses
- Advantages of a good personal brand
- Benefits of insurance

3. Roles.

- Begin with present continuous tense ”ing”

Questions

- Examine the role of taxation in development of Uganda
- Describe the roles of U.R.A
- Roles of C.M.A in the development of capital markets industry in Uganda

4. Responsibilities

- Begin with present continuous tense/to/present simple tense

Questions:

- Responsibilities of Uganda Securities Exchange
- Explain the social responsibilities of the business
- Responsibilities of a Human Resource Manager in an organization

5. Circumstances/conditions/instances

- Begin with, If/when/incase

Questions:

- Circumstances under which entrepreneurs should carry out market research.
- Instances under which workers are paid different amounts of salaries
- Conditions under which an entrepreneur may fail to implement the business marketing plan.

6. Steps/stages/procedures/process/levels

- Follow a chronological order and the position for each identified by the paragraph it is written.

Questions

- Steps of the creative process
- Procedures for developing a lucrative personal brand

- iii. Stages involved in training employees
- iv. Process for investing in collective investment schemes
- v. Procedure for analyzing a risk situation in business

7. Components/contents/elements/tools

- Mention point, put full stop, then explanation

Questions:

- i. Components of a social enterprise
- ii. Elements of an executive summary
- iii. Contents of a prospectus
- iv. Tools for inventory management
- v. Tools for effective market strategy

8. Principles/canons/laws

- Mention point, put full stop; then explanation.
Do not change any letter or word in a principle

Questions

- i. Laws for effective personal branding
- ii. Principles of negotiation
- iii. Canons of insurance
- iv. Doctrines of purchasing

9. Characteristics/Attribute/features/essentials/traits

- Mention point, put full stop, then explanation. Do not speculate (using words like can, should, may, would, could)
- Explain using present simple tense (is/are)

Questions

- i. Attributes of good social entrepreneurs
- ii. Essentials of innovators
- iii. Features of creative people
- iv. Characteristics of appropriate technology
- v. Behavioral traits of people with strong need for achievement.

10. Determining/influencing/affecting

- Neutral point, two sided explanation.

Questions:

- i. Factors influencing level of tax compliance
- ii. Factors determining cost of production
- iii. Factors affecting competition
- iv. Social-cultural factors influencing entrepreneurial attitudes
- v. Factors influencing quality standards of a product.

11. Barriers/hinderances/limitations/constraints/obstacles/challenges

Questions:

- i. Limitations to creativity
- ii. Challenges faced by family businesses
- iii. Barriers to effective bargaining
- iv. Constraints towards development of capital markets industry in Uganda

12. Ways/measures/how/suggestive questions

- Begin with By/Through/”ing”

Questions:

- Ways of ensuring successful operation of family businesses
- Ways of minimizing risks in business
- How to promote development of Uganda capital markets industry
- Ways of ensuring proper cash management
- Measures for effective implementation of a business plan
- Suggest possible remedies for improving entrepreneurial environment
- Ways of reducing effects of sustainable use of resources by businesses on the natural environment.
- Measure for developing positive mental attitude among entrepreneurs

13. Effects/impact/implications/consequences

- Both positive and negative
- Separate positive effects from negative

Questions

- Impact of change
- Effects of competition
- Consequences of globalization

NB: However, some questions may be one sided. E.g. consequences of proper time management

14. Distinguish/differentiate

- Use while/whereas

Question:

- Differentiate between marketing and selling
- Distinguish between social enterprise and business enterprise

15. Comparison questions

- Use unlike/compared to/ than

Questions:

- Explain reasons why many entrepreneurs prefer advertising on radio than television
- Why are few women involved in business as compared to men
- Merits of direct taxes over indirect taxes

16. Sources

- Give point, put full stop, then explanation

Questions:

- Sources of innovation
- Sources of business ideas

17. Questions with ‘And’ in the middle of two concepts.

- These are two questions in one (2 in 1)

Questions:

- Tools of inventory and stores management
- Explain the different types of direct and indirect taxes

18. Illustration.

- Define concept, illustrate, explain different components.

Questions:

- i. Illustration of product life cycle stages
- ii. Illustration of the communication process
- iii. Illustration of the entrepreneurial framework

19. Techniques/Strategies.

- Begin with present continuous tense (ing)

Questions:

- i. Techniques for effective time management
- ii. Strategies for ensuring effective bargaining process
- iii. Strategies for ensuring a positive and sustainable impact in the society.

20. Indicators/manifestations

Questions:

- i. Indicators of a decrease in competition
- ii. manifestations of a good customer care
- iii. Indicators of a good economic environment.

21. Qualities

- Use should

Questions:

- i. Qualities of a good business plan
- ii. Qualities of a good business opportunity

Other questions

- i. Factors that necessitate good relationship between family and business
- ii. Examine the key players in Uganda capital markets industry.
- iii. Describe the different types of insurance policies acquired by entrepreneurs in Uganda