Ethiopian TVET-System

Basic Account Works
Level-II

Based on August 2012GC Occupational standard

Module Title: Developing Business Practice
TTLM Code: EIS BAW2 TTLM 0919v1

This module includes the following Learning Guides

LG48:Identify business opportunity

LG Code: :EIS BAW2 M13LO1-LG-48

LG49:Identify personal business skills

LG Code: :EIS BAW2 M13LO2-LG-49

LG50:Plan for establishment of business operation

LG Code: :EIS BAW2 M13LO3-LG-50

LG51:Implement establishment plan

LG Code: :EIS BAW2 M13LO4-LG-51

LG52;Review implementation process

LG Code: :EIS BAW2 M13LO5-LG-52

LG48:Identify business opportunity

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

- Investigation of business opportunities
- Undertaking of business feasibility studies
- Undertake product based market research
- Specialist and relevant parties feasibility study
- Emerging or changing technology
- Business opportunity and perceived risks,
- Developing of business plan

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 –

- Identify business opportunity
- Identify personal business skills
- Plan for establishment of business operation
- Implement establishment plan
- Review implementation process

Learning Instructions:

1. Read the specific objectives of this Learning Guide.
2. Follow the instructions described in number ____ to ___.
3. Read the information written in the "Information Sheets 1". Try to understand what are being discussed. Ask you teacher for assistance if you have hard time understanding them.
4. Accomplish the "Self-check 1" in page __.

1.1 Investigation of business opportunities Undertaking feasibility study

Introduction

A **business opportunity** involves sale or lease of any product, service, equipment, etc. that will enable the purchaser-licensee to begin a business. The licensor or seller of a business opportunity usually declares that it will secure or assist the buyer in finding a suitable location or provide the product to the purchaser-licensee. This is different from the sale of an independent business, in which there is no continued relationship required by the seller.

A common type of business opportunity involves a company that sells bulk vending machines and promises to secure suitable locations for the machines. The purchaser is counting on the company to find locations where sales will be high enough to enable him to recoup his expenses and make a profit. Because of the many cases of fraudulent business opportunity in which companies have not followed through on their promises, or in which profits were much less than what the company led the investor to believe, governments closely regulate these operations.

Makeup of a business opportunity

A business opportunity consists of four integrated elements all of which are to be present within the same timeframe (window of opportunity) and most often within the same domain or geographical location, before it can be claimed as a business opportunity. These four elements are:

- A need
- The means to fulfill the need
- A method to apply the means to fulfill the need and;
- A method to benefit

With any one of the elements missing, a business opportunity may be developed, by finding the missing element. The more unique combination of the elements, the more unique the business opportunity. The more control an institution (or individual) has over the elements, the better they are positioned to exploit the opportunity and become a niche market leader.

With so many business opportunities available, it is often difficult to determine whether a particular opportunity shows great promise or is likely to fail. Your goal is to learn how to tell a good opportunity from a bad one. Here are some tips that will help you assess the potential of any business opportunity that comes your way and make the right decision.

One of the first factors to consider is the stability of the company associated with the opportunity. In the case of a new business that does not yet have a proven track record, you want to know who is behind the launch or who is supplying this company with operating capital until the business begins to generate profits. Essentially, you want some amount of assurance that the company will be around long enough for you to benefit from a relationship with the opportunity, especially in terms of recouping any investment of time or other resources.

Keep in mind that a new business or a plan to start a business may be riskier than going with a company with an established track record. However, business opportunities of this kind are not automatically suspect. If the funding is there and the organization is structured properly, the opportunity is well worth your consideration.

Assessing the good or service offered by the business is also important. The best business opportunities involve companies that offer something consumers will need or desire over all other competing products. Business opportunities of this type are often great moneymakers, since they address needs that are often overlooked by others. Along with having a solid financial base and a product that is sure to attract attention, the best business opportunities also have a comprehensive and well defined system for getting the products to consumers. This includes such factors as a reliable process for producing the good or service, excellent sales and marketing strategies, and an efficient delivery to the buyer. Without the ability to satisfy orders quickly and efficiently, even the best product is less likely to build a loyal client base.

Entrepreneurs often live with the hope that if they build it, customers will come. But in today's economy, it takes a lot more than hope to get people to purchase your products or services: New business-building practices are a must if you want to expand.

Another necessary element is a clear-cut plan for growth. But many entrepreneurs get obsessed with creating the perfect plan. Or they never get around to putting one together. Developing a good plan is necessary, quick and effective. And we can show you how to do it. The following seven steps should take you no more than four hours to complete-a small price to pay for a tremendous upside. A road map that will infuse new energy, enthusiasm and vision into your company's growth plans.

There are different factors that affect business opportunity. These include:-

- The expected financial viability
- skills of operator
- amount and types of finance available
- returns expected or required by owners
- likely return on investment
- finance required
- lifestyle issues

Steps of identifying business opportunity

- Focus on your core product
- Keep your business area simple
- Stay true to who you are
- Map it
- Utilize marketing tools that work best for you
- Implement a plan of action
- Exercise the plan

Undertaking of business feasibility studies

A business feasibility study can be defined as a controlled process for identifying problems and opportunities, determining objectives, describing situations, defining successful outcomes and assessing the range of costs and benefits associated with several alternatives for solving a problem. A business feasibility study is used to support the decision making process based on a cost benefit analysis of the actual business or project viability. The feasibility study is conducted during the deliberation phase of the business development cycle prior to commencement of a formal business plan. It is an analytical tool that includes recommendation and limitation, which are utilized to assist the decision makers when determining if the business concept is viable.

Importance of business feasibility study

It is estimated that only one in fifty business ideas are actually commercially viable. There fore a business feasibility study is an effective way to safeguard against wastage of further investment or resources. If a business project is seen to be feasible from the result of the study, the next logical step is to proceed with the full business plan. The research and information uncovered in the feasibility study will support the the business planning stage and reduce the research time. Hence, the costs of the business plan will also be reduced. A through viability analysis provides an abundance of information that is necessary in order to determine the business concept's feasibility.

Finally, a feasibility study should contain clear supporting evidence for its recommendation. The strength of the recommendation can be weighed against the study ability to demonstrate the continuity that exists between the research analyses and the proposed business.

Business feasibility study and dimensions of business viability

The business feasibility study finding will be assessed by potential investors and stake holders regarding their credibility and depth of argument. The business feasibility study places the findings of the dimensions of business viability model assessment into a formal business report. It also aligns the findings with functional processes of enterprise which an audience can easily understand. For the purpose of understanding the structure of a business feasibility study the following represents the frame work of the dimensions of business viability.

- Market viability
- Technical viability
- Business model viability
- Management model viability
- Economic and financial model viability
- Exit strategy viability

Business and market analysis will contribute considerably to the business feasibility study. Considerations should be given to using traditional business analysis techniques such as SWOT, Porters five Forces and Pest. Although hey may not provide information which is perfect fit to the proposed business model, they will provide a strong starting point for future analysis.

Self-Check 1.1	Written Test

Instruction: give short answer for the following questions

1. Write at least four factors that affect business opportunity.
2. Explain A business feasibility study can be defined as

Answer Sheet

Score = ___________

Rating: ____________

Name: _________________________ Date: _______________

Short Answer Questions

1 There are different factors that affect business opportunity. These include:-

1. The expected financial viability
2. skills of operator
3. amount and types of finance available
4. returns expected or required by owners
5. likely return on investment
6. finance required
7. lifestyle issues

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2 A business feasibility study can be defined as a controlled process for identifying problems and opportunities, determining objectives, describing situations, defining successful outcomes and assessing the range of costs and benefits associated with several alternatives for solving a problem

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8. ____

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9. ____

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1.2 market research

Marketing research

Marketing research involves conducting research to support marketing activities, and the statistical interpretation of data into information. This information is then used by managers to plan marketing activities, gauge the nature of a firm's marketing environment and attain information from suppliers. Marketing researchers use statistical methods such as quantitative research, qualitative research, hypothesis tests, Chi-squared tests, linear regression, correlations, frequency distributions, poison distributions, binomial distributions, etc. to interpret their findings and convert data into information. The marketing research process spans a number of stages, including the definition of a problem, development of a research plan, collection and interpretation of data and disseminating information formally in the form of a report. The task of marketing research is to provide management with relevant, accurate, reliable, valid, and current information.

A distinction should be made between **marketing research** and **market research**. Market research pertains to research in a given market. As an example, a firm may conduct research in a target market, after selecting a suitable market segment. In contrast, marketing research relates to all research conducted within marketing. Thus, market research is a subset of marketing research.

Marketing environment

The **market environment** is a **marketing** term and refers to factors and forces that affect a firm's ability to build and maintain successful relationships with customers. Three levels of the environment are: Micro (internal) environment **-** forces within the company that affect its ability to serve its customers. Me so environment – the industry in which a company operates and the industry's market(s). Macro (national) environment **-** larger societal forces that affect the microenvironment.

Market segmentation

Market segmentation pertains to the division of a market of consumers into persons with similar needs and wants. For instance, Kellogg's cereals, Frostiest are marketed to children. Crunchy Nut Cornflakes are marketed to adults. Both goods denote two products which are marketed to two distinct groups of persons, both with similar needs, traits, and wants.

Market segmentation allows for a better allocation of a firm's finite resources. A firm only possesses a certain amount of resources. Accordingly, it must make choices (and incur the related costs) in servicing specific groups of consumers. In this way, the diversified tastes of contemporary Western consumers can be served better. With growing diversity in the tastes of modern consumers, firms are taking note of the benefit of servicing a multiplicity of new markets.

Market segmentation can be defined in terms of the **STP** acronym, meaning **S**egment, **T**arget and **P**osition.

Types of Market Research

Market research, as a sub-set aspect of marketing activities, can be divided into the following parts:

- **Primary research** (also known as field research), which involves the conduction and compilation of research for a specific purpose.
- **Secondary research** (also referred to as desk research), initially conducted for one purpose, but often used to support another purpose or end goal.

By these definitions, an example of primary research would be market research conducted into health foods, which is used solely to ascertain the needs/wants of the target market for health foods. Secondary research in this case would be research pertaining to health foods, but used by a firm wishing to develop an unrelated product.

Primary research is often expensive to prepare, collect and interpret from data to information. Nevertheless, while secondary research is relatively inexpensive, it often can become outdated and outmoded, given that it is used for a purpose other than the one for which it was intended. Primary research can also be broken down into quantitative research and qualitative research, which, as the terms suggest, pertain to numerical and non-numerical research methods and techniques, respectively. The appropriateness of each mode of research depends on whether data can be quantified (quantitative research), or whether subjective, non-numeric or abstract concepts are required to be studied (qualitative research).

There also exist additional modes of marketing research, which are:

- Exploratory research, pertaining to research that investigates an assumption.
- Descriptive research, which, as the term suggests, describes "what is".
- Predictive research, meaning research conducted to predict a future occurrence.
- Conclusive research, for the purpose of deriving a conclusion via a research process.

Marketing planning

This section **may require cleanup to meet Wikipedia's quality standards**. No cleanup reason has been specified. Please help improve this section if you can.

The **marketing planning** process involves forging a plan for a firm's marketing activities. A marketing plan can also pertain to a specific product, as well as to an organization's overall marketing strategy. Generally speaking, an organization's marketing planning process is derived from its overall business strategy. Thus, when top management are devising the firm's strategic direction or mission, the intended marketing activities are incorporated into this plan. There are several levels of marketing objectives within an organization. The senior management of a firm would formulate a general business strategy for a firm. However, this general business strategy would be interpreted and implemented in different contexts throughout the firm.

Marketing strategy

The field of marketing strategy encompasses the strategy involved in the management of a given product.

A given firm may hold numerous products in the marketplace, spanning numerous and sometimes wholly unrelated industries. Accordingly, a plan is required in order to effectively manage such products. Evidently, a company needs to weigh up and ascertain how to utilize its finite resources. For example, a start-up car manufacturing firm would face little success should it attempt to rival Toyota, Ford, Nissan, Chevrolet, or any other large global car maker. Moreover, a product may be reaching the end of its life-cycle. Thus, the issue of divest, or a ceasing of production, may be made. Each scenario requires a unique marketing strategy. Listed below are some prominent marketing strategy models.

A marketing strategy differs from a marketing tactic in that a strategy looks at the longer term view of the products, goods, or services being marketed. A tactic refers to a shorter term view. Therefore, the mailing of a postcard or sales letter would be a tactic, but a campaign of several postcards, sales letters, or telephone calls would be a strategy

Self-Check 1.1 **Written Test**

Instruction: give short answer for the following questions

1Explain the term business research ?

Answer Sheet

Score = ___________	
Rating: ____________	

Name: _________________________ Date: _______________

Short Answer Questions

1 Marketing research involves conducting research to support marketing activities, and the statistical interpretation of data into information. This information is then used by managers to plan marketing activities, gauge the nature of a firm's marketing environment and attain information from suppliers

1,3Seeking assistance from *specialist and relevant parties*

Financial advice

There are a number of professional financial services available, such as accountants, bookkeepers or Business Activity Statement (BAS) agents.

Financial professionals can help you to:

- maintain your books
- create and stick to a budget
- monitor your cash flow
- help you decide on opportunities like buying new equipment, expanding your business and leasing or buying a commercial space.

Find out more about the different types of financial resources to help finance your business.

There are also free financial templates for you to set up a profit and loss statement or a cash flow statement. See the full list on our templates

Specialists Marketing Services (SMS) is the nation's leading, full service direct marketing firm, specializing in: List Management, Brokerage, Fulfillment, Insert Media, Compilation, Interactive, Multicultural, and Multi-Channel marketing solutions.

A member of an exchange who acts as the market maker to facilitate the trading of a given stock. The specialist holds an inventory of the stock, posts the bid and asks prices, manages limit orders and executes trades. Specialists are also responsible for managing large movements by trading out of their own inventory. If there is a large shift in demand on the buy or sell side, the specialist will step in and sell out of their inventory to meet the demand until the gap has been narrowed.

Specialists and relevant parties include the following points.

- chamber of commerce
- financial planners and financial institution representatives, business planning specialists and marketing specialists
- accountants
- lawyers and providers of legal advice
- government agencies
- industry/trade associations
- online gateways
- business brokers/business consultants

Self-Check 1.1	**Written Test**

Instruction: give short answer for the following questions

1list there are a number of professional financial services **Specialists** and relevant parties include

Answer Sheet

Score = ___________
Rating: ____________

Name: _________________________ Date: _______________

Short Answer Questions

Specialists and relevant parties include the following points.

- chamber of commerce
- financial planners and financial institution representatives, business planning specialists and marketing specialists
- accountants

lawyers and providers of legal advice

1.4 Impact of e-commerce on business

Electronic commerce or ecommerce is a term for any type of business, or commercial transaction that involves the transfer of information across the Internet. It covers a range of different types of businesses, from consumer based retail sites, through auction or music sites, to business exchanges trading goods and services between corporations. It is currently one of the most important aspects of the Internet to emerge.

Ecommerce allows consumers to electronically exchange goods and services with no barriers of time or distance. Electronic commerce has expanded rapidly over the past five years and is predicted to continue at this rate, or even accelerate. In the near future the boundaries between "conventional" and "electronic" commerce will become increasingly blurred as more and more businesses move sections of their operations onto the Internet.

Business to Business or B2B refers to electronic commerce between businesses rather than between a business and a consumer. B2B businesses often deal with hundreds or even thousands of other businesses, either as customers or suppliers. Carrying out these transactions electronically provides vast competitive advantages over traditional methods. When implemented properly, ecommerce is often faster, cheaper and more convenient than the traditional methods of bartering goods and services.

Electronic transactions have been around for quite some time in the form of Electronic Data Interchange or EDI. EDI requires each supplier and customer to set up a dedicated data link (between them), where ecommerce provides a cost-effective method for companies to set up multiple, ad-hoc links. Electronic commerce has also led to the development of electronic marketplaces where suppliers and potential customers are brought together to conduct mutually beneficial trade.

The road to creating a successful online store can be a difficult if unaware of ecommerce principles and what ecommerce is supposed to do for your online business. Researching and understanding the guidelines required to properly implement an e-business plan is a crucial part to becoming successful with online store building.

What do you need to have an online store and what exactly is a shopping cart?

Shopping cart software is an operating system used to allow consumers to purchase goods and or services, track customers, and tie together all aspects of ecommerce into one cohesive whole.

While there are many types of software that you can use, customizable, turnkey solutions are proven to be a cost effective method to build, edit and maintain an online store. How do online shopping carts differ from those found in a grocery store? The image is one of an invisible shopping cart. You enter an online e store, see a product that fulfills your demand and you place it into your virtual shopping basket. When you are through browsing, you click checkout and complete the transaction by providing payment information.

To start an online business it is best to find a niche product that consumers have difficulty finding in malls or department stores. Also take shipping into consideration. Pets.com found out the hard way: dog food is expensive to ship FedEx! Then you need an ecommerce enabled website. This can either be a new site developed from scratch, or an existing site to which you can add ecommerce shopping cart capabilities.

The next step, you need a means of accepting online payments. This usually entails obtaining a merchant account and accepting credit cards through an online payment gateway (some smaller sites stick with simpler methods of accepting payments such as PayPal).

Lastly, you need a marketing strategy for driving targeted traffic to your site and a means of enticing repeat customers. If you are new to ecommerce keep things simple-know your limitations.

Ecommerce can be a very rewarding venture, but you cannot make money overnight. It is important to do a lot of research, ask questions, work hard and make on business decisions on facts learned from researching ecommerce. Don't rely on "gut" feelings. We hope our online ecommerce tutorial has helped your business make a better decision in choosing an online shopping cart for your ecommerce store.

Self-Check 1.1	**Written Test**

Instruction: give short answer for the following questions

1 explain the advantages and des advantage Electron commerce

Answer Sheet

Score = ___________

Rating: ____________

Name: _________________________ Date: _______________

Short Answer Questions

Electronic commerce or ecommerce is a term for any type of business, or commercial transaction that involves the transfer of information across the Internet. It covers a range of different types of businesses, from consumer based retail site

1.5 Business plan

A **business plan** is a document that summarizes the operational and financial objectives of a business and contains the detailed plans and budgets showing how the objectives are to be realized. It is the road map to the success of your business. For anyone starting a business, it's a vital first step.

What Are the Components of a Business Plan?

The formal, traditional business plan has the following sections:

- The Industry Overview
- Market Analysis
- Competitive Analysis
- Marketing Plan
- Management Plan
- Operating Plan
- Financial Plan
- Appendices and Exhibits

See the Business Plan Outline for a further description of each section of the plan.

Why Does Every Start-Up Need a Business Plan?

Every entrepreneur has heard stories of businesses that were started with little more than a few post-it notes and some back-of-the-envelope calculations. In fact, some studies have shown that for businesses that don't require startup loans or equity investment having a business plan is not necessarily a predictor of success. However, the same studies have shown that individuals who take the time to write a business plan are 2.5 times more likely to follow through and actually start a business. In addition, going through the process of creating a business plan improves entrepreneurial skills.

If you have an idea for starting a new venture, a business plan can help you determine if your business idea is viable. There's no point to starting a business if there is little or no chance that the business will be profitable - a business plan helps to figure out what your new business's chances of success are. And in many cases, people starting new businesses don't have the money they need to start the business they want to start. If start-up financing is required, you must have an investor-ready business plan to show potential investors that demonstrates how the proposed business will be profitable.

For example:

The **market analysis** will reveal whether there is sufficient demand for your product or service in your target market - if the market is already saturated your business model will need to be changed (or scrapped).

The **competitive analysis** will examine the strengths and weaknesses of the competition and help direct your strategy for garnering a share of the market in your marketing plan. If the existing market is dominated by established competitors, for instance, you will have to come up with a marketing plan to lure customers from the competition (lower prices, better service, etc.)

The **management plan** outlines your business structure, management, and staffing requirements. If you business requires specific employee and management expertise you will need a strategy for finding and hiring qualified staff and retaining them.

The **operating plan** describes your facilities, equipment, inventory, and supply requirements. Business location and accessibility is critical for many businesses - if this is the case you will need to scout potential sites. If your proposed business requires parts or raw materials to produce goods to be sold to customers you will need to investigate potential supply chains.

The **financial plan** is the determining factor as to whether your proposed business idea is likely to be a success and (if financing is required) whether you are likely to obtain start-up funding in the form of equity or debt financing from banks, angel investors, or venture capitalists. You can have a great idea for a business and excellent marketing, management, and operational plans but if the financial plan shows that the business will not make enough income after expenses to be profitable then the business model is not viable and there's no point in starting that venture.

In a nutshell, then, the answer to the question, What is a business plan? is that a business plan is the due diligence that will prevent you from wasting time and money on a venture that won't work.

Still have doubts? See 5 Reasons a Business Plan Is Key to Success.

The Business Plan Is a Living Document

Because the business plan contains detailed financial projections, forecasts about your business's performance, and a marketing plan, it's an incredibly useful tool for everyday business planning, and as such should be reviewed regularly and updated as required.

How to Write a Business Plan

My *Writing A Business Plan* series provides detailed instructions for working through each section of the business plan. The Business Plan Outline is the starting page; it includes a brief explanation of the contents of each section of the plan.

Note that the above is a detailed explanation of how to write a formal, full-fledged business plan; there are different business plans for different purposes.

How Does the Business Plan Differ from the Investment Proposal?

Not much. They both have the same contents. You can think of an investment proposal as a business plan with a different audience. The business plan is considered an internal document, unlike the investment proposal, which is designed to be presented to external agencies. For more about business plans crafted for investors, see Prepare an Investor Ready Business Plan.

See also:

The 7 Most Common Business Plan Mistakes
Simple Business Plan Template
A Coffee Shop Business Plan
One-Page Business Plan Templates

What Is a Business Plan?

A business plan is a written document that describes in detail how a business—usually a new one—is going to achieve its goals. A business plan lays out a written plan from a marketing, financial and operational viewpoint.
Business plans are important to allow a company to lay out its goals and attract investment. They are also a way for companies to keep themselves on track going forward.
Although they're especially useful for new companies, every company should have a business plan. Ideally, a company would revisit the plan periodically to see if goals have been met or have changed and evolved. Sometimes, a new business plan is prepared for an established business that is moving in a new direction.

While it's a good idea to give as much detail as possible, it's also important to be sure the plan is concise so the reader will want to get to the end.

Understanding Business Plans

A business plan is a fundamental tool any startup business needs to have in place prior to beginning its operations. Usually, banks and venture capital firms make a viable business plan a prerequisite to the investment of funds in a business.
Even though it may work, operating without a business plan is not a good idea. In fact, very few companies are able to last without one. There are definitely more benefits to creating and sticking to a business plan including being able to think through ideas without putting too much money into them—and, ultimately, losing in the end.
A good business plan should outline all the costs and the downfalls of each decision a company makes. Business plans, even among competitors in the same industry, are rarely identical. But they all tend to have the same elements, including an executive summary of the business and a detailed description of the business, its services and/or products. It also states how the business intends to achieve its goals.
The plan should include at least an overview of the industry of which the business will be a part, and how it will distinguish itself from its potential competitors.

Want Funding? You Need a Business Plan

Elements of a Business Plan

As mentioned above, no two business plans are the same. But they all have the same elements. Below are some of the common and most important parts of a business plan.

Executive summary: This section outlines the company and includes the mission statement along with any information about the company's leadership, employees, operations, and location.

Products and services: Here, the company can outline the products and services it will offer, and may also include pricing, product lifespan, and benefits to the consumer. Other factors that may go into this section include production and manufacturing processes, any patents the company may have, as well as proprietary technology. Any information about research and development (R&D) can also be included here.

Market analysis: A firm needs a good handle of the industry as well as its target market. It will outline the competition and how it factors in the industry, along with its strengths and weaknesses.

Marketing strategy: This area describes how the company will attract and keep its customer base and how it intends to reach the consumer. This means a clear distribution channel must be outlined.

Financial planning: In order to attract the party reading the business plan, the company should include any financial planning and/or projections. Financial statements, balance sheets, and other financial information may be included for already-established businesses. New businesses may include targets for the first few years of the business and any potential investors.

Budget: Any good company needs to have a budget in place. This includes costs related to staffing, development, manufacturing, marketing, and any other expenses related to the business.

Types of Business Plans

Business plans help companies identify their objectives and remain on track. They can help companies start and manage themselves, and to help grow after they're up and running. They also act as a means to get people to work with and invest in the business.

Although there are no right or wrong business plans, they can fall into two different categories—traditional or lean startup. According to the Small Business Administration, the traditional business plan is the most common. They are standard, with much more detail in each section. These tend to be much longer and require a lot more work.

Lean startup business plans, on the other hand, use a standard structure even though they aren't as common in the business world. These business plans are short—as short as one page—and have very little detail. If a company uses this kind of plan, they should expect to provide more detail if an investor or lender requests it.

KEY TAKEAWAYS

- A business plan is a written document describing how businesses—both new and established—plan to achieve their goals.
- Businesses may come up with a lengthier traditional business plan or a shorter lean startup business plan.
- Good business plans should include an executive summary, products and services, financial planning, marketing strategy and analysis, financial planning, and a budget.

Special Considerations

Financial Projections

A complete business plan must include a set of financial projections for the business. These forward-looking projected financial statements are often called pro-forma financial statements or simply the "pro-formas." They include the overall budget, current and projected financing, a market analysis, and its marketing strategy approach.

In a business plan, a business owner projects revenues and expenses for a certain period of time and describes the operational activity and costs related to the business.

Self-Check	Written Test

Instruction: give short answer for the following questions

1 explain the term business plan and the component

Answer Sheet

Score = ___________

Rating: ____________

Name: _________________________ Date: _______________

Short Answer Questions

1 A **business plan** is a document that summarizes the operational and financial objectives of a business and contains the detailed plans and budgets showing how the objectives are to be realized. It is the road map to the success of your business

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Instruction Sheet LG49: Identify personal business skills

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

- Identifying available financial and business skills
- Assessing of personal business skills and attributes
- Identifying and assessing business risks

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 –

- Identified available Financial and business skills and taken into account when business opportunities are researched.
- assessed Personal skills/attributes
- Identified business risks and assessed according to resources available and personal preferences.

Learning Instructions:

1. Read the specific objectives of this Learning Guide.
2. Follow the instructions described below.
3. Read the information written in the “Information Sheets”. Try to understand what are being discussed. Ask you teacher for assistance if you have hard time understanding them.
4. Accomplish the “Self-check” in page __.
5. Ask from your teacher the key to correction (key answers) or you can request your teacher to correct your work. (You are to get the key answer only after you finished answering the Self-check).

2.1. Financial and business skills

Before going deeper into business idea generation you need to test yourself as an entrepreneur in terms of your personal characteristics, situations and skills.To help you decide if you are the right kind of person to start a business, think about each of the following factors. Decide for each one of them if it is strength or a weakness for you in running your own business. Now, test yourself with the following:

Assessment of entrepreneurial characteristics (example)

Characteristics	**Strength**	**Weakness**
1. Skills:		
Practical abilities needed to produce the product, e.g. to start a wood work business you need to be able to measure, cut, nail parts together		
Business management skills: Marketing, costing, record keeping		
Knowledge of your line of business: Market, competitors, suppliers		
2. Personal characteristics and situation:		
Commitment: Willingness to put your business before almost everything else, willingness to work long hours in the business and willingness to risk your own money in the business		
Motivation: Are you keen enough to try your own business? Do you want to be your own boss? Do you want to have your own business not because you are unemployed?		
Taking risk: (i.e. readiness to take moderate risks that may not be avoided)		
Making decisions: (i.e. in your own business you are required to make important decisions yourself instead of passing them to someone else.)		
Family situation: (i.e. good if your family supports your business idea)		
3. Financial situation:		
Do you have personal funds to put into the business?		
Or are there other reliable sources?		

Total number of strengths and weaknesses (example)		

Are your strengths greater than your weaknesses?

The larger the number of strengths you have, the more you can feel comfortable to start your business. In case you have weaknesses with respect to the above entrepreneurial characteristics, be sure that there is room to eliminate or improve them. Do you feel comfortable about starting a business after considering your strengths and weaknesses? Yes:.......... No:..........If yes, start generating your business ideas as outlined below.

The next step in establishing a new business is to select at least five to ten business ideas through brainstorming. You identify your project ideas, which seem feasible and profitable from your individual point of view. Brainstorming helps you make a first selection of business ideas.

The second stage adds quality to the first stage by adjoining different parameters related to economic judgements (market, skills, technology/equipment, raw material, availability of solvent demand, situations of competitors). After the above-mentioned parameters are evaluated and rated, new business start-ups can go into a finer crosschecking of the key variables (Critical Success Factors) affecting the success or failure of the project idea.

Use the following parameters to come up with one best business idea. For easier decision making, it is possible to score each of the parameters as follows:

Example for selecting one best business idea

Business ideas	Availability of:						
	Demand	Staff	Tools	Raw material	Total	Com-petitors	Grand Total
	+	+	+	+	=	-	=
1st business idea	2	2	2	1	7	3	**4**
2nd business idea	5	4	3	5	17	3	**14**
3rd business idea	4	3	4	3	14	2	**12**

Scoring system: 5 - extremely high; 4 - high; 3 - average; 2 - fair; 1 - poor; 0 - absent.

Test your business idea with a SWOT analysis

You need to know whether the selected business idea is a competitive and profitable venture. One way to test a business idea is to do a SWOT analysis. A SWOT analysis is a technique to identify Strengths, Weaknesses, Opportunities and Threats of enterprises or projects whereby internal and external factors are considered. A SWOT technique can be applied to the functional areas of an enterprise as well as projects, products and services. For the purpose of starting a new business, the Strength, Weakness, Opportunity and Threat (SWOT analysis) deserve greater attention as it helps you evaluate or decide whether to start the business or not.

- For strengths and weaknesses you look inside your business and your personal situations possibly affecting the business venture;
- For opportunities and threats you look outside your business and try to assess situations outside of your influence but which you can make use of or possibly avoid.

Outcome of the SWOT analysis will enable you to:

- Continue with the selected business idea and make a full feasibility study;
- Make changes to the business idea or;
- Drop the business idea completely.

In order to check the feasibility of your envisaged business idea, you need to make a SWOT analysis in terms of:

- Availability of market;
- Availability of raw materials and other supplies;
- Availability of appropriate equipment/technology;
- Technical skills;
- Organisation and management;
- Financial capacity and availability of appropriate loan facilities;
- Other external factors.

Identify available finance

Finance is essential for a business's operation, development and expansion. Finance is the core limiting factor for most businesses and therefore it is crucial for businesses to manage their financial resources properly. Finance is available to a business from a variety of sources both internal and external. It is also crucial for businesses to choose the most appropriate source of finance for its several needs as different sources have its own benefits and costs. Sources of financed can be classified based on a number of factors. They can be classified as internal and external, Short-term and Long-term or Equity and Debt. It would be uncomplicated to classify the sources as internal and external.

Internal sources of finance: Internal sources of finance are the funds readily available within the organization. Internal sources of finance consists of:

- Personal savings
- Retained profits
- Working capital
- Sale of fixed assets

❖ **Personal savings**: This is the amount of personal money an owner, partner or share holder of a business has at his disposal to do whatever he wants. When a business seeks to borrow the personal money of a shareholder, partner or owner for a business's financial needs the source of finance is known as personal savings.

❖ **Retained profits**: Retained profits are the undistributed profits of a company. Not all the profits made by a company are distributed as dividends to its shareholders. The remainder of the profits after all payments is made for a trading year is known as retained profits. This remainder of finance is saved by the business as a back-up in times of financial needs and maybe used later for a company's development or expansion. Retained profits are a very valuable no-cost source of finance.

- **Working capital:** Working capital refers to the sum of money that a business uses for its daily activities. Working capital is the difference of current assets and current liabilities (i.e. Working capital = Current assets – Current liabilities). Proper working capital management is also vital as it is also a source of finance for a business.

Current assets: Current assets are also known as cash equivalents because they are easily convertible to cash. Current assets consist of Stock, Debtors, Prepayments, Bank and Cash. These assets are used up, sold or keep changing in the short run. Stock this refers to the stock of goods available to the business for sale at a given time. It is very important to maintain the right amount of stock of goods for a business. If stock levels are too high it means that too much of money is being held up in the form of stock and if stock levels are too low the business will lose possible opportunities of higher sales. Debtors – are a business's customers owing money to the business having been bought the business's goods or service on credit. If a business has cash flow problems it can maintain a low level of debtors' by encouraging the debtors to pay as early as possible.

Prepayments these are the expenses paid in advance. The payment being made even before the expense occurs is a prepayment. Bank and Cash Bank is the cash held in banks and cash is money held by the business in the form of cash. Having too much of money in the form of cash is also not good for a business since it can use that money to invest and earn a return but however a business should have healthy current ratio (current assets : current liabilities) of 2:1.

Current liabilities: Current liabilities are short-term debts that are in immediate need of settlement. Some examples of current liabilities are creditors, accruals, proposed dividends and tax owing. These obligations have to be paid within a year. Creditors – also known as trade creditors are suppliers from whom the business purchased goods on credit. Paying the creditors' as late as possible will ease cash flow requirements for a business. Accruals are the expenses owed by the business. Dividends proposed are the dividends payable for the year that is not yet paid. Tax owing is the sum of money owing as tax.

- **Sale of fixed assets**

Fixed assets are the assets a company that do not get consumed in the process of production. Some examples of fixed assets are land and building, machinery, vehicles, fixtures and fittings and equipment. Sometimes where the fixed asset is a surplus and is abandoned, it can be sold to raise finance in demanding times for the business. Otherwise businesses may choose to stop offering certain products and sell its fixed assets to raise finance. Selling fixed assets reduces the production capacity of a business affecting a business's return

External sources of finance

Sources of finance that are not internal sources of finance are external sources of finance. External sources of finance are from sources that are outside the business. External sources of finance can either be:

- Ownership capital or
- Non-ownership capital

a. **Ownership capital**

Ownership capital is the money invested in the business by the owners themselves. It can be the capital funding by owners and partners or it can also be share bought by the shareholders of a company. There are mainly two main types of shares. They are:

- Ordinary shares
- Preference shares

Ordinary shares

Ordinary shares also known as equity shares are a unit of investment in a company. Ordinary shareholders have the privilege of receiving a part of company profits via dividends which is based on the value of shares held by the shareholder and the profit made for the year by the company. They also have the right to vote at general meetings of the company. Companies can issue ordinary shares in order to raise finance for long-term financial needs.

Preference shares

Preference shares are another type of shares. Preference shareholders receive a fixed rate of dividends before the ordinary shareholders are paid. Preference shareholders do not have the right to vote at general meetings of the company. Preference shares are also an ownership capital source of finance. There are several types of preference shares. Some of them are Cumulative preference share, Redeemable preference share, Participating preference share and Convertible preference share. Cumulative preference shares – if a company is in a loss making situation and is unable to pay dividends for one year then the dividend for that year will be paid the next year along with next year's dividends. Redeemable preference shares – these preference shares can be bought back by the company at a later date. Normally the date of redemption is usually agreed. Participating preference shares – give the benefit of additional dividends to its shareholders above the fixed rate of dividends they receive. The additional dividend is usually paid in proportion to ordinary dividends declared. Convertible preference shares – convertible preference shareholders have the option of converting their preference shares to ordinary shares.

b. **Non-ownership capital**

Unlike ownership capital, non-ownership capital does not allow the lender to participate in profit-sharing or to influence how the business is run. The main obligations of non-ownership capital are to pay back the borrowed sum of money and interest. Different types of non-ownership capital:

- Debentures
- Bank overdraft
- Loan
- Hire-purchase
- Lease
- Grant
- Venture capital
- Factoring

- Invoice discounting

The financial costs of the different sources of finance

Personal savings: have low costs since they are provided by an owner, partner or shareholder. The owner may charge a rate of interest for the loan provided.

Retained profits: have opportunity cost, that is the money could have been used elsewhere for some other purpose. Otherwise there aren't any other costs for this source of finance.

Working capital: they do not have any costs other than opportunity cost.

Sale of assets: by selling fixed assets it uses then the firm's production capacity will diminish. If it sells unused or abandoned fixed assets then only the potential production capacity reduces. Sometimes firms will have to stop offering certain products or services in order to sell its asset and raise finance. The asset may cost much more than what it sold for if it wants to replace it.

Ordinary and Preference shares: dividends have to be paid out of profits to shareholders as a return for their investment in the business. There are administrative costs occurring from issuing shares like stock exchange listing fee, printing and distribution fee and advertising fee.

Debentures: have to be paid a fixed or floating interest depending on the type of debenture that is issued.

Bank overdraft: interest is a little higher than for bank loans and interest is calculated on a daily basis.

Loans: Interest is usually fixed for short term loans, and long-term loans usually have a variable rate of interest. Interest rates are lower than for bank overdrafts.

Hire-purchase: the business ends up paying more than the original value of the asset for its purchase.

Lease: the ownership of the asset remains with the leasing company even after the business pays more than 90% of the asset's value but however some leasing firms provide the option of purchase of the asset a nominal value.

Grants: are free and have no financial costs.

Venture capital: the venture capitalist will have some influence over the business and the business will have to share profits with the investor. The investor will want the capital back at a later date.

Factoring: Factors charge a rate of interest of about 1.5% to 3% of the invoice value as finance charges. Interest is calculated on a daily basis. Credit management and administrative fee are also charged and ranges from about 0.75% to 2.5% of turnover.

Invoice discounting: Invoice discounting also charges a rate of interest of about the same but its credit management and administrative charges are lower than a factors because only finance is provided and sales ledger is not maintained by an invoice discounting firm.

Advantages and Disadvantages of the different sources of finance

1. **Personal savings**

Advantages

- The owner would not want collateral to lend money to the business.
- There is no paperwork required.
- The money need not necessarily be paid back to the owner on time.
- Can be interest free or carry a lower rate of interest since the owner provides the loan.

Disadvantages

- Personal savings is not an option where very large amounts of funds are required.
- Since it is an informal agreement, if the owner demands the money back in a short notice it might cause cash flow problems for the business.

2. **Retained profits**

Advantages

- They need not be paid back since it is the organisation's own savings.
- There are no interest payments to be made on the usage of retained profits.
- The company's debt capital does not increase and thus gearing ratio is maintained.
- There are no costs raising the finance such as issuing costs for ordinary shares.

- The plans of what is to be done with the money need not be revealed to outsiders because they are not involved and therefore privacy can be maintained.

Disadvantages

- There may be opportunity costs involved.
- Retained profits are not available for starting up businesses or for those businesses that have been making losses for a long period.

3. **Working capital**

Advantages

- Since it is an internal source of finance there are no costs involved.
- No repayment is needed.
- External parties cannot influence business decisions.
- Will not increase debt capital of the firm so gearing ratio is maintained.

Disadvantages

- Opportunity costs are involved.
- Is not suitable for long term investments.
- Working capital cannot raise large amounts of funds.
- Total risk is undertaken by the company

Using working capital as a source of finance will affect the current ratio of the business

4. **Sale of assets**

Advantages

- Funds are again raised by the business itself and therefore need not be paid back.
- No interest payments are required.
- Large amounts of finance can be raised depending on the fixed asset sold.
- Would be the ideal source of finance if it was for an asset replacement.

Disadvantages

- If the asset is sold then the business would lose opportunities to generate income from it.

2.1Self-Check	**Written Test**

Instruction: give short answer for the following questions

1 identify available of finance source

2 explain the term SWAT analysis

Answer Sheet

Score = ___________
Rating: ____________

Name: _________________________ Date: _______________

Short Answer Questions

1 Finance is essential for a business's operation, development and expansion. Finance is the core limiting factor for most businesses and therefore it is crucial for businesses to manage their financial resources properly. Finance is available to a business from a variety of sources both internal and external

2 You need to know whether the selected business idea is a competitive and profitable venture. One way to test a business idea is to do a SWOT analysis. A SWOT analysis is a technique to identify Strengths, Weaknesses, Opportunities and Threats of enterprises or projects whereby internal and external factors are considered. A SWOT technique can be applied to the functional areas of an enterprise as well as projects, products and services

2.2Personal skills/attributes (Assessing of personal business skills and attributes)

It is important to note that all successful entrepreneurs demonstrate persistence and commitment. The ability to stick to your dream, to adapt to ever changing market conditions, and to follow through with obligations is the most important attribute an entrepreneur can achieve:

Skills you need for business

While you probably don't need all of Branson's skills to succeed in business, you do need some of them. They fall into three bundles:

- business skills
- leadership skills

System skills

Management Skills:

Management skills cover a wide array of abilities such as organizational skills, computer skills in some instances, and the skills required for the business started. Management skills and computer technology are changing rapidly; the Internet has changed the way business does business. This changing business environment requires the entrepreneur to constantly learn and apply new skills if they wish to remain competitive. What implication does this mean to the potential entrepreneur?

Continuous learning, life long learning is a motto for success. Attend seminars, workshops, business conferences, join local business groups and keep up to date with changes within the entrepreneurs chosen business field. It is important to never cease educational opportunities in the area of expertise required for that particular business venture.

Financial Abilities:

Financial abilities are essential for today's entrepreneur. Although entrepreneurs hire accountants and bookkeepers to keep track of their business interests, the entrepreneur must have a strong understanding of financial/accounting principles and practices. Financial abilities may include accounting skills, organizational and administrative skills, an understanding of tax laws, and provincial/federal regulations. This seems like a lot for the small businessperson to learn, that is because it is a lot to learn. Education is the key to developing the financial abilities necessary to own and operate a business efficiently and effectively. Numerous educational institutions including secondary institutions offer courses that will enhance the potential entrepreneur's financial abilities and in turn increase their likelihood of success.

Marketing Skills:

An entrepreneur may have the best product or service but if they cannot attract customers they are doomed to failure. Marketing skills allows the entrepreneur to communicate and inform potential customers of their products or services. Effective marketing encompasses one -on-one communication skills and the ability to define and target your market or customer.

Defining and targeting your customer is one of the key success factors for business success, yet it is one of the areas most neglected by the entrepreneur. Once the market has been defined, communicating information to customer becomes the focus of marketing. This is not to suggest that this endeavor is a one -time occurrence for the entrepreneur, defining and re-defining the target market must be an on-going exercise for the business owner.

If education seems like a reoccurring theme in this guide, you are correct. Numerous organizations, government agencies, and educational institutions offer marketing courses for the beginner or expert and should be taken advantage of, especially for the neophyte entrepreneur

Personal Skills:

A positive attitude and healthy self -esteem are necessary qualities for the businessperson.

These qualities assist the entrepreneur in keeping motivated, organized, and better prepared to deal with the stresses of business ownership. In addition, personal skills are required when dealing with customers, suppliers, government personnel, and others who may become involved with the business venture.

Communication Skills:

Communication skills are essential for today's entrepreneur or employee. This includes both written and verbal communication skills. The businessperson of today may communicate with lawyers, accountants, bank managers, employees, government officials and customers in a single day. Being able to communicate your message or information clearly, orally or written, is essential for success.

The ability to communicate effectively with various audiences in a variety of forms is a skill few people possess naturally. Fortunately, there are a variety of courses and associations that may help sharpen communication skills. Toastmasters have been effectively "teaching" people how to get your message across professionally. Educational institutions offer a variety of courses, seminars, and workshops designed to improve written communication skills.

The 15 Most Important Business Skills

A list of the fifteen most important skills a business person can have.

1. Hunger for new knowledge
2. Problem solving skills
3. Creativity, imagination and inventiveness
4. Networking skills (upward networking, leveraging)
5. Ability to get others to work for you (delegation)
6. Efficient time management abilities
7. Efficient resource management
8. Strategical analysis - where to focus
9. Ability to make tough decisions

10. Written and oral communication
11. Passion, energy and excitement
12. Ability to listen to other people's ideas
13. Know your audience and treat them well
14. Organization of documents, information and resources
15. Ability to set example with actions.

2.1Self-Check	**Written Test**

Instruction: give short answer for the following questions

1 A list of the fifteen most important skills a business person can have

Answer Sheet

Score = ___________
Rating: ____________

Name: _________________________ Date: _______________

Short Answer Questions

A list of the fifteen most important skills a business person can have.

16. Hunger for new knowledge
17. Problem solving skills
18. Creativity, imagination and inventiveness
19. Networking skills (upward networking, leveraging)
20. Ability to get others to work for you (delegation)
21. Efficient time management abilities

2.3. Business risks (Identifying and assessing business risks)

Defining risk assessment

Risk assessment is a systematic process for identifying and evaluating events (i.e., possible risks and opportunities) that could affect the achievement of objectives, positively or negatively. Such events can be identified in the external environment (e.g., economic trends, regulatory landscape, and competition) and within an organization's internal environment (e.g., people, process, and infrastructure). When these events intersect with an organization's objectives—or can be predicted to do so—they become risks. Risk is therefore defined as "the possibility that an event will occur and adversely affect the achievement of objectives."

A process for capturing and analyzing risks

Understanding both the nature of the organization's objectives and the types of possible risks under consideration is key to determining the scope of the risk assessment. Objectives may be broad (e.g., considering organization-wide strategic, operational, compliance, and reporting requirements) or more narrow (e.g., relating to a product, process, or function such as supply chain, new product sales, or regulatory compliance). Likewise, possible risks may span many categories (e.g., market, credit, product, liquidity, and accounting when considering credit crisis implications) or only a few if the discussion is more narrowly focused (e.g., supplier risk). Finally, the scope may be enterprise-wide or limited to a business unit or a particular geographical area.

Once the scope is defined, those possible risks deemed likely to occur are rated in terms of impact (or severity) and likelihood (or probability), both on an inherent basis and a residual basis. The results can be compiled to provide a "heat map" (or risk profile) that can be viewed in relation to an entity's willingness to take on such risks. This enables the entity to develop response strategies and allocate its resources appropriately. Risk management discipline then ensures that risk assessments become an ongoing process, in which objectives, risks, risk response measures, and controls are regularly re-evaluated. The risk assessment process therefore represents the cornerstone of an effective ERM program.

Risk assessment can therefore be conducted at various levels of the organization. The objectives and events under consideration determine the scope of the risk assessment to be undertaken. Examples of frequently performed risk assessments include:

- **Strategic risk assessment**. Evaluation of risks relating to the organization's mission and strategic objectives, typically performed by senior management teams in strategic planning meetings, with varying degrees of formality.
- **Operational risk assessment**. Evaluation of the risk of loss (including risks to financial performance and condition) resulting from inadequate or failed internal processes, people, and systems, or from external events.
- **Compliance risk assessment.** Evaluation of risk factors relative to the organization's compliance obligations, considering laws and regulations, policies and procedures, ethics and business conduct standards, and

contracts, as well as strategic voluntary standards and best practices to which the organization has committed. This type of assessment is typically performed by the compliance function with input from business areas.

- **Internal audit risk assessment.** Evaluation of risks related to the value drivers of the organization, covering strategic, financial, operational, and compliance objectives.
- **Financial statement risk assessment**. Evaluation of risks related to a material misstatement of the organization's financial statements through input from various parties such as the controller, internal audit, and operations.
- **Fraud risk assessment.** Evaluation of potential instances of fraud that could impact the organization's ethics and compliance standard, business practice requirements, financial reporting integrity, and other objectives.
- **Market risk assessment.** Evaluation of market movements that could affect the organization's performance or risk exposure, considering interest rate risk, currency risk, option risk, and commodity risk. This is typically performed by market risk specialists.
- **Credit risk assessment**. Evaluation of the potential that a borrower or counterparty will fail to meet its obligations in accordance with agreed terms.
- **Customer risk assessment**. Evaluation of the risk profi le of customers that could potentially impact the organization's reputation and fi nancial position.
- **Supply chain risk assessment**. Evaluation of the risks associated with identifying the inputs and logistics needed to support the creation of products and services, including selection and management of suppliers (e.g., up-front due diligence to qualify the supplier, and ongoing quality assurance reviews to assess any changes that could impact the achievement of the organization's.
- **Product risk assessment**. Evaluation of the risk factors associated with an organization's product, from design and development through manufacturing, distribution, use, and disposal.
- **Security risk assessment**. Evaluation of potential breaches in an organization's physical assets and information protection and security. This considers infrastructure, applications, operations, and people, and is typically performed by an organization's information security function.
- **Information technology risk assessment**. Evaluation of potential for technology system failures and the organization's return on information technology investments.

  This assessment would consider such factors as processing capacity, access control, data protection, and cyber crime.
- **Project risk assessment.** Evaluation of the risk factors associated with the delivery or implementation of a project, considering stakeholders, dependencies, timelines, cost, and other key considerations. This is typically performed by project management teams.

Key principles for effective and efficient risk assessments

For risk assessments to yield meaningful results with minimal burden to the organization, the following key principles should be considered.

1. Governance over the risk assessment process must be clearly established.

Oversight and accountability for the risk assessment process is critical to ensure that the necessary commitment and resources are secured; the risk assessment occurs at the right level in the organization, the full range of relevant risks is considered, these risks are evaluated through a rigorous and ongoing process, and requisite actions are taken, as appropriate.

2. Risk assessment begins and ends with specific objectives. Risks are identified and measured in relation to an organization's objectives or, more specifically, to the objectives in scope for the risk assessment. Defining objectives that are specific and measurable at various levels of the organization is crucial to a successful risk assessment. Evaluating the risks relative to such objectives facilitates the reallocation of resources as necessary to manage these risks and best achieve stated objectives.

3. Risk rating scales are defined in relation to organizations' objectives in scope. Risks are typically measured in terms of impact and likelihood of occurrence. Impact scales of risk should mirror the units of measure used for organizational objectives, which may reflect different types of impact such as financial, people, and/or reputation. Similarly, the time horizon used to assess the likelihood of risks should be consistent with the time horizons related to objectives.

4. Management forms a portfolio view of risks to support decision making.

While risks are rated individually in relation to the objectives they impact, it is also important to bring risks together in a portfolio view that pinpoints interrelationships between risks across the organization. Correlations may exist, in which an increased exposure to one risk may cause a decrease or increase in another. Concentrations of risks may also be identified through this view. The portfolio view helps organizations understand the effect of a single event and determine where to deploy systematic responses to risks, such as the establishment of minimum standards.

Leading indicators are used to provide insight into potential risks.

Risk reports are most meaningful and relevant when they draw out not only past events but also forward-looking analysis

Essential steps for performing a risk assessment

1. Identify relevant business objectives.

It is important to begin by understanding the relevant business objectives in scope for the risk assessment. These will provide a basis for subsequently identifying potential risks that could affect the achievement of objectives, and ensure the resulting risk assessment and management plan is relevant to the critical objectives of the organization.

2. Identify events that could affect the achievement of objectives.

Based on the organization's objectives, the designated owners of the risk assessment should develop a preliminary inventory of events that could impact the achievement of the organization's objectives. "Events" refers to prior and potential incidents occurring within or outside the organization that can have an effect, either positive or negative, upon the achievement of the organization's stated objectives or the implementation of its strategy and objectives.

3. Determine risk tolerance.

Risk tolerance is the acceptable level of variation relative to the achievement of a specific objective, and should be weighed using the same unit of measure applied to the related objective.

4. Assess inherent likelihood and impact of risks.

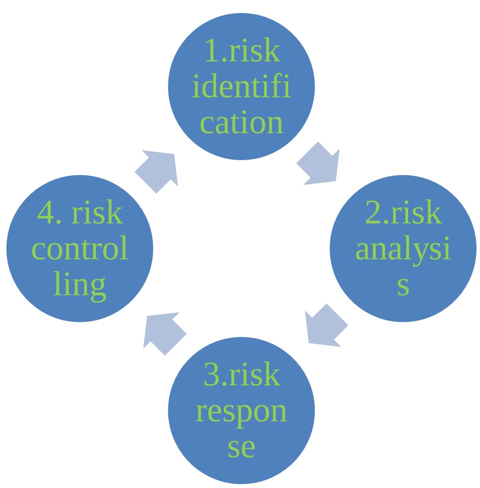
Events identified as potentially impeding the achievement of objectives are deemed to be risks and should be evaluated based on the likelihood of occurrence and the significance of their impact on the objectives.

5. Evaluate the portfolio of risks and determine risk responses.

Based on the defined risk tolerance and inherent risk assessment, management can determine how to address the identified risks. All organizations need totake on a certain level of risk when conducting business in order to generate returns for their stakeholders. **6. Assess residual likelihood and impact of risks.**

Residual risk assessment considers both the risks as previously identified and the related risk response mechanisms and control activities in place to determine the impact and probability of their occurrence.

Risk management process



Common challenges to effective risk assessment

While risk assessment provides the means to identify and address potential risk factors, failure to perform assessments effectively can lead to missed opportunities, both to avoid and capitalize on risk events. Common business challenges include the following.

- **Risk assessment is viewed as an episodic initiative providing limited value.**

The owner of a risk assessment must clearly communicate its purpose, process, and expected benefits. The right parties must be engaged to ensure relevant input, informed assessment, and meaningful and actionable results. Moreover, the assessment must be a repeatable process that integrates into regular business practices, adapts to change, and delivers more than one-time value.

- **The amount of information and data gathered is difficult to interpret and use.**

Failure to effectively organize and manage the volume and quality of assessment data makes interpreting that data a challenge. Tools, templates, and guidance are necessary to ensure consistency in data capture, assessment, and reporting.

- **Results of the risk assessment are not acted upon.**

Lack of clarity and accountability around objectives frequently leads to a failure to follow through on assessment findings. It is therefore important that the risk assessment process begins by clearly articulating objectives, designating their ownership, and linking them to the risks being assessed.

- **Overcontrolling risk can be costly and stifl e innovation.**

An organization is responsible for ensuring that its controls are designed and operating effectively, focusing on key controls to the extent possible. It must also determine how much risk is acceptable and how much variability it can tolerate. It must prioritize risk responses based on a cost/benefit analysis and availability of resources. Lack of an effective risk assessment process and defined risk tolerance could result in an organization over controlling a risk, which could place an excessive cost burden on the organization and/or stifle its ability to seize opportunities.

- **Risk assessments become stale, providing the same results every time.**

Without refreshing their data capture, process, and reporting from time to time, risk assessments may lose relevance.

- **Risk assessment is added onto day-to-day responsibilities without being integrated into business processes.**

While tools and templates are helpful to ensure consistency in data capture, assessment, and reporting, it is important that the risk assessment process be anchored and integrated into existing business processes.

- **Too many different risk assessments are performed across the organization.**

A shared approach should be defined for performing risk assessments, using common tools or templates, common data sets (e.g., risk categories, libraries of risks and controls, rating scales), and flexible hierarchies to enable streamlined data capture, an integrated assessment process, and flexible reporting. This enables a reduction in the number of risk assessments requested of the business or functional units and an increased ability to rely on integrated processes while still meeting the risk requirements of the various stakeholders. In order to develop these integrated processes, an organization should inventory its current risk assessment processes and then share best practices and identify overlaps and gaps.

- **Risk assessment will not prevent the next big failure.**

As risk assessment provides a means for facilitating the discussion around key risks and potential control failures, it helps reduce the risk of breakdowns, unanticipated losses, and other significant failures.

- **Putting key principles to work.**

Customers, regulators, rating agencies, investors, and other stakeholders expect organizations to manage risk effectively, with a robust risk assessment process serving as a cornerstone to their risk management programs. The challenges listed above can impact organizations through business disruption, missed opportunities, financial penalties, or damage to reputation and brand value—but the key principles and essential steps laid out earlier in this section can help organizations avoid these challenges.

Risk assessment: benefits and opportunities

The risk assessment process forms the cornerstone of an effective ERM program. When assessments are performed systematically and consistently throughout the organization, management is empowered to focus its attention on the most significant risks and make more informed risk decisions. For example, organizations gain the ability to prioritize the deployment of capital and measurement of relative performance across various objectives or entities, potentially reducing the occurrence and significance of negative events, and their associated losses. Through effective risk assessment, organizations can also better coordinate multiple risk responses, effectively addressing risks that threaten multiple business areas or functions.

Most importantly, an effective risk assessment yields forward-looking insight, not only allowing organizations to avoid risks, but providing greater and more meaningful clarity around the risks they do face. Armed with this insight and perspective, organizations are much better positioned to take the right risks, and can better manage them when they do. In the long run, organizations that continuously reposition themselves to capitalize on both quick wins and longer term opportunities are more likely to meet and surpass their business objectives. It is this capability that will lead to measurable, lasting success in today's ever changing business environment.

Self check exercise	Written test

Instruction: give short answer for the following questions.

1. Define risk assessment

Score = ____________

Rating: _____________

Answer Sheet

Name: ____________________________ Date: ________________

Part one: Short Answer Questions

1. Risk assessment is a systematic process for identifying and evaluating events (i.e., possible risks and opportunities) that could affect the achievement of objectives, positively or negatively. Such events can be identified in the external environment (e.g., economic trends, regulatory landscape, and competition) and within an organization's internal environment (e.g., people, process, and infrastructure). ____
   ____
   ____
2. ____
   ____
   ____
3. ____
   ____
   ____
   ____
4. ____
   ____
   ____

Instruction Sheet	LG50: Plan for establishment of business operation

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

- Determining and documenting business structure and operation
- Develop and document business procedure
- Securing of financial backing
- Identifying and compiling Business legal and regulatory requirements.
- Human and physical resources and business operation commencement
- Developing and implementing recruitment strategies

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 –.

- Procedures are developed and documented to guide operations.
- Financial backing is secured for business operation.
- Business legal and regulatory requirements are identified and complied.
- Human and physical resources required are determined to commence business operation.
- Recruitment strategies are developed and implemented

Learning Instructions:

1. Read the specific objectives of this Learning Guide.
2. Follow the instructions described below.
3. Read the information written in the "Information Sheet". Try to understand what are being discussed. Ask you teacher for assistance if you have hard time understanding them.
4. Accomplish the "Self-check" in page __.
5. Ask from your teacher the key to correction (key answers) or you can request your teacher to correct your work. (You are to get the key answer only after you finished answering the Self-check).

Introduction

It is important to select an appropriate business structure to meet the needs of the business and the owner. Making the wrong decision can result in personal debt, liability, additional taxes, loss of public benefits, additional operating costs, and high tax preparation fees. Determining the share of ownership and making a good decision on the business structure can avoid many future problems.

3.1Business structure and operations

How to Determine the Best Organizational Structure

Determining the organizational hierarchy that best suits your company includes analyzing how your business operates. Use the output of your analysis to design your organizational structure. Enable your employees to accomplish their work most effectively. Small companies tend to require less structure than larger ones. So, make your decisions based your company size and task complexity. If you choose a formal structure, all people doing similar jobs tend to be in the same department. For example, all accountants should report to the Accounting Department. Less formal organizations do not use many controls and form an organizational structure based upon more flexible organization.

Instructions

1. Identify and document operational work procedures for your business.
2. Gather information about company job titles, descriptions and working relationships. Simple job descriptions and limited interaction between job roles typically results in a vertically oriented organizational structure with top-down management decision making. More complex job descriptions and a lot of interaction between employees in producing products and services typically result in organizations structured in a horizontal fashion, with few managers and more collaboration between workers.
3. Analyze your work procedures to determine the optimal work flow. Decide how to group your functions. Traditionally, forming separate departments (such as sales, marketing, human resources and accounting) that function fairly independently works well for larger companies in

stable industries. If your business environment changes rapidly, choosing a more flexible adaptive structure typically makes more sense.

4. Analyze your work procedures to determine if there are any geographic, products, customer or market considerations for structuring your company.

5. Examine your work procedures to determine if a matrix structure (in which specialized staff divides their time between different functions) makes the best use of your available resources. Reporting to two different managers can lead to employee confusion but it also can foster innovation and creativity by providing guidance from more than one leader.

6. Establish strategic business units to facilitate the development of new programs, products and services as your company becomes larger.

7. Set a time frame for implementing the organizational structure and assess its value on an ongoing basis to fine tune your hierarchy and processes.

a) business structure

Organizers of new businesses need to structure their businesses in a way that best meets their individual and collective needs. Structure has many facets including organizational, operational, marketing, financial and legal. The focus here is on legal business structure. However, this decision depends heavily on the choice of organizational, operational, marketing, and financial strategy and structure.The principal forms of business organization discussed here are as follows:

1. Sole proprietorship (SP),
2. General partnership (GP),
3. Limited partnership (LP),
4. Limited liability partnership (LLP),
5. C corporation (CC),
6. S corporation (SC),
7. Limited liability company (LLC) and
8. Cooperative corporations (co-op).

Simply defined, a SP is a business owned and controlled by a single person. A GP is an association of two or more people to carry on a business for profit. A LP is an association of two or more people with at least one general partner and at least one limited partner conducting business for the mutual benefit of the owners. LLPs are modifications of existing partnership laws that limit personal exposure of some partners in a firm. A CC is a legally formed business authorized to act with the rights and liabilities of a person independent of the shareholders. A SC is a special type of corporation, similar to a CC that has met certain requirements set by the Internal Revenue Service (IRS) and has made an election allowing the corporation to be taxed as a partnership. A LLC, a relatively new business form, has the pass-through tax advantages of a partnership and the Limited liability of a corporation. A co-op is similar to a CC, except it is user-owned, user-controlled, and user-financed and has the pass through tax advantages of a partnership. No one form of business organization is suited for all different business situations. Your goal should be to select the legal form that best meets the needs of the business and its owners.

Choosing a business form is one of the most important decisions a business makes. A business should evaluate the options available and choose the form that best meets its needs. Although this process may be time consuming and have associated costs, it is one of the best investments a business can make. Keep in mind that the business form selected is not cast in stone. Changes may occur that make it appropriate to change the way your business is structured. Internal changes, such as a joint venture or acquiring another company, may provide a reason to change your business structure. External changes, such as legal or tax developments, May also influence your business structure however, it can be very costly to change your business form, primarily because of tax consequences. This possibility needs to be considered when you organize a new business.

There are basically five types of business structure:

1. ***Sole Proprietor***– The easiest way to form a business is as a sole proprietor. The business owner and the business are essentially the same. A sole proprietor does not even need a federal employer ID number, but can do business under the individual owner's Social security number. The disadvantage to this structure is that the owner is personally liable for the business. If the business is sued, it is the owner that is liable. If things don't go well and the business goes bankrupt, it is a personal bankruptcy.

2. ***Partnership*** – Partnerships are used when more than one person is involved in the ownership of the business. The partners share in income and expenses based on their percentage of ownership share in the partnership..
3. ***Sub S Corporation***– A Sub S Corporation is treated like a partnership for taxes, but creates a separate legal entity. It can protect the owner personally from suit or bankruptcy. The ownership is in the form of shares, so ownership can be transferred more easily.
4. ***C Corporation***– A C Corporation is a standard corporation and most large businesses use this structure. C Corporations provide good liability protection for the owner(s); however a C Corporation is seen as a separate entity and is taxed as such.
5. ***Limited Liability Company (LLC, PLLC)*** – An LLC is the newest form of business ownership. It is a registered unincorporated entity. It gives the same legal protection as a corporation, but without as much of the reporting and taxing requirements. Legal protection for the owners is only effective if there is no mixing of personal and corporate money and assets. An LLC can be set up to function like a sole proprietorship, partnership or Sub S Corporation.

Finally, when identifying the detailed programming structure and operational sequence, the designer should keep in mind to design for fast transaction and response times, small transfer volumes and a small size of the application including fixed application and business data.

Factors of selection

There are six key factors organizers of a new business should consider when selecting a legal business structure. They are:

1. Liability obligation of the individual owners,
2. Income tax obligation of the business and its individual owners,
3. legal filing formalities,
4. Financing and liquidity of equity investments,
5. Management flexibility and
6. Life of the business.

It is important to evaluate these factors to determine which structure is best for a business.

The Importance of an Organizational Structure

The importance of an organizational structure involves assisting business owners, CEOs, and entrepreneurs to conceptualize, visualize, and construct a hierarchical system to be implemented into their organization. For example, the building blocks of an organizational structure include: a chain of command, span of control, departmentalization, distribution of authority, and organization height.

Chain of Command

An organizational structure involves a chain of command which determines and defines: job positions, who makes the decisions, and who's accountable for various duties.

Span of Control

Span of control determines and quantifies the actual amount of employees a manager supervises.

Departmentalization

Departments within an organization structure are sections of the structure divided into functional divisions (such as the Sales Department) relevant to specific tasks. Determining what activities, tasks, and talents are to be grouped to best achieve an origination's objective is called the departmentalization process.

Distribution of Authority

Distribution of authority determines if decision-making authority is concentrated among a few high-level figures commonly seen in bureaucratic organizations or is the authority shared and distributed throughout a variety of departments working closet to the their corresponding tasks.

Organization Height

Organization height defines how many departments, divisions, and layers there are between the highest levels and the lowest levels of an organization.

b) Business operation

The business operations job function (sometimes called “line management”) is responsible for key business processes such as manufacturing, supply chain, or procurement. This role is central to the successful design, production, and delivery of a company’s products or services. Specific responsibilities differ by industry, according to the type of product or service the company is in business to produce or deliver. But the common thread is that it’s the job of business operations to *optimize* assets under *financial* constraints, meeting *customer* requirements, and supported by relevant *technology*. Applying technology innovation is critical to achieving optimization across a range of line-management functions.

The business operations function is complementary to other major functional roles of an organization, including financial, customer management (marketing and customer service), and technology management.

Business Operations Roles include:

- **Supply chain operations:** Sales and operations personnel must optimize product production, balancing capacity and inventory levels in response to fluctuations in customer demand, measuring results using a metrics framework. Reducing the margin of forecast error reduces inventory costs, resulting in cost containment.
- **Procurement:** Here you use spend analysis (and potentially crowd-sourcing and social analytics) to evaluate the performance of suppliers for specific products. This enables targeting the right spend categories in order to yield savings**.**
- **Manufacturing** (or Product Development) is another role example.

Self check exercise 3.1	Written test

Instruction: give short answer for the following questions.

1 The importance of an organizational structure involves assisting business owners

Score = ___________

Rating: ____________

Answer Sheet

1 The importance of an organizational structure involves assisting business owners, CEOs, and entrepreneurs to conceptualize, visualize, and construct a hierarchical system to be implemented into their organization. For example, the building blocks of an organizational structure include: a chain of command, span of control, departmentalization, distribution of authority, and organization height.

Name: __________________________ Date: _______________

Part one: Short Answer Questions

3.2 **Procedures to guide operations(Develop and document business procedure)**

All businesses have documents, whether electronic or on paper. These documents are also considered assets to the company. From these documents, reports are made and analyzed and will influence important business decisions. Since there are two types of documents to be managed, a document management plan should be developed to effectively organize them.

Developing a document management plan basically involves the following steps:

1. **Imposing standards in creating documents.** Businesses have different documents that keep piling up every single workday. Examples of these are sales invoices, payment notices, receipts,

balance sheets, spreadsheets, and sales reports. For these documents to be highly organized there should be an existing format or standard in creating them. Decide upon the format or template to be used in each document. Create a standard procedure on sharing or reviewing the documents. Finally, make sure that everyone involved in producing business documents are oriented in the standards that you have imposed.

2. **Decide on a document storage procedure.** Paper documents have a greater chance of damage, and it would be best to do document scanning and document imaging to also have an electronic copy of these documents. Now that you also have electronic copies of your paper documents, you can decide on the physical aspect of document storage. Paper documents can be stored in filing cabinets, while electronic documents can be stored on a computer or a computer server. Either way, what is important is that you have a predetermined way of effectively filing and retrieving your documents. Lots of money and opportunities will be lost when needed documents are hard to find, mind you. Next, decide on a procedure on how you will archive your business documents. For example, at the end of the year, you can compile all kinds of documents in just one big folder or binder and label it with the year it was created. For electronic documents, you may just create a folder in your computer labeled with the year and move all electronic documents there categorized by type.

3.**Create a file retrieval system.** Once again, know that time and money may be lost when staffs find it hard to retrieve a file. A good document retrieval system will be achieved if the document storage procedure you have developed is effective. Another way to prevent problems in document retrieval is to create a file location list. This is a list that is printed and posted at every workstation in the company. Specify both the drive and folder in the computer or the filing cabinet where a specific document can be found.

4. **Think of ways of keeping your documents secure.** This would mean installing security systems in your establishment and securing all possible points of entry. Set a schedule for periodic backing-up of files, and designate a drive where the back-up files will be stored. Do not store your back-up files in the same hard-drive where the original electronic files are stored.

Develop a sound business purpose

Determining what values you have in common and what is really important to the people in the business is not something to be rushed thought and reflection are needed to gain agreement. Allow whatever time is needed to develop a sense of trust, ownership, commitment and unity. You can then discover what people really want. To help develop a common sense of purpose:

- Work out who needs to be involved. It is recommended that all family members have a chance to contribute to the discussion. Many businesses also involve employees in this step.
- Start with each person working individually on their values and goals. Then share and discuss these to develop a combined 'values and goals statement' for the business.
- Write down the agreed-upon values and goals as a statement of business intent. Display this in a prominent location.
- Review the statement regularly. Allow values and goals to evolve over time. You will gain ownership, commitment and unity.
- Use values and goals to shape decisions. In this way the business will remain focused on what people really want.

Using this process with family and business members will assist greatly with finding and maintaining a balance between work and family time.

Self check exercise3.2	Written test

Instruction: give short answer for the following questions.

1 explain business document

Answer Sheet

Score = ___________
Rating: ____________

All businesses have documents, whether electronic or on paper. These documents are also considered assets to the company. From these documents, reports are made and analyzed and will influence important business decisions. Since there are two types of documents to be managed, a document management plan should be developed to effectively organize them.

3,3 Obtaining finance

Financing is an issue for almost every business. For large businesses with a corporate structure, financing is usually easier. The main types of financing are debt and equity.

- ✓ How much do you need to start and where will it come from? Some of the more common forms of personal financial resources are:
    - Saving
    - Home equity
    - Owner cash
    - Credit
    - Retirements plan
    - Borrowing bank
- ✓ Grants: If you sreaching for aGovernment grant or no intrest loan to start abusiness,
- ✓ Loans: Lenders expects you to have “skin in the game” and be able to put up 20-30 %of the total start up cost either as cash or equity investment.
- ✓ Character: Lenders are looking for reliable borrowers who have demonstrated responsibility and have ahigh credit score.
- ✓ Collateral: Bank or any collateral agreement.

Self check exercise3,3	Written test

Instruction: give short answer for the following questions.

1 explain personal financial resources

Answer

- ✓ 1 personal financial resources are:
    - Saving
    - Home equity
    - Owner cash
    - Credit
    - Retirements plan
    - Borrowing bank

Score = ___________

Rating: ____________

3.4 Business legal and regulatory requirements

Identifying and compiling Business legal and regulatory requirements.

The introduction of competition in the marketplace does not mean regulation is unnecessary. Quite the contrary, the role of the regulator actually increases once governments authorize competition, particularly during the early stages of transition from the former model of monopoly provision to one of effective competition. In order to transition to an effective competitive environment, regulators must establish a regulatory framework that can resolve disputes, address anticompetitive abuses, protect consumers, and attain national goals such as universal access; industrial competitiveness or economic productivity and growth regulation is not an end in itself. Rather it is the vehicle to attain, and subsequently sustain, widespread access, effective competition and consumer protection. The liberalization and introduction of competition in the market requires strategic policies and regulations that establish an effective regulator remove explicit barriers to entry (e.g., the in ability to interconnect with the incumbent operator), and dismantle implicit barriers. As such, regulatory reform must include measures aimed at:

1. Creating independent entities to oversee the introduction of competition in the market and establish regulatory mechanisms for issues such as interconnection, licensing, and tariff rebalancing,
2. Preparing the incumbent operator to face competition, including timetables setting deadlines for the termination of market exclusivities,
3. Allocating and managing scarce resources such as numbers and spectrum resources in a non-discriminatory way within the liberalized market,
4. Promoting and protecting consumer interests, including universal service and privacy.

An organization may choose to implement an environmental management system (EMS) for a variety of reasons; for example to:

- manage legal compliance;
- demonstrate environmental commitment and achieve environmental improvements;
- satisfy customer expectations;
- reduce risks with regard to the environment; and
- Improve commercial performance and enhance reputation.

From the regulators' point of view the first of these reasons is the most important and a well implemented EMS can be appreciably useful to an organisation in managing compliance. However, the same system can also offer benefits to the regulator in terms of assessing and evaluating compliance. Regulators expect organisations to take responsibility for the environmental impacts of their activities, products and services. They consider management and maintenance of legal compliance to be a fundamental deliverable for an EMS. Compliance with legal requirements regarding environmental protection should result in appropriate environmental control measures and better environmental performance.

Types of legislation

International treaties and agreements

International treaties may or may not be binding legal requirements on signatories. Usually national governments; where the UK is a signatory to a treaty, there may be an international dimension to European and national legislation. This may not be apparent at organisation, operator and site level although one would expect organisations operating across national boundaries to be aware of international obligations. Examples of international treaties are:

- The United Nations Framework Convention on Climate Change and the subsequent Kyoto Protocol (UNFCC, 2004);
- The Rio Convention on Biological Diversity (UN, 1992); and
- The United Nations Convention on Long-Range Transboundary Air Pollution (UN, 1979) and the subsequent Convention on Long-Range Transboundary Air Pollution on Further Reduction of Sulphur Emissions (UN, 1994).

At local level Ethiopian Constitution 1994 and Ethiopian environmental protection policy 1997 are the major one.

Identifying applicable legislation

The first step in managing compliance with environmental legal requirements is to know which requirements are applicable to an organisation's activities, products and services. Various sources of information are used by organisations to identify and assess environmental legal requirements.

Self check exercise 3.4	**Written test**

Instruction: give short answer for the following questions

1. List the principal forms of business organization

Answer Sheet

Score = ___________

Rating: ____________

Name: ________________________ Date: ______________

Part one: Short Answer Questions

1.____

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2.____

3.5 Human and physical resources and business operation

Organizing, the process of structuring human and physical resources in order to accomplish organizational objectives, involves dividing tasks into jobs, specifying the appropriate department for each job, determining the optimum number of jobs in each department, and delegating authority within and among departments. One of the most critical challenges facing lodging managers today is the development of a responsive organizational structure that is committed to quality.

1. The framework of jobs and departments that make up any organization must be directed toward achieving the organization's objectives. In other words, the structure of a lodging business must be consistent with its strategy.
2. Managers give structure to a hotel and lodging through job specialization, organization, and establishment of patterns of authority and span of control.

The **human resources department** serves no customers, books no business, and prepares no meals, yet it plays a vital role in Ms efficient operation. The three functions of the human resources department are employee recruitment, benefits administration, and training. The director of human resources is also expected to be an expert on federal and state labor laws and to advise managers in other departments on these topics. The human resources department's major challenge is in its interactions with other M departments.

Although the human resources department recruits, interviews, and screens prospective employees, the final hiring decision rests within the department in which the potential employee will be working.

The same is true of promotion and disciplinary decisions; the human resources department's input is, in most cases, limited to advice and interpretation of legal questions. The human resources department's effectiveness depends on its manager's ability to form effective working relationships with managers of other departments.

Self chech exercise 3.5	Written test

Instruction: give short answer for the following questions

1 explain human resources department

Score = ___________
Rating: ____________

Answer Sheet

The **human resources department** serves no customers, books no business, and prepares no meals, yet it plays a vital role in Ms efficient operation. The three functions of the human resources department are employee recruitment

Name: ___________________________ Date: ________________

Part one: Short Answer Questions

1.____

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2.____

3.6 Recruitment strategies(Developing and implementing recruitment strategies)

If you are new to a management position, a job in recruitment, or have simply been charged with the task of recruiting a new employee for a role, the process can seem a little daunting. Finding the right person for a position can be just as stressful as going for the job yourself, which is why developing a sound recruitment strategy, is so important. We've put together a step-by-step guide that will help you implement workable strategies that make the recruitment process run as smoothly as possible, and result in you finding appropriate candidates, faster.

Step One: Resource Analysis

The first step in implementing a good recruitment strategy is to analyse the resources that are going to be available to you. Advertising budgets, manpower, website subscriptions and time are all things that should be taken into consideration. Will you outsource to one or more recruitment firms? Included in this step are the decisions about which resources to allocate where and it may require some trial and error, especially in terms of choosing the best recruitment firm, if that is the route you plan to take.

Step Two: Documentation

Whether you're using a recruitment firm or using in-house recruitment, documenting the process is important for several reasons. Firstly, balancing the output and input of resources when hiring new recruits is crucial to maintaining good business practises. It may not seem like a problem to spend a few days on hiring one new person, but over time, the money, time and productivity that is expended on recruiting needs to be worth the productivity, money and time *gained* by the new hires, and a good strategy will have this as a major goal. Secondly, there are legal and ethical obligations in recruitment that must be met, and having the process documented means there is less room for dispute or for legal issues to arise. Investing in some good recruitment software or ensuring that the recruitment firm you're using has adequate documentation strategies is key.

Step Three: Reflect, Analyse and Amend

The third stage is the most important, and the reason for having a recruitment strategy in the first place. Reflecting on recruitment successes or failures, analysing the documentation and amending areas to reflect the choices that work best for your company is the best way to make sure your strategy gets the best results. Information such as which firms provided the best candidates, which areas most of your best hires are coming from and where your resource outputs are seeing the best returns can be used to hone your techniques and strategies to an art.

Recruitment jobs- require an analytical and practical approach to problem-solving, and the more structured and tested your recruitment strategy is, the better chance you have of success.

Develop and Implement Recruitment and Selection Strategies.

1. Assess organization's ability to recruit and select the desired employees
    - Analyze trends that may impact on recruitment and selection strategies
    - Identify organizational issues that may impact on recruitment and selection
    - Communicate and present analysis results to management team to ensure management buy-in recruitment and selection strategies
2. Facilitate development of recruitment and selection strategies
    - Recommend strategies that align existing organizational and human resource services and strategies with recruitment and selection requirements
    - Select appropriate recruitment channels and selection methods
    - Communicate recruitment and selection strategies to relevant stakeholders
3. Coordinate the implementation of recruitment and selection strategies
    - Lead the human resource team in developing an action plan to implement recruitment and selection strategies

- Ensure that sufficient resources are made available to deliver objectives of the recruitment and selection strategies
- Support human resource team in the implementation of recruitment and selection strategies
- Evaluate the appropriateness of strategies against organization goals and objectives and identify required changes to human resource services and strategies

4. Monitor and review the effectiveness of recruitment and selection strategies
   - Develop processes and systems for gathering measurement data and feedback
   - Analyze measurement data and feedback to establish performance against required criteria
   - Review best practices relating to recruitment to identify potential improvements
   - Recommend refinements or modifications to recruitment and selection strategies

Pre-requisites forrecruitment selection

- Understand the principles of the recruitment and selection process and their related techniques, methods and tools.
- Understand and communicate roles and relationships between human resource professionals and business partners.
- Determine research objectives and select research methodologies suited to the analysis of human resource functions, activities and initiatives.
- Write and present reports on research findings for consideration by more senior members in an organization.
- Work with models and methods for the management and development of human resource activities, services and programmes.
- Work with privacy and confidentiality considerations that govern all human resource transaction.

Instruction: give short answer for the following questions

1explain recruitment strategy

Score = ___________

Rating: ____________

Answer Sheet

, a job in recruitment, or have simply been charged with the task of recruiting a new employee for a role, the process can seem a little daunting. Finding the right person for a position can be just as stressful as going for the job yourself, which is why developing a sound recruitment strategy

Name: ___________________________ Date: ________________

Part one: Short Answer Questions

1.____

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2.____

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3.____

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

- Undertaking of marketing
- Gathering of physical and human resources
- Establishing of operational unit
- Develop and implement monitoring process
- Maintain and update legal documents
- Understanding contractual procurement and business operation
- Arranging Options of business premise leasing/ownership

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 –

- Identify undertaking of Market business operation
- Explain implementation of Physical and human resources
- Establish Operational unit
- Develop Monitoring process for managing operation.
- Maintain Legal documents and records
- Secure contractual procurements rights for goods and services
- Identify Options for leasing/ownership of business premises

Learning Instructions:

1. Read the specific objectives of this Learning Guide.
2. Follow the instructions described below.
   .
3. Read the information written in the "Information Sheets". Try to understand what are being discussed. Ask you teacher for assistance if you have hard time understanding them.
4. Accomplish the "Self-check " in page __.
5. Ask from your teacher the key to correction (key answers) or you can request your teacher to correct your work. (You are to get the key answer only after you finished answering the Self-check 1)

4.1 Marketing of business operation

Marketing is "the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.

Evolution of marketing

An orientation, in the marketing context, related to a perception or attitude a firm holds towards its product or service, essentially concerning consumers and end-users. Throughout history, marketing has changed considerably in conjunction with consumer tastes. Constant throughout, however, is that marketing is some form of communication aimed broadly at improving eventual sales.

Contemporary approaches

Recent approaches in marketing include relationship marketing with focus on the customer, business marketing or industrial marketing with focus on an organization or institution and social marketing with focus on benefits to society. New forms of marketing also use the internet and are therefore called internet marketing or more generally e-marketing, online marketing, search engine marketing, desktop advertising or affiliate marketing. It attempts to perfect the segmentation strategy used in traditional marketing. It targets its audience more precisely, and is sometimes called personalized marketing or one-to-one marketing. Internet marketing is sometimes considered to be broad in scope, because it not only refers to marketing on the Internet, but also includes marketing done via e-mail and wireless media.

Customer orientation

Constructive criticism helps marketers adapt offerings to meet changing customer needs.

A firm in the market economy survives by producing goods that persons are willing and able to buy. Consequently, ascertaining consumer demand is vital for a firm's future viability and even existence as a going concern. Many companies today have a customer focus (or market orientation). This implies that the company focuses its activities and products on consumer demands. Generally, there are three ways of doing this: the customer-driven approach, the market change identification approach and the product innovation approach.

A formal approach to this customer-focused marketing is known as **SIVA**· (Solution, Information, Value, Access). This system is basically the four Ps renamed and reworded to provide a customer focus. The SIVA Model provides a demand/customer-centric alternative to the well-known 4Ps supply side model (product, price, placement, promotion) of marketing management.

Product → Solution

Promotion → Information

Price → Value

Place → Access

If any of the 4Ps were problematic or were not in the marketing factor of the business, the business could be in trouble and so other companies may appear in the surroundings of the company, so the consumer demand on its products will decrease. However, in recent years service marketing has widened the domains to be considered, contributing to the 7P's of marketing in total. The other 3P's of service marketing are: process, physical environment and people.

Some qualifications or caveats for customer focus exist. They do not invalidate or contradict the principle of customer focus; rather, they simply add extra dimensions of awareness and caution to it.

The work of Christensen and colleagues. on disruptive technology has produced a theoretical framework that explains the failure of firms not because they were technologically inept (often quite the opposite), but because the value networks in which they profitably operated included customers who could not value a disruptive innovation at the time and capability state of its emergence and thus actively dissuaded the firms from developing it. The lessons drawn from this work include:

- Taking customer focus with a grain of salt, treating it as only a subset of one's corporate strategy rather than the sole driving factor. This means looking beyond current-state customer focus to predict what customers will be demanding some years in the future, even if they themselves discount the prediction.
- Pursuing new markets (thus new value networks) when they are still in a commercially inferior or unattractive state, simply because their potential to grow and intersect with established markets and value networks looks like a likely bet. This may involve buying stakes in the stock of smaller firms, acquiring them outright, or incubating small, financially distinct units within one's organization to compete against them.

Organizational orientation

In this sense, a firm's marketing department is often seen as of prime importance within the functional level of an organization. Information from an organization's marketing department would be used to guide the actions of other departments within the firm. As an example, a marketing department could ascertain (via marketing research) that consumers desired a new type of product, or a new usage for an existing product. With this in mind, the marketing department would inform the R&D department to create a prototype of a product/service based on consumers' new desires.

The production department would then start to manufacture the product, while the marketing department would focus on the promotion, distribution, pricing, etc. of the product. Additionally, a firm's finance department would be consulted, with respect to securing appropriate funding for the development, production and promotion of the product. Inter-departmental conflicts may occur, should a firm adhere to the marketing orientation. Production may oppose the installation, support and servicing of new capital stock, which may be needed to manufacture a new product. Finance may oppose the required capital expenditure, since it could undermine a healthy cash flow for the organization.

Marketing environment

The **market environment** is a **marketing** term and refers to factors and forces that affect a firm's ability to build and maintain successful relationships with customers. Three levels of the environment are: Micro (internal) environment - forces within the company that affect its ability to serve its customers. Me so environment – the industry in which a company operates and the industry's market(s). Macro (national) environment - larger societal forces that affect the microenvironment.

Market segmentation

Market segmentation pertains to the division of a market of consumers into persons with similar needs and wants. For instance, Kellogg's cereals, Frosties are marketed to children. Crunchy Nut Cornflakes are marketed to adults. Both goods denote two products which are marketed to two distinct groups of persons, both with similar needs, traits, and wants.

Market segmentation allows for a better allocation of a firm's finite resources. A firm only possesses a certain amount of resources. Accordingly, it must make choices (and incur the related costs) in servicing specific groups of consumers. In this way, the diversified tastes of contemporary Western consumers can be served better. With growing diversity in the tastes of modern consumers, firms are taking note of the benefit of servicing a multiplicity of new markets.

Market segmentation can be defined in terms of the **STP** acronym, meaning **S**egment, **T**arget and **P**osition.

Marketing planning

This section **may require cleanup to meet Wikipedia's quality standards**. No cleanup reason has been specified. Please help improve this section if you can.

The **marketing planning** process involves forging a plan for a firm's marketing activities. A marketing plan can also pertain to a specific product, as well as to an organization's overall marketing strategy. Generally speaking, an organization's marketing planning process is derived from its overall business strategy. Thus, when top management are devising the firm's strategic direction or mission, the intended marketing activities are incorporated into this plan. There are several levels of marketing objectives within an organization. The senior management of a firm would formulate a general business strategy for a firm. However, this general business strategy would be interpreted and implemented in different contexts throughout the firm.

Marketing strategy

The field of marketing strategy encompasses the strategy involved in the management of a given product.

A given firm may hold numerous products in the marketplace, spanning numerous and sometimes wholly unrelated industries. Accordingly, a plan is required in order to effectively manage such products. Evidently, a company needs to weigh up and ascertain how to utilize its finite resources. For example, a start-up car manufacturing firm would face little success should it attempt to rival Toyota, Ford, Nissan, Chevrolet, or any other large global car maker. Moreover, a product may be reaching the end of its life-cycle. Thus, the issue of divest, or a ceasing of production, may be made. Each scenario requires a unique marketing strategy. Listed below are some prominent marketing strategy models.

A marketing strategy differs from a marketing tactic in that a strategy looks at the longer term view of the products, goods, or services being marketed. A tactic refers to a shorter term view. Therefore, the mailing of a postcard or sales letter would be a tactic, but a campaign of several postcards, sales letters, or telephone calls would be a strategy.

Services marketing

Services marketing relates to the marketing of services, as opposed to tangible products. A service (as opposed to a good) is typically defined as follows:

- The use of it is inseparable from its purchase (i.e., a service is used and consumed simultaneously)
- It does not possess material form, and thus cannot be touched, seen, heard, tasted, or smelled.
- The use of a service is inherently subjective, meaning that several persons experiencing a service would each experience it uniquely.

For example, a train ride can be deemed a service. If one buys a train ticket, the use of the train is typically experienced concurrently with the purchase of the ticket. Although the train is a physical object, one is not paying for the permanent ownership of the tangible components of the train.

Services (compared with goods) can also be viewed as a spectrum. Not all products are either pure goods or pure services. An example would be a restaurant, where a waiter's service is intangible, but the food is tangible.

Self-Check -1	Written Test

Directions: Answer all the questions listed below. Use the Answer sheet provided in the next page:

1. "Define the Marketing?.
2. ". Explain. 4ps of Marketing?
3. discuses marketing environment ?
4. List the step of market segmentation?
5. What is marketing plan?

Note: **Satisfactory rating - 3 and 5 points** **Unsatisfactory - below 3 and 5 points**
You can ask you teacher for the copy of the correct answers.

Answer Sheet

Score = ___________

Rating: ____________

Name: _________________________

Date: _______________

4.2. Operational unit structuring

Operational unit is a subsidiary that engages in business with other parties. That is, an operating unit has its own assets and liabilities and functions as if it were an independent company; the only difference is that it is owned by another company. An operating unit is useful for the profit it can produce. It contrasts with a no operating unit.

The Operational Planning Unit provides services to special event organizers in the community by assisting in planning, security, staffing deployment, and traffic control for special events. The Unit:

- provides information on how to apply to hold a special event in the City of Vancouver
- informs the community of procedures and permits that apply to events
- facilitates communication and feedback with the community in regards to special events planning
- Business operations are first and foremost an oversight function that ensures all internal operating groups.
- Integrated into the same business plan with well-defined roles and responsibilities, Functioning together as one unit to ensure operational integrity relative to opportunity development, risk management, resource management and allocation, and overall best practices;
- Effectively communicating between other functional departments; Participating in the business planning and development strategy process, Operating within the parameters of an integrated budget, and; Adhering to all financial practices while following other established policy, procedures and controls.

Self-Check -2	Written Test

Directions: Answer all the questions listed below. Use the Answer sheet provided in the next page:

1. "Define the Operational unit?
2. Discusses how Effectively communicating between other functional departments

Answer Sheet

Score = ___________

Rating: ____________

Name: _________________________

Date: _______________

Short Answer Questions

1. ____

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2. ____

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4.3. Monitoring process

- In the three preceding sections, I have argued that if policies and strategies are not soundly based, it will prove very difficult to implement them successfully. Moreover, if there is not broad public and political support, it will be very difficult to implement them successfully, even if the policies themselves are correct. Both these arguments can be seriously addressed (but of course not totally solved) by a broadly-based participatory process that clearly defines the roles and contributions expected from all parties concerned.

Thus formulating, implementing and monitoring forestry policy is a dynamic process - it is subjected to extraneous and often unpredictable international and intersectional events, as well as by the local experiences in practice. Policy formulation and forestry sector planning should not be done only by an isolated cell in the backrooms of the Ministry. Strengthening national capacity for forestry policy formulation and implementation means more than technical and planning skills. While such people can certainly contribute analysis into the process, the real need might be for a **capacity to manage the consultative process** that defines and formulates policy (and gathers information and understanding, and indirectly provides the public support to get it implemented).

Policy research

Many outsiders detect a "disharmony between policy and reality" which those directly involved may not recognize. Before identifying policy research priorities, do we really want objective policy research? Are we concerned about?

"What the policies ought to be?"

"What instruments work efficiently?"

"How to implement policy more effectively?"

Can we admit that there are problems and concede that existing polices (and the strategies that flow from them) are not optimal, but may in fact be the source of some problems. Only the China and Philippines papers concede that there are serious deep-seated institutional and policy problems - not just minor technical questions or a shortage of funds!

Research can be "applied problem-solving". If we monitor what is happening and decide it is not good enough, we should seek reasons and explore alternatives - open-minded, exploratory, nothing taken for granted just because it is the status quo.

Institutional support and reform

Few organizations (anywhere) are prepared to willingly relinquish authority, or to overturn the status quo even in the face of visible failures. Why should influential Forest Department bureaucracies, in any country, voluntarily relinquish power, especially over vast areas of land, even if management is difficult, degradation is occurring, or it has been occupied by farmers for years?

Again the Philippines, where the foresters are incorporated within DENR (and have lost much of their autonomy) seem to point a way ahead. Perhaps in other countries, if governments look critically at the performance of "State Forestry", similar institutional reforms may be imposed.

Most agencies are in favor of Human Resources Development, although some institutions retain old or colonial procedures (in staff selection, promotion, training programs) which are incompatible with modern Western approaches to HRD. Effective policy implementation cannot be separated from "management for results" and continuous monitoring. This requires all staff to be **performance- and results-oriented,** and internal management procedures must provide an appropriate incentive structure. We have often discussed the difficulties in attracting high-caliber staff, particularly with multi-disciplinary expertise, when salaries and/or status are relatively low, yet some Forestry Departments fail to deploy their existing staff effectively, and to use all the talents and skills these people have, because of bureaucratic constraints which may be quite unnecessary or counter-productive.

A project is a series of activities (investments) that aim at solving particular problems within a given time frame and in a particular location. The investments include time, money, human and material resources. Before achieving the objectives, a project goes through several stages. Monitoring should take place at and be integrated into all stages of the project cycle.

The three basic stages include::

- Project planning (situation analysis, problem identification, definition of the goal, formulating strategies, designing a work plan, and budgeting);
- Project implementation (mobilization, utilization and control of resources and project operation); and
- Project evaluation.

Monitoring should be executed by all individuals and institutions which have an interest (stake holders) in the project. To efficiently implement a project, the people planning and implementing it should plan for all the interrelated stages from the beginning.

The questions become:

Where are we?
Where do we want to go?
How do we get there? And
What happens as we do?

Situation Analysis and Problem Definition:

This asks the question, "Where are we?" (What do we have?).

Situation analysis is a process through which the general characteristics and problems of the community are identified. It involves the identification and definition of the characteristics and problems specific to particular categories of people in the community. These could be people with disabilities, women, youth, peasants, traders and artisans

The process of implementation

Step 1: Evaluate the strategic plan. The first step in the implementation process is to step back and make sure that you know what the strategic plan is. Review it carefully, and highlight any elements of the plan that might be especially challenging. Recognize any parts of the plan that might be unrealistic or excessive in cost, either of time or money. Highlight these, and be sure to keep them in mind as you begin implementing the strategic plan. Keep back-up ideas in mind in case the original plan fails.

Step 2: Create a vision for implementing the strategic plan. This vision might be a series of goals to be reached, step by step, or an outline of items that need to be completed. Be sure to let everyone know what the end result should be and why it is important. Establish a clear image of what the strategic plan is intended to accomplish.

Step 3: Select team members to help you implement the strategic plan. Make sure you have a team that "has your back," so to speak, and understands the purpose of the plan and the steps involved in implementing it. Establish a team leader, if other than yourself, who can encourage the team and field questions or address problems as they arise.

Step 4: Schedule meetings to discuss progress reports, Present the list of goals or objectives, and let the strategic planning team know what has been accomplished. Whether the implementation is on schedule, ahead of schedule, or behind schedule, assess the current schedule regularly to discuss any changes that need to be made. Establish a rewards system that recognizes success throughout the process of implementation.

Step 5: Involve the upper management where appropriate. Keep the organization's executives informed on what is happening, and provide progress reports on the implementation of the plan. Letting an organization's management know about the progress of implementation makes them a part of the process, and, should problems arise, the management will be better able to address concerns or potential changes.

Self-Check -2	Written Test

Directions: Answer all the questions listed below. Use the Answer sheet provided in the next page:

1. “ define the operational unit?.
2. What is instrument work effectively?

Note: **Satisfactory rating - 1and 2 points** **Unsatisfactory - below 1 and 2points**
You can ask you teacher for the copy of the correct answers.

Answer Sheet

Name: ___________________________

Date: ________________

Score = ___________
Rating: ____________

Short Answer Questions

3. ____

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4. ____

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4.5. Contractual procurement rights

Corporate records and proper management of records are vital to protect the company from a charge of neglectful record keeping and losing its corporate status. The articles of incorporation and bylaw forms required by state filings and records retention rules mandate certain record keeping procedures to be followed. Some of the forms of the company required for compliance include certificates of incorporation, bylaw forms, corporate minutes, and company resolutions, all of which should be organized in a corporate record book and/or corporate minute's book. US Legal Forms offers the most updated, state-specific corporate documents and corporate records maintenance packages in Word format to enable the records of an organization to withstand potential scrutiny or auditing.

Documents to Set up Owner Financing

Owner financing occurs when the owner of a property finances a real estate transaction. Owner financing is also referred to as owner or seller carry back and is a non-traditional form of real estate funding. All legal matters in the transaction are negotiated between the buyer and seller. Each party must review and sign several documents to ensure the transaction is conducted legally.

- **Procurement** is the acquisition of goods or services. It is favorable that the goods/services are appropriate and that they are procured at the best possible cost to meet the needs of the purchaser in terms of quality and quantity, time, and location. Corporations and public bodies often define processes intended to promote fair and open competition for their business while minimizing exposure to fraud and collusion.

Almost all purchasing decisions include factors such as delivery and handling, marginal benefit, and price fluctuations. Procurement generally involves making buying decisions under conditions of scarcity. If good data is available, it is good practice to make use of economic analysis methods such as cost-benefit analysis or cost-utility analysis.

An important distinction is made between analyses without risk and those with risk. Where risk is involved, either in the costs or the benefits, the concept of expected value may be employed.

Based on the consumption purposes of the acquired goods and services, procurement activities are often split into two distinct categories. The first category being direct, production-related procurement and the second being indirect, non-production-related procurement.

Direct procurement occurs in manufacturing settings only. It encompasses all items that are part of finished products, such as raw material, components and parts. Direct procurement, which is the focus in supply chain management, directly affects the production process of manufacturing firms. In contrast, indirect procurement activities concern “operating resources” that a company purchases to enable its operations. It comprises a wide variety of goods and services, from standardized low value items like office supplies and machine lubricants to complex and costly products and services.

Procurement vs. acquisition

DAU defines acquisition as the conceptualization, initiation, design, development, test, contracting, production, deployment, Logistics Support (LS), modification, and disposal of weapons and other systems, supplies, or services (including construction) to satisfy Department of Defense needs, intended for use in or in support of military missions.[4]

Acquisition is therefore a much wider concept than procurement, covering the whole life cycle of acquired systems. Multiple acquisition models exist, one of which is provided in the following section.

Acquisition process

The revised acquisition process for major systems in industry and defense is shown in the next figure. The process is defined by a series of phases during which technology is defined and matured into viable concepts, which are subsequently developed and readied for production, after which the systems produced are supported in the field.

The process allows for a given system to enter the process at any of the development phases. For example, a system using unproven technology would enter at the beginning stages of the process and would proceed through a lengthy period of technology maturation, while a system based on mature and proven technologies might enter directly into engineering development or, conceivably, even production. The process itself includes four phases of development.

- Concept and Technology Development: is intended to explore alternative concepts based on assessments of operational needs, technology readiness, risk, and affordability.
- Concept and Technology Development phase begins with concept exploration. During this stage, concept studies are undertaken to define alternative concepts and to provide information about capability and risk that would permit an objective comparison of competing concepts.
- System Development and Demonstration phase. This phase could be entered directly as a result of a technological opportunity and urgent user need, as well as having come through concept and technology development.
- The last and longest phase is the Sustainable and Disposal phase of the program. During this phase all necessary activities are accomplished to maintain and sustain the system in the field in the most cost-effective manner possible.

Procurement systems

Another common procurement issue is the timing of purchases. Just-in-time is a system of timing the purchases of consumables so as to keep inventory costs low. Just-in-time is commonly used by Japanese companies but widely adopted by many global manufacturers from the 1990s onwards. Typically a framework agreement setting terms and price is created between a supplier and purchaser, and specific orders are then called-off as required.

Shared services

In order to achieve greater economies of scale, an organization's procurement functions may be joined into shared services. This combines several small procurement agents into one centralized procurement system.

Procurement process

Procurement may also involve a bidding process i.e., Tendering. A company may want to purchase a given product or service. If the cost for that product/service is over the threshold that has been established (e.g.: Company X policy: "any product/service desired that is over $1,000 requires a bidding process"), depending on policy or legal requirements, Company X is required to state the product/service desired and make the contract open to the bidding process. Company X may have ten submitters that state the cost of the product/service they are willing to provide. Then, Company X will usually select the lowest bidder. If the lowest bidder is deemed incompetent to provide the desired product/service, Company X will then select the submitter who has the next best price, and is competent to provide the product/service. In the European Union there are strict rules on procurement processes that must be followed by public bodies, with contract value thresholds dictating what processes should be observed (relating to advertising the contract, the actual process etc.).

Procurement steps

Procurement life cycle in modern businesses usually consists of eight steps:

- **Information gathering**: If the potential customer does not already have an established relationship with sales/ marketing functions of suppliers of needed products and services (P/S), it is necessary to search for suppliers who can satisfy the requirements.

- **Supplier contact**: When one or more suitable suppliers have been identified, requests for quotation, requests for proposals, requests for information or requests for tender may be advertised, or direct contact may be made with the suppliers.
- **Background review**: References for product/service quality are consulted, and any requirements for follow-up services including installation, maintenance, and warranty are investigated. Samples of the P/S being considered may be examined or trials undertaken.
- **Negotiation**: Negotiations are undertaken, and price, availability, and customization possibilities are established. Delivery schedules are negotiated, and a contract to acquire the product and (P/S) is completed.
- **Fulfillment**: Supplier preparation, expediting, shipment, delivery, and payment for the P/S are completed, based on contract terms. Installation and training may also be included.
- **Consumption, maintenance, and disposal**: During this phase, the company evaluates the performance of the P/S and any accompanying service support, as they are consumed.
- **Renewal**: When the P/S has been consumed or disposed of, the contract expires, or the product or service is to be re-ordered, company experience with the P/S is reviewed. If the P/S is to be re-ordered, the company determines whether to consider other suppliers or to continue with the same supplier.
- **Additional Step - Tender Notification**: Some institutions choose to use a notification service in order to raise the competition for the chosen opportunity. These systems can either be direct from their e-tendering software, or as a re-packaged notification from an external notification company.

Self-Check -3	Written Test

Directions: Answer all the questions listed below. Use the Answer sheet provided in the next page:

1. "Define the procurement?.
2. Discuses acquisition & processes of procurement
3. List step of procurement?

Note: **Satisfactory rating - 2and 3points Unsatisfactory - below 2 and 3 points**
You can ask you teacher for the copy of the correct answers.

Answer Sheet

Score = ___________

Rating: ____________

Name: ___________________________

Date: ________________

Short Answer Questions

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2____

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4.6. Options for leasing/ownership of business premises

A business lease is a legally binding contract between the legal owner (Landlord) and the occupier (Tenant). Failure by either party to comply with the terms of the agreement could result in court action. The 2007 Code for Leasing Business Premises ('the Lease Code') provides a framework within which a Prospective tenant can reasonably expect a landlord to operate. As a prospective tenant, you should not assume
That a landlord complies with the Lease Code. The Lease Code does provide all of the protection you need for your business in leasing premises.

Sometimes the Landlord is also the tenant of another owner. This may restrict the flexibility of terms the Landlord Can offer. The Landlord should always state in advance if this is so and provide a copy of the current lease.

If it is proposed to buy an existing lease (assignment) from someone else, be aware that, though parts of this Occupier Guide may help in interpreting some of the terms of the lease, there may be many additional liabilities.
Professional advice from a qualified surveyor and a lawyer should be sought. In this document the following terms have been used:

Landlord

This is the owner of the property or the person owning an existing lease of the property Tenant this is the occupier of the property or the person paying rent to landlord

Heads of Terms

This is a summary of the agreement between the parties and is used to instruct lawyers produce the formal lease. Both the lease and the Heads of Terms should comply with the recommendations of the Lease Code but the Heads of Terms will be superseded once the lease has been granted.

You might think this is a no brainer…but the reality is many tenants execute a lease only to later find out that they cannot use the premises for their intended purpose. From the landlord's perspective, it is best to keep this clause general and vague. From the tenant's perspective, it is sometimes best to specifically set forth the tenant's intended use(s) for the premises, and restrictions (if any); while other times it is best to use the broadest definition to facilitate subleasing.

Regardless of which method is used, the tenant should insist that the Landlord provide written assurances in the lease that the Premises are zoned appropriately for the tenant's intended business purpose.

An Exclusive Use Clause, which typically must be requested by a tenant, is a clause in a lease under which the landlord promises that no other tenant will be permitted to either engage in a particular type of business or sell a particular line of goods. These types of clauses are most often negotiated in strip malls.

Lease Term

This clause describes the length of your lease and specifies the starting and ending dates. Exercise caution and pay attention as there are two traps here for the unwary. First, some leases start as of the date the lease is signed, while others will start when the landlord is prepared to turn over possession of the premises to the tenant. Avoid a lease term that starts on the date the lease is signed, but does not require the payment of rent until a later date. Why? Because even though the tenant may not be required to pay rent, the tenant will still be responsible for other liabilities such as insurance, the requirement that the tenant rebuild in the event of fire, earthquake, or other damage, etc...

The second trap is more an assumption made by many eager tenants that a longer lease term is better. While this may be true for an established savvy businessman, it is often not the case for a new business owner. A $2,000 per month lease for five years equates to a $120,000 commitment, which is usually accompanied by a personal guarantee executed by the owner of a business (tenant). For a new business owner who may strongly believe his or her business will succeed, we suggest a short one to two year lease term with multiple options to renew for three years each. The option period costs nothing, and in the event the business does not succeed or would do better in a different location, the shorter two year lease term will limit the potential liability

A tenant should also insist that the tenant be given the right to audit the landlord's books and records concerning operating expenses

Self-Check 4	Written Test

Instruction: give short answer for the following questions

1. What is A business lease?
2. What are the two types of market researches **Answer Sheet**

Score = ___________

Rating: ____________

Name: _________________________ Date: _______________

Short Answer Questions

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2.____

LG52: Review implementation process

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

- Develop and implement business operation review
- Identification of business operation management
- Implementation and monitoring of business operation improvement
- Concept of entrepreneurship
- Problem-solving mechanisms and approaches
- Communication skills and report
- Computers and software packages manipulation

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 –

- Develop and implement business operation review
- Identify business operation management and improvements of business operation
- Identify improvements of business operation and monitoring

Learning Instructions:

1. Read the specific objectives of this Learning Guide.
2. Follow the instructions described below.
3. Read the information written in the "Information Sheets". Try to understand what are being discussed. Ask you teacher for assistance if you have hard time understanding them.
4. Accomplish the "Self-check" in page __.
5. Ask from your teacher the key to correction (key answers) or you can request your teacher to correct your work. (You are to get the key answer only after you finished answering the Self-check
6. Submit your accomplished Self-check. This will form part of your training portfolio.

Introduction

A given cleaning worker should understand the type of waste that will be cleaned, understand work procedures and instruction, nature of cleaning chemicals and all side effects of waste including allergies. Effective cleaner understand pre cleaning activities and identify all necessary equipment and materials to keep the safety of the worker and undertake proper removing of wastes.

5.1. Developing review process

The purpose of developing and implementing operations review in business is to create a culture of openness and trust, to share a common understanding of the issues confronting management and staff, and to debate the opportunity for improvements, and to examine the way in which a company or department works to see how it can be made more efficient and profitable.

It is a learning opportunity, vital to the health of a learning organization. An operations review is designed to surface issues so that management and executives can do their jobs and help to remove obstacles before they impact the financial performance of the business. An operations review is not simply a forum for delivering good news. Issues should be surfaced not concealed, disguised, or shrouded in a sea of meaningless data. The operations review is not intended as a control mechanism. Daily feedback based on production metrics should be used for control. Operations review is about learning, building trust with value-chain partners, and teaching senior executives about the business.

In addition, all business owners upstream and downstream in the same value chain should be invited. When a business needs to work and negotiate with partners in a value chain, those partners need to understand the issues and learn to trust each other. Unilateral openness is required to kick start the process of system improvement. The trust built through openness is an emergent property of lean systems

An operations review will visually present the information that the business needs to operate successfully. The difference between data and information is the difference between the inputs needed to derive an answer versus the actual answer Information is the answer to a question. Management information is the answer to a question about the health and running of a business. Management information answers questions executives need answered in order to make informed decisions about investmenting and operation of a business that must be run for profits now and in the future.

Self-Check -1	Written Test

Directions: Answer all the questions listed below. Use the Answer sheet provided in the next page:

1. "Discuses purpose of developing and implementing operations

Note: **Satisfactory rating - and points Unsatisfactory - below and points**
You can ask you teacher for the copy of the correct answers.

Answer Sheet

Name: ____________________________

Date: _________________

Score = ___________

Rating: ____________

Short Answer Questions

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5.2 Identifying improvements in business operation

Operations management is an area of management concerned with overseeing, designing, controlling the process of production and redesigning business operations in the production of goods and/or services. It involves the responsibility of ensuring that business operations are efficient in terms of using as few resources as needed, and effective in terms of meeting customer requirements. It is concerned with managing the process that converts inputs (in the forms of materials, labor, and energy) into outputs (in the form of goods and/or services). The relationship of operations management to senior management in commercial contexts can be compared to the relationship of line officers to highest-level senior officers in military science. The highest-level officers shape the strategy and revise it over time, while the line officers make tactical decisions in support of carrying out the strategy. In business as in military affairs, the boundaries between levels are not always distinct; tactical information dynamically informs strategy, and individual people often move between roles over time.

Operations management is the field concerned with managing and directing the physical and/or technical functions of a firm or organization, particularly those relating to development, production, and manufacturing. Operations management programs typically include instruction in principles of general management, manufacturing and production systems, plant management, equipment maintenance management, production control, industrial labor relations and skilled trades supervision, strategic manufacturing policy, systems analysis, productivity analysis and cost control, and materials planning.

For the above reasons, a given business should identify and in corporate business operational management to strengthen its productivity of good /or services as it helps to be responsible for the day-to-day running of the company and administrative issues. To help in projects co-ordination, logistics, headhunting, procurement of resource and management.

Self-Check -2	Written Test

Directions: Answer all the questions listed below. Use the Answer sheet provided in the next page:

1. “ define Operations management ?

Note: **Satisfactory rating - and points Unsatisfactory - below and points**
You can ask you teacher for the copy of the correct answers.

Answer Sheet

Name: ___________________________

Date: ________________

Score = ___________

Rating: ____________

Short Answer Questions

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2____

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5.3. Implementing and monitoring of improvements

Most resistance to business operation improvement comes from within an organization. Managers often do not wish to change existing structures. The labor force may resist business operation improvement because of fears of layoffs; however, an organization using Business operation improvement on a regular basis, argue many proponents, will already have the proper work force to meet existing business challenges.

Some organizations have implemented Business operation improvement on a smaller scale and reported success, by doing the following:

- Start with a small process that can be completed in a short time frame.
- Set clear timelines.
- Do not spread resources thinly and focus on the short term payoff.
- Management and primary stakeholders must be involved, or else even a limited implementation will fail.

Best practice

Improving business operations through best practice

Most businesses have some operational issues that can be improved through the introduction of best practice methods, including:

- quality management
- stock control, delivery and supply chain management
- purchasing and ordering
- information management

You can identify which operational areas will benefit from best practice methods by:

- benchmarking
- internal analysis
- reviewing appropriate national and international standard

Executives should improve their business operations through reductions in working capital and improvements to cash flow, control and optimization of costs, and management of risk in their operations. Drive performance of the supply chain through operations process improvements, strategic sourcing strategies, inventory management, contract management and enhancements to working capital.

Business operation Monitoring (BoM)

- Business operation Monitoring is a key component of the Business Operations Platform. High performing business processes are crucial for the success of a business. Only with tight control and real-time monitoring of every crucial business activity and all processes, are companies able to act fast on business opportunities. Business Activity Monitoring allows you to respond quickly to process or activity inefficiencies, to ensure that business processes run smoothly, and guarantee that critical business services are available
- **Concept of entrepreneurship**

Entrepreneurship is the act of being an entrepreneur or "*one who undertakes innovations (not only innovations but all kind of activity!!!), finance and business acumen in an effort to transform innovations (not only innovations but all kind of activity!!!)into economic goods*". This may result in new organizations or may be part of revitalizing mature organizations in response to a perceived opportunity. The most obvious form of entrepreneurship is that of starting new businesses (referred as Startup Company); however, in recent years, the term has been extended to include social and political forms of entrepreneurial activity. When entrepreneurship is describing activities within a firm or large organization it is referred to as intra-preneurship and may include corporate venturing, when large entities spin-off organizations.

Entrepreneurial activities are substantially different depending on the type of organization and creativity involved. Entrepreneurship ranges in scale from solo projects (even involving the entrepreneur only part-time) to major undertakings creating many job opportunities. Many "high value" entrepreneurial ventures seek venture capital or angel funding (seed money) in order to raise capital to build the business. Angel investors generally seek annualized returns of 20-30% and more, as well as extensive involvement in the business. Many kinds of organizations now exist to support would-be entrepreneurs including specialized government agencies, business incubators, science parks, and some NGOs. In more recent times, the term entrepreneurship has been extended to include elements not related necessarily to business formation activity such as conceptualizations of entrepreneurship as a specific mindset (see also entrepreneurial mindset) resulting in entrepreneurial initiatives e.g. in the form of social entrepreneurship, political entrepreneurship, or knowledge entrepreneurship have emerged.

It has assumed super importance for accelerating economic growth both in developed and developing countries. It promotes capital formation and creates wealth in country. It is hope and dreams of millions of individuals around the world. It reduces unemployment and poverty and it is a pathway to prosper. Entrepreneurship is the process of exploring the opportunities in the market place and arranging resources required to exploit these opportunities for long term gain. It is the process of planning, organizing, opportunities and assuming. Thus it is a risk of business enterprise. It may be distinguished as an ability to take risk independently to make utmost earnings in the market. It is a creative and innovative skill and adapting response to environment.

Some Entrepreneurial Skills:

The following skills are important if the entrepreneur's business is to succeed.

Ability to Plan: The ability to plan is a key skill for entrepreneurs.

They must be able to develop plans to meet goals in a variety of areas, including finance, marketing, production, sales and personnel (hiring and maintaining productive and satisfied employees).

Communication Skills: Entrepreneurs should be able to explain, discuss, sell and market their good or service. It is important to be able to interact effectively with your business team. Additionally, entrepreneurs need to be able to express themselves clearly both verbally and in writing. They also should have strong reading comprehension skills to understand contracts and other forms of written business communication.

Marketing Skills: A business's success or failure is very dependent on whether the business reaches the market (its potential customers), interests the market and results in those in the market deciding to buy. Many entrepreneurs who failed started with an innovative good or service that with proper marketing could have been very successful. Good marketing

Skills that result in people wanting to buy your good or service are critical for entrepreneurial success

interpersonal Skills: Entrepreneurs constantly interact with people, including customers and clients, employees, financial lenders, investors, lawyers and accountants, to name a few. The ability to establish and maintain positive relationships is crucial to the success of the entrepreneur's business venture.

Basic Management Skills: The entrepreneur must be able to manage every component of a business. Even if entrepreneurs hire managers to attend to daily details, they must understand if their business has the right resources and if those resources are being used effectively. They must ensure that all the positions in their business are occupied by effective people.

Personal Effectiveness: In order to handle the pressures of their busy lifestyles, entrepreneurs must have the ability to manage time well and to take care of personal business efficiently. Because first impressions are so important, entrepreneurs must also pay attention to such things as personal appearance and telephone skills.

Team Building Skills: Because entrepreneurs usually assemble a team of skilled people who help them achieve business success, they must be able to effectively develop and manage the team.

Leadership Skills: One of the most important leadership skills an entrepreneur must have is the ability to develop a vision for the company and to inspire the company employees to pursue that vision as a team. The expression "people would rather be led than managed" applies especially well to an entrepreneurial venture. Few entrepreneurs possess every skill needed to ensure business success.

Self check exercise **Written test**

Instruction I: True or false

1. Implementing operation review can create a culture of openness and trust in business
2. Operational management is an area of management that deals with designing and controlling of production
3. Entrepreneurship is investing a huge amount of money without being innovative
4. Communication skill is one of the important skills in Entrepreneurship
5. Problem solving is a mental process to solve defined problems

Answer Sheet

Score = ___________

Rating: ____________

Name: ___________________________ Date: ________________

Part one: true or false

1__________

2__________

3._________

4._________

Self-Check Answer **Learning guide#1**

Instruction: give short answer for the following questions

1. What do you mean by E-commerce?
   - It is a term for any type of business, or commercial transaction that involves the transfer of information across the Internet.

2. What is business operation?
   - It is the ongoing recurring (cyclic) activities involved in the running of a business for the purpose of producing value for the stakeholders.
3. What are the six steps of perceived risks in business opportunity?
   - functional
   - Physical
   - Social
   - Psychological
   - Financial
   - Time

4. Write at least four factors that affect business opportunity.

- Focus on your core product
- Keep your business area simple
- Stay true to who you are
- Map it
- Utilize marketing tools that work best for you
- Implement a plan of action
- Exercise the plan

1. Factors needed for choosing an appropriate source of finance are:
   - The amount of money needed
   - The urgency of funds
   - The cost of the source of finance
   - The risk involved
   - The duration of finance
   - The gearing ratio of the business
   - The control of the business
2. Source of finance can be classified as internal and external, short-term and long-term or equity and debt.
   - ❖ Internal source:
     - Personal savings
     - Retained profits
     - Working capital
     - Sale of fixed assets
   - ❖ External source:
     - Ownership capital or
     - Non-ownership capital
   - ❖ Current assets
   - ❖ Current liabilities
3. Skills used for efficient management are:
   - Planning skills
   - Communicationskills
   - Organizing skills
   - Financial management skills
   - Logistics
   - Dealing with legal issues
   - Ethical business practices
4. Essential steps for performing risk assessment are:
   - ○ Identify relevant business objectives

- Identify events that could affect the achievement of objectives
- Determine risk tolerance.
- Assess inherent likelihood and impact of risks
- Evaluate the portfolio of risks and determine risk responses.
- Assess residual likelihood and impact of risks.

Self check answer	**Learning guide#3**

1. The pricipal forms of business organization are:
    - Sole proprietorship (SP),
    - General partnership (GP),
    - Limited partnership (LP),
    - Limited liability partnership (LLP),
    - C corporation (CC),
    - S corporation (SC),
    - Limited liability company (LLC) and
    - Cooperative corporations (co-op).
2. The five types of business structure are:
    - *Sole Proprietor*
    - *Partnership*
    - *Sub S Corporation*
    - *C Corporation*
    - *Limited Liability Company (LLC, PLLC)*

3. The importance of a organizational structure are:

- Chain of Command
- Span of Control
- Departmentalization
- Distribution of Authority
- Organization Height

4.The business operation rule is:

- Supply chain operations
- Procurement
- Manufacturing

1. What is marketing?
   - ✓ **Marketing** is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.

2. What are the two types of market researches?
   - Primary research (field research)
   - Secondary research (desk research)

3. What are the eight steps of procurement?
   - Information gathering
   - Supplier contact
   - Background review
   - Negotiation
   - Fulfillment
   - Consumption, maintenance, and disposal
   - Renewal
   - Tender Notification

4. What is procurement?
   - ✓ **Procurement** is the acquisition of goods or services in a business opportunity.

Answer Sheet

Score = ___________
Rating: ____________

Name: ___________________________ Date: ________________

Part one: true or false

1__________

2__________

3._________

4._________

Self check answer **learning duide #5**

1. True
2. True
3. False
4. True
5. True