



Artificial Insemination Level- I

Learning Guide

Unit of Competence: **Develop Understanding of entrepreneurship**

Module Title: **Developing Understanding of Entrepreneurship**



Learning Guide #56

Unit of Competence: **Develop Understanding of entrepreneurship**

Module Title: **Developing Understanding of Entrepreneurship**

LG Code: AGR ATI1 M17 LO1-LG-56

TTLM Code: AGR ATI1 TTLM17 0919v1

LO 1 : Describe and explain the principles, concept and scope of Entrepreneurship

Sep, 2019

Bahir Dar



Instruction Sheet

Learning Guide #1

This learning guide is developed to provide you the necessary information regarding the following content coverage and topics:

- Principle ,Concepts and terminologies of entrepreneurship
- Types and classification of entrepreneurship
- Identifying and interpreting Elements and terms in the concept of enterprising
- Explaining Function of entrepreneurship in business

This guide will also assist you to attain the learning outcome stated in the cover page.

Specifically, upon completion of this Learning Guide, you will be able to:

- Analyze discuss the principles, concept and terminology of entrepreneurship and.
- Identify the different / various forms of enterprises in the community and their roles understood.
- Categorize the identified and classified enterprises.
- Identify and interpret The terms and elements involved in the concept of enterprising, both on a personal level and in the context of being enterprising in business
- Explain Functions of entrepreneurship in business and how the entrepreneurs improved business and economic environment

Learning Activities

1. Read the specific objectives of this Learning Guide.
2. Read the information written in the “Information Sheets 1”.
3. Accomplish the “Self-check ” after each information sheet . Request the key answer / key to correction from your teacher or you can request your teacher to check it for you.
4. If you earned a satisfactory evaluation proceed to “Information Sheet 2”. However, if your rating is unsatisfactory, see your teacher for further instructions or go back to Learning Activity #2.
5. Read the information written in the “Information Sheet 2”.
6. Accomplish the next “Self-check ” . Again you can request the key answer / key to correction from your teacher or you can request your teacher to check it for you.
7. If your rating is unsatisfactory, see your teacher for further instructions or go back to Learning Activity # the first.



Information Sheet-1

Principle ,Concepts and terminologies of entrepreneurship

Introduction

In the business world, entrepreneurs use creativity to solve everyday problems, promote products and services, update products and services, and make use of limited resources. A business enterprise is any type of operation that is involved in providing goods or services with the anticipated outcome of earning a profit. The broad nature of a business enterprise allows the term to be applied to any type of company or firm that is geared toward generating revenue by selling products of any type.

1.1 Terminology, principles, concepts and scope of entrepreneurship?

Basic terminology

Entrepreneurship

- Entrepreneurship is an organizational and management approach that enables a person to respond to change and solve problems in whatever situation she/he may find her/himself in.
- Is about an innovative action whenever one finds himself/herself in different situations of change.
- Is the process of identifying, developing and, bringing a vision to life. The
- Entrepreneurship is a continuous process of creating successful businesses and hence, accumulating wealth fast.
- It also refers to knowledge and skill that enables to create successful businesses.
- It is continuous process of identifying opportunity, mobilizing resources (money, knowledge, skill, time etc.) to provide a solution to a market needs or demand.
- Is the process of creating something different with value by devoting necessary time and effort assuming the accompanying financial, psychic, and social risks, and receiving the resulting rewards of monetary & personal satisfaction and independence.

Entrepreneur

The word 'entrepreneur' derives from the French expression 'to take up'. 'Entrepreneur' refers to the trait of taking up new ideas, products and concepts in the marketplace.



An entrepreneur as defined as, "a person who organizes and manages any enterprise, a business, usually with considerable initiative and risk".

They find an unfilled need in the marketplace and fill it by developing an innovative solution to it. In return they seek some sort of significant compensation; often being but not limited to financial rewards. Other compensation may be aiding in the advancement of society, and having the ability to create their own work environment.

Enterprise

Enterprise has two meanings. Firstly, it is another term for a business. Secondly, the term describes an individual who takes the initiative and risk to set up a Business.

Entrepreneurship as a concept:

Entrepreneurship is a concept that has been around for hundreds of years and has experienced much evolution in its meaning. The concept broken down is made up of an entrepreneur, a person, who commits to a process of action, known as entrepreneurship, which they then use to realize their goal or their enterprise.

Though this is basically the concept, because of the dynamic variables that can be applied to this structure, there exist many types of enterprises, entrepreneurs, and entrepreneurship. Entrepreneurs seek to capitalize off their efforts to perfect or produce something addressing a need or demand.

These are some of concepts on Entrepreneurship:

- **Risk bearing concept**;-is Entrepreneurship is a function of taking unlimited risks.
- **Innovative concept**; - Entrepreneur is developed economy is that person whose parents something new in the economy.
- **Managerial skill concept**;- Entrepreneurship as Managerial skill, along with the capacity to bear the risk.
- **Creative and leadership concept**;- Entrepreneurship is the quality of developing resources of the institution, developing human capacity, performing creative activities and coordinating new thoughts
- **High achievement capacity concept**;- Entrepreneurship is High achievement capacity concept, for which capacity of making innovation and taking the discussion during risks is essential to perform work with the latest method .
- **Professional concept**; As professional concept. They are of the view that Entrepreneurship may developed through education and training.
- **Organization and coordination concept**; Entrepreneurship is that the economic Component which organizes and coordinates various sources of production. Entrepreneurship, as an “ability to organize enterprises”.

- **Business oriented concept;** Entrepreneurship is expressed as the business oriented entrepreneurial attitude of the individuals that inspires them to become entrepreneur to the business thinking, to formulate plans and programs and to establish enterprises.
- **Result oriented concept;** in this concept, it is not very important ,what efforts have been made for obtaining the goals, more important is what has been result? In the business world, only who succeed in achieving the goals is recognized as an entrepreneur.
- **Personality, identity or role transformation process concept;-** “entrepreneurship is not only to adopt new works and behavior, but it is also transformation of personality and to establish a new identity through that”.

10 Principles of Entrepreneurship

Before start any business, every person must understand the principles that guides the business in to success. This guide line or principle are;-

1. **A person must be a Solution Provider;** - You must note that entrepreneurship is not just about making money at first but it's about providing solutions and adding value. Over the years, successful entrepreneurs had noted that passion is what brings success in business. This is because, in starting a business, there are bound to be issues ranging from sourcing funding to getting good partners, building a good team, location, marketing etc. If you are involved with inexperienced persons, you are bound to fail as fast as you had started.
2. **Have a Vision;** - “Vision is the art of seeing what is invisible to others” Jonathan Swift said that. Have a defined purpose and pursue it.
“Successful entrepreneurs are those that were able to transform their vision into Reality”.
3. **Choose the Right Team;** - Your team must have the same drive, tenacity, perseverance and an underlying belief in themselves and the value they can add to the success of the business. Your team must be motivated and dedicated.
“Good team work builds speed”.
4. **Viable Product/Service;** - Let your product/service fulfill a need, be innovative and the approach, a little different from other regular businesses.

5. **Capital;** - Good business plan always draw investors. Capital should be your least worry when you have a solution.
6. **Accountability;** - As an entrepreneur, you are accountable to the success or failure of your business, not your employees, investors or advisors. You must have detailed account of whatever transaction made by the company. "Accountability breeds responsibility"
7. **Growth and Marketing;** - Every successful business grew over the years. Most big companies started small. It was all a process. Success in business is not a one-time event; it is an on-going process. You must give room for growth.
8. **Priorities;** - For success in business, you must categorize things in order of importance. Set your priorities based on your goals and do not deviate. Your investors should not make you lose focus on your dream.
9. **Know Your Customer;** - Your customer base determines the life of your business. If you provide solution to better the world, your customers will increase. In business, the higher your customers, the higher the profit.
10. **Never Give Up;** - The never give up attitude is one quality an entrepreneur must possess. Successful entrepreneurs are goal-getters. They never give up on turning their vision into reality.

Self-Check 1	Written Test
---------------------	---------------------

Answer all the questions listed below-use the answer sheet provided below and each have 4 points

1. What is the Terminology of entrepreneurship?
2. List the principle of entrepreneurship?
3. Define Entrepreneurship as a concept?
4. List concept of entrepreneurship?
5. Define enterprise and Entrepreneur?

TTLM : ATI TTLM16 0919 Revision: 1	TVET Program: Artificial insemination: Level- I	8 Page
	Author: FEDERAL TVET AGENCY	

Information Sheet-2	Types and classification of entrepreneurship
----------------------------	---

Types and classification of entrepreneurship

The types of entrepreneurship may be classified on the following points:

1. **Private Entrepreneurship;-**

When an individual or group of individuals start a business, takes risks and initiates innovations in the private sector, it is called private entrepreneurship.

The main object of such entrepreneurs is to earn profits. Development of such entrepreneurs has been possible, due to private enterprise. Private Entrepreneurship is popular in England, America, Germany, Japan, and France, etc.

2. **Government or Public Entrepreneurship;-**

When the government starts business enterprises in government or public sector for public welfare and takes risks related to them, it is known as government or public entrepreneurship.

Such types of entrepreneurship are visible in socialist and Communist countries, like Russia, China, Yugoslavia etc. Public entrepreneurship has developed fast in India also, after independence.

3. **Joint or community Entrepreneurship**

When private and government ownership is jointly involved in any Enterprises or business, it is called joint Entrepreneurship. This system provides opportunities for investment to the entrepreneurs of the private sector, but the main role is of the governments, meaning thereby that the government makes an investment, jointly with private entrepreneurs and public in certain preparation.

TTLM : ATI TTLM16 0919 Revision: 1	TVET Program: Artificial insemination: Level- I	9 Page
	Author: FEDERAL TVET AGENCY	

In India, joint entrepreneurship has been adopted, due to various reasons, like achieving the goals of plans, check the concentration of economic power, encouraging new Entrepreneurs, and for Industrial development of backward areas, etc.

4. **Cooperative Entrepreneurship;-**

When several people collectively establish Enterprises, bear risks and carry out innovations on the Cooperative basis, it is known as Cooperative entrepreneurship. Then the main object of such Entrepreneurship is the encourage spirit of self Independence and mutual welfare among the citizens.

In India, Several Industries like the sugar industry, textile industry, agricultural products processing units, dairy industry, small and cottage industries, etc. have been established, under corporate entrepreneurship.

5. **Traditional or Evolutionary Entrepreneurship;-**

When the production in any enterprise is on the basis of traditional methods, the pace of changes is very slow and attention is not paid on research and development activities, it is known as traditional entrepreneurship.

6. **Modern or Revolutionary Entrepreneurship;-**

In contrast to traditional entrepreneurship, when the entrepreneurs formulate schemes involving high risks, take brave decisions and use new techniques of production and expand the enterprise with fast speed, such entrepreneurship is called Revolutionary entrepreneurship.

7. **Decentralized Entrepreneurship**

When the entrepreneurs establish enterprises at various places, parts, and areas of the country, that is known as decentralized entrepreneurship.

Such types of entrepreneurship aim at planned development, development of backward areas, Employment generation and equitable distribution of income and wealth.

The governments provide various facilities, subsidies, and motivations for encouraging decentralized entrepreneurship. As a result, overall development of the society is facilitated.

In other words, when even the new entrepreneurs also prefer to establish the industries or doing some other works in the industrially developed areas, to take advantages of available facilities, this is known as centralized entrepreneurship.

8. **Centralized Entrepreneurship**

When most of the Enterprises tend to be established in one place or area. Due to the availability of basic infrastructure facilities, like water, electricity, roads, means of transportation, communication. Favorable location and due to the establishment of earlier units at the place, etc. Such Entrepreneurship is called centralized entrepreneurship.

9. **Small Entrepreneurship**

The Enterprise in which the production system is simple, capital investment, number of workers and the size of the enterprise is small, that is known as the small entrepreneurship.

Following are the features of small entrepreneurship:-

Small entrepreneurship is labour intensive.

This is the important base of decentralization of economic power, self-reliance, employment, balanced regional development and proper use of local resources.

Small entrepreneurship is used for the operation of rural and small industries. Development of rural and cottage industries in the country is facilitated by small Entrepreneurship and local people are the benefit of better employment opportunities.

10. **Large Entrepreneurship**

As against small entrepreneurship, when the production system is complicated, a higher amount of capital is invested, the number of workers is more, size of the enterprise is big, production is in large quantity, modern and machinery and techniques are used and Enterprises is operated by professional manager, that is called large entrepreneurship.

In India, Tata Birla, Dalmiya, Bangar, Sarabhai, Ambani etc. are large entrepreneurs. Various basic of such types of entrepreneurship, like Iron and Steel Industries, engineering goods, chemical Industries, electrical appliances Industries, cement factories, coal best plants, etc.

Large entrepreneurship, on the one side, provides employment to a large number of people, but on the other side, it also encourages monopolies and other evils, which are not conducive for the society and economy.

11. Individual Entrepreneurship:

When all functions of Management and operation of any business are performed only by one single individual, it is called as individual entrepreneurship.

12. Group Entrepreneurship:

Such entrepreneurs are called ‘promoters’ also. In such entrepreneurship, leadership is transferred from one individual to the organized group of experts. So it is called group entrepreneurship.

13. Urban and Rural Entrepreneurship:

When Development of entrepreneurship is Limited only to cities, it is known as urban entrepreneurship. Such types of entrepreneurship cause various problems, like pollution, overcrowding, slum areas, social offenses, and housing problems, etc.

When the Entrepreneurship is developed in small villages and towns, it is known as rural entrepreneurship, which has several advantages, like poverty eradication, economic development of villages and equitable distribution of wealth, etc.

14. Trading or service Entrepreneur:

As the name itself suggests, the trading entrepreneur undertake the trading activities. They procure the finished products from the manufacturers and sell these to the customers directly or through a retailer. These serve as the middlemen as wholesalers, dealers, and retailers between the manufacturers and customers.

15. Manufacturing Entrepreneur:

The manufacturing entrepreneurs manufacture products. They identify the needs of the customers and, then, explore the resources and technology to be used to manufacture

the products to satisfy the customers' needs. In other words, the manufacturing entrepreneurs convert raw materials into finished products.

16. Agricultural Entrepreneur:

The entrepreneurs who undertake agricultural pursuits are called agricultural entrepreneurs. They cover a wide spectrum of agricultural activities like cultivation, marketing of agricultural produce, irrigation, mechanization, and technology.

17. Local VS Foreign:

In the Local entrepreneurship, the entrepreneur focuses on the specified level of economic development in domestic country. Also, the whole nation is more or less well prepared in a particular financial scheme with same exchange. On the other hand .

In the Foreign entrepreneurship, the entrepreneur has to deal with exchange assessments, distinctions in level of financial improvement, management (Government) policies, banking, business enterprise, capital advertising along with allotment arrangement.

Self-Check 2	Written Test
--------------	--------------

Answer all the questions listed below-use the answer sheet provided below and each have 4 points

1. List Types and classification of entrepreneurship?
2. Explain the different types of entrepreneurship?
3. What is difference between Small Entrepreneurship and Large Entrepreneurship?

Concept of Enterprise

The Concept of Business The exchange of goods/services with money for mutual benefit/profit An organization that provides goods and/or services to earn profits All profit-seeking activities that are organized and directed to convert factors of production into goods and services or combination between goods and services for customers in the markets to achieve the business objective

Starting a Business - What is enterprise?

There are essentially two types of enterprise:

- **Business enterprises**, which are run to make a profit for a private individual or group of individuals. This includes small business.
- **Social enterprises**, which function to provide services to individuals and groups in the community.

Business enterprises

- There are lots of different enterprises in your community; many are small businesses. Sometimes one person owns and runs them; sometimes they're a family business; other businesses are owned and run by partners who aren't family relations.
- People usually decide to set up small business to earn an income from producing and selling products or delivering services to individuals or other businesses.

Social enterprises

- Social enterprises are organizations led by local communities.
- They, too, are small businesses, but they have been set up for a social purpose. Social enterprises need to be successful just as business enterprises do, but their success is measured in terms of social rather than monetary benefits.

Some examples of social enterprises are:

- community-based child care centers such as merry joy in Ethiopia
- health care centers
- sports clubs such as, Saint gorge and Coffee in Ethiopia
- Meals on Wheels
- housing cooperatives

- Charities, such as Ethiopian family guidance association

Types of enterprises

There are many types of business enterprises these include **international, global, multinational, and transnational firms.**

An international enterprise is an organization which conducts business operations in cross national borders. International business generally is business operations of any sort by one firm which take place within or between two or more independent countries.

Global organizations are known as national firms having international operations. This means that an establish company in one country buy have an international business operations to other countries. Global companies view the world as a single unit, and global corporation's subsidiaries are guided by a global pervasive approaches and strategy. Global industries tend to provide fairly standardized and high quality products all over the world which enables the companies to exploit their savings derived from economies of scale.

Multinational enterprises are companies that undertake production, research and development, finance and marketing on an international basis in more than one country. In order for an enterprise to be multinational, its activities must have a certain impact upon the economy. The management must have a global perspective and a strategy that surpasses nationalities and boundaries. The multinational enterprise must be supported by the overall system of control and organization in order to act as an entity. Materials are comes from less developed countries.

Experiences on International definition of MSE

The MSE definition is generally consisted of three basic criteria as to other countries experience. These are:

- Full timer employed manpower /head count staff/.
- Total asset, net asset and paid capital, and
- Annual turnover. .And they use these criteria independently or in combination.

Classifications of Enterprises

State-owned enterprises refer to non-corporation economic units where all assets are the status of enterprises is classified into three categories:

- Domestic-funded enterprises-Is an enterprises include state-owned enterprises, collective enterprises, cooperative enterprises, joint ownership enterprises, limited liability corporations, share-holding corporations, private enterprises and other enterprises
- Enterprises with investment from in land, and
- Enterprises with foreign investment.

Improved definition of small enterprises in ETHIOPIA based on SME strategy

Level of the enterprise	Sector	Human power	Total asset
Micro enterprise	Industry	≤5	≤100,000(\$6000 or E4500)
	Service	≤5	≤50,000(\$3000 or E2200)
Small enterprise	Industry	6-30	≤birr 1.5 million (\$9000 or E70000)
	Service	6-30	≤birr 500,000(\$30000 or E 23000)

When ambiguity is encountered between manpower and total assets as explained above, total asset is taken as primary yardstick

The Concept of Enterprise Growth Strategy

Growth strategy is a holistic model for leading an enterprise for total excellence by focusing on the needs of the customer.

Some of the key elements of growth strategy are:

- Support markets and products growth
- Acquire new or expand business
- Improve margin

- Increase revenue and profitability
- Reduce business cycle time

Self-Check 3	Written Test
---------------------	---------------------

Name: _____ Date: _____

Time started: _____ Time finished: _____

Directions: Answer all the questions listed below. Illustrations may be necessary to Aid some explanations /answers:

1. Fill in the Blanks (2 points each)

1. -----which are run to make a profit for a private individual or group of individuals. This includes small business.
2. -----which function to provide services to individuals and groups in the community.
3. -----is an organization which conducts business operations in cross national borders.
4. -----are companies that undertake production, research and development, finance and marketing on an international basis in more than one country.

2. Short answer. (2 points each)

1. What is the concept of enterprises?(4 points)
2. What are the two essential types of enterprises?(4 points)
3. List some classification of enterprises?(4 points)

Functions of entrepreneurship in business

Entrepreneurship is the heart of job growth. According to the Small Business Association, small businesses started by entrepreneurs provide 75 percent of the new jobs added to the economy each year.

Function of entrepreneurship in production process**Entrepreneur initiates the business activity-**

✓ He has to start the business activity by preparing a proper plan. The plan should deal with the type of goods or service to be produced, sources of raw material and credit, type of technology to be used, the markets where the products can be sold, etc. The plan should be detailed one covering all the aspects of the business.

The entrepreneur is the prime mover in the business enterprise.

- ✓ Without the entrepreneur there would be no business in the first place.
- ✓ He/she is the one who identifies gaps in the market and then turns these gaps into business opportunities. One of the functions of the entrepreneur is, therefore, to initiate the business.
- ✓ It is the entrepreneur who finances the business. After identifying a business opportunity, the entrepreneur raises and mobilizes the necessary resources to exploit the opportunity.

By so doing the entrepreneur becomes the financier of the enterprise.

- ✓ The entrepreneur does not of course have to finance the business from personal savings alone.
- ✓ The necessary finances and other resources could be borrowed. It is therefore a function of the entrepreneur to **finance the business**.

Another function of the entrepreneur is to manage the business.

.The entrepreneur also has the function of bearing the uncertainties of the risks of the business.

This arises because it is the entrepreneur who provides the finances of the business. This is so even where other people may have lent the necessary finances, as is the case when one borrows from financial institutions.

Through the entrepreneurial function, many jobs are created in the economy.

In addition, wealth is made available to the individual, the community and society in general through the actions of entrepreneurs.

Entrepreneurs also encourage competition, which is critical in sustaining free enterprise, and support a market economy system which has proved to be ideal for economic growth, social progress and the spread of prosperity among a country's population.³. Entrepreneur is a decision maker

Business involves variety of decisions to be taken.

The entrepreneur has to decide about the nature of product, technology, price policy, advertisement strategy, employment of labour, etc. A proper strategy has to be adopted by him to take the right decision.

Entrepreneur co-ordinate things effectively business firm consists of a number of departments. He has to co-ordinate various units effectively by having proper communication channels and supervision.

1.6 The role of entrepreneur in business improvement

Successful entrepreneurs are usually modeled as combinations of innovators (with creative and innovative flair) and managers (with strong general management skills, business know-how, and sufficient contacts). Over the years, economists have, however, described more roles of entrepreneurs.

➤ **Entrepreneur as risk-taker** Richard Cantillon (1680-1734) suggested that an entrepreneur is someone who has the foresight and willingness to assume risk and take the requisite action to make a profit (or loss). Cantillon's entrepreneur is forward-looking, risk-taking, alert though need not be innovative in the strict sense.

➤ **Entrepreneur as business manager**

Frank Knight established a boundary between management and entrepreneurship. He sees entrepreneurs in the strict sense as producers; while the great mass of population furnish them with productive services, placing their persons and property at the disposal of entrepreneurs who guarantee to them a fixed remuneration.

➤ **Entrepreneur as exceptional leader**

➤ Hans Karl Emil von Mangoldt (1824-1868) developed the notion that entrepreneurial profit is the rent of ability. He divided entrepreneurial income into three parts:

➤ **Entrepreneur as perceiver/restorer**

TTLM : ATI TTLM16 0919 Revision: 1	TVET Program: Artificial insemination: Level- I	19 Page
	Author: FEDERAL TVET AGENCY	

John Bates Clark (1847-1938) noted that as static conditions change over time: population grow, wants change, and improved production technologies are discovered and implemented, the mobility of capital and labour is necessary to restore new equilibrium. He sees the entrepreneur as the human agent responsible for the coordination that restores the economy to an equilibrium position.

➤ **Entrepreneur as innovator**

Joseph Schumpeter (1883-1950), Austrian-born professor, is famous for focusing on the entrepreneur as the central figure in advancing the wealth of nations and creating dynamic disequilibrium in the global economy. In the process of “creative destruction” (of the market system), entrepreneurs plays a central role by constantly assimilating knowledge not yet in current use and setting up new production forms and functions to produce and market new products. He pointed out that knowledge underlying the innovation need not be newly discovered and may be existing knowledge that has never been utilized in production. Therefore, the entrepreneur need not be an inventor and vice versa. He is the one who turns an invention into commercial exploitation.

Self-Check 4	Written Test
---------------------	---------------------

Name: _____ Date: _____

Time started: _____ Time finished: _____

Directions: Answer all the questions listed below. Illustrations may be necessary to Aid Some explanations /answers:

Answer all the questions listed below-use the answer sheet provided below and each have 4 points

1. Fill in the Blanks (2 points each)

1. -----is the heart of job growth.
2. The----- has to decide about the nature of product, technology, price policy, advertisement strategy, employment of labor, etc.
3. small businesses started by entrepreneurs provide ----- of the new jobs added to the economy each year.

2. Short answer.(2 points each)

1. What is the Function of entrepreneurship in production process?

TTLM : ATI TTLM16 0919 Revision: 1	TVET Program: Artificial insemination: Level- I	20 Page
	Author: FEDERAL TVET AGENCY	

2. What is the role of entrepreneur in business improvement?



FEDERAL TVET AGENCY

Artificial Insemination Level- I

Learning Guide #57

Unit of Competence: **Develop Understanding of entrepreneurship**

Module Title: **Developing Understanding of Entrepreneurship**

LG Code: AGR ATI1 M17 LO1-LG-57

TTLM Code: AGR ATI1 TTLM17 0919v1

LO 2: - Discuss how to become entrepreneur

Sep, 2019

Bahir Dar

Instruction Sheet	Learning Guide #2
-------------------	-------------------

TTLM : ATI TTLM16 0919 Revision: 1	TVET Program: Artificial insemination: Level- I	22 Page
	Author: FEDERAL TVET AGENCY	

This learning guide is developed to provide you the necessary information regarding the following content coverage and topics:

- ✓ Concepts ,Advantages and disadvantages of self-employment and motivation
- ✓ Characteristics and traits of entrepreneurship
- ✓ Assessing self-potential to Identifying successful entrepreneurship
- ✓ Identifying and explaining major competence of successful entrepreneurship

This guide will also assist you to attain the learning outcome stated in the cover page.

Specifically, upon completion of this Learning Guide, you will be able to:

- Discusses and analyze self-employment as an alternative option for an individual economic independence and personal growth
- Discusses and explained advantages and disadvantages of self-employment
- Identify entrepreneurial characteristics and traits are and discuss.
- Assesses self-potential is to determine if qualified to become future entrepreneur.
- identify and explain major competences of successful entrepreneurship

Learning Activities

1. Read the specific objectives of this Learning Guide.
2. Read the information written in the “Information Sheets 1”.
3. Accomplish the “Self-check” after each information sheet. Request the key answer / key to correction from your teacher or you can request your teacher to check it for you.
4. If you earned a satisfactory evaluation proceed to “Information Sheet 2”. However, if your rating is unsatisfactory, see your teacher for further instructions or go back to Learning Activity #2.
5. Read the information written in the “Information Sheet 2”.
6. Accomplish the next “Self-check”. Again you can request the key answer / key to correction from your teacher or you can request your teacher to check it for you.
7. If your rating is unsatisfactory, see your teacher for further instructions or go back to Learning Activity # the first.

Information Sheet-1	Discussing how to become entrepreneur
----------------------------	--

TTLM : ATI TTLM16 0919 Revision: 1	TVET Program: Artificial insemination: Level- I	23 Page
	Author: FEDERAL TVET AGENCY	

2.1 Understanding self-employment

Self-employment is an activity where individuals create their own employment opportunities by creating a business.

Reasons for Wage Employment or Going into Business

- A. Economic – to earn more money
- B. Psychological – to feel useful and needed
- C. Social – to be with people
- D. Critical incidents – Shocks
- E. Practical reasons – Rational
- F. Personal reasons – Emotional

Reasons for Wage Employment or Going into Business

To accommodate:

1. **CRITICAL INCIDENT (Economic, Psychological, Sociological)**

- Inheriting family wealth.
- Being fired/sacked/made redundant/retired.
- Transferred to different job or location.
- Challenged by people you know/emulating others.
- Unhappy with your boss or colleagues.
- No job opportunity after leaving school or vocational training.

2. **PRACTICAL REASONS (Economic, Psychological, Sociological)**

- To make a living and/or get rich.
- To prepare for retirement. That is, “something to do” in retirement, or to

Provide additional income, or both.

- For supplemental income and equity building, such as in real estate.
- To use as a tax shelter or business write-off.
- To have something to occupy spare time. (To relieve boredom).
- To create a common cause for the whole family, thereby building togetherness.

3. **ABSTRACT PERSONAL REASONS (Economic, Psychological, Sociological)**

Some of the abstract, personal reasons include:

TTLM : ATI TTL16 0919 Revision: 1	TVET Program: Artificial insemination: Level- I	24 Page
	Author: FEDERAL TVET AGENCY	

- For emotional rewards, a realization of self-worth, self-image, seeing your Creativity develops and expands.
- To escape working for someone else.
- To have flexible working hours – the freedom to do what you please, when You please.
- To stop having to take orders.

2.2 Advantages and Constraints of Self-Employment

1. ADVANTAGES OF WORKING FOR YOURSELF

Those who choose self-employment as a career usually do so for five basic reasons: Personal satisfaction, independence, profits, job security and status.

a. Personal satisfaction:

- To some people, the chief reward of working for your self is personal satisfaction. Personal satisfaction means doing what you want with your life. Being self-employed will enable you to spend each work day in a job you enjoy
- You may receive satisfaction from aiding the community in which you live.
- Self-employed persons supply goods and services and create jobs for others.
- They also buy goods and services from other local enterprises, borrow money from local banks, and pay taxes.

b. Independence: Another advantage of being a self-employed person is independence. Independence is freedom from control of others. You are able to use your knowledge, skills and abilities as you see fit. When you are self-employed you are driven by spirit of self-reliance and individual survival. Compared to those who work for others, self-employed persons have more freedom of action. They are in charge and can make decisions without first having to get the approval of someone else.

c. Profit and income: One of the major rewards expected when starting a new business is profit. Profit is the amount of income left after all expenses have been paid. Profits go to the owner of a business. Being self-employed, you would be able to control your income. Very often, increased time and effort put into the enterprise results in increased income.

d. Job security: Many enterprises are created by persons who are seeking

the kind of job that is not available elsewhere. Job security is the assurance of continued employment and income. Self-employed persons cannot be laid off, fired, or forced to retire at a certain age.

e. Status: Status is a term used to describe a person's social rank or position. Self-employed persons receive attention and recognition through customer contact and public exposure. As a result, they may enjoy status above that of many other types of workers.

f. Flexibility: Individuals who become self-employed have options to start enterprises in all categories and sizes depending on their capabilities. Self-employment also gives the individual the job of being an employer and a leader rather than an employee and a follower.

2. CONSTRAINTS OF WORKING FOR YOURSELF (disadvantage)

In addition to knowing the advantages of self-employment, you should also be familiar with the disadvantages: **possible loss of invested capital, uncertain or low income, long hours and routine chores.**

a. Possible loss of invested capital: One risk of being self-employed is the possibility of losing your invested capital. The term invested capital refers to the money the entrepreneur put into starting the enterprise. As a general rule, the riskier of the business, the greater the profit potential. If the enterprise succeeds, profits may be high. If the business fails, invested capital may be lost; the entrepreneur stands to lose a lifetime of personal and family savings. It may take years to repay banks, suppliers and individuals who loaned the money to get the business started.

b. Uncertain or low income: Another disadvantage of owning your business is the possibility of uncertain or low income. Unlike the salaries of employed workers, profits usually vary from one month to another.

c. Long business hours: Entrepreneurs do not work just forty hours a week; they do not punch time clocks. Many self-employed persons work fourteen or more hours a day, six or seven days a week. The owner is often the first to arrive at the business in the morning and the last to leave at night.

d. Routine chores: Running your own business may involve routine chores you do

not like to do.

e. Risks: You stand the best chance of success if you are prepared to take calculated risks. Risks allow you to estimate the chances of failure or success without taking a gamble.

f. Time involvement: Starting a small business takes a lot of hard work. In fact, it may consume most of your waking hours in the first few years. But in the long run, work effort and personal involvement on the part of a small business owner can vary greatly.

g. People contact: There are really three types of people contact in a small business: contact with customers, with employees, and with suppliers. Most small business owners don't mind the contact with employees and suppliers, since the owner is usually on the most comfortable side of the relationship. The owner-customer relationship, however, differs greatly depending on the type of business you're in. Many businesses have a much more impersonal sales approach.

Self-Employment	
ADVANTAGES	CHALLENGES
1. Leads rather than follows	1. Long, irregular hours of Work
2. Can implement ideas	
3. Can be creative	2. Broad responsibility
4. Potential income unlimited	3. Must take risks
5. Independence	4. Income not stable nonguaranteed
6. Can take initiative	5. No fringe benefits
7. Controls work Environment	6. Always involved in finances
8. Gives orders	7. Time constraint
	8. Uncertain future

	9. Learning never ends
	10. Hard to delegate work
	11. Too much paperwork
	12. Dependent on employee
	Actions

Paid Employment	
ADVANTAGES	CHALLENGES
1. Specific (or fixed) responsibilities	1. Follows orders
2. Steady income	2. Ability not easily recognized
3. Fringe benefits	3. Set income
4. Fixed hours of work	4. Limited responsibility
5. More certain future	5. Difficulty to implement ideas
6. Set span of control	6. Dependent on the employer
7. Minimal risks	

Self-Check 1	Written Test
---------------------	---------------------

Name: _____ Date: _____

Time started: _____ Time finished: _____

Directions: Answer all the questions listed below. Illustrations may be necessary to Aid some explanations /answers:

2. Fill in the Blanks (2 points each)

1. -----is an activity where individuals create their own employment opportunities by creating a business.
2. ----- One of the major rewards expected when starting a new business is profit.

True or False: (2point each)

1. Self-employment is an activity where individuals create their own employment opportunities by creating a business.
2. One of the major rewards expected when starting a new business is profit.
3. Disadvantage of owning your business is the possibility of uncertain or low income.
4. One risk of being self-employed is the possibility of losing your invested capital.

Very short answer questions: (2 points each)

1. What are the three types of people contact in a small business?
2. What are reasons for Wage Employment or Going into Business?
3. Advantage and disadvantage of self employment?

3 Entrepreneurial Characteristics and traits

Here are characteristics that are found within all successful entrepreneurs – and

without which most people will fall short of what it takes to succeed in an entrepreneurial enterprise the list might include the following characteristics:

1) Confident

✓ Confidence is a hallmark of the entrepreneur. Not all of us are born with confidence, but that does not mean we are not capable of it. Many confident women and men gain their sense of self-esteem and faith in their ability to greet challenges by acting – even when they lack the confidence – and then gaining strength and belief in them by seeing the results and gaining the praise and respect of others.

2) Feels a Sense of Ownership

✓ Taking responsibility for getting things done – and doing them with care and attention – means to act like an owner. Rather than viewing a problem as someone else's, the entrepreneur sees it as his or her own and takes pride in finding a solution, leaving things in better shape than they were before encountering them, and improving upon situations rather than leaving them unattended.

✓ While a sense of ownership makes for a stellar employee, the entrepreneur knows that the goal is not to be owned by the enslavement of too much responsibility. Rather than controlling situations in an attempt to possess them, the entrepreneur teaches other people how to take charge. In that way the clever entrepreneur uses individual accountability in the ultimate pursuit of profitability, teamwork, and overall success.

3) Able to Communicate

✓ Entrepreneurs recognize that the most important part of any business is the human element. Human resources – whether in the form of clients, employees, or strategic partners – are what makes or breaks a business, and communication is the key to successful relationships with people. The entrepreneur works to hone communication skills, whether those are written, spoken, or non-verbal messages conveyed through body language. And to support communication, he or she will take advantage of all available tools and resources. Those might

include foreign language or public speaking classes, computer and telecom technology, search engine optimization or neuro-linguistic programming as it relates to sales and marketing, or specialized writing such as that needed for grants, business proposals, mission statements, or policy manuals. Above all, the entrepreneur develops a keen ability to listen and hear what others are trying to say, because the best communicators got that way by first being the best listeners.

4) Passionate about Learning

✓ Entrepreneurs are often “autodidactic” learners, which means that much of what they know they learned not in a formal classroom setting but instead on their own by seeking out information, asking questions, and doing personal reading and research. They also are quick to learn from their own mistakes, which mean they are less prone to keep repeating them due to arrogance, ego, or blindness to one’s own faults, shortcomings, or errors in judgment.

✓ To teach is to learn. And to lead, train, and impart experience to others the entrepreneur is constantly striving to learn more and get better educated. Because of the passion for education, true entrepreneurs surround themselves with people who either know more than they do or know things that are different from what they know.

✓ They entertain the views of others and perspectives that may be unlike their own, for instance, in order to be better students of human nature. In this way they continue to enrich themselves with knowledge while also making a concerted effort to grow that knowledge by sharing it with others who are also front row students of life’s valuable and unlimited lessons.

5) Team Player

✓ Those who go into business for themselves but do not utilize teamwork wind up without the team but still have all the work to get done. They shoulder the whole burden for themselves, and wind up just trading their old job for a new

and more demanding one – in an attempt to be self-employed. But the new venture carries greater personal and financial risks.

✓ On the other hand, team players know how to succeed by employing the physics of interpersonal synergy and dynamic relationships. One twig can be easily snapped, but a bundle of those small twigs becomes stronger than the sum of its individual parts and can be impossible to bend, much less break. The same goes for businesses, and successful entrepreneurs leverage teamwork to get the heavy lifting done without breaking stride.

6) System-Oriented

✓ Like mathematical formulas, good systems allow us to reproduce great results every time – with less and less exertion of energy or resources. Entrepreneurs rely upon systems before they rely upon people, and they look for system based solutions before searching for human resource solutions. If the person gets the job done but falls sick or leaves, the job is threatened. But if a system is created to get the job done, anyone can step in and follow the blueprint to get the desired result. Similarly, when troubleshooting and problem solving, the entrepreneur will first examine and study the system – because a flaw in the system will produce a flawed outcome each and every time. Designing, implementing, and perfecting systems is one of the most useful and rewarding skills of an entrepreneur.

7) Dedicated

✓ Entrepreneurs dedicate themselves to the fulfillment of their plans, visions, and dreams, and that tenacity of purpose generates electricity throughout the whole organization. One of the biggest reasons that companies fail is because they lose focus.

✓ Target a goal, clarify the objective, refine the brand, and narrow the margin of error. Regardless of what the effort might involve, an entrepreneur brings a single-minded dedication to the task by being committed to a positive outcome and ready and willing to do the needful. No matter what that might mean in terms

of rising to meet a challenge or acting above and beyond the call of duty, the entrepreneur shows steadfast dedication.

8) Grateful

✓ Being grateful for what we have opens us up to receive more, and one reason that is true is because those who are grateful appreciate what they are given. They respect it and nurture it. They do their best to make it grow instead of allowing it to dwindle away due to neglect.

✓ Entrepreneurs learn to take nothing for granted in this world. That gives them the agility and flexibility to adapt to changes and demands, while it also invests in them a thankfulness that reminds them that riches and wealth are not about “stuff”, but are about fulfillment, satisfaction, and the pleasure that comes from one’s accomplishments and contributions.

9) Optimistic

✓ A positive outlook is essential for the entrepreneur, who learns to see setbacks as bargain priced tuition for the valuable business lessons gained through firsthand experience.

✓ Past shortcomings, failures, or disappointments are relegated to the past so that they cannot continue to haunt the present or obstruct the future. And when things go right and business prospers, this further fuels the optimism and positive mindset of an entrepreneur, helping to give impetus and momentum for greater accomplishments and increased hopefulness.

10) Gregarious

✓ Because business is all about people, entrepreneurs tend to be socially outgoing. They get excited about sharing ideas, products, and services, and that excitement is contagious to their employees, clients, friends, and other contacts both within and beyond the business sphere. But women and men who work hard as entrepreneurs also relish the unique opportunity to have fun doing something that they love as their primary vocation.

✓ Human resource experts, career counselors, and business psychologists all agree that those who do jobs they enjoy and are good at have higher rates of success and broader measures of satisfaction. Entrepreneurs know that firsthand, from their own experience, and they tend to be a fun-loving group of people both on and off the job.

11) A Leader by Example

✓ Entrepreneurs not only lead themselves through self-motivation as self-starters who jump into tasks with enthusiasm, but they are also skilled at leading others. They know the importance of teamwork, and they understand the need to appreciate others, support them, and reward them accordingly.

✓ True leaders do not become indispensable, otherwise things fall apart in their absence and they can never rise to the highest level of entrepreneurial freedom and prosperity.

12) Not Afraid of Risk or Success

✓ Many people could be successful if they only took chances. And many people who do take chances and become somewhat successful find the realization of their dreams an overwhelming possibility, so they sabotage their continued success by retreating back into a comfort zone of smallness.

✓ As discussed earlier, the employee mindset is preoccupied with a need for security. Those who cling to what is familiar to them – even if it means the denial of their dreams – lack the perseverance and ambition that the real entrepreneur exhibits.

✓ Entrepreneurs are not immune to fear. But they prioritize their approach to life so that the fear of failure, frustration, boredom, drudgery, and dissatisfaction far outweighs the lingering fear of success.

- Independent
- Builds on strengths
- Resourceful
- Versatile and knowledgeable
- Responsive to feedback
- Builds for the future
- Willing to listen
- Energetic and forceful
- Goal-oriented
- Accepts challenges
- Sees broad picture
- Understands self
- Originality of thought
- Innovative and creative
- Committed
- Gets along with others
- Achievement-oriented
- Persistent and determined
- Hard working
- Perceptive
- Risk-taker
- Decision-maker
- Mentally well-organized
- Reliable, has integrity

Self-Check 2	Written Test
---------------------	---------------------

Name: _____

Date:

Time started: _____

Time finished:

Directions: Answer all the questions listed below. Illustrations may be necessary to
 to
 Aid Some explanations /answers:

1. Fill in the Blanks (2 points each)

1. -----is a hallmark of the entrepreneur.
2. Entrepreneurs are not immune to-----.

Short answer. (2 points each)

1. List the Entrepreneurial Characteristics and traits?
2. What are other Characteristics of entrepreneurship?

Information Sheet-3	Assessing self potential to Identifying successful entrepreneurship
----------------------------	--

2.4 Assessing self-potential to determine if qualified to become future entrepreneur

A growing number of employees are becoming dissatisfied with paid employment for a Variety of reason:

1. They dislike following orders
2. Their abilities are not being recognized
3. Income is at a set level
4. Their responsibility is limited
5. Implementation of their own ideas is difficult
6. They are unhappy about dependency on their employer

Dissatisfied employees may seek new opportunities to become self-employed. They tend to go into business for themselves for a variety of reasons:

1. Independence – they want to be their own boss
2. Immediate need for a job
3. They want to supplement employment income
4. They want to develop a business for their children
5. They want to make more money than they make as an employee
6. They want to have an opportunity to prove their ability

Although the term entrepreneur is generally used to describe a person who is self-employed, being an entrepreneur is more than a job or a career, it is a lifestyle. You should, therefore, look at your personal qualities in a realistic manner. **Responses to the following questions will give some indication as to your entrepreneurial abilities:**

1. Are you usually self-motivated and willing to work hard to achieve goals?
2. Do you work well with other people?
3. Within a group of people, do you usually assume a leadership role?
4. Are you able to communicate well with others?
5. Are you a good listener?
6. Do you have self-confidence?
7. Do you have a positive self-image?
8. Are you decisive when making decisions?

The more **YES** responses you have to the above questions, the more entrepreneurial you

may be.

Important Entrepreneurial Traits

1. **Hard Working:** running a business requires a lot of energy and drive. This involves the ability to work for long hours when necessary, to work intensely in spurts and to cope with less than a normal amount of sleep.

2. **Self-Confident:** to succeed, entrepreneurs have to believe in themselves and in their ability to achieve the goals they have set for themselves. This is often shown by a belief that “if you want something badly enough and are prepared to work at it, you’ll usually get it”.

3. **Builds for the Future:** the goal for most successful business people is to build a secure job and income for themselves which is based on their own abilities. This means entrepreneurs understand that it may take several years to build up business income to a reasonable standard.

4. **Profit-Oriented:** interest in generating money is a clear indicator of an entrepreneur’s suitability for being a business owner. This means recognizing that the business comes first. Once profits are generated, the entrepreneur can make decisions about how the profits can be used – to expand the enterprise or for personal use.

5. **Goal-Oriented:** success in business depends upon being able to set realistic goals or targets and to work with determination to achieve them. This ability to set goals (for things the person thinks are worthwhile) and to work to achieve them is fundamental to being an entrepreneur.

6. **Persistent Determination:** all businesses have their problems and disappointments. Being persistent in solving a problem is one of the keys to being a successful entrepreneur.

7. **Copes with Failure:** all business ventures inevitably contain disappointment and failures as well as successes. Coping with failures involves recognizing these failures, learning from them and seeking new opportunities. Without this characteristic, early failures may end a person’s attempt at self-employment.

8. **Responds to Feedback:** entrepreneurs are concerned to know how well they are doing and to keep track of their performance. Obtaining useful feedback and advice from others is another important characteristic of entrepreneurs.

9. **Demonstrates Initiative:** research shows that successful entrepreneurs take the initiative and put themselves in positions where they are personally responsible for success or failure.

10. **Willing to listen:** the successful entrepreneur is not an inward looking person that

never uses outside resources. Self-reliance does not exclude the ability to ask for help when needed from such people as bank officials, accountants and business advisers. Being able to listen to the advice of others is a key characteristic of an entrepreneur.

11. **Sets Own Standards:** setting standards of performance and then working to achieve them is another indicator of a successful entrepreneur. These standards can be income, quality, sales or product turnover. Most entrepreneurs want to do better each year, to set and achieve higher standards from year to year.

12. **Copes with Uncertainty:** being an entrepreneur is much more uncertain than employment. This uncertainty is about sales and turnover, but it often also exists in other areas such as material delivery and prices, and bank support. An ability to cope with this uncertainty without becoming too stressed is a necessary trait of being an entrepreneur.

13. **Committed:** starting and running an enterprise demands total commitment by the entrepreneur in terms of time, money and lifestyle. It has to be a major priority in the entrepreneur's life.

14. **Builds on Strengths:** successful business people base their work upon the strength(s) they have, such as manual skills, interpersonal skills, selling skills, organizational skills, writing skills, knowledge of a particular product or service, knowledge of people in a trade and ability to make and use a network of contacts.

15. **Reliable and Has Integrity:** the qualities of honesty, fair dealing and reliability in terms of doing what one has promised to do are essential traits of an entrepreneur.

16. **Risk-Taker:** being an entrepreneur involves some risks. Entrepreneurs have the ability to take measured or calculated risks. Such risks involve working out the likely costs and gains, the chance of success and the belief in oneself to make the risk pay off. Entrepreneurs may be considered risk avoiders when they reduce their risks by having others assume part of the risk. Those who assume the entrepreneur's risk may be bankers, suppliers and customers.

17. **Honesty and Honor** - Another very important mark of a good entrepreneur is being honest and honorable in all business dealings and interpersonal relationships - whether it is between business partners, employees, peers or investors

2.3 Types of self-potential qualifications to become future entrepreneur

- ✓ An entrepreneur initiates an enterprise or idea, typically in business, and accepts full responsibility for the outcome.
- ✓ Entrepreneurs often identify a market niche within a given sector and exploit it for profit. The French economist, Jean-Baptiste Say, first coined the term around 1800.
- ✓ Entrepreneurs are considered to be essential individuals in a Capitalist society.



1. Market Knowledge

- ✓ Entrepreneurs know customer desires. They research purchasing trends of key demographics and view the market for their products through customers' eyes.
- ✓ An entrepreneur should be skilled in identifying an opening and quickly gathering resources to fill it. Rather than looking at the current state of a key market or business model, he looks to the future and adapts his business strategy to allow for shifting trends.

2. Resilience

- ✓ Successful entrepreneurs tend to be independent thinkers and resilient in their pursuit of an objective. They are self-reliant, self-confident and passionate about their work, even when times are bad, as indicated as the Mentors, Ventures and Plans website. They harbor strong beliefs that often go against traditional thinking.
- ✓ An entrepreneur should be aware of potential risks and rewards and be strong-minded enough to cope with failure.

2.5 Identification of major entrepreneurial competences

There are three major competencies for successful entrepreneurship. These may be defined as:

- A body of **knowledge**
- A set of **skills**
- A cluster of **traits**

A. Knowledge:

Has been defined as a set or body of information stored, which may be recalled at an appropriate time.

Knowledge in the context of business may be manifested by information on, or familiarity with aspects such as:

- | | |
|--------------------------|-----------------------|
| • a business opportunity | • business management |
| • customers | • the market |
| • production processes | • competitors |

- technical matters
- sources of assistance

B. Skill:

✓ Has been defined as the ability to apply knowledge and can be acquired or developed through Practice, e.g. flying, driving or swimming.

✓ In the context of business, it is possible to distinguish between skills of a technical and managerial nature. Some examples are listed below:

Technical

- Engineering
- Computing
- Carpentry
- Mechanics
- Catering

Managerial

- Marketing (including selling)
- Financial management
- Organization
- Planning
- Leadership

N: B. Knowledge and skills are relatively easy to acquire or develop. By contrast, traits take time.

C. Trait

✓ **Trait** has been defined as the aggregate of peculiar qualities or characteristics which constitutes personal individuality.

✓ In a cross-cultural study of India, Malawi and Ecuador, 14 personal entrepreneurial characteristics (PECs) which appear to depict the behavior of successful entrepreneurs were identified.

✓ It is more likely than not that a person who does not have all 3 competencies in his/her business will encounter difficulties in operating the venture successfully.

❖ **What would happen if a person had?**

- **Knowledge and skills only**

✚ An individual with only knowledge and skills is unlikely to survive for long, even if he/she manages to start at all. For example, without the traits, he/she might exhibit little persistence when faced with major obstacles; or the person may not see nor act on opportunities; or he/she might simply be unwilling to take the calculated risk of venturing into business in the first place.

- **Knowledge and traits only**

✚ A person with only knowledge and personal traits might find nothing of value to which these might be applied, without technical skills. Or they may find that they are too dependent on outsiders and, therefore, possibly too vulnerable. The solution might be to find a partner or employ people with the requisite skills.

- **Skills and traits only**

- A potential entrepreneur with skills and entrepreneurial traits, but lacking in knowledge, might be able to start a business. In a competitive environment, however, the lack of knowledge or familiarity with, for example, customers, or the market (including trends) could eventually lead to failure. Information is essential for any business to succeed.

2.5 Competencies for Successful Entrepreneurship

A successful entrepreneur:

- Takes initiative
- Is persistent
 - Is concerned for high quality
 - Is oriented to efficiency
 - Solves problems in original ways
 - Takes calculated risks
 - Is persuasive
- Sees and acts on opportunities
- Personally seeks information
- Is committed to fulfilling contracts
- Plans systematically
- Demonstrates self-confidence
- Is assertive
- Uses influential strategies

It is more likely than not that a person who does not have all 3 competencies in his/her business will encounter difficulties in operating the venture successfully. What would happen if a person had?

- **Knowledge and skills only**

An individual with only knowledge and skills is unlikely to survive for long; even if he/she manages to start at all. For example, without the traits, he/she might exhibit little persistence when faced with major obstacles; or the person may not see nor act on opportunities; or he/she might simply be unwilling to take the calculated risk of venturing into business in the first place.

- **Knowledge and traits only**

A person with only knowledge and personal traits might find nothing of value to which these might be applied, without technical skills. Or they may find that they are too dependent on outsiders and, therefore, possibly too vulnerable. The solution might be to find a partner or employ people with the requisite skills.

- **Skills and traits only**

A potential entrepreneur with skills and entrepreneurial traits, but lacking in knowledge, might be able to start a business. In a competitive environment, however, the lack of knowledge or familiarity with, for example, customers, or the market (including trends) could eventually lead to failure. Information is essential for any business to succeed.

Self-Check 3	Written Test
---------------------	---------------------

Answer all the questions listed below-use the answer sheet provided below (each have 4 points)

1. What are the Characteristics of Entrepreneur
2. Identifying Potentials of Entrepreneurs
3. What are the Competencies for Successful Entrepreneurship



FEDERAL TVET AGENCY

Artificial Insemination Level- I

Learning Guide #58

Unit of Competence: **Develop Understanding of entrepreneurship**

Module Title: **Developing Understanding of Entrepreneurship**

LG Code: **IND BLG1 M17 L01-LG-58**

TTLM Code: **IND BLG1 M17 TTLM 0919v1**

LO 3: - Discuss how to become entrepreneur

Sep, 2019

Bahir Dar

This learning guide is developed to provide you the necessary information regarding the following content coverage and topics:

- Selecting major factors business location
- Identifying basic types of Business Ownership
- Understanding concept the of source of Capital
- Applying procedures of Market Assessment
- Generating techniques of Business Ideas
- Identifying and assessing key success factor in enterprises and its business opportunities
- Discussing facts importance and role of business Entrepreneurship in the society

This guide will also assist you to attain the learning outcome stated in the cover page. Specifically, upon completion of this Learning Guide, you will be able to:

- Discuss and correlate the importance and role of business entrepreneurship in the society to the operations of the economy.
- Discuss clarify and understand. facts about small and medium enterprises
- Identify and explain key success factor in setting up small and medium business
- Identify and assess business opportunities
- Generate business ideas using appropriate tools, techniques and steps.
- Discuss and understand procedures for identifying suitable market for business
- Identify and discuss major factors to consider in selecting a location for a business
- Identify and explain basic types of business ownership.
- Clarify Amount of money needed to start an enterprise estimated and distinction between pre operations and initial operation payments.

- Identify advantages and disadvantages of using various sources of capital to start an enterprise

Learning Activities

8. Read the specific objectives of this Learning Guide.
9. Read the information written in the “Information Sheets 1”.
10. Accomplish the “Self-check” after each information sheet. Request the key answer / key to correction from your teacher or you can request your teacher to check it for you.
11. If you earned a satisfactory evaluation proceed to “Information Sheet 2”. However, if your rating is unsatisfactory, see your teacher for further instructions or go back to Learning Activity #2.
12. Read the information written in the “Information Sheet 2”.
13. Accomplish the next “Self-check”. Again you can request the key answer / key to correction from your teacher or you can request your teacher to check it for you.
14. If your rating is unsatisfactory, see your teacher for further instructions or go back to Learning Activity # the first.

Information Sheet-1	Discussing facts, importance and role of business Entrepreneurship in the society
----------------------------	--

Introduction

One of the first things to think about if you're starting a small business is how you want to organize it. Answering the following questions will help you decide.

- ✓ What is the source and amount of borrowed money for the business?
- ✓ What skills will the business need that I cannot provide?
- ✓ How much personal control do I want to maintain over business decisions?
- ✓ What form of organization will minimize taxation of the business?
- ✓ How much personal responsibility should I take for business debts and liabilities?
- ✓ What will happen to the business if I can no longer manage it?
- ✓ What organization form will best help me to achieve my short-and long-term business goals?

Steps to become Entrepreneur

- 1) Observing the environment.
- 2) Identifying something one can do and get benefits from.
- 3) Gathering the necessary physical and psychological tools needed to accomplish the activity.
- 4) Implementing the activity when ready
- 5) Receiving rewards.

3.1 Role and Importance of Business Entrepreneurship in Society

3, 1, 1 Importance of Business Entrepreneurship in Society

1. Employment creation

- ✓ Entrepreneurs create employment for themselves and other people. They are employers, and hence assist in solving the unemployment problem.

2. Local resources

- ✓ When entrepreneurs utilize local resources, thus value of these resources increases.

3. Decentralization and diversification of business

- ✓ Entrepreneurs are able to identify business opportunities, and locate these businesses in suitable areas, including rural areas.

4. Promotion of technology

- ✓ By being creative, entrepreneurs are able to contribute to the utilization and development of technology.

5. Capital formation

- ✓ Entrepreneurship increases capital formation and investment.

6. Promotion of an entrepreneurial culture

- ✓ By projecting successful images, entrepreneurs become models that can be copied by young people.

7. Contributed towards research and development system; - almost majority of all innovations are due to the entrepreneurs.

8. Creates wealth for nation and for individuals as well; - all individuals who search business opportunities usually, create wealth by entering into entrepreneurship. The wealth created by the same play a considerable role in the development of nation.

8. Entrepreneurship provides self-sufficiency; - the entrepreneur not only become self-sufficient but also provide great standards of living to its employees. It provides opportunity to a number of people working in the organization.

3.2 understanding of facts about small and medium small enterprise

Definition of micro, small and medium-sized enterprises

The new definition thus qualifies small and medium-sized enterprises (SMEs) and the concept of the microenterprise. It strengthens the efficiency of the Community programs and policies designed for these businesses. The aim is to ensure that enterprises whose economic power exceeds that of an SME do not benefit from the support mechanisms specifically intended for SMEs.

3.2.1 Micro, small and medium-sized enterprises standards

"SME" stands for small and medium-sized enterprises – as defined in Ethiopia law: The main factors determining whether a company is an SME are:

1. **Number of employees** and
2. Either **turnover** or **balance sheet total**.

Micro, small and medium-sized enterprises

Micro, small and medium-sized enterprises are defined according to their staff headcount and turnover or annual balance-sheet total

- A medium-sized enterprise is defined as an enterprise which employs more than **30** persons and whose annual turnover exceed **1.5 million birr** or whose annual balance-sheet total does not exceed medium-sized enterprises.
- A small enterprise is defined as an enterprise for service which employs **6-30** persons and whose annual turnover and/or annual balance sheet total does not exceed **1.5 million birr. And not ≤birr 100,000 million birr**
- A small enterprise is defined as an enterprise for industry which employs **6-30** persons and whose annual turnover and/or annual balance sheet total does not exceed **500000 .and not ≤birr 500,000 million birr**
- A microenterprise is defined as an enterprise for service which employs fewer than **≤5persons** and whose annual turnover and/or annual balance sheet total does not exceed **≤50,000birr?**
- A microenterprise is defined as an enterprise for industry which employs fewer than **≤5persons** and Whose annual turnover and/or annual balance sheet total does not exceed **≤100,000birr**

Self-Check 1	Written Test
---------------------	---------------------

Name: _____ Date: _____

Time started: _____ Time finished: _____

Directions: Answer all the questions listed below. Illustrations may be necessary to Aid some explanations /answers:

1. Say true or false. (4points)

1. Entrepreneurs don't create employment for themselves and other people.

2. When entrepreneurs utilize local resources, thus value of these resources increases.
3. Entrepreneurs are able to identify business opportunities, and locate these businesses in suitable areas, including rural areas.
4. Entrepreneurship don't increases capital formation and investment.
5. "SME" stands for small and medium-sized enterprises.

Information Sheet-2	Identifying and assessing key success factor in enterprises and its business opportunities
----------------------------	---

Identification of Key Success Factor to small and Medium Enterprises (SMEs)

Key Success Factors in Setting up a Small Business

- The crucial ingredient in the whole process is the entrepreneur
 - ✚ He/she takes the initiative and also bears the risk in creating and/or organizing an attractive offer of value to potential customers. The entrepreneur's ability to do this successfully depends on 4 factors, namely: Motivation, Ability, Idea and Resources. The acronym – MAIR – may help you remember these factors more easily. These are explained in turn.
- Idea and Market
 - ✚ The important issue to be determined here is the viability of the idea, project, product or service to be offered. In other words, does the idea, product or service meet a need or want for which there are customers who can afford it and are willing to use/purchase it in sufficient quantities to make the whole project worthwhile. How the proposition to be offered is more desirable or better than what is currently available and how will competitors react?
- Motivation and Determination
 - ✚ It is widely acknowledged that, to be successful, the individual or group needs to be highly motivated and determined to set up the business to make it succeed. This will be reflected, for example, in how persistent they are in overcoming obstacles that might get in the way, how they go about seeking information and how they act on opportunities. Additional indicators might be their commitment and attitude to work, previous attempts to set up a business and the support of their family or partners.
- Ability
 - ✚ Another important question is whether the individual or others involved have particular abilities – these may be knowledge, technical or managerial skills

of relevance to the business or project.

- **Resources**

✚ Finally, the extent to which the person(s) involved can acquire or organize resources in adequate measure will not only influence performance but also, in some cases, whether they start at all. Examples here include capital, cash, premises, materials, equipment and labor. The availability of infrastructure (e.g. utilities like electricity, telephone, roads) and support services might also be important.

- **Business plan**

✚ In order to turn the above 4 components into reality, a plan would be required. In business, this is normally referred to as a Business Plan. On the whole a business plan should show four main things, namely:

- Where you currently are with your idea, project or business
- What you wish to do
- How you propose to go about it
- And that the project is worthwhile.

- **Organization and Management**

The business then needs to actually start operating and, once this is done, it would need to be managed. In setting up the business, or before starting to operate, there may be legal or other statutory requirements to be met. There may be a need to consult professionals such as lawyers, accountants and/or staff from small business support agencies for advice. The whole business and the process need to be managed, and how well this is done will all affect performance – in particular, finding and dealing with customers, management of cash and finances, marketing, handling employees, dealing with suppliers, control systems.

In summary, small businesses need to adopt strategy that is Simple, Measurable, Actionable, Realizable, and Total (SMART). When strategy has been analyzed and selected, the task is then to translate it into organizational action. Implementation is often the hardest part.

Well designed and well formulated strategic plan is a key factor for success of small and medium business Enterprises (SMEs). Strategy is extensively implemented in both our personal and professional lives. Strategy is not only important to individuals in daily walks of life, but organizations as well, regardless of size, industry, geographical location or portfolio.

For SMEs, Strategy is a visionary process that best relates to its Business and Operational Strategy through a strategic framework that inscribes Market Assessment, Plan Formulation (idea formulation process), Plan Implementation (practical application of the business idea), and Plan Evaluation (constant assessment of progress made whilst correcting any deviations).

5.3 Ways of identifying business opportunities

A business opportunity may be defined simply as an attractive idea or proposition that provides the possibility of a return for the investor or the person taking the risk. Such opportunities are represented by customer requirements and lead to the provision of a product or service which creates or adds value for its buyer or end-user.

3.4.1 How Do I Identify Business Opportunities?

Ideas and opportunities need to be screened and assessed for viability once they have been identified or generated. Identifying and assessing business opportunities involves, in essence, determining risks and rewards/returns reflecting the following factors:

- **Industry and market:** Is there a market for the idea? Are there any customer's people with money who are able and willing to buy the product or service? Can you provide what they need or want? How many are there?
- **Length of the 'window of opportunity':** Can you create or seize the opportunity whilst it lasts?

- **Personal goals and competencies of the entrepreneur:** Do you really want to venture into the business? Do you have what it takes? Are you motivated enough?
 - **Management team:** Who else will be involved with you in the business? Do they have the experience, know-how, contacts or other desirable attributes required?
 - **Competition:** Who are your competitors? Do you have something customers want that your competitors do not have? For example, can you produce or market at lower costs?
 - **Capital, technology and other resource requirements:** How much capital, technology or other resources are required? Do you already have them or could you get them?
 - **Environment:** Are the political, economic, geographical, legal, and regulatory Contexts favorable? Will the business do any damage to the physical environment?
- The above questions are typical of the type of issues that need to be addressed. Responses to these questions will determine the attractiveness of any business opportunity.

How can market performance be evaluated?

- ✓ After marketing programmed decisions are made, owners need to evaluate their decisions. Standards of performance need to be established so results can be evaluated against them. Sound data on industry norms and past performance provide a basis for comparing present performance. Owners should evaluate their business performance at least quarterly.
 - a. Is the business doing all it can to be customer-oriented?
 - b. Do employees make sure customers' needs are satisfied and leave customers with the feeling that they would enjoy coming back?
 - c. Can customers find what they want and at a competitive price?

Self-Check 1	Written Test
---------------------	---------------------

Name: _____ Date: _____

Time started: _____ Time finished: _____

Directions: Answer all the questions listed below. Illustrations may be necessary to Aid some explanations /answers:

1. True or false(4 points)

1. The crucial ingredient in the whole process is the entrepreneur.
2. A business opportunity may not be defined simply as an attractive idea or proposition that provides the possibility of a return for the investor or the person taking the risk.
3. Ideas and opportunities need to be screened and assessed for viability once they have been identified or generated.
4. Well designed and well formulated strategic plan is a key factor for success of small and medium business Enterprises (SMEs).

5. Small businesses need to adopt strategy that is Simple, Measurable, Actionable, Realizable, and Total (SMART).

Information Sheet-3	Generating techniques of Business Ideas
---------------------	---

3.5 Techniques and steps of generating business ideas

❖ Generating a Business Idea

What Is a Business Idea?

- ✓ A business idea is the response of a person or persons, or an organization to solving an identified problem or to meet perceived needs in the environment.
- ✓ Finding a good idea is the first step in transforming the entrepreneur's desire and creativity into a business opportunity.

A good business idea is essential, or even a prerequisite, for a successful business Venture. However, good business ideas do not usually just occur to an entrepreneur.

Rather, they are the result of hard work and effort on the part of the entrepreneur in generating, identifying and evaluating opportunities

The process of developing business idea is not a simple process. The most optimal way is to have a systematic approach in generating and selecting business ideas that will be transferred in real business. **Here are some basic but important questions that can lead us through the process of business idea development:**

1- Making a Framework

This is the first step of the process where we must make a framework for the next steps. Everything that will be out of that framework will not be included in the next steps of the process. This step is more about us as future entrepreneurs. The questions that we must answer are:

1. Is entrepreneurial life that I really want to life?
2. Am I psychologically prepared for business startup?
3. What are my goals for the future?
4. How much I want to earn after several years?
5. How will be started my business solo or with a team of people?
6. How much money I have for startup?
7. How much money my partners have for startup?
8. How much I can spend on business startup?
9. How long I can persist before the business start generating money

2- Brainstorming

Brainstorming is the process of generating ideas where it is not looked into the quality of an idea only on the quantity. Brainstorming is a group creativity technique designed to generate a large number of ideas for the solution of a problem. Before starting this step it is better to prepare a business idea book where we can note all business ideas that will generate.

3. Selecting the Best Business Idea

This step is simply selecting the best business idea from the bunch of business ideas generated in previous step – brainstorming. The purpose of this step is to find one or several ideas that will continue in the next steps.

1. Can I exclude some ideas generated in the previous step?
2. Is there ideas that are not compatible with my answers in the first step – framework?
3. What must be checked in ideas that were generated?
4. What is the opinion of my friends about the rest of business ideas?
5. What is the opinion of my previous colleagues about the rest of ideas?
6. What is the opinion of the market experts that I know about the rest of ideas?
7. What is my personal opinion about the rest of ideas?
8. What is the one or several business idea that received biggest amount of votes from previous questions in this step?

4. Researching

The fourth step is making the research about selected business idea or ideas from previous step. Here needs broader audiences that must be included in our analysis. One of the tools that we can use it, here are surveys.

1. Do I have capabilities to implement that idea?
2. What is expected reaction from the market about that idea?
3. What amount of money the market is willing to pay about product or service from the idea?
4. Do markets will have a strong desire for something like my ideas?
5. How much will cost me the product or service?
6. What will be appropriate price for product or service?
7. Is that price that market is willing to pay?
8. Can I make a prototype?
9. If I make a prototype what is the opinion of our potential customers – people that we include in our previous steps and here?

10. What is the feedback from testing a prototype?
11. Can I make adjustments according to feedback from previous question?
12. Can I start after adjustments?

3.5.1.1 Ten Steps to generating your successful business idea

1. Start thinking! Get your brain to work

This article has tips and advice that will help you get started with the creative process. The first step towards creative thinking is understating how the mind works and how to stimulate your brain. I will dig deep into this topic

2. Buy a note book

Now that you know how to stimulate your brain and get started with the creative thinking process, you need to keep count on your ideas and make sure that you can document them to study and examine them further.

3. Follow your passion

Starting and building a successful business is no small task, it will be a lot of work, you will face many problems, you will have to deal with situations you never encountered before, so it better be something you love doing. You will find that when things go tough, it is your passion that will get you going and make you overcome the hurdles. If you don't love what you're doing, you will take the first exit when problems arise.

4. Keep your eyes open

New business opportunities get born from new situations every day. Keep an eye on what is happening around you, make it a habit to read the newspaper and identify new opportunities. You may read that people are complaining from poor health services in your area, or the lack of schools in your neighborhood. If you keep your eyes open to new developments and changes around you, you might capitalize on the emerging opportunities that arise.

5. Capitalize on your strengths

Most people are good at something. Look at your experiences and career, what is it that you can do well? Have you been working in project management for 15 years and know the ins and outs of the business, this is often the best place to start.

6. Explore new things

As mentioned earlier, change is one of the biggest stimulators to the brain. Even if you don't want to open your own coffee shop, next time you're in one, look at how things are done and think of new ways to improve it. Often this thinking might lead you to new ways to improve on your business ideas in your chosen field.

7. Check your bank account

Starting and running your business requires money. Depending in your situation, you need to think of businesses that suit your budget. Everyone's finances are limited, so make sure whatever business idea you come up with is doable.

Having that said, there are places where you can get finance for your business, like banks, venture capitals, family, friends and small business associations in your area. Work out in advance the level of finance you are able to raise, and focus on business that will not exceed those limits.

8. Know what you want in life

Aside from your business goals, think about the reasons you want to start the business in the first place. What is it that you are looking for? What are your goals in life? Are you starting a business to be able to spend more time with your family? To make more money? To be respected among your peers?

Whatever your goals are, make sure that your business idea complements these goals and help you achieve them. If your goal is to find more time to spend with your family

and do other things, then starting a business that requires you to work 16 hours a day or travel constantly might not be the best idea.

9. Choose a business that suits your personality

Are you morning person or a night creature? Each person has his/her own peak hours of the day. You will find very few successful bakers or newspaper owners that don't like to wake up in the morning. If you are not a morning person, avoid businesses that will need you to work in the early hours of the morning. If you are a night person, then maybe running a night club or a restaurant that stays open till late hours is more suitable for you. Conversely, if you sleep early, running a business that requires you to stay late might not be suitable for you.

10. Read about other people that started their own business

A large part becoming successful involves looking at other successful people and learning how they achieved their success. Reading autobiographies about prominent and successful business figures and learning how they started their journey will give you great insight on how they did things and what exactly they did to become successful.

Self-Check 3	Written Test
---------------------	---------------------

Name: _____ Date: _____

Time started: _____ Time finished: _____

Directions: Answer all the questions listed below. Illustrations may be necessary to Aid Some explanations /answers:

1. Say true or false.(4 points)

1. A business idea is the response of a person or persons, or an organization to solving an identified problem to meet perceived needs in the environment.
2. The process of developing business idea is not a simple process.
3. Brainstorming is the process of generating ideas where it is not looked into the quality of an idea only on the quantity.
4. Starting and building a successful business is no small task.
5. New business opportunities get born from new situations every day.
6. Starting and running your business don't requires money.

Information Sheet-4	Applying procedures of Market Assessment
---------------------	---

3.6 procedures to identify suitable market

The first step for market is to carry out a survey **of the situation of market** to identify suitable markets for the goods he wants to provide. Alternatively, he could study a specific market to identify the goods suitable for customer to that particular market. He should also study the present competition and future prospects.

When applying the marketing concept, a small business should:

- A. Determine the needs of their customers (market research)
- B. Analyze their competitive advantages (marketing strategy)
- C. Select specific markets to serve (target marketing), and
- D. Determine how to satisfy those needs (marketing mix).

3.7. Factors for choosing a perfect business location

1 .Does the area you select have activities relating to your business core?

Would you be selling anything if you open a rock music shop near a temple? No. However if you have a pub or a night club near your sock music store chances are that your sales will go sky-high.

2 Buy a location for your business or lease them?

Most start-ups prefer to rent spaces for their offices and not having land and building on their own. One such example is retailers or whole sellers buy space in this huge commercial area. Ready-to-use infrastructure and developed plots, enabling lower operational set-up time and cost.

3 Virtual office space for start-up business

This is something like you own a business address anywhere in the world, you have your own private telephones, conference halls, mail forwarding and related.

4 How long do you plan to run in the present site?

5 Transportation to the site

A very important aspect while choosing your business is transportation. It is really a no brainer. You need to have good access to the site.

6 Availability of workers

This is one that is mostly overlooked. You have to make sure that human resources are at your disposal.

7-Economic condition of the place you selected

You must strategically place your business where it SELLS!!! It would be a good choice to place a medical shop near a hospital and so on.

8 Is this a new growth area or target market for future business?

You must always target the future audience while planning a business start-up. Do you plan to start a business that is just a trend and will soon die off? Then think again.

9 Near your competitors?

You may find this absurd, but it is true. Sometimes placing your business close to your competitors can be your best free source of traffic, especially if you are near an established competitor.

10 Operating costs

- What are your country tax structures?
- What about business taxes?
- How much should you pay as compensation to your workers?
- How long does it take to get a permit and what is the process involved?
- Is sufficient amount of land and cheap fuel available?
- What about the building modification rates if required and electricity charges?
- Do you need extra utilities to work efficiently

11 Factors relating to your environment

- Does your business involve chemicals or hazardous materials? If so choose a location that is strategically away from the townships. Each country may have specific laws that state that such industries must be located outside the city within a specific radius.
- What about the natural resources available? Do you need to import resources from other places which would incur added costs or are they freely or cheaply available locally?
- Ensure supply of clean water. If not then you have to set up water filtering plants.
- Do a research about the quality of the air around the region and noise rate. If you do not run an industry or your industry demands cleanliness such as in pharmaceutical industry, then this point is a must see.
- Make sure you analyze the environmental reports thoroughly.

12 Business considerations

Most countries offer small business start-up incentives. These may range from cutting on taxes, allocation of area for development and so on. You must have heard about SEZ (Special Economic Zones) in Ethiopian. Know more about SEZ [here](#)

13 Other factors

- How much does it cost you to buy or rent a house nearby?
- What necessary facilities like hospitals, fire stations etc are available immediately?
- What is the geographical situation of the current location? Is it a zone where earthquakes or other natural calamities like floods etc occur?

Self-Check 4	Written Test
---------------------	---------------------

Name: _____ Date: _____

Time started: _____ Time finished: _____

Directions: Answer all the questions listed below. Illustrations may be necessary to

Aid some explanations /answers:

1. True or false.(4points)
 1. The first step for market is to carry out a survey of the situation of market to identify suitable markets for the goods he wants to provide.
 2. One of Factors for choosing a perfect business location is Buy a location for your business or lease them.
 3. A very important aspect while choosing your business is transportation.
 4. Most countries offer small business start-up incentives.
 5. You must always target the future audience while planning a business start-up.

Information Sheet-5	Types of business ownership
---------------------	------------------------------------

Types of business ownership

The pros and cons of different business types of ownership, including sole proprietorship, partnering, corporations, and limited liability companies.

One of the first decisions that you will have to make as a business owner is how the company should be structured.

This decision will have long-term implications, so consult with an accountant and attorney to help you select the form of ownership that is right for you. In making a choice, you will want to take in to account the following:

- Your vision regarding the size and nature of your business.
- The level of control you wish to have.
- The level of structure you are willing to deal with.
- The business' vulnerability to lawsuits.
- Tax implications of the different ownership structures.
- Expected profit (or loss) of the business.
- Whether or not you need to reinvest earnings into the business.
- Your need for access to cash out of the business for yourself.

Sole Proprietorships

the vast majority of small businesses start out as sole proprietorships. These firms are owned by one person, usually the individual who has day-to-day responsibilities for the business. Sole proprietors own all the assets of the business and the profits generated by it. They also assume complete responsibility for any of its liabilities or debts. In the eyes of the law and the public, you are one in the same with the business.

Advantages of a Sole Proprietorship:

- Easiest and least expensive form of ownership to organize.
- Sole proprietors are in complete control, and within the parameters of the law, may make decisions as they see fit.
- Sole proprietors receive all income generated by the business to keep or reinvest.
- Profits from the business flow directly to the owner's personal tax return.
- The business is easy to dissolve, if desired.

Disadvantages of a Sole Proprietorship:

- Sole proprietors have unlimited liability and are legally responsible for all debts against the business. Their business and personal assets are at risk.
- May be at a disadvantage in raising funds and are often limited to using funds from personal savings or consumer loans.
- May have a hard time attracting high-caliber employees or those that are motivated by the opportunity to own a part of the business.
- Some employee benefits such as owner's medical insurance premiums are not directly deductible from business income (only partially deductible as an adjustment to income).

Partnerships

In a Partnership, two or more people share ownership of a single business. Like proprietorships, the law does not distinguish between the business and its owners. The partners should have a legal agreement that sets forth how decisions will be made, profits will be shared, disputes will be resolved, how future partners will be admitted to

the partnership, how partners can be bought out, and what steps will be taken to dissolve the partnership when needed. Yes, it's hard to think about a breakup when the business is just getting started, but many partnerships split up at crisis times, and unless there is a defined process, there will be even greater problems. They also must decide up-front how much time and capital each will contribute, etc.

Advantages of a Partnership:

- Partnerships are relatively easy to establish; however time should be invested in developing the partnership agreement.
- With more than one owner, the ability to raise funds may be increased.
- The profits from the business flow directly through to the partners' personal tax returns.
- Prospective employees may be attracted to the business if given the incentive to become a partner.
- The business usually will benefit from partners who have complementary skills.

Disadvantages of a Partnership:

- Partners are jointly and individually liable for the actions of the other partners.
- Profits must be shared with others.
- Since decisions are shared, disagreements can occur.
- Some employee benefits are not deductible from business income on tax returns. The partnership may have a limited life; it may end upon the withdrawal or death of a partner..

Share Company(Corporations)

A corporation chartered by the state in which it is headquartered is considered by law to be a unique entity, separate and apart from those who own it. A corporation can be taxed, it can be sued, and it can enter into contractual agreements. The owners of a

corporation are its shareholders. The shareholders elect a board of directors to oversee the major and decisions. The corporation has a life of its own and does not dissolve when ownership changes.

Advantages of a Corporation:

- Shareholders have limited liability for the corporation's debts or judgments against the corporations.
- Generally, shareholders can only be held accountable for their investment in stock of the company. (Note however, that officers can be held personally liable for their actions, such as the failure to withhold and pay employment taxes.)
- Corporations can raise additional funds through the sale of stock.
- A corporation may deduct the cost of benefits it provides to officers and employees.
- Can elect S corporation status if certain requirements are met. This election enables company to be taxed similar to a partnership.

Disadvantages of a Corporation:

- The process of incorporation requires more time and money than other forms of organization.
- Corporations are monitored by federal, state and some local agencies, and as a result may have more paperwork to comply with regulations.
- Incorporating may result in higher overall taxes. Dividends paid to shareholders are not deductible from business income; thus it can be taxed twice.
- 4-COOPERATIVE-It is a group of ten or more people operating a business through a jointly owned and democratically run organization.

Advantages

- 1-shared risk taking
- 2-easy to raise capitals

- 3-combines individual skills
- 4 joint self helps

Disadvantage

- 1, hard to find qualified members
- 2-memberse coop ate equals
- 3-shard authority

Self-Check -5	Written Test
----------------------	---------------------

Name: _____ Date: _____

Time started: _____ Time finished: _____

Directions: Answer all the questions listed below. Illustrations may be necessary to aid some explanations /answers:

1. Fill in the blank space .(2 points each)

1. The vast majority of small businesses start out as -----
2. In ----- two or more people share ownership of a single business.
3. A ----- chartered by the state in which it is headquartered is considered by law to be a unique entity, separate and apart from those who own it.
4. ----- is a group of ten or more people operating a business through a jointly owned and democratically run organization.

Techniques & concept of managing money to start an enterprise**Manage your money**

- ✓ Money is a huge part of your life. It can determine what you can do and where you can go. Learning how to manage your money the right way is an important step toward taking control of your life.
- ✓ Understand where your money is coming from, where it's going to, and how to make sure that the way you manage your money falls in line with the values that matter most to you.

3.10 Source of capital**Where to Get Money to Start a Business**

Where can you get money to start your business? That's one of the biggest challenges a startup business needs to address. These 12 start-up funding ideas can help you get your business going.



What's the biggest obstacle to starting a business? For most people, the answer is money. When you calculate your startup costs and then add in the amount of money you need to cover your personal expenses during the startup phase, getting enough money to start your new business can seem like an impossible dream.

1 - Start part-time. If you need a steady source of income to meet your financial obligations (and keep your family covered by health insurance) start the business as a part-time venture. Don't quit the day job until the part-time business has a steady flow of customers and profits.

2 - Start the business from home. You can start your business for much less money if you don't have to foot the bill for office space and utilities for an out-of-the-home office. While you may not want to advertise the fact that you work from home, you will have plenty of company. According to the US Small Business Administration Office of Advocacy, 52 percent of businesses are home based.

3 - Get advance commitments for work. Line up one or two sources of business before you take the plunge. Former employers, if you left on good terms, are often a source of start-up work, or sometimes funding. Big companies that can send you their overflow work or small jobs that they don't want to do can also provide the initial stream of work and income.

4 - Get a part-time job. Work part time and save up your earnings until you have enough money to start the business. Or, as an alternative, work part- or full-time in your own business and take a part-time job to supplement the income from your new business

6 - Use a credit card. Using a credit card - if you have good credit - is the easiest way to get money to start a business. Equipment, suppliers, advertising and postage (for mailings) can all be purchased with a credit card. And if your credit card gives you a line of credit, you can give yourself an instant loan (up to your credit limit). But using a credit card to start your business bears some significant risk, too. If you're not careful you can quickly run up a huge credit card bill - a bill you'll be responsible for paying whether your business is successful or not.

7 - Apply for a home equity line of credit. Some banks offer home equity lines of credit that let you borrow up to as much as 75% of the appraised value of your home. Depending on the value of your home and what you still owe in other mortgages that can put a significant amount of money at your disposal for starting your business. The downside: you're putting your home at risk. If the business fails and you can't repay the loan, you could lose your home. If you decide to go this route, be sure to read the [Federal Reserve Board's information](#) about home equity lines of credit.

8 - Apply for business loan instead of a home equity loan. Information you'll need to give the bank includes the: purpose of the loan, projected opening-day balance sheet (new businesses), lease details, amount of investment in the business by the owner(s), projections of income, expenses and cash flow, signed personal financial statements and your resume. You may also need a formal business plan. (If you're trying to get funding to grow a business you've already started, you'll also need business financial statements for the last three years, and information on receivables, payables, and outstanding debt.) Don't be surprised if the bank turns you down, though. Banks are often leery of lending money to startups. For more information on bank funding, see our articles about [getting business loans](#).

9 - Ask Your Bank about an SBA-guaranteed loan if the bank turns you down for a business loan, ask them if they'll consider your loan through the SBA guaranteed loan program. If they agree to do so, they'll forward your loan application and credit information to the nearest SBA district office, for a decision.

10 - Borrow from family and friends. Family and friends are a frequent source of funding for small businesses. But remember, you have to live with your family for a long time - and you probably want to stay friends with your friends. So don't borrow from unless you have a business plan and have done enough research to know there is a market for what you want to sell. Be sure your plans provide a way to also pay interest on the money borrowed from family and friends.

Self-Check 6	Written Test
--------------	--------------

Name: _____ Date: _____

Time started: _____ Time finished: _____

Directions: Answer all the questions listed below. Illustrations may be necessary to aid
Some explanations /answers:

1. Short answer .(2 points each)

1. Identify source of capital?
2. What's the biggest obstacle to starting a business?
3. determine what you can do and where you can go?



FEDERAL TVET AGENCY

Artificial Insemination Level- I

Learning Guide #59

Unit of Competence: **Develop Understanding of entrepreneurship**

Module Title: **Developing Understanding of Entrepreneurship**

LG Code: **IND BLG1 M17 L04-LG-59**

TTLM Code: **IND BLG1 M17 TTLM 0919v1**

LO 4: - Discuss how to operate an enterprise

Sep, 2019

Bahir Dar

Instruction Sheet	Learning Guide #4
-------------------	-------------------

This learning guide is developed to provide you the necessary information regarding the following content coverage and topics.

- Advantages and disadvantages of entrepreneur alternatives
- Process of hiring and managing people
- Applying time management
- Explaining sales management
- Considering in selecting suppliers
- Effects & Characteristics of new technologies on business
- Types of cost management
- Financial record keeping
- Application of self-management and negotiation skills
- Performance of business Risk management

This guide will also assist you to attain the learning outcome stated in the cover page. Specifically, upon completion of this Learning Guide, you will be able to:

Discuss and understand procedures for identifying suitable market for business

- Identify and understand Disadvantages and advantages of three alternative means of becoming an entrepreneur
- Discuss and explain Process of hiring and managing people
- Discuss and understand the importance and techniques of managing time
- discuss and explain the techniques and procedures of managing sales
- Identify and discuss factors to consider in selecting suppliers and the steps to follow when doing business with them
- Develop awareness of how new technologies can affect small and medium business
- Identify and explain characteristics of appropriate technology for use in small and medium business
- Discuss and understand. different types of cost that occur in a business and how to manage them
- Discusses and understand Factors and procedures in knowing the cost of the enterprise are

- Explain and understand .Importance of financial record keeping and preparing simple financial statement
- Discuss the application of self-management skills and negotiation skills in operating a business
- Perform Risk assessment and management of business enterprise

Learning Activities

15. Read the specific objectives of this Learning Guide.
16. Read the information written in the “Information Sheets 1”.
17. Accomplish the “Self-check” after each information sheet. Request the key answer / key to correction from your teacher or you can request your teacher to check it for you.
18. If you earned a satisfactory evaluation proceed to “Information Sheet 2”. However, if your rating is unsatisfactory, see your teacher for further instructions or go back to Learning Activity #2.
19. Read the information written in the “Information Sheet 2”.
20. Accomplish the next “Self-check”. Again you can request the key answer / key to correction from your teacher or you can request your teacher to check it for you.
21. If your rating is unsatisfactory, see your teacher for further instructions or go back to Learning Activity # the first.

Information Sheet-1	Advantages and disadvantages of entrepreneur alternatives
----------------------------	---

Understanding of alternatives meanness to become an entrepreneur

Business Ideas for the Entrepreneur; Many individuals nowadays prefer to have a home-based job rather than working eight hours each day in the office. Some people are also into franchising; this may sound good but if you want to become a successful entrepreneur, you don't have to focus entirely on franchising. You should consider other business ideas that you can venture into.

- buying an existing business
- starting a new business
- operating a franchising business

4.1 Identification of advantages and disadvantages of three alternative means of becoming an entrepreneur

✓ Each means of becoming an entrepreneur has its own advantages and disadvantages

A. Advantages of starting new business

- Potentially lower expenses and start-up costs
- Greater personal freedom
- Ability to enter a new market or introduce a new product

B. Disadvantages of starting new business

- High risk in establishing a new business
- Development of Customers and customer relations may have required strong effort.
- Competition from established businesses may be strong

A. Advantages of Buying an Existing Business

The main advantages of buying an existing business are:-

- Less risk
- Significant personal freedom
- Cash flow already being generated

- Relationships have been established with suppliers and bank
- Location may be excellent

B. Disadvantage buying an Existing Business

- Product or service may be in a declining market
- Limited growth potential
- Debts or stock may be too high
- Merchandise may be obsolete
- Seller may have hidden reasons for selling

A-Advantages of Becoming a Franchisee

- ✓ Lower risk for the start-up
- ✓ Start-up investment cost well known
- ✓ Good market introduction of the product or service
- ✓ Proven marketing concept

B-Disadvantages Becoming a Franchisee

The main disadvantages of buying an existing business are:-

- ✓ Less entrepreneurial decision-making power
- ✓ Franchising fees would decrease profits
- ✓ Strong dependency on the franchiser
- ✓ If the franchiser's business loses the market, your business
- ✓ loses the market

4.1.1How to Become an Entrepreneur

An entrepreneur is someone who creates his or her own business. An elementary study of economics teaches us about the four factors of production, material, labor, capital and the entrepreneur. The entrepreneur brings all the three other factors together for production to take place. He is the visionary and risk taker. Here's how to become your own boss

Step-1

1. Think of a great idea. If a great idea comes to you, evaluate if it is realistic. Think of cost, manufacturing time, and popularity. Always be open to different ideas. Ask and record if people would actually buy the product. If you don't have an idea yet, it is a good start to think of your target market first. Then brainstorm a list of things like places they shop, things they

like, and things you like. Narrow the list down to about three items, keeping cost, manufacturing time, and popularity in mind. Find the easiest, most realistic product you can realistically offer.

1. **Write a business plan.** Include details and descriptions, and plan everything out realistically. Take your time and evaluate your product at each section. The sections of a good business plan include:

- Product description: develop your product. What will it look like? What materials will you need? Make your product eye-catching.
- Market Analysis: Who is your market? Where do they shop? Where are they located?
- Competition: Who is your competition? What are their strengths? How will you beat them?
- Marketing: How will you market your product? What kind of image do you want to display? Where will you advertise? What is your tagline? What is your packaging like?
- Sales: Where will you sell? How will you get your customers to buy? When will you sell? What is your estimated sales forecast?
- Manufacturing: How do you make your product? Explain this in detailed steps. What materials do you need to make your product? When and where will you manufacture? What is your COGS (cost of goods sold)?
- Finance: how much money do you need to start your business? What is your gross profit?

Or, don't write a business plan. A business plan is a work of fiction, anyway. If you don't have much experience in business, or the market is new and unknown, a business plan might be a waste of time, or, worse, a path to self-delusion. Plan just enough to make your first sale. The main thing is to make at least one customer happy, and complete the entire cycle of "make product, sell product" as quickly as possible. Then you will have a business, and then you might be in a position to understand some problems of the sort that extensive planning can help solve.

2. **Pitch your idea to any potential investor to get money to start your company.**

If you have a good idea, they will love to invest their money in your company. Make a Power Point presentation explaining why your product is the best, including each part of your business plan in the presentation. Tell them how much your estimated gross profit is and how much percentage of that they will earn in interest. Many VCs are not set up to make you successful.

3. **Sell. Sell and distribute your product.** If you're getting revenue, then you're in business. You're testing your theories about the market, you're finding out what really works and what doesn't, and you're getting fuel for more ideas and improvements. If you're not getting revenue, then it's all in your head
4. **Hang out with entrepreneurs.** By meeting entrepreneurs socially, you gain contacts and hear about opportunities. More importantly, you learn how entrepreneurs think. You pick up their attitudes, their nose for opportunity, their willingness to explore every idea and its opposite (they know that often both work), their contrarian nature, the great diversity in their styles.

4.1.2 How to become an entrepreneur with no money

Becoming an entrepreneur is hard; becoming an entrepreneur using no money is extremely difficult.

There are three questions to answer:

1. How much money is necessary – or for this case, what are the cheapest options possible for an entrepreneur, since again, there is no such thing that is completely free.
2. How much/little money can I spare?
3. Can I get all or some of the money from elsewhere?

Cheap Alternatives to Become an Entrepreneur

How much money can you spare?

Becoming an entrepreneur is never completely free. However, costs can be kept to a minimum if you have access to the skills you need to set up your business or website, carry out marketing (whether it is brochures that need designing or phone calls that need to be persuasive), and produce or acquire a product or service. Nevertheless, always expect more costs than anticipated, whether they come from printing, subscriptions to tools that help you do your job, and so on.

Can I acquire the money?

Now, the starting question was how to become an entrepreneur with no money. Well, the easiest answer is: get someone else to pay. Of course, in practice that is much harder, but if you have some experience, a great idea, and professional & persuasive presentation you may well be able to acquire the funding you need. This can be obtained from banks, venture capital organizations, or even just people you know.

Remember, to seem professional you need to have analyzed your market and industry, determined you need to do to succeed, calculated an estimated budget, and made an overall strategy.

Self-Check 1	Written Test
---------------------	---------------------

Name: _____ Date: _____

Time started: _____ Time finished: _____

Directions: Answer all the questions listed below. Illustrations may be necessary to aid

Some explanations /answers:

2. Short answer .(2 points each)

1. What are the 3 Business Ideas for the Entrepreneur?
2. What are the advantages and disadvantages of three alternative means of becoming an entrepreneur

3. How to Become an Entrepreneur?

Information Sheet-2	Process of hiring and managing people
---------------------	---------------------------------------

what is HRM and its function

Human resource management (HRM, or simply HR) is the management of an organization's workforce, or human resources. It is responsible for the attraction, selection, training, assessment, and rewarding of employees, while also overseeing organizational leadership and culture, and ensuring compliance with employment and labor laws.

Human Resources Specialists

Human resources specialists recruit, screen, interview, and place workers. They also may handle human resources work in a variety of other areas, such as employee relations, payroll and benefits, and training.

The Human Resource Management (HRM) function includes a variety of activities, and key among them is responsibility for human resources -- for deciding what staffing needs you have and whether to use independent contractors or hire employees to fill these needs, recruiting and training the best employees, ensuring they are high performers, dealing with performance issues, and ensuring your personnel and management practices conform to various regulations.

Some people distinguish a difference between HRM and Human Resource Development (HRD), a profession. Those people might include HRM in HRD, explaining that HRD includes the broader range of activities to develop personnel inside of organizations, e.g., career development, training, organization development, etc.

4.2.2 Techniques & concept of hiring and managing people.

- Hiring a new employee is as important to the entrepreneur as it is to the person hired.
- The way entrepreneurs advertise a position, handle applications, conduct interviews, and select and introduce a new worker to a job are all elements in the effort to cut down on employee turnover.

Sources of Potential Employees

The main sources of potential employees are:-

- Within the business
- Want ads
- Employment agencies
- Educational institutions
- Former employees
- Current employees

❖ Selection Procedures of new employees

Step 1.Receiving Application form from the candidate

Step 2.prepare Interview guide and make interview the candidate

Step3. Checking of references

Step4. Testing applicant's skills

Orientation Process

- New employee should get orientation before they start their jobs.
- On their first day new employees should be shown around the business.
- The new employee should be
 1. introduced to the rest of the employees,
 2. Given an overall view of the entire operation,
 3. Shown exactly how their jobs fit into the total operation of the business

Basic Rules of Orientation

Rules should be followed in order to give orientation for new employees are:-

- Prepare the employee
- Present the work
- Try the employee out under supervision
- Follow-up

Factors in Preparing For the Orientation of A New Employee

The main factors to be considered for the orientation of a new employee are:-

- Know the job
- Have a current employee serve as a mentor
- Prepare a simple job breakdown
- Set a training timetable
- Arrange the work area
- Evaluate new employee's work on a daily basis

➤ Generally To get a good helper, the boss or the owner should be someone who :-

- A. understands people
- B. doesn't closely follow the workers around
- C. gives the worker some responsibility
- D. sits down and talks things over with workers now and then
- E. is a good listener
- F. is fair with the worker when a good job has been done

Personal Traits for Managing Employees

The following below points are main characteristics that a manager should be and should not be during managing the workers or employees

1. When managing employees, entrepreneurs should :-

- be consistent
- be fair and honest
- build enthusiasm
- encourage questions
- encourage employees to make their own decisions
- instill confidence in them
- keep an open door
- listen actively
- recognize individual differences
- set a personal example
- show consideration for the feelings of others

2. When managing employees, entrepreneurs should not :-

- be argumentative
- be autocratic
- be overly demanding
- be unreasonable
- conceal the truth
- discourage initiative
- discourage ideas

Self-Check 2.	Written Test
---------------	--------------

Name: _____ Date: _____

Time started: _____ Time finished: _____

Directions: Answer all the questions listed below. Illustrations may be necessary to aid

Some explanations /answers:

3. true or false .(2 points each)

1. Human resource management is the management of an organization's workforce, or human resources.
2. The new employee should be introduced to the rest of the employees.
3. Generally To get a good helper, the boss or the owner should be someone who understands people.
4. The main factors to be considered for the orientation of a new employee are Know the job.

Information Sheet-3	Applying time management
---------------------	---------------------------------

Techniques and importance of time management

Time management

- ✓ Is the act or process of planning and exercising conscious control over the amount of time spent on specific activities, especially to increase effectiveness, efficiency or productivity.
- ✓ Time management may be aided by a range of skills, tools, and techniques used to manage time when accomplishing specific tasks, projects and goals complying with a due date.
- ✓ Time is something that cannot be saved and evenly distributed resource for everyone.
- ✓ entrepreneurs must be able to manage their time if they are to be successful
- ✓ Entrepreneurs are busy people, but they have the skill of managing their time and resources to accomplish their business goals.

The specific ways to make better use of time include:

- ✓ setting goals
- ✓ planning,
- ✓ allocating time for each important activity
- ✓ analysis of time spent,
- ✓ monitoring,
- ✓ organizing,
- ✓ scheduling,
- ✓ prioritizing. Initially,

4.3.1 The Importance of Time Management

Good time management will allow you to:

- ✓ **Ensure you are using your time effectively and not concentrating on busy work**
- ✓ **Gain control over your time**
- ✓ **Ensure you are moving toward your goals and use time productively**
Feel a sense of accomplishment
- ✓ **. Have more time to pursue your other interests**

4.3.2 Time Management Tips and Techniques for Entrepreneurs

4.3.2 Importance of Time Management

Time management is a set of tools, techniques and principles which help you make the most of your time and manage it effectively. These set of skills are important to your career and personal success.

Here are top reasons why time management is important in your life and why you should develop these important skills.

1. Time is Scarce

- Once you spend time, you can't take it back. Time, once spent, cannot be retrieved. This is the importance of time management; it allows you to manage your time wisely.

2. Time Management is Essential to Success

- Another importance of time management is that it can help you reach the top of your field. According to business expert
- Excellent time management is the common denominator of success..

3. You Can Work Less and Accomplish More

- If you manage your time effectively, you work smarter, not harder.

- Time management skills like *prioritizing* and *handling distractions* allow you to boost your productivity levels sky high..

4. You Become Highly Effective

- Experiencing a lack of time is the result of trying to do everything on your to-do list.
- With proper skills for managing time, you eliminate the non-essential tasks and focus on high-return activities.
- This leads to better use of your time and can increase your sense of fulfillment in life.

5. It Helps You Find More Time for Other Important Areas in Life

- These skills help you manage all your activities in an organized and efficient manner. It will help you find MORE time in the future to do the things you really want to do.

6. It Maximizes Your Efforts and Returns

- You will start achieving greater results in your life and career because you tend to spend more time on high-return activities, rather than trivial, low-value tasks.

7. Achieving Your Personal Goals Becomes Easier

4.3.3 Time Management Techniques

To manage time we have to use the following techniques;-

1. Identify specific goals with deadlines
2. Be motivated
3. Use telephone/cell phone
4. Take notes
5. Do only essential activities
7. Ask questions
8. Be action-oriented
9. Be reflective
10. Plan for each day's work

11. Learn from experience

12. Question your use of time

On the other hand entrepreneurs' waste their time through different reasons.

Basically the way entrepreneurs can waste time include:-

- talking with people about personal matters unconnected with work;
- unnecessary or extra-long group meetings;
- allowing too many interruptions;
- disorganization;
- little or no delegating;
- being indecisive; and being late or absent

Self-Check 3	Written Test
--------------	--------------

Name: _____ Date: _____

Time started: _____ Time finished: _____

Directions: Answer all the questions listed below. Illustrations may be necessary to Aid Some explanations /answers:

3. Fill in the Blanks (2 points each)

1. -----is something that cannot be saved and evenly distributed resources for everyone.
2. -----are busy people, but they have the skill of managing their time and resources to accomplish their business goals.
3. ----- is a set of tools, techniques and principles which help you make the most of your time and manage it effectively.
4. ----- refer to the amount of products or services to be sold at a time to the customer.
5. ----- are professionals dedicated to serving their customers and generating profit for the company.
6. ----- is about leading the **people and process** your company uses to **sell prospects and service customers**.
- 7.

Information Sheet-4	Explaining sales management
---------------------	------------------------------------

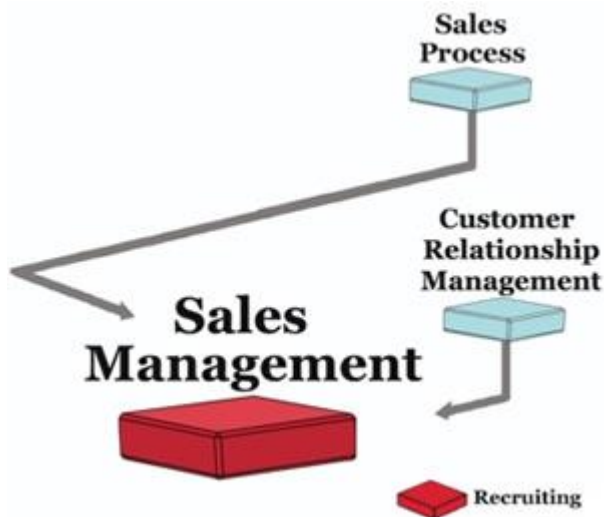
4.4 Techniques and procedures of sales management

- Sales refer to the amount of products or services to be sold at a time to the customer.

- Sales managers use a variety of management techniques to maximize the performance they get from their sales force.
- Sales people are professionals dedicated to serving their customers and generating profit for the company.
- In order to properly motivate a sales force and make it as effective as possible, a manager needs to learn good management techniques that are used to optimize sales personnel performance.

Characteristics of Successful Salesperson Results Oriented, Highly Motivated, Self-Confident, Professional Appearance, Honest, Dependable, Knowledge of Products, Good Listener

Enthusiastic, Pleasing Personality, Communicator, Sociable, Courteous sales management techniques.



Good sales management is one of the simplest ways to increase your revenue and profitability.

Sales management is about leading the **people and process** your company uses to **sell prospects and service customers**. Responsibilities include:

- Building the right sales strategy
- Hiring the right team
- Creating the right compensation plans, territories and quotas
- Setting the right projections
- Motivating your team
- Tracking revenue against goals
- Resolving conflicts
- Training and coaching sales reps
- Managing processes
- Getting the sale!

4.4.1 Sales Management Key Concepts & Steps

Before you begin

It's always a good time to increase your focus on sales management. Your sales process and CRM are important tools that can help you manage your team, forecast results and keep your team on course.

Create the right compensation plan and tie it to your revenue goals

Great salespeople want to make money. Tie the plan to your revenue goals and make sure that you're compensating your reps for the right things. For example, if your reps don't earn commission for managing "house" accounts, they'll spend their time going after new business and you could lose valuable existing customers.

Set realistic quotas

Be realistic about what a salesperson can accomplish in a set timeframe. Good salespeople can be demotivated by unrealistic quotas, which can lead to turnover.

Hire the right people

To build a great team, start with a strong recruiting effort. Create a detailed job so you know exactly what you need in your candidates. Cast a wide net, use a thorough interview process, and go after the candidates you really want.

Coach and provide feedback

A good manager actively works with the sales team. Train your reps thoroughly and coach them to improve their skills. Go on calls, establish performance measurements, and provide feedback. If a rep has trouble in a particular area, create an action plan and measure improvement.

Generate good reports

You'll need good sales reports to measure team and individual progress. Yet you don't want your sales reps to spend valuable sales time creating manual lists and reports. Instead, develop automated reporting processes – for example, create reports in your CRM system. With good reports, you can see problems much earlier and take action more quickly.

Motivate!

Good sales reps want to get better – encourage them to read, attend seminars, network, and keep refining their skills.

After Sales Management

Keep working with your team, improving their skills, and adjusting as needed. Hire the right people, manage them well, and enjoy their success! For hands-on guidance on managing your sales team,

4.4.2 Sales & Marketing Procedures to Improve Sales Pipeline Management

Sales & Marketing is the foundation of any business. The Sales & Marketing Procedures for Sales Pipeline Management can help you take control of your Sales & Marketing processes and improve key facets like lead generation and sales closing. Thoroughly researched and reviewed by experts, these pre-written policies and procedures are based on the continually improving process philosophy, and they incorporate best practices and proven techniques that provide results. Creating clear policies and procedures can help align your sales and marketing efforts, which dramatically improves your sales pipeline management.

They also assist in determining which efforts and practices produce tangible results; leading to improved cost per lead and cost per sale performance. Designed for busy professionals like Sales Managers, Marketing Managers, Sales & Marketing VPs, and Business Owners, the Sales & Marketing Procedures for Sales Pipeline Management can save you hundreds of hours in researching and writing the procedures you need to standardize efforts and practices in areas such as developing strategies and tactics, administration, lead management and lead qualification, customer life cycle management, training, and product launch. There is no need to start from scratch. It has already been done for you.

4.4.3 Sales Management Process

This article will give you a bird's-eye view of a sales management process and offer an insight into what are its most important features.



Every company exists to sell some kind of product or service to make profits. That is how our system of **revolutionary democracy works**. Sales management process is the most important of all managerial processes that sustain a business.

What is Sales Management Process?

This process includes all the aspects, resources and procedures involved in selling. It begins where the manufacturing process ends.

Steps in the Process

Every managerial process is a chain of tasks dependent on human resources for its completion. The success of the whole process in the form of increased sales revenue and profits depends on the efficient execution of tasks at every level.

various steps involved in this process, irrespective of the product or service being sold.

Step 1: Sales Training

This step is reached after one is through with the initial field testing of the product, where it has been sold in limited amount in select localities, to test its response. Necessary improvements have been made according to field test feedback and now the product is ready to be sold along with a full-fledged marketing campaign ready to boost sales.

Step 2: Sales Plan Execution

- This is the execution part of various sales management strategies which are used. It involves various modes of selling which are coupled with marketing campaigns for the product sale.
- It all depends upon the salesmanship talents of the people who actually interact with end customers.

Step 3: Feedback and Analysis

- This step involves review and feedback of the sales performance. Sales force management has a huge impact on the sales performance.

- The sales targets if achieved are applauded while sales targets which fall short are examined.
- The reasons for low sales are examined right from shortcomings in the product or incompetence on the part of sales representatives.
- The feedback is used to make changes in management techniques.
- The most important ingredient which makes a process stand out is experienced sales managers who have an excellent understanding of ground realities and who know what the customers really want.

Self-Check 4	Written Test
--------------	--------------

Name: _____ Date: _____

Time started: _____ Time finished: _____

Directions: Answer all the questions listed below. Illustrations may be necessary to Aid some explanations /answers:

1. Fill in the Blanks (2 points each)

1. -----are important to entrepreneurs because they provide a variety of services to businesses.
2. -----Defined as process includes all the aspects, resources and procedures involved in selling. It begins where the manufacturing process ends.

3. ----- is about leading the **people and process** your company uses to **sell prospects and service customers**.

2. Short answer. (2 points each)

1. In Sales Management Process what are various steps involved?
2. What are the Characteristics of Successful Salesperson?
3. What are the Responsibilities Good sales management?

Information Sheet-5	Considering in selecting suppliers
---------------------	---

Factors and steps for selecting suppliers

- ❖ Suppliers are important to entrepreneurs because they provide a variety of services to businesses. Suppliers often sell their products to businesses on credit.
- ❖ Suppliers can give advice on technical matters, market trends and new products. The entrepreneur should select suppliers who offer low prices, give the most helpful advice, provide prompt delivery of goods, and are sympathetic in their financial dealings with entrepreneurs. Entrepreneurs should follow specific procedures when purchasing goods, materials and equipment from suppliers.

Steps for doing business with suppliers

❖ *Step-1 thinking strategically when selecting suppliers*

- Effective purchasing focuses on what your business needs and what you want to achieve. The right products or services and a good price are not the only factors to consider.

- ❖ Step-2 Determine **your business needs**. By conducting market surveys you will know who your customers are and what products they want. These customer needs will determine:
 - Materials and equipment your business will need to produce goods for sale to customers.
 - Finished goods to buy from suppliers for resale to customers.
 - Amount of each product to buy as inventory.
 - □price to pay for quantities of goods purchased from suppliers.
- ❖ Step-3 Identifying potential suppliers. Determine which suppliers sell the goods, materials or equipment you need by:
 - Asking people who work with you, your business friends and others. Try to find out where your competitors buy.
 - Contacting organizations that support small businesses, for example, the local chamber of commerce may be able to identify honest and reliable suppliers.
 - Reviewing newspapers, magazines, trade journals and businesses in the telephone directory for names and addresses of potential suppliers.
 - Determining what goods, materials or equipment each supplier has to sell and the prices, discounts, credit and delivery service they provide.
 - Determining with the help of other entrepreneurs the reliability of each supplier. For example: Does the supplier usually deliver on time? Does the supplier accept returned goods or materials? How responsible is the supplier for the quality of goods or materials? Is the supplier honest in conducting business?
- ❖ **Step -5 Contact a supplier either by visiting the supplier's office personally, telephoning the supplier, or writing a letter to the supplier.**
 - Each potential supplier should provide written information to you regarding the kinds of goods, materials or equipment each supplier can provide. Specific questions include:
 - Does the supplier have what you need in the qualities and quantities you need?
 - What is the smallest quantity you can purchase?
 - Do you need to pay cash or can you get credit?

- How much credit can you get and how soon do you need to pay it back?
- Can you get discounts if you buy large quantities or pay quickly?
- How much discount can you get?
- Will the supplier deliver to your business?
- How soon after the order is placed will they deliver?
- Do you have to pay for transport or is delivery free?

Note: Make sure that the supplier provides a response to your questions in writing.

Ask for a written quotation. If there are any disagreements between you and your suppliers at a later date, a written quotation makes them easier to resolve.

Step 6: Select the best suppliers. Compare the quotations received from various suppliers to determine what each of the different suppliers can offer.

- ✓ A quotation is a written response to your enquiry to the supplier. In a quotation, the supplier provides you with detailed information about the goods, materials or equipment, prices, payment, delivery and any other conditions related to your order.
- ✓ The entrepreneur must decide what conditions and priorities are most important in selecting suppliers. Is it credit, reliability, prices, discounts or other considerations?
- ✓ When a decision has been made regarding the suppliers who best match the needs of the business:
 - Try to negotiate with the suppliers to receive even better conditions.
 - Choose the best suppliers for your business.

Step 7: Order goods, but make sure your order is in writing. Think carefully about the quantities you need:

- What is the smallest quantity you can order?
- How much is there in each bulk package?
- Can you order less than one bulk package?

Step 8: Check the goods as soon as they are received.

The supplier usually sends a delivery note with the goods or materials. The delivery note lists details of the goods.

- ✓ The supplier will want you to sign the delivery note as proof that you have received the goods listed.
- ✓ Some suppliers send an invoice instead of a delivery note.

- ✓ Check the goods against the invoice. If you yourself collect the goods or materials from the supplier, the type and quality should be checked before taking them away.
- ✓ Check the delivery note or invoice against your order. Check that everything ordered has been received on time.
- ✓ If there is something wrong, notify the supplier immediately.
- ✓ Do not sign the delivery note or pay for the goods until the problem has been resolved.

Step 9: Check the invoice, because the invoice lists what you have bought and when and how the supplier is to be paid.

- ✓ Make sure that the invoice is correct. If you are buying on credit, compare the invoice with the delivery note. The list of goods or materials must be the same on both.
- ✓ Make sure that you have received everything you are asked to pay for and that the prices and totals are correct.
- ✓ If the invoice is not correct, notify the supplier immediately and determine the best way to solve the problem.

Step 10: Make the payment to the supplier by cash or check. Make sure to get a receipt so there is proof of payment

Self-Check 5	Written Test
--------------	--------------

Name: _____ Date: _____

Time started: _____ Time finished: _____

Directions: Answer all the questions listed below. Illustrations may be necessary to Aid some explanations /answers:

1. Fill in the Blanks (2 points each)

1. ----- can give advice on technical matters, market trends and new products.

2. Short answer. (2 points each)

1. What are the Steps for doing business with suppliers?

Information Sheet-6	Effects & Characteristics of new technologies on business
---------------------	--

Understanding of the characteristics and impact of new technology development plan on small and medium business

4.6.1 Characteristics of Technology

- `Technology is defined as purposeful intervention-by-design. It is a human activity, known as Technological Practice that results in Technological Outcomes that have impact in the world.
- Technological outcomes can enhance the capability of people and expand human possibilities.
- Technological outcomes change the mad world, and may result in both positive and negative impacts on the social and natural world.
- . Contemporary Technological Practices increasingly rely on collaboration between people within the technology community and with people across other disciplines

4.6.2 Impact of new technology

Impact of new Technology in Small Business

- The use of technology is important because it increases labor productivity, and this in turn increases local competitiveness of both consumer and capital goods locally produced.
- The use of appropriate technology favors locally produced tools and equipment as well as local resources; this facilitates forward and backward linkages among local businesses.
- Introducing new technology, such as a computer or cell phone, into a business helps to improve productivity and product innovation.
- In small businesses, simple technological innovations help to improve product quality and product design, as well as reducing production costs.

- Entrepreneurs should be made aware of new technologies by attending trade exhibitions, contacting small business development agencies, and visiting other areas of their own country as well as neighboring countries to gain ideas regarding technologies which would be appropriate to their local conditions.

4.7 Characteristics& use of appropriate technology in small and medium business

- ✓ The appropriateness of technology for use in a small business is determined by a number of characteristics.
- ✓ For the following seven characteristics, explain how the purchase of a cell phone will increase the efficiency and effectiveness of an accounting firm that serves 60 local businesses.

1. SIMPLE:

- ✓ For technology to be considered appropriate, it must be simple to operate. The user of such technology must be able to apply it without encountering problems.

2. EFFECTIVENESS:

- ✓ Effectiveness of technology is judged by how well it fits in with the objectives of the user.

3. AVAILABILITY:

- ✓ Some technology may be appropriate for certain purposes but not available locally. Information technology, for example, may be the most appropriate for certain tasks, but it may not be readily available locally.

4. FLEXIBILITY:

- ✓ As time changes so do the requirements of technology. Appropriate technology must be flexible enough to adapt to changing times in the future.
- ✓

5. DURABLE:

- ✓ Technology that is durable requires less maintenance and repairs.

6. EFFICIENT:

- ✓ Technology should be efficient in its utilization of local resources.

7. COST EFFECTIVE:

The cost of technology should be justified by the benefits achieved. The overall benefits should be greater than the cost of the technology

Self-Check 6	Written Test
--------------	--------------

Name: _____ Date: _____

Time started: _____ Time finished: _____

Directions: Answer all the questions listed below. Illustrations may be necessary to Aid Some explanations /answers:

1. Fill in the Blanks (2 points each)

1. ----- is defined as purposeful intervention-by-design.

2. Short answer. (2 points each)

1. What are the Impact of new Technology in Small Business?

2. What are Characteristics& use of appropriate technology in small and medium business?

Information Sheet-7	Types of cost management
---------------------	---------------------------------

Cost management is the process of **planning and controlling the budget** of a business. Cost management is a form of management accounting that allows a business to predict impending expenditures to help reduce the chance of going over budget.

Many businesses employ cost management plans for specific projects, as well as for the over-all business model. When applying it to a project, expected costs are calculated while the project is still in the planning period and are approved beforehand. During the project, all expenses are recorded and monitored to make sure they stay in line with the cost management plan. After the project is finished, the predicted costs and actual costs can be compared and analyzed, helping future cost management predictions and budgets.

Implementing a cost management structure for projects can help a business keep their over-all budget under control.

What Are the Different Types of Cost-Benefit Analysis Techniques?

Cost-benefit analysis techniques are a common business activity owners and managers use to assess various projects. These techniques essentially compare the total capital

investment for the project against its potential returns. Several techniques are available, with the most common being

- the payback period,
- net present value,
- Rate of return.

Companies can use one or all of the cost-benefit analysis techniques.

1-The payback period- is generally the simplest of all cost-benefit analysis techniques. The method uses all the same information as the other techniques, except the calculation process is quite different.

- ✓ First, a company must compute all costs associated with a project. This includes investment in fixed assets, costs for employees, and lost production time for training or implementation.
- ✓ Second, the company divides the total for all these costs by the potential financial returns, resulting in the time it will take for the project to pay for itself.

2-The net present value technique is a bit more technical than the payback period. The cost accumulation process is the same as the payback period. The company then uses the cost of capital associated with outside funds to pay for starting the new project. The estimation of future financial returns is also the same as the other cost-benefit analysis techniques. A financial manager will discount the total future financial returns using the company cost of capital to determine if the current value of the return is higher than the investment's cost.

3-The rate of return is a common method a company can use for single or small investments. The basic formula for this process is the total gains from the investment less its total associated costs. Dividing the difference between these two items by the investment's cost produces a percentage return. Owners and managers use this percentage to determine if the investment is a worthwhile use of capital. Rate of return may be a hybrid method among different cost-benefit analysis techniques as companies can compare the return percentage to the cost of capital.

Cost Management Process

Project Cost Management

Process helps you to monitor and report all expenses within a project.

Costs (or "expenses") are recorded by team members, using [Expense Forms](#).

This project **cost management** process will help you to:

- Identify each of the costs within your project
- Ensure that expenses are approved before purchasing
- Keep a central record of all costs incurred
- Control the overall cost of your project

What is a Cost Management Process?

A Cost Management process helps you control expenses within an organization. By purchasing the Project Cost Management process advertised here, you can ensure that all expenses are approved before they are paid. Using this project Cost Management process, you can ensure that your project is delivered within budget.

When do I use a Cost Management Process?

If you want to control the way that expenses are incurred, then you need to implement a *Cost Management* process. It will help you to control project expenses, ensuring that only expenses which have been approved, may take place. Using this Cost Management process, you can also keep your project plan up-to-date with the latest expense information available.

Knowing the Costs of an Enterprise

- An entrepreneur who runs a business has to pay a lot of bills for goods and services she/he needs for the business, example for:
 - raw materials, - office furniture
 - Salaries for the workers, etc. - telephone bills
 - These expenditures are called costs.
- A business owner must know exactly the costs for the products or services she/he will sell.
- If the costs are higher than what the customer is willing to pay for a product or higher than the prices of the competitors, then she/he will not be able to sell her/his products. In such a situation an entrepreneur has to manage the costs.

Self-Check 7	Written Test
--------------	--------------

Name: _____ Date: _____

Time started: _____ Time finished: _____

Directions: Answer all the questions listed below. Illustrations may be necessary to Aid Some explanations /answers:

1. Fill in the Blanks (2 points each)

1. ----- is the process of planning and controlling the budget of a business.
2. ----- Techniques are a common business activity owners and managers use to assess various projects.
3. ----- is generally the simplest of all cost-benefit analysis techniques.
4. ----- is a common method a company can use for single or small investments.

2. Short answer. (2 points each)

1. What is Cost management?
2. What is the help of project **cost management** process?
3. What are the main classifications of costs?
4. What are the compositions of Direct costs?

Information Sheet-8	Financial record keeping
---------------------	---------------------------------

4.9 Preparation techniques of financial record keeping and simple financial statement

- **Importance of financial record keeping**
- **Why keep records?**
- Adequate records can answer the following questions:
 - ✓ How much profit is the business making?
 - ✓ How much is the business worth?
 - ✓ How much do credit customers owe the business?
 - ✓ How much does the business owe its creditors?
 - ✓ How much tax should the business pay?
- What will others want to know about the finances of a business?
- Specific questions they might ask include:
 - A. How much do you own,?
 - B. What was your income last year?
 - C. How much of your sales are for cash and how much are for credit?
 - D. What has been your collection record?
 - E. What is your total “overhead” and what percentage of gross sales does it represent?
 - F. What expenses do you have?

What kinds of records should a small business keep?

- **Payroll.** The owner must know the amount paid to himself or herself and to employees.
- **Cash Balance.** The owner must know how much cash is available at any given time to determine if bills can be paid.
- **Accounts Receivable.** Under certain conditions, the owner extends credit to some customers.

- **Accounts Payable.** The amount of money owed by a business to others (such as suppliers) is called accounts payable.
- These bills need to be paid on time for two reasons:
 1. To receive a cash discount,
 2. To maintain a good reputation

Financial Statement

Financial statements provide an overview of a business' financial position, performance and changes in the financial position at a particular point in time or throughout a specified reporting period. With regard to surety underwriting, financial statements are a key component in determining a contractor's single job and aggregate bonding capabilities.

The four main components to a financial statement and their general purpose are as follows:

- **Balance Sheet;** Provides a company's assets, liabilities and equity position at a particular point in time
- **Income Statement (often referred to as a Profit & Loss statement);** Reports the revenue/sales/income, expenses and profits of a company over a period of time
- **Statement of Cash Flows;** Provides details regarding the cash flow activities of a company over a period of time with regard to operating, investments and financing activities
- **Statement of Retained Earnings;** Explains the changes in a company's retained earnings (portion of net income undistributed by the company to its owners or shareholders)
- A financial statement is part of financial information that help to determine the financial performance of a particular business.
- By using financial statements, the business can compare current performance with performance in previous years. T
- Here comparisons are essential for planning the future and also highlighting the strengths and weaknesses of the business operation.

Profit and Loss Statement

- A profit and loss statement helps to determine whether a business is operating at a profit or a loss for a given time period of one month to one year.
- The more frequently you calculate your profits and losses, the sooner you will know the financial position of the business.

Who should be responsible for keeping the financial records?

- Keeping the records yourself If the business is small and you have some experience, you may be able to keep the records for your business yourself.
- Assigning an assistant. All employees have some record keeping responsibility since they make out sales
- Hiring a full-time bookkeeper.
- Contracting the service out.
- Accounting department.

Five specific steps to calculating the profit and loss statements

- ✓ Sales: including sales for cash and credit,
- ✓ Cost of Goods Sold: this is the price paid by the business for merchandise sold;
- ✓ Gross Profit: calculated by subtracting the cost of goods sold from sales
- ✓ Expenses this includes labor costs and other costs of operating the business
- ✓ Net Profit: this is the amount remaining when the expenses are deducted from the gross profit.

FINANCIALPLAN

Capital requirement

Capital requirement/project cost?	Amount
Fixed Assets	
Land	
Building	
Equipment	
Others	
Total Fixed assets	
Pre-operating expense	
Working capital /Operational costs of one months	
- Raw materials costs	
- Administrative expenses	
- Staff cost of one month	
Total working capital	
Total capital requirement	

2-profit and loss statement (for manufacturing business)

Revenue:	Amount
Sales	
Less: Operating expenses	
Salary expenses	
Rent expenses	
Selling Expenses	
Interest Expense	
Miscellaneous expenses	
Net profit Before Tax	
Less: Estimated Income Tax	
Net profit After Tax	

The Balance Sheet

The balance sheet presents the financial position of a business as of a specific date, much like a “snapshot” (e.g., As of December 2005). It is a report on the financial resources (assets) available to the business to carry out its economic activities as well as claims (liabilities) against its resources. The difference between assets and liabilities is the owner’s equity. This follows the fundamental accounting equation: $\text{Assets} = \text{Liabilities} + \text{Owner's Equity}$.

The main elements of the balance sheet are:

- Assets – economic resources of a business such as buildings, equipment, land, motor vehicles, amounts owed by customers (accounts receivable), patents and bank deposits.
- Liabilities – economic obligations to pay definite or reasonably certain amounts at a time in the future. They are claims against the business by creditors.
- Owner's Equity – residual interest of the owners in the business.

The specific elements of the balance sheet are:

- Current Assets – include cash and those assets which in the normal course of business will be turned into cash generally within a year from date of balance sheet. These consist of cash, marketable securities (or temporary investments), accounts receivable, inventories and prepaid expenses (payments made in advance, such as insurance, from which the business has not yet received benefits). Therefore, current assets are mostly working assets in the sense that they are constantly being converted to cash.
- Fixed Assets – also referred to as property, plant and equipment, these represent those assets not intended for sale that are used over and over again in order to manufacture the product, display it, warehouse it, transport it. Fixed assets generally consist of land, buildings, machinery, and office equipment.
- Depreciation – defined for accounting purposes as the decline in useful value of a fixed asset due to wear and tear from use and passage of time. Fixed assets may also suffer a decline in useful value from obsolescence because new inventions and more advanced technologies are introduced. The cost incurred to acquire the property, plant and equipment must be spread over the expected useful life. The usual method used is straight-line depreciation. Land is not subject to depreciation.
- Current Liabilities – generally includes all debts that fall due in the coming year. Payments made on current debts generally come from a business' current assets.
- Accounts Payable – represents the amounts that the business owes to its regular business creditors from whom it has bought goods or services.
- Notes Payable – money owed to a bank or other lender (wherein a written promissory note has been given by the borrower).
- Accrued Expenses Payable – may include salaries and wages payable to employees, interest on funds borrowed from banks, insurance premiums and similar

- Income Taxes Payable – amount of taxes owed and due
- Long-term Liabilities – debts due after one year from the date of the financial report

Cash flow

Projected monthly cash flow statement

[illegible]

Balance sheet

Assets	Amount	Liabilities	Amount
Current Assets		Current Liabilities	
Cash at hand and bank	10 700	Accounts payable	
Accounts receivable		Taxes payable	
RM inventory		Others payable	
WIP inventory		Total Current Liabilities	
FG inventory		Long-Term Liabilities	
Total Current Assets	10 700	Loans	
Fixed Assets		Total liabilities	
Building	10 000	Owners Equity	
Equipment	18 000	Capital	38 700
Total Fixed Assets	28 000		
Total Assets	38 700	Total liabilities & capital	38 700



Name: _____ Date: _____

Time started: _____ Time finished: _____

Directions: Answer all the questions listed below. Illustrations may be necessary to Aid Some explanations /answers:

1. Short answer. (2 points each)

1. What kinds of records should a small business keep?
2. What is the Financial Statement?
3. List The four main components to a financial statement and their general purpose?
4. List the Five specific steps to calculating the profit and loss statements?

11 Application of self-management skills and negotiation skills

Negotiation is the application of basic principle that we all use on daily basis. It is a problem solving process for resolving conflicts in which all parties attempt to find a solution to which all will voluntarily agree.

In simplest terms, negotiation is a discussion between two or more disputants who are trying to work out a solution to their problem.



NATO Secretary General, Jaap de Hoop Scheffer (third from right) and High Representative for Common Foreign and Security Policy, Dr. Javier Solana (far left) meet on March 10, 2004. This is an official NATO photograph, obtained from <http://www.nato.int/multi/photos/2004/m040310a.htm>.

- Negotiation is a give and take bargaining process that when conducted well, leaves all parties feeling good about the result and committed to achieving it.
- In this course participants cover both the hard and soft skills of negotiation and conflict management and learn to distinguish between position and interest in the negotiation process.
- This highly interactive course explores a range of strategies, techniques and steps involved in the process of successful conflict management and negotiation. Amongst others, self-management, comprehensive preparation, systemic analysis and reflection and best alternatives are taught as ways to engage in negotiation and to defuse conflict.

1. Approaches to Negotiation

1.1 Principled Negotiation

Principled negotiation is the name given to the interest-based approach .according to Roger Fisher and William Ury. The book advocates **four fundamental** principles of negotiation:

- 1) Separate the people from the problem; separating the people from the problem means separating relationship issues (or "people problems") from substantive issues, and dealing with them independently. People problems
- 2) Focus on interests, not positions; Negotiating about interests means negotiating about things that people really want and need, not what they say that want or need.
- 3) Invent options for mutual gain; By focusing on interests, disputing parties can more easily fulfill the third principle--invent options for mutual gain.
- 4) Insist on objective criteria. The fourth rule is to insist on objective criteria for decisions. While not always available, if some outside, objective criteria for fairness can be found, this can greatly simplify the negotiation process.

4.2 Fundamental Principles of Negotiation:

Focus on your target:

One of the laws of "human nature" which holds true in negotiations is that those who set and focus on the most favorable targets achieve the most favorable settlements.

Manage Information Skillfully:

Managing information means planning and preparing before the negotiation, which will empower the negotiator.

Know and Maintain Your Power:

Negotiations center on power. To be successful in a negotiation, you must recognize and develop all of your sources of power. When you have confidence and are fully aware of

your power, you are able to act with the level of conviction and resolve necessary to persuade other negotiators and produce fair and favorable settlements.

Emphasize Needs Over Wants:

Concede Strategically:

To concede strategically means to develop a plan that manages the concession process that will enable the negotiator to exert control over the negotiation process and outcome.

3-The Negotiation Process

Discover what the other side knows

Educate the other side on your position

Create doubt about the other side's position

Make the other side advocates for your position

Determine enforcement means

Enhance implementation through good relationship

4.11.2 Application of self-management skill

Self-Management Skills

The ability to manage your own self is very important for the development of an individual. It helps one to become more responsible in life. Let us know more about the topic Self-management skills are vital for the development of an individual. Often, we blame others or the situation for our failures, but if we do a bit of retrospection, the challenges that we face can very well be a result of poor planning - something which stems from the lack of self-management.

These skills may be inherited by the select few, but most of us are acquainted with these by our parents, teachers or employers. It is also important to mention that these skills cannot be developed overnight and it takes a sustained effort on our part to be able to

manage ourselves in a better way. Self-management does not necessarily mean that we will reach the zenith of perfection, but what it essentially implies is bringing some amount of discipline in our lives.

4.11.2 Self-Management Qualities

- Self-management helps an individual in becoming a better employee. It inculcates qualities such as punctuality, discipline and subservience.
- It encourages one to develop new skills over a period of time. In today's scenario, it is important to be multifaceted, so that there are myriad opportunities of growth for an individual.
- It helps in the development of interpersonal skills. It has often been seen that most of the issues arise due to miscommunication. It helps an individual to keep negative emotions at bay and develop good relationships with people.
- It advocates the prophecy of being responsible for one's actions. It makes an individual feel a part of the whole activity. For example, in a household with young kids, it is often the parents who have to take care of the issues concerning their children. However, with a bit of self-management, kids can reduce some of the responsibility of their parents. This also helps them to know themselves in a better way apart from helping in character building.

Self-management skills should ideally start at the school level so that students become responsible for themselves. There are a lot of challenges that we face on a day-to-day basis and help us deal with these in a better way. Today, one challenge that most of us face is stress. It can be effective in developing a strategy to dispel negative emotions. These can help one to look at the positive side of things. There are times when the going gets tough and our emotions get the better of us, so it is important that we are able to regain our composure. It instills a sense of confidence in an individual which helps in problem solving. Pressure situations require someone who is cool-headed, as decisions in haste can prove to be fatal for an individual or an entity. It also helps in ensuring that even the most difficult problems are dealt within a systematic manner.

4.11.3 Self-management Skills

Self-management skills tell an employer whether or not your personality fits the personality of the company, the bosses, and the co-workers. Most of the people who are not

successful on the job have trouble with their co-workers and bosses, so it's important for you to show employers how you fit into their operations.

Many employers would rather hire an inexperienced worker with good self-management skills than an experienced worker who might cause problems.

Self-Management Skills List

Here is a list of the key self-management skills required for an employee to be more productive.

1. Stress-Resistance

When you develop this self-management skill, you can avoid many mistakes that people usually make when being stressed out.

Problem Solving

The second self-management skill requires you to use your brain as a mechanism for making right decisions. Even the hardest tasks and challenges can be efficiently handled if the mental process in your head is always in progress.

Communication

The way how you can communicate information to others will determine your success. Communication is one of the **key self-management skills** required for both personal development and career advancement.

Time Management

Producing expected results in a timely manner defines the success of our effort. Time management is an extremely important self-management skill that makes an employee be more productive.

Memory

An ability to memorize events, names, facts, etc., allows an employee to remember about everything he/she needs to do daily tasks and duties.

Physical Activity

Keeping your body in good shape is a critical self-management skill example. When you feel healthy and have a robust nervous system, you can do more things and cope with many challenges.

Self-Check 9	Written Test
--------------	--------------

Name: _____ Date: _____

Time started: _____ Time finished: _____

Directions: Answer all the questions listed below. Illustrations may be necessary to Aid Some explanations /answers:

1. Fill in the Blanks (2 points each)

1. List the Fundamental Principles of Negotiation?
2. List some of Self Management Qualities?

3. list the key self management skills required for an employee to be more productive?

Information Sheet-10	Performance of business Risk management
----------------------	--

4.11 Process of risk assessment, management. and evaluation of business enterprise

- ✓ Risk situation occurs when a choice is required between two or more alternatives whose potential outcomes are not known and must be subjectively evaluated.
- ✓ A risk situation involves potential success and potential loss.
- ✓ The greater the possible loss or gain, the greater the risk involved.
- ✓ Risk-takers make decisions in conditions of uncertainty, and they balance potential success against potential loss.
- ✓ Choosing a risky alternative depends on:
 - A. how attractive the alternative is,
 - B. the extent to which the risk taker is prepared to accept the potential loss,
 - C. the relative probabilities of success and failure, and
 - D.the degree to which one's own efforts increase the likelihood of success and decrease the likelihood of failure.

- ✓ For example, you have a secure job, earning a good salary, with promotion probably every two years. You may have the opportunity to buy a firm whose future is uncertain, but the owner's earnings are 50% more than you are currently earning as an employee.
- ✓ The firm may continue to be very successful, or it may fail in one or two years. Your choice is between staying in a secure position with moderate, predictable financial and career rewards, or taking a risk and possibly achieving very high financial and career rewards.
- ✓ Most people would not think of taking such a risk, regardless of the probabilities of success.
- ✓ They would prefer to stay in a secure position. Others are impatient, dissatisfied with their present position, and looking for the "magic pot of gold" to make them rich.
- ✓ These people tend to be influenced by the size of the potential reward offered. They pay little regard to the probability of success, and do not give much thought to the degree of effort required on their part.
- ✓ Attracted by hopes of high returns with little effort, they become gamblers.

❖ **Assessing Risk Situations**

- ✓ The entrepreneur's assessment of the situation is very different from that of both the above types of people, although the entrepreneur shares certain characteristics with them.
- ✓ The essential difference is that entrepreneurs will systematically and thoroughly assess the likelihood of the firm's success and the extent to which their efforts could influence this likelihood.
- ✓ They study the market situation, explore profitability in alternative lines of business, products, machinery and processes, finances, and make comparisons before making their final decision.
- ✓ They like to influence the outcome through their own efforts and then having a sense of accomplishment.
- ✓ Planning may be considered an indicator of the calculated risk taking behavior of entrepreneurs.
- ✓ Planning safeguards against possible difficulties that can be anticipated.
- ✓ If entrepreneurs are able to influence whether or not the firm is successful, they would be very likely to purchase the firm as proposed in the above example.

- ✓ Entrepreneurs are willing to accept personal responsibility for the consequences of their decisions, regardless of whether these consequences are favorable or unfavorable.
- ✓ Other people may find it difficult to accept personal responsibility for decisions which may lead to failure, and they often attribute events in their lives to
- ✓ Luck or to forces beyond their control, such as competition or government interference.
- ✓ These people reject risk situations because they believe that they cannot influence the outcome.
- ✓ Most entrepreneurial traits are interrelated. Risk-taking behavior is related to:
 - b. Creativity and innovation, and it is an essential part of turning ideas into reality.
 - c. Self-confidence: the more confidence you have in your own abilities, the more able you will be in affecting the outcome of your decisions and the greater your willingness will be to take risks.
- ✓ Another factor is the entrepreneurial excitement regarding uncertainty, and the drive and enthusiasm to ensure that the consequences are successful.

4.12 Application techniques of management of business enterprise

- ✓ An efficient record keeping system is required for any business.
- ✓ All business transactions should be fully recorded on paper.
- ✓ A transaction is any exchange of money for something else.
- ✓ Daily cash record provides a written record for money coming in and money going out of a business through transactions.
 - * Money comes into a business primarily by selling goods or services,
 - * Money goes out of a business to pay for goods, raw materials, labor, rent, electricity and other business expenses.
 - * All businesses should keep written records regarding money coming in and money going out of the business.

Financial records can help entrepreneurs to:

- ❖ keep control of cash
- ❖ know how well the business is doing
- ❖ show others, such as the banks, how well the business is doing
- ❖ plan for the future

Self-Check 10	Written Test
---------------	--------------

Name: _____ Date: _____

Time started: _____ Time finished: _____

Directions: Answer all the questions listed below. Illustrations may be necessary to Aid some explanations /answers:

1. short answer (2 points each)

1. On what condition Choosing a risky alternative depends on?



what reason Financial records can help entrepren

FEDERAL TVET AGENCY

Artificial Insemination Level- I

Learning Guide #60

Unit of Competence: **Develop Understanding of entrepreneurship**

Module Title: **Developing Understanding of Entrepreneurship**

LG Code: **IND BLG1 M17 L05-LG-60**

TTLM Code: **IND BLG1 M17 TTLM 0919v1**

LO 5 : - Develop one's own business plan

Sep, 2019

Bahir Dar

Instruction Sheet	Learning Guide #10
-------------------	--------------------

This learning guide is developed to provide you the necessary information regarding the following content coverage and topics:

- Preparing simple business plan
- Application of structure and format on business plan
- Assessment and analysis of business plan finding
- Feasibility study of business idea
- Business problem identification
- Techniques and procedures of searching for information

This guide will also assist you to attain the learning outcome stated in the cover page. Specifically, upon completion of this Learning Guide, you will be able to:

- Discuss and understand techniques and procedures in obtaining and sourcing information
- Identify and understand .problems that may arise or encounter when starting a business
- Make feasibility of the business idea clear and understandable.
- Assess and interpret analyze findings of the business plan
- Apply Standard structure and format in preparing business plan
- Discuss and apply Process of preparing/ writing a business plan

Learning Activities

22. Read the specific objectives of this Learning Guide.
23. Read the information written in the “Information Sheets 1”.
24. Accomplish the “Self-check” after each information sheet. Request the key answer / key to correction from your teacher or you can request your teacher to check it for you.
25. If you earned a satisfactory evaluation proceed to “Information Sheet 2”. However, if your rating is unsatisfactory, see your teacher for further instructions or go back to Learning Activity #2.
26. Read the information written in the “Information Sheet 2”.
27. Accomplish the next “Self-check”. Again you can request the key answer / key to correction from your teacher or you can request your teacher to check it for you.
28. If your rating is unsatisfactory, see your teacher for further instructions or go back to

Information Sheet-1	Preparing simple business plan
---------------------	--------------------------------

Learning Activity # the first.

5.1 Steps of business plan preparation

Concepts of Business Plan

- A. Is the result of ongoing process but not end result
- B. A document which spells out the goals and objective of a business and clearly outlines how and when they will be achieved.
- C. A structured guideline to achieve a business goal.
- D. A road map to owning and operating a business.
- E. A proposal that describes a business opportunity for financing agencies or investors.
- F. A detailed action programme outlining every conceivable aspect of the proposed business venture.

❖ How to Write a Business Plan

- ✓ The preparation of a written business plan is not the end-result of the planning process. The **realization** of that plan is the ultimate goal. However, the writing of the plan is an important intermediate stage - fail to plan can mean plan to fail. For an established business it demonstrates that careful consideration has been given to the business's development, and for a startup it shows that the entrepreneur has done his or her homework

❖ Purpose of the Business Plan

- ✓ A formal business plan is just as important for an established business, irrespective of its size, as it is for a startup. It serves four critical functions as follows:
 - ❖ Helps management or an entrepreneur to clarify, focus and research their businesses or project's development and prospects.
 - ❖ Provides a considered and logical framework within which a business can develop and pursue business strategies over the next three to five years.
 - ❖ Serves as a basis for discussion with third parties such as shareholders, agencies, banks, investors etc.
 - ❖ Offers a benchmark against which actual performance can be measured and reviewed.
 - ❖ Just as no two businesses are alike, so also with business plans. As some issues in a plan will be more relevant to some businesses than to others, it is

important to tailor a plan's contents to suit individual circumstances. Nonetheless, most plans follow a well-tried and tested structure and general advice on preparing a plan is universally applicable.

- ❖ A business plan should be a realistic view of the expectations and long-term objectives for an established business or new venture. It provides the framework within which it must operate and, ultimately, succeed or fail. For management or entrepreneurs seeking external support, the plan is the most important sales document that they are ever likely to produce as it could be the key to raising finance etc. Preparation of a comprehensive plan will not guarantee success in raising funds or mobilizing support, but lack of a sound plan will, almost certainly, ensure failure.

❖ **Importance of the Business Planning Process**

- ✓ Preparing a satisfactory business plan is a painful but essential exercise. The planning process forces managers or entrepreneurs to understand more clearly what they want to achieve, and how and when they can do it.
- ✓ Even if no external support is needed, a business plan can play a vital role in helping to avoid mistakes or recognize hidden opportunities. It is much easier to fold a sheet of paper than a business.
- ✓ For many, many entrepreneurs and planners, the process of planning (thinking, discussing, researching and analyzing) is just as, or even more, useful than the final plan. So, even if you don't need a formal plan, think carefully about going through the planning process. It could be enormously beneficial to your business.
- ✓ Anticipate many weeks of hard work and several drafts of the emerging plan to get the job right.
- ✓ A clearly written and attractively packaged business plan will make it easier to interest possible supporters, investors etc.
- ✓ A well-prepared business plan will demonstrate that the managers or entrepreneurs know the business and that they have thought through its development in terms of products, management, finances, and most importantly, markets and competition.

Types of business plan

- For retail businesses
- For wholesale businesses
- For service businesses
- For manufacturing businesses
- For any other type of business
- For the financier
- For the owner/manager

What contained the business plan?

- | | |
|------------|---------------|
| -Customers | - Competitors |
| -Suppliers | -Financiers |
| -Employees | - Products |
| -Locations | -Equipment |

5.1.1 Steps in the Business Planning Process

5.1.1.1 Before creating the business plan you should be perform the Following steps

1. Define Customer Need

- Before starting a venture, you must be certain that your target customer groups have a strong, even urgent need for the product or service you will be offering. Show that you are providing well-defined, quantifiable benefits, such as saving them 25% versus the product that they have been using. Unless the need is compelling and the solution you are providing is significantly better than what customers can get from your competitors, they will not be willing to spend money on it.

Research the Market

- Investors seek out companies in markets that are just now emerging or are about to enter a rapid growth phase. This is often called having a first-to-

market advantage, being the first company to take advantage of a new opportunity. Present a clear case about why your market is vibrant, with excellent growth prospects for the next three to five years.

Study the Competition

- Entrepreneurs often underestimate the strength of their competitors and how entrenched they are within the market. Pinpoint the weaknesses you think competitors have--which you intend to exploit to build your competitive advantage--but be realistic about the competition your venture is going up against.

Develop a Business Model

- Where will your revenues come from? That's the central idea of a business model. Present how many different ways you will generate revenues. If you can earn more than one revenue stream from a customer, that is a positive factor in your model. The business model also explains the factors and conditions that will cause your company to be profitable. You might have scalability, meaning you can rapidly grow revenues without a corresponding increase in costs.

Describe How the Team Fits Together

- Companies succeed because the right management team has been assembled, not simply because they have a superior technology to offer the marketplace. The team members must be able to work in harmony during the often stressful early days of the company's existence. Combined, they must have specific skills, experience and the drive to succeed that will enable them to execute the strategy outlined in the business plan.

Prepare Financial Projections

- Financial projections must be realistic and based on concrete assumptions. How the company derived the numbers is just as important to investors as how attractive the forecast profit appears. It usually takes longer than

anticipated for sales momentum to build in an early-stage company. Try to make the first year's projections conservative.

5.1.1.2 Develop (create) business plan

1- Steps to Creating a Simple Business Plan

Your business plan is like a road map to long-term success. Have you ever been in a situation where you didn't have a map to find your destination and got lost wasting precious time and money? Well, the same can happen to your business if you don't plan out your business strategies.

1. Name of your business - create a name or reevaluate the name of your business. Does it integrate well with what you are selling? Is it easy to spell and remember? Is it a name that can be well branded over time?

2-Start with a Business Strategy

- ✓ A short strategic plan (2-3 pages) can provide a very useful foundation on which to base a much more detailed and comprehensive business plan.
 - ✓ If you don't have a sensible strategic plan, how can you realistically write a sensible business plan? Use a short strategic plan as the foundation for a more comprehensive business plan.
 - ✓ As the prelude to developing a strategic plan, it is desirable to clearly identify the current status, objectives and strategies of an existing business or the latest thinking in respect of a new venture.
 - ✓ **Strengths, weaknesses, opportunities, threats (SWOT)** -by analyzing these characteristics in your business, you will get a clearer idea of what it will take for you to not only to survive but also prosper.
- This could include such factors as:
 - your companies own changing industry

- the marketplace which may change due to social and economic conditions.

- Competition which may create new threats and/or opportunities.

- New technologies which may cause you to change products or the process in how you do things.

Evaluating your SWOT will help you to:

- build on your strengths
- resolve your weaknesses
- exploit opportunities
- avoid threats

- ✓ This then leads to strategy development covering the following issues which are discussed in more detail immediately below:

3. Vision

- ✓ The first step is to develop a realistic **Vision** for the business. This should be presented as a pen picture of the business in three or more years' time in terms of its likely physical appearance, size, activities etc.
- ✓ Answer the question: "if someone from Mars visited the business, what would they see or sense?"

4. Mission

- ✓ The nature of a business is often expressed in terms of its **Mission** which indicates the purposes of the business, for example, "to design, develop, manufacture and market specific product lines for sale on the basis of certain features to meet the identified needs of specified customer groups via certain distribution channels in particular geographic areas".
- ✓ A statement along these lines indicates what the business is about and is infinitely clearer than saying, for instance, "we're in electronics" or worse still,

"we are in business to make money" (assuming that the business is not a mint !). Also, some people confuse mission statements with value statements (see below) - the former should be very hard-nosed while the latter can deal with 'softer' issues surrounding the business.

5. Objectives

- ✓ The third key element is to explicitly state the business's **Objectives** in terms of the results it needs/wants to achieve in the medium/long term.
- ✓ Aside from presumably indicating a necessity to achieve regular profits (expressed as return on shareholders' funds), objectives should relate to the expectations and requirements of all the major stakeholders, including employees, and should reflect the underlying reasons for running the business.

ii. Values

- ✓ The next element is to address the **Values** governing the operation of the business and its conduct or relationships with society, customers, employees etc.

iii. Strategies

- ✓ Next are the **Strategies** - the rules and guidelines by which the mission, objectives etc. may be achieved.
- ✓ They can cover the business as a whole including such matters as diversification, organic growth, or acquisition plans, or they can relate to primary matters in key functional areas, for example:
 - The company's internal cash flow will fund all future growth.
 - New products will progressively replace existing ones over the next 3 years.
 - All assembly work will be contracted out to lower the company's break-even point.

iv. Goals

- ✓ Next are **Goals**. These are specific interim or ultimate time-based measurements to be achieved by implementing strategies in pursuit of the company's objectives, for example, to achieve sales of \$3m in three years time.

v. Programs

- ✓ The final elements are the **Programs** which set out the implementation plans for the key strategies.
- ✓ It goes without saying that the mission, objectives, values, strategies and goals must be inter-linked and consistent with each other. This is much easier said than done because many businesses which are set up with the clear objective of making their owners wealthy often lack strategies, realistic goals or concise missions.
- ✓ For more information on strategic planning, refer to other papers in this series entitled Developing a Strategic Business Plan (and its accompanying worksheet) and Devising Business Strategies, and consider utilizing the free Online Strategic Planner. See also a sample strategic plan - you may wish to print it for reference purposes.

❖ Planning the Business Plan

1. Develop an Outline Business Plan

- ✓ Start by defining an outline (i.e. a table of contents) of your plan. This will allow you to concentrate on the essentials of planning the business rather than becoming too absorbed in the detailed drafting of your plan. It will allow you to see the wood from the trees.
- ✓ Having devised the basic outline for your business plan, the next task is to expand this to include subheadings and appendix titles (see the Business Plan Guide for detailed suggestions). This extended structure should be critically reviewed to ensure that all the salient elements of the plan are included and that it has a logical flow. This approach should also ensure that the plan has appropriate levels of detail and is correctly targeted at its audience - investors, directors/shareholders, financial institutions etc. For example, a structure which is mainly devoted to detailed technical

descriptions of products would be completely unsuited to a plan being used to raise bank finance.

2. Prepare a Business Planning Work Program

- ✓ Once the plan's structure has been defined, it can be used as a checklist and basis for a work program and timetable to complete the plan. This work program will often entail extensive research and thought prior to the commencement of writing.
- ✓ For example, formal market research may be needed before sales volumes and prices can be determined. Another example: professional advice may be required to assess capital expenditures in relation to the acquisition of premises and so on.

❖ Outline the Business Plan

- ✓ The next section presents an outline structure for a business plan. Feel free to change this outline to suit your project and its state of development.
- ✓ It can be readily expanded to become a 'full-blown' business plan by extending the level of detail as explained in the Business Plan Guide.
- ✓ **Note: A free 150-page Business Plan Guide and Template (Word format) incorporating a similar outline structure and additional detail is available for downloading [here](#).**
- ✓ The suggested page lengths for a comprehensive plan are given in parenthesis after each section's heading within the outline.
- ✓ A small, straightforward business should work within the minimum page lengths whereas a large, complex business seeking a substantial external investment might hit the **maximum** page lengths. Note the importance of marketing and sales in terms of the suggested number of pages for these sections. For more guidance on the length of business plans, have a look at Insights into Business Planning.
- ✓ Avoid going into too much detail within the plan's body by placing detailed or supplementary material in accompanying appendices. Bear in mind that most investors, bankers etc. dislike having to read overlong business plans just as much as entrepreneurs and managers dislike writing the plans in the first instance!
- ✓ Work on the assumption that whoever reads your plan will be completely unfamiliar with your business or project and will be seeking answers to relatively basic

questions and key issues, for example, what will the business do, will it make money etc.

Self-Check 1	Written Test
---------------------	---------------------

Name: _____ Date: _____

Time started: _____ Time finished: _____

Directions: Answer all the questions listed below. Illustrations may be necessary to Aid Some explanations /answers:

4. Short answer. (2 points each)

1. What is the Purpose of the Business Plan?
2. What are the Types of business plan?
3. What are the Steps in the Business Planning Process?

Information Sheet-2	Application of structure and format on business plan
---------------------	---

5.1 Application of standard structure and format in business plan.

❖ **Business Plan Outline**

- ✓ Use the outline below as the "road map" for your plan and then write up each section concisely but comprehensively.
- ✓ Only address matters of real substance and major significance within the main sections of the plan.

1. Introduction

- ✓ Introduce the plan. Explain who wrote it, when and for what purpose.

2. Summary

- ✓ Write last. Present the highlights of the plan.

3. Strategic Overview

- ✓ Present the "big picture". What are the central purposes and activities of the planned business? What are its SWOTs? What are its major (long term) objectives, key strategies and prime goals

4. Present Status

- ✓ Summarize achievements and performance (financial, sales, technical etc.) to date. Introduce the stakeholders in the business.

5. Product/Service Offerings

- ✓ Keep descriptions short and confine them to broad groups. Explain briefly what makes them special.

6. Profiles of Target Markets

- ✓ Size, segments, trends, competition and user/customer profiles.

7. Marketing Strategies, Sales Plans & Projections

- ✓ How will the business market its products/services and sell to customers? What sales will be achieved in its main markets? How will it deal with competitors?

8. Technology and R&D

- ✓ If relevant, explain progress, plans, and resources and highlight any technological advances.

9. Operational/Manufacturing Plans

- ✓ Cover distribution & service activities and/or manufacturing. Highlight major elements only. Indicate organization, resources, costings etc.

10. Management & Administration

- ✓ Introduce the proposed management team, structure etc. Indicate administrative arrangements and specify overhead costs.

11. Financial Projections

- ✓ Use simple tables to present key financial projections e.g. summary P&L, cash flows, balance sheets and key ratios. Place the detailed analyses in appendices.
- ✓ For more help, download a trial version of our financial planners - [Exl-Plan](#) (for Excel) - and review its annual output reports and Textual Summary Report.

12. Funding Requirements & Proposals

- ✓ If applicable, summarize funding requirements, possible sources, likely terms, and, for investors, the projected return on their investment. Be realistic!!

13. Implementation

- ✓ Explain the major decision points, time scale and actions required by management and others to progress the plan.

14. Conclusion

- ✓ Indicate why the business will succeed and why it should be supported.

Appendices

- ✓ Use appendices at the very back of the plan to present important background data and detailed plans.
- ✓ This will avoid disrupting the flow of the plan or cluttering it with excessive detail. See [Appendices](#) within the [Business Plan Guide](#) for more info.

General formats of preparing business plane

1-Executive summary

1.1 Brief description of the business

1.2 Name of business_____

1.3 The legal form of the business will be:

☐ Sole proprietorship ☐ partnership ☐ limited company ☐ Corporation

1.4 Reason for choosing this legal form

1.5 Contact address

Tel. _____

E-mail_____

Fax._____

1.6 -Type of business

Manufacturer

Service provider

Retailer

Wholesaler

1.7-Brief description of the business idea

- Products or service

- Target Market_____

1.8 -Projects contribution to the economy

.....

6-Owner(s) profile

No	Name	Address	Qualification	Function in the business	relevant experience
1					
2					
3					

2 -Marketing plan

2.1 Description of the market

- (Geographical area, town, type of customers, size of total market,description of competitors, market share for the new business, etc.)

2.2 Marketing Plan Product

2.2.1 Detailed description of the product or product range or service

2.2.2 Product/service type_____

2.2.3 What is special about the product/ the unique characteristics of the product?

2.2.4 Specification of the product _____

2.2.5 After sales service_____

2.3 Marketing plane price

2.3.1 How much are customers willing to pay?

Highest _____

Average _____

Lowest _____

2.3.2 How much are competitors' price?

2.3.3 How much is your price?

Highest _____ Average _____ Lowest _____

2.3.4 What are the reasons for setting your price? _____

2.3.5 Is their discount on bulk purchase? If yes _____%

2.4 Marketing Plan Place

2.4.1 Location of the business (description of the planned location of the business)

2.4.2 Reason for choosing the location the business

2.4.3 How to distribute the product /service to customers?

Directly to customers

Through retailers or wholesalers'

2.4.4 Reason for choosing this way of distribution

2.5Marketing Plan Promotion

Advertisement

Personal selling, etc.

3 PRODUCTION PLAN

3.1 List of production steps.

3.2 Prepare working drawing _____

3.3Select raw materials

3.4 List fixed assets needed and their cost

No	Item	Quantity	Amount	Cost
1				
2				
	TOTAL			

3.5 whais useful life time of each fixed asset

No	Investment Item	Life span in years	Depreciation (%)
1	Building	20	5
2	Simple machine	8-10	12.5-10
3	special machine	3-5	33.3-20
4	Hand tools	3	33.3
	Vehicle	5	20

3.6 Brief description of production capacity of the project per month:

1st month _____

2nd month _____

3rd month _____

3.7 Factory/plant location and layout

--

9-List of raw materials needed per month

No	Raw materials needed per month	DIMENSION /Specification/	QUANTITY	UNIT COST	TOTAL COST
1					
2					
	Total cost				

3.8 Staff cost

No	Position	Qualification	Salary per month	Remark
1				
2				
3				
4				
	Total			

3.9 Factory overhead expenses

No	Overhead expenses	Amount per month
1	Indirect labor	
2	Electricity	
3	Maintenance	
4	Depreciation of fixed capital	
	Total	

3.10 -Production costs of each item to be produced

- Raw materials per month _____

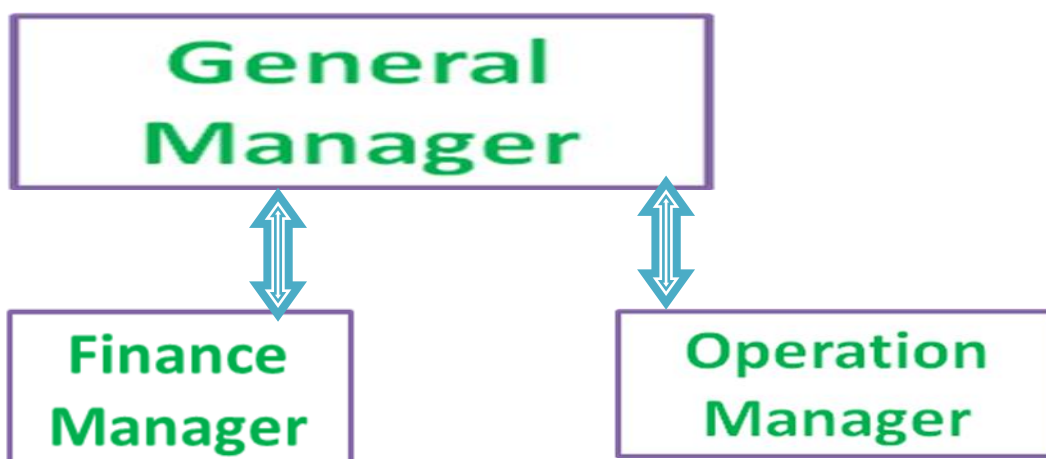
- Direct labor per month _____

- Factory overhead expenses per month _____

Total production cost _____

4 ORGANIZATION AND MANAGEMENT PLAN

4.1 Organizational structure



4.2 administrative expense

NO	administrative expense	Amount
	Allowance	
	Supplies	
	Supplies	
Total		

5-FINANCIALPLAN

5.1 Capital requirement

Capital requirement/project cost?	Amount
Fixed Assets	
Land	
Building	
Equipment	
Others	
Total Fixed assets	
Pre-operating expense	
Working capital /Operational costs of one months	
- Raw materials costs	
- Administrative expenses	
- Staff cost of one month	
Total working capital	
Total capital requirement	

5.2-profit and loss statement (for service business)

Revenue:	Amount
Sales	
Less: Operating expenses	
Salary expenses	
Rent expenses	
Selling Expenses	
Interest Expense	
Miscellaneous expenses	
Net profit Before Tax	
Less: Estimated Income Tax	
Net profit After Tax	

Annual projected profit& loss statement (for manufacturing)

Gross sales	
Less: Returns	
Net Sales	
Less: Cost of goods sold	
Gross profit	
Less: Administrative & Selling Expenses	
Operating profit	
Less: Interest Expense	
Net profit Before Tax	
Less: Estimated Income Tax	
Net profit After Tax	

5.3-Cashflow

Projected monthly cash flow statement

[illegible]

5.4-Balance sheet

Assets	Amount	Liabilities	Amount
Current Assets		Current Liabilities	
Cash at hand and bank		Accounts payable	
Accounts receivable		Taxes payable	
RM inventory		Others payable	
WIP inventory		Total Current Liabilities	
FG inventory		Long-Term Liabilities	
Total Current Assets		Loans	
Fixed Assets		Total liabilities	
Building		Owners Equity	
Equipment		Capital	38 700
Total Fixed Assets			
Total Assets		Total liabilities & capital	39 00

5.5Break-even point

Break-even Quantity = $\frac{\text{Total fixed cost}}{\text{price per unit} - \text{variable cost per unit}}$

(price per unit - variable cost per unit)

Break-even point = $\frac{\text{Total fixed cost}}{\text{price per unit} - \text{variable cost per unit}}$

(price per unit - variable cost per unit)

(break-even sales level in dollar terms)

Self-Check 2	Written Test
---------------------	---------------------

Name: _____ Date: _____

Time started: _____ Time finished: _____

Directions: Answer all the questions listed below. Illustrations may be necessary to Aid some explanations /answers:

1. Fill in the Blanks (2 points each)

1. List some of the Business Plan Outline?
2. Design the business plan after compilation of the level?

Information Sheet-3	Assessment and analysis of business plan finding
---------------------	---

5.2 Techniques of interpretation, assessment and analyzing findings of the business plan

- **Analysis of data**

- ✓ It is a process of inspecting, cleaning, transforming, and modelling **data** with the goal of highlighting useful information, suggesting conclusions, and supporting decision making.
- ✓ Data analysis has multiple facets and approaches, encompassing diverse techniques under a variety of names, in different business, science, and social science domains.
- ✓ Several analyses can be used during the initial data analysis phase but one of the simplest analysis is called Univariate analysis

- **Univariate analysis**

- ✓ It is the simplest form of quantitative (statistical) analysis.
- ✓ The analysis is carried out with the description of a single variable and its attributes of the applicable unit of analysis.
- ✓ For example, if the variable age was the subject of the analysis, the researcher would look at how many subjects fall into a given age attribute categories.
- ✓ A basic way of presenting univariate data is to create a frequency distribution of the individual cases, which involves presenting the number of attributes of the variable studied for each case observed in the sample.
- ✓ This can be done in a table format, with a bar chart or a similar form of graphical representation

Self-Check 3	Written Test
---------------------	---------------------

Name: _____ Date: _____

Time started: _____ Time finished: _____

Directions: Answer all the questions listed below. Illustrations may be necessary to

Aid Some explanations /answers:

1. Fill in the Blanks (2 points each)

1. -----is the simplest form of quantitative (statistical) analysis.

Short answer. (2 points each)

1. What are the objectives of Analyse the business idea?

Information Sheet-4	Feasibility study of business idea
---------------------	------------------------------------

3.4Understanding feasibility of the business idea

- There is no magic answer to this question. Experience has shown that some of the most bizarre ideas, such as the concept of a personal computer have turned into successful businesses, while some have not.
- It's important to look critically and impartially at your business idea when determining whether or not it's worth investing your time and money.

- It can be difficult to remain impartial about an idea you're passionate about, so talk to a business advisor to get a qualified and objective perspective.
- While there are no guarantees that your business will succeed, a feasibility study will help you determine whether your idea will make a profit before you make a financial commitment.
- It's important to remember that what is considered feasible may differ greatly from person to person depending on the return on investment they want and the risk they're willing to take on.
- In your feasibility study you should analyse your business idea, market and competitive advantage as well as the financial feasibility of the business.

Analyze the business idea

- ✓ In this first stage of your feasibility study you need to look objectively at the idea and determine its profitability. This objective analysis would include:
 - assessing the market size;
 - assessing the competitive advantage of your idea;
 - obtaining independent endorsement of the idea;
 - assessing capital requirements;
 - considering your management ability; and
 - Finding out if anyone else has tried your business idea, and if they failed - why?

Market analysis

- ✓ Once you have determined there is a market for the product or service you are planning to supply, you need to conduct some more research which should include the following:

Demand analysis:

- ✓ Here you determine the type of demand that exists for your product or service (eg: consumer, distributor), and establish the size of the market and its growth capacity.

Supply analysis:

- ✓ Look at the lifecycle of the industry. Is it the right time for you to be entering it? Also study the way the industry is structured and think about how that will affect your business.
- ✓ Relationship analysis: how do the various groups within the industry interact? What is the bargaining power of buyers and suppliers? Is there a threat of substitute products or new entrants?

Competitive advantage analysis

- ✓ Now that you've established that your idea is a good one and that there is a market for what you are offering, you need to determine what makes your product or service special. Ask yourself these questions:
 - How is my product or service different to those offered by my competitors?
 - Why will customers purchase the product or service from me rather than my competitors?
 - Are there any barriers to me entering the market?
 - What makes my competitors successful?

Financial feasibility analysis

- ✓ The final part of your study should address the financial feasibility of the business idea which involves the following:
 - preparing a sales forecast;
 - estimating start-up and working capital requirements;
 - estimating profitability; and
 - Assessing financial viability

Self-Check 4	Written Test
---------------------	---------------------

Name: _____ Date: _____

Time started: _____ Time finished: _____

Directions: Answer all the questions listed below. Illustrations may be necessary to Aid Some explanations /answers:

1. Short answer (2 points each)

1. What are the Problem solving is a four-step process?
2. List the classification of sourcing information?
- 3.

3.5 Methods of problem identification in business.

❖ Effective problem solving and decision making

- ✓ Problem solving is about bridging the gap between where you are and where you want to be. Decision making is about choosing how you want to bridge that gap.
- ✓ In that sense, we all are problem solvers and decision makers and any improvement in our skills can translate into major leaps for our organizations.
- ✓ Effective problem solving and decision making are skills that you develop through forming habits. This site gives ideas on how to acquire these habits.

❖ Problem solving is a four-step process :

- First, **defining the problem** (making sure you are not focusing on just a symptom or a less critical problem).
- Second, you need to **diagnose** it; that is, understand its root cause(s), which usually requires you to build a “why” issue tree tree.

- Next you need to **identify all the potential solutions**—using “how” issue trees / decision trees*—before deciding which one(s) you want to implement; a good way to do so is to use a decision matrix.
- The final step is to **execute the solution(s)**: convince the rest of your team/boss/client that the one you picked is the right one, implement it, and monitor its effectiveness.

Self-Check 5	Written Test
---------------------	---------------------

Name: _____ Date: _____

Time started: _____ Time finished: _____

Directions: Answer all the questions listed below. Illustrations may be necessary to Aid Some explanations /answers:

1. Fill in the Blanks (2 points each)

1. -----is about bridging the gap between where you are and where you want to be.

Short answer. (2 points each)

1. List the four-step Problem solving process ?

Techniques and procedures in obtaining and sourcing information

- ❖ "Source" means data that originates from either primary or secondary source. An **information source** is a source of information for somebody, i.e. anything that might inform a person about something or provide knowledge to somebody.
- ❖ Information sources may be observations, people, speeches, documents, pictures, organizations etc. They may be primary sources, secondary sources, and tertiary sources and so on.
- ❖ **Primary sources** are original materials. Which may include an artifact, a document, a recording, or other source of information that was created at the time under study. It serves as an original source of information about the topic. And more over, a primary source can also be a person with direct knowledge of a situation, or a document created by such a person.
- ❖ **Asecondary source** is a document or recording that relates or discusses information originally presented elsewhere. A secondary source contrasts with a primary source, which is an original source of the information being discussed; a primary source can be a person with direct knowledge of a situation, or a document created by such a person. Eg books, documents from internet etc.

Self-Check 6	Written Test
---------------------	---------------------

Name: _____ Date: _____

Time started: _____ Time finished: _____

Directions: Answer all the questions listed below. Illustrations may be necessary to Aid Some explanations /answers:

1. Fill in the Blanks (2 points each)

1. ----- are original materials.
2. ----- is a document or recording that relates or discusses information originally presented elsewhere.

