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INTRODUCTION TO ENTREPRENEURSHIP EDUCATION

Entrepreneur: an entrepreneur is a person who has the ability to spot and evaluate business opportunities, gathers the necessary resources, starts a business and takes appropriate activities to ensure its success.

Or, an entrepreneur is a person who operates and assumes the risks of business venture.

i. *He can be a person who*

- ✓ *Observes the economic, social and natural environment*
- ✓ *Identifies opportunities in the business or non-business environment*
- ✓ *Gathers necessary resources for the activity*
- ✓ *Implements the activity*
- ✓ *Receives financial and social rewards*
- ✓ *Is concerned about possible damages to the natural and social environment*

ENTREPRENEURSHIP,

This refers to the process of creating an opportunity and pursuing it regardless of the resources currently controlled. It is the ability to make factors of production like land, labour and capital produce new goods and services. It can also be defined as the ability to create and build something for nothing.

In other words entrepreneurship refers to the qualities and skills required to become an entrepreneur.

Entrepreneurship education

This is the study that is concerned with providing students / people with knowledge and skills for creating an opportunity for their own business to be successful using their available resources.

Entrepreneurship education trains, motivates and allows learners to use their creativity to take their initiatives and risks in order to encourage them succeed in a variety of setting.

It enables individuals to organize commercial opportunities and give the self-esteem, knowledge skills.

COMPONENTS OF ENTREPRENEURSHIP EDUCATION

- ✓ *Opportunity recognition. This means discovery of a clear business idea or development of an idea into a more feasible business concept overtime.*
- ✓ *Commercial opportunity. This involves turning an idea into commercial service or a saleable product.*
- ✓ *Allocating resources in the face of risk. This involves identifying an idea or an opportunity and committing resources to turn the opportunity into a business despite the presence of risks.*
- ✓ *Initiating a business venture. This involves starting business through established procedures.*
- ✓ *Instructions in traditional business disciplines such as management. This involves equipping learners with traditional business skills to empower them to manage their own business properly.*
- ✓ *Marketing information systems and finance. This involves providing information on marketing and finance.*

REASONS / IMPORTANCE OF STUDYING ENTREPRENEURSHIP EDUCATION

There are a number of reasons why people (students) study Entrepreneurship education, at the same time they are importance of studying entrepreneurship education, these may include.

- ✓ *It provides one with knowledge and skills of setting up, i.e. it provides learners with transferable skills needed to succeed in an increasingly divergent business environment.*
- ✓ *It enables students to integrate programmes that teach practical skills for starting and expanding business enterprises.*
- ✓ *Through Entrepreneurship education, one is equipped with skills of how to mobilize the various resources needed in production like human resource, financial resources (like capital)*
- ✓ *It provides one with knowledge on how to properly relate and communicate with clients /customers. This is because in business a customer is the boss.*
- ✓ *It provides one with skills of how to scan the environment so as to identify existing and new business opportunities in order to come up with an opportunity that can be managed, run well so as to make profits.*
- ✓ *Through entrepreneurship, one develops the skills of taking self-employment as a career and this helps one to get rid of job seeking which could cause unemployment due to limited jobs.*
- ✓ *It provides one with the necessary skills to have a successful business, like marketing skills, financial management skills, personal skills etc.*
- ✓ *Through acquisition of the entrepreneurial skills, many people would come up with numerous businesses and this leads to economic development, social development through increased employment opportunities, infrastructural development etc.*
- ✓ *Entrepreneurship education is now recognized as an important education innovation that provides the impetus for learning.*

THE ROLES OF ENTREPRENEURSHIP IN ECONOMIC DEVELOPMENT

The need for entrepreneurship development for the economy is quite obvious

- ✓ *Promotion of small enterprises in a society which form an essential part of economic prosperity on a society.*
- ✓ *Generation of employment opportunities from the numerous ventures being established in the country through innovation, production of goods and provision of services.*
- ✓ *Promote innovation. Despite the fact that they are less likely to carry out research and development compared to large firms, SMEs are innovative. They create or re-engineer products to satisfy new market demands and adopt new approaches with an aim of increasing productivity.*
- ✓ *Encouraging the use of the locally available resources and rely mainly on the skills which may be found within the members of the community, this foster economic development.*
- ✓ *Correcting regional imbalances in such backwards regions e.g. regions with slums, this will reduce the concentration of economic power in few centres, which in long run breeds tension and hostility between social classes and between one region to another.*
- ✓ *Reduces income inequality. The entrepreneurs are responsible for reduction of income inequality in the country. Since they provide employment to the people, the income levels of those employed increases which in turn reduces income inequalities.*

Role of entrepreneurs to the development of the economy and society

- ✓ *Creation of employment opportunities, entrepreneurs establish business enterprises that need people to work in the different departments e.g. accountants, managers etc.*
- ✓ *Creation of wealth, this is done through mobilizing capital and turning capital into business provides an accumulative resource base which helps the country to add value to the growth domestic products.*

- ✓ They provide linkage between sectors i.e. entrepreneurs establish business e.g. industries that use raw materials from the agricultural sector and at the same time, agricultural sector provide market for industrial output.
- ✓ They are a source of government tax revenue e.g. they pay income tax, corporate tax, among others which help the country to realize the revenue required for development.
- ✓ Provision of infrastructures, before any venture is established, there is need for good roads, telecommunication services and utilities etc. these are established by entrepreneurs which help to serve even surrounding communities.
- ✓ Promotes Balanced Regional Development: Entrepreneurs help to remove regional disparities through setting up of industries in less developed and backward areas. The growth of industries and business in these areas lead to a large number of public benefits like road transport, health, education, entertainment, etc.
- ✓ Increasing Gross National Product and Per Capita Income: Entrepreneurs are always on the lookout for opportunities. They explore and exploit opportunities and encourage effective resource mobilization of capital and skill, bring in new products and services and develop markets for growth of the economy which lead to economic growth
- ✓ Promotes Country's Export Trade: Entrepreneurs help in promoting a country's export-trade. They produce goods and services on large scale for the purpose of earning huge amount of foreign exchange from export in order to combat the import dues requirement.
- ✓ Improvement in the Standard of Living: Entrepreneurs play a key role in increasing the standard of living of the people by adopting latest innovations in the production of wide variety of goods and services in large scale that too at a lower cost. This enables the people to be availed with better quality goods at lower prices which results in the improvement of their standard of living.
- ✓ Community Development: Economic development doesn't always translate into community development. Community development requires infrastructure for education and training, healthcare, and other public services. For example, there is need for highly educated and skilled workers in a community to attract new businesses. If there are educational institutions, technical training schools and internship opportunities, that will help build the pool of educated and skilled workers.
- ✓ Effective Utilization of Resources: Entrepreneurship is all about putting to better use the resources which are considered to be of low value with an aim of earning income. Entrepreneurs come up with ideas of how to use what others may consider waste. This improves the economy of a country through taxes and creation of jobs which improves the standard of living of the beneficiaries
- ✓ Promote technological development. SMEs promote indigenous technological knowhow through skill of craftsmanship. They encourage the use and development of simple tools that can further lead to technological development.

FACTORS THAT DETERMINE THE EMERGING OF ENTREPRENEURS IN AN ECONOMY.

- ✓ Education background/ growth of education. Growth of education tends to promote entrepreneurship due to acquisition of relevant skills required for starting and operating businesses though this is debatable because many first generation entrepreneurs are low educated.
- ✓ Family background. Some people venture into business to join the other family members who are already operating family businesses. This is due to the advantage of an existing stock of capital thus reduced cost of doing business. Absence of family businesses discourages venturing into businesses due to high initial cost of business.
- ✓ Desire to work independently.
- ✓ Desire for taking personal responsibility to gain and keep independence encourages emergence of small business owners who agitate for quick decision making and being own bosses hence exercise personal control in the enterprises. Emergence of entrepreneurs is limited where people have no desire to work independently.

- ✓ *Financial incentive.* The rewards of succeeding in your own business can be high, and are well publicized by those selling “how to succeed” guides the would-be entrepreneurs. Unlike where there are no financial incentives, the promise of long term financial assistance from government, financial institutions and donors can be a motive in starting a new venture.
- ✓ *Availability of necessary inputs/ facilities.* The availability of fixed capital requirements and raw materials which are lying idle prompts the owners to put them to productive use if they fulfil the business requirements thus promoting emerging of entrepreneurs in an economy unlike where such inputs / facilities are non-existent.
- ✓ *Level of job satisfaction.* Many people start their own businesses because they feel dissatisfied with their existing jobs, bosses, and work environment. Some employees feel they are being exploited by their employers hence opt to start their own ventures. This is not the case where employees are experiencing job satisfaction.
- ✓ *High demand or desire to exploit an opportunity or fill a market gap.* The identification of a perceived gap in the marketplace through personal experience or observation creates the urge to start a business to exploit the perceived market unlike where such market gaps do not exist.
- ✓ *Government policies on entrepreneurship.* Protective and promotional policies such as tax incentives, subsidies, cheap land among others improve success and profit prospects which encourage emerging of entrepreneurs. Unfavourable government policies hinder entrepreneurship.
- ✓ *Cultural factors.* There are communities that seek and exploit business opportunities even in remote places while others frustrate business opportunities. Therefore, it is the culture of the society that has a bearing on emerging of entrepreneurs in the economy.
- ✓ *Level of employment.* In situations where one is jobless or has been laid off from a job or has been redundant thus suffers from boredom, he might think of starting his own business as an avenue to keep away the boredom whereas being an employee especially in a juicy job may make it difficult for the worker to think of venturing into business.
- ✓ *Previous work experience or turning a hobby into a business.* Many new entrepreneurs tend to establish businesses in activities in which they had direct prior experience. This is because they spot a business opportunity in the course of work and have already gained the needed skills or risk-taking ability for the enterprise.
- ✓ *Desire to cater for the future.* Many people who are physically fit start their own business ventures to earn more incomes either to supplement their pension or savings in order to have a comfortable life in the future.
- ✓ *Profit margin.* Huge profits earned by existing businesses encourage some people to venture into business for the purpose of enjoying the profits especially when there is still a large market gap.
- ✓ *Encouragement from existing big firms.* Establishment of subsidiary businesses may be encouraged particularly by big firms as backward or forward linkage. This promotes investment in such virgin areas unlike where there are no linkages.
- ✓ *Availability of social security/insurance.* Entrepreneurial spirit is born partly by existence of social security guaranteeing basic protection in case of business failure. If social security is not available emerging of entrepreneurs may be hindered.
- ✓ *Level of infrastructural development.* Existence of developed infrastructure encourages entrepreneurship due to constant production and supply as production costs and effort reduce unlike where there is underdeveloped infrastructure.

ENTREPRENEURSHIP CULTURE

Is a culture that encourages the whole population to take advantage of the abundant opportunities in the environment. The promotion of this culture involves the development of attitudes, beliefs and values.

Objectives of entrepreneurship culture

- ✓ *To build capacity of living with uncertainty and ambiguity*

- ✓ To familiarize with small business tasks during youth
- ✓ To be in contact with numerous familiar successful role models
- ✓ To link with a wide network of independent family /business contacts reinforcing familiarity and providing opportunities
- ✓ To acquire formal / informal managerial knowledge and practice in business
- ✓ To embrace opportunities to practice Entrepreneurial competencies

The promotion of this culture involves the following:-

- ✓ Building capacity for living with uncertainty and ambiguity.
- ✓ Familiarising with small business tasks during the youth.
- ✓ Being in contact with numerous business successful role models.
- ✓ Acquiring formally or informally managerial knowledge in business.
- ✓ Linking with a wide network of independent families / business contact re-enforcing the familiarity and providing opportunities

This implies that support from various financial, professional institutions that can facilitate the growth of entrepreneurship spirits should be made readily available to emerging young entrepreneurs

Benefits of the Entrepreneurial culture

- ✓ Enables people to acquire formal/informal managerial knowledge and practice in business.
- ✓ Enables people to link with a wide network of independent family and providing opportunities.
- ✓ Enables people to embrace opportunities to practice entrepreneurial competencies.
- ✓ Enables people to be in contact with numerous familiar successful role models.
- ✓ Enables people to familiarize themselves with small business tasks during youth.
- ✓ Enables people to build capacity for living with uncertainty and ambiguity.

CAREER DEVELOPMENT

A career refers to the occupation /activity / work that one does over a period of time for his survival and to achieve his goals. It means a continuous over evolving, over expanding opportunity to personal as well as business growth and development

A business career is a long term involvement in business activities for the purpose of making profits. One may choose a career from two broad categories ie wage employment or entrepreneurship

The following definitions are important to an understanding of “career” as a concept

A job is paid position requiring a group of specific attributes and skills that enable a person to perform task in an organisation either part-time or full time for a short or long duration

An occupation, is defined as a group of similar jobs found in different industries or organisations

Career development is the process of managing life, learning and work over the life span

Examples of career options in Uganda

There are several career options in Uganda that a person can aspire for. Those include the following career option.

- | | |
|------------------------------|---------------------------------|
| • Accountant | • Loan officer |
| • Database administrator | • Recreation and fitness worker |
| • Human resource – assistant | • Recreation therapist |
| • Book – keeping clerk | • Statistician |
| • Economist | • System analyst. |
| • Financial analyst | • Teacher |
| • Writer | |

FACTORS CONSIDERED WHEN CHOOSING A CAREER

Job security. This refers to the certainty a person has about his/her continued employment in the current employer of business. People mostly select careers that guarantee high levels of job security e.g. permanent and pensionable jobs than those which do not promise job security like contract jobs among others.

Personal interest. Individuals normally select careers they like and those that lead to their satisfaction and can make them better to those where they have no interest.

Demand for the career in the job market. Jobs that have high demand are usually preferred to those whose demand in the labour market is low. For example currently there is high demand for people to specialise in health and information technology compared to other fields like teaching, lumbering among others.

Job satisfaction. Jobs that are satisfying in terms of good and regularly pay, good conditions of service. Job security, provision of educational and credit facilities to the employees, etc. are preferred to those where there is absence of job satisfaction.

Expected Income or reward. It is assumed that one would choose a career where he expects a higher pay or earning leaving those that are associated with lower incomes

Family bias / preference. Some families have a bias or are in favour of some careers or jobs and end up either encouraging or discouraging their family members from taking them up. For example parents discourage their children from becoming teachers while others like it.

Talents and abilities of person. One may choose a career where he/she has a talent and abilities e.g. footballers, artists etc.

Influence of role model/career consultant or specialist, a person selects a career he/she has been attracted to by a role model

Government policy on development and creation of employment opportunities. There are certain careers that are promoted by the government e.g. the government policies of agriculture and attaining improved health conditions this means more qualified man power in these fields than in field with no government support.

The indices in decision making. This is important since when one is making a decision, it must be aimed at achieving positive results for the organisation. This is however normally determined by conditions of services and job advancement i.e. promotion.

Academic performance, Student tends to choose careers based on how they perform academically in certain subjects. In fact most people just select careers based on the subjects they have done well.

Natural resources in the community, one can choose a career basing on the resources available in a given area eg presence of minerals makes people join mining as their career.

FACTORS THAT INFLUENCE THE INCOME LEVELS OF DIFFERENT CAREERS.

Income level differs from job to job, country to country, one employer to another etc. the following factors account for the difference in income of the different careers.

The demand for the service rendered. Where the services of a given career are highly demanded, such people tend to earn high levels of income. On the other hand, where services of a given career are not highly demanded, they always tend to earn low incomes.

The nature of work done. The nature of work done in an enterprise accounts for difference in incomes. In most enterprises, people who perform activities which are most important are normally on high income levels than the other hence the differences in income levels e.g accountants, managers, auditors will always earn higher incomes as compared to a secretary, sweepers and driver.

The length of time that a person will have taken in acquiring the skills required to perform a given kind of work. Job where a person takes long time acquiring skills like doctors, engineers, lawyers always earn higher income as compared to jobs, which require a short period of training like a policeman (about nine months).

The employer's policy in regard to income. Different employers have different policies in regard to wages paid to workers. Some pay more money to women than men, the young than the old employees etc. income levels in an enterprise therefore depend on the employers' payment policies.

The general income levels in the country. Where the general income levels are high, people tend to get high incomes in all professionals while in cases where the general incomes are low; incomes among many professionals always tend to be low.

The level of country's development. A country with a high level of economic development, income levels generally tend to be high. On the other hand a country with low levels of economic development is always characterized with low levels of income.

The government policy concerning wages. For example when government sets a minimum wage, income levels tend to be high than in cases where government does not interfere with wage legislation.

The availability of people with required skills determine the income levels, in careers where skilled manpower is scarce like the doctors, engineers etc they tend to enjoy high income levels while in cases where skilled manpower is in abundance like the teachers, secretaries, income levels tend to be low.

Entrepreneur's capacity to pay. Where the employer makes a lot of profits he may pay high wages to the employees' hence high income. On the other hand reduction in profits of the company results into reduction in the income levels of the employees.

Entrepreneurial resources

These are assets both tangible and intangible that are mobilized by entrepreneurs in the building process of a business, organizations or other initiative

- ✓ *Skills or human skills (labour). This is the aggregate of all human physical and mental efforts used in creation of goods and services. Labour is a primary factors of production, the size of a nations labour force is determined by the size of its adult population.*
- ✓ *Time of the start of new business.*
- ✓ *Information regarding the new business. Information is valuable because it can affect behavior or an outcome. For example if a manager is told his/her company's net profit decrease in the past month, he/she may use this information as a reason to cut financial spending for the nest month.*

- ✓ *Capital. Is a wealth in the form of money or assets, taken as a sign of financial strength of an individual, organisation and assumed to be available for development or investment.*
- ✓ *Materials / inputs. Factors of production are inputs to the production process. Finished goods are the output. The inputs determine the quality of human activity.*
- ✓ *Equipment and technology. The purposeful application of information in design, production and utilization of goods and services and in the organisation of human activity.*
- ✓ *Natural resources. These exist naturally and may be very influential in all the determining of business survival at all costs. They are considered as the most critical and vital needs in the business organisation.*

GENERAL TYPES OF ENTREPRENEURS IN UGANDA

Literature on entrepreneurship is playing greater attention to the diversity of entrepreneurs. The following are types of entrepreneurs

- ✓ *Pull entrepreneurs. Are those who are lured by their new venture idea and initiate venture activity because of the attractiveness of the business idea and its personal implication.*
- ✓ *Push entrepreneurs. Are those whose dissatisfaction with their current position unrelated to their entrepreneurial characteristics, pushes them to start a venture.*
- ✓ *Innovative entrepreneurs. Assemble a large variety of information and of a range of factors experimentally to produce new possibilities in terms of market, techniques or products. Countries with a very under developed industrial base hardly produce this type of entrepreneur, because of lack of the necessary infrastructure*
- ✓ *Imitative entrepreneurs. They imitate and adopt the technology and techniques innovated by others. They are particularly important in underdeveloped countries although not highly regarded in more developed economies. However imitative entrepreneurs also need to be creative in order to modify innovations to suit their special conditions*
- ✓ *Opportunistic entrepreneurs. They constantly look for and exploit many opportunities because of their wide skills and knowledge accumulated from a wider educational back ground, experience or exposure. They start by exploiting a series of, often varied, opportunities as they grow. Their ambitions involve building large organizations are not afraid of borrowing to achieve this growth.*
- ✓ *Visionary entrepreneurs. They have almost similar characteristics to the opportunistic entrepreneurs however, while opportunistic entrepreneurs pursue many business opportunities, the visionary entrepreneurs concentrate on the un wavering pursuit of a single powerful opportunity.*
- ✓ *Craft man entrepreneur. They own the business in which they operate, but tend to restrict their business to their individual skills and experiences usually accumulated from limited education and exposure. They have minimal growth ambitions, keeping their enterprises small as a means of maintaining control.*
- ✓ *Drone entrepreneurs. They are entrepreneurs that will not change under any circumstances, slowly but surely, these entrepreneurs will be forced to close.*
- ✓ *Fabian. Are also reluctantly to change, but are sometimes forced by circumstances to change. They respond very slowly to changes in the market, and this affects their growth and competitiveness.*
- ✓ *Solo entrepreneurs vs. those who got their ideas from social networks, and develop them using the networks (network entrepreneurs) are found*
- ✓ *Co-preneurs. Couples work together as co-owners of an enterprise. Although some scholar consider business co-ownership a recipe for divorce, some researchers have described it as an exciting proposition that involves nurturing and growing a business with someone you love – much like raising a child. It is important, however, to first build a successful relationship before launching the enterprise*
- ✓ *Individual and institutional entrepreneurs. Most startup firms are dominated by entrepreneurs acting individually or coming together individually, however as the business grows and become*

more complex, it becomes imperative to develop the entrepreneurial skills through a corporate body

- ✓ Part time entrepreneurs. Start business on a part time basis is a popular gateway to entrepreneurship. That allows one to get the best world by getting the benefits of entrepreneurship and the security of a regular salary.
- ✓ Corporate cast offs and drop outs. Are produced by retrenched and retiring employees and have become an important source of entrepreneurial activity.

Profits as a reward to an entrepreneur

An entrepreneur is rewarded by profits or loses to appreciate him or her for having taken the risk.

A profit in business term refers to the difference between the sales and the cost of sales.

Types of profits

- (i) Net profit. This refers to the net earnings to an entrepreneur after all operating expenses have been met.
- (ii) Normal profits, These are earnings for an entrepreneur which is just enough to cater for the expenses and not capable of attracting other entrepreneur to join the business or the industry.

THE ROLE OF PROFITS TO AN ENTREPRENEUR

1. It is a source of government tax revenue i.e. entrepreneurs pay taxes such as corporate tax, company tax etc. to government.
2. It is a reward to an entrepreneur for risks and uncertainties i.e. the time taken while waiting for the business activities to yield income.
3. It's used as an indicator for resource allocation i.e. an entrepreneur allocates more resources to activities where he/she drives a lot of profits.
4. They are used by an entrepreneur to expand or improve on the existing enterprise i.e. they are used to purchase items that are needed in the business.
5. It is a source of reward to other factors of production in an enterprise e.g. out of profits an entrepreneur is able to pay wages and salaries pay interest on capital etc.
6. It is used to motivate workers in an enterprise. It is where the entrepreneur drives income to increase workers' salaries, improve their welfare of assistance etc

Who is a manager?

A manager is a person who directs and controls the affairs of the business so as to ensure that the business' set targets are achieved. Therefore a manager may not be an entrepreneur as much as entrepreneurs are managers. Manager carries out the following functions.

FUNCTIONS OF A MANAGER

- ✓ Planning. This involves setting of goals and objectives and determining the ways in which they are to be achieved.
- ✓ Organizing. This involves the identification of what activities are to be done, grouping of these activities into department and delegating them to particular individuals.
- ✓ Staffing. This refers to the process recruiting, training and developing employees who actually carry out the tasks of the business.
- ✓ Coordination. Managers always coordinate different activities within an enterprise to ensure that every activity gets the necessary support as required and performed as expected.
- ✓ Leading. This involves guiding the employees about procedures and work methods in the enterprise.
- ✓ Controlling and maintaining. Ensuring that every activity in an enterprise is done as expected so as to produce desired results as per the time set.
- ✓ Motivation. This refers to the process of encouraging employees to give in their best towards the achievements of the desired targets.

- ✓ *Communication. This involves passing over information from one person to another so as to have a moving organization.*
- ✓ *Budgeting. This refers to the process of accounting for resources received and estimating what is needed in the business at a given period of time.*
- ✓ *Evaluation. This involves making analysis of the performance of the business against the set targets.*

INTRA – PRENEURSHIP

Is the act of behaving like an entrepreneur while working within a large organisation

An Intrapreneur is a person who focuses on innovation and creativity and who transforms a dream or an idea into a profitable venture by operating within the organizational environment

Or is a person who does not own a business but uses the entrepreneurial skills in an existing business where he/she works to identify opportunities and create profits for the business from the opportunity

The features of an Intrapreneur

- ✓ *Works in an existing business*
- ✓ *Is hired to manage the business*
- ✓ *Creative and uses ability / insight to market / produce / finance a service / product*
- ✓ *Identifies new products / services for an existing business*
- ✓ *Organizes and controls resources to ensure profit for the existing business*
- ✓ *Prefers benefits of an existing business such as salary and available resources.*

An enterprising person is someone who takes on imaginative and risky projects. He is a person who is ambitious; they take initiative in order to be successful.

Characteristics of an enterprising person

- ✓ *Always hardworking*
- ✓ *Always see the future in the present.*
- ✓ *Always find the way to take advantage of situation. They are not burdened by it*
- ✓ *They don't wait for opportunities to come to them, they go after opportunities*
- ✓ *Always keep his mind open and active*

ENTERPRISE

Enterprise means always finding a way to keep yourself actively working towards your ambition.

Enterprise means two things ie creativity and the courage to be creative

Creativity. This is the ability to generate new and unique ideas. Creativity is needed to.

- *see what is out there and to shape it to your advantage*
- *look at the world a little differently*
- *Take a different approach to be different.*

Courage to be creative. This is needed to

- *see things differently*
- *go against the crowd*
- *take a different approach*
- *stand-alone if you have to*
- *Choose an activity over inactivity.*

Entrepreneurial competences

There are three major competences for successful entrepreneurship. These include

- ✓ *A body of knowledge*

- ✓ A set of skills]
- ✓ Cluster of traits

Knowledge, this is a set / body of information stored by a person which may be recalled at an appropriate time to enable a person do what is needed to achieve a purpose. Examples of knowledge include:

- ✓ Information about the market for goods and services.
- ✓ Information about customers like who they are, where they are, their age bracket, their tastes and preferences etc
- ✓ Information relating to business opportunity identified after doing market research.
- ✓ Information about production process like knowing which materials to use, knowing how to transform the materials into finished goods.
- ✓ Information on business management like how to manage workers successfully.
- ✓ Information about technical matters like how to operate the machines.
- ✓ Information about competitors like knowing their strength, weaknesses, opportunities and weaknesses.
- ✓ Information about the sources of capital.
- ✓ Information about sources of various inputs like machinery, labour, raw materials etc
- ✓ Information about government policies that affect business activities.

Skills, this is the ability to apply knowledge and can be acquired through practice. In business context it is possible to distinguish between skills of technical and managerial in nature, some example are listed below

Technical skills

- | | | |
|---------------|-------------|------------------------------|
| ✓ Engineering | ✓ Painting | ✓ Video coverage and editing |
| ✓ Computing | ✓ Mechanics | ✓ Hair dressing |
| ✓ Sewing | ✓ Catering | ✓ Pottery |
| ✓ Carpentry | | |

Managerial skills

- ✓ Marketing (including selling). An ability to see past the firm's offerings and their features, to be able to see how they satisfy the customer's needs and why the customers find them attractive.
- ✓ Strategic skills. Ability to consider the business as a whole, to understand how it fits with its market place.
- ✓ Time management. An ability to use time productive, to be able to prioritize important jobs and to get things done to schedule.
- ✓ Financial management. An ability to manage money, to be able not only to keep expenditure and to monitor cash flow, but also to assess investments in terms of potential and their skills.
- ✓ Organisation skills. An ability to mobilize and direct different resources to a right direct for the success of a venture
- ✓ Planning skill, an ability to consider what the future might offer, how it will impact the business and what needs to be done to prepare for it now.
- ✓ Leadership. An ability to inspire people to work in a specific way and to understand the tasks that are necessary for the success of the venture.
- ✓ Delegation skills. An ability to allocate tasks to different people. It demands a understanding of the skills that people possess, how they use them and how they might develop to fulfill future needs.
- ✓ Communication skills. Ability to use spoken and written language to express ideas and inform others.
- ✓ Negotiation skills. An ability to understand what is wanted from a situation, what is motivating others in that situation and recognize the possibilities of maximizing outcomes for all parties.

Traits, these are the aggregate/total of peculiar qualities that constitute personal individuality. Traits take time to develop and are not easily changed or acquired. E.g

- ✓ *Passionate, highly successful entrepreneurs choose to do what they love to do or what they are passionate about.*
- ✓ *They are disciplined, highly successful entrepreneur have the quality of high self-control and have the habits of obedience to effectively manage their time and other resources to achieve success.*
- ✓ *They are effective planners; highly successful entrepreneurs do proper planning. They know what their businesses will be in the next 5 years because they are always planning and they are ready to give it their best.*
- ✓ *They are persistent, successful entrepreneurs are highly consistent in their endeavours.*
- ✓ *They are professional, successful entrepreneurs highly believe in the power of being professional or the importance of proper packaging of the business. They know how to present their business or idea in a way that will attract the right people who need them.*
- ✓ *They are aggressive; this is the ability to have confidence to move forward without fearing any resistance.*
- ✓ *They are ambitious; this is the ability to have strong desire towards something.*

NB: It is mostly likely that a person who does not have all the three competences in his/her business will encounter difficulties in operating the venture successfully.

TRAITS OF AN ENTREPRENEUR

These are the aggregate of peculiar characteristics that constitutes personal individuality. Traits take time to develop and are not easily changed or acquire. These are qualities than an entrepreneur needs to have and develop in order to successful start – up nurture and grow an enterprise.

Self-confidence: This is having a strong belief in one self and his/ her ability to achieve the set goals regardless of the challenges.

Hard working: This is putting in extra effort, commitment, resources and times in order to achieve the set goals in the set period of time.

Goal oriented: This is the ability to set goals that are SMART ie specific measurable, achievable given the available resources, realistic and time bound and also to work with determination towards achieving them.

Persistent: This attribute enables the entrepreneurs to develop determination to have a thorough job done at any cost in terms of personal sacrifice. This makes them remain working towards the achievement of their set goals, and remain willing to work until a job is done, no matter how long it takes and what challenges are involved.

Profit oriented; this means having a strong interest and direction towards operating profits in business. This can be achieved through maximizing sales and minimizing costs of operation.

Builds for the future: Most successful entrepreneurs aim at creating long term enterprises that can even outline them and hence provide a secure job and income for themselves and improved welfare and wealth for their families.

Commitment ;Success in business demand total commitment by the entrepreneur in terms of time , money and lifestyle and the business has to be the major priority in the entrepreneur's life.

Reliability and integrity; Success in business requires honesty, fairness and reliability in terms of doing what the entrepreneur has promised, fulfilling contracts with customers.

Risk taking. Entrepreneurs are individuals who prefer taking moderate risks. However, entrepreneurs always prefer to take on those risks that they are able to manage. It is the ability to see the opportunities where others cannot and the ability to act on such opportunities which may succeed or fail.

Copes with failure; Successful entrepreneurs are those who recognize their failures, learn from them and seek new opportunities.

Willingness to listen; Success in business requires one to be willing to seek and listen to advice and information from others e.g. customers, bankers, business advisors etc.

Demonstrate initiative. Successful entrepreneurs have the power or opportunity of acting and gaining an advantage before other people do. They take the initiative and put themselves in positions where they are personally responsible for success or failure.

Setting own standards; success in business requires setting standards i.e. about sale, quality, income and output and working to achieve them.

Responding to feed back; Successful entrepreneurs constantly monitor how well they are doing and keeping track of their performance and then constructively use the feedback obtained to improve performance.

Coping with uncertainty; Entrepreneurship and self-employment involve more uncertainty than wage employment e.g. about sales, profit, prices, support services etc.

Coping with changes; Success in business requires ability to understand, appreciate and adopt or cope with change because change is inevitable in every organization.

Innovation. This is an entrepreneur's ability to tackle the unknown and do things in a new and better way or different way, change old ideas into new ideas etc.

Opportunity oriented. This enables an entrepreneur to see and identify new business opportunities, seizes them and convert them into realistic achievable goals e.g. opportunities for obtaining the necessary resources like equipment, land etc which will enable him/her implement his/her business ideas.

Creativity. Entrepreneurs need creativity to deal with their everyday situation that involves creating new products, services and processes. Even when they imitate others, creativity is needed to adapt the imitations to the markets.

Build on strengths. Successful entrepreneurs base their work upon the strengths they have such as personal knowledge and skills or competences, when fully exploited or used enable them to identify many opportunities which increases their chances of success and business sustainability.

Information seeking.

Successful entrepreneurs are inquisitive in order to make an informed decision. They try as much as possible to access information so as to know about anything that might affect their ventures. For instance about selecting, starting and successfully managing the desired business, as well as information regarding customers, suppliers, competitors, among others.

Reliable and has Integrity. This involve honesty, fair dealing and reliability in terms of doing what one has promised to do.

BARRIERS TO ENTREPRENEURSHIP

Barriers to entrepreneurship are factors that hinder the development of the entrepreneurship; they hinder people from acquiring and practicing entrepreneurial skills, but also prevent practicing entrepreneurs from achieving the full benefits that entrepreneurship has to offer.

Poor entrepreneurial skills. Most entrepreneurs and potential entrepreneurs are short on entrepreneurial skills. They are risk averse, lack creativity, innovation, endurance, flexibility and other entrepreneurial characteristics.

Lack of role models in entrepreneurship. Uganda is seriously short of role models in the field of entrepreneurship, which limits the number of people who willingly aspire for a career in entrepreneurship

Lack of business ethics. Unpaid loans, unpaid or highly exploited employees, unpaid suppliers, substandard goods, tax evasion, corruption, smuggling etc. characterize many business ventures in Uganda today. While such tendencies may sometimes result in a quick profit, many times these ill come back to haunt the entrepreneur, many time crippling them completely.

Low mobility and exposure. Mobility and exposure normally offers the biggest revelation for new ideas that shape creativity and innovations to entrepreneurship. However, Ugandans, generally do not travel widely, do not read widely and do not explore, ask or investigate.

Lack of business and technical skills. Business skills in marketing, accounting, management, planning are required by all practicing entrepreneurs to effectively manage their entrepreneurial ventures.

Career dependency. Ugandans especially the educated have long been dependent on their careers to provide for their livelihoods. Entrepreneurship has for long been regarded as a last resort effort mainly reserved for the under educated.

Lack of continuity. Very few firms in Uganda are known to survive the death of their founders. Very few entrepreneurs have the opportunity to pass on their enterprises to new generations and watch from a side as the enterprise continues to prosper.

Lack of motivation. Because of lack of role models and limited exposure, entrepreneurs in Uganda tend to be satisfied with relatively small and modest achievements.

Political instability. This state of affairs has robbed Uganda of many entrepreneurs and many more entrepreneurs have lost life time savings and business assets, while others have been forced by instability to close.

Business administrative procedures. In many cases, the business environment is dominated by complex and burdensome regulations, favouritism, corruption and weak enforcement mechanism.

Insensitive government institutions and departments. Entrepreneurs blame government institutions for having little qualification and a poor understanding of the importance of business and entrepreneurial processes.

Excessive, complex and arbitrary taxation. The tax administration is arbitrary and many times misunderstood, resulting in ad hoc tax administrative solution which foster rampant corruption, very many taxes also serve to discourage potential entrepreneurs.

Lack of access to finance. Banking system and practices in Uganda impose impossible demands on entrepreneurs' banks have little incentives to extend credits. The term of credit are unreasonable, requiring difficult collateral and guarantees to secure the loan.

Low purchasing power. Low incomes and high rate of unemployment limit the purchasing power of relatively small Ugandan population. This makes it hard for businesses in general and entrepreneurs in particular to acquire the necessary economies of scale.

Under developed infrastructure. Uganda is still played with very poor physical and social infrastructures in terms of roads, electricity, water, bridges, schools and hospitals. These hinder business development in many parts of the country, and acts as barriers to entrepreneurs.

Economic instability. Due to over reliance on donor assistance borrowing, the import bill that far outweighs the export earnings, and over reliance on imports, the Ugandan economy is very fragile and easily destabilized by any small shocks in the international environment.

CAUSES OF EARLY FAILURE OF ENTREPRENEURIAL VENTURES

- ✓ *Death of an entrepreneur*
- ✓ *Poor timing*
- ✓ *Poor management or poor managerial skills*
- ✓ *Heavy taxes that are charged by the government.*
- ✓ *Some people start business without a business plan or total lack of business planning*
- ✓ *Lack of sufficient capital*
- ✓ *Competition from existing companies especially with globalization*
- ✓ *Uncertainties like weather, wars which at times destroys the entrepreneurs' businesses.*
- ✓ *Inadequate market*
- ✓ *Poor financial management, planning e.g some business don't keep financial records, over investment in fixed assets, poor inventory control, poor financial control*
- ✓ *Government policies many have negative impact on economy e.g increased taxes on second hand clothes*
- ✓ *Poor location of business*
- ✓ *Arrogance of entrepreneurs with their new products and don't accept new bright ideas*

Measures have been under taken to boost entrepreneurship in Uganda

- ✓ *Carrying out adequate market research*
- ✓ *setting up credit societies, reducing interest rate and increasing loan repayment periods*
- ✓ *training Capable local advisers or making them available to handle issues like project viability*
- ✓ *providing Technical education and support*
- ✓ *Referring to successful role models constantly to solved social stigma*
- ✓ *using Market contacts and updates*
- ✓ *setting up local companies for research and come up with viable ventures*
- ✓ *ensuring that the nation is politically stable to encourage investment*
- ✓ *improving on the infrastructures to ease flexibility of flow of goods and services*

Functions of an entrepreneur

An entrepreneur performs a series of functions necessary right from the genesis of an idea, up-to the establishment and effective operation of an enterprise. He carries out the whole set of activities of the business for its success. In summary an entrepreneur is responsible for

Recruitment of staff. An entrepreneur sets objectives to be achieved by the business. He has to work with people and through people to achieve such objectives. Therefore, an entrepreneur has to hire the right type of employees that will help him to achieve the objectives of the business. He assumes the role of the personnel manager.

Monitoring and evaluation of operations. To ensure success of the business, the activities carried out should be monitored to ensure that performance is in line with the set targets. An entrepreneur acts as a supervisor of the business

Taking business decisions. Once an entrepreneur is convinced that a particular line of production offers large prospects of profit, he decides to enter it. He decides on the product and quality to be produced, prices to charge, form of business ownership, location of business and so on.

Risk taking and uncertainty bearing. An entrepreneur ventures in the business to earn profit while standing the risk of a loss. The future is uncertain and the entrepreneur has to take risk in these circumstances. If the venture succeeds, the entrepreneur profits; if it does not, losses occur. An entrepreneur bears uncertainty by taking calculated and moderate risks.

Innovation. An entrepreneur is basically an innovator who introduces new combinations of means of production. Innovation implies doing new things or doing of things that are already being done in a new way. Entrepreneurship is a creative activity and the entrepreneur introduces something new in any branch of economic activity.

Financing the business. An entrepreneur has the function of raising necessary funds to start the business and to ensure that there is efficient management of financial resources to support all activities done.

Motivating employees and other stakeholders. An entrepreneur deals with customers, employees, suppliers and others. These different categories have to be motivated so that they perform to their level of expectations. Therefore an entrepreneur has to ensure good relationship with the different groups of stakeholders and satisfy their aspirations and expectations.

Generation of business ideas. Before starting any business, an entrepreneur scans the environment to identify business opportunities and develop business ideas that can be evaluated to select the most viable and feasible idea that can be translated into a real business.

REWARDS / BENEFITS FOR BEING AN ENTREPRENEUR

- ✓ *It leads to feeling of freedom and independence e.g. in terms of decision making.*
- ✓ *It leads to increased income. People in the business society earn income which in turn improves their standards of living.*
- ✓ *It encourages the development of self-confidence due to the high levels of independence that exists i.e. the owner is the leader of him/herself.*
- ✓ *It enables one to invest his/her resources and skills fully and productivity. This leads to self-employment.*
- ✓ *It allows one to become creative and innovative as he/she can come up with the new ideas and implement them for the success for his/her business.*
- ✓ *It leads to respect and recognition by the society.*
- ✓ *It ensures maximum job security.*

CHALLENGES/COSTS/DISADVANTAGES OF BEING AN ENTREPRENEUR

- ✓ It makes an entrepreneur work for long and irregular hours with a lot of hard work so as to succeed. This leads to fatigue and exhaustion.
- ✓ It leads to uncertainty of the income i.e. business is associated with both profits and losses.
- ✓ It is associated with low life style as a result of working for long and irregular hours especially at the beginning.
- ✓ It is associated with a lot of risks. The entrepreneurs face all the risks of his business alone.
- ✓ It ensures personal responsibility for the business failures i.e. in case of failure of the business. The entrepreneur stands personally liable for such failure.

Entrepreneurship as a career option

Entrepreneurship can be defined as a career in one's own business rather than wage / paid employment.

The entrepreneurial process.

There are mainly three steps involved in the entrepreneurial process ie

- *Income generation. Here, one tries to generate surplus or profit e.g through putting surplus money on a fixed deposits account in a bank.*
- *Self-employment. This refers to an individual's fulltime involvement in his own occupation / business.*
- *Entrepreneurship. This is terminal / last stage in the entrepreneurial process where after setting up a venture, one looks for diversification and growth. At this stage, an entrepreneur is always in search for new challenges, converting threats into opportunities, innovative and creative.*

EMPLOYMENT

This refers to relationship between two parties, usually based on a contract, one being the employer and the other being employee.

Types of employment

Self-employment is where an individual starts his /her own income generating activity using his own resources and gets employed in it or it refers to an individual's fulltime involvement in his own occupation or business or an enterprise

ADVANTAGES OF SELF EMPLOYMENT

Increased income: Owning and operating a business enterprise gives the entrepreneur additional income in form of profits generated by the business.

Personal fulfillment and improved standards of living: Being an entrepreneur helps one to achieve his or her desired life goals hence personal fulfillment. The additional income generated helps an entrepreneur to improve his / her standards of living.

Creation of employment. Self-employment leads to creation of employment for others. This increases people's incomes and welfare hence improved standard of living.

Independence in decision making; Entrepreneurs always enjoy the opportunity to make independent decisions and also to change such decisions when even need arises

Increased production of goods and services. If the number of self-employed persons is many there will be provision of goods and services to community hence increase income to the entrepreneur as a result of selling the goods and services.

Social recognition; Entrepreneurs are always highly respected and socially recognized in society because of the goods and services they provide and employment opportunities they create for the people in the community.

Self-confidence. When one becomes an entrepreneur, he/ she develops confidence in him or herself and abilities since he/ she does things by him / herself independently.

Job security; Self-employment improves security of one's job and income and promotes hard working as one strives to work hard to see his / her ideas succeed.

Economic development; self-employment promotes economic development and more entrepreneur get knowledge and guidance from other and start their own ventures.

Encourages innovation and creativity. The employed person is at will to look for new ideas and develop any business idea. This is not common for people who work for others, they simply follow procedures.

Efficient utilization of resources. There is efficient utilization of the firm's resources since the entrepreneurs have special interest in the business hence fostering the country's GDP.

DISADVANTAGES OF SELF EMPLOYMENT

Risk of losing resources invested in the business. Entrepreneurs take business risk which may result into losses, collapse of the business and at times complete losing the resources invested e.g. land, capital, time, etc.

Long and irregular hours of work. People who are engaged in self-employment go through long and irregular hours of work. One has to put in as much time as possible to be able to succeed. This leads to overworking and fatigue as there is little time for rest.

Unstable income. The income of a self-employed person is neither stable nor guaranteed. One is not sure whether the same kind of income will continue coming in or it will be less or more. In other words there is a variation in the income earned by the owner and this makes planning difficult.

Uncertain future. A self-employed person is not sure of what will happen in the future whether things will be okay or not. Therefore, the future is not guaranteed and in case the business enterprise fails, there is loss of the source of livelihood.

Hard to delegate work. In case of a one man business, there is no one to refer to thus the owner cannot delegate work and this leads to overworking and missing out on opportunities which the self-employed person cannot take up because of limited capacity and time.

Lower quality of life until the business gets established. The long hours and hard work needed to launch a business can take their toll on the other aspects of an entrepreneur's life. Business owners often find that their roles as company founders require them to make sacrifices, most often in the areas of family relationships and friendships.

No fringe benefits. There is no extra assistance like medical, leave or transport in case of a one man business. These are provided where one is in paid employment.

Needs high energy. Entrepreneurship requires high energy in order to achieve business success and therefore leads to fatigue.

Constant concern about the business ; Being an entrepreneur involves a lot of pressure and concern about the business, all the time thinking about business matters in order to achieve business success.

Responsibilities: The entrepreneur is congested with broad responsibilities and hence finds himself doing a lot of things since there is no one to assist.

PAID EMPLOYMENT.

Involves taking up a job in which a person is paid a uniform wage / salary daily, weekly, monthly or annually for a specific assignment given by the employer or government.

Advantages of paid employment

- ✓ *There are specific responsibilities depending on agreed payments in respect to the work done.*
- ✓ *Steady income. A paid employee is assured of a regular payment at the end of a specific work done.*
- ✓ *A worker may enjoy fringe benefits like transport, sick leave, housing etc from his employer.*
- ✓ *There are minimal risks and the employee is assured of his/her pay all the time*
- ✓ *Reduces fatigue of the employee since there are fixed and favourable hours of work.*
- ✓ *In some enterprises there are chances of further training for the workers.*
- ✓ *It is easy for the government to collect legal payments like taxes.*
- ✓ *There is a set and convenient span of control over activities of business ie work is done according to the level of specialization.*

Disadvantages of paid employment

- ✓ *There is a tendency of following strict orders. One has to work under given specific instructions and has to make consultations where decisions are to be made.*
- ✓ *There is a set span of control. This refers to the hierarchy one has to consult before implementing his own ideas to work.*
- ✓ *There is a fixed rate of pay which can hardly be increased even if output increases.*
- ✓ *There is limited and fixed responsibilities ie one does not go beyond the work specifications. This limits a worker from attaining skills.*
- ✓ *There is limited room for initiating ones ideas. If one develops ideas, they may be difficult to implement due to bureaucracy.*
- ✓ *Workers may be dismissed due to poor performance or bias by the employer.*
- ✓ *Absence of some workers may make work to come to a standstill since everyone will have to concentrate on his work.*
- ✓ *It may promote corruption and embezzlement as employees struggle to be given jobs.*

The following are the measures that can be taken to promote self-employment

- ✓ *Liberalizing the economy / strengthen the private sector that allows people to carry out free trade.*
- ✓ *Encouraging practical and vocational subjects at different levels in order to create job creators.*
- ✓ *Setting up more infrastructures ie transport and communication is being done by government.*
- ✓ *Encouraging talent development.*
- ✓ *Giving soft loans to self-employed people.*
- ✓ *Giving tax holidays to self-employed people / investors.*
- ✓ *Promoting security in the country to provide a conducive environment for investment.*
- ✓ *Sensitizing the masses about the benefits of self-employment.*
- ✓ *Widening market for locally produced goods.*
- ✓ *Reducing the bureaucracy when starting business.*
- ✓ *Providing information about various business ideas.*
- ✓ *Recognizing and rewarding the self-employed person.*
- ✓ *Creating business support organizations like banks , insurance companies etc*

- ✓ Ensuring economic stability.
- ✓ Providing subsidized land to investors.

Challenges encountered in trying to promote self-employment in Uganda.

- ✓ *Insecurity in some parts of the country which discourage individual freedom and investment.*
- ✓ *Societal barriers which discourage entrepreneurial spirit.*
- ✓ *Ignorance of the masses about the importance of self-employment.*
- ✓ *Existence of a theoretical based education system in the country which trains job seekers.*
- ✓ *Unfavourable economic conditions of high levels of inflation*
- ✓ *Unfavourable government policies of levying high taxes.*
- ✓ *Limited existing market in the country due to high levels of poverty.*
- ✓ *Undeveloped infrastructure especially roads, water, electricity and machinery.*
- ✓ *social – cultural rigidities that act as barriers to entrepreneurial development e.g the belief that high profit is unethical*
- ✓ *Limited entrepreneurial experience in the country.*
- ✓ *Unfriendly economic environment in terms of high interest rates on loans, non-existence of lending and funding organisation etc.*
- ✓ *Psychological factors like high need for affiliation, conformity and compliance to rules and regulations, need for security etc.*
- ✓ *Great risk in less developed countries as there is lack of reliable information, market for goods and services is small etc.*
- ✓ *Non availability of labour and skills. Though there is abundant labour supply there is generally scarcity of skills at all levels.*

COPING WITH CHANGE

Change is to give a completely different form or appearance to an object. Change in an organization is inevitable. It involves transforming an object into a completely different one.

Types of change

DEVELOPMENTAL CHANGE. This occurs when a company makes an improvement on their current business. If a company decides to improve their processes, methods, performance standards, this is referred to as developmental change. Companies are continually processing developmental change in order to stay competitive

Characteristics of developmental change

- *The company improves on its processes, methods or performance standards.*
- *Development appears gradually with little stress.*
- *Employees acquire new skills in order to manage the developments.*
- *It does not mean necessary the company changing its goals but to improve on the processes so as to achieve them.*

Examples of developmental change

- *Improving existing billing and reporting methods*
- *Updating payroll procedures*
- *Refocusing marketing strategies and advertising process*

TRANSITIONAL CHANGE. This type of change involves replacing existing processes or procedures with something that is completely new to the company. It involves dismantling of the old processes and

include, corporate re-organisation, merger, acquisition, creating new products or services and implementing new technology.

NB. Transitional change may not require insignificant shift in culture or behavior but it is more challenging to implement than developmental change.

Transitional period this is a period when the old process is being dismantled and the new process is being implemented.

Characteristics of Transitional change

- The old processes are completely replaced with new ones.
- There is a significant shift in the behavior of the employees.
- The company develops new products and services.
- The company destiny or future is unknown.
- Employee's level of engagement in the new procedures is increased

TRANSFORMATIONAL CHANGE. This type of change occurs after transitional change. It involves making drastic transformation in the business rather than methodologically implementing new process. Transformational change may involve both developmental and transitional change where the businesses recognize that they need to over haul (the act of drawing something) the way they do business.

Example of transformational change

- Implementing major strategic and cultural changes
- Adopting radically different technologies
- Making significant operating changes to meet new supply and demand

Characteristics of transformational change

- Top management is prepared to involve employees in transition.
 - There is complete change in the methods of production.
 - There is a complete change in the vision, mission and objectives of the company.
 - Companies are faced with an expectant competition arising from existing companies.
 - Employees look for an ideal situation for placing themselves in a new change i.e. undertaking training.
3. Social change, refers to modification of established relationships in the business by influencing workers to achieve set goals of the business eg empowering workers , introducing team work etc
 4. Planned change, refers to change that occurs when leaders/management of the business deliberately plan to bring changes and take action to bring the desired changes
 5. Radical change, refers to the process by which a business regains its competitive advantage after it has lost it
 6. Strategic change, refers to change that involves long term planning for the business while adopting a strong external orientation
- Remedial change, refers to that change made by a business to address or correct a particular undesirable situation which needs immediate attention

FACTORS THAT BRING ABOUT CHANGE IN THE BUSINESS

1. **Efficiency:** This is the ability of the business to achieve its objectives within the shortest time possible without losing quality and wasting any other raw materials. A successful manager would therefore develop business methods that are efficient in utilizing the available resources.

2. *Environmental change:* With increasing pollution resulting from industrialization and excessive exploitation of natural resources, managers and academicians are now showing great interest in the area of change.
3. *Social changes:* These are behavioral changes that can be brought about by growth in population which results into change of needs of the community and various development aspects; hence an entrepreneur must make changes that satisfy the growing needs of the society.
4. *Competition:* This includes those businesses that sell similar products or give similar services as well and they compete for the same customers, therefore companies must be considered as competitors because the products produced and put on market are similar and target the same customers.
5. *Change of technology:* Technology is constantly changing the demand of consumers hence businesses need new technological developments to produce new products and services.
6. *Change of Desires:* Entrepreneurs use their altitudes to control conditions hence opposite mental altitude helps to focus on desired activities and events that result into better use of available resources.
7. *Government directives:* Sometime governments issue policy statements which cause entrepreneurs to develop enterprises that meet the identified needs of the economy e.g. government of Uganda directing schools and students take all sciences compulsory.

FACTORS THAT INFLUENCE DECISION MAKING

- ✓ *Nature of situation:* The situations that require a decision to be taken affect the kind of decision an entrepreneur can make, e.g. breakdown of machines may require quick a decision in order to meet the customer demand.
- ✓ *Availability of resources:* When resources required to implement decision are already available the process of decision making is easy and faster as opposed to when the resource required are not available.
- ✓ *Environmental factors:* Environment in which the business is located affects any decision to be made e.g. the decision on whether to manufacture plastic will have to be taken after taking into consideration, the impact it will have on the natural environment and the people of the community.
- ✓ *The expected benefits from a decision:* For any decision to be made and implemented benefits are assessed i.e. once more benefits, are expected, quick decision is taken than that lose.
- ✓ *The cost involved:* There are ambitions that require heavy investment before any benefit is realized in such a situation, a decision is delayed.
- ✓ *Time pressure:* When the decision to be taken requires time little time, it is undertaken faster than when the situation is relaxed, a slow and careful pace is undertaken.

CRITICAL FACTORS TO BE CONSIDERED IN PLANNING FOR CHANGE IN SMALL BUSINESSES.

1. *Capital:* Capital becoming very expensive to obtain overtime by many small businesses.
2. *Raw materials:* This is becoming increasingly expensive and difficult to obtain due to difficulties in transport and misuse of the available raw materials among others; therefore, small firms resort to holding large quantities of raw materials.
3. *Labour:* Labour is abundant to small firms but skills in business management is lacking; hence many firms opting to use capital then labour.
4. *Technology:* every firm is a having a future in technology, however, it is becoming expensive; this is due to changes in taste of customers.
5. *Markets:* markets are based on products which customers demand. Hence there is need to change enterprise's markets as competition grows stiff.
6. *Government regulations of business activity:* Due to the increasing demand for economic development and self-sustenance, officials are struggling to keep the country in the economic process.

7. Behavior of entrepreneurs, with the changing demand for goods and services entrepreneurs are struggling to offer quality goods and services with emphasize of professionalism.
8. Life styles, consumers' life style is changing towards quality at less cost as many copy the western way of living, forcing entrepreneurs to go western than local.
9. Nature of Management. Entrepreneurs will have to exhibit greater professionalism and foresight if they are to guide the small sector through the period of economic scarcity which is now in the underway.

Importance of change

- ✓ It helps the enterprise to adopt new technology; this increases the ability of the enterprise to increase productivity and growth.
- ✓ It helps the organization to respond to customer's needs, as satisfied customers are able to bring in more income and at the same time it contributes to the growth of an enterprise.
- ✓ It helps employees to get new skills and knowledge i.e. for change to occur employees must adopt it by learning new skills and exploiting new opportunities to exercise creativity in the new way.
- ✓ It determines the direction of the organization. That is to say with increasing demand for products and services; it mean that a company must consider expansion that might involve addition of new staff and new facilities.
- ✓ It is used to change the status quo i.e. change is used to develop new ideas and innovations that directly impact and benefit the enterprise.
- ✓ Change helps the organization to achieve production of new goods and services e.g. the transformational change which leads to complete dismantle of the old processes which are inefficient and replaced with efficient modern method of production.
- ✓ Change is used as a tool to out compete other business e.g. change in the product line, change in the marketing strategies, change in customer care etc.

Disadvantages of change in a business

- ✓ It may sometimes result into unemployment of some workers when they are replaced by few machines adopted by the business.
- ✓ It may result into over reliance on computers, information technology and information support systems which sometimes break down. This may cause disruption of business activities.
- ✓ It may cause inconveniences to both workers and the business due to relocation of industries and workers. This may cause resentments from both workers and the community around.
- ✓ It leads to increased complexity of the methods of production. This may become expensive to the business due to increased costs of buying the technology, maintaining it and training the workers to use it.
- ✓ It may reduce the market share of the business when the change is caused by entry of a new competitor into the market area of the business or movement of the target population to other areas, which in turn reduces the profits of the business.
- ✓ It may result into pollution of the environment due to industrialization and the exploitation of resources like trees minerals etc
- ✓ It may result into wastage of resources. For example, change in technology may force business to purchase new technology that they may not really be needed.

REASONS WHY PEOPLE RESIST CHANGE

It is not common to find that change is totally accepted by everyone. This is partly due to the following

- ✓ Change benefits some people while it hurts others. That is why people resist it especially when change is seen as damaging in some way.
- ✓ Change sometimes is very expensive i.e. many changes require financial investment in the short run or it may be in the best interest of the few.
- ✓ Not being consulted. If people are not allowed to be part of the change there is less resistance.

- ✓ *Some people resist change because they feel they are not capable of handling it, this may be the result of the general lack of self-confidence.*
- ✓ *Some people resist change because they feel they are not secure, e.g. when a small business seems to be running smoothly, any change may represent a threat of insecurity.*
- ✓ *Some people take pride of being stubborn and independent; hence they resist change no matter how convincing evidence is in favor of it.*
- ✓ *Some individuals resist change because they were not consulted before; hence they look at it as being undermining their efforts.*
- ✓ *It is because some people may lose their status in an organization, e.g. a change that involves merging department may be resisted because some people lose their status as being heads of departments.*
- ✓ *Some people resist change because they fear taking on new responsibilities, therefore they resist it to satisfy their personal interest*

Indicators of resistance to change in an organisation

- ✓ *Low workforce efficiency*
- ✓ *Grievances about pay*
- ✓ *Aggression against management*
- ✓ *Restriction of output*
- ✓ *Increased absenteeism*
- ✓ *Expression of feelings of failure*
- ✓ *Low level of aspiration*
- ✓ *Expression of feeling of frustration*

SOME STRATEGIES FOR REDUCING RESISTANCE TO CHANGES IN BUSINESS

- ✓ *Adopting effective communication system so that any change to be made by the business is properly communicated to the workers. It should be made clear that changes are not going to affect their interests.*
- ✓ *Involving the majority of workers in deciding to make the changes. The business should invite the opinions of and suggestions of the workers before the changes are finally made so as to make them feel that they part of the changes.*
- ✓ *Carrying out changes that are necessary for the business. The business owner needs to carry out changes that are inevitable. This will reduce the possibility of resistance from workers.*
- ✓ *Planning how to make the changes. The entrepreneur should make pre-determined plan with clear objectives for making changes. This move will reduce resistance from workers.*
- ✓ *Conducting research on the most appropriate way of introducing new changes. This helps the owner to discover early ways of minimising resistance from workers.*
- ✓ *Building support networks.*
- ✓ *Using managerial authority and status*
- ✓ *Offering assistance to those involved*
- ✓ *Offering extra incentives*
- ✓ *Encouraging and supporting those involved.*

NOTE

Expecting resistance to change and planning it from the start of your management programme will allow you to effectively manage objections. Not dealing proactively is one pit-fall but there are many other common mistakes

TECHNIQUES FOR COPING WITH CHANGE

By knowing the reasons for resisting change, we can better understand what attitudes can counteract this resistance and help entrepreneurs cope with change more effectively and in a positive manner or way.

The following for basic decision making process can be applied to coping with change
Understanding the situation. This involves understanding what the driving and restraining forces are whether they will be increasing or decreasing and how that is going to affect the business in the short and long term.

Defining the problem. The problem might be defined as a need to take some kind of action now that will have one of the effects below

- *Prevent the new market area from eventually destroying the business*
- *reduce the negative impact of the market area as much as possible*

Finding alternatives. Here you need to make research to see that you identify other alternatives that may be substituted with the identified ones.

Final selection/ selecting plan. Once all the alternatives have been spelled out and the impact, and the potential of each has been analyzed, it is time to select the best action that best fits your goals and objectives, limitation and continue.

Techniques / ways to foster change in business

Below are some of the tips for managing the complex and difficult change process in business.

- ✓ *Rewarding success. Simple acknowledgement or thanks for what someone has done well may make a lot of difference in the attitude of employees regarding change.*
- ✓ *Giving explanation. There should be formal or informal meetings in which leaders can explain why the change is taking place, the potential impacts of the change and the goals related to the change. Such explanations, when done in an open forum, give the impression that all members of the group are valued equally, which creates a sense of unity. This sense of unity may help the group turn toward the change of a common purpose.*
- ✓ *Training. Providing adequate training lets individuals meet the challenges the change requires and eliminates the excuse that the change cannot be implemented for lack of knowledge or preparedness.*
- ✓ *Encouraging feedback on progress. People may be more likely to accept change if they have a chance to tell leaders their thoughts and concerns. Feedback also gives administrators a chance to monitor progress and determine whether action plans related to the change are working properly.*
- ✓ *Managing resistance. This involves preparing yourself for anything anyone might do in order to stop the change. For example, you might set up a policies and procedures manual that clearly states what the consequences of not following the changes are. Another resistance management option is to place strong leaders who are accepting of changes as project managers.*
- ✓ *Assessing readiness. These measure how prepared employees and administrators are to handle modifications. These assessments may include evaluations of inventory or other resources, but they may also include interviews with employees and administrators in analyze what is needed to accommodate the change.*

FUTURE / EXPECTED CHANGES IN SMALL BUSINESS

- *Capital may be more difficult and expensive to obtain and might become unavailable to many businesses.*
- *Raw materials will become increasingly costly and difficult to obtain and smaller firms will have to switch to other substitutes.*
- *Abundant labour will be substituted for scarce capital in business operations.*
- *Technology will become more important to small business in the future but capital and energy constraints may hinder the flow of new technology.*
- *Markets based on products that consume large amounts of costly resources will decline while those which conserve resources will develop.*
- *Government regulations are likely to increase as elected officials struggle to keep the country prosperous.*
- *Entrepreneurs will have to exhibit greater professionalism and foresight if they are to guide the small business sector through a period of economic scarcity.*

Sample questions

- 1 a) explain the benefits of change to an enterprise*
 - b) Explain reasons why people in an enterprise may resist change*
 - c) Suggest ways of promoting change in a business*
- 2 a) Why is there need for change in a business*
 - b) What are effects of change in a business?*
- 3 a) Explain the critical factors considered for planning for change in small enterprise*
 - b) What importance of change in business*
- 4 a) Explain the causes of fear of change*
 - b) Suggest ways of encouraging change in a business*

THE CONCEPT OF CREATIVITY

Creativity is the ability to bring something new into existence. It is the ability to come up with innovative solutions to needs and to market them.

It is the ability to produce work that is both unique and appropriate. In business an entrepreneur's creativity is often the difference between success and failure hence creativity is allowing yourself to make mistakes.

One's creative potential

Most people speak of creativity without knowing quite what it means. Creativity is a basic characteristic built into all human beings and almost completely absent in animals. It involves seeing novel relationships between things and as such it is closely related to intelligence. It involves converting the random, the mediocre or the dull into something with form, style and originality

Characteristics of creative individuals

Creative people usually possess the following characteristics as listed below.

- ✓ *They usually have originality. Creative people are capable of doing something that no one else has done. They think of an idea, redesign it and make something new out of it.*
- ✓ *They are independent thinkers. Creative people always think for themselves. They are observers and analysts who gather all the information they can and then analyse it to come up with their own analysis.*

- ✓ *They promote growth and change. Creative people search for change constantly. They do not restrict themselves to using the same old way of doing things. They learn to change for the better, so that they can grow and prosper.*
- ✓ *They are innovative. They have the courage to try new things and build something out of the ordinary. Innovation and having courage are necessary for creativity.*
- ✓ *They tolerate ambiguity. Creative people love to be ambiguous so as to challenge other people and ideas. Ambiguity makes them see things from many perspectives all at the same time. Two or more things being right at the same time challenges the thinking of a creative person.*
- ✓ *They normally ask questions. They are question askers. It is in their nature to ask very many and challenging questions. They do questioning but not actually criticize. Their questioning often mistakenly appears as criticism when it is simply questioning, exploring, examining, playing with things as they are or might be.*
- ✓ *They are adaptable. Creative people cope with or get used to situations easily. Without the ability to adapt, people could not become creative but rather adopt something they choose, things to suit them, their needs or the goals they strive to achieve.*
- ✓ *They are sensitive. Creative people tend to be sensitive to situations and this helps them to be aware of what is happening around them. They sense or feel things easily and they are able to take care and commit themselves to challenges, problems and their causes in the business environment.*
- ✓ *Search for better ways to do tasks, they focus on what they do and find new possibilities and new ways of doing things*
- ✓ *They are open-ended. In order to explore many possibilities, creative people tend to stay open-ended about answers or solutions until many have been produced.*
- ✓ *They are flexible. Creative people are very flexible when they are playing with ideas. They love to look at things from multiple points of view and produce piles of answers when other people are contented with one answer or solution.*
- ✓ *They are persistent. Creative people have continuously existed amidst the challenges they face. They do not give up on things that mean a lot to them.*
- ✓ *They are observant. Creative people take time to observe and analyze critically different ideas. They are constantly using other senses consciously, sub-consciously, or unconsciously and non-consciously.*
- ✓ *They have divergent thinking. Creative people love diverging from the norm, to look at things from multiple positions to challenge anything that exists. Because of this, they are seen at times to be off key, deviant, typical, irregular and uncharacteristic.*

CREATIVITY PROCESS

Preparation

This step involves getting the mind ready for creative thinking. Preparation might include; formal education, on job training, work experience and taking advantage of other learning opportunities. The training provides a foundation on which to build creativity and innovation.

Investigation

This step requires one to develop a solid understanding of the problem, situation, or decision at hand. To create new ideas and concepts in a particular field an individual must first study the problem and understand its basic components. Creative thinking comes about when people make careful observations of the world around them and then investigate the way things work

Transformation

Transformation involves viewing the similarities and differences among the information collected. This phase requires two types of thinking convergent and divergent. Convergent thinking is the ability to see the similarities and the connections among various and often diverse data and events. Divergent thinking is the ability to see differences among various data and events.

Incubation

The subconscious needs time to reflect on the information collected. To an observer, this phase of the creative process would be quite boring; it looks as though nothing is happening; in fact during this phase, it may appear that the creative person is loafing. Incubation occurs while the individual is away from the problem often ongoing in some totally unrelated activity.

Illumination

This phase of creative process occurs at some point during incubation stage when spontaneous break through causes “the light bulb to go on”. It may take place after five minutes or five years.

Verification

For entrepreneurs, validating an idea as realistic and useful may include conducting experiments, running simulations, test marketing a product or service, establishing small scale pilot programmes, building prototypes and many activities designed to verify that the new idea will work and is practical to implement. The goal is to subject the innovative idea to the test of cold hard reality.

Implementation

The focus of this step is to transform the idea into reality. Plenty of people come up with creative ideas for promising new products and services but most never take them beyond the idea stage. What sets an entrepreneur apart is that they act on their ideas.

OBSTACLES TO CREATIVITY IN BUSINESS

- ☞ *Negativity/negative thinking. This involves the tendency to focus on the negative aspects of problems and expand energy on worry.*
- ☞ *Thinking that you are not creative. Some people limit themselves because they believe they are not creative and that creativity belongs to others. Unfortunately, this belief often becomes a self-fulfilling prophecy. People who believe they are not creative will in all likelihood behave that way and will make that belief come true.*
- ☞ *Language barrier. Some people cannot communicate so as to get the required information to be creative. This limits them from being creative as they shy away from others*
- ☞ *Fear of failure. Creative people realize that trying something new often leads to failure; however, they do not see failure as an end. It represents a learning experience on the way to success. Failure is an important part of the creative process; it signals entrepreneurs when to change their course of action. Entrepreneurship is all about the opportunity to fail.*
- ☞ *Limited or lack of quality thinking time. The over-stressed person finds it difficult to think objectively at all. Unwanted stress reduces the quality of all mental processes.*
- ☞ *Over-conformance with rules and regulations. A tendency to conform to accepted patterns of belief or thought i.e. the rules and regulations hampers creative thinking. Some rules are necessary, but others encourage mental laziness.*
- ☞ *Culturization: This is the reason we lose our creative abilities. Some cultures are not creative and therefore cannot foster people to be so*
- ☞ *Wrong assumptions. This hinders creativity such as assuming that the failure of a business is due witch craft, inherited bad luck from parents etc*
- ☞ *Application of too much logic to a problem or situation slows down or hinders creativity.*
- ☞ *Dehumanising mass media. This involves spending a lot of time immersed in popular culture i.e. televisions or listening to pop music*
- ☞ *Unfavourable or poor working conditions or limiting the freedom of workers in the business also limits their creativity.*
- ☞ *Competition in the present environment hampers motives for creative output. Concerns with job advancement or opportunities as opposed to job stability or security affect motives to be creative at work.*
- ☞ *High conflicting goals and objectives. These also hinder creativity.*

- ☞ Noisy environment, which do not provide quite enough time for reflection and introspection.
- ☞ Competition. In the present environment hampers motives for creative output, concerns with job advancement or opportunities as opposed to job stability or security affect motives to be creative at work.
- ☞ Demands for quick production of results
- ☞ Belief, having a strong belief in something limits response options and the way things are perceived from outside world

TECHNIQUES FOR DEVELOPING A CREATIVE ABILITY

- ☞ Thinking beyond the invisible frame works that surround problems/situations
- ☞ Recognizing when assumptions are being made and challenge them
- ☞ Developing/adapting ideas from more than one source
- ☞ Transferring technology from one field to another
- ☞ Being open and prepared to use chance on unpredictable things/events to advantage
- ☞ Drawing on the experience's of other individuals business to widen the field of vision
- ☞ Practicing for tune i.e. having a wide attention span and range of interests
- ☞ Exploring thoughts processes and the key elements of the mind at work in analysis, valuing and synthesing
- ☞ Note down thoughts/ideas that apparently drop into the mind unsolicited so that they are not forgotten
- ☞ Using analogy i.e. improve imaginative thinking to find models or solutions in nature, in existing products/services or in other organisations
- ☞ Trying as appropriate to some times make the strange familiar and the familiar strange to spark new ideas
- ☞ Knowing when to leave a problem i.e. remain aware but detailed
- ☞ Tolerating ambiguity and occasionally live with doubt and uncertainty
- ☞ Stimulating own curiosity in everything and the skills of observation, listening, reading and recording

Characteristics of non-creative person

- ✓ Not able to think positively about a problem
- ✓ Too busy or stresses to think objectively
- ✓ Very self-critical
- ✓ Timid in putting forward a new idea
- ✓ Prone to apply logic as a first and last resort
- ✓ Unable to think laterally
- ✓ Always goes with what others say

IMPORTANCE OF CREATIVITY

- ☞ It increases awareness by paying attention to insights and sounds that are ordinary ignored
- ☞ It leads to development of new and original ideas and using the existing ideas as an initial point
- ☞ It is used to update products and services
- ☞ It enables an entrepreneur to make proper use of limited resources
- ☞ It is used to promote products and services of a business
- ☞ It solves everyday problems in business

Sample questions for creativity

1. a) Define the term creativity as used in entrepreneurship education
- b) What are the characteristics of creativity individuals?
- c) What the techniques of enhancing creativity in the business

End

INNOVATION IN BUSINESS

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

The goal of innovation is positive change to make someone or something better. Innovation and the introduction of it that leads to productivity is a fundamental source of increasing wealth in an economy.

TYPES OF INNOVATIONS

Business model innovation. Business model innovation refers to creation or re-invention of a business itself. This involves changing the way the business is being done in terms of capturing value, capture new market segments and alienate competitors. e.g Nile Breweries Vs. Uganda Breweries.

Marketing innovation. An entrepreneur can innovate in any one of the activities in the value chain in order to remain competitive. For example, entrepreneurs can become successful by introducing new ways to market or distribute their products. For example using door to door marketing and use of posters to market its products, soft drinks firms to change to plastic packing of their products.

- *Organisational innovation. This involves creation of new business structures, practices and models and may include process, marketing and business model innovation.*
- *Process innovation. This involves implementation of a new or significantly improved production or delivery method.*
- *Product innovation. This involves a good or service that is new or improved substantially. This might include improvements in functional characteristics, technical abilities, ease of use etc. today firms that manufacture mobile phones are continuously coming up with phones that are not only serving oral communication but also phones with other functional characteristics like those with radios, television, those that can work as computers, those with cameras etc.*
- *Financial innovation. This involves the development of new financial attributed i.e. risk sharing liquidity and credit in innovative ways as well as exploiting the weakness of the tax law.*
- *Supply chain innovation. This is an improvement in a way of getting inputs (raw materials) from suppliers and delivery of output of products to the customers*
- *Service innovation. This is an improvement in a way services are provided e.g use of ATM machines to withdraw and deposit money, yaka system of UMEME, mobile money services, internet banking*
- *Technological innovation. This occurs more frequently than breakthrough innovation and in general is not at the same level of scientific discovery and advancement. For example using the computer via face book and WhatsApp to market products.*

SOURCES OF INNOVATION

Internal sources (innovations within the society)

- *The Unexpected success due to changes in market demand. The market place is the number one area to look for opportunities. A good manager should be constantly studying the market. Is a particular product or service in greater or lesser demand than anticipated? Why? Is there a way*

we can exploit this unexpected success? What has to happen if we want to convert this success into an opportunity?

- *Incongruities.* A discrepancy/difference between reality and what companies or the industry assumes it to be or between what is and what ought to be can be an innovative opportunities.
- *Process needs.* Here, innovators are inspired by missing links in the production process that need to be created to support some other product or process. An example might be a restaurant that identifies that people wait too long for their entrees and so decides to hire another chef to speed up creation times. Essentially your company will want to look for all weak links and eliminate them.
- *Industry and market changes.* These are mainly shifts in the industry and market conditions for example changes in demand, technology etc that result into changes in products or services delivery.
- *Changes in company policy.* A change in the internal conditions of a business for example, vision, mission, goals, objectives, values, structure, strategies and other internal factors require some form of innovation to be able to adjust the changing conditions to external environmental factors.

External sources (societal environment sources)

- *Changes in social factors.* Social factors like gender, religion, education levels, social attitudes and values, age structure and distribution, family structure and size, pressure groups, regional movements of people and income distribution have an impact on business activities. Therefore, a change in any of these factors will create opportunities for entrepreneurs to come up with new business ideas and try to implement them.
- *Demographics.* We constantly see changes occur in populations, income levels, human capital (education) and age ranges. Smart firms are constantly paying attention to this. When it comes to the baby boomers businesses have been following them constantly as they got older. At present they are one of the largest as well as the most affluent demographic groups with high levels of disposable income. Combining demographic data with segmentation and targeting is a powerful method of accurately meeting a target market's desires.
- *Changes on perception mood and meaning.* Innovative opportunities can develop when a society's general assumptions attitudes and beliefs change. For instance despite the fact that health care in Uganda has continually become better and more accessible, people have become increasingly concerned about their health and the need for better and more accessible care.
- *Changes in technology.* Technological forces include; scientific improvement and innovations that create opportunities or threats for business. Technological changes are a source of entrepreneurial opportunities because they make it possible for people to do things in new and more productive ways.
- *Changes in economic factors.* Exchange rates, interest rates, prices, inflation, business cycles, national income, employment level or unemployment level and income levels are all economic factors that affect business activities. In case of changes in these factors opportunities are created for business to become creative and innovative by starting up new ventures to satisfy demand.
- *Change in political factors.* These factors include; stability of the government or security, government policies like taxation, liberalization and investment state regulations on trade, consumer protection, employment laws and so on. Such factors are not static, but keep on changing as government policies are reviewed from time to time. This opens up opportunities for entrepreneurs to innovate new products, services, processes and strategies for growth.
- *Changes in environmental factors.* The government sets laws to protect the natural environment. It should be protected from business activities like pollution, noise, vibrations, displacement of

people, land degradation and others as a result of business operations. Environmental regulations can impose additional costs, for example with pollution controls but they can also be a source of opportunity for innovation into new products for example, the new businesses that emerged around mobile phone recycling, polythene bags and plastic bottles recycling.

- *Changes in legal factors.* Legal changes can provide opportunities for entrepreneurs to take up new businesses as a result of taking advantage of the opportunities created by change of the law. For example, liberalization of trade in the country led to the setting up of new businesses in foreign exchange bureaus, exports and imports.

CHARACTERISTICS/FEATURES OF INNOVATION (INNOVATORS)

- ☞ *They have a compelling vision.* Innovative people believe that they are part of something better to come and that their willingness to contribute to the vision will make it happen.
- ☞ *They are opportunity oriented.* Innovators are constantly thinking about new ways of doing things and they are not afraid of doing something new.
- ☞ *They are self-disciplined.* Innovators are able to prioritize their time so that they are doing the important work first. They have the ability to do the hard work to make them happen.
- ☞ *They are inner-directed.* Innovators are inner directed and goal oriented and do not need any one else to motivate them because of the self-discipline and ability to focus.
- ☞ *They are extra ordinary persistent.* Innovators are committed to achieving their goals. They keep going and do not let obstacles get in their way.
- ☞ *They are passionate about belief.* Innovative people are truly passionate about what they believe, they give in every thing they have. They are passionate about a thing and they go after that with all their hearts and souls.
- ☞ *They are trend spotters.* Innovators are trend spotters they are able to identify something new and its social responsibility
- ☞ *They associate with positive people.* Innovative people usually surround themselves with people with positive attitudes towards creating something new.

Principles of innovation

Below are five principles that can help you take advantage of new innovation that you may have discovered

- ✓ *Begin with an analysis of the opportunity*
- ✓ *Analyse the opportunity to see people will be interested in using the innovation*
- ✓ *To be effective, the innovation must be simple and clearly focused on a specific need*
- ✓ *Effective innovators start small.* By appealing to a small, limited market, a product or service requires little money and few people to produce and sell it.
- ✓ *Aim at market leadership.* Leadership here means dominating a small market niche. If an innovation does not aim at leadership in the beginning, it is unlikely to be innovative enough to successfully establish itself

WAYS TO FOSTER / PROMOTE INNOVATION IN A SMALL BUSINESS or WAYS OF ENCOURAGING INNOVATION IN SMALL BUSINESSES

- ✓ *Expecting change at all times:* This helps the entrepreneur to always be ready to come up with new things that ensures that businesses cope up with change.
- ✓ *Implementing new rules:* i.e. an entrepreneur needs to learn to go beyond the existing indicators of competition in the business environment by looking for new ways of doing things.

- ✓ *Thinking globally: this enables an entrepreneur to look for new market for its products abroad, look for new technology abroad among others.*
- ✓ *Avoiding barriers that limit innovators: i.e. entrepreneurs need to put in place measures that ensure good internal co-operation among departments to promote good relations with each other and other outside parties so as to create a good environment for innovations.*
- ✓ *Acting fast to take advantage of any new business opportunity: i.e. by coming up with new things that utilize the identified opportunity.*
- ✓ *Being always a learner: through listening to other people.*
- ✓ *Measuring performance indicator: the entrepreneur needs to concentrate on key strategic and profitable indicators by focusing energies on new things that drive the future success of the business.*
- ✓ *Doing things well for others: for example for customers, suppliers etc. this help small business to stay ahead of competitors.*
- ✓ *Always thinking like entrepreneur: this helps one to always have ideas and even go ahead to improve on them in case of failure to start*
- ✓ *Rewarding innovations. Entrepreneurs foster innovation by rewarding it when it occurs. Financial rewards can be effective motivators of innovative behavior, but non-monetary rewards such as praise, recognition, and celebration usually offer more powerful incentives for innovation.*
- ✓ *Talking and/ or interacting with customers/carrying out research. To foster innovation improved communication is vital. Innovative business ventures take the time to get feedback about how customers use the products or services of the enterprise and listen for new ideas.*
- ✓ *Providing innovation training. Development of training initiatives that are beneficial to fostering innovation are essential. Training accomplished through books, seminars, workshops and professional meetings can help everyone learn to tap their innovative capacity.*
- ✓ *Adapting to change in the value system/taking risks. If a business venture is to foster innovation in business there is need to quickly implement new business practices that help to adapt to market conditions.*

Advantages of innovation

- ☞ *It helps in locating new technologies and become a foundation of a new set of customers. This improves product design and quality*
- ☞ *It assists a company in packaging and repositioning its products for global distribution*
- ☞ *It helps in developing new distribution channels and added value to make the organization's products /services stand out*
- ☞ *It helps in reviewing the company's objectives and comparing them with customers needs to find out what to offer to customers. This creates greater responsiveness to customer's demands*
- ☞ *Innovation alternative approaches create alliances with venture partners. This enables a company to position its opportunity to match the interest of investors which improves the focus and objectives of the organisations*
- ☞ *It lowers organizational research and development and operating costs*
- ☞ *It streamlines relationships with suppliers and customers*
- ☞ *It leads to production of variety of products which expands the product range*

Innovations in small businesses

A good business innovation involves developing new products of improving existing techniques, processes, designs and marketing to solve problems and reach new customers

Small businesses have the following qualities that make them more likely than larger businesses to use innovation successfully

- ☞ *Personal connection with customers, small businesses understand customers' needs and identify new opportunities quickly and efficiently*
- ☞ *Personally invested and passionate. Most small business owners are willing to try new approaches to make their business more successful*
- ☞ *Alertness and adaptation , small businesses can quickly adapt to changing market conditions and implement new business practices*
- ☞ *Experimentation/improvisation, many small business owners experiment and improvise by accepting failure in order to succeed*
- ☞ *Resource limitations, small businesses prefer to use less resources and do something much. The limited resources enable them to be innovative*
- ☞ *Information sharing and collaboration, small businesses traditionally rely on strong local social networks to share information needed for innovation thinking*

QN.

1a) *Describe the various sources of innovation*

b) *Explain the major features of innovators*

2a) *Explain the various ways of fostering innovation in small business*

b) *Why are small businesses more successful to use innovation than larger businesses?*

Questions

a) *Describe the various type/ forms of innovations in businesses*

b) *Discuss the characteristics/ attributes of innovative people in your country*

c) *Suggest ways or measures of promoting/ fastening innovation in small business*

d) *Explain qualities that make small scale firms more successful in innovations compared to large scale firms or businesses.*

RISK TAKING IN BUSINESS

A risk is a situation where one is required to make a choice between two different alternatives which may result into differing rewards for success or penalties for failure.

A risk refers to the possibility of suffering harm/loss/danger.

Every business organisation contains various risk elements when doing the business.

Business risks implies uncertainty in profits or danger of loss and the events that could pose a risk due to some unforeseen events in future, which causes business to fail

TYPES OF RISKS

The different types of risks are classified on the basis of levels and these levels are: low, moderate and high level (risks), they are discussed below

LOW RISKS. These have high potential of success but are associated with low profits. In such a situation, an entrepreneur starts a business that is common to him and hence bearing few or low risks of failure.

MODERATE RISKS. These are ones that can be forecasted, calculated and managed by an entrepreneur, in such a situation there are higher chances of managing and controlling ie ensuring that in case it happens, it does not affect the business. Examples of such risks are: fire, burglary, theft etc.

HIGH RISKS. These are risks that have a high chance of occurrence or happening, and in case they occur, one has less or no control over them. Examples of such risks are, smuggling, dodging government taxes, etc. however, such businesses with high risks tend to fetch higher profits in case they succeed.

Various examples of risks that entrepreneurs encounter in business and they include:

- ✓ Risk of losing market due to changes in customers' tastes, demand and fashions leading to limited customers and closure of the business.
- ✓ Break down of machinery and consequential loss which comes when one does not service machines or if he over used the machines.
- ✓ High staff turnover or loss of key staff members especially if they have unique skills.
- ✓ Fire outbreak due to poor electrical wiring or reluctance leaving candles anywhere which can bring about fire outbreak.
- ✓ Increased competition due to increased number of similar businesses.
- ✓ Loss of money in transit for example when money is being taken to the bank it may be misplaced.
- ✓ Many people steal money from where they work like employees and other community members (theft and burglary)
- ✓ Failure to comply with legislation, regulation and / or standards
- ✓ Bad debts created by customers who may borrow money / goods from business and fail to pay back.
- ✓ Danger or loss of goods in transit. Goods may be damaged in the process of loading and off-loading them.
- ✓ Corruption and embezzlement of funds by the employees for private use.
- ✓ Business failure due to changes in industrial relations, which may lead to strikes
- ✓ Outbreak of diseases affecting farm animals and crops.
- ✓ Risks of being bitten by snakes, dogs, cats and harmful insects like bees, wasps etc
- ✓ Risks due to unfavourable government policies like ban on use of polythene papers.
- ✓ Poor management decisions hence financial mismanagement, human resource mismanagement and misuse of other resources

RISK ASSESSMENT

Is the process of determining whether a particular uncertain circumstance has the potential to threaten your business operation?

Or, this involves determining the potential success (that will arise out of the risk not happening) or potential loss (arising out of the risk happening). Risks can be assessed based on the following factors

- ✓ Experience and abilities of management: If the persons involved in managing the business possess the required knowledge, experience and technical abilities, then chance of success are greater and the risk is lower.
- ✓ Availability of market: When there is assurance of high and growing market in an area, chances of success are likely to be greater.
- ✓ Viability of the idea: Chance of success in the business are greater and the risk is lower if the selected business idea would profitably be done in the selected business area given the available resources.
- ✓ Flexibility of the business: If the business can easily be changed in response to changes in consumer's tastes and preferences without causing negative effects, then the chances of success will be greater and risk is lower.
- ✓ Level of consistency of cash flow: This considers the ability of the business to generate enough cash to finance the planned business expenditures. If the business has enough cash (inflow) to finance

the planned business expenditures (cash out flow) for success of any business, the cash inflow should always be greater than the cash out flows

- ✓ *Honesty and reliability of people involved: If the person the business deals with such as suppliers, reliable, then chances are honest and reliable, then chances of success will be higher and the risk is lower.*
- ✓ *Marketing and pricing policies: Given the prevailing competition, chances of success will be greater and the risk lower if the prices charged and marketing strategies used by the entrepreneur are effective and competitive.*

RISK MANGEMENT

Managing of risks refer to the activity that involves controlling risks to ensure that they do not happen and if they happen , they do not lead to severe losses to the entrepreneur's business. There are mainly two methods that an entrepreneur can employ to manage business risks

MINIMIZING RISKS

In order for an entrepreneur to reduce the chances of business risks happening, he can take preventive measures that will minimize them. Such measures include the following

- *Maintaining and up grading production technology and products to minimize the challenge of changes in consumers taste, fashion and demand. This will help to ensure that the products are in line with the customer's needs*
- *Locating reliable sources of raw materials and keeping close contact with suppliers to reduce the challenge of shortage of raw materials*
- *Maintaining adequate security, guarding and strengthening burglar proofs, security lights etc, which will help to control the risks of theft.*
- *Maintaining good employee relations at work place for example by improving the welfare facilities of workers to minimize poor industrial relations which can result into strikes at work place*
- *Improving the quality of products and customer care to reduce the risk of business being out competed. i.e the changes in the degree of competition in the market.*
- *Extensive training of the entrepreneur and staff on new equipment or procedures to reduce the risk of staff and the entrepreneur him / her self being left behind by technological changes*
- *Employing experienced personnel to reduce the challenge of faulty managerial decisions regarding the use of capital, machines, raw materials, defective inputs.*

WAYS OF MAINTAINING SECURITY IN THE BUSINESS

- ✓ *Checking thoroughly all vehicles, motor cycles and persons entering or leaving the business at the entrance.*
- ✓ *Installing security lights and switching on them at night.*
- ✓ *Ensuring that all vehicles, motor cycles, persons and their properties are registered on arrival at the main gate.*
- ✓ *Having in place a well maintained fence and monitoring it at all times.*
- ✓ *Installing security monitoring equipment like CCTV cameras, alarm systems, bomb detectors etc*
- ✓ *Employing well-armed and well trained security workers and giving them clear instructions relating to security.*
- ✓ *Sensitising workers frequently on appropriate measures aimed at ensuring security.*
- ✓ *Electrifying the wall fence of the business.*
- ✓ *Placing warning notices relating to security at different points within business and outside the premises.*

- ✓ Restricting permission to enter the business to business customers, workers and other permitted business parties.
- ✓ Installing fire extinguishers at the business work place.
- ✓ Ensuring that all workers wear business uniforms that have name and number tags on them at all times during working time.
- ✓ Having watch dogs to maintain security at the business premises.
- ✓ Ensuring close supervision of all workers while carrying out their duties to minimise theft.
- ✓ Prosecuting trespassers in the business premises.
- ✓ Safely locking all business movable assets like cash, work equipment, computers etc
- ✓ Specifying the time beyond which no visitor, unauthorized staff, vehicles and motor cycles should be allowed in business premises.

WAYS OF ENSURING SAFETY /MINIMISING LOSS OF BUSINESS FUNDS/CASH

- ✓ Ensuring proper documentation of all cash received and paid out.
- ✓ Banking daily cash received from sales and from other sources daily or regularly.
- ✓ Keeping the remaining cash at the business premises safely locked up in the money safes and also locking the doors to the cash safe rooms.
- ✓ Ensuring that only authorised business workers like the accountants receive cash receipts and recording of all cash received in the cash receipts and other relevant books.
- ✓ Ensuring that all cash expenditures are requested for through the heads of department and then approved by an authorized business official.
- ✓ Prohibiting any cash drawings from the business but if allowed then restricting the amount and charging interest on the amount withdrawn.
- ✓ Ensuring timely collection of debts within one month or as soon as they are incurred so as to avoid losing money due to bad debts.
- ✓ Buying business items from a nearby reliable and cheap supplier in order to minimize high expenditure due to high transport costs.
- ✓ Obtaining the bank statement of the business on a daily basis on working days and ensuring that the accountants reconcile these statements with the cash book of the business.
- ✓ Employing certified auditors to check the accounts records for error and fraud

Ways to prevent shop lifting.

- ✓ Train employees to recognize potential shoplifters. Shop lifting is the most common business crime, costing retailers. if a shop lifter steals just one item that sells for Shs. 100 from a small business with 8% net profit margin, the business must sell an additional Shs. 1,250 worth of goods to make up for the loss. Hence, the need to train employees to be all the time on the lookout for any possible shoplifters.
- ✓ Keep your stores well lit and your display so that you can see your entire operation area.
- ✓ Employ two way mirrors, closed circuit television for surveillance. The two way mirrors and closed circuit television must be closely watched all the time and any possible shoplifter should be apprehended to act as an example to would-be other shoplifters.
- ✓ Hire uniformed security guard. The security guards must be on the watch out all the time for suspected shoplifters and once monitored and caught in the act; the shoplifters should be arrested and presented to courts of law.
- ✓ Control the distribution of keys and other security devices. Businesses lose more money each year to employee theft because small business owners often rely on informal procedures for managing cash (or no procedures at all) and often lack proper control procedures, they are most likely to become victims of employee theft hence the need to control access to keys and other security devices.
- ✓ Watch your trash. Employees place stolen items in the trash to get them out of the building. Small businesses are common targets of employee theft because employees know their systems, controls and weaknesses and can hide their time waiting for the right opportunity.

- ✓ Try to hire honest people by using clear personal standards. One source of the problem of theft is the entrepreneur's attitude that "we are all family here, no one would steal from family" although establishing totalitarian police state and trusting on one is not conducive to a positive work environment putting in place adequate financial control systems is essential.

SHIFTING OF RISKS

The entrepreneur can also manage business risks by shifting the burden of bearing the risks to other parties such as insurance companies by obtaining suitable insurance cover/ protection against fire, theft, accidents and other insurable risks

RISK SITUATION

A risk situation occurs when the choice is required between two or more alternatives whose potential outcomes are not known and must be subjectively evaluated. It involves potential success and potential loss. The greater the possible loss or gain the greater the risk involved

Risk takers make decisions in conditions of uncertainty and they balance potential success against potential loss

Choosing a risk alternative depends on:

- How attractive the alternative is
- The extent to which the risk taker is prepared to accept the potential loss
- The relative probabilities of success and failure

Procedure for analyzing a risk situation

1. Identifying the risk. Before one takes any meaningful action to address risks, one needs to identify the risks in order to gauge where to start from. It is relevant to concentrate on major risks affecting most parts of the business. Some of the risks are strategic risks, operational risks, financial risks, regulatory risks, technological risks, project risks, personal risks, health risks and safety risks.
2. Determining the goals and objectives: The entrepreneur's goals and objectives for risk taking must be consistent with the business interest in terms of risk management.
3. Surveying on various alternatives available. A survey is carried out to each alternative thought of and details should provide for each alternative so that costs involved can be assessed in terms of the financial implication of the alternative to be taken
4. Gathering information and weighing the alternatives: the information gathered is used to assess the various alternatives in terms of future demand, competitive reactions and the effects of those reactions calculated.
5. Minimizing the risk. This is the step that involves realistic assessment of how best to minimize the risks while maximizing the benefits using one or more of the strategies such as using creativity, entrepreneur's ability among others.
6. Planning and implementing the best alternatives, once an alternative is selected, a plan is made for the implementation of the alternatives, this includes preparing a timetable, defining clear goals and objectives and feedback plans etc so that changes can be made where possible.

NB. Be a calculated risk taker. Remember that in business, as in life, there is no clear way of avoiding risk taking

TYPES OF RISK TAKERS

- 1) LOW RISK TAKERS. These are needed at a worker's level (lower level) so that they can do the routine things and bring organizational stability.

- 2) *MODERATE RISK TAKERS. These are managers at the middle management level. They are considered as risk takers because they need some freedom to be innovative and make minor modification in procedures and functions.*
- 3) *HIGH RISK TAKERS. These are creative and innovative entrepreneurs, willingness to accept change, try various alternatives and develop innovations for products and services in new areas of business.*

Terms to be used

- ✓ *Risk avoidance. These are measures that can help to prevent the risk from occurring e.g a driver should not drink and drive*
- ✓ *Risk reduction. This is taking measures to minimize the likely loss or chances of the risk happening e.g putting in place fire extinguishers, having a stand by generator.*
- ✓ *Risk anticipation. This is forecasting the likely risk that could happen in the business e.g putting in place burglar proofs, employing a security guard, regular servicing of machines etc*
- ✓ *Risk transfer. This is when the burden of taking responsibility of a risk is shifted to another party e.g taking an insurance policy against fire, accidents, theft among others.*

Sample questions

Question 1

- a) *Explain the factors determining risk assessment.*
- b) *What are Various examples of risks that entrepreneurs encounter in business*
- c) *Suggest the ways through which risks can be reduced.*

Question 2

- a) *Define the term risk.*
- b) *Distinguish between risk transfer and risk reduction*
- c) *Explain different types of business risks.*
- d) *Explain the procedures followed when analyzing risk situation.*

NEGOTIATION SKILLS IN BUSINESS

This is the process of bargaining that precedes an agreement. It is a meeting between two or more parties with an intension of creating an agreement or compromise on issues that is of mutual interest.

The aim of negotiation is to reach an agreement rather than to achieve victory

Negotiation originated from a Latin expression negotiates which means to carry on with business. Therefore negotiation can also be defined as a process of discussion between two or more parties who seek to find a solution to a common problem i.e. one that meets their needs and interests.

There are two types of negotiations as seen below.

Distributive Negotiation: This negotiation usually does not involve people who have never had a previous interactive relationship, nor are they likely to do so again in the near future. Simple everyday examples would be buying a car or a house.

Integrative negotiation: The word integrative means to join several parts into a whole. It involves a higher degree of trust and forming of a relationship. Both parties want to walk away feeling they have achieved something which has value by getting what each wants. It is often described as the win-win scenario.

The needs for negotiation

There are reasons to why individuals negotiate these include;

- ✓ *To reach an agreement i.e. normally people negotiate in order to reach conclusions and this helps to avoid bias.*
- ✓ *To beat the opposition, when two parties negotiate there is always a winner who emerges the best.*

- ✓ To compromise, that is negotiation helps people to appreciate what the others party is up to.
- ✓ To settle an agreement, i.e. one of the ways to help some understand is when the two parties negotiate and then they settle after agreeing by writing an agreement

NATURE OF NEGOTIATION

1. Negotiation is a balanced process i.e. both parties are on equal level in terms of information, facts and approach either party can go soft or tough.
2. Negotiation is not finite; moves can go in all direction. This means that there is no determined winning strategy especially when various elements of the situation are not known.
3. Both learners parties anticipates and react, during the process of negotiation resulting in double motivation, different behaviour could be presented in different situation hence an effective negotiation must be accommodative.

PRINCIPLES OF NEGOTIATIONS

- ✓ You don't have to be right to settle in the process of negotiation, that is to say emotions arising from the feeling that one is right to have no space hence when either party wants to hear its right, obsessed with the principle then negotiation is likely to fail.
- ✓ Look to the future, there is no need to base mainly on what took place in the past but looking for how the current issue can be settled.
- ✓ Focus on the goal i.e. one should be very specific on what he/she wants by one asking him/herself what is the purpose of this negotiations.
- ✓ Set the tone and look the part, i.e. therefore there is need for one to create interest in what the other party is presenting by being knowledgeable about the issue being discussed, maintaining eye contact and a good listener.
- ✓ Be prepared and do your research, negotiation required a lot of knowledge and skills about what is being negotiated hence if one is not prepared for It, will cause the negotiation to delay which is not good.
- ✓ Know what you want and what the other side wants before you go into negotiation, it is important to plan on what to give up and what not to give up.
- ✓ Always have plan B, it is always important to have the second alternative so that negotiation becomes flexible and the goal counted is always achieved easily

PERSONAL ATTRIBUTES OF GOOD NEGOTIATORS

- ✓ Integrity: A good negotiator should be honest and builds mutual trust and cooperation with others during negotiation to create a free and open exchange of ideas.
- ✓ Discipline: The internal focus that gives us the drive, desire and dedication we need to be at the top of our game. Discipline is what will give us the winning attitude. Without it, there is no motivation and no way to be at the top of your game.
- ✓ Endurance: Also called "stamina," endurance is the ability to keep going when others have quit. People have always endured in order to be credible negotiators. They are in the fight for all 10 rounds and never, never get knocked out. They keep going and going and going.
- ✓ Respect: Negotiation needs people who give respect to all those they are negotiating with. Know two things about respect. This will earn them good reputation and promote a health environment for further negotiation. Respect the other party and they will also give it you for health negotiation
- ✓ Patience: You may need to overcome many obstacles to reach your goals. If you persevere and add a sprinkle of patience, in most cases your outcome will be what you desired.
- ✓ Empathy: A good negotiator should put himself in the same shoes of those he is negotiating with than only minding about himself. Empathy is the ability to view the other person's feelings and to put yourself in his position or foot. This is one of the most important traits to carry every day, throughout your life, no matter whom you meet.
- ✓ Trusting and trustworthy: A good negotiator should have trust in people. If a person is

unduly suspicious, he will mistake the other party's motives. Similarly, a negotiator must come across as worthy of the client's trust. If he fails in this, the client may impose additional terms to safeguard his interests.

- ✓ **Confident:** A good negotiator need to be confident when of what is being negotiated about boy not fidgeting and guessing. When a client senses lacks confidence, he questions your abilities.
- ✓ **Composed and detached:** Emotions often hinder negotiation. Even in a heated discussion, a skilled negotiator should have self-esteem and be composed. He works through disagreements without provoking others and quickly diffuses arguments.
- ✓ **Persuasive:** A good negotiator articulates issues aimed at convincing and persuading the other side. Rather than confronting, be open-ended and allow the client to accept your side.
- ✓ **Listens well:** Always listen and give the other side time to talk as negotiation is a two way communication. Let the other side talk and reply later so as to have a good negotiation process to reach a good deal for both sides.
- ✓ **Tolerance for ambiguity:** A good negotiator has a high tolerance from the other side than dictating. Instead, as negotiation unfolds he juggles the various issues, and then weaves them together to devise tradeoffs that balance the needs of both parties.
- ✓ **Strategic and fast thinking:** When challenged, he crafts a response that furthers his objectives but presents it in terms that his client recognizes are in his interests. He pre-empts impasses by suggesting trade-offs or conceding on minor points.
- ✓ **Perspective:** They are aware of which items top both his own and his client's agenda, a skilled negotiator knows when to lose the battle or to win the war.
- ✓ **Understands people:** While a negotiator is neither a therapist nor a mind reader, an ability to understand people and what motivates them is indispensable. Essential skills include predicting how people will react, reading subtext, interpreting inflections and body language.

Negotiation skills in business

Negotiation is not a layman's job. During negotiation not every party can achieve the set goals. To be successful in negotiation requires one to possess certain skills, some of which are as below:

- **Clarity in communication is essential.** Do not engage in communication which the other party does not understand.
- **Stick to objectives.** Concentrate on negotiation only. Leave out other issues not related to negotiation.
- **Avoid personalizing situations.** During negotiation do not monopolise the process. Work as a team.
- **Control your emotions.** Avoid being quarrelsome, annoyed, or shouting at the other party during negotiation.
- **Occasionally showing anger may be effective but never lose your temper during negotiation.**

Factors that is necessary for the negotiation to succeed

1. **Negotiation should come out with a win-win situation** i.e. no party should win of at the expense of the each other.
2. **Both parties should feel satisfied with the results,** the goal focused on by each party needs to be achieved after negotiation.
3. **Upholding emotional/feeling** i.e. when anger over rides a person in negotiation the goal may not be easily reached.
4. **Negotiation should focus on solving the problem at hand** i.e. whatever happened in the past should not surface while negotiating.
5. **Using the negotiation styles of the other party to achieve positive outcome,** negotiation styles need to be like that of the other party in the negotiation otherwise it may be difficult to achieve the desired goal.

6. Being flexible in demand i.e. some demands need to be given up for the sake of positive results otherwise negotiation may fail to achieve its intended goal.
7. Always being prepared to be compromised i.e. let not all the demands presented be achieved i.e. each party should be flexible in a manner that each party wins.
8. Always asking relevant question and quoting from relevant source of information.

Features of negotiation

- There must be a minimum of two parties.
- There must be pre-determined goals in the negotiation.
- There must be an outcome i.e. the results.
- Resolutions and consensus is reached is written down.
- The two parties must be willing to modify their positions.

Elements of negotiation

Negotiation has three basic elements:

The Process: This is the way in which individuals negotiate with each other. The process includes various techniques and strategies employed to negotiate in order to reach a solution.

Behaviour: This refers to how the two parties respond to each other during the process of negotiation i.e. the way e.g. interact with each other, the way they communicate with each other to make their points clear.

Substance: This refers to the subject on which individuals negotiate i.e. a topic for negotiation.

NEGOTIATION PROCESS

Determining the subjects and objectives on negotiation. This involves being clear about what you want to achieve. This is set out by the subject matter and the interests you have in that subject matter. A subject matter sets the scope of the negotiations. The interests determine the outcomes

Preparing/ planning for negotiation. This stage involves preparing the road map to achieve the desired outcome. It develops thinking through the subject matter and arriving at the outcomes

Evolving negotiation strategies. This involves considering different options of handling negotiation to achieve desired goods and objectives and selecting what you think to achieve what you want

Actual negotiation. This involves getting all the necessary documents about the subject matter as you may have gathered during preparations and any other information you want. It also involves going through the documents for final time in preparation for the actual negotiation, if it is a team, you need a final meeting before negotiations start so as to recap what is supposed to happen

GUIDELINES FOR EFFECTIVE ACTUAL NEGOTIATION

- ✓ *Determining your negotiation tactics*
- ✓ *Creating the right climate*
- ✓ *Stating the subject matter and objectives of the meeting*
- ✓ *Depending on the strategy you have selected either state your position or let the other party respond to the opening statement*
- ✓ *Depending on what strategy you have set out to use to state your interest but put emphasis on commodity*
- ✓ *Seeking agreement*
- ✓ *Ending negotiation*

NEGOTIATION TACTICS WITH CUSTOMERS

Communicating frequently with customers, this is in relation to the company products, changes in the company activities etc

Offering customer rewards. This involves offering in kind rewards that remind customers of your goods and company. Rewards include price reductions, prizes, and gifts like calendar, T- shirts, shopping bags, umbrellas, and drinks with the company's name or logo is imprinted.

Holding special events. This involves holding special company's sponsored events which allow the entrepreneur and his staff to interrupt with the best customers

Ensuring that negotiations promote two-way communication. When it comes to customer relation "listening" can be as important as "telling" use opportunity to create interaction with customers as well as asking for feedback through appropriate means

Enhancing your customer service. It is very important to have a dedicated staff or channel for resolving customers' problems quickly and effectively. Usually customers make choices between goods and services based on perceived (customer experience superior customer service) therefore helps the entrepreneur to build repeated business sales, create positive word of mouth and increase sales from new customers

Launching multi-cultural program. They motivate different customers because they use many languages. For example translation of your adverts or use local/ ethnic print and broad cast media to reach markets. Today most businesses have resorted to carrying out adverts in different languages depending on region, like MTN, Airtel, Nile breweries advertise using different languages

Visiting customers. This involves occasionally getting out to customer's location so as to understand the challenges they face as well as helping them to meet these challenges.

SALARY NEGOTIATION TACTICS WITH EMPLOYEES

Setting the ceiling. This involves the establishing of how much you can spend on salary. Setting a ceiling before starting salary negotiation with employees prevents wasting time on candidates who are too expensive

Setting the floor. This involves establishing the last amount you will pay out. This is often the ruling market rate

Deciding how to make payments. Here the entrepreneur decides how he will make payments to workers. Payments on hourly basis is best suited for temporary workers while fixed monthly salary is what white collar employees except. However, both options have different implication

Making the salary attractive. The entrepreneur should make the salary attractive in order to get good workers. An entrepreneur should also give a benefit package. This includes giving bonuses and allowances or offering employee stock options especially if a company is growing rapidly

Avoiding legal tussles. Before the entrepreneur decides the salary he should know the minimum wage given to employees in order to avoid the labour laws

Being sensitive. This involves keeping employees personal needs in mind. Before offering a compensation package for instance when you hire part time employees and there happen to be mothers working in their free time. You need to pay them well enough to afford a day care service

CHALLENGES OF NEGOTIATION

- ✓ *Time pressure: Time may be limited to gather all details required for in order to have a balanced negotiation.*
- ✓ *Influence of another decision maker: An entrepreneur may delegate another employee to negotiate on his or her behalf, this makes it difficult to achieve an agreement easily.*
- ✓ *The delay tact: Boss always give excuses or keep one waiting for a long time such that a shorter discussion is realized and agreement is reached.*
- ✓ *Last minute wavering: Towards completion of negotiation one party may bring a new point, forcing negotiator to change on allowed agreed position.*
- ✓ *An earlier concession: Some negotiators show an earlier agreement and expect the other party to behave in the same way.*
- ✓ *Aggressive behaviour: Such behaviour include bullying, an attempt to make sarcastic comments during negotiation which makes difficult to reach an agreement.*
- ✓ *Negotiating the other party problem: Some negotiators have concern for only their problems therefore it requires understanding and addressing problems of the other party.*
- ✓ *Letting positions over ride interests. Despite the clear advantage of reconciling deeper interest people have a built in bias towards focusing on their own positions instead this leads to a situation or pre-determined results.*
- ✓ *The linking logic: This is based on the assumption that if a person is correct in one thing he/she must be correct in another. This therefore compromises the outcome of the negotiation.*
- ✓ *Neglecting the other side's problem, negotiation can be effective when the two parties involved in the process don't take into account of each other problem*
- ✓ *Price only negotiation. Negotiations who prefer only price of the deal tarnish negotiation. Successful negotiators believe that economics is not everything and thus focus on no price factors such as relationships and interest*
- ✓ *Language difference, this a situation where the negotiators do not have a common language to use during negotiation process, this hinders effective communication and negotiation*

WAYS OF OVERCOMING CHALLENGES IN NEGITIATION

Challenges with solutions are no challenges.' As an entrepreneur, you should try to overcome challenges as soon as they arise. The following are some of the solutions to the above mentioned challenges:

- *Time pressure can be solved by allowing a considerably long period of time to both parties involved in the negotiation exercise.*
- *The challenge of the influence from other decision makers may be solved by consulting superiors before entering into any negotiation.*
- *Delaying tactics may be solved by adding exercise in order to give another party an opportunity.*
- *Being emotional can be solved by being emotionally balanced and psychologically composed during the negotiation process. That is, never allow emotions to over shadow personal reasoning or intellectualism.*
- *Neglecting the negotiators personal problems can be solved by cooperating with each other during the negotiation process.*
- *Making joint concession may be solved by negotiating with individuals and get a good agreement that may bring in sales and products.*
- *Letting the position over ride the interest can be solved by not allowing prevailing situations to over shadow the personal interests hence leading to failure to compromise.*

Sample questions

Question 1

- a) What is meant by the term negotiation*
- b) Explain the personal attributes of good negotiator*

Question 2

- a) Explain the major principles of negotiation*
- b) What negotiation tactics which can be used when negotiating with business customers and employees*

Question 3

- a) Describe the steps followed when conducting negotiation process.*
- b) What are the challenges associated with negotiation.*
- c) Suggest measures to overcome negotiation challenges*

BUSINESS ETHICS

Ethics are a set of moral principles which are recognized in respect of a particular class of human actions or group

Business ethics are acceptable measures or ways in which the business should conduct themselves towards their customers, employees, society, government and fellow business.

Or

They are those virtues that business peoples apply when making business decisions.

PRINCIPLES OF GOOD BUSINESS ETHICS

Ethical principles are the values that set the ground rules of all that we do. The ethical principles are

- ☞ Honesty. An entrepreneur should be open and freely share information. He shouldn't say thing that are false or deliberately mislead others*
- ☞ Promise keeping. One will not make promises that cannot be kept and will not make promises on behalf of the company unless he has the authority to do so.*
- ☞ Fairness. An entrepreneur should create and follow a process and achieve outcomes that a reasonable person would just call. E.g equal treatment of workers, like giving them a fair pay depending on stipulated conditions*
- ☞ Respect for others. It's important for one to honour and value the abilities and contributions of others, embracing the responsibility and accountability for our action in the regard*
- ☞ Compassion, one should maintain an awareness of the needs of others and act to meet those needs whenever possible. They should minimize harm in society*
- ☞ Integrity, one will always live up to ethical principles, even when confronted by personal, professional and social risks as well as economic pressure, e.g the hiking rate of inflation doesn't mean reducing worker's salaries or producing poor quality products*
- ☞ Cooperation or team work, an entrepreneur should be able to support acts of other business partners and work together to achieve the common goals of the industry e.g. during strike due to high taxes.*
- ☞ Law abiding. Ethical entrepreneurs abide by laws, rules and regulations relating to their business activities.*

- ☞ *Commitment to excellence. Ethical entrepreneurs pursue excellence in performing their activities, are well informed and prepared, and constantly endeavor to increase their knowledge in all areas of responsibility.*
- ☞ *Reputation and morale. Ethical entrepreneurs seek to protect and build their businesses' good reputation and the morale of its employees by engaging in no conduct that might undermine respect and by taking whatever actions necessary to correct or prevent inappropriate conduct of others.*
- ☞ *Accountability. Ethical entrepreneurs acknowledge and accept personal accountability for the ethical quality of their decisions and omissions to themselves, their colleagues, their companies, and their communities.*

STEPS IN DECISION MAKING THAT AID ETHICAL DECISIONS

1. *Defining the problem that requires a decision. It is good to take time to clarify the problem before taking a decision.*
2. *Considering alternative solutions to the problem. There is always more than one solution to any problem. Practice thinking about possibilities before taking action.*
3. *Identifying the consequences of alternative solution.*
4. *Collecting information if you do not have enough to make a right solution.*

PARTIES TO BUSINESS ETHICS

- *The clients or customers who deal in the business*
- *Employees who are employed by the business*
- *Government of the country or authority in which the business activities take place*
- *Businesses which competes with the entrepreneur's business*
- *The society within which the business operate*
- *The suppliers of inputs*

BUSINESS ETHICS TOWARDS CUSTOMERS

Provide products of the right quality. Businesses are ethically responsible to provide goods and services as per consumer needs and also provide maximum possible satisfaction by providing quality goods at the right time.

Provide customers the right quantity or weight. Business should ensure that customers are given a product of the right quantity or weight and measurement.

Ensure continuous supply of goods. By maintaining continuous supply of goods and providing satisfactory after sales services. Businesses should avoid monopolistic and restrictive trade malpractices that create artificial scarcity of goods.

Deal with customers honestly, politely and fairly. By being honest and truthful in the matter of advertising and warranty. This requires businesses to honestly follow the code of fair business practices or code of business ethics.

Conduct business in a clean environment. To conduct all business activities in an environment that conforms to the Public Health Act, that is, conducting business in a clean environment.

Supply goods at fair and reasonable prices. To ensure that commodities are not unfairly priced to enable customers consume them at the right price.

Avoid exploitation of consumers through business malpractices. Ensuring that customers are safeguarded against product adulteration and give decent treatment to customers.

Inform and educate customers. To inform and educate customers on the arrival and use of new products and to offer improved and new products through technical and marketing research. E.g Installation, maintenance and other likely impacts of using the product

Provide after sales services. Provide prompt, adequate and courteous after sales services to customers and handle their grievances properly.

Provide goods that meet needs of consumers. Fix products to the needs and tastes of consumers of different classes and with different purchasing power.

Responsibility. An entrepreneur should try to meet his obligations as agreed on , for instance he/she should fulfill his contractual obligations on agreed time, delivery on time and fulfill his/her part of the deal/bargain

Fulfilling customer expectations. Entrepreneurs are aware that the customer is the king in allocation and re-allocation of resources. It is therefore important that entrepreneurs adjust business activities as per the needs and expectations of customers.

Avoiding trade malpractices or profiteering. An entrepreneur should avoid profiteering by not involving in hoarding, smuggling and black marketeering as well as avoiding use or sale of harmful and illegal commodities.

BUSINESS ETHICS TOWARDS EMPLOYEES

In order for an entrepreneur to treat the employees in an ethical manner, the following should be highly observed

Ensuring fair remuneration. Employees are human beings who are entitled to fair pay. It is the duty of the enterprise to give its employees fair salaries and wages as well as allowances for the contribution employees make to the business.

Promoting employee advancement. A business should provide opportunities for personal advancement through promotion, delegation education, training and experience. Having in service training and external training for employees should be a priority for raising employee productivity.

Ensuring job security. Employees should be assured of their jobs from time to time. This is through communications during staff meetings, giving appointment letters, signing and issuing employment contracts and ensuring success of the enterprise.

Involvement in decision making. Employers should ensure that workers participate in decision making and implementation in the enterprise. Employees should have representatives in management meetings and possibly on the Board of Directors of the business entity.

Giving fair and clear terms of employment. Employees should be given fair and clear terms of employment. The employment contract issued should spell out clearly the duties and responsibilities, rights and obligations among others.

Ensuring satisfaction. It is the responsibility of the employer to ensure that employees are satisfied with their job. This is by providing required tools and equipment, practicing job rotation and enrichment, giving clear instruction and appropriate work load among others for the employees to do their best.

Providing good working conditions. Employees need conducive working environment to perform well. A business should provide employees with security, protective gears, the needed tools to work with and ensure regular cleanliness for ideal sanitation, respect for employees.

Giving room for creativity and innovation. Initiating creativity and innovations among employees requires business enterprises to provide the atmosphere and resources such as finances, and inputs.

Listening to employee's personal problems and complaints, through this, an entrepreneur can help in solving or assisting them where necessary through giving them affordable and relevant support to them

Respect, the entrepreneur should respect the employees for the contribution they make to the business, for instance the entrepreneur should not publically abuse employees and the norms of the society of the area should be respected when handling employees

Provision of proper recognition, appreciation and encouragement of special skills to capabilities of workers, this increases their morale and devotions to their work in business

BUSINESS ETHICS TOWARDS THE SOCIETY

- *Conserving the environment. The business should endeavor to take all the necessary steps needed to conserve the environment e.g trying all the necessary ways of controlling pollution i.e. in air, water and swamps.*
- *The business should endeavor to protect people's health and lives during its operations like avoiding emitting poisonous and toxic substances, controlling machinery noise, explosion etc.*
- *A business should have strict considerations for the norms, for instance during business activities in what is acceptable to the culture or religious beliefs of the society like putting up a disco near a secondary school, selling pork in a Muslim community.*
- *A business is also expected to get involved and contribute to the needs of the society, like contributing to community health centres, community development like cleaning or road construction.*
- *A business is also expected to provide employment opportunities to the community members instead of giving them out to foreigners i.e. in case they fit in the existing opportunities in terms of qualification, experience and skills.*

BUSINESS ETHICS TOWARDS GOVERNMENT

- *Complying with the laws that govern the business like registration laws, licensing laws, labour laws, occupational hygiene*
- *Observing and setting the tax obligation as required by law, it is a must for entrepreneur to pay taxes and they should be paid on time and in full*
- *Businesses should follow the government policies in their operations like selling products that are acceptable by the government, should avoid engaging in illegal commodities like fire arms, expired commodities etc*
- *The business should meet the production standards in terms of quality, weights etc, dishonesty acts like charging the weighing scales in order to exploit consumers should be avoided*
- *The business should also comply with occupational hygiene, environmental regulations etc as prescribed by the central and local government*

Business ethics towards suppliers

- ✓ *Paying them promptly*
- ✓ *Offering them a fair price*
- ✓ *Attending to their complaints*
- ✓ *Respecting the terms and conditions of the transactions*

Business ethics towards competitors

- ✓ *Discouraging secret agreements/monopoly.*
- ✓ *Ensuring fair trading*
- ✓ *Anti-competitive policies*
- ✓ *Merging where possible*
- ✓ *Giving referrals in favour of competitors*

BUSINESS ETHICS TOWARDS SHARE HOLDERS

- ✓ *The business should protect the interests of the shareholders / the entrepreneur for business survival.*
- ✓ *The management of the business should make sure that the capital of the business is safe from misappropriation, should avoid mishandling business property etc*
- ✓ *The management should ensure that the business makes profits and deliver the right dividends to the share holders*
- ✓ *Management should ensure that the business image is amplified so that the entrepreneurs enjoy self-esteem and recognition.*

IMPORTANCE OF BUSINESS ETHICS TO BUSINESS

- *It promotes customer loyalty. Being trustworthy and respecting that the customer is the king is paramount in business. Practising good business ethics towards customers creates a loyal clientele since customers want to deal with businesses they trust and which respect them.*
- *Enables business people to meet obligations of their customers and business partners regardless of anything else*
- *It increases sale. Engaging in fair trading, fair pricing of products/ services and good treatment of customers among others will guarantee a large market share and hence a high turnover because most people want to deal with honest business ventures / entrepreneurs.*
- *It increases profits and business growth. When a business operates within ethical realms, there will always be clear indications for growth as market expands and sales increase thus helping the business to have increased profits for retention and meeting its obligations to stakeholders.*
- *It enhances business image and reputation. Practising ethical business behavior builds the image of reliability and establishes reputation with the public. It will be honoured and respected even by those who do not have intimate knowledge of its actual working. This helps to gain more customers, access money markets and recruit better staff.*
- *It leads to easy access to human resources through gaining good reputation which enables, it to get human resources to work for it*
- *It leads to easy access to inputs like raw-materials. By practicing business ethics to society, the business earns a good reputation which enables it to get human resources to work for it.*
- *It attracts government support. If government is to offer support to any business venture in form of subsidies, tax concessions, ethically responsible enterprises stand a better chance to benefit.*
- *It prompt businesses to meet their obligations to all stakeholders. A business venture should have a conscience by being socially responsible because responsible actions are right for their own sake*
- *Raises labour productivity. Ethical behaviour exhibited towards employees and the management makes them work to their best since there is favourable working environment, employee development and fair pay that boosts workers' morale.*

Developing a business code of conduct

- ✓ *All employees shall dress decently in uniform to look smart*
- ✓ *Arrival and departure time shall be recorded in the arrival and departure book to monitor their attendance.*
- ✓ *Workers shall keep company information secret.*

- ✓ All workers shall conduct themselves in a morally acceptable ways as described by the company code of conduct.
- ✓ Workers shall not be allowed to engage in sexual harassment.
- ✓ All workers shall handle business assets with care any loss arising from mishandling of the propriety, the person in charge is to pay for the damage.
- ✓ Worker in a competing business shall not be recruit into the business work force not until they provide termination letter or any other inform that indicate that they are no longer employees of that business.
- ✓ No worker shall be allowed to use any drug or intoxicating drink that may impair his or her sense of judgment while at work.
- ✓ Workers shall not be allowed to use business name for personal activities that are not related to their work title.
- ✓ Working days shall be strictly Monday to Friday

Unethical practices that are used by entrepreneurs while running their businesses.

- ✓ *Supplying low quality/inferior goods.* Some scrupulous entrepreneurs use unethical practices of supplying low quality goods to consumers. They adulterate the goods; use wrong scales, weights and measures which make consumers buy less than the actual quantities and quality.
- ✓ *Charging high prices.* Another form of exploitation and unethical behavior used by entrepreneurs is through overcharging consumers and selling to them goods at very high prices. Entrepreneurs can create artificial shortage of the good in the market through hoarding so as to charge high prices and earn excessive profits.
- ✓ *Misleading advertisement.* Some firms give false, confusing and misleading information while advertising their goods and the consumers ignorantly base on this false information to buy the goods. For some packaged goods they supply inadequate or wrong information on the packages which misguide the buyers and wrong use of drugs, chemicals and other products harmful to people's lives.
- ✓ *Poor remuneration to employees.* In a bid to minimize costs and maximize profits, some entrepreneurs behave unethically by paying workers low wages and salaries. The wage paid is usually not matching the workers' productivity and cannot enable the worker to meet his basic needs. The pay is little, delayed, uncertain and sometimes not paid at all.
- ✓ *Discriminative employment policy.* Some employers are discriminative in their recruitment policies by hiring employees of a certain gender, age, tribe, religion, political affiliation and others. Recruitment is not done on merit and this means people who are qualified for jobs don't get a chance of competing because the policy of recruiting eliminates them.
- ✓ *Use of child labour.* Labour laws and the constitution discourage the use of children below 18 years in productive employment as they are still minors. But some entrepreneurs behave unethically and employ children and worse still underpay them.
- ✓ *Payment of low rate of dividend to shareholders* Share-holders entrust the management and running of their companies to directors. The directors are supposed to provide information through reports and feedback to the shareholders about the progress of the business at the same time pay a reasonable rate of return. However the directors sometimes use dishonest means to pay low rate of dividends to shareholders and they fail to provide feedback on time.
- ✓ *Misuse of funds/mismanagement of the company.* The shareholders sometimes divert the funds of the company to either personal use or non-priority activities. Sometimes they also give bribes, gifts, donations, payment of kickback money to politicians and the government officers for certain benefits like winning contracts.

- ✓ *Overexploitation of resources. In order to achieve their goal of profit maximization, some entrepreneurs do over utilize the available resources. Such activities like deforestation, over fishing and others are unethical and deprive society the benefit of using the resources sustainably.*
- ✓ *Disregard of business laws. Some business owners disregard business laws, government policies and misuse the facilities and incentives offered by the government and incentives offered by the government. Failure to comply with public law is unethical, for example dodging and evading taxes.*
- ✓ *Creating inconveniences to local people. Sometimes entrepreneurs create inconveniences to local people due to growing industrial activities without due care to local community. Increased industrial and business activities*

Sample questions

Question 1

- (a) What is meant by the term business ethics*
- (b) Explain the principles of business ethics*
- (c) State the ways through which business enterprise are ethical towards*
 - i. Customers*
 - ii. Entrepreneur and share holders*
 - iii. Government*
 - iv. Employees*
 - v. Society*

Question 2

- a) State the ways in which a business should be ethical towards its competitors*
- b) What is the importance of good business ethics?*

COMMUNICATION SKILLS

Communication refers to the process of exchanging information between the sender and receiver. It is how we transmit thoughts, feelings, knowledge and ideas from one person to another.

Communication requires a sender, a message and a recipient, although the receiver doesn't have to be present or aware of the sender's intent to communicate at the time of communication, thus communication can occur across vast distance in time and space.

Communication process / cycle

Refers to the whole process of communication from the origin up to conceptualizing and the response of the intended message by the right person. The communication cycle is not complete before feedback even if the message reached the intended recipient

Communication flows in different directions depending on who is sending it

- *Downward communication that flows from top to bottom, for instance from managers down to subordinates*

Media involved in downward communication.

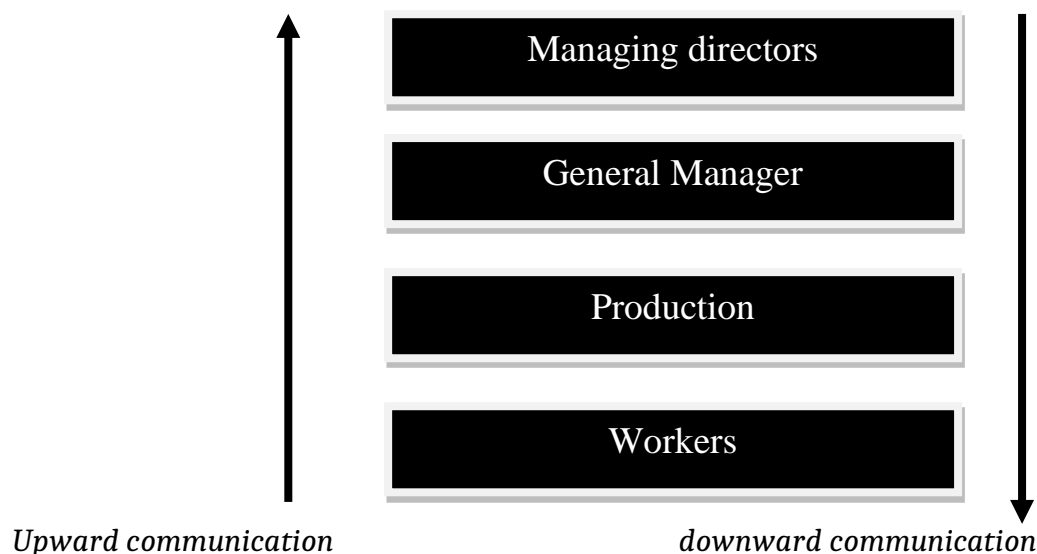
- ✓ *Meetings are used to transmit orders, instructions, information, policies etc to employees.*
- ✓ *Notices used to pass short message which concern a number of people. It is normally put on the notice board for whoever is concerned to read.*
- ✓ *Letter used to pass special information to employees e.g appointment letters, promotions, dismissals etc.*
- ✓ *Company news letter's (periodical) for passing information on the puts, activities, performance, policies, employees of an organisation.*

- ✓ Hand book or pamphlets used to pass information such as procedures, standing orders, policies and others to both outsiders and insiders.
- ✓ Annual reports used to convey the summary of organisation performance and position to shareholders and other interested policies.
- Upward communication that flows from bottom to top, for instance from subordinates to supervisors

Media for upward communication.

- ✓ Suggestion box where employees are encouraged to write their complaints, suggestions and drop in box
- ✓ Social gathering where employees interact in free informal atmosphere and share their problems.
- ✓ Open policy where the management encourages subordinates to issue to his / her without fear.
- ✓ Direct correspondence where employees write to the management addressing issues at hand.
- Horizontal and diagonal communication takes place between different functional departments of the organisation.

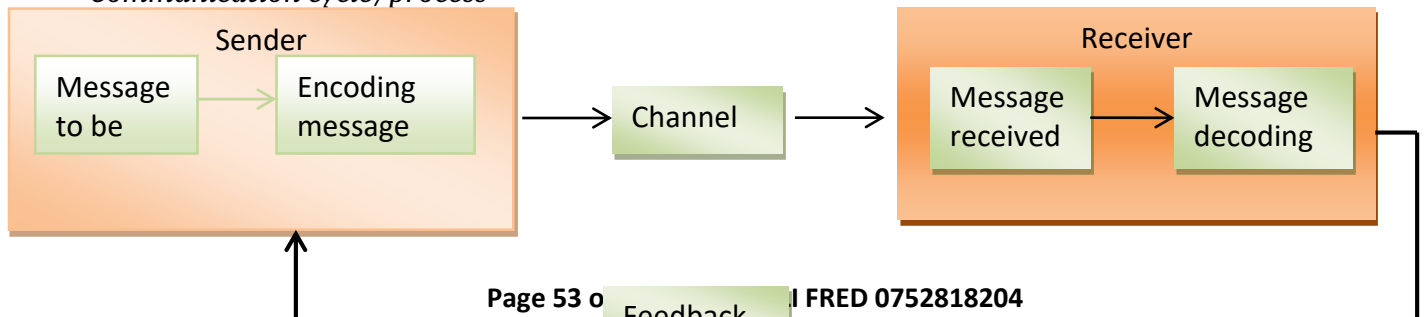
Flow of communication



Components of communication

- Sender
- Environment
- Medium
- Receiver
- Message
- Timing

Communication cycle/process



Sender is the source of the message. The sender is the one who initiates the thought and communicates it.

Message. The message is the form in which the sender encodes the information he wants to send. It may be in any form that can be experienced and understood by the receiver using any of the five senses. The message may be oral where by it is heard, it may be written and read by the receiver, it may be felt by touch, it may be seen or it may be tasted.

Encoding. This is when the sender translates the idea into symbols to represents something. The sender encodes the message inform of words or gestures that he believes have the same meaning and convey the same meaning that will convey the same meaning to the receiver.

Medium or channel. This is the method of transmission of the message from the sender to receiver. It is usually inseparable from the message. The medium include paper for written, phone, cameras and video equipment for visual message.

Receiver. This is the person who receives the message. This is the person for whom the message is intended. The receiver may be one or more than one person.

Decoding. This is the process by which the receiver interprets the message and translates it into meaningful information. It is a two-step process involving, perceiving and then interpreting it. E.g if it is an oral, the receiver should be able to hear, if it is written, the receiver should be able to read and interpret as well as understanding the information.

Feedback is the reversal of the communication process, in which a reaction of the sender's message is expressed. It may be in any form e.g words, written etc. the feedback is very crucial in the communication process since it is ever being waited by the sender otherwise the cycle would be incomplete without the feedback.

Communication in organisation

Communication plays very important and central role in the management of an organisation. It coordinates the activities of an organisation. Through this instructions are passed on / disseminated and feedback / results are received. Information about policies and guidelines are passed on. Information flows throughout the organization via the route / channel, these may either be formal or informal

Formal channels. These are official channels laid out the organizational policy. They specify how information should flow from which direction to what direction

- a) Down ward, here information flows from the top ranks to the lower ranks. It comes in form of instructions, policy statements, guidelines, information and channeled by tools like company policy documents, bulletins, newsletters etc*
- b) Upwards channel, here information flows from the lower ranks to the top management. It goes in form of reports from tasks assigned, progress, grievances and complaints etc.*
- c) Horizontal channel, this is communication between and among people of the same rank e.g managers, supervisors, team leaders respectively*

The management is that people at the same rank need to meet regularly and share notes and experiences usually they have shared solutions. It will go a long in not only creating mutual relationships among members of organisation but will also assist management in arriving at solutions that have been well tested.

Informal channel

- a) *Informal but official, here the information is passed over in an informal way. For example someone can warn someone about the job and this is done without putting it in writing, even someone can be given job without writing application letter. So all the above are done informally but official*
- b) *Grape vine channel, this develops out of a situation where the official channels are either non-existence or blocked. This creates a communication gaps which must be filled. Members of the organisation if not given information in time, explain unclear circumstances would naturally be tempted to fill the gap using rumours, which may be true or false. The argument is always communicated when there is a need to, otherwise damaging rumours may begin to circulate on the other hand management may use grape vine channel in order to offset impending crisis or to read the minds of the members.*
- c) *By pass, this is a situation where management decides to bypass certain levels in the hierarchy, usually middlemen tend to restrict or even block the flow of information may be quite essential to the achievement from the objectives of the organisation.*

Choice of a medium of communication / factors considered when choosing a communication channel/ medium of communication

It is important to note that before transmission can be made. There is need to choose appropriate medium. This choice can be governed by several factors

- ❖ *The language to be used in the message. The message should be in the language which is used by the receiver and can easily understand it.*
- ❖ *The nature of the message to be communicated. Letters are more effective for detailed messages while brief messages can be sent through faxes, e-mails and telegrams.*
- ❖ *Speed and urgency of the message. Urgent message information is sent using a faster medium like telephone, telegram, fax and e-mail while letters and press take long to reach.*
- ❖ *The coverage of the medium. For message to be conveyed for a wide area, newspapers, radio and TV are more appropriate, the message that is intended for individuals in some areas like trading centers, notices or posters are more appropriate.*
- ❖ *The cost of the communication channel is considered (how costly it is) e.g use of telephone, mega phone. The entrepreneur will choose the cost effective channels.*
- ❖ *The social and education status of the people one wants to communicate to. For the message intended for the ordinary people who are poor and not educated their message is conveyed through radio or poster, for the wealth and elite class, internet, faxes are more appropriate.*
- ❖ *Availability of the communication medium. The medium that is available should be used compared to those which are non-existent.*
- ❖ *Secrecy and confidential of the message. Confidential information can be sent through letters since they are personal compared to other means like newspapers, radios and television.*
- ❖ *The age group of the recipient. Information to teenagers and youth can best be communicated through magazines, television videos and internet as these mostly appeal to this age group. On the other hand, messages for the adults (mature) and aging people should be conveyed through the radio and newspapers.*

- ❖ *Feedback. Messages requiring immediate feedback should be sent using telephone or face to face communication.*
- ❖ *Message performance. Messages requiring record of reference should be sent using letters instead of telephone, radio, or face to face communication.*

Effective communication in business

In the information age, we have to send, receive and process huge numbers of messages everyday but, effective communication is about more than exchanging information. It's also about understanding the emotion behind the information.

Effective communication refers to the process of transferring information from the sender to the receiver with information being understood by the receiver as communicated by the sender.

Essentials / principles of effective communication

For communication to be effective, it should possess the following, i.e. 7c's of effective communication

- ✓ *Clarity, the message conveyed must be organized, loud and clear leaving no room for any doubt. It should have a well thought through introduction, detailed body and a smart conclusion.*
- ✓ *Consistence, the sender should be consistent in the use of channel and the code through which he is communicating the message*
- ✓ *Concreteness, the communication should be concrete, which means the message should be clear and particularly such that no room for misinterpretation is left. All the facts and figures should be clearly mentioned in a message so as to substantiate whatever the sender is saying.*
- ✓ *Courtesy, the communicator should not be rude, should communicate politely. The message should have a good tone able to maintain and build relationship*
- ✓ *Consideration, plan carefully and try to understand the information needs of the recipient. Be empathetic of the recipient, this enables you understand the message.*
- ✓ *Conciseness, effective communication should be brief and precise to the point. The sender should avoid the lengthy sentences and try to convey the subject matter in the least possible words. The short and brief message is more comprehensive and helps in retaining the receiver's attention.*
- ✓ *Completeness, the message should be complete ie it must include all the relevant information as required by the intended audience. The complete information gives answers to all the questions of the receivers and helps in better decision making by the recipient*
- ✓ *Interest and acceptance, the sender must ensure that adequate interest is generated among the recipient of the message and that they are ready to make reply.*
- ✓ *Environment, the sender should ensure that the recipient receive the message as required.*
- ✓ *Distribution, the communication should be addressed to those who are supposed to have it. There should be a system to ensure that wrong people don't access to the information*
- ✓ *Simplicity of the language, the sender must keep his language as simple as possible keeping in mind the recipient standard of knowledge so that the message is clearly understood.*
- ✓ *Timing, the message should be conveyed at a time when the receiver is able to listen and receive it.*
- ✓ *Media, the sender must use a media that the target recipient uses. eg newspapers when communicating to the elite of urban areas.*
- ✓ *Controlling Emotions, emotions play an important role in interpersonal relationships between the sender and the receiver*

Effective Communication Techniques:

Listening: You have to listen to the other party. Do not commit the mistake of thinking that communication is only a one-way street. Communication is also about listening and Focus on what they are saying and reflect on that conversation later.

Expression: Whenever you are expressing yourself, talking truthfully and honestly will send out a signal that you trust your audience. Speak clearly and properly. Also try to be precise about the subject that you are speaking on. Do not beat around the bush.

Taking Criticism Positively: If someone comes to you with criticism, it is just a natural human response to defend your stand. Try to take criticism positively and constructively.

Avoiding Arguments: Try to avoid getting into such arguments. And even if you get into such a situation, instead of trying to win the argument, find an amicable solution in a constructive way.

Understanding the Audience : You need to be able to understand your audience as they are the ones for whom you are speaking. Do not send out your message before you are sure that they will get what you are saying.

Feedback: It is one of the most common occurrences at the workplace that a colleague does exactly opposite to what you want him to do. It is better to take proper feedback to enable you know the perspective of the person in front of you. Only through feedback you will know why he or she did or did not do what they were asked to do.

Barriers to effective communication

A communication barrier is any hindrance that prevents the receiver from getting the intended message from the sender. Some of the barriers to effective communication include

- ✓ *Difference in individual interpretation of words. People perceive information differently. Some words have two or more meanings and this makes effective communication difficult.*
- ✓ *Unfavorable communication environment. If the environment is not appropriate and causes distraction e.g where there is a lot of noise, which obscures one from listening to verbal message properly.*
- ✓ *Language differences. Some people have different languages and this makes it difficult to understand the message communicated.*
- ✓ *Use of inappropriate channel of communication. Where the channel of communication is not appropriate e.g communicating through television when your target group is blind people.*
- ✓ *Non-verbal communication like body movements, gestures, eye movements and facial expressions may distort the meaning of a message*
- ✓ *Incompleteness of the message. When the message sent by the sender does not include all the facts that the receiver needs to know about the subject matter on which the communication is based, it hinders effective communication*
- ✓ *Lack of interest. If the receiver is not interested e.g if the message is communicated at an inconvenient time or a wrong target group and will make the message boring.*
- ✓ *Long distances between the sender and the receiver. Long distances create many obstacles which hinder effective communication*
- ✓ *Poor packaging of the message to be sent. If the message is not attractive to the receiver or the message is not well packaged to attract the listener hinders effective communication.*
- ✓ *Emotional block. Anger, fear by the recipient during communication is a barrier to effective communication.*
- ✓ *Poor listening skills and premature evaluation. Lack of good listening culture especially among the youth tends to make communication ineffective.*

- ✓ Failure of the sender to be considerate when communicating e.g if the sender is not considerate in his communication.
- ✓ Information overload. Giving too much information make it difficult for people to understand it. it causes mental constipation.
- ✓ Poor planning by the sender of the message leads to poor receiving of the message (garbage in, garbage out)
- ✓ Network problems or poor network. In case of telecommunicating, communication is not effective when the network is poor, even with internet use.
- ✓ Use of wrong address. In enterprises, use of wrong address cause communication not to be effective as message is received by a wrong recipient.
- ✓ The difference in class between sender and receiver directly affects the communication process. If they share a class, they are likely to be more effective than when they don't.

Ways of overcoming barriers to effective communication

- Explaining to the receiver so that he gets to share the meaning of the message of the sender to overcome differing perspective.
- By using simple direct language while communicating to overcome language differences.
- Understanding and changing people's behavior to ensure maturity of Organisational members in order to overcome emotional blocks
- By understanding or being aware of the meaning of different gestures, body movements, clothing and postures
- Creating trust, this involves building confidence through understanding, discussing issues and creating an atmosphere of trust so as to restore credibility
- Eliminating physical noise e.g if it is a machine, it can be switched off or those communicating may move away in order to overcome destruction
- Planning well before communication, the sender should plan well in advance what he wants to say, why is saying it and how he will say it. He should also anticipate the receiver's reaction towards the communication

Purpose of communication in business

For internal functioning of an organisations the objectives of communication include

- ❖ Search for establish and disseminate Organizational goals. Once the overall goal has been identified, departments also state their departmental goals. The different departments then bring ideas together through some communication process and finally a document is drawn up for instance the strategic plan which communicates the plan of the organisation.
- ❖ To facilitate development of plans and strategies to achieve goals. Once goals have been articulated, strategies are involved, discussed and communicated. All this is facilitated by communication.
- ❖ To facilitate allocation of Organizational resources in a most effective way. Once resources have been identified they are a located in different departments and this must be communicated to the different departments in either meetings or memos.
- ❖ To enable managers to influence direct motivate and create a conducive working environment of organizational members.
- ❖ To facilitate and make feedback about performance and enable collective actions to be made. As Organizational members perform tasks given to them, they have to make periodic reports to supervisors or superiors on what they have done.
- ❖ For enabling an organisation to relate to the outstand environment, the objective of communication.

- ❖ To link the entrepreneur to the suppliers. Communication enables organisation to identify suppliers who are competent and can avail them with various inputs like raw-materials used in the production process.
- ❖ To link the entrepreneur to important services and needs like banking services, insurance, transport etc which helps in the day to day running of the business.
- ❖ To keep the entrepreneur in touch with his customers. This helps the entrepreneur to carry out surveys into customer's needs and observations of consumption pattern and trends.
- ❖ Inform shareholders about organisation performance. Communication enables the organisation to make shareholders aware of its performance and position in their claims.
- ❖ To get information about macro-policy intentions of government, tax policies, regulations and other information that the government makes available in the form of regulations from time to time.
- ❖ To relate and establish the needs of the society. Communication enables the organisation to relate to society and know the needs of the society for example organisations need to address social problems like HIV/Aids and global warming etc.

Importance of communication in business

- ✓ It helps an entrepreneur to pass on relevant information to his staff, customers, government and public which may be beneficial to the business e.g informing the staff about the new changes in management and production
- ✓ It helps the entrepreneur to search for, establish and disseminate organizational goals to the different departments
- ✓ It helps in recruiting and selecting workers for business e.g publishing advertisements, to those who can send application letters for selection of required staff.
- ✓ It facilitates the allocation of organisational resources in the most effective way. This is done on discussions and directives on how resources will be distributed
- ✓ It helps entrepreneur to implement his / her policies by giving instructions to employees or their supervisors.
- ✓ It helps entrepreneurs in negotiating with customers so as to get the best bargain in his / her dealings
- ✓ It enables managers to influence, direct, motivate and create a conducive working environment for organisational members
- ✓ It helps in keeping good relationship with his customers and new customers
- ✓ It helps the entrepreneur in making decisions basing on the informed that is available.
- ✓ It helps in creating good understanding between the entrepreneur and his / her employees through conducting meetings and discussions
- ✓ It helps the entrepreneurs to co-ordinate operations of his / her business that are executed in different departments
- ✓ It acts as a measure of managing credit sales and credit purchases in business, hence smooth running of the business
- ✓ Enables the entrepreneurs to get feedback from the organisational members of the tasks given to them as they have to make periodic report for supervisors
- ✓ It enables the entrepreneur to get information about macro- policy intentions of the government , tax policies regulations and other information that the government makes available in form of regulation from time to time

- ✓ Communication acts as a form of increasing the sales volume and widening the market share e.g through advertising, printing brochures concerning business etc
- ✓ Aids market research through the use of interviewing, questionnaires and customers and entrepreneur can be able to gather necessary information concerning people's opinions about the products in the market
- ✓ It also helps the government and other regulatory bodies to monitor and direct the business operations
- ✓ It helps the public to get knowledge about the existence of the business and its operations, which improves on the public image of organisation.

Forms of communication

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

Communication is an essential part of conducting business and there are various ways that people communicate in a work place. To be successful business person, it is important to familiarize yourself with the different communication methods so you know which ones may be most effective for what you need to accomplish.

Verbal / oral communication

Refers to the form of communication in which message is transmitted by word of mouth, face-to-face or by telephone. When we talk to others we assume that others understand what we are saying because we know what we are saying. But this is not the case; usually people bring their own attitude, perception, emotions and thoughts about the topic and hence create barriers in delivering the right meaning.]

It is always used when bargaining and interviews, training and meeting. It is the commonest form of communication in business and it will involve normally, entrepreneurs, customers, suppliers and bankers

So in order to deliver the right message to the above, you must put yourself on the other side of the table and think from receiver's point of view. Would he understand the message? How it would sound on the other side of the table

Advantages of oral communication

- *It brings quick feedback in face-to-face conversation, by reading facial expression and body language one can guess whether he / she should trust what being said or not.*
- *There is room for flexibility where questions or instructions can be rewarded to suit the situation.*
- *It also allows contribution and participation of all parties involved.*

Disadvantages of oral communication

- *In face-to-face discussion, user is unable to deeply think about what he is delivering, so this can be counted as a written communication.*
- *Little time is allowed for important matters to be discussed which will leave both parties unsatisfied.*

Written and printed communication

In written communication, written signs or symbols are used to communicate. A written message may be printed or hand written. In written communication message can be transmitted via email, letter, report, memo, circulars, notice, minutes, circulation slips, Bulletins, agenda etc. message in written

communication is influenced by the vocabulary and grammar used, writing, style, precision and the clarity of the language.

Written communication is the most common form of communication being used in business. So it is considered core among business skills.

Memos, reports, job descriptions, bulletins, employee manual and electronic mails are the types of written communication used for internal communication.

For communicating with external environment in writing, electronic mail, internet, web site, letters, proposal, telegrams, faxes, post cards, contracts, advertisement brochures and news releases are used.

Forms of written communication

a) A MEMO

This is on internal communication, it is a written message used with the same organization. In fill it is called Memorandum

Elements of a memo

From: This shows where the memo is coming from.

To: This shows where the memo is addressed.

Date: This shows the date in which the memo is written.

Reference: This shows the number which distinguishes the communication within the other.

Subject heading: This shows the main idea expressed in the memo.

Body: This shows the details of the content of the memo in a paragraph form

Practical situation

You are employed as a general manager of Bakery business to which many customers are complaining about the quality of the services.

Write a memo inviting the customer relation officer for a meeting.

KJS BAKERY (U) LTD
P.O. Box 256 KAMPALA (U)
Tel. 0752-11-11-11

Ref:

Memo

Date: 13th July 2020

From: General Manager

To: Customer Relation Officer

Subject: MEETING

I hereby invite you to attend an urgent meeting which is to take place on Sunday 14th July 2020 at the company reception hall starting at 2.00 p.m. the main aim for the meeting is to discuss the customers complains of the service. Here is a copy of the customers complain.

Please endeavor to attend.

Yours faithfully



KATUSHABE ANNET

Advantages of memos

- ❖ Inexpensive, a major advantage of a business memo is that they are inexpensive to create. Even when business people physically print the memo, doing so usually costs the company far less

- ❖ Memo information is harder to dispute than oral communication because the memo is evidence of what the writer said
- ❖ Business people are able to produce and deliver memos unobtrusively. Even when the memo is physically printed, employees can read the memo at their leisure
- ❖ Delivery of memo is easy. With hard copy memos, it takes just one person to hand the memo out to employees or put it in the employee mail box or notice board.

b) A business letter, is usually used when writing from one company to another or for correspondence between such organisations and their customers and other external parties.

There are very many reasons for writing a business letter. It could be to request direct information or action from another party, to order supplies from supplier, to identify a mistake that was committed, to reply directly to a request, to apologize for wrong or simply to convey good will

A business letter must be clear, complete, and timely and be able to promote the image of business organisation

How to write a business letter

A business letter

A business letter is used to send information from the business organization to an individual or another business organization on specific areas of interest between the business and the address.

Contents of a business letter

A business letter must be clear, complete, timely and be able to promote the image of the business organization. Though varied, a business letter usually contains the following:

The letter head: A business organization usually has pre-designed and printed papers called letter heads, which show its name, address, telephone No. and the email address. The letter head may also have the organization vision, mission, bankers and any other information deemed necessary.

Business letters will be written on these letter heads instead of writing on a plain paper.

Reference: This is used to identify the subject matter and the recipient of the letter. Each business organization adopts unique and convinced reference system for its letters and documents. The reference can include the address. The subject matter and the dates for example L2/m/12/7/2016.

Date: All letters should have a date. For exam case, the date should be that which one is setting for the paper

Inside Address: This shows the name and address of the person/organization the letter is addressed to each item should have a separate line.

Salutation: This is a general greeting used to commence the letter for example "Dear madam" is normally used if the letter is addressed to an organization and the addressee is known to be a lady or a man. A personal name can also be used for example "Dear Perry" if the writer knows the addressee.

Subject heading: A subject heading gives a brief indication of the content of the letter using capital letter or bold print.

Body of the letter: The body of the letter communicates the intended communication to the addressee. Paragraphs are used to show different ideas in the letter.

*Complimentary close: This is a general closing to the letter, it is common to end with “Yours Faithfully”
If “Dear Sir/Madam” has been used “Yours Sincerely”, “If dear and name of recipient have been used”*

Signatory: All business letters should be signed.

*Enclosures: If the letter has any other document enclosed, it should be stated by using the abbreviation
“ENC”*

*Copy: A copy should be kept for the file, and others distributed to different officers who may need to
know about the information communicated.*

A FORMAT OF THE BUSINESS LETTER

*Modern business organizations use blocked style where all parts of the business letter begin from the
left margin as illustrated below:*

JANITA AND DAUGHTERS LIMITED
P.O. Box 624, KAMPALA (U)
Tel. 0704 411492

Re: L1/P/12th/07/2016
12th July 2016
The marketing Officer
Musoke Farmers Ltd
P.O. Box 194,
KAMPALA

Dear Sir,

SUBJECT: GOODS SUPPLIED

*I wish to inform you that the bananas which you supplied to us on 8th July 2016 were poorly packed
and as a result, most of the consignment got spoilt.*

*You will recall that we have in the past sent you communication on the same issue, a copy of which is
here by endorsed for reference.*

*This is therefore to request you to maintain high packing standards so that we can receive quality
bananas in good condition that will appeal to our customers.*

Otherwise, we will be forced to review our business relationship with you.

Yours Faithfully,



PEPPA PERRY
PURCHASING OFFICER
Enc.

*c) Agenda refers to the list of items to be handled at the meeting. It acts as a guide to the meeting
indicating which activities or business to be handled and sequence to be followed.*

Sources of items from agenda

- ✓ They can be drawn from previous meeting
- ✓ Uncompleted business
- ✓ From new suggestions from members
- ✓ New development in the company

NB. Modern agenda should be timed (each item should be given specific time)

Content of the document

Should have the following

- ✓ *Heading indicating word*
 - *Agenda*
 - *Type of meeting*
 - *Organisation*
 - *Venue*
 - *Time*

Items should be numbered

Please make research for the real format of the agenda

Writing a notice and agenda to be sent to all the members of JML Trading Company.

NOTICE OF THE ANNUAL GENERAL MEETING

*(Letter head): JML Trading Company
P.O. Box 190 Kampala.
TEL: 0756-00-00-11*

To: All Board Members of JML Trading Company.

**RE; INVITATION TO THE ANNUAL GENERAL MEETING SCHEDULED
FOR 13TH DECEMBER 2012.**

You are hereby informed that the above mentioned meeting will take place in the company premises (main conference hall) starting at 9.00am.

The agenda for the day will be;

- 1. Opening prayer.*
- 2. Adoption of the agenda.*
- 3. Communication from the chair.*
- 4. Minutes of the previous meeting.*
- 5. Annual report of accounts.*
- 6. Matters arising from (3-5 above).*
- 7. A.O.B and closing prayer.*

d) Meeting minutes, these are records of what took place at the meeting. They are taken down by a minute secretary he or she would record them in a minute book and later transcribe them into final minutes

Minutes are important documents for presenting deliberations and resolutions made at a meeting; once they have been signed they become legal documents, which can be referred to by courts of law, auditors and other inspectors.

Elements of minutes

- *The name of the business*
- *The venue where the meeting was held, time*
- *List of members that were absent with apology.*
- *List of members that were absent without apology.*
- *Contents of the minute which is written basing on the flow of agenda*

Importance of minutes

- ☞ *Confirm any decisions made*

- ☞ Record any agreed actions to be taken
- ☞ Record who has been allocated any tasks or responsibilities
- ☞ Prompt action from any relevant attendees
- ☞ Provide details of the meeting to any one unable to attend
- ☞ Serve as a record of the meeting's procedure and outcome
- ☞ Provide the validity of the meeting

e) Notices, these may be used by an entrepreneur when giving out short message to concerned person, e.g a notice may be a reminder to the customers for payment, intentions to sue Etc.

In case the business is to shift contents must include, time frame or shifting, old location and new location contact.

NAMONE RESTURANT
P.O BOX 778, KAMPALA
TEL: 0705-00-00-00

Date: 24/12/2019

NOTICE

WE INTEND TO MOVE!

Restaurant intends to shift from its current location Kayanjja near Katwe Health centre to Nakowala town opposite centenary Bank Bugolobi branch within two weeks' time. This has been done to get more space and serve you better.

Sorry for any inconveniences caused to our esteemed customers.

For more information contact us on telephone number 0705-00-00-00

Management
cc. Notice board

g) Report, these are used by entrepreneur to give conclusion and recommendations based on investigated facts and situations, e.g weekly report etc

Elements of report writing:

- The name of the business.
- The topic of investigation.
- Objectives of carrying out the activity.
- The background on which you carried out the investigations.
- Your findings of the situations.
- Your recommendation about the situation.
- Your recommendation for further research.
- Conclusion.

Characteristics of a good report

- ✓ It should be precise ie short and clear about the purpose for which it is written
- ✓ It should be accurate since it will be used to make decision.
- ✓ The facts presented should be relevant to the situation under investigation.
- ✓ It should have consideration ie written with the reader in mind
- ✓ Recommendations should be objective and clear language
- ✓ It should be brief and complete ie all relevant facts should be included
- ✓ It should contain correct grammar and sentences
- ✓ It should be written systematically in logical sequence
- ✓ It should be written in simple and clear language.

KASUSU PRODUCT LIMITED
PO. BOX 222, KAMPALA
TEL: 0752819999

To: The Managing Director

From: The Operations Manager

Date: December 23, 2017

Subject: Report on workers' progress for the month of October 2020

Terms of reference. On instruction of the managing director, a survey was conducted and information gathered is presented as follows:

Procedure.

Information from the reports and documentation presented by supervisors and sales agents was deliberated on in the company staff meeting held on the 2nd September 2020 in the company's board room.

Findings.

According to the findings and discussions carried out these are the facts noted.

Production

The performance of the employees is still ineffective and the target output for the year has not been met. Out of the sixty six workers employed, only ten are well trained and the rest are learning on the job. The supervisors find it hard to instruct, coordinate and monitor the untrained staff because of their lack of compliance. They come late for work, leave early, some waste time doing nothing, and faced with the increasing costs of production, there is need to increase productivity to meet the rising demand for skin products.

Promotion for the products

The promotion section has not been very innovative. The workers lack creativity and willingness to venture into new localities. There is lack of clear communication and two workers have handed in their resignations without explanation about their grievances.

Marketing and sales

Marketing is still restricted to designated areas and also to registered agents who the company supplies. The sales have remained constant. There are reports about sales agents who indulge in unethical behaviour jeopardizing the company's reputation and they have been warned and cautioned.

Conclusion.

With the increasing costs of production, there is need to devise new marketing strategies and to improve the quality of the products in the face of competition.

Recommendation.

Workers need sensitization and training programmes. Workshops on team work, motivation, ethics and integrity should be organized for professional training and growth.

I am grateful for the opportunity to work on this assignment. I will be available to make further clarification.

*Signed: Odongo Samuel
Operations Manager.*

h) bulletins, a brief report, especially an official of public interest issued by an organisation for immediate publication or broadcast e.g journal, business manual, and they are given to customers and potential buyer

i) Circulation slip. This may be used by an entrepreneur to inform the named personnel, i.e. If one person receives the document, reads it and pass it on to another person named on the slip

A PRESS RELEASE

MANJA AND MADONA ADVOCATES

The Public Relations officer, on behalf of the management of MANJA AND MADONA ADVOCATES, wishes to inform the general public that the article that appeared in the Newspaper of 23rd August 2012 alleging that Manja and Madona Advocates had ran bankrupt and ceased to exist. We wish to inform our esteemed customers that, what was published by Toba and Roni advocates was not true. We therefore wish to correct this anomaly and inform you that we are still running our business normally.

Please come and receive the best legal services in the country.

Thank you



Public relations officer

Advantage of written communication

- a. It provides information that act as a source of reference in future*
- b. It is capable of relaying complex ideas like legal matters, sale of goods agreement*
- c. It gives chance to the presenter to analyze , evaluate and summarize material in such a way that could be appropriate to the receiver*
- d. It can be used to confirm, interpret and clarify earlier oral communication*
- e. It forms a basis for forming contracts or binding agreements.*

Disadvantages of written communication

- a. Documents can be time consuming in production and sometimes very expensive and costly like written reports*
- b. Communication in written form tends to be more formal and distant compared to oral, it lack mutual advantage that proximity provides for its usually easier to influence the person you are talking to than the one you are writing to.*
- c. There can be a problem of interpretation, if the receiver is not well acquainted with language and style of the sender*
- d. It doesn't allow exchange of opinions until after a long period of time yet by then the issue might have been overtaken by events.*
- e. Lack of instant feedback. Unlike oral communication, written communication doesn't allow for instant feedback, such as questions or facial express*

- f. Possibility of miscommunication. Written communication doesn't include nuances of tone of voice or facial expression, making miscommunication more likely
- g. Impersonality. Written communication is less personal than oral communication, making it less ideal for emotional messages e.g most people feel that important news such as being fired, getting a promotion, ending relationship should be communicated in person

Visual or non-verbal communication

Is the process of communication through sending and receiving wordless (mostly visual) cues between people. Communication by means of elements and behavior that are not coded into words in this case, body movements such as gestures, facial expression, and eye movement, nodding and pointing can be used to convey messages. It also includes the use of sign language to communicate to people with hearing disabilities

Forms of visual communication

- Organisational charts: these can be used to show the organisation structure of the business showing different sections or departments in the business and how they relate or report to each other.
- Photographs: these can be used as illustration of some other information given so as to improve on appreciation and understanding, such photographs are used to advertise the goods and their needs to customers
- Films or documentaries: these can also be used by entrepreneurs to provide information about the business' operations e.g films may show customer care activities, business latest products and their applications, they can also be used for training purposes
- Posters and wall charts: these can be used to represent or illustrate certain information in the business and serve as an important method of advertising and giving awareness to the target groups
- Graphs: can also be used by an entrepreneur to present information about the performance of the business, like one can use bar charts, graphs, pie charts etc to compare the sale or profits of different periods and also to show the trend of business performance

Effects of non-verbal communication

Nonverbal communication, especially body language, can send a strong message in spite of what your words say. Even the tone of your voice, its pitch, volume, quality and speed effects what you say, your body language can

- ☞ Repeat the message your words are saying
- ☞ Contradict what your words are saying
- ☞ Be substitution for your verbal message
- ☞ Add to the meaning of your message
- ☞ Accent or make stronger, like pounding your fist on a table

Channels / media of effective communication in business

- ✓ Press. This communication media basically includes newspapers, magazines, journals, printed catalogues etc. under this medium, message is conveyed among traders. Between manufacturers and consumers, wholesalers and retailers or even wholesalers and manufacturers.
- ✓ Radio and television, under this media, traders are able to communicate to the public about the goods and services they offer through television and radios. this communication is in form of advertisements which can be persuasive or informative,
- ✓ Telephone. This is a medium of oral communication where people speak to one another through telephone receivers. It may either be through the exchange control (switch board) or it may be direct without going through the exchange control. Today, the commonly used are mobile phones.

- ✓ *Internet. This is the worldwide area network of computers communicating across continents. It is a worldwide website for communicating across continents.*
- ✓ *Letters. This is a method of written communication which involves writing letters and sending them through the post office to be delivered to the addressee or they may be directly delivered.*

Ways of communicating to customers and suppliers.

How to present a product?

When presenting a product to a customer, an entrepreneur should consider the following strategies:

- ✓ *Ensuring that the sales person is smartly dressed, so as to deliver the present the products more easily.*
- ✓ *The target customers' needs must be analyzed in order to select the most appropriate way of representing the product.*
- ✓ *Starting the presentation of the products by first giving the outstanding features of the product, the benefit to the customers etc*
- ✓ *By keeping the customer privacy, convenience ability to use the products and others so as to plan how best to present the product.*
- ✓ *Giving samples of the products to customers so as to identify and get their input into productive development.*
- ✓ *Using relevant presentation aid, photographs, charts to back up the information about the product.*
- ✓ *Telling the truth about the products and during presented to potential customers.*
- ✓ *Giving a chance to potential customers to give their opinion about the product.*
- ✓ *Handling any doubts in the minds of the customers tactfully by trying to convince him or her.*

How to bargain with customers?

This is used to ensure win – win situation in bargaining

In bargaining with customers, an entrepreneur may undertake the following strategies:

- ✓ *Being a good communicator during the process of bargaining with customers like talking dearly, showing respect etc.*
- ✓ *Avoid dominating the bargaining process, by allowing customers to also give their own views during the bargaining process.*
- ✓ *Giving counter offers to customers e.g. reducing the price of the product so as to induce them to purchase.*
- ✓ *Improving on the customer service, by having an effective customer service department to facilitate the bargaining with customers*

How to give personal attention to customers?

- ✓ *understand customer's wants and needs and bring products to satisfy them*
- ✓ *Sell products at the right prices, in the right quantity and quality.*
- ✓ *Use the right promotion and in the right place at the right time in order to meet customers' needs and wants as identified by the entrepreneur.*

How to follow up orders from suppliers?

The entrepreneur should

- ✓ *Make sure that he has the physical address, telephone numbers and all other contacts.*
- ✓ *You can make other methods of contacts as you follow up your order like writing a reminder letter, visiting suppliers' premises, sending e-mails, making telephone calls.*

How to collect overdue accounts?

- *Begin by identifying all the debtors for a given period from the accounts books of the business and listing them according to their debt amounts.*

- Grouping of all the debtors according to their credit periods and then assigning specific workers to each of them to help in collection of the debts.
- Sending polite reminders to customers with overdue accounts or calling them on phone to remind them of their debts.
- Receiving /collecting of debts from different debtors through the workers assigned to do the collection.
- Updating of the debtors records and then issuing statements of accounts to each of them.
- By sending a more strongly worded last debt reminders to debt defaulters to pay their debts not later than the new deadline date stated.
- Taking legal action against debtors who still have failed to settle their debts after the new deadline date by employing courts of law to recover the debts.

A practical situation

You are dealing in salad making business in which most of the products are sold on credit.

Prepare a debt recovery program

NAME AND ADDRESS OF THE BUSINESS
ONE MONTH DEBT RECOVERY PROGRAM (1 MONTH)

<i>Date</i>	<i>Activity</i>	<i>Person in charge</i>	<i>Remarks</i>
<i>Fill</i>	<i>Identifying the debtors from the books of accounts of the business</i>	<i>Accountant</i>	
<i>Fill</i>	<i>Arranging all debtors according to their credit periods and assigning specific workers to each of them</i>	<i>Accountant</i>	
	<i>Sending of a polite date reminder to all the debtors</i>	<i>Accountant</i>	
	<i>Receiving debts from the different debtors</i>	<i>Accountant</i>	
	<i>Updating of debtors records and issuing statements of accounts to each of them.</i>	<i>Entrepreneur</i>	
	<i>Sending strong rewarded last date reminders to the debt defaulters</i>		
	<i>Taking legal action against defaulters</i>		

Prepared by:

.....

PEPPA PERRY

Sales manager

approved by

.....

.....

.....

How to handle difficult customers?

In order to handle difficult customers, an entrepreneur should

- ✓ *Receiving or acknowledging and evaluating the difficult customers objections or complaints to determine whether they are genuine or not and taking appropriate action to address the problem so as not to lose the customer.*
- ✓ *Listening carefully to what the difficult customer is saying so as to make him have hope that the complaint shall be addressed and then planning how best to solve the problem raised.*

- ✓ *Learning to apologize to the difficult. After understanding the problem, the sales person has to apologize to the customer orally in case of a minor problem or write an apology in case of a big problem.*
- ✓ *Getting the difficult customer open up and give all the details about the complaint so as get the cause of the problem and be addressed.*
- ✓ *Trying to convince the difficult customer especially in the case of a minor problem that the problem experienced shall not be made to occur again.*
- ✓ *Refunding the money of the difficult customer if that customer rejects replacement of the product.*
- ✓ *Replacing of the product sold to the difficult customer in case the upset is due to receiving a damaged/faulty product and an apology made to the customer.*
- ✓ *Buying more time for problems that cannot be immediately solved by asking the customer to come back later.*
- ✓ *Reducing the price of the product in case the previous purchases made by the difficult customer had a problem as a way of trying to make the customer feel happy.*
- ✓ *Establishing the customer care desk or office and employing a well-trained worker to handle problems of difficult customers.*
- ✓ *Calling security personnel to handle difficult customer who becomes violent at the business premises.*

You have established a crafts business that that makes a variety of attractive products.

a) Draft guidelines for enhancing effective communication in the business.

NAME AND ADDRESS OF THE BUSINESS

GUIDELINES FOR ENHANCING EFFECTIVE COMMUNICATION IN THE BUSINESS.

- ✓ *The business shall ensure completeness of the message to ensure it includes all the facts the receiver wants to know.*
- ✓ *The business shall ensure correctness of all messages sent as possible to deliver true intended meaning.*
- ✓ *The business shall ensure clarity of all messages communicated, there by using language and words the receiver is familiar with.*
- ✓ *The business shall ensure conciseness of all messages communicated, in that it is sent in fewest words possible.*
- ✓ *The business official making communication shall avoid hurting the receiver but address the issue under concern ie courteous or courtesy.*
- ✓ *The business official communicating messages shall consider the receivers feelings, cultural beliefs, age and others ie consideration.*
- ✓ *All business communication shall be made at the appropriate time , when the receiver is ready to receive it.(ie timing)*
- ✓ *All business communication shall be made using the appropriate media that is accessible to both the sender and the receiver.*
- ✓ *All business communications shall be made from the right environment that allows the receiver to get the full message.*

LISTENING SKILLS

Listening is defined as the ability of an individual to interpreter and understands what is being communicated. It is more related to visual and oral communication. However the term is strictly tight to oral communication.

The process of listening:

This process has five stages – sensing, interpreting, evaluating, remembering and responding.

1. *Sensing: this means to get in tune with the speaker, as we tune a radio the listener is prepared and knows that he has to listen.*
2. *Interpreting and evaluating: Listening is meaningful when a person converts the words coming to him into ideas. The ideas make sense or no sense. The listener keeps what is useful, separates what is useless, and keeps a note of what is unclear or incomplete.*
3. *Remembering, Listening serves a great purpose when creating mental pictures, for example when an address is being explained.*
4. *Responding: this means to act on the message received and to let the speaker know this. The listener may respond on the spot by making appropriate remarks: "I see," or "Is it so?" or "Okay." This reassures the speaker. The listener may ask questions to bring out the required information and complete the picture from his point of view.*
5. *Evaluation*

Approaches to Listening:

Listening can be classified from a mere show-off to the wholehearted act:

1. *Pretending to listen: here the listener faces the speaker, across the table or on the phone line, as long as he speaks and then switches off without registering the message. This is mere hearing and not listening.*
2. *Selective listening: This is when one edits the message as talk able and not takable. In the case of an important message, selective listening leads to partial fulfillment of the instructions.*
3. *Superficial listening: This is where the listener takes in only the words but not the spirit of the message.*
4. *Emphatic listening: This term conveys full emphasis on the act of listening and taking in the entire message in word and spirit. The listener takes in the tone, the pauses, and the body language related to the words. Emphatic listening is necessary to move from one's preconceived stand. The listener's openness makes him ready to be influenced.*
5. *Dynamic (mutually creative) listening: Here, listening is a creative process in which the listener contributes to the meaning that is being conveyed. He adds his energy to that of the speaker to generate.*
6. *Intuitive listening: this means a direct insight into the truth. For an intuitive listener, a mere hint, an undertone or a silence is enough to read the other person's mind. It is nurtured when one listens to high quality music or finds natural or meditative solitude.*

Barriers to Effective Listening:

1. *Poor hearing: If one's sense of hearing is defective, listening is impaired.*
2. *Listener's chain of thoughts: i.e. when the mind of listener is having own thoughts. These may become rapid and loud from time to time, marring one's receptivity.*
3. *A too heavy message: Use of jargon or over compression of ideas may make an oral message too heavy for the listener.*
4. *Listener's self-importance or prejudice: i.e. when the listener has put himself above the speaker, there is no receptive attitude.*
5. *Misunderstanding about the role of a listener: Some listeners may not be aware of what their role in a particular situation is. They may think that it is the speaker's responsibility to explain everything properly.*
6. *Cultural gap: If the speaker and the listener have different cultural habits, the listening may be incomplete. The listener may assign different importance to a word or phrase than is meant. While Orientals are used to an elaborate style of addressing a gathering, westerners are often quite brief about it. But this can be distracting to an easterner.*
7. *Preoccupations: Some people listen while eating, drinking or doing handiwork. In such cases the attention is divided. A busy manager, for instance, may try to listen while filing papers or opening the mail. This affects listening.*

8. *Ego influence; if the receiver considers him superior and is not willing to listen, this ego problem acts as a stumbling block in the listening process.*

How to develop entrepreneurial listening skills

Entrepreneurs are usually good communicators but they need to have the ability to listen. Most of us listen to only 25% of our ability while others may be even less than 25%. We normally listen to our close friends, teachers, family members and bosses.

The following strategies can be used to develop effective listening:

1. *Send signals to people through the eyes and body gestures so that they know one is listening.*
2. *Relax when communicating such that others will feel comfortable when adding their comments.*
3. *Slow down the minds when listening so that you are predicted by what people say.*
4. *Improve on the concentration.*
5. *Avoiding forming a reply before hearing what other persons say.*
6. *Do not be defensive about the individual point of view during communication.*
7. *Keep the voice soft rather than aggressive.*

How to attend to the messages

The following is involved when an individual attends to the message:

- *Making eye contact: Eye contact increases your chance of getting the message.*
- *When on phone, try not to look at things that will distract you from listening to and attending to the speaker.*
- *Your body posture, including slight leaning posture suggests that you are paying attention and helps you to stay tuned in.*
- *When on phone, try to position yourself so that you are comfortable but not relaxed that you lose the ability to attract the callers. Use vocal attending behaviors' "eh-huh", mm-hmmm"*
- *When interacting with the speaker in person face the speaker squarely and lean forward slightly towards the speaker to show that you are attentive.*
- *Verbal or non-verbal acknowledgement of the speaker helps to involve you in the communication process and lets the speaker know you are paying attention.*
- *When interacting with the speaker in person, use non-verbal attending behavior such as nodding and facial expressions.*
- *Clear your mind, on thoughts to avoid mentally wandering and other destructing behaviors.*

SAMPLE QUESTIONS

Question 2

- (a) Define the term effective communication*
- (b) Describe the main features for effective communication.*

Question 3

- (a) Explain the importance of effective communication in an organization.*
- (b) State the barriers to the effective communication.*
- c) Suggest possible ways of overcoming barriers to effective communication*

Question 4

- (a) Explain the factors considered when selecting an effective communication channel.*
- (b) Describe the main forms communication*
- (c) Describe the communication process*

Question 5

- a) Explain the Importance of effective communication at any place of work*
- b) Outline the techniques used when handling difficult customers*
- c) Discuss the techniques used when presenting a product to customers and bargaining.*

Question 6

- a) What is meant by the term communication*
- b) Explain the forms of communication*

DELEGATION AND RESPONSIBILITY

Entrepreneurs are leaders in the sense that they direct the activities of others to achieve organizational goals. As the leader of the organisation composed of people, they must be willing to delegate authority and responsibility activities to their staff.

Delegation is the assignment of authority and responsibility to a subordinate by a superior to carry out specific tasks. Delegation enables subordinates to make decisions

Delegation is the process of granting authority to subordinates and extracting responsibility from them. It takes place when a superior gives subordinates a right to perform work on his behalf and in his name and the subordinate does it.

It should be noted that however, much authority and responsibility is delegated to the subordinate, the superior still remains accountable for the actions of the subordinate and has ultimate responsibility.

A poor superior will think that delegation is an “abdication” abdication is the dumping of work to subordinates without:

- Classifying the exact work to be done*
- Classifying the expected level of performance*
- Clarifying the range of the subordinates discretion*
- Seeing the time to be taken to complete the work*

Objectives of Delegation of Authority

- ✓ To reduce the excessive burden on the superiors i.e., executives and managers functioning at different levels.*
- ✓ To provide opportunities of growth and self-development to junior executives.*
- ✓ To create a team of experienced and matured managers for the Organization. It acts as a technique of management and human resource development.*
- ✓ To improve individual as well as overall efficiency of the Organization*

Factors necessitating delegation

Willingness of Subordinates The degree of delegation will depend upon the willingness of subordinates to accept responsibility. If the subordinates are shy of bearing greater responsibility then executive will not be able to delegate authority. The willingness of subordinates to accept additional responsibility is essential for the process of delegation.

Manager's Attitude: The delegation not only depends upon the willingness of subordinates to share additional work but will also be determined by the attitude of the manager. The manager should be ready to delegate and the subordinate should be willing to accept it.

If the attitude of the managers to concentrate all powers in his hands only then he will not delegate his authority. An autocratic manager will not like to share his powers with others while a democrat manager will encourage his subordinates to work independently. The attitude of the manager is an important factor in determining the delegation of authority.

Desire to Dominate: Sometimes executives are in the habit of dominating others. They will not like to delegate authority to others. They will keep every important work with them and take even minor decisions themselves. Such executives will not encourage subordinates by giving them authority to work independently. The desire to dominate resists executives from delegation of authority.

Quantum of Work: The delegation of work also depends upon the quantum of work. If work is small then there will be no need to delegate. When the work increases the need for delegation arises. More the quantum of work greater will be the degree of delegation.

Confidence in Subordinates: The delegation is also determined by the confidence which superior has in his subordinates. If the subordinates are not considered worthy of taking decisions independently then there will be no delegation. On the other hand, if superior has full confidence in the capacity of his subordinates then he will delegate more and more authority and will utilize the subordinates to the maximum.

Conditions for effective delegation

A number of conditions differentiate effective delegation. These include

- ✓ *Clarity of assignment. once the manager/ superior has selected the individual or group to delegate a task to, then he / she must*
 - *Provide clear information on what is being delegated*
 - *Explain the expected results*
 - *Set the time frame for task completion*

In order to foster a spirit of trust between superior and subordinate(s) the subordinate should be capable in deciding how the expected results will be achieved

- ✓ *Range of delegation. The superior cannot delegate all authority. The superior must therefore make it possible for the subordinates to understand their range of discretion*
- ✓ *Informing others. All individuals and sections both within and outside the organisation are affected by the delegated task must be informed about*
 - *What has been delegated?*
 - *How much authority has been granted?*
 - *To whom the authority has been delegated?*
- ✓ *Establishing feedback channels. The superior must put controls in place so as to stem the possible misuse of discretion and any other problem. From the start controls must best as to*
 - *When the subordinate will report back for assessment*
 - *Time of task completion*

Principles of delegation in an organisation:

- ✓ *Ensure that the objective to be achieved is made clear; this allows the employee to use his or her own creativity and resources to accomplish the task or achieve the desired results.*
- ✓ *Indicate the standard of performance that is required (what, when, etc) and clearly communicate the expectation, responsibilities and timeline.*
- ✓ *Decide what level of authority to grant, in other words, responsibility cannot be delegated. The obligation to accomplish the assigned task is absolute and is not partitioned when authority is delegated to a subordinate, e.g. the CEO even after delegation remains accountable to the board of directors for management and supervision of the whole of the enterprise.*
- ✓ *Allocate adequate resources (staff, equipment, expenses, etc).*
- ✓ *Ensure that clear reporting arrangements are made.*
- ✓ *Encourage the subordinate to request for further help if needed; when delegating be sure to back up the subordinate when his/ her authority is called into question.*
- ✓ *Inform the subordinate that early mistakes will be used as learning opportunities.*

- ✓ Ensure that the task is completed according to agreed standards, by making needed corrections to avoid getting off track.
- ✓ Appreciate the individual for their efforts.
- ✓ Clearly define the employee's responsibility and authority as it relates to the delegated task, by communicating the expectation, responsibilities, and timeline.
- ✓ Do follow up meetings by focusing on monitoring progress and determining the need for assistance.
- ✓ Choose the right person to delegate the task to by matching skills and attitude to the task at hand.
- ✓ Set up minimum standards that they should follow when handling disciplinary issues.

Advantages of delegation

- ✓ Relieves manager for more challenging jobs: Delegation makes it possible for the managers to distribute their workload to others. Thus, managers are relieved of routine work and they can concentrate on higher functions of management like planning, organizing, controlling, etc.
- ✓ Leads to motivation of subordinates: Subordinates are encouraged to give their best at work when they have authority with responsibility. They take more initiative and interest in the work and are also careful and cautious in their work.
- ✓ Facilitates efficiency and quick actions: Delegation saves time enabling tile subordinates to deal with the problems promptly. They can take the decisions quickly within their authority. It is not necessary to go to the superiors for routine matters.
- ✓ Improves employee morale: Delegation raises the morale of subordinates as they are given duties and supporting authority. They feel that they are responsible employees. The attitude and outlook of subordinates towards work assigned becomes more constructive.
- ✓ Develops team spirit: Due to delegation, effective communication develops between the superiors and subordinates. The subordinates are answerable to superiors and the superiors are responsible for the performance of subordinates.
- ✓ Maintains cordial relationships: The superiors trust subordinates and give them necessary authority. The subordinates accept their accountability and this develops cordial superior-subordinate relationships.
- ✓ It acts as a training ground for management development. It gives opportunity to subordinates to learn, to grow and to develop new qualities and skills. It builds up a reservoir of executives, which can be used as and when required.

Disadvantages of delegation

- ✓ It is time consuming as it requires considerable amount of time to train staff to handle delegation tasks
- ✓ There is the effect of low commitment on the side of staff
- ✓ Delegating work reduces the manager's need for their position
- ✓ Risk of inferior results especially where delegation is to staff members who are unfamiliar with the work or who have little experience performing the task
- ✓ Miscommunication of the requirement and other key information to the appropriate staff members poor quality and missed objectives.

Why do managers fear to delegate?

- ✓ Fear of job replacement as the subordinate learn about what they do
- ✓ Fear that their hidden weaknesses may be revealed by subordinates
- ✓ Fear that some subordinates could be spies of other authority or groups
- ✓ Dishonesty of subordinates which may result into terrible losses to the organisation due to embezzlement
- ✓ Selfishness of some bosses who do not want subordinates to know more than expected
- ✓ Incompetence of subordinates

- ✓ *Ignorance of managers about why and when to delegate*
- ✓ *The desire to get self-praise and retain it for good and the urge to cling in power*
- ✓ *Inadequate materials for effective delegation*

Why do subordinates fear to be delegated?

- a) *Feeling of insecurity. If subordinates are afraid of accepting risk and responsibility, they may avoid delegation and be contented with the superior making all the decisions. They consider it safer to carry out the decisions handed down to them by superior than to make decisions themselves.*
- b) *Fear of criticism for mistakes. Subordinates' reluctance to accept delegation of authority may also be due to fear of criticism for mistakes. They may have a fear that even the slightest mistake on their part may lead to their dismissal from service.*
- c) *Inadequacy of information and resources. Subordinates may avoid acceptance of delegation of authority because of a lurking fear that adequate information and resources may not be available to them to carry out their decisions. In other words they fear that delegation in their case will only mean assignment of tasks to them without a matching authority over the relevant information to facilitate decision-making or the necessary human and physical resources to carry out the decisions*
- d) *Lack of self-confidence. Sometimes, subordinates may avoid acceptance of delegation due to lack of self confidence in their capability to discharge new responsibilities.*
- e) *Inadequate incentives. Subordinates can willingly accept delegation of authority if it is accompanied with incentives. If delegation of authority is not accompanied by suitable incentives, subordinates may not be motivated to accept it willingly.*

END

PERSONAL BRANDING

A brand may be defined as a name to which a set of associations and benefits has become attached in the consumer's mind. This name could be that of a product, a service, a business entity or even an individual

Personal branding is the process by which individuals and entrepreneurs differentiate themselves and stand out from the crowd by identifying and articulating their unique value proposition.

Or

Personal branding is the process of clarifying and communicating one's unique and differentiating qualities, skills and experience in a compelling way in order to achieve his/her professional or business goal.

It can be also defined as the process of developing a "mark" that is created around one's personal name.

TYPES OF BRANDS

Manufacturer brands: These brands associate the producer with a specific product and the producer will heavily be involved in the promotion of the products e.g. Nets cape coffee, blue band etc

Own- label brands: These are brands owned and controlled by retailers and therefore products are not associated with the products or involved in their promotion.

Commodity / product brands: Products become branded products when you win awareness in the market place that your product has compelling characteristics that make it different and better than others in product category.

Service: These are intangible items sold by a business to satisfy human needs. These branded are sold entirely based on the trust that the seller will deliver the brand as promised eg Airtime, electricity, start times, and Gotv subscriptions.

Personal brands: These are brands that endorse one's own personality. Every individual has brand recognition, your name and face recognition becomes your brand image in the minds of people. Personality brands endorse individuals' people who are very influential .g. Oprah Winfrey

BRAND STRATEGY:

This is the long-term plan for the development of a successful brand in order to achieve specific goals.

Components of Brand Strategy:

Purpose: A good brand should not only promise customers good value of goods but also the purpose of the goods that differentiate it from the competitors.

Consistency: Avoid talking things that do not relate to your brand so as to have customer recognition and loyalty.

Emotion: The brand should provide the customers with an opportunity/chance to feel that they are part of the company and belongingness.

Flexibility: The marketers of the company products must remain flexible to stay relevant to make adjustment that build interest that of and distinguish your approach from that of the competitors.

Employee Involvement: Entrepreneurs should enable the employees to be well versed with how they can communicate with customers and represent the brand.

Loyalty: It is important for the company to reward people who love it, your brand and have gone a step in writing well about the company as this shows how loyal they are to the company and this brings in more profits.

Competitive Awareness: This looks at competition as a challenge to improve the company strategy and create greater value in the brand.

PROCEDURES / STEPS FOLLOWED /GUIDELINES IN CREATING A PERSONAL BRAND.

Determine who you are: one's personal brand emerges from the search for identify and meaning, out of which comes an awareness of personal strengths and talents. Since personal brands have direct reflection on the person, to identify our personal brands you must ask, what you do that makes you different, what your greatest strengths and best personal traits are.

Determine what you do: this involves writing down one's greatest area of professional interest or passion i.e. the kind of work one wants to do in life, it involves asking, what do I do that adds remarkable, measurable, distinguished and distinctive value? Personal branding means understanding what one's values are and learning to make these values relevant to other people

Position yourself: by identifying the qualities that make a person distinctive from his competition and can create a position for himself. What have I done to make myself stand out? What are my greatest and clearest strength? Everything that a person does or chooses not to do communicate the value and character of the brand, The aim of every personal brand is to be clear, distinctive, easily understood and to express a unique, compelling benefit that people believe in.

Manage your brand: the key to any personal branding campaign is “word-of-mouth marketing” the network of friends, colleagues, clients and customers is the most important marketing vehicle for a personal brand what they say about the brand is what the market will ultimately gauge as the value of the brand

Note.

Personal branding will develop as people feel the need to be heard and to be able to position themselves in a world of increasing competition. Where one is just like another in terms of skill and experience, it will be the personal brand that will act as the differentiation.

Guidelines for creating an effective personal brand (laws)

Big companies understand the importance of brands. Today, in the age of the individual, you may have to be your own brand, regardless of age, position or the business we happen to be in, all of us need to understand the importance of branding. Below are eight laws that should help you create an effective and lucrative personal brand.

- *Specialization. A great personal brand must be precise, concentrated on a single core strength, talent or achievement*
- *Leadership. Endowing a personal brand with authority and credibility demands that the source be perceived by people as a leader in his/her domain of sphere of influence*
- *Personality. A great personal brand must be built on a foundation of the source’s true personality, flaws and all.*
- *Distinctiveness. An effective personal brand needs to be expressed in a way that is different from the competition*
- *Visibility. To be successful, a personal brand must be seen over and over again until it imprints itself on the consciousness of its domain or sphere of influence*
- *Unity. The private person behind a personal brand must adhere to the moral and behavioral code set down by that brand. Private conduct must mirror the public brand*
- *Persistence. Any personal brand take time to grow, and while you can accelerate the process, you cannot replace it with advertising or public relations*
- *Good will. A personal brand will produce better results and endure longer if the person behind it is perceived in a positive way.*

IMPORTANCE OF DEVELOPING A PERSONAL BRANDING

To the producer

- *It helps to speak volumes about your company and it builds a reputation for your business amongst your customers.*
- *It helps in implementing new business plans with clients and customers as you already have a reference point for your brand.*
- *It is easy to advertise the product. The brand of the seller makes it easy for its products to compete with already established brands in the market thus enabling the business to build brand loyalty among the customers.*
- *It helps to add perceived value to the product the seller is selling and this can allow the business to sell at higher prices to the loyal customers.*
- *It helps to attract the right customers and opportunities because it makes it easy to identify the products.*
- *It associates one with a product or service one is dealing in and this makes the seller to continuously plan how to better than the rivals.*

- It positions the entrepreneurs focussed message in the minds of the target customers resulting in continued purchases.
- It increases authority and credibility of the decisions made by both by the producer and the customers to maintain the brand.
- It helps in maintaining high quality. An effective and appropriate branding strategy signals the promise of the brand and this motivates the seller to maintain high quality in order to attract brand loyalty.
- It helps one to raise his/her brand visibility since the customers are willing to pay a higher price after getting used to the brand.

Advantages of personal branding to the customers.

- It makes it easy for the customer to recognise the products of the producer and this helps to save time for looking for the products to buy.
- It enables the customers to enjoy high quality goods and services because the producer always keeps improving the quality of such products so to retain or attract new customers.
- It provides mental satisfaction in the minds of the customers that they are using high quality products and paying reasonable prices for them.
- It allows for improved packing of the products in an attractive, convenient and durable way which makes it easy to carry and store such products.
- It enables a customer to enjoy stable prices since branded products have standard prices.

BUSINESS LOGOS AND SLOGANS:

A business Logo is a distinctive name, symbol or trade mark of a company designed for easy recognition. Therefore different businesses have different logos to make their businesses unique from others and also attract customers to their products. See different logos below from different businesses.

SLOGANS:

A slogan is a phrase expressing the aims or nature of an enterprise, team or other group or motto of the business. It also means a catch word used in advertising or promotional activities. Examples are:

COMPANY	SLOGAN
1. MTN	Everywhere you go
2. Airtel Uganda	We Can
3. Mango Telecom	It is all about U
4. Red bull	Gives you wings to fly
6. National Television (NTV)	Turning on your World
7. TOYOTA	Moving forward
8. DS TV	So Much More

Samples questions

- What is meant by the term personal branding?
- Explain the principle of personal branding

Question 2

- What is the importance of building a good personal brand
- Describe the steps/guidelines to be followed when building personal brand

ENTREPRENEURSHIP ENVIRONMENT

Entrepreneurship environment refers to a combination of external factors and their organic integration which make an impact on business startup process by the entrepreneurs.

CHARACTERISTICS OF ENTREPRENEURIAL ENVIRONMENT

- ✓ *Resource scarcity/limited resources.* These resources are inputs of production including land, labour, and capital are in inadequate supply which affects the ability of new firms to enter the environment. Entrepreneurs take this as an opportunity to exploit other resources include technology and know-how, financing, social capital and human skills
- ✓ *Opportunity orientation.* This is the ability to recognize and analyze market opportunities. Entrepreneurial environment is full of opportunities that entrepreneurs take advantage of, if well searched. They are always looking ahead and less concerned about what they achieved yesterday, they search for and create many opportunities all the time
- ✓ *Uncertainty,* entrepreneurship environment is full of unexpected and unknown risks. The environment is dynamic and changes rapidly thus individuals need to demonstrate an ability to accommodate uncertain situations. This allows them to act without having full information and clarity about the situation
- ✓ *Flexibility,* it is fluid in nature and presents various opportunities which may not remain open for long. This calls for constant improvisation to cope up with challenges in an ever changing entrepreneurial environment

COMPONENTS OF ENTREPRENEURIAL ENVIRONMENT

Economic environment. This refers to the nature of economic systems of a particular society that directly affect the level of entrepreneurial development.

Social- cultural environment. This looks at the entrepreneurial environment in terms of social and cultural values, attitudes and practices of a given society. For example values attached to innovation, risk taking, hardworking, independence etc which encourage entrepreneurship

Political environment. This includes laws, government agencies and lobbying groups that influence or restrict individuals in society

Global environment. This involves the greater movement of people, goods, capital and ideas due to increased economic integration which in turn increases trade and investment.

Globalization is the reduction of transaction cost of trans- border movement of capital and goods or factors of production

Demographic environment. This deals with variables such as family, population size and growth rate, gender, marital status, age, education level, social economic status, previous work experience and work habits

Types of entrepreneurial environment

Economic environment

This refers to the nature of economic systems a particular society that directly affects the level of entrepreneurial development. These include factors like

Economic policy. This defines the market system established by the government, market structure and the extent to which all firms compete under fair games and rules. An open free market where the economic activities are influenced by forces of demand and supply allows entrepreneurship to flourish, since it has more rewards for innovators while a restrictive market economy which only give chance to the government to control resource allocation, limit entrepreneurship.

Administrative issues. Relaxed procedures for registering, licensing, and settling tax obligation for the businesses encourage entrepreneurial growth and development while tight and excessive number of rules and procedures hinder entrepreneurial activities.

Level of infrastructures. Availability of infrastructures like roads, good communication networks, power encourages entrepreneurship development while under developed infrastructural facilities discourage entrepreneurship.

Legal requirements. Clear and effective legal requirements which protects the interests of the business encourages entrepreneurial growth while laws which does not protect entrepreneurs discourage the development of entrepreneurship.

Resource availability. Availability of resources like raw materials, land, labour, and capital encourages entrepreneurial growth and societies without such resources discourage entrepreneurial intentions.

Cost of the business. low costs for business operation like low transport costs, low inflation, low interest rates and low insurance costs promotes entrepreneurial development on the other side high costs discourage entrepreneurial development.

Economic incentives. Presence of economic incentives like tax exemptions, tax holidays, subsidization, promotes entrepreneurial intentions and development while unfavorable economic incentives discourage entrepreneurship development.

The level of development of financial systems. A well-developed financial system like banks and non-bank intermediaries, security markets, financial instruments like treasury bills, credit cards, bill of exchange, cheques etc facilitates entrepreneurial intentions while under developed financial systems discourages entrepreneurial development.

Economic factors promoting / facilitating entrepreneurial attitudes and opportunities

- ✓ *Favourable economic policy ie an open market system that leaves the forces of demand and supply to control the distribution of resources*
- ✓ *Favourable administrative issues ie minimum procedural requirements*
- ✓ *Existence of good infrastructure and utilities such as good roads, power and communication facilities that encourage entrepreneurship*
- ✓ *Well-developed financial systems ie existence banks and non – financial intermediaries, securities markets that aid business transactions and entrepreneurial development*
- ✓ *Conducive legal requirements that institute ownership rights and guarantee protectionism to local entrepreneurs*
- ✓ *Existence of economic incentives in terms of tax holidays, industrial parks, incubation centres etc*
- ✓ *Existence of required resources ie land , labour and capital*
- ✓ *Low cost of business in terms of space , air transportation, ground transportation, overhead costs, inflation, interest rates, tax structure, insurance costs*

Economic factors limiting / hindering entrepreneurial attitudes and opportunities

- ✓ *Unfavourable economic policy ie a regulated / closed market system*
- ✓ *Unfavourable administrative issues ie excessive number of rules and procedures for registration and licensing etc*
- ✓ *Undeveloped financial systems ie absence of banks to extend credit hence limiting entrepreneurial development*
- ✓ *Undeveloped infrastructures ie roads , power and communication facilities that discourage entrepreneurship*
- ✓ *Scarcity of resources ie land , labour and capital*
- ✓ *High costs of business in terms of space, air transportation ground transportation, overhead costs, inflation rates, tax structure, insurance costs*
- ✓ *Absence of economic incentives in terms of tax holidays, industrial parks, incubation centres etc*
- ✓ *Unconducive legal requirements that cannot institute ownership rights and guarantee protectionism to local entrepreneurs*

SOCIAL – CULTURAL ENVIRONMENT

This looks at the entrepreneurial environment in terms of social and cultural values, attitudes and practices of a given society. For example values attached to innovation, risk taking, hardworking, independence etc which encourage entrepreneurship.

The social cultural and global factors that influence entrepreneurial intentions and opportunity identification.

Culture. This refers to customary practices and beliefs that people uphold. A culture with a social system that values entrepreneurial intentions leads to high entrepreneurial activities while a cultural system where people fear taking risks, do not work hard and less persistent are not conducive to entrepreneurship.

Social financial support availability of capital creates favorable conditions to entrepreneurs and leads to development of entrepreneurship for example capital from personal savings and relatives. On the other hand, absence of social financial support hinders entrepreneurial intentions.

Social identification. In an environment where people are proud about entrepreneurship as a career and are appreciative with the business activities lead to entrepreneurship while people who are negatively biased about business block entrepreneurship success.

Availability of Role models, successful role models inspires some individuals to join entrepreneurial activities while absence of role models who can be emulated limit entrepreneurial intentions.

Religion some religion encourages or discourages consumption of some goods. This influences entrepreneurial growth and development like Islam and Christianity are conducive for entrepreneurship compared to other religions like Hinduism which do not encourage entrepreneurship.

Social – cultural factors promoting / facilitating entrepreneurial attitudes and opportunities

- ✓ Supportive business culture
- ✓ Presence of social financial support
- ✓ High degree of social identification
- ✓ Existence of role models
- ✓ Business oriented national religion

Social – cultural factors limiting / hindering entrepreneurial attitudes and opportunities

- ✓ Unsupportive business culture
- ✓ Absence of social financial support
- ✓ Low degree of social identification
- ✓ Absence of role models
- ✓ Unsupportive national religion towards business

SOCIAL RESPONSIBILITY OF A BUSINESS

Society expects assistance from business since business provides what customers need. Therefore business needs to exercise some responsibility towards society either to promote positive effects or to check negative effects.

Some of the specific responsibilities of a business towards the society include the following;

Production of goods and services: businesses can exercise social responsibility towards the society by producing goods and providing services so as to meet the needs of the people.

Disposal of waste products: some businesses use waste products and rubbish as their raw materials e.g. business which recycle rubbish to produce charcoal, those who use scraps to produce iron bars and other metal products like steel rolling mills in Jinja, clean the society's environment.

Assisting in the overall development of the locality: e.g providing employment opportunities and promotion of education

Payment of taxes: businesses pay different types of tax to the central and local government which the government uses to develop and provide society with social services like education, transport, security etc

Providing assistance to public and private education: e.g kakira sugar works and educational centers both primary and secondary

Providing assistance to charities, welfare facilities: e.g shell Uganda ltd constructed flyovers (Passovers) to reduce car accidents to pedestrians at Katwe, Nakawa, Kajansi etc

Taking appropriate steps to prevent environmental pollution and preserve ecological balance: this could be why century bottling company (coca-cola) moved to Namanve

Providing sufficient information to customers about the products offered: including their adverse effects, risks and cares to be taken while using the products.

Compensating people who have been displaced from their respective locations: e.g. bujagali where they want to construct a hydroelectric power plant

Provision of market for the society's products: e.g information relating to profitability, investment etc which information can be used for study purposes

Utilizing idle resources: businesses help to put to use resources that would otherwise be idle such as land, mineral deposits etc e.g BIDCO Uganda ltd growing palm oil trees in Ssesse Island

Helping in fulfilling objectives of economic policies: e.g. reducing unemployment problems hence increasing standards of living of the community

Provision of good working conditions to employees: this is through paying a fair wage to workers and ensuring favourable terms and conditions of work.

POLITICAL ENVIRONMENT

This includes laws, government agencies and lobbying groups that influence or restrict individuals in society or organisation

The political factors influencing entrepreneurship development

Political climate, a stable political climate encourages entrepreneurial activities to flourish. On the other hand Unfavourable potential environment limits the continuity and resource accumulation which are essential ingredients in today's competitive environment.

*Government policy, favorable government policies through charging friendly taxes, giving subsidies etc stimulates entrepreneurial intentions. On the other hand Unfavourable policies like corruption, favoritism and weak enforcement mechanism discourages entrepreneurial developments.*⁶

Legal environment, complex laws discourages entrepreneurial growth and development but less complex ones promotes entrepreneurial intentions.

Size of the government expenditure, a big percentage of governments' expenditure in health, education or defense encourages many entrepreneurs to emerge to respond to the opportunity unlike in sectors where there is low funding like agriculture.

Government institutions and departments. Weak and insensitive government departments which do not appreciate the work done by entrepreneurs, discourages entrepreneurial development. On the other hand, strong government departments encourages entrepreneurial development.

Political factors promoting / facilitating entrepreneurial attitudes and opportunities

- ✓ Political stability
- ✓ Government policy on subsidization
- ✓ High government expenditure
- ✓ Supportive government institutions and departments
- ✓ High number of political and religious refugees
- ✓ Favourable legal environment

Political factors limiting / hindering entrepreneurial attitudes and opportunities

- ✓ Political insecurity
- ✓ Government policy of taxation
- ✓ Unsupportive government institutions and departments
- ✓ Low government expenditure
- ✓ Low number of political and religious refugees
- ✓ Unfavourable legal environment

DEMOGRAPHIC ENVIRONMENT

Is the dimension of the entrepreneurial environment that deals with variables such as family, population size, growth rate, gender etc.

The following are the demographic factors influencing entrepreneurial intentions.

Population size and growth rate, increase in population size encourages entrepreneurial activities to flourish as demand for goods and services drastically increase while low population growth rate discourages entrepreneurial development.

Level of education and experience, a higher level of education increases entrepreneurial alertness regarding opportunities as well as opportunities to exploit these opportunities. On the other hand low levels of education lowers chances of entrepreneurial development.

Income levels, lower income earners always seek for opportunities as a remedy to meet their increasing needs thus more entrepreneurial compared to those with higher incomes who see no interest in toiling with business.

Age structure, young people always exploit entrepreneurial opportunities at high rate compared to the old ones. This is because they have less responsibilities and more ambitious to exploit available new opportunities.

Gender differences. Men tend to have a higher level of entrepreneurial interest than female thus higher male population leads to development of entrepreneurship while higher female population lead to low development of entrepreneurship due to the less risk behaviour.

Family. A family with role models, small size and with inherited assets lead to entrepreneurship growth than where such lacks

Demographic factors promoting / facilitating entrepreneurial attitude and opportunities

- ✓ *High population size and growth*
- ✓ *High level of education and experience*
- ✓ *High income levels*
- ✓ *Youth age structure*
- ✓ *Big family size*
- ✓ *Business orientated family background*
- ✓ *Existence of family succession / inheritance*
- ✓ *Increasing role and responsibilities of family*
- ✓ *Increasing number of men in business*

Demographic factors limiting / hindering entrepreneurial attitude and opportunities

- ✓ *Low population size and growth*
- ✓ *Low level of education and experience*
- ✓ *Low income levels*
- ✓ *Old age structure*
- ✓ *Small family size*
- ✓ *Unsupportive family background*
- ✓ *Absence of family succession / inheritance*
- ✓ *Declining role and responsibilities of family*
- ✓ *Declining number of men in business as compared to that of women*

GLOBAL ENVIRONMENT

This involves the greater movement of people, goods, capital and ideas due to increased economic integration which in turn increases trade and investment

Globalization is the reduction of transaction cost of trans- border movement of capital and goods or factors of production

Global finance. This presents opportunities in the areas of international payment systems, currency exchange rates, and international finance bodies like IMF, World Bank etc. Conducive global finance favours global entrepreneurial development.

Global trade. This increases trade across national boundaries and provides opportunities to different individuals and industries such opportunities include access to international markets without threats of protection/ barriers.

Government global policy. Favourable global government policy like liberalization of the economy encourages entrepreneurial development.

Democracy. Freedom of individual initiative, freedom of thought, speech and action support innovation and creative recognition of opportunities.

Market openness. A wide and above average international market opening encourage entrepreneurial development like the accessibility of Uganda's products on the world market.

Export policy. Favorable export policies expand market for entrepreneurship especially liberal policies. This encourages the development of entrepreneurs.

Import policy. A conducive import policy help entrepreneurs to get resources that are not locally available at a reduced cost. This encourages entrepreneurship development in a country.

Global factors promoting / facilitating entrepreneurial attitude and opportunities

- ✓ *Existence of global finance*
- ✓ *Presence of global trade*
- ✓ *Favourable global policy*
- ✓ *Good democracy*
- ✓ *Open international markets*
- ✓ *Favourable export policy*
- ✓ *Favourable import policy*

Global factors limiting entrepreneurial attitude and opportunities

- ✓ *Absence of global finance*
- ✓ *Absence of global trade*
- ✓ *Unfavourable government global policy*
- ✓ *Absence of democracy*
- ✓ *Restrictive international markets*
- ✓ *Restrictive export policy*
- ✓ *Restrictive import policy*

ORGANISATIONS THAT SUPPORT ENTREPRENEURS IN UGANDA

There are specific programs and initiatives that are designed to provide a range of support to entrepreneurs of all types when and how they need it, including service providers like chamber and small business development centres

Business supporting organizations include

- *Uganda manufacturers association (UMA)*
- *International labour organization (ILO)*
- *National Agricultural advisory services (NAADS)*
- *Support of private enterprise expansion development (SPEED)*
- *Uganda Investment Authority (UIA)*
- *Business Uganda Development Scheme and Enterprise Development Support*
- *Commercial banks*
- *Uganda National Chamber of Commerce for trade and industrialists*
- *Kampala City Traders Association (KACITA) this serves traders operating within Kampala city like importers, manufacturers and service providers.*
- *Uganda small scale industries Association (USSIA). This serves small and micro industries.*
- *Non-Government Organisations (NGOs) for different types of business support services and information for micro and small enterprise.*
- *District private sector development and promotional centres for all types of business information and support services.*
- *Uganda Women Entrepreneurs Association Limited (UWEAL). This mainly serves women entrepreneurs managing or owning commercial enterprises.*
- *Uganda revenue authority (URA)*
- *Insurance companies*

Objectives of business associations.

- ✓ *To secure or access local and foreign markets for their members' produce.*
- ✓ *To source or access raw materials for their members' businesses.*
- ✓ *To access better production technology for their businesses.*
- ✓ *To access and provide training facilities and programmes for their members.*
- ✓ *To support individual members in time of need.*

- ✓ To access financial and technical support from banks and other business support institutions and government.
- ✓ To develop and disseminate improved and better production and management systems among members.
- ✓ To advocate on behalf of their members to the government for a better environment that is conducive for business operation like investment incentives, favourable tax policies, monetary and general economic policies, political stability and social order.

ROLES OF SUPPORTING ORGANIZATIONS TO ENTREPRENEURSHIP

Business support organisations perform a number of functions to their members and these among others include

- ✓ Providing information on market opportunities and trends
- ✓ Offering advisory services for example NADDS
- ✓ Provision of insurance cover by insurance companies
- ✓ Identification and provision of investment opportunities ie Uganda Investment Authority
- ✓ Provision of entrepreneurship education and training youth entrepreneurs ie Youth Enterprise Schemes, Enterprise Uganda
- ✓ Identifying markets both local and foreign ie Uganda National Chambers of Commerce for trade and Industry.
- ✓ Provision of transport services e.g
- ✓ Provision of saving and credit services e.g BRAC.
- ✓ Monitoring and evaluation of business activities ie UMA and Enterprise Uganda.
- ✓ Providing sales promotion services through trade fairs e.g UMA.
- ✓ Providing advice on tax matters e.g URA.
- ✓ Providing advice on quality standards ie UNBS.
- ✓ Negotiating and securing local or foreign markets for members' produce.
- ✓ Sourcing or accessing raw materials for their businesses.
- ✓ Identifying appropriate and better production technology for their businesses.
- ✓ Developing and providing training programmes for members' staff.
- ✓ Providing material and moral support to members.
- ✓ Promoting the export of produce and locally produced goods.
- ✓ Negotiating and securing financial and technical support services from financial institutions, business support institutions and government.
- ✓ Developing better production technologies and management systems for members.
- ✓ Carrying out advocacy campaigns on behalf of members with the government for better investment incentives, tax policies, monetary and general economic policies that are conducive for their operations.

Sample questions

1. (a) Define the term entrepreneurial environment and describe the components / types of entrepreneurial environment.
(b) Explain the characteristics of entrepreneurial environment.
2. (a) Explain the economic factors that influence entrepreneurial attitudes and opportunity identification.
(b) Explain the social-cultural factors affecting entrepreneurship attitudes and opportunities.
3. (a) Discuss the political factors that determine entrepreneurial intentions and opportunities identification.
(b) Explain the factors in the global environment that promote entrepreneurial intentions.

SOCIAL ENTREPRENEURSHIP

Social entrepreneurship refers to the creation of innovative enterprises to make positive and sustainable impact on society / environment.

A social entrepreneur is someone who recognizes a social problem / need and uses entrepreneur principles to organize, create and manage a venture to make social change. Social entrepreneurs are motivated by the prospects of making a difference and creating positive impact on the society and environment at large

Objectives of social entrepreneurship

- ✓ *To create a sustainable impact on the society*
- ✓ *To improve standards of living by creating new jobs and addresses other social problems*
- ✓ *To generate new goods and services.*
- ✓ *To improve on the image of local areas*
- ✓ *To empower people to change their lives and get motivated.*
- ✓ *To cater for vulnerable groups like the poor people with disabilities who may be neglected by the society.*
- ✓ *To solve community needs e.g. food shortage, poverty, unemployment etc.*
- ✓ *To increase access to goods and services most especially the basic ones like food, health, housing, safety, education etc*

Concepts in Social Entrepreneurship

1. *Positive: This is the mission to which the enterprise is created for i.e. to have meaningful change in the society.*
2. *Innovative: It is an innovative enterprise that accomplishes its mission in a new and better way.*
3. *Impacts: These are the results that are created by the social enterprise.*
4. *Sustainable: This is the creation of enterprise that can last for long due to its activities in the society.*
5. *Empowerment: This is the ability to increase ones strength and capacity to do something.*

SOCIAL ENTERPRISES

Are businesses with primarily social objectives whose surplus are used for that purpose in business rather than being driven by the desire of maximizing profits for shareholders and owners.

or refers to an innovative enterprise created to make positive or refers to an innovative enterprise created to make positive and sustainable impact on society.

Examples of social enterprises

- ✓ *Community hospitals and schools.*
- ✓ *Send a cow community projects*
- ✓ *Tree planting projects*
- ✓ *Recycling project*
- ✓ *Slum clearing projects*
- ✓ *Garbage value- addition projects*
- ✓ *Nursery beds*
- ✓ *Babies homes*
- ✓ *Heifer project Uganda*

TYPES OF SOCIAL ENTERPRISES

- ✓ *Non - profit enterprises .These are enterprises that does not make financial profit from delivering its goods and services but relies on donation for funding E.g world vision*

- ✓ For profit –These are enterprises that sell products for a profit but focuses on creating a sustainable positive impact. E.g FINCA Uganda Ltd, private schools.
- ✓ Hybrid social enterprises. These are enterprises which mixes non-profit strategies and profit strategies

CHARACTERISTICS / FEATURES OF SOCIAL ENTERPRISES

- ✓ They mainly have clearly stated objectives that benefit the community.
- ✓ They have developed creative ways to work together with a strong volunteer base.
- ✓ They use entrepreneurial skills of private sector to fulfill a strong social mission
- ✓ They strive towards honesty, Integrity, humanity and enthusiasm for making a positive difference in the community.
- ✓ Everyone is valued in the organization depending on the shareholder's behaviors
- ✓ There is a clear set of ground rules or consultation for how the organization Operates.
- ✓ They use trading activities to achieve goals and financial self-sufficiency.
- ✓ Effective communication systems are important for keeping everyone informed and consulted.
- ✓ The government and structure of organisation depends on equal participation by the work force and stake holders rather than fulfilling the demands of shareholders.

OPPORTUNITIES FOR SOCIAL ENTREPRENEURSHIP

1. Social investment funds: these pool together various sources of funding from donations of wealthy corporations and banks to invest in social entrepreneurships
2. Foundations: these provide grants (which does not have to be given back) to start up social enterprises e.g youth venture which is a fund and support network for young social entrepreneurs from every region of the world
3. CBO (Community Based Organisations) and NGO (Non – government Organisation). These do not earn profits but have a social mission. They aim at improving the social and economic conditions, they provide opportunities for funding, resources, employment etc
4. Government embassies: these provide policies, grants, technological support and other incentives to people who are working to positively impact society and the environment
5. Social entrepreneurship as a career option. Social entrepreneurs face unlimited opportunities for creating a better world, in countries with high unemployment levels

DIFFERENCES BETWEEN SOCIAL ENTERPRISES AND COMMERCIAL ENTERPRISES

- ✓ Social enterprises aim at achieving long term goals or results while commercial business enterprises the ultimate goal is profit maximization.
- ✓ Social enterprises are comprises of non-profit, for profit and hybrid forms of business while commercial businesses comprises of purely profit forms of businesses.
- ✓ Social enterprises aim at social and environmental benefits for communities while business commercial enterprises aim at profit making or monetary returns for private investors.
- ✓ Social enterprises aim to serve vulnerable, disadvantaged and undeserved group while commercial business enterprises aim at satisfying only the target group that is potential customers.
- ✓ The main impact of social enterprises is social, environmental and economic development While Commercial business enterprise the main impact is production of goods and services.
- ✓ Commercial enterprises mainly targets immediate results while social enterprises mainly targets long term results.

- ✓ *Social enterprises involves beneficiaries i.e community members are empowered as partners in development while commercial enterprises do not involve beneficiaries i.e customers are only supplied products that meet their needs.*

IMPORTANCE / ROLES OF SOCIAL ENTERPRISES

- ✓ *Creating sustainable impact on the society and environment by addressing root cause instead of creating short term solutions.*
- ✓ *Promoting sustainable infrastructural development.*
- ✓ *Integrates and caters for marginal groups and vulnerable groups of the population.eg disabled people, poor ones etc.*
- ✓ *Helping in using community's resources in creative and effective manner*
- ✓ *increasing access to basic goods and services to the community members*
- ✓ *Promoting knowledge through community education awareness through community sensitization about the changes and opportunities of their environment.*
- ✓ *Conserving the environment through social activities like tree planting*
- ✓ *Promoting innovation through applying existing ideas in a way that look to be new.*
- ✓ *Ensuring good health of the community members through promoting social activities which aim at safe guarding people's health. E.g energy saving stores does not give out smoke.*
- ✓ *Promoting creation of social capital.*
- ✓ *Creating employment opportunities by empowering people in social activities.*
- ✓ *Improving on quality of life of people by providing employment.*
- ✓ *Contributing towards government revenue in form of taxes.*
- ✓ *Providing markets for local products.*

CHARACTERISTICS OF SOCIAL ENTREPRENEURS

- ✓ *Personal leadership. Social entrepreneurs lead by examples and they have the ability to influence other people.*
- ✓ *Ethical and principle centered .social entrepreneurs are principle centered because they make decisions basing on values and rules*
- ✓ *Goal oriented and visionary. Social entrepreneurs start with a positive vision and then set attainable goals to reach that vision*
- ✓ *Good listeners. Social entrepreneurs listen to peoples' ideas and then guide them to improve on their performance.*
- ✓ *Risk takers. Social entrepreneurs take moderate risks with reasonable chance of success. They try to lessen risk by involving many other people*
- ✓ *Advocators. Always speak up and take action of what they believe is right even if there is opposition.*
- ✓ *Empowering .They believe in and use the potential of people they help.*
- ✓ *Optimistic and flexible. Social entrepreneurs must tolerate uncertainty and they are positive and determined to succeed.*

VISION AND VISIONARY LEADERSHIP

Vision is the ability to see clear, detailed mental picture of an idea or the future achieved after a long period of time

Visionary leadership is the ability to lead and inspire others to see a clear detailed mental picture of an idea or future

STEPS FOLLOWED WHEN DEVELOPING A VISIONARY APPROACH.

- ✓ *Defining your vision*
- ✓ *Examining your current reality*
- ✓ *Identifying and acknowledging the gap*
- ✓ *Setting action steps to close the gap*
- ✓ *Identifying the required resources*
- ✓ *Setting priorities*
- ✓ *Choosing who is accountable for what for each task*
- ✓ *Getting commitment from those people*
- ✓ *Agreeing a start and end time*
- ✓ *Getting started*

PERCEPTIONS OF CONFLICTS

1. *Win – Lose, this is a selfish attitude that assumes there are only two results ie win and lose. One side does everything it can to win and make sure that the other side loses.*
2. *Lose – Win, ie “I lose, you win” letting others always get what they want. This is a bad feeling and it is unsustainable since the loser becomes bitter*
3. *Lose – Lose , the result is that neither side wins ie there is no agreeable solution*
4. *Win – Win , this means that both sides win because the solution benefits everyone involved*

POSITIVE AND NEGATIVE OPPORTUNITIES

Social entrepreneurship plan to use innovative ways to meet needs, if social entrepreneurs focus on negative opportunities (threats, needs and problems) alone, they can become stuck in the same negative thinking that created the problems

Identifying positive opportunities (strength and assets presents the problems or community in a new light and may inspire creative new ideas that would not be visible if social entrepreneurs looked at needs alone

Think of CHEWS as the solution to the PEDVU problems below

Positive opportunities (CHEWS)

C – Clean, sustainable and hygienic environment

H – Healthy community members

E – Educated and empowered community members

W- Wealthy community members

S – Safe and secure environment

Negative opportunities (ask yourself how to solve PEDVU problems)

P- Poverty amount community members

E- Environment degradation by various businesses

D – Diseases within people of the community

V – Violence among community members

U – Un educated and disempowered community members

ADVOCACY SKILLS

Advocacy is the verbal, written or symbolic actions to promote a mission or cause. Social entrepreneurs are skilled advocates of their vision and social innovations. They aim to maximize the positive impact of their work

Advocacy is about speaking and writing to others to spread ideas, innovative strategies and recruit support

The GEPIC structure for advocacy

Greet: who are you? Recognize of give thanks and state your purpose of speaking or writing

Engage: get the audience's attention with a "quote" statistics, say a story with shocking facts. This should make the topic interesting to the audience

Problem / opportunity: express the problem / opportunity in clear facts without your opinion. Explain how seriously or wide spread the problem is, the nature of the opportunity, or details about the current reality

Inform: explain your perspective on the opportunity and propose your innovation / vision. Tell what you think should be done

Call to action: call the audience to take action to support you. Make the action something specific so that you will be able to follow up with them and find out whether or not they have done it

Example one of GEPIC structure

Greet: thank you every one for coming to listen to me today. As a student in our community, I care deeply about our collective future and the problem of severe unemployment which affects not only you and me, but also affects your children, my friends, brothers and sister and every one's opportunities.

Engage: last year, my dad showed me a story in the newspaper of man who died by falling out of a cargo air plane. When I asked Dad why this man sneaked onto the plane, he said "he was a man looking for work in another country"

Problem: today, Uganda graduates about 36,000 men and women a year from different universities. Of these 36,000, only 20% find employment. Near 40% are the first in their families or entire village to go to university. Yet all those jobless graduates return home like a man who died in the aero plane, with no hope

Inform: many people talk about the need for more job creators rather than job seekers. But they stop at talking what we need is more action and for youth like me and your children to start creating projects and jobs now

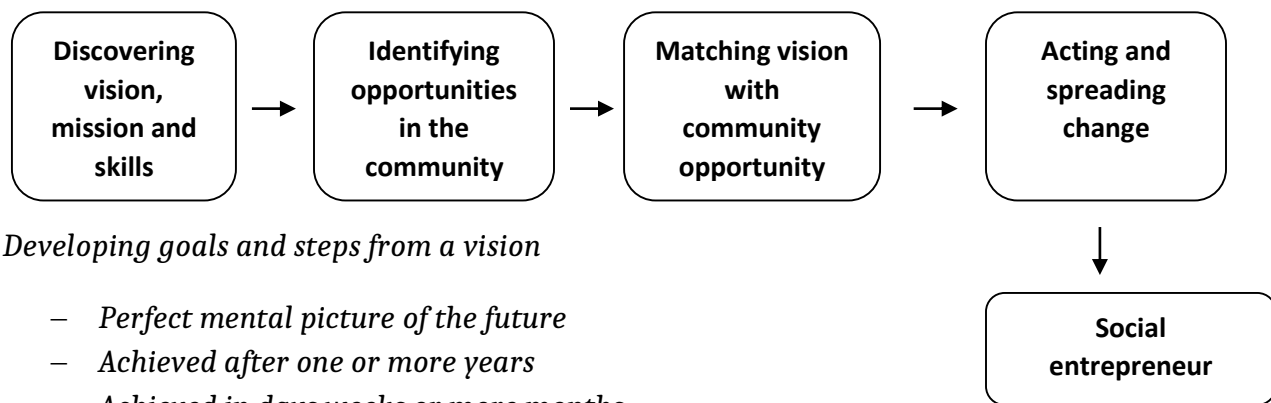
Call to action / challenge: I am here today to challenge you to become part of the solution to this major problem. I want you to stop talking and join us by investing in our poultry project, by supporting us, you helping to change Uganda

STEPS TO BECOME A SOCIAL ENTREPRENEUR

The following are steps involved in becoming a social entrepreneur.

- ✓ *Discovering vision, passion and skills. This involves discovering where you want to be in future, what you love to do and what you are good at doing.*
- ✓ *Identifying opportunities in the community. This spotting opportunities for social entrepreneurship from the community e.g social investment funds, foundations.*
- ✓ *matching the vision with community opportunity*
- ✓ *Acting and spreading change.*

Steps involved in becoming a social entrepreneur.



Developing goals and steps from a vision

- *Perfect mental picture of the future*
- *Achieved after one or more years*
- *Achieved in days weeks or more months*
- *Achieved in several hours*

STEPS TO BECOME A SOCIAL ENTREPRENEUR

Being a social entrepreneur is rewarding like any other business, there are steps that are followed:

1. *Developing the vision or identifying the skill one is good at.*
2. *Identifying business opportunities that are available in the community, this would be a solution to solving problems in the community or improving people's welfare e.g. waste management, environmental conservation, hair dressing etc.*
3. *Matching the vision and the opportunity available in the community, this is done through carrying out market research in order to get more information about the opportunity.*
4. *Acting and spreading change, this is done through preparing the social enterprise plan, which is a description of the introduction, theory of a change, the vision statement etc.*
5. *Mobilizing the necessary resources which are needed for the establishment of the social enterprise, these resources may include capital in form of money, skills, technology, land and also time.*
6. *Completing all the necessary recommencement legal formalities, these include registering the social enterprise, purchasing land, accessing the environmental assessment report etc.*
7. *Constructing all the needed buildings and other structures,*
8. *Purchasing and installing the necessary machinery, equipment, furniture and other materials.*
9. *Recruiting of all the needed labour and training it.*
10. *Launching the social entrepreneur plan*

DEVELOPING GOALS AND ACTION STATE

Business goals refers to the medium and long term targets a business wants to achieve within a stated period of time based on the mission statement.

Goals should have the following characteristic:

- Specific in nature
- Measureable
- Time bound
- Challenging
- Inspiring
- Achievable

Business goal start with the “To” and they are written. In adore quotation marks.
To provide customers with a high quality fruit through using the best production.

Business Vision Statement

This is a statement giving a long term target where the business wants to be in future. A business normally has only one vision statement which provides the direction to the activities in a business.

Uses of Business Vision Statement

- ☞ It is used to determine the mission statement of the business.
- ☞ It is used in determining the nature to be employed.
- ☞ It helps in drawing the strategic plan of the business.

MISSION STATEMENT

Is a brief statement that gives the overall purpose of the business, its products, its values, its sales to the public.

A good mission statement should have the following:

Specifying the products to be sold or the customer's needs to be made.

Sustaining how the business would satisfy the customer's needs.

NB: A mission statement is always written in closed quotation marks starting with the word “To” e.g. to provide and sell high quality poultry products through practicing modern farming methods so as to satisfy the needs of the customers effectively.

Good action steps in any project or business should provide the following:

- ☞ Produce a clear impact.
- ☞ Have a clear start and end time.
- ☞ Measure the results.
- ☞ Set your goals in a logical order.
- ☞ Provide ways of achieving your goals.

OBJECTIVES

These are specific short termed target that a business strives to achieve within a short time.

Examples of business objectives include:

- ☞ To increase profits by 5% in a period of 6 months.
- ☞ To increase the sales volume by 5% in a period of one year.
- ☞ To increase production by 2% in a period of 6 month.

Characteristics of good action steps

- Produce a clear impact
- Have clear and end time
- Measure results or actions
- Be simple
- Be in a logical order
- Further the progress towards achieving a goal

SOCIAL ENTERPRISE PLANNING

When planning for a social enterprise, personal experience, passion and enthusiasm are valuable but should not be the only factors to consider. It must also include clearly, identifying threats and opportunities in the community

Structure of a social enterprise plan

- ✓ *Introduction. This includes the title, vision statement and summary of enterprise*
- ✓ *Theory of change. This includes vision which refers to the long term ultimate goal, impact which refers to the long term results of some one's activities and how the results lead to accomplishment of the vision, outcomes which refers to the direct results of the activities which come out of the efforts and inputs which refers to the what you put in to achieve the vision*
- ✓ *The opportunity. This includes impact area, current reality research, impact potential and resources and financial of the opportunity which includes resource requirement, available resources, profit potentials and use of renewable resources*
- ✓ *The innovation which includes root cause analysis, product description and innovation matrix*
- ✓ *Management and operations which includes management roles and opportunities , delivery of products and operation of activities, timeline, strategic partners , impact on society and impact on environment*
- ✓ *Sustainability. This includes budget, startup funding strategy, renewal of resources / profit making and profit management*

Making a social impact in the community

Making something that you love to do and turning it into a project that benefits the community is a great way to get started as a social entrepreneur and to create meaning in your own life. Each of us has the ability to make a difference in the lives of others. How we decide to make meaning is up to each individual. When you look out into your community, what do you see? Social entrepreneurs are people who want to make a difference and are willing to work hard to accomplish their goals. How can you make an impact in your community?

Ways to make a social impact in the community

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

THEORY OF CHANGE

The theory of change concept is unique from other processes where you start the plan and work your way through the plan. Start with the end goal (e.g to end poverty or educate children) and then work way backwards to accomplish your theory of change

- ✓ *vision which refers to the long term ultimate goal,*
- ✓ *impact which refers to the long term results of some one's activities and how the results lead to accomplishment of the vision,*
- ✓ *outcomes which refers to the direct results of the activities*
- ✓ *activities which come out of the efforts*
- ✓ *inputs which refers to the what you put in to achieve the vision*

Example of theory of change: kick start

Two social entrepreneurs, Nick Moon and Martin fisher founded Kick start in 1991 to help end poverty in Africa. Their focus is on creating agriculture technologies to create jobs and increase productivity.

Because the costs of these technologies are too high for most rural farmers. Kick start developed a new business model to bring low cost, efficient tools. They invented irrigation pumps that can double the yield of a small farm. Using the pump farmer can water 10,000 / seeding in one hour. The innovation has helped over 349,000 resources out of poverty.

Write the theory of change for kick start

Kick start story

Write the theory of change of kick start

- Vision;

To end poverty in Uganda

- Impact

Creating agriculture technologies to create jobs and increase productivity

- Out comes

Farmers being able to water 10,000 seedlings in one hour

The innovation has helped over 439,000 people to get out of poverty

Activities

- Developing a new business model to bring new low costs and efficient tools.

- Using irrigating pumps that double the yield

Inputs

Water, seedlings irrigation pumps, land people (labour)

COMMUNITY RESOURCES

These are resources that are collectively controlled by the community e.g. community land, structures like schools, physical space e.g. town buildings, playing grounds etc.

Community institutions like library, local police, universities etc.

Nongovernmental organizations, these include cultural groups, elderly groups, faith based groups, churches, mosques, social groups.

These social community resources provide opportunities for members in the community to use them for the benefit of the community at large

THREATS TO COMMUNITY DEVELOPMENT

- 1. Poverty: This is brought about by individuals living in the community failing to access the basics of life. These breeds social behaviors like theft, murder, child abuse, home domestic violence.*
- 2. Discrimination is the major cause to community development, because it prevents the entire community from developing by excluding certain groups or individuals i.e. the excluded groups do not have the same wealth, privileges, rights compared to others. They become the worst vulnerable.*
- 3. Ignorance: This is the lack of information or knowledge, this creates different groups in the society i.e. those who have and information therefore, individuals in the community become powerless.*
- 4. Dependency: This is a state of needing to rely on somebody or something for help or support especially financial support. This is caused by inequality in the society i.e. those who have and those who don't they don't depend on those who have.*
- 5. Dishonesty: This is a serious threat to community development because it is the basis of exploitation where some individuals take unfair advantage to misuse those who don't have. This brings corruption.*

6. *Lack of basic natural resources; these include lack of minerals, poor soils which cannot withstand bad conditions such areas do not have access to basic needs like good shelters, good roads, safe waters etc.*
7. *Lack of role models and mentors: This is a threat to community development because individuals may not have people that they admire and also get inspired to develop as an individual and a community as a whole.*

STRATEGIES FOR SOCIAL ENTERPRISES

There are a number of ways in which the community can be positively impacted. The following are the most common strategies for community development that are used by social entrepreneurs around the world.

1. *Increasing access to goods and services, these include food, health, housing, safety, waste management and education. This strategy of increasing goods and services involves allowing more people access to what is available to others.*
2. *Increasing knowledge through education and awareness, knowledge is power. Without education and awareness, people are left behind, taken advantage of or ill prepared to live in and understand the dangers and opportunities of their environment.*
3. *Increasing opportunities for the disadvantaged: As communities develop, more opportunities are created and if this opportunities are not available to certain groups, the results inequality, social tension and poverty.*
4. *Increasing advocacy for the disadvantaged group: This involves the social entrepreneurs urging government to provide support in form of donations, grants such that services are extended to communities that are disadvantaged.*
5. *Training community members to be part of a social enterprise, this is where community members are encouraged to make contributions as membership and at the same time purchase goods or services at relatively low costs as enterprise provide opportunities for markets for community products and services.*

Profits making strategies and their effects

1. *Income generating activities: For non-profit enterprise, income generating activities include selling a product or producing their own resources.*
2. *Starting agricultural enterprises that produce output, and sold at a profit to the community.*
3. *Charging a fee for use of the enterprise's assets to community members.*
4. *Training communities at a cost to the community members.*
5. *Charging membership fee.*
6. *Producing and selling publications to the public.*
7. *Charging a fee for any service consulted to.*
8. *Organizing fundraising functions to raise funds so as to be invested in income producing activities.*

NB: The income generating activities can be related or unrelated.

Note. Sustainable development is the development that meets the needs of the present without harming the ability of future generations to their own needs

Social innovation this is the establishing from better ways to accomplish a social mission. Social entrepreneurs don't need to invent into a new product but simply need to be creative in applying an existing idea in a new way or in new solution.

SUSTAINABILITY

Sustainability is a wide concept that can be applied in many different ways:

1. *Financial sustainability: This refers to the ability of enterprise to finance itself now and for the future.*

2. *Resource sustainability: This refers to the ability of resources to renew themselves.*
3. *Impact sustainability: This refers to the ability of the impact to continue and be long lasting without putting in more efforts or resources.*

Therefore financial sustainability of an enterprise means that the social entrepreneur is able to meet the current needs of the enterprise and that of the future hence the roles include:

- ☞ *It enhances further investment of the social enterprise.*
- ☞ *It provides the means of income to sustain the stakeholders of the enterprise.*
- ☞ *It leads to sustain employment creation. This increases income for those that are employed.*
- ☞ *It leads to sustainable profits for the social enterprise. This helps such an enterprise to continue impacting the disadvantaged groups.*
- ☞ *It helps in training of members of the community. This leads to sustainable positive impact in the community.*
- ☞ *It helps the social enterprises to achieve the overall aims of creating a sustainable positive impact in the society. This reduces threats like poverty discrimination.*
- ☞ *It facilitates sustainable helping of the disadvantaged groups, this may be in form of providing increased access to goods and services, increased access to education etc.*

Social development

This refers to the increase sustain growth in the quality of population and social services that meets the society needs.

Environmental development

This refers to the sustainable persistent increase in the available resources while minding about the future. It takes the form of environmental awareness, increased replanting of trees and sustaining the program.

Cultural development

This refers to the sustainable development of cultural values in terms of norms/behavior/value that form part of the future generation.

Therefore such developments have an impact on the future generation. Term impact means what is done or the action which is taken and sustainable development has the following impact:

- *Increasable development on education.*
- *Sustainable income.*
- *Improved environmental resource use.*
- *Increasing training and access to better reading materials.*
- *Reduced dangers of diseases.*
- *Improved living standards.*
- *Increased life expectations.*

NATURAL RESOURCES

Natural resource is something important to our survival or needs as a person that is available from the earth in a limited quantity eg. Petrol, water. Etc

WAYS OF SAVING NATURAL RESOURCES

- ✓ *Reduce: This involves working alternative ways of reducing resource wastage. E.g use of energy saving charcoal stove to reduce fire wood consumption.*
- ✓ *Reuse; this involves finding alternative ways of use of natural resources in new ways.*
- ✓ *Repair: This involves finding a way to repair and use again a product or natural resource that is broken instead of throwing it away.*

- ✓ *Recycle; This involves collecting natural resources that would be thrown away or burned and bringing it to recycling facility in order to turn it into a new product*

Sustainability of social enterprise refers to the ability of the business to renew itself by use of its profits when expanding. It includes financial sustainability, resources sustainability and impact sustainability

THREATS CAUSED BY UNSUSTAINABLE USE OF RESOURCES AND BUSINESS ACTIVITIES.

- ✓ *Deforestation /clearing of vegetation. The destruction of forests in an area leads to decline in rainfall, soil fertility and changing weather patterns leading to environmental degradation*
- ✓ *Pollution. Manufacturing businesses discharge industrial wastes into water bodies, air and land leading to their contamination and making them unsafe for survival of society and environment*
- ✓ *Degradation of the land and loss of soil fertility most especially agri-businesses*
- ✓ *Displacement of people, animals, insects/loss of bio- diversity*
- ✓ *Destruction of wetlands and swamps/reclamation of swamps*
- ✓ *Depletion /exhaustion of non-renewable resource such as minerals*
- ✓ *Vibrations that weakens buildings and cause cracks in the soil structure*
- ✓ *Global warming as a result of destruction of the ozone layer*
- ✓ *Poor health as a result of water logging*
- ✓ *Moral decay due to manufacture of pornographic materials*
- ✓ *Health hazards such accidents caused by machines to workers.*
- ✓ *Loss of environmental beauty as a result of waste materials which may be poorly disposed*
- ✓ *Promoting rural-urban migration and its associated effects*

MEASURES TO OVER COME THREATS CAUSED BY UN SUSTAINABLE USE OF RESOURCES.

- ✓ *By setting up environmental standards to be observed by businesses in the course of their operations and disposal of their wastes*
- ✓ *By undertaking compulsory environment impact assessment of all new businesses*
- ✓ *By conserving sources of raw-materials for instance re-forestation*
- ✓ *By looking for alternative packing of materials such as paper bags to replace Polythene bags that are commonly used for packing goods for customers should be adopted*
- ✓ *By conserving of soil through terracing, planting of trees etc.*
- ✓ *By treating of industrial wastes.*
- ✓ *By looking for alternative source of power i.e. electricity, bio-gas etc.*
- ✓ *By using chemicals which are not or less harmful to human life, animals and plants.*
- ✓ *By setting up businesses which are environmental friendly e.g tree planting business*
- ✓ *By ensuring effective use of raw –materials in a sparing way.*
- ✓ *By using machine noise silencing tools to reduce noise pollution.*
- ✓ *By recycling ie use of already used materials e.g un burnt bricks can be recycled, polythene and other plastic materials can be recycled, old metal can also be recycled to avoid dumping them which could end up spoiling the environment*
- ✓ *By encouraging businesses to use less hazardous substances and chemicals when processing goods. The substance will not be too dangerous to environment thus helping preserve it*
- ✓ *By designing labels which cautions people about proper use of environment .e.g. don't litter.*

Positive impact of business activities in the natural environment.

- ✓ *Provision of social services e.g centres, schools etc.*
- ✓ *Acts as a center for training and developing local manpower.*

- ✓ Source of government revenue through payment of taxes.
- ✓ Provision of goods and services / provide products to meet society needs.
- ✓ Provision of market for the society's products.
- ✓ Provision of employment opportunities to society.
- ✓ Participation in community development programs e.g providing assistance to charities, welfare facilities etc.
- ✓ Improvement of food security through processing agricultural products.
- ✓ Providing information for research and study purpose.
- ✓ Source of tourist attraction.
- ✓ Recycle wastes that would have harmful effects hence cleaning the environment.
- ✓ Improve the environment through planting trees.
- ✓ Sponsorship of community activities.
- ✓ Utilizing idle resources.

Climate change and global warming

Climate change is the changing temperature of the planet. Global warming is an increase in the temperature of the planet. Climate change is a pressing environmental threat caused in part by increasing amounts of carbon dioxide (carbon) and other gasses in the atmosphere.

Note. Global warming is a certain type of climate changes.

Effects of climate change.

Melting of glaciers in mountainous areas surrounding, Uganda causes the rivers to increase in size and change course, which lead to loss of farmland and displacement of people (such displaced people are called refugees). For example, river Semliiki changes so does the boarder between Uganda and DRC, causes farmers to shift their homes. Furthermore, the melting of the earth's ice caps and increasing sea force people who live near the ocean to flee their homes.

Changing the pattern of seasons. As the rainy season in Uganda change, farmers are found to lead an uncertain lifestyle. Farmers lose crops, must adapt to new crops and are encouraged to migrate to overpopulated urban areas. The negative effect on farmers causes food price to increase which negatively affects the entire population.

Causing extinction of species which cannot survive the changing temperatures. Species go extinct or relocate, biodiversity is lost and tourism decreases, which causes the economy to suffer.

Changing vegetation belts from forests to savannah and savannah to desert cause people to migrate to areas with better growing conditions or into cities and slums. As vegetation and climate change, people are able to grow less crops for income and food prices increase.

Social concerns of the business

Sample questions

- 1 a) Define the term social entrepreneurship and state the salient features of social entrepreneurship
 - b) What are the objectives of social entrepreneurship?
- 2 a) Explain various characteristics of a social entrepreneur
 - b) What are the key concepts of social entrepreneur?
- 3 a) What is the importance of social entrepreneurship?
 - b) Explain the various types of social enterprises

4 a) what are the negative opportunities in the communities?

b) Explain the perception of conflicts

5 a) what are steps involved in bridge the gap approach (visionary gap)

b) Explain the GEPIC structure for Advocacy

BUSINESS IDEAS

A business idea is a response of a person or an organisation to solve identified problem or meeting perceived needs in the environment (market, community etc)

IMPORTANCE /REASONS FOR GENERATING BUSINESS IDEAS

- ✓ *To enable the business to succeed at the start and to stay competitive afterwards*
- ✓ *To respond to market needs. A business can become successful if it provides new products or services or reaches a new group of clients or finds a new channel to reach customer better*
- ✓ *To change fashions and requirements. These requirements provide opportunities for entrepreneurs to respond to demand with new ideas, products and services*
- ✓ *To respond to natural threats and scarcities. New innovative business ideas help a business to adapt to changes in the natural environment by providing solutions to problems*
- ✓ *To stay ahead of competition. If an entrepreneur comes up with new business ideas, it helps him to develop new products which are better in quality and fashion and can out compete other similar products*
- ✓ *To exploit technology to do things better. Technology has become a major tool for competition in today's markets. The rate of change forces many firms to innovate*
- ✓ *To promote finite product life cycle. All products have a finite life; there is a need to plan for new products and their growth. Firm's prosperity and growth depends on its ability to introduce new products and manage their growth*
- ✓ *To spread risk and allow for failure. New products fail 80%. It is therefore necessary for firms to try to spread their risk and allow for failures that may occur from time to time by constantly generating new ideas*
- ✓ *To help specific groups of people. Creation of new business ideas help specific groups of people like the elderly and those with disabilities e.g the introduction of earphones was aiming at helping those who would wish to communicate as they do other work*

SOURCES OF BUSINESS IDEAS

There are many ways to search for new business ideas. The common one include

Mass media. This includes newspapers, magazines, television and radio. For example the commercial advertisements in newspapers or magazines consist of advertising messages grouped together in one part but under different headings like; personal services, events business, cars for sale and so on. This helps an entrepreneur to obtain the right information from the area of his choice.

World wide web/internet. The proliferation of the World Wide Web, the vast network that links computers around the globe via the internet and opens up oceans of information to its users has spawned thousands of entrepreneurial ventures since its beginning in 1993. The vast information on the internet provides a basis for potential entrepreneurs to come up with various business ideas.

Consumers/customers complaints. Whenever customers complain bitterly about a product or service, it creates the potential for a business idea. Potential entrepreneurs should always pay close attention to potential customers. This attention can take the form of informally monitoring potential ideas and needs or formally arranging for consumers to have an opportunity to express their opinions.

Existing products and services/market surveys. New business ideas can be identified by finding out what consumers need and want. Such surveys might be conducted informally through observation and personal contacts or formally by talking to people by using a questionnaire or through interviews.

Getting ideas from existing ideas/competitors. The other source of business idea is about innovating on something that is already in the market. Some entrepreneurs make use of “creative imitation” as a strategy whereby the entrepreneur does something else that has already been done. In this case, finding a new use for an existing product is another example of innovation.

Hobbies/interests. These are activities pursued for pleasure and relaxation. For example if one enjoys photography, he may be able to expand this hobby into a profitable full time enterprise. Many hobbies can be turned into successful ventures.

Work experience/vocational training/personal skills. A business idea can be developed from one’s area of training for example a doctor who starts a clinic, teacher who starts a private school, mechanic with experience in working for a large garage who eventually sets up his own car repair or used car business. There may be room in the market for a familiar business, possibly in a different market niche.

Research and development. The largest source of new ideas is the entrepreneurs own research and development efforts which may be a formal endeavour connected with the current employment or an informal lab at home.

Trade shows and exhibitions. The purpose of these events is to allow vendors and manufacturers to introduce new items and promote established products and services. Attending trade shows and exhibitions sponsored by manufacturers, distributors and government departments can be a source of information on different business and manufacturing activities and can provide good business ideas. Exhibitors at these shows can be a source of spin-off ideas.

- ✓ *Franchises. A franchise is an arrangement whereby the manufacturer or sole distributor of a trade mark, product or service gives exclusive rights for local distribution to independent retailers in return for their payment of royalties and conformity to standardized operating procedures.*
- ✓ *Brain storming. This is a technique used to solve a problem by generating many ideas as possible. This can be perfected by getting with two or three people. One person should be the leader and the other one being the recorder whose job is to list the ideas as they are stated*
Brain storming begins with a question from the leader, another person in the group gives an answer, then one else changes it or adds to it.

RULES FOLLOWED WHEN USING A BRAIN STORMING METHOD

- *Do not criticize person’s ideas as it will lead to members talk less thus few ideas will be generated*
- *Encouraging freewheeling, the wider the range of ideas the better, an ideas need to be tamed that thinking up another one*
- *Try for quantity, the larger the numbers of ideas, the better the chances of getting good ones (quantity helps breed quality)*
- *Combine and improve. Members should state their own ideas and also suggest how the ideas of other could be turned into better ones, it’s possible to combine two or three ideas to form another idea*

Steps followed to materialize a business idea

- ✓ *Look long term. Do some range planning for your business to get a better concept well flop to fly*

- ✓ Jump in. if the idea you have got is great, then go for it, get a prototype, find customers or someone interested
- ✓ Be patient. Starting a business from scratch always takes longer and is more complicated than anyone thinks, do not be afraid of failure

Procedure for researching a business idea

- ✓ The idea stage. The first stage in getting the idea and imagining all the possibilities under this stage. This is done through market research
- ✓ Analysis. This stage looks at a business idea from the perspective of the company customer, competitors and collaborators. Those are the fair major issues considered when analyzing a business idea
- ✓ Checking out the competition. This involves finding out the stand of competitors, talking to them, what customers like or dislike about competitors' products or services
- ✓ Turning the idea to make it work in case it looks like a flop. This enable it to bring great success after a little research
- ✓ Prepare a marketing plan and a budget showing the distribution strategy in case the idea is ready to go and you are ready to get started, ensure that you sell where your target market is likely to buy

How ideas can be identified from environment

- ✓ Developing an idea in an area where you have interest. this can help one to develop a good idea because what he/she has much drive to do it best
- ✓ Putting yourself in unusual situations. This may involve meeting small groups of people to brainstorm; travelling to new areas can also help one to gather information about the thoughts ideas. Setting a dead line can also stimulate imagination
- ✓ Taking note of the obvious problems that you encounter in your day to day life. Have very problem in mind and note down at one time
- ✓ Listening to and observing what is going on around you. In most case entrepreneurs fear to tell their friends the ideas they are having and thus keep isolated. However there is need to risk and tell people the idea so as to open up for criticism
- ✓ Modifying your idea. If you had a set a certain business plan, do not be afraid to change the course
- ✓ Determining/measuring genuine interest in the idea. This enables you to determine whether the business will fail or succeed. If it succeeds, customers will be served well and become excited
- ✓ Avoiding dismissal of the idea quickly and easily. Some people think that an idea which people have never jumped onto is not good, however try it yourself and persist

How can a business idea be turned into a business opportunity

- ✓ Documenting the invention. This involves writing everything you can think of that relates to your invention, from what it is , how it works and how you will make it and market it
- ✓ Researching about the idea. This involves researching the idea from a legal and business point of view
- ✓ Researching about the market. There is need to invest about the market before time and money are invested into patenting the invention
- ✓ Making a prototype. A prototype is a model of your invention that puts into practice. All things written in the inventors journal, it demonstrates the design of the invention when presented to potential lenders and licensors

Rules for making a prototype

- Beginning with a drawing
 - Create a concept mockup of any material that will allow you to create a model of their design
 - Once you are satisfied with the mockup, create a full working model of your idea.
- ✓ *Filling a patent. The patent includes a utility patent (for new processes or machines) and a design patent (for manufacturing new or obvious ornamental designs). An application is filled to look for a skilled patent/ professional to work upon it*

Types of patent rights

- Utility patent i.e. for new processes or machines*
- Design patent i.e. for manufacturing new or obvious ornament at design.*

Steps followed when choosing the best patent professional

- *Doing your homework. Have your investors journal and prototype and notes with you*
 - *Making sure e.g registered with the Uganda patent and trade mark office*
 - *Asking them what their technical background is*
 - *Discussing the fees*
- ✓ *Marketing the invention. This involves figuring out how you are going to bring the product to the market. It involves deciding whether the entrepreneur will sell the product him/herself or license it for sell through another company*

Aspects considered when evaluating different business ideas

- ✓ *Present market. The size of the presently available market, provides prospects of immediate sales to support the operations. The factors include market size, products' relation to need, strengths of competition, sales effort required, quality and price relationship in respect to competitors, service requirements, distribution system and export possibilities*
- ✓ *Market growth. There should be prospectus for rapid growth and high return on capital invested. Indicators include projected increase in need, increase in customer acceptance , product newness, economic trends and competitive advantage*
- ✓ *Costs. Costs of production include startup costs , cost of raw materials inputs, labour costs, selling costs, efficiency of production processes, patent and licenses, service, warranty and customer complaints*
- ✓ *Business risks. A business risk can be assessed basing on the following factors. Market stability in economic cycles, technological risks, import competition, quality and reliability of risks, predictability of demand, initial investment costs, vulnerability of supply and price of inputs, legislation and controls, time required to generate profits, inventory requirements etc*

Factors that determine or affect sales in business

- ✓ *Market size. Large market size increases sales as compared to small market size.*
- ✓ *Product's relation to need. A product which is in line with the customer's needs attract more sales than that which is not in line with customer's need*
- ✓ *Strength and dominancy of competition. High level of competition reduces sales compared to a low level of completion.*
- ✓ *Quality – price relation compared to competitive products. High quality products compared to those of competitors attract more sales than low quality products.*
- ✓ *Sales effort required. Less sales effort required attracts more sales more than high sales effort required.*
- ✓ *Service requirement. More service required on the product reduce sales than less service required.*
- ✓ *Availability of sales and distribution system. Ease to sell and distribute the products increases sales than limited access to market area.*
- ✓ *Export possibilities, where it's possible to export sales are higher compared to where exports are restricted.*

- ✓ *Price charged. Lower prices increases sales as they attract more customers compared to high prices.*
- ✓ *Population size. A large population provides a large market hence more customers compared to high prices.*
- ✓ *Level of customer's income. High income earners provide a bigger market hence more sales than low income earners.*

Ways of protecting business idea.

- *Patents. Grant from government investor of the product, giving the exclusive right to make, use or sell the invention for a number of years from the date of filing the patent application.*
- *Trade marks. Any distribution word, phrase, symbols, design, name, logo, slogan, or trade dress that a company uses to identify the origin of a product or to distinguish it from other goods on the market.*
- *Copyrights. An exclusive right that protects the creators of original works of authorship such as literacy, dramatic, musical and artist work*
- *Trade secret. Consists of knowledge that is kept secret in order to gain an advantage in business. E.g customer lists, source of supply of scarce materials, source of supply with faster delivery, lower prices.*
- *Non-competition agreement. Involves preparing non-competition agreements to be signed by employees in order for the company to protect valuable assets ranging from product information to clients, marketing ideas, and unique strategies.*

Sample questions

- (a) What is meant by the term business idea?*
- (b) Explain the sources where business ideas can be generated from*
- (c) Give reasons for generating business ideas*
- (d) Explain the factors considered when evaluating business ideas*

BUSINESS OPPORTUNITIES

A business opportunity is an attractive investment idea or proposition that provides the possibility of a monetary return to the person taking the risk.

It's an attractive project idea which an entrepreneur accepts for investment on the basis of what is known about the possible success of the business.

IDENTIFYING GOOD BUSINESS OPPORTUNITIES

Identifying and acting on opportunities is one of the characteristics of a successful entrepreneurship, it is the basis of starting and maintaining successful ventures.

Business opportunities are determined by customer requirements and lead to the provision of a product resource which creates or adds volume for its buyers and end users.

A good idea is not necessarily a good business opportunity e.g an idea is looked at from the technical point of view, the market aspect. Its level of competition the required resources, the return on investment etc, all these aspects are looked at when / as the best indicators of a feasible and viable idea.

INDICATORS OF A GOOD BUSINESS OPPORTUNITY.

- ✓ *Availability of Real demand/ market. In this case, market means people or institutions willing and able to buy goods and services of a business.*
- ✓ *Reasonable level of Return on investment. The rewards / profits realized from the business should be acceptable depending on the level of investment by the entrepreneur in terms of risk and effort.*
- ✓ *Availability of required resources. These refer to the means required for production of goods and services for instance capital, raw materials, labour, land etc.*
- ✓ *Availability of required technical skills. This refers to the machines and skilled manpower needed for production of goods and services. These should be available and affordable for a business idea to be feasible and viable.*
- ✓ *Acceptability in community. For a business to be viable and feasible, it should conform to the social norms and be liked by society for instance a bar business would not be viable in a Moslem dominated community.*
- ✓ *Favourable government policy. There should be a conducive government policy. Favorable for investment for instance low tax rates, tax holidays etc for a business to be viable.*
- ✓ *Availability of good infrastructure (support services). This takes the form of good transport, communication, power, banks, insurance companies, warehouses etc.*

QUALITIES OF ATTRACTIVE BUSINESS OPPORTUNITIES

- ✓ *Be competitive ; ie be equal to or better from the customers point of view, than the other products /services*
- ✓ *Good income potential. A good business opportunity is one which is capable of giving a sufficient income to support oneself in a reasonable life style, i.e. it should have the ability to place a good, steady, fulltime income.*
- ✓ *Reasonable case of entry, into the market. It is advisable that one should enter into a business in which he / she has got the general background of it. This enables the entrepreneur to get started easily. For example, he can be able to use contracts already has and his reputation in the field could be valuable in running the business successfully.*
- ✓ *Low or, modest startup costs. A good business opportunity is one which requires low capital investment.*
- ✓ *Good growth potential. An attractive business opportunity is the one which has the chance to survive for a long time while generating sufficient income for the owner.*
- ✓ *The business opportunity should be related to your skill and experience. Some business require certain skills and experience. This means that for one to succeed in such businesses, he /she should possess the required skills and experience needed to run the business successfully.*
- ✓ *It should be properly timed. A good business opportunity is one that is timely and responds to the unsatisfied needs or requirements of customers who have the ability to purchase and who are willing to buy.*
- ✓ *There should be a sizeable market gap. In terms of people or institutions willing and able to buy goods and services of a business.*
- ✓ *Meeting objectives. A good business opportunity should have the ability to meet the goals and aspirations of those taking with risk.*

Types of business opportunities

- i. *Retail and wholesale types of Business. Retail businesses sell goods directly to consumers, usually in small quantities. Wholesalers on the other hand buy goods often in large quantities from manufacturers or importers and then sell them to retailers or other distributors.*
- ii. *Franchise and independent types of business. Franchise it is a special right given by a manufacturer or sole distributor to an entrepreneur or a business to sell the manufacturer's goods or services in a given area or place.*

An entrepreneur or business that buys a franchise by paying a franchise fee buys the right to sell the manufacturers or parent company's goods or services.

An independent business is one that you create and nurture on your own. This allows you control and freedom which you will not get from a franchisee operation.

Advantages of franchise

- ✓ Facilitates expansion of the business. By selling franchises, a business is able to expand without committing its own resources.
- ✓ Promotes concentration on core activity. By franchising part of its operations, the parent firm (franchisor) is able to concentrate on its core activity. This brings about effectiveness and efficiency in operation thus resulting in better quantity and quality of products or service.
- ✓ Facilitates spreading of risks. Failure of any of the outlets does not affect the performance of the parent firm since the franchisee's business operates semi-independently.
- ✓ Earns revenue from payment of fees and royalties. In franchising, the franchisee pays fees and royalties to the parent firm in return for the right to become identified with its trademark, to sell its products or services and often to use its business format and system.
- ✓ Maintenance of substantial control over franchisee. The franchisor continues to exercise substantial control over the franchisee since franchisor develops the business systems the franchisee uses and directs its distribution methods to promote standardization and franchisee's success.
- ✓ Obtaining of marketing support by franchising, the franchisor gets the marketing support from the entrepreneur franchisee who works hard for their higher profits.
- ✓ Promotes rapid growth of a business. Franchising is the key to rapid growth as franchisees cover wide areas and expand markets thus leading to establishment of more production lines due to linkage effect.
- ✓ Enjoyment of economies of scale. The franchisor saves costs in areas like sales force and management costs among others because the franchisees, being semi-independent businesses, involve and invest in these activities more effectively. Hence this is more cost effective to the franchisor
- ✓ Provision of consultancy services by franchisees advice. Every business requires external advice. The franchisee works more as a consultant and an advisor to work out some solutions for the franchisor's problems, and generate new ideas from the new markets.

Disadvantages of franchising.

- ✓ They don't enjoy creativity. Unlike entrepreneurs who start their own business, franchises find no room or scope for enjoying their creativity. They have to work as per the given format.
 - ✓ A number of restrictions are also imposed upon the franchisees. Restrictions may relate to remaining confined to a product line or a particular geographical location only.
 - ✓ Franchisees usually do not have the right to sell their business. Franchisees usually do not have the right to sell their business to the highest bidder or to leave it to a member of their family without approval from the franchisor.
 - ✓ Franchisee on the other hand has less control of their own business. The franchisor is dependent on the franchisee for the success of the business. The franchisee on the other hand has less control of their own business than they would if they remained an independent sole trader or partnership. They are tied to the franchisor and their success depends on the success of the franchisor's product.
 - ✓ Good will remains the property of the franchisor. Though the franchisee can build up good will for his or her business by his or her efforts. Good will still remains the property of the franchisor.
 - ✓ The franchisee may become subject to fail with the failure of the franchisor.
 - ✓ Franchisee has to pay a continuing annual fee. The franchisee also has to pay a continuing annual fee, regardless of any loss the business may make.
- iii. *Product and service (or mix both) type of business.* If you are a trained professional, such as dentist, accountant, teacher, etc your business is going to revolve around the professional services you can provide. But there are many professionals that also have the opportunity to

offer related products, if they choose to do so. If you a photographer for example, you may decide to sell cameras, picture frames and photo paper or if you are a teacher, you can decide to write text books for sale, operate a stationery etc

- iv. *Store front or non-store front type of business operations.* If you have decided to start a business selling products you need a store front of some kind e.g a retail store or virtual store front like e-commerce site. If you have decided to start a service selling business, you may or you may not want a store front. Since most of the resources are performed at a customer's home e.g cleaning. Some resources can be offered over the phone or the internet these businesses often depend on virtual store fronts(Business web sites) to attract clients. Alternatively one may use a home as a store front e.g a hair dressing business, travel agents business etc.).
- v. *Industry type of business.* An industry is a collection of firms producing related goods or services. It is important for an entrepreneur to choose an industry that he is only interested in but have some expertise or experience in order to avoid making costly mistakes where he does not have the necessary knowledge.
- vi. *Identification process for a good business opportunity.* Going into business is very simple but staging in business and making a success of it is not. Being in the right place at the right time is partly luck but more to do with good planning, setting up a business for the first time or expanding an existing one can be the road to riches and personal fulfillment however, it can also be the road to financial ruin and personal misery.
If an entrepreneurship identifies a business opportunity, it is ideal to carry out a pre-feasibility strictly in order to determine whether the opportunity is viable. It also acts as a basis upon which financial assistance can be sought from the financial system.

FEASIBILITY OF BUSINESS IDEA refers to the extent to which a business idea can be done or implemented using the available resources on the other hand a viable of a business idea refers to the degree to which a given business idea is profitable.

The feasibility study is broken down into three;

a. Market feasibility study, this study considers the market study which focuses on the overall demand, product description which involves understanding the details of the product to be produced the users and standards it will fulfill

b. Technical feasibility study; which determines the adequacy of the manufacturing process plants and machinery to be used in production of a given product with a predetermined framework in terms of quality, raw materials, without expensive break down problems.

c. Financial viability study; This part reveals how attractive or hopeless the business idea is from the financial point of view. This is divided into six components i.e

- *Project cost*
- *Means of finance*
- *Capacity utilization (income estimation)*
- *Expenditure estimate*
- *Profitability estimates*
- *Risk analysis.*

EVALUATING BUSINESS OPPORTUNITIES

This involves discussing the steps to determine if the will be profitable to start up your business i.e investigating thoroughly a market opportunity before going into business or else you may discover that there is no market which may result into business failure.

The purpose of market investigation is to obtain information that will help increase your chances of success in a particular business.

Therefore, your aim should be to start the right kind of business in the right location.

- Deciding on the type of business. There are three major types of business you can choose from ie
 - ✓ Merchandising business. This type of business buys finished products from wholesalers or manufacturers and retailers or wholesalers then to others for consumption or resale.
 - ✓ Service business. This type of business offers services to consumers, merchandisers, or even to manufacturers. It offers this service in exchange for a fee.
 - ✓ Manufacturing or processing business. Manufacturing businesses are those which transform or process raw materials and make products that are significantly different from the inputs.
- Choosing a location. Choice of a location for your business is an important factor in its success for failure. A poorly run business can often survive in good location, but even the finest business will fail in a poor location.
- Forecasting sales. Sales forecasting means estimating the size of your market, that is, how much of your product or service you can expect to sell in the future. Before starting a business, you must estimate what share of the market you can expect to get in order to determine whether or not the business will be profitable. Also, you must be sure that a market exists before applying for a loan or grant. Many loan applications ask for a sales forecast and a profit forecast.
- Estimating your cost. Once you have determine a sales forecast for a certain period of time in the future, you will have to estimate the costs of running the business. You will have to consider the cost of the goods in terms of purchase and freight, wages, advertising, taxes, power, rent, loan payments etc.
- Estimating profits. Once you have estimated your sales and costs, you will have to calculate what your profits are likely to be.

Organizations Supporting Entrepreneurship in Uganda:

1. Business support organization: These can provide information regarding the type of business you aim at setting up. The organizations or Associations here include:
 - a. Uganda Manufacturers Association (U.M.A). This is for medium and large sized manufacturers and service providers. They organize trade shows on behalf of its members; carry out training, lobbying authorities on behalf of its members etc.
 - b. Uganda National Chamber of Commerce and Industries (U.N.C.C.I). This is for traders and industrialists. It provides training, information on production techniques, markets and funding and lobbying authorities on behalf of the members.
 - c. Uganda Investment Authority (U.I.A). This mainly lobbies foreign investors to come and invest in the country. They also organize seminars for both local and foreign investors to find out their problems and find solutions on how to overcome them.
 - d. Uganda National Farmers' Association (U.N.F.A). This is for farmers and agro-businesses. It organizes trade fairs for farmers, provides training, factor inputs, information on production techniques, markets and funding, lobbying authorities on behalf of the members.
 - e. Uganda Small Scale Industries Association (U.S.S.I.A). This is for small/ micro industries, partnerships and liability Companies. They help in mobilization and promoting their relationship with the government, look for markets, financial and technical assistance and in the purchasing of inputs and raw materials for members.
 - f. Uganda Women Entrepreneurs Association (U.W.E.A). This is for women owning and managing commercial enterprise. It establishes a forum for women entrepreneurs organizes seminars and workshops, carries out research, training, source for financial support on behalf of the women entrepreneurs.
 - g. Kampala City Traders Association (KACITA). This is for traders carrying out their activities in and around Kampala city. It organizes workshops, lobby the authorities for tax reduction, and advise the members where to buy goods at low prices among others.
 - h. Northern Uganda Manufacturers Association (N.U.M.A). This is mainly for industrialist and service providers in northern Uganda. They look for markets, funds and provide technical assistance to the members.
 - i. Utility Service Institutions. These can provide information regarding utility supplies. The

bodies include; Umeme Uganda Ltd, Airtel Uganda, Posta Uganda Ltd, MTN Uganda, National Water and Sewerage Corporation.

- j. *Non-Government Organizations (NGOs).* These are either local or foreign organizations. They offer services like charitable services, economical services. Such services may include provision of credit facilities, medical facilities, training, scholarships to needy students etc.
- k. *Financial Institutions.* These include commercial banks licensed under the financial institutions Statute of 1993, Microfinance Deposit Taking Institutions (MDI), Credit Institutions, Savings and Credit Cooperatives (SACCOS), Rotating Savings and Credit associations (ROSCA)
- l. *BUDS-EDS (Business Uganda Development Scheme and Enterprise Development Support)*
- m. *Private Sector Foundation Uganda* : This came into existence in 1995 and offers many activities to private sector in dialogue with the government. These include but not limited to, training and capacity building, resource mobilization, proposal development, coaching & mentorship etc.

Sample questions

- (a) Give the ways through which an idea can be researched
- (b) What are the steps followed when turning a business idea into a business opportunity.
- (c) What is meant by the term business opportunity?
- (d) Explain the characteristics of a good business opportunity

SMALL AND MEDIUM ENTERPRISES

Micro enterprises are the ones employing a maximum of four people with an annual sales turnover of maximum Ugandan shillings of 12 million and total assets of maximum Ugandans shillings 12 million.

CHARACTERISTICS OF MICRO ENTERPRISES

- ✓ *They require very little money to be started*
- ✓ *They require very simple technology to operate*
- ✓ *Their sales are usually low*
- ✓ *They usually employ the services of their owners who may be assisted by one or two persons, usually family members*
- ✓ *They may not need fixed premises to operate from but where they do, they may be housed in temporary structures*
- ✓ *They don't need to be registered before they commence operations but may have to obtain operating licenses from the local authorities*

SMALL ENTERPRISES are the ones employing a maximum of 50 people with annual sales turnover a maximum of Ugandan shillings 360 million and total assets of maximum Ugandan shillings 360 million

CHARACTERISTICS OF SMALL ENTERPRISES

Small number of employees. In Ugandan conditions small scale enterprises are those which employ between 5 – 50 people.

Capital employed is small. The amount of capital employed is at times used as a measure of defining small scale enterprises. In Ugandan conditions, organizations with capital employed that ranges between Shs. 5 – 50 million are small scale enterprises.

Annual sales turnover is small. Using sales turnover to define small scale enterprises, in Ugandan condition, Shs. 360 million is an ideal average annual turnover for identification of small scale enterprises.

Type of technology used is simple. Small enterprises tend to have relatively little capital and use limited skills. Therefore, small scale enterprise uses relatively low or simple technology.

Registration/legal form mainly sole proprietorships. Most small scale enterprises operate as sole proprietorships or partnerships. Therefore, they are not registered with the Registrar of Companies.

Temporary premises. Small scale enterprises in Uganda mainly operate in temporary premises. This is majorly due to insufficient funds to construct their own premises.

Energy consumption rate is low. Small scale enterprises have limited range of activities. This makes them consume low amount of energy. This is also due to the fact that they use simple or labour intensive technology.

Land/space occupied is small. Another base for categorization of small scale enterprises is the land acreage occupied by the firms. Small scale enterprises occupy relatively limited space for carrying out their operations.

Volume of production is low. Small scale enterprises are at times classified on the basis of the amount or units of output produced. These enterprises have limited scale of production leading to low quantity of goods or services produced.

E.g small enterprise include Bakeries, shops, millers etc

MEDIUM ENTERPRISES are ones which employ more than 50 people with an annual sales turnover of more than Ugandan shillings 360 million and total assets of more than Ugandans shillings 360 million

CHARACTERISTICS OF MEDIUM ENTERPRISES

- ✓ *They operate from well-established and permanent business premises*
- ✓ *They use advanced technology and produce on the relatively big scale*
- ✓ *They require a lot of capital to be started and such businesses are formally registered as limited liability companies*
- ✓ *The business may be producing for the local as well as export market*

Examples of medium enterprise include Big Bakeries, Milk processing and packing businesses, and coffee hurling factories

FORMAL AND INFORMAL BUSINESSES

FORMAL BUSINESSES are businesses which are registered with the registrar of companies

ADVANTAGES OF FORMAL BUSINESSES

- ✓ *Formal businesses are properly organized*
- ✓ *They are legally recognized*
- ✓ *Formal businesses have a sound base for further research for growth and development unlike*
- ✓ *It is easy to access a loan from financial institutions under formal businesses*

- ✓ *Formal businesses are reliable and permanent hence have easy access to quality resources like raw materials*
- ✓ *Formal businesses comply with social regulations like registration*

DISADVANTAGES OF FORMAL BUSINESS

- ✓ *They have always governed by laws and rules and regulations*
- ✓ *They are not adoptable to changes*
- ✓ *They are not easy to start because of the involved procedural formalities*

INFORMAL BUSINESSES are businesses that are generally not registered though they may have licenses, people with such businesses don't pay taxes nor do they adhere to government regulations, but it's wise to be acquainted with laws and regulations

ADVANTAGES OF INFORMAL BUSINESSES

- ✓ *They are adaptable to changes and they are more flexible.*
- ✓ *They are easy to start so many people can run them on a full time or part time basis*
- ✓ *They require little capital.*
- ✓ *They lead to fast employment generation.*
- ✓ *They are basis for initiating new industries.*
- ✓ *They require simple skills.*
- ✓ *They are charged with less tax.*

DISADVANTAGES

- ✓ *They lack a proper working system and not properly organized.*
- ✓ *They are not legally recognized.*
- ✓ *They do not have clear access to loans by financial institutions.*
- ✓ *They do not comply with social security regulations.*
- ✓ *They produce poor quality goods and services.*
- ✓ *They dodge government taxes some times.*
- ✓ *At times they lack continuity since survival depends on the owner.*

ROLES OF SMALL AND MEDIUM ENTERPRISES IN DEVELOPMENT

- ✓ *Mobilizing and utilizing idle resources. SMEs mobilize resources thus facilitate effective and full resource utilization such as land and labour*
- ✓ *Providing employment opportunities. SMEs are labour intensive, employing more labour per unit of capital than large enterprises. This therefore, implies that SMEs are in position to absorb a large size of the labour force as opposed to large scale enterprises which majorly rely on capital intensive technology.*
- ✓ *Facilitate diversification of the economy. SMEs have facilitated diversification of economic activities and stimulate integration of different economic sectors. This implies that they have both backward and forward linkages.*
- ✓ *Enhance training of local manpower. SMEs act as a training ground of the local manpower and many upcoming indigenous entrepreneurs. In the long run this locally trained manpower is effectively made use of by the large sector.*
- ✓ *Produce commodities that are relatively cheap. SMEs enable people to have access to products that would otherwise not be produced by large scale enterprises. In fact, SMEs form the backbone of the economy due to the fact that they provide an outstanding number of locally manufactured products which benefit the average Ugandan.*
- ✓ *Create forward and backward linkages. SMEs thrive in an atmosphere where they co-exist with large scale business entities which create opportunities through forward and backward linkages. For example, the welding plants get their steel products from the steel manufacturers like Roofing's, Steel and Tube Industries, Tian Tang and others as a source of input/raw materials –*

backward linkage and these manufacturers also buy their final products like windows, doors and others from SMEs hence providing them with market – forward linkage.

- ✓ Promote technological development. SMEs promote indigenous technological knowhow through skill of craftsmanship. They encourage the use and development of simple tools that can further lead to technological development.
- ✓ Provision of goods and services like health units, schools etc
- ✓ Training ground for entrepreneurs. SMEs have been recognized as a seed-bed for indigenous entrepreneurs. It is the SMEs sector which acts as the primary vehicle for entrepreneurs to venture into business. New ideas, skills and innovations are usually introduced into the economy through these enterprises. SMEs act as incubation centres or training grounds for upcoming entrepreneurs.
- ✓ Contribution revenue to the government through paying taxes. The government uses tax revenue to provide economic and social infrastructure in the country.
- ✓ Providing market for the society's products.
- ✓ Participating in the community development programmes e.g providing assistance to charities, welfare facilities etc
- ✓ Providing good security.
- ✓ Providing information for research and study purposes to students and researchers
- ✓ Promoting infrastructural development for example transport network like roads

ADVANTAGES OF SMALL AND MEDIUM ENTERPRISES

- ✓ Help to tap available resources, locally available resources are put to use by these enterprises which reduce resource under – utilization.
- ✓ These is easy decision making. In small and medium enterprises, decision making is easy since there are few people involved in the business.
- ✓ They require relatively less capital to start. Most people in rural areas have small amount of money that cannot start large enterprises
- ✓ They have low operational costs. They don't spend much money on rent, transport and factor in put thus low costs involved.
- ✓ They facilitate flexibility in operation. They are easily transferred from one location to another and output is also easy to vary to demand.
- ✓ Provide employment chances to family members. Most labour employed is family members with few hired experts.
- ✓ Require small market size. Small and medium enterprises produce on small scale and sell affordable quantities customers.
- ✓ There is potential contact with customers. Enterprise owners are directly involved in marketing and selling their products which creates personal contact with customers.

DISADVANTAGES OF SMALL AND MEDIUM ENTERPRISES

- ✓ It's not easy for them to obtain a loan from the Banks like large enterprises since they don't have enough collateral security to use when applying for a loan.
- ✓ They easily collapse as soon as the owners die since the life depends on the owner of the business.
- ✓ Face shortage of skilled manpower to manage the business. In most cases family labour is used which lack required skills and there is no money to employ expertise.
- ✓ They frequently suffer from customers changing tastes and preferences and this impacts negatively on small and medium enterprises.
- ✓ They have shortage of facilities especially for perishable goods due to poor technology.

- ✓ They produce low quality products leading to limited market
- ✓ They don't compete Favourable with big enterprises. Due to the fact that small and medium enterprises do not enjoy economies of scale, they are easily out competed

Reasons for the popularity of small and medium enterprises in Uganda.

- ✓ They are flexible ie can even be located in rural areas
- ✓ They have low operational costs due to fewer workers
- ✓ Require relatively less capital to start
- ✓ Decision making is easy
- ✓ Require shorter / less requirements to start
- ✓ Use idle local resources e.g labour, land etc
- ✓ Ready market for the products in the surroundings
- ✓ Favourable government policy like regards SMEs
- ✓ Require simple technology which is readily available
- ✓ Improved infrastructure e.g feeder roads, mobile phone network.
- ✓ Simple and easy to manage
- ✓ Require simple and basic technology
- ✓ Located near customers / accessibility
- ✓ Require cheaper labour
- ✓ Less legal requirements / formalities to establish
- ✓ Increased awareness about the role / importance of entrepreneurship
- ✓ The increased need to provide employment for the family members
- ✓ Low risks

CHALLENGES FACED BY SMALL AND MEDIUM ENTERPRISES/ REASONS FOR POOR PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES

- ✓ Unsuitable location of business. A lot of importance is attached to the location of the business if the business is to succeed. This is particularly true if the nature of the business product is sensitive to the location of the business as compared to its market. The rate at which small firms are shutting down business simply because they have failed to identify an ideal location is on the increase.
- ✓ Limited market. The existing market for commodities produced by small enterprises is still insufficient. This is mainly because majority of them lack the muscle and competence of challenging already established businesses. Small enterprises usually lack a public image yet publicity is one of the most outstanding mechanisms for business success.
- ✓ Poor management. Ineffective management particularly during their initial stages has a very big adverse effect on customer loyalty, goodwill, employees, suppliers and the brand image of the business.
- ✓ Limited market research. This leads to failure to clearly define and understand your market, your customers and your customers' buying habits
- ✓ Over expansion. This often happens when business owners confuse success with how fast they can expand their business. It also leads to cause of business failure
- ✓ Limited capital. Small enterprises face challenges in raising finance to start up business. They lack collateral to obtain loans from banks, and the loans provided to them by microfinance institutions are small, with a short repayment period and high interest rates. This limits expansion of small enterprises and lowers working capital.
- ✓ Limited skilled personnel to operate some production technologies which forces businesses to hire expensive foreign experts. Those learning on the job produce poor quality goods and at times damage the machines

- ✓ *Low level of technology. The production techniques used by majority of the small enterprises are old fashioned, poor and highly inefficient. This breeds low productivity, poor quality output high operational costs and also production at excess capacity. There is limited research and development in small enterprises and majority of them lack knowledge and information about modern technologies and training opportunities which concern them directly.*
- ✓ *High competition from imported manufactured goods, which are produced by well established businesses often producing on large scale and lower prices*
- ✓ *Unreliable sources of raw materials, which forces some businesses to operate seasonally especially agro – processing businesses*
- ✓ *High taxes. Many entrepreneurs of small enterprises according to research report that high taxes are contributing to the malfunctioning of their businesses. High taxes increase costs of production, lead to high prices which leads to subsequent fall in business sales and profits.*
- ✓ *Inadequate support services like banking, insurance etc. which makes it difficult and expensive to operate their businesses*
- ✓ *Improper product pricing. Owners of small enterprises lack the capacity to determine best prices and they tend to operate at high or low prices in relation to already existing businesses. Those who operate at high prices tend to push away most customers to their competitors and those who under-price their products tend to operate at losses which expose them to greater risks of business failure.*
- ✓ *Poor handling of business customers. No business can afford to survive with dissatisfied customers. A business, whose owner or employees are rude to customers and do not bother to listen to them and attend to their individual needs, cannot take long before it collapse*
- ✓ *Insecurity and hostilities which make it difficult for businesses to operate in some areas for instance Northern and North Eastern Uganda*
- ✓ *Industrial unrest. These are in form of strikes at the workplace which makes operations of business difficult*
- ✓ *Shortage of storage facilities especially for perishable goods*
- ✓ *Limited monitoring and supervision. Lack of effective monitoring and supervision affects the quality of the products from small enterprises. There is absence of regulatory body to reduce competition among small enterprises and set standards or regulations and enforce them.*
- ✓ *Unfavourable economic and monetary policies which make credit scarce, keep interest rates very high and make it very expensive for businesses to operate with borrowed capital*
- ✓ *Choosing a business that is not very profitable. In this case, even if you generate lots of activity, the profits never materialize to the extent necessary to sustain an on – going business*
- ✓ *Under developed infrastructure. One of the most outstanding barriers to business success is the lack of infrastructure and the high costs associated to its development for the administration and location of small enterprises. The poor transport network results into an increase in transport costs. The road network is poor in most parts of the country leading to high operational and transport costs.*
- ✓ *Limited business information. Accurate and adequate information is vital for sound decision making. Small enterprises find it difficult to access such information from different organizations and the market. They lack tailor-made information solutions that is, they do not have access to services that assess, verify and apply information to a specific business problem.*
- ✓ *Poor record keeping. Most owners of small enterprises lack basic business management skills and expertise in keeping books of accounts. Majority of the business persons, therefore, end up losing track of their daily transactions and as a result find it difficult to account for their expenses and*

profits at the end of the trading period. Lack of proper record keeping makes it exceedingly difficult for small businesses to have accurate information on which to base decisions.

- ✓ Lack of planning/improper business feasibility. Majority of small enterprises operate without a formal prepared business plan prior to starting up and worst of all the rest do not plan at all. Since small enterprises lack business plans, they find it difficult to get access to external funding something that adversely affects not only their profitability but sustainability as well.

THE FOLLOWING ARE THE MEASURES TO OVERCOME CHALLENGES FACING SMALL AND MEDIUM ENTERPRISES.

- ✓ By ensuring proper location of the small scale business enterprises in areas where support services, markets and raw materials can easily be access.
- ✓ By undertaking research and development to come up with new products that meet customer needs and beats off competition
- ✓ By ensuring good business management e.g through employing creating a work environment that encourages productivity, hiring competitive people and training them etc
- ✓ By establishing good relationship with customers and ensure that they are always satisfied with their products and cannot be taken away by competitors
- ✓ By undertaking manageable expansion in order to avoid over expansion challenges.
- ✓ By conducting market survey before setting up small scale enterprises in order to ensure proper business location
- ✓ By lobbying market from outside countries to ensure market expansion.
- ✓ By ensuring effective and appropriate advertising media.
- ✓ By ensuring continuous training of worker to ensure provision of quality goods and services.
- ✓ By saving and re-investing their business profits back to the business to ensure that they maintain adequate working capital to run their business operations
- ✓ By soliciting for government assistance and support in terms of tax reduction, holiday and subsidies.
- ✓ By joining business associations to become active member such that they access assistance from them e.g. Uganda Manufactures Association, Uganda small scale industry association.
- ✓ Advertising and promoting their products so that they can attract new customers and keep the old ones

Reasons for Registering a Business:

- ✓ To meet the legal requirements for business registration and be able to obtain the business name.
- ✓ To easily be identified as a legal business entity.
- ✓ To facilitate government planning in terms of subsidization of businesses & pricing of essential products.
- ✓ To enable data collection by the Registrar of companies and UNBS
- ✓ To enable the government check on its policies of regional enterprise distribution.
- ✓ To enable the business be able to access finances from financial institutions.
- ✓ To be recognized by the government and be able to do business with it.

Reasons As To Why Some Businesses Are Unregistered:

- ✓ Lack of information by entrepreneurs about the registration process and benefits.
- ✓ Long procedures associated the registration process which discourages most people.
- ✓ Rampant corruption by the people involved in the registration which discourage most people.

- ✓ Higher costs associated with the registration process threaten most people.
- ✓ Lack of monitoring and supervision of the business by the government is taken as an advantage by some business people.
- ✓ Delays in the issuing of the registration certificates by the registrar make some people to be reactant at registering their businesses.
- ✓ Lack of strict laws to enforce the registration of businesses.

Sample questions

1. (a) Distinguish between small medium enterprises.
(b) What are the characteristics of medium enterprises?
2. (a) Explain the role of small and medium enterprises in promoting developments
(b) What are the advantages of?
 - i. formal business
 - ii. informal business
3. (a) Distinguish between formal and informal businesses
(b) Why are formal businesses preferred to formal businesses?
4. (a) Explain the factors that lead to a difference in the sizes of businesses.
(b) What are the advantages and disadvantages of small and medium enterprises?
5. (a) What are the reasons for the high rate of failure of small and medium enterprises?
(b) Suggest solutions to the high rate of small and medium enterprises in Uganda.
6. (a) Explain the steps followed when commencing business operations.
(b) What challenges are faced by small and medium enterprises in accessing business information in your country?

INSURANCE FOR SMALL AND MEDIUM BUSINESS

is a firm in which individuals/ business that are subjected to certain risks contribute and pay carefully calculated sum of money and from which the unfortunate few who actually suffer loss from stated risks are compensated

TERMS USED IN INSURANCE

Insured. This is a person or company taking out insurance policy in case of loss from stated risk(s)

Insurer. This is the insurance company giving protection to the insured's property. It is the company that receives the premium and guarantees protection to the insured. In Uganda examples include national Insurance Company (NIC), Excel Insurance, Jubilee Insurance, Green Land Insurance, State Wide Insurance Company (SWICO)

Premium. This is the annual contribution made by the insured to the insurer. It forms a pool from which compensation is made to those who suffer losses.

Factors considered by the insurer when determining premium

- ✓ The nature of the property being insured. Delicate and fragile property/ goods to handle e.g. petrol stations attract higher premium than obvious goods.
- ✓ The number of people exposed to the same risk. The bigger the number the lower the premium because the cost is spread than when the number is small.
- ✓ The frequency of the occurrence of the risk being insured. The higher the possibility of occurrence of the risk the higher the premium paid than where the possibility of occurrence is low.
- ✓ Operating expenses of the insurer. Higher administrative costs and rates of claim of compensation attract higher premium than lower administrative operating expenses.
- ✓ The desired profit margin of the insurer. If the insurer aims at making high profit then a higher premium is charged than when the insurer aims at sale maximization.

- ✓ Precautions taken by insured to reduce the risk. Business firms (insured) that take up risk mitigation measures often pay a lower premium than those that do not have in place any measure of risk mitigation /management within their firms. For instance, should two firms wish to insure their firms against fire, the firm that has fire extinguishers in place will pay a lower premium as opposed to the firm that does not have any fire-fighting equipment.
- ✓ Type of policy to be bought. Short term policies mostly attract less premium than long term policies
- ✓ Value of the property to be insured. Expensive good attract higher premium than cheap goods.
- ✓ Age of property. Old articles and items face higher chances of damage hence attract higher premium than new articles
- ✓ Level of incomes in case of life insurance. High income earners are charged higher premium as their beneficiaries have to be given higher compensation than low income earners.

Sum insured. This is the total value of the property which the insured stands to lose in the case of risk happening. It is therefore the value the insurer would compensate the insured in case of loss

Risk. This is the event against which the insured takes up an insurance contract. It is something that can cause financial suffering once it occurs. To protect against risks, an entrepreneur takes out appropriate insurance protection

Factors considered when assessing risks in a business venture.

- ✓ *Nature of the property insured.* The levels of risk in a business depend on the nature of the property insured. For instance should there be a fire outbreak, businesses such as petroleum stations are at a higher risk since they are handling substances which are highly flammable. However, there are low risks for those businesses dealing in less inflammable substances.
- ✓ *Nature of policy to take.* There are insurance policies that are expensive than others. It should be noted that a higher premium is paid for more valuable policies. For example the premium for the policy of aviation is higher than that of motor vehicle policy.
- ✓ *Precautionary measures put in place to minimize the risk.* Business firms (insured) that take up risk mitigation measures often pay a lower premium than those that do not have in place any measure of risk mitigation /management within their firms. For instance, should two firms wish to insure their firms against fire, the firm that has fire extinguishers in place will pay a lower premium as opposed to the firm that does not have any fire-fighting equipment.
- ✓ *Experience and ability of the person assessing the risks.* The person who is involved in promoting and managing the business, should possess the required abilities to be able to assess the likely risks in business.
- ✓ *Viability of the business idea.* This involves assessing whether the chosen or selected business idea would be profitably done in the same area given the available resources, technical skills of staff, competition and others.
- ✓ *Availability of market.* Market is a key factor in success of any business. To assess the degree of risks, it is very important to find out the size of the market for the firm's products. That is whether the people in the area are in need, willing and able to buy the products of the business or not.
- ✓ *Pricing policies and strategies.* This involves finding out whether the prices at which the goods and services produced by the business will be sold, are competitive given the prevailing competition in the market.
- ✓ *Cash flow.* Establishing whether the business will generate enough cash (cash flows) and if not, whether the business will be able to raise cash from other sources to fill the gap, and if so, what the implications will be to the business.
- ✓ *Flexibility of the business.* Finding out whether the business choice that has been made can be easily changed without having any disastrous effects on the resources invested, the image of the business and the entrepreneur. Finding out whether the people whom the business will deal with such as workers, suppliers, customers and competitors are honest and would be reliable.

Types of risks

Insurable risks. These are risks that can be legally insured in case of their occurrence. Such risks include death, fire, machinery breakdown, theft etc. as can be seen, and an entrepreneur can take a reasonable degree control these risks (except death) by taking appropriate measures in and out of his / her business

Non insurable risks. These are risks that cannot be legally insured and in the event of their occurring, the insurance company cannot be legally compelled to compensate examples are wars, political turmoil, floods, lightening etc

Loss. This is the happening of events against which insurance is taken. For instance if one insures his business against fire and it is burnt down, the loss of the business happened

- ✓ *Total loss, this is when the whole property is completely destroyed*
- ✓ *Partial loss, this is only when a part or portion of the property is destroyed*

Pure risks. These are risks that involve only a chance of loss.

Speculative risks. These are risks which can give either a gain or loss

Re insurance. This is when an insurance company which has under taken to compensate another firm or person against a big loss such as destruction of a factory also insures itself against such a big claim with another insurance firm. So that it can ask for contribution when the claim is made.

Over insurance. This is where the insured over states the value of the property when applying for insurance. However he will be required to pay a higher premium but in the event of loss, he will be compensated only the true value

Under insurance. This is when the insured under declares the value of the property and he is charged less premium. However in the event of total loss, he is compensated only the real value insured.

N.B over insurance and under insurance may lead to cancellation of insurance contract

Surrender value. This is the money given back to the insured when he decides to cancel the insurance contract before the period ends. It is the amount of premium refunded to the insured who cancels the insurance contract.

Actuary. This is a professional person or an expert employed by the insurance company who has skills in assessing and calculating premium

Renewals. This consists of effecting the contribution of a contract for a further period. When the insurance contract ends, the insured may apply for another contract. This is referred as renewal of the insurance contract

Pooling of risk. This is where everybody exposed to a risk contributes some money to a common insurance pool from which the few who actually suffer losses will be compensated.

Average close. This term in principle is supposed to prevent the insured from making the profits. From the under insured it requires the insurance company to only pay for the population in % damage for example;

An under writer. This works on behalf of the insurer and his/her work is to assess and analyze the loss of the insured

PRINCIPLES / DOCTRINE OF INSURANCE

Insurable interest. One must insure something in which he has interest such that when the loss occurs, he suffers. He must have an insurable interest in the subject matter of the insurance, which means that

he benefits from its preservation and suffers from its loss. Thus one cannot insure a friend's property since in an event of risk occurring, he will not suffer the financial loss

Utmost good faith (contract of *uberima fides*). This states that the client should disclose/give all relevant the material / information facts relating to the risk being covered. If any information is hidden regarding the item insured, it may be lead to the policy being closed and the paid premium not refunded.

Example – Jacob took a health insurance policy. At the time of taking insurance, he was a smoker and failed to disclose this fact. Later, he got cancer. In such a situation, the Insurance Company will not be liable to bear the financial burden as Jacob concealed important facts.

Subrogation. This principle states that in event of a total loss, after an insurer has fully settled the claim, the insurer acquires the rights that the insured had in the property destroyed. It implies that if any gain can be made out of the loss, such gain now belongs to the insurer. For instance, if a person insured his car against accident and it is later destroyed as a result of an insured risk, he would be entitled to claim the full sum insured or the correct value of the car. If the destroyed car can be sold as scrap, any proceeds of such a sale would belong to the insurance company.

Indemnity. This principle states that no one can get compensation exceeding the actual monetary loss caused by the event insured against. This makes it impossible for people to gain from their misfortunes. Insurance does not aim at benefiting a person but its objective is to compensate a person for what he has lost.

Contribution. This principle states that if a person insures his property with more than one insurance company (Co insurance), In case of a loss each company should pay a certain stated amount of money towards that loss. However the total payments (contribution) from each insurable company should not be more that the value of the property destroyed

Doctrine of Proximate cause. (Proximate cause literally means the 'nearest cause' or 'direct cause'). This principle states that there must be a fairly close connection between the cause of a loss and the actual risks insured against to enable an insured seek compensation. Thus if a person insures his house against burning down by fire but the house is burnt down by lightning, the insured would not be entitled to any compensation as the cause of loss (lightening) is not directly related to the risk (fire)insured against.

INSURANCE AND GAMBLING

Most people have a misconception that insurance is similar to gambling, however, there are quite a number of features that differentiate gambling from insurance and these include
Insurance aims at helping unfortunate / unlucky ones but gambling makes the lucky ones improve their status

Insurance is legally practiced and accepted but gambling practices are illegally accepted

Insurance, the event insured against may or may not happen, however in gambling the stipulated event must happen so as to decide the winner / lucky one

There are some formalities needed when under taking an insurance policy, like documents that have to be filled and signed, this does not happen in gambling

Insurance, one must have an insurable interest in the property he is insuring, however, in gambling, such condition does not exist

In insurance, money (premium) is normally paid in installments until the whole premium is accomplished, however, in gambling it is paid once and taken once

In gambling, all contribute money to the game, but insurance, one party (insured) contributes the money

Insurance is of great help to entrepreneurs since it provides confidence of the property/ business survival, whereas, as gambling is only a loss to the society

Similarities between insurance and gambling

- ✓ *In both cases, many people contribute towards a common pool*
- ✓ *At least two or more members are involved ie in insurance there is insured and the insurer while in gambling there are gamblers*
- ✓ *In both cases, either chance or misfortune determines he who takes money from the pool*
- ✓ *Many people contribute but one or few take the money*
- ✓ *They both involve some element of gaining by either party ie if the risk does happen, the insurer takes all the money while gambling, the winner benefits.*

TYPES OF INSURANCE POLICY

Personal insurance / life assurance. This may involve whole life policy where one pays premium and in an event of death, the insurer pays the beneficiaries of the dead, also an entrepreneur may insure the life of his debtors, such that in the event of death, the insurer will pay him / her amount owed by the customer

Fire insurance. This policy protects an entrepreneur's business against loss arising from fire outbreak, like compensation for the loss of business property and stock. Fire and special peril policy safe guard an entrepreneur against fire damages and the consequential losses arising from it

Theft and burglary. This policy may be taken by an entrepreneur to protect from loss arising out of theft or burglary of the business merchandise, property etc. this means that in the event of loss resulting from theft and burglary, the insurance company compensates the insured

Loss of profits. This policy will insure an entrepreneur against losses arising from operational losses in business operations. In this, an entrepreneur will be compensated to an agreed percentage of the loss suffered

Motor insurance. This will involve taking out a comprehensive motor insurance which would cover the insured's car against fire, accidents, theft etc. this is more preferable, as it offers more protection and more chances of compensation but it is again expensive due to higher premiums paid.

It has the following policies

Motor accident policy. This covers loss due to assurance of motor accidents covers the vehicle only

Motor third party. Covers insured vehicles against claims of the third party who was injured in an accident.

Money at premises or in transit. This is taken out to insure an entrepreneur from the risk of loss, when money is being moved from one place to another, like if one is moving huge sums of money abroad to buy some merchandise, this policy may be taken to protect it as it is in transit

Employers' liability or workmen's compensation. This policy insures against workers who may be injured at the work place, like if a machine breaks an employee's leg accidentally, here the insurer takes the responsibility of compensating the worker but not an entrepreneur / business

Machinery break down and consequential loss. This policy may be taken by an entrepreneur to protect him against loss arising from machine break down and consequential loss, such loss will involve reduction in production and loss in time and such a loss will be covered by the entrepreneur

Marine insurance. This involve marine cargo insurance that protects goods being transported on water by water vessels, it also includes marine hull insurance that covers the ship owner against loss or damage to the vessel and other legal liabilities incurred towards third party and passengers

Main policies can also be categorized into the following

Time policies. Cover a ship or goods being transports for a certain period of time usually 1 year. A ship is insured against damage for that length of time whether it soils or not.

Voyage policies. This covers a ship and cargo being transported for a particular voyage.

Mixed policies. They combine both time and voyage

Floating policies. They cover goods, which are not constant in value against damage. The sum insured is an estimate, which does and depends on value of the commodity.

Aviation insurance. This policy is taken out to protect an entrepreneur against loss arising from personal accidents and cargo damages due to aircraft (by air transport)

Sickness policy. This covers against specified diseases or all forms of curable diseases. The insurer pays further medical bills of the insured and other expenses involved depending on the contract

Endowment policy. This is where payment of premium is made every year but for specified number of years. This policy is meant to benefit the insured after he has retired from his job or during his old days.

Fidelity guarantee. This policy is usually taken by employers who cover themselves against risks of dishonesty of employees who might embezzle funds in business.

Public liability insurance. This covers a business-man against claims the public who certain injuries because of the defective nature of their premises because of activities at the premise negligence.

DOCUMENTS USED IN INSURANCE

Proposal form. This is an application for provided by the insurer requiring his/her details of the property and risk to be insured.

Contents of a proposal form

- ✓ *The applicant's name and address*
- ✓ *The occupation and location of the applicant*
- ✓ *The age of the applicant*
- ✓ *Name and the insurer*
- ✓ *The risk to be insured*
- ✓ *The policy to be bought*
- ✓ *The sum insured*
- ✓ *First insurance or last insurance*

- ✓ *Any precautions taken against the risk*
- ✓ *The signature of the applicant*
- ✓ *The declaration of the applicant that the information disclosed is true*
- ✓ *Any other relevant facts about the property insured.*

Claim form. This is a form that an insured fills and presents to the insurer in an event of a loss happening, it shows details of the loss

Cover note. Is a proof that premium has been paid to and accepted by the insured who undertakes to indemnify or compensate the insured.

THE INSURANCE POLICY/ CONTRACT

Insurance contract is a document that states the relationship between the insurer and the insured.

Purpose of insurance policy to the insured

- ✓ *To aid compensation of the insured in case of occurrence of the risk insured against*
- ✓ *To act as evidence of insurance contract between the insured and the insurer*
- ✓ *To provide collateral security to the entrepreneur ie the premiums*
- ✓ *To promote individual responsibility of the insured by fulfilling contractual obligations*
- ✓ *To encourage a saving culture among entrepreneurs*
- ✓ *To enable undertaking of risks in business by entrepreneurs*

BASIC STEPS IN TAKING UP AN INSURANCE POLICY

Inquiring about the best insurance company. This is the act of finding out the best company for insuring the property of a person / business. It takes place after developing an idea of insuring something. An inquiry can be done by the would be insured either through approaching different insurers or through approaching middlemen i.e brokers and agents.

Deciding on which insurance company and type to get along with

Checking the budget and deciding on the money to pay for insurance

Filling and signing an insurance application form called a proposal form. It includes the names of the applicant, location and address, insurance policy and any other relevant information.

Calculating of premiums. Basing on the information given in the proposal form, nature of the risk to be insured, value of the property and duration to be paid by the entrepreneur.

Issuing an insurance policy. Depending on the policies of the insurance company, a month after payment of the first premiums an insurance policy will be issued. This is a document that represents a contract between the insured and the insurer in respect to their insurance arrangement

Filling a claim form. This principle of proximate cause will be used here. This gives full details of loss which must be correct. The basic claim form has be filled and submitted by the insured, the insurer then assesses the extent of the loss. On receipt of the survey report, insurer pays due to compensation.

Surveying of damaged property. The insurance company after receiving the claim form may arrange for the survey of the property in order to assess the extent of the loss. The company sends loss assessors who prepare a survey report and submit it to the insurer.

Payment / compensation imply the end or termination of the insurance contract. If the person desires fresh protection to be arranged, a similar procedure will be followed to get fresh insurance cover.

Procedure for claiming compensation from an insurance company

- ✓ *Notifying the insurer of the loss by presenting a police report*
- ✓ *Filling a claim form, showing full details of the loss*
- ✓ *Surveying of the damaged property by the assessor who is sent by the insured to determine the loss of the insured*
- ✓ *Terminating of the insurance policy upon compensation of the insured by the insurer on receipt of the survey report from the assessor.*

Circumstances under which an insurance policy may be terminated

- ✓ *In case of expiry of the insurance period ie lapse of time*
- ✓ *When compensation has been made ie by performance*
- ✓ *In case of an agreement between the insurer and the insured*
- ✓ *In case one fails to display utmost good faith at the time of taking out insurance.*

- ✓ If there is breach of contract e.g failing to pay the premium on agreed time
- ✓ In case of operation of law ie court action
- ✓ In case of destruction of the subject matter
- ✓ In case of frustration ie death, insanity etc

BENEFITS AND IMPORTANCE OF INSURANCE TO A BUSINESS

- ✓ Encourages saving of money. Insurance allows entrepreneurs to save money that is needed to cater for the unexpected emergencies, a case of life insurance.
- ✓ Promotes international trade. Insurance promotes foreign trade since importers and exporters take up appropriate insurance cover against cargo in transit.
- ✓ Creates confidence in running the business. Insurance creates a sense of confidence among business people as they conduct trade or undertake risky ventures without any fear of loss.
- ✓ Protects fixed assets of the business. Insurance provides cover against fixed assets of the business such as premises, vehicles, factory, machines and others. Also the property of the business community is securely safeguarded against all risks.
- ✓ Compensates business owners for the loss suffered. Insurance restores unfortunate business people to their financial position prior to occurrence of losses from insured risks.
- ✓ Accessing loans using insurance policies. Insurance policies can be used as collateral or security for accessing loans from lending institutions. Insurance companies also provide their clients and the business community at large with loans.
- ✓ Continuity of business operations. The business community is assured of continuity in its operations even after occurrence of unexpected emergencies with the presence of insurance.
- ✓ Educating the business community about business risks. Insurance companies sensitize and educate the traders about possible insurable risks in business.
- ✓ Provides a safety mechanism against negative events. Micro insurance provides a safety mechanism against negative events and it is particularly useful for poor families and small scale enterprises where the nature of the activity and the return periods expose the enterprises to greater risks.
- ✓ Easy to establish a pool of trustees. Insurance companies act as trustees for most of their clients including entrepreneurs. They have legal control of money or property that is kept or invested for another person, company or organization.
- ✓ Customers increase their trust in the business as a result of the assurance in his business continuity
- ✓ Insurance companies pay taxes and therefore raise government revenue used for national development

Responsibilities of insurance companies to the business community

- Reduction of costs like workman's compensation, public liability policy.
- Promoting trade (international trade) by issuing policy covering goods in transit
- Ensuring continuity of business by giving compensation
- Safeguarding property of business men against all risks
- Acting as trustees for the businessmen by looking after the property of deceased
- Enabling business people to save money that can be used to cover emergencies
- Compensation in case of loss
- Providing insurance policies which are used as collateral security to acquire loans
- Encouraging investment confidence in the business community
- Educating the business community like campaigns on safety and health care.

CHALLENGES FACING THE INSURANCE INDUSTRY IN UGANDA

The majority of the people in Uganda are peasants and therefore poor. They do not have property worth insurable

Many people are not well sensitized or enlightened about insurance. They are ignorant and are not willing to undertake insurance. They think insurance is wastage of money

Loss of trust among people in insurance business. Some insurance companies are reluctant to compensate the insured and others take long to settle the insured claim

Inflation has affected the insurance business because of increasing prices of goods and services. Inflation therefore increases the operational expenses of the insurance company and hence lowers the profits

Insurance companies are not widely spread throughout the country. They are only found in urban centers

Many businesses in Uganda operate on small scale and hence there is no need for insurance for example a hawker of ground nuts

Many insurance companies are still small and have limited capital expansion

There is excessive competition among the insurance companies such that some companies do not have clients and cannot make profits

Insurance companies are charged with high taxes by the government

Political instability may affect the insurance industry

FAMILY AND BUSINESS

It is important to realize that the presence of father, mother and children, brothers and sisters, uncles and nieces and other distant relatives in a business and managing their emotions in the course of making business decisions, requires well thought out managerial techniques or styles and strategies.

Just as they are a bottleneck in the progress of the business at times, they are also an important ingredient upon which a small enterprise has influence.

FACTORS THAT NECESSITATE GOOD RELATIONSHIP BETWEEN FAMILY AND BUSINESS

There must be a close tie between the family and business due to the following factors:

Joint family funding : some family members tend to pool resources together to start an enterprise and thus they do have a say on the operations of the business and influence decisions, e.g. on the way the business runs, the type of people to be involved in business, the type of goods to be produced or services to be provided, etc.

Inheritance: some enterprises are inherited and passed from one generation to another, so in such ventures the business entity is seen as the family's property as a whole and this becomes a family business.

Fear of hired management: In most cases, due to ignorance of business management, some family owners tend to fear "hired" management, having a view that an outsider will steal and embezzle hence resort to family management in a way to reduce and protect family property and thus ending up delegating and disturbing responsibilities of the business between different family members, irrespective of whether they have the ability, know how or required experience.

Source of employment for family labour: Family business is regarded as the main employer of the family labour due to the internalized perception that they are more secure and materially more rewarding.

However, this has turned out to be the opposite as some members may resist progress due to vested interests in the business, others deliberately violate business rules and become undisciplined.

Managerial decision making: Major managerial decisions are the most complicated in an organisation; small scale enterprises need effective planning, implementation and evaluation. All managerial tasks (planning, supervising, directing, controlling, etc) which are performed consistently in big organisations, need also to be performed in the small enterprise, this necessitates full and total commitment of all family members in order to have smooth flow of the enterprise activities.

CHALLENGES ASSOCIATED WITH FAMILY BUSINESS.

- *Decision making is not easy, as members may fail to agree over a particular decision due to differences in their individual perceptions, for instance if the owner-manager wants to take an important financial decision like buying a new technology to increase efficiency and the proposal is turned down by others on the basis that the spending is regarded as extravagance rather than investment.*
- *The succession of the enterprise; this is very complicated especially where it is not clearly spelt out, if the original owner dies, it may not be easy to determine the person to take over the business.*
- *Difficulty in allocating responsibilities and delegating as members would always feel as if they are undermined which may retard the growth of the enterprise, as productive plans will always be turned down by members themselves.*
- *High rates of indiscipline cases among family members when conducting business operations, most members may decide to act stubbornly when doing business work, also acting contrary to set guidelines, due to lack of fear of any legal consequence, since it is a family “thing” / business.*
- *Difficulty in allocating appropriate remuneration among themselves, some members may wish to be given attractive packages which may not be corresponding with their productivity / value in the enterprise like an elder would wish to attain a higher pay even if he does not contribute anything to the productivity of the enterprise.*
- *Emotions. Usually family problems like divorce, separations, health or financial problems create difficulties for family members which end up affecting the business.*
- *Informality. Absence of clear policies and business norms for family members.*
- *Tunnel vision. The challenge of limited outside opinions and diversity on how to operate the business.*
- *The challenge of compensating family members’ dividends, salaries, benefits and compensation for non-participating family members are not clearly defined and justified.*
- *Role confusion. The roles and responsibilities of each member are not clearly defined. This often results into overlapping of functions.*
- *Poor managerial skills due to hiring of family members who are not qualified or lack skills and abilities for the business. In addition, there is also inability to fire them even when it is clear they are not working out.*
- *High turnover of non-family members. This normally happens when employees feel that the family “Mafia” will always advance over outsiders and when employees realize that management is incompetent.*
- *Absence of retirement and estate planning to cover the necessities and realities of older members and when they leave the company.*
- *Limited training, no clear information relating to goals expectations and obligations of position.*
- *Communication challenge. This results from role confusion, emotions, fear, envy, anger etc, all of which result into political divisions and other relationship problems.*
- *Variations in visions. Each member has a different vision for the business and different goals.*

- *Centralized control system. Control is centralized and influenced by tradition instead of good management practices*

SUGGESTIONS TO OVERCOME CHALLENGES ASSOCIATED WITH FAMILY BUSINESS.

- *Persuading members of the family and showing the rationale in hiring a professional manager from outside the family circle`*
- *Spelling out concisely and clearly the specific roles and functions that are to be performed by every member of the family in terms of specific lines of authority and responsibilities*
- *Advising and convincing the family members to register the enterprise and have it operate as a company with a legal identity rather than physical human identity*
- *Ensuring informal counselling and guidance services to the members of the family enterprise who seem to behave “stubbornly” contrary to the agreement guidelines which have been set by the family members*
- *Inviting experts in the field of management, law, finance or technical in case there are controversial issues so as to help clarify issues and assure the members of the family enterprise at the controversial issue was healthy or unhealthy for the enterprise*
- *Ensuring that remunerative packages are tied to the types of work individuals perform while at the same time keeping pace with those of similar enterprises within the locality*
- *Keeping track of exchanging information with other firms on various issues like marketing, sources of raw materials, expansion plans etc*

IMPORTANCE OF FAMILY SAVINGS IN ESTABLISHING S.M.E

Family saving is one of the major sources of capital for starting a small and medium enterprise. Particularly, family savings are useful in the following ways

- *They are used for paying for business license*
- *They are used in renting for the building*
- *They are used to buy tools, machinery, equipment and furniture*
- *They are used in purchasing of raw materials or finished goods from other shops to be sold at higher a price for profit*

Sample questions

- Explain the factors that necessitate relationship between family and business*
- State the challenges facing family business*
- Suggest possible measures to overcome challenges associated with family business.*

BUSINESS CONTRACTS

A business contract is a legally binding agreement between two or more parties that is enforceable by the law

OR

A contract is an agreement or promise between two or more persons by which rights acquired by one party to act on the party of the other parties that is legally binding or enforceable by law.

PARTIES TO A CONTRACT

For a contract to exist there must be legal persons or entities with common interest (who have interest in it) such persons are referred to as parties to a contract

These parties have the legal capacity to enter into a contract, for instance adult persons, registered business like co-operatives, limited liability companies

However, some group of persons or business cannot legally binding contracts for instance.

- ✓ *A minor or person who is under the age of 18 years cannot enter into a valid contract*
- ✓ *A person of unsound mind cannot enter into a valid contract which he or she is in that state or unsound mind*
- ✓ *A drunkard cannot enter into a legal contract while he or she is in that state of Drunkardness*
- ✓ *Un – incorporated / unregistered businesses like partnership, sole proprietorship, cannot enter into a valid contract (in their capacities as business entities) may be their owners can do it on their behalf.*

TYPES OF CONTRACTS

1. *Oral contracts, these are also referred to as a gentle man's agreement where parties agree to deal with each other without writing down anything. The law does not easily enforce such a type of a contract as there is nowhere to refer to on what was agreed upon*
2. *Written contracts. These are written down and signed by both parties and witnessed by a third party. Examples of such contracts may include, sales agreement, appointment letters etc. such a law is easily enforceable by law.*

ESSENTIALS OF VALID CONTRACT

- i. *The Offer. These are terms and conditions set by one party to the contract to the other as being his or her dealing position. It refers to the proposal made by the offeror on certain terms together with a promise to be bound by the proposal if the offeree accepts the stated terms.*
- ii. *Acceptance. This refers to the positive response to an offer. This is the agreeing to the terms and conditions set by the other party to whom the offer was made.*
- iii. *The Lawful Consideration. This refers to the price paid by one party for the promise of the other but in monetary terms i.e a contract is not legally binding unless it is supported by considerations (money). For example, if Opio enters into a contract to supply beer to Okello at Uganda shs 15,000 per crate, the shs 15,000 is the monetary consideration.*

Note. An agreement is legally enforceable only when each of the parties to it gives something and gets something. That something given or obtained is the price for the promise, and it is called consideration.

- iv. *The capacity of parties. The capacity of parties to an agreement must be competent enough to contract, otherwise it cannot be enforced by court of law, in order to be competent to contract, and the parties must be of the age of majority and of sound mind.*

Note. If any of the parties to the agreement suffers from minority, lunacy, Drunkard-ness etc. the agreement is not enforceable by law, except in some special cases.

- v. *Free Consent. This means that, both the concerned parties must agree on the same thing in the sense freely without any undue influence, fraud, misrepresentation or mistake.*
- vi. *Lawful object. A valid contract relates to legal transaction. The product or object to be offered should not be illegal, fraudulent, or opposed to public like prostitution, gambling, corruption. Etc.*
- vii. *Intention to create a legal relationship. There must be an intension among the parties that the agreement be attached be legal obligation. Agreements of social or domestic nature do not contemplate legal relations.*

And as such, they do not give rise to a contract. For instance agreements between husbands and wife also lack the intentions to create legal relations and hence do not result into legal contracts.

- viii. *Possibility of performance.* To be a valid contract, the activity must be possible to be performed legally and physically. If an act is impossible in itself physically or legally, the agreement cannot be enforceable by law.
- ix. *Certainty.* The terms and conditions of a contract must be clear, defined and where possible measurable.
- x. *Independent Witness.* Valid contract should be witnessed by an independent party with no any interest of transaction.
- xi. *Form.* A valid contract must be put in writing for easy reference in case of any misunderstanding. It should appear in black and white.

TERMS AND CONDITIONS OF A CONTRACT

Terms and conditions of a contract refer to the ways the parties to the contract have agreed to deal with each other in their contract.

Before a contract is concluded each of the parties make statements that are meant to induce the other party to enter into a contract. These statements turn out to be known as representations

When such statements turn out to be false, they are known as misrepresentations and such statements can lead to a contract become invalid, void or voidable

When the parties to the contract are bargaining and agreeing to deal with each other, they set themselves measures at which they have to deal with each other. These terms normally relate to transaction itself and they may include the following.

- ✓ *Description of the nature of goods and services (offer) that will be involved in the contract*
- ✓ *The price / consideration at which the goods and services are to be exchanged.*
- ✓ *The quality of goods and services involved in the agreement*
- ✓ *The lead time of the supplier*
- ✓ *The frequency at which the goods are to be supplied*
- ✓ *The time of delivery of goods and provision of services*
- ✓ *The place where the goods should be delivered*
- ✓ *The mode of delivery of goods*
- ✓ *The terms and conditions of payment for the offer (goods and services) i.e on cash basis, credit basis, installment payment or payment in kind.*
- ✓ *The credit period that shall be allowed*
- ✓ *The place where payment shall be made*
- ✓ *Benefits to the buyer if any such as discounts*
- ✓ *Other costs if any like insurance, transport etc*
- ✓ *The procedure and method of settling disagreements / conflicts in case they arise*
- ✓ *The conditions under which the contract may be terminated*

IMPLICATIONS OF A CONTRACT

When a contract is being made, the intention to create a legal relationship is an essential element in such a contract; this is an implication that any contract made between the parties must have an intention to create legal relationship. So any contract that is devoided of this is illegal

A contract is an agreement enforceable ie when parties enter into it as they create obligations which each of them is expected to observe by due performance. This implies that if any parties fail to carry out his / her obligation, he is said to be in breach of the contract and there are set remedies which the law makes available to the innocent party.

The terms of contract are in most cases agreed upon by the parties themselves. However, for certain contracts, especially those involving sale of goods, the following terms are implied by law

- ✓ There is legal relationship between the parties to contract ie the seller and the buyer.
- ✓ Business operations are legally binding and must be observed according to the requirements of law.
- ✓ The contract has to be accomplished in the stated period of time.
- ✓ Breach of any clause will lead to undesirable consequences to the party violating the contract
- ✓ Both parties to the contract have the obligation to work hard to fulfill what is spelt in the contract
- ✓ If one of the parties to contract fails to perform in accordance to what was agreed upon, the aggrieved party may seek through courts of law solutions for the loss suffered. Therefore, parties to the contracts always consult and be advised on the contracts before they sign them.

DISCHARGE OR TERMINATION OF A CONTRACT

This refers to the disagreement of the parties from their contractual obligation created by the contract. Its effects are to relieve the parties of any further responsibility imposed on them by the contract. A contract may be discharged through any of the following ways.

By performance. If the contract is fulfilled as per the agreed terms and conditions. A contract is discharged when each party to it performed to the full satisfaction of the other in accordance with the agreed terms and conditions.

By frustration. This refers to the conditions that render the performance of a contract impossible. For instance war outbreak, which creates hostile environment government intervention, may also lead to a contract to an end, nonoccurrence of an event ie some contracts may be on certain events.

E.g if it rains, so failure of such an event to occur automatically terminates the contract, so failure of such an event to occur automatically terminates the contract

By breach of the contract, it occurs when one of the parties fails to perform his/her obligation in accordance with the contract. It can be partial or total breach.

Partial breach is where only one part of the agreement had been fulfilled while *total breach* means that no part of the agreement has been fulfilled. The contract can hence be terminated by the parties involved or the aggrieved party can go to court to seek termination and remedy as may be determined by court.

By operation of the law ie if there is lapse of time, bankruptcy of one or both of the concerned parties, then a contract may come to an end or may be discharged.

Destruction of the subject matter. When the subject matter of the contract is destroyed and ceases to exist, the contract is terminated since it has no basis. For example if A agrees to sell his car to B in a week time and after a day, it catches fire, then the contract is terminated as the subject matter is destroyed by fire.

By rescission. A rescission of a contract is when a contract is terminated because and individual misrepresented themselves, acted illegally or made a mistake. For example if you bought a house but after further inspection you discover that the seller intentionally hid the poor physical condition of the home you possible terminated the contract.

CONDITIONS UNDER WHICH A CONTRACT MAY BE TERMINATED

- ✓ When parties involved agree to terminate the contract.
- ✓ When there is a breach of a contract. An agreement may come to an end if either of the parties fails or refuses to perform according to agreed terms and conditions of the contract.
- ✓ When the transactions involved declared illegal.

- ✓ When one of the parties of the contract ceases to be a legal entity. E.g. when the person becomes insane.
- ✓ When the time of duration of a contract expires.
- ✓ When one of the parties declared bankrupt.
- ✓ When there is misrepresentation. i.e when there are false statements within the terms and conditions of the contract
- ✓ When there is death of one of the parties.
- ✓ In case of frustration. I.e performance of the contract impossible. E.g. government intervention, non-occurrence of the events etc.
- ✓ When one of the parties found to be minor.
- ✓ In case there is operation bylaw. ie conditions of law may terminate it.
- ✓ In case of performance. After the obligations of the contract are fulfilled by both parties.

Importance of business contracts

- i. It promotes a legal relationship among the concerned parties. It protects an entrepreneur from untrustworthy customers or business partners
- ii. It promotes production of quality products. This is because quality requirements are always specified in a contract.
- iii. It promotes confidence that may arise due to lack of integrity and trust worthy
- iv. It enables business to run with a high degree of certainty incase terms and condition are well defined.
- v. It promotes hard working. This is because concerned parties always work hard in order to fulfill the legal obligations and promise.
- vi. It controls possible future misunderstandings among the concerned parties.

Sample questions

Question 1

- a) What is meant by the term business contract?
- b) Describe the essentials of a valid contract.

Question 2

- a) Outline the importance of business contracts.
- b) Under what circumstance may contract be terminated?

Question 3

- a) Explain the factors considered when designing a contract.
- b) State the implications of a valid contract.

End

GENDER AND ENTREPRENEURSHIP

BASIC TERMINOLOGIES USED IN GENDER

- ✓ **Gender:** refers to the way in which males and females are differentiated and ordered in a given social- cultural system.
- ✓ **Sex:** This shows the biological differences between women and men, it is a self-evident biological reality of differences between a male and a female.
- ✓ **Culture:** This refers to more permanent rules or ways of behaving and thinking of people in a given community.
- ✓ **Society:** This is an organized body of people connected by a set of common goals, who tend to share common beliefs, attitudes and modes of action within a given social / political boundary.

- ✓ *Division of labour.* Refers to where each person does a small task in the process of producing a good or service. There is a lot of discrimination in the labour market against women and in most cases are put in subordinate positions.
- ✓ *Access:* This refers to means or right to obtain services, products or commodities.
- ✓ *Conscientisation:* This is the process of becoming aware of the extent to which problems arise not so much from an individual's inadequacies, but rather from the system discrimination against a social group which put all group members at a disadvantage.
- ✓ *Empowerment:* This is the process by which people take control and action in order to overcome obstacles.
- ✓ *Gender stereotyping:* This is the constant portrayal, in the media or in books or journals, of women and men occupying social roles according to the traditional system of gender discrimination.
- ✓ *Patriarchy:* This is the male domination of ownership and control, at all levels in society, which maintains and operates the system of gender discrimination.
- ✓ *Patriarchial resistance:* This refers to the various ways the Patriarchial authority / government will try to stop or resist women's collective action for an equal share in decision making and equal control of the distribution of resources.
- ✓ *Gender Identity:* This is the subjective awareness that one is a member of the male or female sex with the consequence that one conforms to culturally determined expectations of appropriate masculine or feminist behaviour.

GENDER PARTNERSHIP IN ENTREPRENEURSHIP DEVELOPMENT

A partnership is the agreement between two or more equally recognized individuals or organizations engage in a task.

Gender partnership refers to the idea of men (with all their attributes) working harmoniously with women as joint partners.

Reasons why there is need to promote gender partnership.

- ✓ *To increase the abilities of women to participate in the labour force.*
- ✓ *To promote the development of women entrepreneurs.*
- ✓ *To promote employment for women as a strategy for poverty reduction.*
- ✓ *To increase the numbers, sustainability and success of women entrepreneurs in the informal and formal economy.*
- ✓ *To eliminate threats of exploitations or victimization.*
- ✓ *To ensure that each member is justly rewarded for his or her service.*

FACTORS THAT ENHANCE / PROMOTE GENDER PARTNERSHIP IN SOCIETY

Gender equality is a prerequisite to meaningful gender partnership. But the gender equality advocated for in this discussion is not the type of equality that wants to see everybody is the same, rather it is the equality that wants to see everybody given the same opportunities and ensures that basic rights and obligations are similar for all groups so that nobody feels, or is treated as, more or less worthy than others. This is the basis for true and effective gender partnership. In such a partnership:

- *Each member is justly rewarded for his or her services*
- *There are no threats of exploitation or victimization*
- *Participants are aware of their own membership and that of the others.*
- *Each member gets satisfaction from participating in any activities taking place.*
- *There is a two-way communication between members involved.*

- Each member strives to communicate his/her feelings and ideas as clearly and accurately as possible.
- The development of each member is enhanced by other group members.
- Each member has a sense of identity and belonging to partners.

GENDER MYTHS / GENDER STEREO TYPES

Gender myths are fictitious beliefs that are related to gender and gender stereo types are fixed mental impressions that are related to gender. These are misleading or fallacious beliefs concerning the gender concept. These myths include the following:

- Girls are less capable and less able in the fields of science and technology.
- Girls are to supposed to eat chicken
- Girls are weaker and irresponsible than boys in science studies
- Educated girls fail to get future partners for marriage
- Women cannot lead men
- Women are not to be involved in decision making
- Child care in for women
- Women don't ride bicycles
- Women are lenient to negotiate for profitable deals.
- Women can't be stable in business

Gender relations. Refer to social relations found in all different spheres of society and produced by actions, ideas and disclosure of individuals and groups.

Factors affecting women participation in entrepreneurship in Uganda

- *Level of income. Low income levels among women discourage their involvement in business while high income levels promote entrepreneurship by women limited women participation.*
- *Political climate. Political insecurity in some parts of the country (north) has limited women participation in business while political stability promotes investment / business.*
- *Level of education. Low levels of education among women lead to low entrepreneurship participation as compared to high education levels*
- *Availability of women role models. Existence of role models like Sylvia Awori , Maggie Kigozi has encouraged women participation in the country as compared to the absence;*
- *Marriage age. Early marriage in Uganda has led to low levels of women participation in number of business and vice versa*
- *Nature of labour market. Discriminatory labour market practices have limited the number of women in business.*
- *Level of sensitization. Women sensitization about importance of business promote their participation while absence of such leads to low levels of women participation in business.*
- *Martial responsibilities. Married women tend to have a lot of responsibilities limiting their participation in business unlike the singles*
- *Government policy regarding women participation in entrepreneurship. Favourable government policy regarding women participation in business promotes their participation and vice versa*
- *Level of demands of the girl child. Double demand on girls I.e the traditional and school learning limit their participation in business.*
- *Nature business occupation. Very risky occupations like mining discourage women from participating in entrepreneurship as compared to less risky occupation.*

- *Availability of childcare facilities women attitude towards business. Women with access to child care facilities participate more in entrepreneurship than those with limited or no access such facilities.*
- *Women attitude towards entrepreneurship and business. Women with a positive attitude towards business participate more than those with negative attitude.*

BARRIERS TO WOMEN PARTICIPATION IN ENTREPRENEURSHIP

- *Parent perception of cost/benefits of educating girls, especially low income families.*
- *Female seclusion practices and early marriages. Most girls marry at an early age which occupies then in household work limiting their participation in entrepreneurship.*
- *The relegation of women to the home following colonization associated with the training of men for assistant administration roles and the clergy.*
- *The double demand on girls - traditional and school learning activities.*
- *Discriminatory labour market practices leading to low-paid, low status work for women.*
- *Poor facilities including teacher supply, teacher quality and equipment.*
- *The nature of science occupations which are not easily combined with child rearing and child care.*
- *Limited women role models and career guidance. In society there are few successful women act as role models for other women.*
- *Inappropriate education system. There are poor facilities like limited teachers supply, instructional materials which disfavor women in training for entrepreneurship.*
- *The masculine image of science projected in textbooks and the media and popular assumptions*
- *Political insecurity / instability*
- *High levels of domestic violence.*
- *High risky occupation disfavor females. Some occupations cannot easily be done given child bearing and care by women.*
- *Negative women attitude towards entrepreneurship and business*
- *Unfavorable government policy in regard to women participation in entrepreneurship e.g high taxes.*

Solutions to women participation in entrepreneurship

- *Raising general awareness of issues and modification of socialization patterns.*
- *Providing equal educational facilities for girls and boys.*
- *Give special incentives to girls to encourage them to study science subjects.*
- *Availing job opportunities for women combining flexible work patterns and child care Facilities*
- *Developing career counselling sensitive to girls' needs and make visible the existing, successful women in science to serve as role models.*
- *Upgrading science school facilities and adequately train sufficient and efficient teachers.*
- *Combining all science needs with the special needs of rural women and girls.*
- *Employers have to recognize the abilities / talents of girls to avoid skill shortages from exclusively one half of the population - the male half.*
- *Stop encouraging only girls to do home economics and only boys to do workshop technology.*
- *In secondary education, discourage the habits of girls choosing subjects related to home and person care and boys taking technical subjects like physics and chemistry.*

Ways to reduce gender imbalance in accessing education and entrepreneurship

- *Raising general awareness of issues and modification of socialization patterns. It involves community sensitization about equal opportunities for men and women in entrepreneurship.*

- *Stopping subject bias on sex. There is need to encourage girls not only to take home economics but also technical courses.*
- *Encouraging girls to take science subjects. Girls need to take subjects like physics, chemistry and business related subjects*
- *Avoiding discrimination in the labour market. Women and men need to have equal treatment in the labour market when awarding opportunities.*
- *Providing equal educational facilities for girls and boys. This helps to solve labour shortage and equips girls with required skills.*
- *Giving special incentives to women education. Special consideration for girls like free 1.5 points to university added helps to encourage them stay in school and take science and entrepreneurship courses.*
- *Giving flexible work terms and conditions to women. These include sick leave, maternity leave etc.*

Guidelines for enhancing gender equality

- ✓ *There shall be employing both male and female employees*
- ✓ *There shall be carrying out rotation of duties among men and women*
- ✓ *There shall be giving equal payment to both male and female employees*
- ✓ *There shall be giving chance to all employees to express their views.*
- ✓ *All workers both male and female shall be given equal opportunities*
- ✓ *All male and female workers shall be involved in decision making*
- ✓ *There shall be assigning similar duties to both sexes*
- ✓ *There shall be giving equal rights to both male and female employees*
- ✓ *Both female and male shall be involved in decision making*
- ✓ *Both female and male shall have equal promotion at place of work*
- ✓ *Good working conditions that favour both male and female workers shall be provided for instance transport facilities for employees to and from work*

Sample questions

Question 1

- Explain the barriers to women participation in entrepreneurship and Science*
- Suggest the ways to redress gender imbalance in participating in entrepreneurship and accessing science education.*
- Explain the ways through which gender equality can be promoted*

END

BUSINESS PLANNING

Planning is the decision making ie deciding what to do, how to do it and when to do it. Ie determining the future course of action.

Business planning is an activity that involves the organisation mention and follows up the different business activities right from the beginning of the business.

A business plan is written document that summaries the operational and financial objectives of a business and contains the detailed plans and budget showing how the objectives are to be realized.

TYPES OF BUSINESS PLAN

1. Formal business plan. A formal business plan is a detailed document that usually follows a standard format. They are necessary for securing outside funding for a business.

2. *Informal business plan.* This is a planning tool for the business which is not presented to other people/ organisations. They are merely a planning tool for the business owner.

RATIONALE FOR WRITING A BUSINESS PLAN (OBJECTIVES, AIMS AND PURPOSE)

To test the feasibility of the business idea. Writing a business plan enables the entrepreneur to establish whether or not an idea for starting a business is feasible other than going out and doing it

To give the business the best possible chance of success. Business planning encourages the entrepreneur to pay attention to both the broad operational and financial objectives of his new business and the detailed such as budgeting and marketing planning

To secure funding such as bank loans. Having a business plan gives an entrepreneur a much better chance of getting the money he needs to keep operating or to expand

To attract investors. A solid business plan enables an entrepreneur to attract investors. Investors normally need a well written document they can take away and study before they make any investment commitment

To make business planning manageable and effective. A business plan is not only good to starting business but also important for established ones

To monitor the performance of the business overtime

In order to calculate and pay the exact amount of tax to the government

To develop a timetable for implementation of various business activities in a sequenced way

IMPORTANCE OF PREPARING A BUSINESS PLAN

It helps in adequate preparation for the business; it encourages an entrepreneur to think through his business thoroughly in order to prepare for identified sensitive areas which will need more attention

It helps an entrepreneur in defining specific goals and objectives which serves as a bench mark to measure the progress of the business in implementing the plan

It facilitates business monitoring based on the set goals and objectives as a standard of measurement such that any deviation from the set plans can be detected from and corrected in time

It encourages an entrepreneur to be and remain focused by thinking about the business he/she is in now and business he wants to have in future

It acts a time table for implementing business activities in a logical manner

A business plan helps an entrepreneur in accessing financial assistance from the lenders, it is through the business plan that lenders will determine whether to fund the project or not and how much it will inject in

It eases the work of an entrepreneur as his employees will use it to know the business objectives or targets in terms of production, profitability, it will also clearly state their duties and responsibilities plus their related remuneration

It facilitates easy decision making as it clearly spells out the expected cash inflows and outflows of the designed business

It shows the feasibility and viability of the business thereby enabling an entrepreneur to determine whether to carry on with the opportunity or try other business alternatives

Enables the government and local tax authority to determine the tax revenue to be paid by the business and likely effects of the business to the environment

Steps involved in preparing a business plan

- ✓ *Selecting a business opportunity or type of business to engage in. this involves scanning the environment to generate many business ideas to choose from.*
- ✓ *Conducting market survey for the selected type of business. This involves checking whether the entrepreneur's chosen business idea can be developed into a profitable business in terms of fulfilling the market needs.*
- ✓ *Collecting all the relevant data concerning the different aspects of business and establish the costs of different items like machinery and equipment, raw materials, transport etc.*
- ✓ *Drafting the business plan to be discussed with experienced people. This business plan enables the entrepreneur to know how the business will be organized, establish the amount of money needed to start and run the business before starting it.*
- ✓ *Discussing the drafted business plan with technical / knowledgeable or experienced people in similar business.*
- ✓ *Making a final business planning after having discussion with knowledgeable people.*
- ✓ *Finalizing the business planning process by preparing an action plan for implementation of the planned activities.*

Different stakeholders that are interested in using business plan.

Business owners/entrepreneurs/shareholders

Owners of enterprises depend on the business plan as a vital source of information to help them manage the businesses successfully since the plan gives them a thorough and objective analysis of both personal and business requirements for a particular product or business. This enables the entrepreneur to adequately prepare to manage the business venture as the business plan defines the strategies for production, marketing, organization, legal aspects, personal management, accounting and finance.

Management. Managers use the business plan for carrying out business activities in a logical and systematic manner (as outlined in the implementation or action plan).

Employees. The workers of a business venture or an organization need the business plan for familiarizing themselves with the organization, its goals and objectives.

Public/society/local community. Business activities have an impact on the natural environment in which they are carried out. Thus, the members of the community in which the enterprise is located are interested in knowing, how the business activities of the entrepreneur will affect them.

Suppliers/creditors. Suppliers sometimes want to evaluate a business by assessing the feasibility of the business plan before signing business contracts to produce either components or finished products or even to supply large quantities of materials on consignment. They pay more attention to the projection of the market profitability, and organizational ability of the entrepreneur to make the business succeed.

Lenders/financial institutions/banks. Financial institutions and other lenders are interested in a business plan to determine if the entrepreneur will be able to pay back the loan using the income generated by the loan funded enterprise, and if not, from somewhere else. The lenders are particularly interested in the business plan to ascertain the entrepreneur's ability to meet debt and interest payment, collateral security being pledged for a loan, and the amount of equity the entrepreneur invested.

Donors. Development partners such as donor agencies require business plans to determine the ability of an organization to use finances remitted effectively. Therefore, the business plan provides the donors with how their funds will be used. This helps them to make proper decision on whether to donate or not.

Government. A business plan helps government to ascertain the nature and form of business organizations, how and in what they operate, their contribution to the economy, and challenges they face. This enables government to formulate policies and make decisions that are appropriate to the business sector. For instance to assist entrepreneurs by providing the necessary services, and charging fair taxes on business entities.

Prospective investors/venture capitalists. Investors commit huge amount of capital in businesses with expectation to earn profits in future. Prospective investors who would like to invest in an enterprise need the business plan to conduct background checks. This is because these venture capitalists need the financial perspective and actual management of the business. The investors want to make sure that the entrepreneur is compliant and willing to accept their involvement. Because they focus on the health of the business they require the business plan to determine the rate of return, market and financial projection during the payback period.

Customers. Customers are interested in continuity of a business. As a result they are interested in a business plan before buying the products or services for purposes of long-term commitment. They want to be assured that the business will continue supplying them with its products or services.

Competitors. The industrial analysis in the executive summary of a business plan, and the marketing plan component are of great importance to competitors for gathering information on direct competitor's market shares, products, prices and strategies. This helps competitors to know the strengths and weaknesses of the business.

Business advisors/confidants. An entrepreneurs can present his business plan to a friend or an advisor or confidant or a consultant to ascertain its correctness and adequacy, and to get advice to make necessary changes and ensure coherence in all the components of the plan.

STRUCTURE OF A BUSINESS PLAN

EXECUTIVE SUMMARY. This is a section that sets out the broad parameters of the future business. It covers only the cover activities, it contains business overview which shows what the business is about, and it contains the following

The back ground of the business. This indicates the location, address and ownership of the business

The objectives of the business. This explains the short term goals of the business

The products/ services the business offers. This explains the key products or services that the business is producing

An over view of the market for the products or services. This explains the marketing strategies the business is intending to use to sale its products or services

The competitive advantage of the business. This explains the position of the business competitive environment as compared to other businesses dealing in similar goods or services

The projected growth. This is the anticipated expression and growth of the business

The key members of the business. These are stake holders and all members included in the ownership of the business

Funding requirements of the business. This refers to the anticipated flow of funds in the business

DETAILED PLAN. This section goes into the details that will make a business plan a working and ultimately a control document. It contains market analysis competition, products marketing strategy, SWOT analysis, Business structure product key objectives and financial information

ELEMENTS / COMPONENTS OF A BUSINESS PLAN

- 1. General description of the business*
- 2. Statement of mission, goals and objectives*
- 3. The marketing plan*
- 4. The production plan*
- 5. The Organizational plan/ administrative/ management plan*
- 6. The financial plan*
- 7. The action plan*

General description of the business plan

This involves giving summarized information about the business. Therefore general description of the business, the type of business being planned to be carried on , the needs of the market that is seeks to fulfill giving a summary of how the intended business will be different from other as well as making an analysis of the strength , weakness, opportunities and threats that the business is likely to face.

Statement of mission, goals and objectives that the business seeks to achieve

Mission statement, this is a brief statement that indicates the purpose of the business. A mission is a very reason why an organisation exists e.g To provide quality products while ensuring that our customers are satisfied, our employee are in a conducive working environment and that our shareholders are expecting good returns from their investment.

Uses of mission statement

- ✓ It indicates / defines the purpose of the business*
- ✓ It helps to distinguish an organisations from others*
- ✓ It helps to keep an organisation focused*
- ✓ It helps in communicate the direction of the organisation*
- ✓ It helps to make day – to –day operating decisions*
- ✓ It helps to motivate employees by indicating their objectives as a team*
- ✓ It attracts people who support it*
- ✓ It creates action rather than reaction*
- ✓ It attracts opportunities and helps an enterprise to maximize them*
- ✓ It enables an organisation to gain strength and stand chances in the market*

vision is the result of an entrepreneur's dream of something that does not exist yet and the ability to paint a compelling picture of that dream for everyone to see vision provides direction as every focus' his attention on the future.

Goals. A goal is something (target) that one intends to achieve in a given period of time using a given amount of resources ie. "To provide high quality products to our customers". Goals are always based on the mission statement for example "To provide high quality products to our customers"

Objectives statement. Objectives are specific targets that must be achieved in a specific period of time. They are specific (short term) targets that an individual or entrepreneur sets to achieve the established goals. E.g "To increase productivity by 10% in one year"

Qualities of a business goal

SMART" acronym.

Specific. This means that the objectives must be clear to guide the manager's action for instance "to increase sales by 10% in a period of one year" is a clear objective than "to increase sales by a reasonable percentage".

Measurable. It means one must be able to measure and compare performance to the set standards for example if one targets a 10% increase in sales, there should be a way of measuring it.

Achievable. It means an entrepreneur must project something that is within his capabilities for example an objective to increase sales by 10% must be something he may have achieved before or based on efficiency and effectiveness of the firm's marketing strategies.

Realistic. It means the objectives must not be wild or unachievable. They must be based on certain known parameters.

Timely/time bound. There must be a time lag or period within which the objectives are to be achieved. for example increasing sales by 20% in 1 year

Objectives statement. Objectives are specific targets that must be achieved in a specific period e.g to increase sales by 10% in one year

Marketing plan

This is an analysis of the possible position and opportunities of a business being planned in the present market situation. It is analysis of the marketing objectives, strategies and activities to be followed so as to have improved marketing of the proposed products in order to fight competition.

Factors considered when preparing the marketing plan

Target market or customers. The products or services to be produced by an enterprise should have a target market; so that the marketing efforts are aimed at those customers in the target market. The characteristics of the customers in the target market such as habits, tastes and preferences, income levels, gender and so on should be established and included in the marketing plan.

Purpose or objectives of marketing. The marketing plan should start with the objectives of marketing or purpose so that the whole exercise will be guided well. Objectives aid effective planning and once the business commences, they will direct and help to measure performance concerning the set targets in sales and profits.

Product or service to be offered. The marketing plan should include the nature and quality of the product to be sold; how it will be packaged to meet consumer needs, its design, size, brand name and price. The value of the product to the customers should also be considered. The product life cycle of the product dealt in is also included.

Market size and growth. For business whose aim is long run survival, it is important to research about the current market size, and its growth potential and the growth rate of the industry where the business belongs. It is advisable to produce for a market that has a high potential for growth.

Analysis of competitors. Competitors are firms which produce similar products like what the entrepreneur intends to supply on the market. Information about competitors such as their number, strengths, weaknesses, pricing and marketing strategies, location, distribution methods and others should be analyzed well and be included in the business plan.

Methods of promotion and advertising. It is important that an entrepreneur includes in the marketing plan the marketing tools he will use to reach the target audience. It can be through advertising in various media like radio, newspapers or television, personal selling or use of sales persons and others. The methods of promotion and advertising should be cost effective and affordable in order to reduce costs.

Distribution channels to use. Marketing involves place as one of the 5ps of marketing. Place deals with the selection of the distribution channels and transport arrangements. It is important that the goods of the business reach the markets and consumers in the most efficient way and through the appropriate channels. The entrepreneur has to indicate whether he will use the short, medium or long channel to distribute the goods and the mode of transport he will use.

Pricing policy. The prices that a firm charges on its products have a big influence on consumer demand. High prices are likely to reduce demand and low prices increase demand. An entrepreneur should include in the marketing plan the different pricing strategies, he intends to use such as target pricing, penetration, skimming, product life cycle pricing, loss leading, limit pricing and many others.

Positioning the product in the market. Positioning means finding the place of your products in the market, that is, your company's niche in the market place. An entrepreneur should indicate how he intends to position his company against competitors; carry out market segmentation that is, dividing the total market into sub-units and then modifying the product to satisfy the particular customer requirements of each market segment.

Projected marketing expenses/marketing budget. Entrepreneurs should decide how much they intend to invest in their marketing efforts, an amount that they usually express as a percentage of sales. There should be a marketing budget indicating how much will be spent on each marketing strategy like radio, television, sales persons, newspapers and others so that the entrepreneur can be able to control the advertising and promotional expenses.

Terms and conditions for selling. Here entrepreneur establishes the terms of sale he is going to adapt for instance selling on credit, cash basis or installment selling.

BENEFIT / MERITS OF A MARKETING PLAN TO AN ENTREPRENEUR / BUSINESS

- ✓ It helps an entrepreneur to establish his / her target market customers in terms of age, income, occupation, requirement / location
- ✓ It enables an entrepreneur to find out the possible of the competitor in order to develop competitive advancement or strategies
- ✓ It guides an entrepreneur in deciding on what promotion / strategy to use so as to minimize profits due to increased sales
- ✓ It assist an entrepreneur to estimate the projected marketing costs or expenses in business under taking in order to give the appropriate price and eventually determine the likely profits
- ✓ Marketing plan enables the entrepreneur to produce relation to the demand / requirements of the customers hence minimizing resource wastage of the business in order to establish the progress of the business or opposition of the business in the market

The production plan

It is an analysis of the projected need for producing (manufacturing) the proposed goods or services (product). It involves how the entrepreneur is going to carry on production of the proposed goods and services.

Factors considered when preparing the production plan

- ✓ *Business location and its site. Under this aspect, an entrepreneur will have to establish where to locate his business as well as the cost of land (site) and its size. He will have to give reasons as to why he chose this location and estimate the cost of putting up the business buildings*
- ✓ *Production/ manufacturing process. Under this aspect the entrepreneur is expected to show the flow of work and layout, how the machines will be laid down and how they will be used.*
- ✓ *Plant capacities required. This involves establishing the abilities of production machines in relation to meet the demands of the market*
- ✓ *Quantities to be produced or services to be provided and their delivery at different schedules. Quantity to be produced is determined by the target market one is serving ie the number of customers for business*
- ✓ *Production standards and quality objectives to be maintained during production*
- ✓ *Machinery and equipment to be used in production in terms of costs, technical specifications, production capacities, source terms and conditions for payments of machinery and equipment*
- ✓ *Raw material to be used. Here , the entrepreneur establishes the type of raw materials he / she will use to make his / her product(s) while considering various factors like the cost of raw materials, their quality etc.*
- ✓ *Packaging. Under this aspect, the entrepreneur establishes how the products are to be packed, where to buy the packaging materials and their costs, how much will be required per production cycle, how much to stock and how much the packaging materials will be stored properly.*
- ✓ *Labour requirement. Here the entrepreneur establishes the type of workers he / she will use in production, the skills, how much will be paying them, other incentives and safety of workers during production.*
- ✓ *Utilities that will be needed by the business e.g water, power, telephone etc*
- ✓ *Means of transporting raw materials and finished products. Here, the entrepreneur establishes how raw materials will be moved to the production center and how finished products will be delivered to the target market.*
- ✓ *Inventory control plans for stock, work in progress and finished goods(products) e.g inventory control for lead time, re-order level etc*
- ✓ *Disposal of the waste products. Here , entrepreneur establishes the amount of wastes he has, how waste products will be disposed off and at what cost, can the waste converted into other products ie can they be recycled?*
- ✓ *Production control requirement. Production control refers to the activities under taken to ensure that the product is produced in the shortest time possible and at the right time using the best and cheapest method but of the correct quality.*
- ✓ *The level of finance required for investment in production of the intended products.*
- ✓ *Research and development plan about department s in production and new methods of production*
- ✓ *Steps of monitoring changes in technology that can affect the product in process*

The financial plan

It is analysis of the financial requirements of the proposed business. Financial planning for a business deals with estimating the business operations in monetary terms. The financial plan covers the following areas

Funding requirements. A financial plan shows the total amount of funds the enterprise requires. It also includes how much of the total capital required to be spent on the fixed capital requirements such as land, machinery, premises, tools and equipment, vehicles among others.

Sources of funds. A financial plan also includes the sources from which the entrepreneur hopes to obtain funds. For example, personal savings, borrowing, sale of assets, sale of shares to the public, among others and what risks and rewards are involved and security offered.

Profitability of the business. The projected amount of profit the business is likely to make is included. This is derived from a projected income statement. It helps to measure how efficiently the enterprise is operating.

Sensitivity analysis/ breakeven point. This element indicates the level of operation (typically expressed as production / sales quantity) at which the enterprise neither earns a profit nor incurs a loss.

Cash flow statement. A financial plan shows the receipts and payments of the business, that is, how or from where the business expects to obtain funds and on what the business expects to spend the funds during the period under consideration.

Budget. The entrepreneur draws the budget for the business and includes it in the financial plan. This clearly spells out the available funds and the expenditures the enterprise will make during the period.

Note.

All the business activities / operations discussed above ie production, marketing plus management and administrative expenses involve use of money in one way or the other. The financial plan therefore focuses on the estimation of the total capital requirements of a business. Businesses require different forms of capital ie fixed capital and working capital.

Fixed capital. This refers to the money held up in permanent fixed assets of a business. Fixed capital consists of property held permanently for continuous use in the production process usually for more than one year e.g land, buildings, machinery, tools and equipment, furniture, motor vehicle

Working capital or direct costs. It refers to the amount of money used to buy stock for a given business or to meet daily financial operating needs of the business e.g raw materials, stock, fuel/transport, direct labour cost, costs of supplier of stationary, spare parts, cash for uncertainties.

Overhead cost. These are costs of production which don't vary regardless of the level of output. Examples include selling and distribution overheads like advertising, sales promotion, delivery expenses, wages to sales men, insurance of delivery vans, free gifts and samples

- ✓ *Indirect expenses like rent, insurance, electricity, telephone office expense, operating license*
- ✓ *Administrative over heads. These are indirect cost incurred by the management and supervision example include, general expenses, administrative salaries and allowances*
- ✓ *Selling and distribution overheads. These are indirect expenses incurred during the selling and distribution of goods and services. Examples of selling and distribution expenses include, advertising , sales promotion, delivery expenses, wages to salesmen , insurance for delivery vans, free gifts and samples given to potential buyers etc*

Below is a simple format / structure of a financial plan for a manufacturing business.

Particulars / items	Unit cost	Total cost
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<u>Fixed capital requirements</u>		
Buying land	XXX	
Construction of buildings	XXX	
Buying of machines, equipments and tools	XXX	
Furniture	XXX	
Buying of delivery van for transport	XXX	
Total fixed capital requirements		XXX
<u>Working capital requirements</u>		
Raw materials and other input/ suppliers	XXX	
Labour cost (wages)	XXX	
Marketing expenses	XXX	
Total working capital requirements.		XXX
<u>Overhead capital requirements</u>		
Rent (if any)	XXX	
License fee	XXX	
Utilities (power, telephone, water, insurance)	XXX	
Selling and distribution overheads	XXX	
Total overhead costs		XXX
Estimated total costs for the project		XXX

Organizational plan

This is analysis of the frame work around which the people, machinery/ requirement and other physical products of the plan are put together to have a moving or success for organisation

The organizational plan covers the following

- ✓ *The frame work/ structure around which people are to be put together to have a moving enterprise (organizational structure). This looks at the reporting relationships, tasks and responsibilities of the workers.*
- ✓ *Recruitment and indirect training. This looks at number of workers to be employed their qualifications, experience, skills and age.*
- ✓ *Rewards to employees ie salaries, wages and other fringe benefits to be given to staff for instance allowance like medical, transport, lunch , housing etc*

Business implementation plan (Action plan)

An action plan is a management tool that involve laying out a series of sequenced steps that enable an entrepreneur to implement the planned activities of the business in a sequenced way so as to meet itself; target

Importance or uses of an action plan to an entrepreneur

- ✓ *It helps and guides the entrepreneur to remain focused during implementation of his business activities*
- ✓ *It helps an entrepreneur to identify business obstacles in advance and take appropriate measures to overcome them*
- ✓ *It helps the entrepreneur to allocate the serious sources of information and the resources needed for a business*
- ✓ *It helps an entrepreneur to identify strength, weaknesses, opportunities and threats of his business and those of competitors*
- ✓ *It helps the entrepreneur to obtain information (feedback) on the progress of the business*
- ✓ *It serves as a time to implementing business plan (activities)*

FORMAT OF ACTION PLAN.

The format of an action plan varies from one type of business to another. Some action plans indicate which activity will be done and the period in which it will be done. Other action plans in addition to the activity and time frame provide for the person who is to carry out the activity and the resources needed. Therefore, an action plan can be prepared in two formats as shown below.

Format

Activity	Time frame	Person in charge	Resources needed.

Consistency of a business plan

A business plan is made of seven components as seen above which when put together make up a coherent business. It therefore, means that all these components should be consistent with each other in the following ways;

- ✚ The proposed business activities should be consistent with its stated objectives and goals ie the business activities should be seen as leading to the attainment of the objectives and goals.
- ✚ The marketing plan should be feasible in the given environment and at the same time be consistent with the production plan ie the business should have the capacity to produce and meet its marketing plans.
- ✚ The business should have sufficient resources, labour and funds to support its production plans and undertaking its marketing activities.
- ✚ The projected cash flow should allow the production schedules and marketing activities to be carried out without interruptions.
- ✚ The organisation structure being proposed for the business must be capable of enabling it to implement production, marketing and financing plans efficiently and effectively.

MONITORING OF BUSINESS OPERATIONS

Monitoring of business operations involves the activities of managing and controlling the business property so as to obtain the desired objectives of the business e.g profit target

Reasons for monitoring business operations.

- ✓ To monitor the financial position of a business at a particular time
- ✓ To follow up the materials issued and received into the store in a given period of time
- ✓ To find out how much and from where the business gets its cash
- ✓ To compare profits realized with the planned profits
- ✓ To determine the profits made or losses suffered by a business in a given period of time
- ✓ To evaluate worker's performance against set standards
- ✓ To maximize cost of production
- ✓ To ensure proper financial management in business
- ✓ To minimize time wastage by workers while at work
- ✓ To ensure production quality products
- ✓ To meet customer order in time
- ✓ To assess the extent to which business targets being met e.g sales targets

Monitoring tools used in a business

These are the established techniques that an entrepreneur can use to monitor and control the performance of his business. Monitoring tools vary from one types of business. These include the following

Sales targets. the entrepreneur uses sales targets by periodically comparing the planned sales of the actual sales and find ways of how to overcome the weakness, in case of failure to achieve the set targets, however to generate so much profits, the entrepreneur determine the amount of goods and services he has to sell/ generate surplus for making profits

Production targets. They help the entrepreneur to monitor the business by periodically comparing the planned output and each actual output and devise ways how to overcome the weakness in case failure to achieve the set targets.

Stock record. Stock records involve keeping update records regarding stock. It involves the use of tools for effective store management like stock taking, use of stock cards. Through stock records an entrepreneur will be able to know the amount of stock sold and the stock that has remained in the business. Therefore stock records helps and entrepreneur to monitor the inflow and outflow of the stock in the business

Cash flow statement. It is a monitoring tool which shows an entrepreneur how much and from where the business will get cash and how it will be used over given period of time. For instance in a week, a month etc. it shows whether a business will have enough cash to cover its projected expenditure or not.

Books of accounts. Examples include cash books, purchases day book, sales day book, receipt books among others

Departmental reports. These involve making of written information by departmental heads about the performance of each department in relation to set goals. This helps the entrepreneur to compare the actual performance with the set targets and make strategies to overcome the weakness in case of failure to achieve them

Sources of business funds like loans. The lenders always have a keen interest in the borrowing business to ensure that the borrowed funds are managed effectively and repaid promptly. Failure to pay the borrowed funds according to the loan installment agreed upon indicates poor performance in the business

Balance sheet. This is a financial statement drawn to show the financial position of the business as at a particular period of time usually at the end of trading year. It shows the financial position of the business as at a given period of time ie it shows the relationship between the business assets and liabilities for instance the working capital of the business at a particular time.

Work order forms. These are monitoring tools purposely prepared to keep an accurate record of customer's orders and allocate the work to the workers. They help the entrepreneur to maintain control on the work to be done.

Format of a work order form

Date	Name	Description of work	Employee no.	Start time	End time	Work order no.

Work schedules. These are particularly made for proper management of time by the workers. Worker schedules must be carried out on a daily basis and they should be flexible to adjust to different forms of changes/ descriptions. They indicate the date, activity to be done when to start and finish it, the person in charge as well as the person who will supervise the assigned work. After preparing the work schedules all workers should get a copy.

Format of work schedule

<i>Date</i>	<i>Activity / description of work</i>	<i>Worker</i>	<i>Supervisor</i>	<i>Start time</i>	<i>End time</i>

Importance of scheduling work in an enterprise

- ✓ *It helps workers to complete assigned task/ work on time*
- ✓ *Scheduling of work facilitated sequencing of time as certain jobs needs to be completed before others within the trade on entrepreneur*
- ✓ *It helps the entrepreneur to co-ordinate / compare the work in his business with those of the competitors*
- ✓ *It helps to avoid overlapping of function on organization*
- ✓ *Promotes efficiency among the workers*
- ✓ *It enables an entrepreneur to meet the demands/ orders of his customers on time*

Operating budget. This is statement which shows a summary of the projected incomes in monitoring his business. An operational budget assists an entrepreneur in monitoring his business performance and operations by looking at the planned income and expenditure. An operational budget may be prepared for different period for instance weekly, monthly etc

Steps involved in preparing an operational budget

- ✓ *Settling the business goals and objectives for the period to be budgeted for*
- ✓ *Setting the activities to be carried out, their time table*
- ✓ *Estimating the sales to be made*
- ✓ *Estimating the cost of goods or services to be used*
- ✓ *Calculating the gross profits*
- ✓ *Estimating the operating expenses*
- ✓ *Determining the net profit*
- ✓ *Determining tax payable (if any)*
- ✓ *Determining the retained earnings/profits*

Importance/ uses of an operational budget to an entrepreneur

- ✓ *It helps an entrepreneur to estimate/ calculate his cost of production in advance by considering the anticipated items of expenditure in a given period*
- ✓ *It helps an entrepreneur in prioritize expenditure basing on his income since the budget shows all the items of expenditure in a given period*

- ✓ It helps an entrepreneur in pricing his products appropriately basing on the estimated production cost so as to get his desired profits
 - ✓ It helps an entrepreneur to calculate his estimated expenses , profits or net sales by considering his total estimated expenses and comparing it to the planned gross profits
 - ✓ It helps an entrepreneur in monitoring his business operations since it provides the business with direction and purpose e.g estimated sales
 - ✓ It helps an entrepreneur to know the source of his income or capital for his business where an entrepreneur may plan in advance where he is going to get funds e.g banks , loans, personal saving
- Challenges faced when carrying out budgeting*
- ✓ Inadequate release of funds by the financiers
 - ✓ The too long time lag which makes the objectives to even change
 - ✓ Setting of unrealistic targets/ objectives which makes some employees give up
 - ✓ Absence of flexibility which exhibits rigidity in the budgets
 - ✓ Limited participation of all the stakeholders which results into resentment by these to whom it is imposed

Pre-operating expenses

These are costs incurred by the business before it starts its operations. They include the following.

- *Business license and registration: This is an operating license obtained from the local authorities enable a business to commence operations. However where a business wishes to operate as a company or with names other than the owners, then it will have to register itself with the Registrar of companies before operations commence.*
- *Installation of machinery and equipment, in case the business is to deal with production of goods it has to acquire the necessary machinery and equipment, this means it has to buy and install them before the business starts operations.*
- *Construction or hiring of a building, a building has to be first constructed or hired in order for machines to be installed or stocking the merchandise to be ready before the business starts. This means incurring either construction or hiring costs before commencing operations.*
- *Technical training expenses, here an entrepreneur will have to train the personnel needed in the management of his / her business in order for them to acquire the relevant skills prior to its operations . Thus training costs have to be incurred prior operations.*
- *Utilities, these include facilities like water, electricity, telephone etc. All these requirements have to be paid for (at least some money) before the business commence its operations.*
- *Market Research expenses, this will involve finding the best ways of marketing his / her products in order to attract customers to the new product those from other competitors.*
- *Advertising expenses; these have to be incurred prior so as to create awareness among the prospective or customers.*

Factors that limit successful implementation of business plans in Uganda. (Account for the frequent failure of business plans in Uganda)

- ✓ *Limited funds for starting and operating the planned business.*
- ✓ *Limited market for the products / high level of competition for market.*
- ✓ *Failure to involve stakeholders in decision making.*
- ✓ *Economic instability e.g inflation, unstable exchange rates.*
- ✓ *Threats like competition.*
- ✓ *Natural calamities like floods, storms and drought.*
- ✓ *Changes in customer tastes and preferences.*
- ✓ *Under developed infrastructures like roads.*

- ✓ *Personal weaknesses of the entrepreneur like laziness.*
- ✓ *industrial unrest / strikes*
- ✓ *Unfriendly government policies of high taxation.*
- ✓ *Insufficient market assessment about the business.*
- ✓ *political instability*
- ✓ *inadequate planning by the entrepreneur*
- ✓ *Unreliable sources of raw materials.*
- ✓ *Limited skilled labour.*
- ✓ *Unrealistic targets set by the entrepreneur.*

Factors determine / affect / influence the success of business plan in Uganda.

- ✓ *availability of funds*
- ✓ *level of competition for market*
- ✓ *degree to which stakeholders in decision making*
- ✓ *government policy of high taxation and subsidization*
- ✓ *level of market assessment about the business*
- ✓ *political climate*
- ✓ *level of planning by the entrepreneur*
- ✓ *sources of raw materials*
- ✓ *level of inflation*
- ✓ *level of experience and skills of the entrepreneur*
- ✓ *Nature of targets set by the entrepreneur.*

Measures that can be taken to ensure successful implementation of a business plan.

- ✓ *Involving stakeholders in decision making.*
- ✓ *Conducting thorough market survey so as to select profitable business opportunity.*
- ✓ *Ensuring political stability to protect economic activities.*
- ✓ *Identifying reliable suppliers of raw materials.*
- ✓ *Ensuring economic stability for instance stable prices for goods and services.*
- ✓ *Employing effective planning by the entrepreneur.*
- ✓ *Setting realistic targets that are attainable within the given time period.*
- ✓ *Employing skilled and experienced workers capable of implementing the business activities.*
- ✓ *Lobbying government support through Associations for tax holidays/ subsidization.*
- ✓ *Ensuring availability of funds needed to start and operate business.*

SAMPLE QUESTIONS

1. (a) *Describe the elements of a business plan*
(b) *What is the importance of preparing a business plan?*
2. (a) *Define the term business plan and explain the different types of business plans.*
(b) *Describe the structure of a business plan.*
3. (a) *What is the importance of an executive summary?*
b) *Describe the structure of an executive summary?*
4. (a) *Describe the components of the production process section of a production plan.*
(b) *What are the contents of a management plan?*
5. (a) *List the production needs which are considered when developing production.*
(b) *What are the problems that may hinder the successful implementation of a business plan?*
6. (a) *Explain the steps that should be considered when designing a marketing plan.*
(b) *Describe the tools an entrepreneur may use to monitor business operations.*

7. (a) Explain the steps followed while preparing a business plan.
(b) Of what importance is an operational budget to an entrepreneur?
8. (a) Distinguish between a master daily work schedule and a daily work schedule.
(b) Explain the importance of work schedule to an entrepreneur.
(c) Examine the factors considered by an entrepreneur when preparing a daily schedule.
9. (a) Explain the uses of an action plan to an entrepreneur.
(b) Of what importance of the following to an entrepreneur
 - i. cash flow statement
 - ii. Marketing plan
10. (a) Why is it necessary for entrepreneurs to carry out proper budgeting?
(b) Describe the steps involved when preparing an operational budget.
11. (a) What are the components of
 - i. General description of a business.
 - ii. Financial plan
(b) Explain the challenges faced when carrying out budgeting.
12. (a) Define pre-operating expenses.
(b) What are the various pre-operating expenses business incur?
13. (a) Explain the qualities of a good business goal?
(b) What is the importance of setting goals in business?
14. (a) Define a cash flow statement.
(b) What are the elements of a cash flow statement?

END

PRODUCTION MANAGEMENT SKILLS

Production refers to the activity aimed at bringing a physical change in a good or service (product) so as to make it useful. It is an activity that results in the creation of goods and services for the satisfaction of human wants.

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

A product may be defined as a set of tangible, intangible and associated attributes capable of being exchanged for value with ability to satisfy consumer of business needs.

The product concept

To clearly understand a product, one needs to view the product from three different levels ie the actual product, the core product and the augmented product.

Actual product. This is the physical product defined by its design, packaging, quality and brand name.

Core product. This refers to the benefit of a product that actually satisfies the customers need.

Augmented product. This refers to the additional consumer service and benefit built around the actual and core products.

TYPES OF PRODUCTS

Products are classified in various ways and they are normally divided into tangible and intangible products.

Intangible products (non – material goods). These refer to the services that can be used to satisfy human wants. Examples of intangible goods include the services offered by a teacher, a doctor, a lawyer etc, transport, banking services and others.

Tangible products. These are products which are physical and can be seen. Tangible products are divided into durable goods and non – durable goods.

- ✓ *Non – durable goods. These are products designed to last a relatively short period of time. They are goods whose capacity to satisfy human wants ends after giving use. Examples of such goods are perishable items like milk, bread and vegetables.*
- ✓ *Durable goods. These are products designed to last a relatively long period of time. They are goods capable of giving longer service, durable goods are usually physical and reusable in nature and they normally depreciate over time. Examples of durable products include refrigerators, furniture, cars, radios, televisions etc.*

Durable goods are further sub divided into two ie consumer goods and producer / industrial goods.

- ✓ *Consumer goods. These are goods that are consumed / used by consumers as final users. Consumer goods are meant for immediate consumption and they include goods such as home applications like refrigerators, goods bought on a daily routine such as sugar, bread, salt, clothes, shoes, jewelry and services etc.*
- ✓ *Producer / industrial goods. These are goods that are used as inputs for further processing or for use in doing a business activity. They help the producer to produce consumers' goods. Examples of producer goods include raw materials used in the production process capital items like industrial machinery and equipment, vehicles for use in business like delivery vans and supplies like office stationery.*

Elements of a product

Elements of a product refer to the attributes / features or characteristics which make a product different from others. They are the techniques used by entrepreneurs to make their products unique. Every entrepreneur should strive to make his/ her product different from others so as for him / her to be able to market it. This can be done through various ways normally referred to as elements of a product and they include the following

Branding. This refers to process of making a product different or distinct from others by giving it a name that will be known and remembered by customers. It is a name intended to identify products of an entrepreneur and to differentiate them from those of other competitors. For instance, branding makes Close up to be different from Delident although they are all tooth paste.

Product design / shape / model. Design includes the style of the product, its shape, safety, simplicity and economy. Entrepreneur should always strive to design their products to look different from those of the competitors so as to make them appealing to customers. For instance cameras, cars, computers, mobile phones etc come in different types. However, each has been designed differently to appeal to customer needs.

Packaging. This involves defining what the package should be for a particular product. One should consider the nature of packaging materials to ensure that the design of the product conforms to the planned packaging materials. Packaging helps to promote or protect the product.

Labeling. Usually, products are labeled with a view of identifying a particular brand. Entrepreneurs should strive to label their products differently for easy identification purpose. Labeling can be done through bar coding, use of unique colours, logos, trade mark, symbols

Product distribution. This involves making the product conveniently more available by a firm than its competitors

Methods of sales promotion. Entrepreneurs use unique techniques to promote their sales e.g unique pricing of products.

Technology used in production. Entrepreneurs normally use unique methods of production that come up with quality output than their competitors

Blending. This involves combining varieties or grades to obtain a mixture of a particular character, quality or consistency e.g blended tea leaves, tobacco etc

FACTORS CONSIDERED WHEN DESIGNING / DEVELOPING A PRODUCT

- ☞ *Development of a product in relation to customer's needs. The entrepreneur / producer uses product attributes like shape, colour texture , brand name , durability , quality etc. that are appealing to his / her customers*
- ☞ *Availability of raw materials to be used for making products. The entrepreneur designs a product that can easily be made using readily available raw materials and costs that will leave him / her with a profit.*
- ☞ *Compare your products with competitors' products. You should decide whether to produce exactly the same products as of your competitors or producing a different and better product than those of competitors*
- ☞ *Government policy on product design. The entrepreneur should design a product that meets the set regulatory bodies like Uganda National Bureau of Standards (UNBS), National Environmental Management Authority (NEMA) and other government policies*
- ☞ *Nature of potential market. An entrepreneur should consider the type of customers to whom he expects to sell the products like their age, gender and income bracket etc*
- ☞ *Duration / life span / shelf life of the product. An entrepreneur should consider a life span of his products so that the materials used in making it can fit in the desired time of the product before its consumption*
- ☞ *Quality should also be considered right from the production process up to the sale of the product as consumers will always run for a product with a better quality*
- ☞ *Technological skills required for products, this normally applies in the production process, as entrepreneur should ensure that the skills required in designing a product are applied well so as to achieve the required finished product*
- ☞ *Features of the competing products. This activity requires the entrepreneur to identify the products of potential competitors, analyze their strengths and weakness that are likely to cause impact on his / her intended product. This analysis enables the entrepreneur to develop a product better than those of his / her competitors*

CAPACITY PLANNING AND DESIGN.

Refers to the factors and operational ingredients needed to produce the targeted number of units of a product / service. These factors included

- ❖ *The physical capacity needed*
- ❖ *Equipment and tools required*
- ❖ *The amount of labour demanded*
- ❖ *The time projected to produce the total number of products or services*
- ❖ *The amount of raw materials and suppliers needed*

PRODUCTION PROCESS

This is how the business intends to produce the desired goods and services. It involves carrying out the following activities

Market research. This involves funding out the potential customers opinions about the product to enable the present and future decision making

Developing a product idea, this involves planning the shape, size, colour etc of the product to be produced

Translating a product idea into a product design

Sourcing raw materials, an entrepreneur obtains the raw materials necessary for production of a particular product

Carrying out actual production while observing the quality standards, this involves transforming the raw materials into finished products

Packaging the product, this involves wrapping the product produced and compressing it to protect it against pilferage, pouring and contamination

Branding the product, this involves labeling the products as well as including distinguishing features from similar products of other producers

Storing the product, the product is then stored in good place with good storage conditions that do not tamper with the product's quality

Distributing the product, this involves offering the product for sale to customers. It includes all activities that enable the product to reach the final consumer

Making a follow up with customers to find out how the product is performing in the market

Making any improvement desired. After obtaining feedback on quality from the customers, an entrepreneur makes improvement of the product.

FACTORS AFFECTING PRODUCTION DECISION

Facilities and organisations. Efficient production facilities like equipment promote more production while inefficient ones discourage production.

Sale potential. High turnover encourages high production levels while low sales discourage production.

Production cost. High production costs limit production while moderate production costs encourage production.

Sales promotion and growth. Increased in business market share encourages more production while declining number of customers limits production.

Money requirements. Existence of money to buy the required inputs encourages production while absence of such limits production

Labour requirements. Existence of labour with required skills encourages production while absence of such limits production.

Supply sources. Reliable suppliers promote quick production while unreliable ones discourage quick production.

Transportation. Good transportation encourages production while undeveloped transport network discourage production.

Acceptance by community. A community that buys goods produced by the business encourages high production while unsupportive communities towards business products discourage production.

Legal requirements. Tight production requirements by government on business limit output while friendly measures promote production.

PURCHASING SKILLS

Purchasing means production supplied with required goods and services at the right time and at the right price from the right supplier. Purchasing is done in accordance with the requirements of a business either for the production and operational process or trading.

PRINCIPLES OF PURCHASING

The main principles of effective procurement / sourcing of raw materials in businesses include

Right quality. The person purchasing should be able to determine the right quality of materials needed. The quality of any raw materials comprises of the features, which are relevant to its ability to meet a given need.

Right quantity. The right quantity of purchases to be made depends on the level of stock an entrepreneur wants to maintain, availability of finance purchases and other costs, the consumption rate of the raw materials in terms of time and quantity.

Right price. This is not necessarily lowest price but should be the lowest price consistent with the quality specifications to leave the entrepreneur with a profit.

Right time, proper timing of purchase is important to avoid excessive stock and stock out problems. The entrepreneur should consider the lead time, the minimum stock in the store room, the place of buying materials and the mode of transport.

Right place. Raw materials should be received and stored near the factory as possible in order to minimize the cost and time involved in issuing and carrying them to the factory.

Right source. A source refers to the supplier or vendors of materials. Selection of right source is essential for getting the materials of right quality and quantity at the right place and the right time.

PROCEDURES FOR PURCHASING GOODS/ RAW MATERIALS AND EQUIPMENT

Determining the business needs. This is done through conducting market surveys in order to know who the business customers are as well as establishing their wants. This enables the business to know how much to stock, the materials and equipment it needs to produce goods for sale to customers.

Identifying potential suppliers. This involves finding out the different suppliers to sell the materials needed by the business. This can be done by asking friends, contacting media or business support organisation.

Contacting suppliers. The entrepreneur contacts different suppliers either by visiting their offices personally or using cost- effective means of communication. The aim is to get information regarding the kinds of goods, raw materials or equipment each supplier can provide.

Selecting the best suppliers. The entrepreneur compares the quotations received from various suppliers and selects one with the most favourable terms and conditions in terms of price, discounts, credit, reliability etc.

Ordering for goods. Having chosen the best supplier the buyer then places an order requesting for the supply of a particular item. An order can be filled by filling a pre-printed form. Writing an order letter or by verbal ordering where the buyer goes to the supplier and orders for a commodity by a word of mouth.

Checking the goods as soon as they are received. This involves checking the delivery note to ensure that it corresponds with the ordered goods. Goods which got damaged during the transportation are isolated and excluded.

Checking the invoice for accuracy by comparing it with the delivery note.

Making payments either by cash or cheque and a receipt should be issued to acknowledge receipt of cash by the supplier. The entrepreneur / buyer should ensure that a receipt is issued to acknowledge receipt of cash by the supplier.

PURCHASING OF RAW MATERIALS

Raw materials refer to basic materials from which products are made through a transformation process. Raw materials may be natural or artificial. Examples of natural raw materials include cotton for cloth, timber for furniture and clay for bricks. Artificial raw materials include plastics, nylon and tar.

FACTORS CONSIDERED WHEN SELECTING THE RIGHT SUPPLIER OF RAW MATERIALS

Terms and conditions of payment. Suppliers have got different terms and conditions of payments. For example some can supply goods only on cash basis; others can deliver / allow credit terms while others can allow the buyer to get goods on hire purchase or differed payment. Some suppliers can also offer discounts such as cash and trade discount. The entrepreneur therefore selects a supplier whose terms and conditions are favourable to him / her.

The lead time. This how long it will take to order and receive goods needed. Entrepreneurs usually choose a supplier of raw materials whose lead time is short so as to avoid stock outs of raw materials and loss of customers to other competitors.

Distance from the supplier and mode of transport to be used. An entrepreneur selects a supplier who is not too far or where the transport system is efficient and effective to avoid delivery delays.

Communication with the supplier of raw materials. Most entrepreneurs select suppliers whom they can communicate to easily so that whenever raw materials are required, the supplier can and easily be accessed.

Quality of materials supplied. An entrepreneur selects a supplier who persistently offers items of good quality approved by the National Bureau of Standards in order to come up with qualitative finished goods.

The price at which the supplier is selling the product. This is normally done through comparing suppliers. Entrepreneurs will always move in for low cost suppliers of quality goods.

The ability of the supplier to supply the requirement of the business. The entrepreneur selects a supplier who has the capacity to supply enough and sufficient quantities whenever required.

Consistency and reliability of a supplier. This involves looking at the lead time and the supplier's ability to supply goods required whenever they are required for.

Quantity required by the entrepreneur. Entrepreneur select suppliers basing on the level of stock of raw materials they want to maintain as well as their consumption of materials per production cycle.

Taxes charged: The taxes charged on the product will have an impact on the price of the same product. Therefore one should look at the different taxes charged both in the supplier's country and the buyer's country and one should choose a supplier where taxes are not too much.

Amount of waste from the production process. Businesses prefer to use raw materials that produce fewer wastes to those that produce many waste.

PROCESS OF ORDERING FOR GOODS AND SERVICES OR ACITIVITIES INVOLVED IN ORDERING SUPPLIES

Identifying the goods and services required. Here the business from its needs is able to identify the required goods and services.

Sending inquires to possible suppliers. This is done together with accompanying documents like drawings and specifications which enable the supplier to quote.

Receiving a quotation which is the response to inquiries. This will be accompanied by the price list, catalogue samples, quality delivery and other terms of the supplier

N.B a quotation refers to a document which is prepared by the potential supplier and sent to the buyers stating information about most of things which have been inquired for in a letter of inquiry e.g prices, lead time, delivery terms etc.

Placing an order to the supplier whose quotation has been accepted. A copy of the order is always retained for reference purposes.

N.B. a purchase order is a document requesting to be supplied with the goods already quoted

Receiving goods delivery note. This refers to the document that accompanies the goods supplied. The purchaser signs the document after delivery.

Receiving the dispatch note. This is normally given at the time when goods are being dispatched. It is expected to be sent separately and is expected to reach the purchaser before the arrival of the goods. It is therefore informs the purchaser that the goods have been dispatch and are on the way. This gives him a chance to prepare his store room in advance or make arrangement for sale of the old stock.

Receiving an invoice. This is a demand note. Once the delivery note has been received, checked and signed by the purchaser. The supplier is expected to prepare an invoice which indicates the balance due. The invoice actually shows that goods have been delivered on credit.

N.B. the following should be observed when receiving goods and services purchased

- ✓ *Check quality and quantity against order*
- ✓ *Check delivery document against order*
- ✓ *Check for any damage*
- ✓ *Reject deliveries that do not conform to the order*

PURCHASING PLAN

A small entrepreneur has to appreciate the critical importance of purchasing. Purchasing is not merely a matter of buying. It proves to be a linking element between the major function

When purchasing the following should be needed

- ✓ *Determine the proper quality of each item needed*
- ✓ *Establish and follow quality standards*
- ✓ *Ensure on time delivery of items needed*
- ✓ *Purchase at the right value of the quality of items bought*

SELECTION OF RAW MATERIALS

FACTORS TO BE CONSIDERED WHEN SELECTING RAW MATERIALS FOR A MANUFACTURING FIRM
Source of raw materials, ie from where the raw materials for the business can be acquired from. An entrepreneur selects a reliable, nearby and cost effective source so as not to affect the profitability of the firm.

Cost of raw materials. An entrepreneur selects raw materials that are relatively cheap and affordable since high cost materials will reduce the profits of the business.

Quality of raw materials ie the raw materials should be of good quality in order to produce quality products that are needed by customers.

Terms and conditions for purchase, ie an entrepreneur selects favourable terms to the business like whether they involve cash or credit for instance most entrepreneurs would wish to select raw materials where suppliers offer it on credit and even discounts due to bulk purchase.

The lead time, ie how long it takes for the supplier to deliver the raw materials ordered for, entrepreneurs tend to select reliable suppliers who can deliver raw materials within the shortest time possible.

The amount of raw materials needed or used per production cycle ie the amount of raw materials should correspond with the amount of goods to be produced per production cycle.

Availability and reliability. A manufacturer selects raw materials that are available whenever he/she needs them.

Risk of damages, businesses use raw materials that are less likely to get damages.

Amount of waste, businesses prefer materials that produce little waste.

Amount of raw materials to be maintained in inventory, this depends on the business policy and the rate at which the goods produced are bought. For goods that are bought immediately an entrepreneur stores more raw materials to enable continuous production and for slow moving goods fewer raw materials are maintained in stock.

CONCEPT OF INVENTORY

Inventory refers to good/ stock that are held by a firm for eventual sale

Or inventory refers to the stock of goods held in the business at a given period of time

TYPES OF INVENTORY

Raw materials: these are goods used in the course of production to produce other goods for consumption. They are goods which have been received by the business but not yet committed to the production process.

Work in progress / process (semi – finished goods): these are goods which are still in the production but are not yet completed.

Finished goods: these are goods which have been completed and gone through the production process waiting for sale to customers.

Goods under repair: these are goods that may be damaged during the process of production or distribution and need repair.

Office supplies: these are materials which are used to support the production process for instance stationery, cleaning materials like soap or detergents.

NEED FOR INVENTORY

It is necessary to hold some inventory both for a manufacturer as well as a trader so that production and sales can continue uninterrupted. The specific benefits of holding inventory may include.

- ✓ *To avoid loss of sale, by holding inventory, a business firm can avoid sales losses, which may occur because goods are not available when demanded by customers.*
- ✓ *To reduce ordering costs, cost of placing orders e.g typing, mailing etc can be reduced in a firm. A firm places a few large orders instead of several small orders.*
- ✓ *To achieve efficient production run. Holding enough inventory protects against shortage of raw materials that may either delay or halt production due to no availability of materials.*

COSTS OF HOLDING INVENTORY

Several costs and risks are involved in maintaining inventory. They may include

- ✓ *Material costs. This includes the costs of purchasing the goods, transportation and handling charges less any discount allowed by the supplier of goods.*
- ✓ *Ordering costs. It comprises of cost of placing orders for purchase of raw materials and components. The fewer the orders, the lower the costs.*
- ✓ *Carrying costs. These are composed of expenses for storing the goods e.g insurance, cost of funds tied up in inventory, spoilage costs, decline in price of goods etc.*

INVENTORY CONTROL/ MANAGEMENT

Inventory control refers to the system which ensures that the right quantity and quality of the inventory required is supplied at the required time without unnecessary investment in inventory. It

includes control of raw materials; semi-finished and finished goods, office supplies and goods under repair.

Reasons for proper management of inventories in business / objectives on inventory management

- ✓ To maintain adequate so as to avoid production stoppage, loss of customers and revenue to competitors.
- ✓ To avoid excessive investment in inventory ie to avoid tying up a lot of working capital in investment.
- ✓ To reduce stock losses while in stores through theft, expiry of products, damages, unauthorized use, pilferage etc.
- ✓ To relieve management on excessive supervision of inventory.
- ✓ To minimize storage costs in terms of rent.
- ✓ To encourage proper accountability for the goods which have been purchased as issued
- ✓ To allow flexibility in production scheduling as well as marketing. This is possible through ensuring that inventories are available whenever required for production or for sale
- ✓ To ensure efficient use of raw materials
- ✓ To ensure timely replacement of raw materials for production of products for sale. Inventory management helps and entrepreneur to ensure that inventories are available whenever required for production or for sale
- ✓ To meet demand fluctuation and avoid expensive and embarrassing stock out. through ensuring that inventories are available whenever required for production or for sale.

Tools for inventory management

Re-order level. It refers to the minimum level below which the stock should not fall before fresh (new) orders are placed. This technique reminds the entrepreneur to place fresh / new orders because the stock is running out.

Lead time. This refers to the time it takes from when one places and order for goods and when the ordered goods are received.

Working capital. This is the amount of money used to buy stock for a given business or to meet daily financial operating needs of the business. Working capital helps the entrepreneur to meet the day to day operations. In case an entrepreneur has a small working capital then he/she has to place small but many repetitive orders.

THE CONCEPT OF STORE MANAGEMENT

Store refers to places where stock of raw materials or goods are kept before they are sold or dispatched to business which ordered for them

Stores are important because they help to protect the stock of raw materials or goods from getting spoilt, damages or stolen. It is therefore important that a business manages its stores properly so as to avoid losses through theft, damages, unauthorized use, expiry etc

Tools for effective store management

Stock cards. These are cards used for recording stock received and issued in the store. Stock cards normally show amounts of goods available in store, the date when goods have been issued.

Stock requisition and issue form, a stock requisition and issue form refers to a document that shows details of goods being requested for the corresponding need, the issues under this technique, the person in need of goods fills it and gets it if authorized by the responsible person / store that against receiving the form issue them.

Physical and stock counting. This refers to the counting of stock physically to find out what is available in store and cross check to what is expected to be there as per the stock cards.

Stock reconciliation. This refers to the process of updating and balancing all the records regarding what is in the store so as to give a true record and then checked to what is physically in the store. This technique helps the entrepreneur to decide whether to order for more goods or not.

Stock taking. This refers to the actual counting of the stock available in the store. Under this technique, the entrepreneur counts his stock one by one so as to ascertain the actual number.

Labour requirements / employees

Labour is the human effort, physical or mental engaged in the production of goods or service in return for payment

Types of labour

- ✓ *Skilled labour. These are workers with special skills, knowledge or (usually acquired) ability in their work and can produce best production.*
- ✓ *Semi – skilled labour, these are workers who possess particular skills in their area and can perform a job in that particular area but with close supervision.*
- ✓ *Un - skilled labour. These are workers who possess no special training and the work done involves the performance of simple duties which require less previous experience.*

Labour planning involves the determination of the number of workers, skills and wages or salaries of the labour force

Reasons why labour is needed

- ✓ *To increase production of goods and services.*
- ✓ *To manage the business operation.*
- ✓ *To promote good public image of the business.*
- ✓ *To combine with other factors of production to aid production.*
- ✓ *To facilitate exploitation of would be idle resources.*
- ✓ *To increase government revenue through payment of tax.*

Factors to consider when determining the number and type of employees to work in an enterprise

Number of jobs available. This may vary with the size of the business such that the smaller the size of the business, the less the jobs available, and hence the smaller the number of employees. On the other hand, the more the jobs that are available, the higher the number of employees that are needed.

Family member supporting the business. Presence of family members supporting the business necessitates recruitment of few workers and vice versa.

Cost of hiring labour in relation to business output and profits. High costs involved in hiring labour reduce business profits and consequently few people are employed in business and vice versa.

The level of demand for products. High demand for products leads to massive recruitment of workers to increase output and low demand lead to employment of few workers.

The level of technology used in business. High technology leads to employment of fewer workers since most of the works done by machines while low levels of technology used in production leads to employment of many workers in the business.

Types of skills required for some particular business / industries and work they do in relation to the production process for example carpentry skills for carpentry business, negotiation and communication skills for marketing etc

Factors considered when recruiting workers in an organisation

Before embarking on recruitment of workers, one should put into consideration the following factors.

Age of the employee. Employers always employ people above 18 years more than those below the age of 18 years as this would be taken as child labour according to the law.

Cost of employee. Labour whose cost is relatively low and affordable are purchased more than those which are very expensive.

Gender / sex of the employee. Most entrepreneurs employ more men than women maintaining that women have a lot of responsibilities and they need to balance between domestic and workplace duties which make them inefficient at work than men.

Number of workers needed. For a bigger business the number of workers should be relatively big as compared to a smaller business that requires less labour.

Working experience of the employee. Employers always recruit more workers with the required experience to perform the job so as to increase output as compared to those with little no work experience.

Type of skills required ie ability of the workers. Employees who possess the skills required in production are recruited more than the semi-skilled and the un – skilled.

Health conditions of the employee. Employees normally employ workers with good health status as they are in position to be at work compared to workers with poor health associated with high levels of absenteeism from work.

Size of the business. The smaller the size of the business, the less the jobs available and hence the smaller the number of employees. On the other hand, the more the jobs that are available, the higher the number of employees that are needed.

Marital status of the employee. Most employers prefer people who are single because they will be committed to work and are flexible to married people with a lot of responsibilities and at times inflexible.

Languages spoken by the employees. Some businesses require people who can speak variety of languages for instance radio and television stations and journalists. This is because of the nature of the business that consists of customers with varied languages.

BUSINESS LOCATION AND PREMISES

Businesses location: This refers to setting up a particular business in a given area. A number of entrepreneurs consider the areas where costs of production are low and easy access to customers when determining a business location.

Business premises: These are composed of buildings, workshops or ware houses from which the business operations are carried out.

Factors that an entrepreneur should consider when choosing the location of a business venture

Availability of land. Land provides space for establishing a business venture. There is need for an entrepreneur to choose a site where there is ample or large expanse of land for setting up premises, infrastructure, and for expansion of the enterprise.

Government policy on business ventures. Industrial parks are demarcated by government, and business ventures may be established in a particular area because of political factors such as balanced regional growth. This influences the decision of an entrepreneur to locate his business venture in a legally acceptable place.

Availability of required labour. Labour has a special pull for business venture location in cases where the firm depends on particular skills only available in a given area. The entrepreneur finds it more convenient and economical to locate his venture in a place where labour needed is readily available

Availability of transport and communication. Transport is important for movement of staff and inventory. Places readily accessible to efficient transport and communication are attractive for establishment of a business venture.

External economies of scale. Existence of advantages accruing to a business venture as a result of presence of other firms in the locality also dictates the entrepreneur's decision to locate his business venture. An entrepreneur wants to locate his business venture where there is possibility of exploring inter-industrial linkages.

Availability of power and energy. Power and energy are vital for firms using a lot of power. A place with power pulls many firms. An entrepreneur establishing a business venture will also consider to locate his business where there is adequate and constant power supply.

Availability of raw materials. When the raw material required is a perishable or the business venture uses heavy and bulky raw materials, and products lose weight in processing, it is important for the entrepreneur to locate the venture near the raw material source.

Existence of security, law and order. Entrepreneurs require safety of their business assets and their lives. An entrepreneur locating a business venture will choose a place which has security for smooth operation of his business.

Availability of market. This factor has a special pull in case the business venture is a heavy firm the inputs of which are light but the products are bulky or perishable or delicate. Therefore, an entrepreneur establishing such a firm will choose a location near the market for instance where the population is high and has high purchasing power.

Physical factors. Existence of physical factors such as relief, drainage, and vegetation, among others influences selection of site for a firm. An entrepreneur will choose a place which has conducive relief for example flat land for locating his business venture.

Presence of auxiliary services. The availability of facilities for education/learning, medical treatment, advertising, banking, recreation, warehousing among others attracts firms. An entrepreneur choosing a site for location of his business venture will prefer a place with these auxiliary services.

PLANT LAY OUT DECISION:

Plant lay out is the arrangement of machines, workstations, storage areas etc. in an already existing or proposed facility to ease the production process or the offer of the services. A facility layout has an implication on quality and productivity.

Principles of Plant Layout:

- ✓ *Integration of all factors: The plant should integrate all the essential resources of men, machines and materials in order to give an optimum level of production.*
- ✓ *Minimum Movement : The less the movement of men, machines and materials, the less will be the cost of production. Thus, minimum movement of these resources will provide cost efficiency.*
- ✓ *Unidirectional flow : All materials should progressively move towards the same direction i.e. towards the stage of completion. Any back-tracking should be avoided here.*
- ✓ *Efficient space handling: The space used up during the plant work also costs money as more the space required, more will be the floor rent. The materials should be organized in stacks in a proper and recognizable order to maintain space efficiency.*
- ✓ *Inherent safety: The environment of the plant should be safe for the workers as well as the machines. There should be fire extinguishers and fire exits placed strategically. There should be minimum contact of the labour to toxic chemicals and environment.*
- ✓ *Maximum observation capacity: The layout of the plant should be in open such that all of its resources and workforce can be observed and evaluated at all points in time. This helps in better supervision of work and helps in increasing both effectiveness and safety.*
- ✓ *Maximum accessibility: The layout of the plant should ensure that all essential resources are accessible to the labour and machines without any delay. The aisles should be free from obstacles. The materials should be placed as close to the machines concerned as possible.*
- ✓ *Minimum Handling: The ineffective handling of materials leads to a rise in cost. Materials should be handled in stacks and transferred in one go. Handling of a material twice in the same direction must be avoided to avoid delays and costs.*
- ✓ *Maximum protection: The layout should ensure the protection of the materials and machines while they are in the working or the storage stage. The security system should be efficient without making too many doors or barriers.*
- ✓ *Maximum flexibility: The plant layout should not be rigid and permanent. If the need arises, the plant layout should be able to change itself without being expensive.*
- ✓ *Disposal site: When deciding on the plant lay out, it is also important to consider an area for disposal of waste from the factory than dumping the waste anywhere.*
- ✓ *Room for expansion: It is important to put in mind the space for future expansion of the business. This is because as more customers buy the products, more money comes in and this provides the need to expand the facility to match increasing demand for the products.*
- ✓ *Storage facilities: There is also need to consider room for storing materials in terms of raw or finished goods.*

Determinants of Plant Layout Design:

- *Human needs: While deciding on the plant layout, human needs or requirements should be considered. These needs include toilets, washing rooms, drinking water facilities; all these should be arranged adequately for the employees and other people within the organization.*
- *Safety arrangements: While designing the plant layout, human safety should be looked at with care. It should be planned to allow free flow of people, goods and raw material in and out of the*

- factory. It should have enough ventilation, light for sight etc.
- **Easy repair and maintenance:** The layout should be properly designed so as to allow engineers have easy movement or access to machine for repairs and maintenance
- **Factory building:** The nature and size of the buildings determines the floor space available for layout. In designing special requirements for air conditioning and dust control, the nature and size of the building must be considered.
- **Plant environment:** It is better to consider enough light in and ventilation to provide a conducive, health and safe environment for the workers.
- **Type of machinery:** Machines which are bought to be used for general purpose are always arranged as per process layout while those for special purpose or use are arranged according to product layout.
- **Nature and size of the factory:** This determines the floor space required especially in welfare facilities.
- **Nature of the product to be produced:** For uniform products, process layout is more suitable as compared to other forms.
- **The production process:** In manufacturing businesses, process layout can be more economical as compared to assembling firms where product line layout is better.

Elements of a good plant layout:

- ✓ **Security Section:** The layout should have an area where security guards operate from and should be near the gate for the premises.
- ✓ **Parking Yard:** The layout needs to have an area where company trucks and employees or visitors of the company park their vehicles.
- ✓ **Receiving and Dispatching Section** : There should be an area for receiving the firm's raw materials and where goods to be sold are delivered from.
- ✓ **Ware House Section:** The layout should show a place where finished goods or raw materials for production are kept before use or selling them.
- ✓ **Machinery or Processing Section:** This is where the production machinery is assembled to form the production process.
- ✓ **Maintenance Section:** The layout should have an area where repair, cleaning and general maintenance of the company vehicles is done from.
- ✓ **Emergency Section:** The layout should have an area for emergency exit by the workers in case of any fire outbreak in the business.
- ✓ **Production Section:** This is an area where the actual production for goods takes place.
- ✓ **Welfare Facilities:** There should be an area where workers dress from, have lunch and breakfast from, toilets, plus where workers can rest from in case one is not feeling well.
- ✓ **Generator Room:** There should be a good ventilated room for generator plus a generator on standby in case power goes off so as to enable continuous production.
- ✓ **Waste Disposal Section:** The firm should have an area where to dispose of the remains and unused parts in production. This needs to be well kept and maintained.

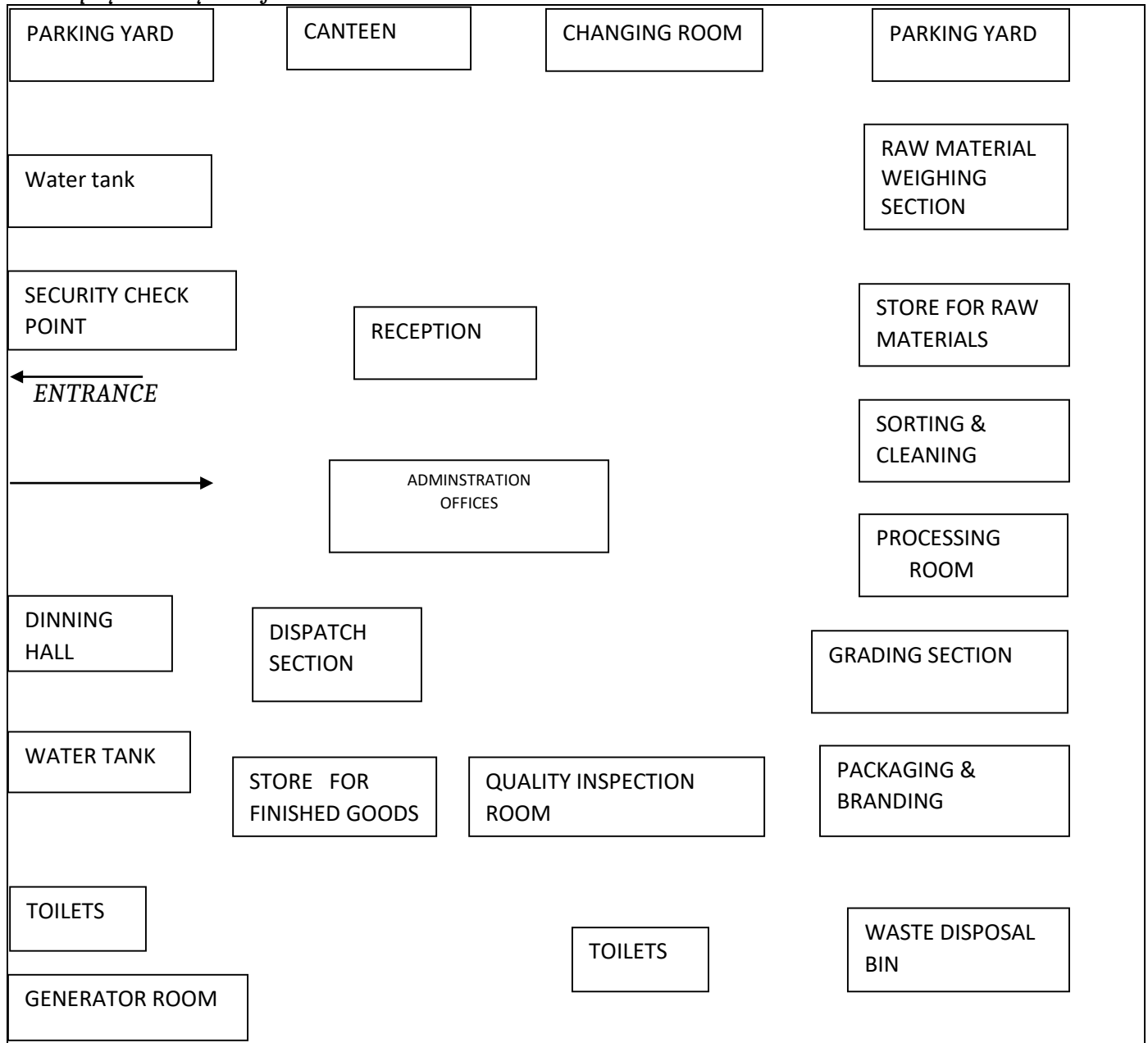
Advantages of a Good Layout:

- ✓ It minimizes overall process time and costs. This is because of the reduced unnecessary handling, movement and general increase in effectiveness of all the work.
- ✓ It simplifies supervision and production control. This is achieved by elimination of "hidden corners" in which information and materials can be misplaced.
- ✓ It leads to feeling of unity among the employees. This will be encouraged by avoiding unnecessary segregation.
- ✓ It leads to high total output. This will be ensured by maximum effective use of available space.
- ✓ It leads to increased quality output. Quality of goods and services will be sustained by safer and better methods of production.
- ✓ It leads to accommodation of changes in organizational programmes since it was planned during the layout process.
- ✓ It leads to minimal discomfort on the side of the employees and employer due to the sufficient lighting, low or no noise etc.

- ✓ It leads to minimal rate of accidents because of safety precaution put in plans during the designing of the layout.

You are operating a bakery business. Design a plant layout for your business.

The physical layout of the business visited



PRODUCTION MACHINERY, EQUIPMENT AND FACILITIES

To attain and maintain the quality of products and control capacity of production, there is need for an entrepreneur to select machinery, equipment and tools which can operate efficiently and effectively.

- ✓ *Machinery refers to a group of machines in general that gets work done. A machine on the other hand refers to device in which each part works together with the other to perform some function for example a sewing machine, recording and counting machine, vending machine, washing machine etc.*
- ✓ *Equipments are things needed to do some work, so machines, which are specific for particular functions are also referred to as equipment. Examples of equipments include office computers, cash counters, calculators, typewriters etc.*
- ✓ *Tools. A tool is any instrument or apparatus like axe, hammer, spade etc. which is held in the hands for doing some work. However, tools can be equipments although not all tools are equipments.*

Different Types of Capital Items Bought By Firms:

- ✓ *Buildings: These are permanent construction on site to house or enclose equipment and personnel employed in industrial, institutional or commercial activities.*
- ✓ *Installation equipment: These include plants and machinery or other major equipment used directly to produce the organization's goods and services.*
- ✓ *Accessory equipment: These are durable major equipment used to facilitate the production of goods and services or to enhance the operation of a firm. Examples include motor vehicles, motorcycles, etc.*
- ✓ *Operating equipment: These category includes semi-durable minor equipment which are moveable and use in but not generally essential to the production of goods and services. E.g. gum boots, gloves etc. their absence cannot stop production to take place.*
- ✓ *Tools and Instruments: These are semi-durable or durable portable minor equipment and instruments required for producing, measuring or calculating associated with the production of goods or services. E.g. tape measure, weighing scale, ruler, T-square for carpenters etc.*
- ✓ *Furniture and Fittings: These are the goods and materials employed to fit buildings for the organizational purposes but not specifically used in production. E.g. Floor covering, carpets, furniture, shelves and counters etc.*

FACTORS CONSIDERED WHEN SELECTING MACHINERY, EQUIPMENT AND TOOLS

Capacity of machines and equipment ie how many units it can produce within a given time, this is compared with the demand it has got to meet, leaving other factors constant an entrepreneur selects machinery with higher production capacity in order to meet his/her demands.

The initial cost of machinery and equipment. An entrepreneur selects machinery whose costs are relatively low and affordable in order to reduce the costs ie to be cost effective.

Ease of maintenance and repair. This involves spare parts and repair services, one would select machinery whose spare parts and repair services are available and cheaper, with a view to reduce the operating costs.

Flexibility for adjustment in relation to customer's changing tastes and preference, an entrepreneur selects machinery that can easily adjust to the changing needs of customers.

Availability of other complementary machines and equipment; an entrepreneur would select machinery that is easily compatible or that can easily complement with the existing or other machinery, in order to facilitate consistence and continuous production.

Productivity and efficiency of machinery and equipment. I.e. machinery that can produce quality products (efficiently). An entrepreneur selects machinery that can produce efficiently in order to increase productivity and profitability of the business.

Useful life of machinery and equipment, an entrepreneur selects, machinery/ equipment that is long lasting or durable in order to reduce unnecessary costs of buying or replacing other machinery

Guarantee given by manufacturers. Guarantee given by the manufacturer in terms of efficient, durability, Maintainance and safety devices encourages businesses to select that kind of machinery compared to those without guarantee

Miscellaneous factors: These include; space requirement for the item, safety aspects, issues to do with the environment in terms of noise, air pollution etc

Users – friendly of the machinery

Ways of ensuring proper machine handling, use and safety in an enterprise

- ✓ *By switching off machines in case of any break down.*
- ✓ *By ensuring that machines are thoroughly checked before switching them off.*
- ✓ *By following instructional labels and guidelines on the use of machines.*
- ✓ *By making sure that machines are well maintained and have no broken or unstable parts.*
- ✓ *By using machines for work they designed for.*
- ✓ *By ensuring close monitoring and supervision of workers and the production process.*
- ✓ *By cleaning off the machines frequently and oiling all hand lubricating points daily to minimize wear.*
- ✓ *By training of workers on the usage and Maintainance of machinery.*
- ✓ *By attaching proper guards or warning labels to dangerous moving parts of machines and power transmission equipment.*
- ✓ *By providing safety devices to workers like hand gloves, helmets, gum boots, masks, overall etc.*
- ✓ *By using mechanical devices for feeding machines so as to avoid hazards and increase production.*
- ✓ *By using trained and experienced labour force so as to avoid machine accidents.*
- ✓ *By installing warning devices which can alert in case of any likely danger.*
- ✓ *By making use of the closest power point when plugging in the market.*
- ✓ *By avoiding messing up with machines if they are still plugged in or still running.*

Policy Guidelines for Handling Machinery:

- ✓ *Employees shall not start any machine of which its operation is not known as it may cause accidents*
- ✓ *Oiling and lubrication of machines shall be done according to instructions from the manufacturer or supplier or manual.*
- ✓ *In case of any machinery break down during use, the employee(s) shall report to the immediate supervisor.*
- ✓ *Employees shall not directly use or allow the use of machines for other activities other than the officially approved one by the company.*
- ✓ *All machines shall be installed with warning devices in case of any danger.*
- ✓ *Movement of heavy machines shall be done with the help of cranes or lifts or other devices.*
- ✓ *No employee shall remove company machines without permission from the authority.*
- ✓ *Access to machines by unauthorized persons is strictly prohibited.*
- ✓ *Employees shall check the machine to ensure that all levers are in proper position before switching them off.*

- ✓ *Employees shall ensure that machines are stored in places free from moisture to avoid rusting.*

TECHNOLOGY FOR SMALL ENTERPRISE

Technology refers to the know – how design and intellectual input of doing things

Technology is constantly changing the demands of consumers. Business use new technologies to produce new products and services.

Appropriate technology. This is the technology for use in small business and is determined by a number of characteristics.

- ✓ *Simple; for technology to be considered appropriate, it must be simple to operate. The user of such technology must be able to apply without encountering problems*
- ✓ *Effectiveness; effectiveness of technology is judged by how well it fits in with the objectives of the user*
- ✓ *Availability; some technology may be appropriate for certain purposes but not available locally. Information technology for example may be the most appropriate for certain task but it may not be readily available locally*
- ✓ *Flexible; as time changes so do the requirements of technology. Appropriate technology must be flexible enough to adapt to changing time in the future*
- ✓ *Durable; technology that is durable requires less maintenance and repairs*
- ✓ *Efficient; technology should be efficient in its utilization of local resources*
- ✓ *Cost effective. The cost of technology should be justified by the benefits achieved. The overall benefits should be greater than the cost of the technology*

TECHNOLOGY IN PRODUCTION

Technology refers to the know –how, design and intellectual input of doing things. Technology means the practice of any or all the applied sciences that have practical value and or industrial use.

TYPES OF TECHNOLOGY

Indigenous technology. This is the art developed within a country and passed over the years from generation to generation often with no development of improvement.

Characteristics of Indigenous technology:

- ✓ *Indigenous technologies emerge from the implicate order to reflect the art of skillful living.*
- ✓ *Indigenous technology is pragmatic. It is responsive and responsible to the ecology in which it lives.*
- ✓ *Indigenous technologies attract the learning spirit(s) and provide a learning ecology that supports the revitalization and transformation of awareness and knowledge.*
- ✓ *Indigenous technology is intended to enhance the ability to maintain and renew balance and harmony within a multi-dimensional environment.*
- ✓ *Indigenous Technology is created within a sensory environment that builds on our sense of relationship, meaning, balance, feeling, memory and place as well as sight, sound, smell, taste and touch.*
- ✓ *Through meaningful interactions Indigenous technology seeks to engage and evoke significant knowledge and experiences reflective of the Indigenous world.*
- ✓ *Indigenous technologies have the obligation to come into existence, to be used and to transform within an ethical space that is responsible to life in all its forms.*
- ✓ *Indigenous technologies have intrinsic value because we know their ancestry where they came from, what their place is in our world.*

Advanced technology. This is technology that has been developed from modern scientific principles. It is classified as adapted technology which is obtained from other countries, transferred technology which is extracted from advanced countries and appropriate technology which is relevant to the needs of the community

FACTORS INFLUENCING THE CHOICE OF TECHNOLOGY

- ✓ *Technological requirements, industrial projects especially processing industries have a minimum economic size determined by the technological factor e.g a cement plant should have a capacity of at least 300 tons per day*
- ✓ *Input constraints: developing countries have constraints in obtaining certain inputs such as power fluctuations, scarcity of basic raw materials and inadequate foreign exchange thus select technology to use accordingly*
- ✓ *Investment control: the relationship between capacity and investment control should be considered since investment cost per unit of capacity decreases as the plant capacity increases*
- ✓ *Market conditions: a higher capacity is preferable for a product with a stronger market and a smaller capacity is used where the market is uncertain*
- ✓ *Resources of the business: the availability of resources such as management, financial resources etc, the business capacity design since they determine the capacity of obtaining a specific type of plant*
- ✓ *Government policy on technology: the capacity level may be constrained by government policy which may require a license and approval of operation*
- ✓ *Availability of spare parts: entrepreneur prefer technology whose spare parts are readily available to that whose spare parts are scarce*
- ✓ *Skilled man power requirement: the technology to be used depends on the availability of skilled man power to operate it, availability of cheaper man power make the technology good*

Role of Technological Advancement in Business:

- ✓ *Improving productivity: Advanced technology leads to increase in the production of goods or services and hence making the goods available for customers.*
- ✓ *Increasing resource utilization: The resources that would have remained idle and unused by businesses can be exploited with the advanced technology available.*
- ✓ *Promoting competition: With the application of advanced technology, businesses can produce quality products for their customers and hence leading to competition in businesses.*
- ✓ *Reducing operational costs: With the automation of the production process, costs of production can minimize costs of labour.*
- ✓ *Improvement in customer satisfaction: With the use of advanced technology, customers can get their goods on time, make orders of time and all these makes the customers satisfied.*
- ✓ *Enhancing labour knowledge and skills development: Technology makes workers get more skills and hence compete for different tasks which can lead to ore production.*
- ✓ *Minimizing resource wastage: Advanced technology ensures that the resources which were being wasted by use of labour will reduce drastically.*
- ✓ *Increasing profitability of the firm: Because of increased production and improvement in delivery of goods to the customers, more sales are likely to be made and hence more profits for the business.*

PRODUCTION CONTROL

The term production control implies the existence of a product plan. It is therefore the means to monitor the execution of production plan in order to achieve its objectives

There are various production – related factors, which are quite important and therefore, must be carefully considered in entrepreneur's production process. These aspects are discussed below

a) **QUALITY CONTROL.** No business enterprise can be successful without providing a product of the right quality as demanded by customers

Advantages of quality control

- ✓ It helps in improving the brand image of the enterprise
- ✓ It facilitates standardization
- ✓ It helps to reduce costs
- ✓ It enables the enterprise to determine its cost prices at competitive levels in advance of production
- ✓ It enables the enterprise to comply with standards prescribed by responsible supervisory authorities like Uganda National Bureau Of Standards

b) **TECHNOLOGY AND TECHNICAL SKILLS FOR THE PRODUCTION PROCESS.** This modern era, technology is changing very fast and there are enterprises with superior often have an edge over their competitors

c) **PRODUCTION PROCESS.** This aim of every manufacturing enterprise is to increase productivity; this means that whatever is spent on production should generate the maximum output possible

WAYS OF REDUCING THE OVERALL COSTS OF PRODUCTION IN BUSINESS

- ✓ Ensuring use of efficient and effective methods of production. This may be achieved through thoroughly studying the production methods to be employed in the production process to ensure that they efficient and effective. This is because inefficient methods of production usually lead to increased costs of production.
- ✓ Use of cheap but quality raw materials. Entrepreneurs should always buy their supplies or raw materials from the cheapest sources so as to minimize their production costs.
- ✓ Fixing time standards for all operation. Time standards for all operation should be fixed ie minimum and maximum time should be noted and the time for the process standardized. This helps to avoid wastage of time as well as minimizing production cost.
- ✓ Use of appropriate technology in production. The entrepreneur should ensure use of machines and tools which make work easier and lessen labour force so as to minimize labour costs and other costs that may arise from use of inappropriate technology.
- ✓ Ensuring close and constant supervision and monitoring of workers and the production process to ensure that work is going on well as planned. This helps to avoid relax times, movements and repetitive operations.
- ✓ Training and developing of employees (workers) to perform efficiently as per the set targets should be encouraged. This helps to equip workers with the necessary skills for production of goods and services and it enables workers to perform tasks in the shortest time possible.
- ✓ Employing skilled and experienced labour force. The producer / entrepreneur should ensure use of workers with the required skills to perform the production of the intended product. This helps to minimize costs arising from damages as a result of using inexperienced and unskilled workers.
- ✓ Spelling out duties and responsibilities for each employee (worker) to minimize conflicts, duplication of services, and lack of co-ordination and wastage of services. This also helps to minimize production costs.
- ✓ Studying the lead time i.e the time lag between placing of orders and receiving of the raw materials and other supplies should be established to ensure that raw materials and other supplies are received

in time and do not disrupt the production process. This avoids unnecessary delays in the production process.

- ✓ Awarding tenders for supplies and raw materials to competent, reliable and affordable suppliers so as to avoid disruptions, losses and unnecessary delays in the production process.
- ✓ Laying off redundant workers. The business can lay off some redundant workers or employ part time workers to cut down the costs of maintaining employees at the station throughout the year.
- ✓ Proper handling and storage of both raw materials, finished and semi-finished products. This helps to minimize damages, wastage and losses.
- ✓ Buying raw materials and other supplies in bulk so as to take advantage of trade discounts and at the same time ensure adequate provision of both raw materials, finished and semi-finished products.
- ✓ Encouraging specialization and division of labour. This helps to promote efficiency in production which leads to increased output and thus reduced costs of production.
- ✓ Motivating workers by ensuring good working conditions. Providing a conducive working environment motivates workers to be more productive leading to increased output hence reducing on the costs of production.
- ✓ Using cheap means of transport for both raw materials and finished products so as to minimize the costs of production in terms of transport.
- ✓ Use of alternative cheap sources of energy like solar, bio gas so as to minimize power costs.
- ✓ Lobbying the government support through business associations like Uganda Manufacturers Association, Uganda small scale Association etc for low tax rates, tax holidays etc which can help to minimize costs of production.

COSTING IN PRODUCTION

Meaning of costs of production. These are expenses incurred when producing goods and services.

Elements of costing

This is an analysis of the various items which together from the selling price of a manufactured article sold by a small manufacturing unit at a price.

Methods of costing business product.

- ✓ Job costing. This involves determining costs for each work order or job.
- ✓ Contract costing. This involves determining costs for big jobs spread over a specified period of time.
- ✓ Batch costing. This is used in determining costs for identical goods in a factory.
- ✓ Process costing. This is used in determining costs of production at each production stage,
- ✓ Operation costing. This is used in determining production costs in repetitive / mass production.
- ✓ Unit costing / output costing. This is used in costing single and identical products like cement.
- ✓ Operating costing. This is used in costing services like transport.
- ✓ Multiple costing. This involves determining production costs for the same product using more than one method of costing.

Types of costs.

The costs incurred by a business are different and can be broadly categorized into two major groups' i.e direct costs and indirect or overhead costs.

Direct costs / prime cost. These are costs that are directly linked to the level of production of goods and services. The amount of direct costs incurred varies with the level or volume of production of a product or service. For instance, when the volume of production rises, the total direct costs incurred rise. In a producing business, direct costs consist of costs incurred towards purchasing direct materials (raw materials and labour).

- ✓ **Direct materials costs.** Direct material costs refer to those materials that can be physically identified and traced to a particular product as part of the finished product. Examples of direct materials

include wood/ timber that is used in the manufacture of furniture, cotton for cloth etc; direct costs constitute the largest share of business' working capital requirements.

- ✓ *Direct labour costs (direct wages).* Direct labour consists of the labour that can be specifically identified or traced with the production of a particular product. Examples of direct labour include wages of the workers who are directly involved in the operation of machines engaged in the production process and those who assemble parts into the finished product. For example, in a carpentry workshop, the wages paid to carpenters, machinists and finishers constitute direct labour for a furniture making business.
- ✓ *Direct expenses.* These are expenses that are directly linked with the production of a particular product. For example cost of hiring machinery to produce a particular product, fuel / energy for running the machine etc. however, most items falling under this category tend to be indirect expenses.

Note: all direct costs of a product are referred to as prime costs.

For example, in the case of a small carpentry workshop, the following would be the prime or direct costs.

Item	Cost (shs)
Direct materials – timber	600,000
Direct labour – wage of machine and joinery staff	150,000
Direct expenses – fuel / transport	20,000
Prime costs	770,000

INDIRECT COSTS / WORK COSTS / OVERHEAD COSTS

Indirect costs are costs that cannot easily be traced to a particular product. Over a given range, indirect costs do not vary with the level or volume of production.

Note. Indirect costs may also be referred to as overheads.

- ✓ *Indirect materials.* These are materials that are not traceable to a particular product for example glue threads. Sandpaper, lubricant, cotton wastage, but get used up in course of general production. Using the example of a small carpentry workshop, indirect material costs would include glue m varnish, nails etc.
- ✓ *Indirect labour.* It consists of supportive labour of a product for instance manager, administrators, watchmen, gatekeepers, secretaries, tea girls etc. their services are applicable to all sections of a business and cannot be attached or traceable to any particular product. Their cost does not vary with the volume of production. A gatekeeper will remain working regardless of the level of business' production.
- ✓ *Indirect expenses.* These are a type of business expenses that are not linked to a specific product or a given range of production level. They do not vary within production range. Examples of indirect expenses include factory rent, factory insurance, repair of machinery, electricity, telephone and office expenses etc.

Note. Indirect expenses which are also known as overhead expenses.

Selling and distribution overheads. These are indirect cost incurred during the selling and distribution of goods and services. Examples of selling and distribution overheads include.

- ✓ *Advertising*
- ✓ *Sales promotion*
- ✓ *Delivery expenses / carriage outwards*
- ✓ *Salary of foremen*
- ✓ *Cost of samples given to potential buyers*
- ✓ *Free gifts*
- ✓ *Displays and exhibition materials*
- ✓ *Printing and stationary (for receipts , price lists, catalogues, invoices etc)*

- ✓ Packing cases
- ✓ Insurance for ware house, delivery vans etc.

Administrative overheads. These are indirect costs incurred by the business during the formulation of policy, direct control, management and supervision of its affairs, examples include

- ✓ Printing and stationery for administration
- ✓ Administrative salaries and allowances
- ✓ Postage and stationery
- ✓ Telephone expenses
- ✓ Legal and accountancy charges
- ✓ Heating and lighting
- ✓ Depreciation of office equipment
- ✓ General expenses etc

Calculating the total costs of a business

The format below will be followed when calculating the total of the business.

Item	shs	shs
Direct materials	Xxx	
Direct labour	Xxx	
Direct expenses	Xxx	xxxx
Total prime / direct costs		
Add indirect costs / over heads		
Indirect materials	Xxx	
Indirect labour	Xxx	
Indirect expenses	Xxx	xxxx
Total indirect / overhead costs		
Total production costs		
Add selling and administration overheads	xxx	
Add administration overheads	xxx	
Total administration, selling & distribution costs		xxxx
Total business costs		xxxx

If we are to consider the previous example of a carpentry workshop, the total costs could be summarized as below;

Item	shs	shs
Direct materials	500,000	
Direct labour	150,000	
Direct expenses	40,000	
Direct prime costs		690,000
Indirect materials	100,000	
Indirect labour	150,000	
Indirect expenses	60,000	
Total production costs		310,000
Selling and distribution overheads	150,000	
Administration expenses	200,000	
Total administration and distribution expenses		350,000
Total business costs		1,350,000

Determinants of Costing Method:

- ✓ The nature of the product or service: The costing approach designed for identical products is completely different from the one designed for different products because the processes and

resources they require will never be the same.

- ✓ *The stages / processes the product passes through: Products that pass through a series of stages cannot have the same treatment as those which are not subjected to any stages. Therefore different costing methods can be designed to suit the different processes used by different companies.*
- ✓ *Level of activity or Output: Identical and high volume output requires a cost method which is different from unique and single units that are produced to meet consumer's specific requirement.*
- ✓ *Installation and Maintenance cost required: Systems that are required to capture and analyze production costs do not require the same costs. The costing method to be used in place by the firm may therefore be influenced by costs involved.*
- ✓ *Time required completing the product: Products do not take the same time to make. It is therefore important for companies to design costing methods that suit the time duration of every product*

WAYS OF MINIMIZING COSTS AND MAXIMIZING PROFITS

An entrepreneur can minimize costs in the following ways

- ✓ *Paying labour a low wage*
- ✓ *Making labour work for long hours*
- ✓ *Reducing fringe benefits for labour e.g transport and medical allowances*
- ✓ *Buying raw materials from the cheapest source*
- ✓ *Avoiding unnecessary costs ie un planned expenditures*
- ✓ *Employing few workers*

Maximizing profits

- ✓ *Reducing credit sales*
- ✓ *Carrying out sales promotion*
- ✓ *Increasing the price of the product*
- ✓ *Employing few workers*

Internal control systems of a business

This involves the control over business operations in various areas to achieve the set goals

Areas under which business control may be exercised

- *Purchasing*
- *Quality control*
- *Employee morale*
- *Financial analysis*
- *Cost controls*
- *Sales pricing*

Purchasing

This can be controlled by buying from at least two suppliers to check on prices, cater for a shortage in case one is affected by strikes, fire etc. purchasing is built to enjoy discounts and improve relationship with the suppliers.

Quality control

Refers to the process which attempts to minimize or eliminate differences in production quality or it refers to the organizational techniques and activities that are used to fulfill requirements for quality

Measures to ensure quality control

- *Reducing the price of slow selling goods to get rid of them and keep faster selling items on the selves*

- Surveying customers from time to time to determine if they are satisfied with the level of product quality and service.
- Discussing merchandise returns with customers to determine the source of their discontent.

Note. Check others in the previous topic covered

Employee morale

This involves keeping the employees attitude towards work positive such that they promote the company product.

Ways of improving employee morale.

Check the ways of motivating employees under personnel management or human resource management.

Financial analysis

It involves analyzing the costs and the sales (price) to ensure that the business costs are lower than the revenue hence operating at a profit.

Cost control

This involves reducing the costs of production in order to operate at a profit.

Ways of controlling costs

- *Check for ways of reducing costs in the previous notes*

Sales control

These are the total collections (revenue) from the selling of products produced

Ways of controlling sales

- *Selling sales quotas*
- *Checking on the effect of seasonal variation on sales*
- *Examining the ways of smoothing out the sales to achieve better utilization of the facilities throughout the year*
- *Learning how to advertise the business efficiently and correctly*

Pricing

This is the process of establishing the exact price to be charged on customers

It involves

- *Setting prices high enough to provide gross margin that allows for a reasonable profit.*
- *Ensuring that the prices are in line with competition so that one does not loose sales on one extreme or go block to the other*
- *Marketing down the end of season merchandise to get rid of them.*

Reasons/ objectives for setting internal control systems (ICS) in a business

- *To maintain costs and maximize profits*
- *Maintain stable supplies for stable production*
- *Motivate employees for better productivity*
- *To control fraud among employees*
- *Ensure continuous production*
- *Meeting demand fluctuations among customers*
- *To control / maintain quality of the product that are produced*
- *Establish right prices affordable by the customers*
- *Enable the use of right employees in right jobs*
- *To ensure the safety of assets / inventory of the business*
- *To ease the operation of the business policy*
- *For easy monitoring and supervision of the business activities*
- *Develop a good relationship with customers / public*

- To ensure proper management of business finance
- To increase and maintain business periodical sales
- For ensuring consistent business cash flows through regulating outflows.

Work place management

A work place refers to a place where production of goods and services are done like a kitchen, store etc.

Objectives of managing a work place

- To properly handle and store materials as some need careful handling and storage
- To facilitate easy movement of workers at the workplace
- To avoid accidents and dangers that are caused by workers and machines
- To control hazardous substances involved in the production process of chemicals from affecting others.
- To suite the condition of production
- To create conditions favourable for workers so as to increase productivity

Elements of a workplace

- *Material handling and storage*
- *Work station*
- *Machine handling and storage*
- *Control of hazardous substance*
- *Lighting facilities*
- *Premises*
- *Work organisation*
- *Welfare facilities*

The Material handling and storage. This involves proper handling and storage of materials in right places.

Reasons for proper material handling and storage

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

This can be maintained and handled in the following ways.

- By removing things that are not frequently used out of work place*
- By providing convenient storage racks for tools and equipments for easy retrieval*
- By training the store keepers the proper handling methods of raw materials.*
- By providing caterpillars, movable racks, cranes for easy moving of heavy loads.*
- By removing expired or out dated materials out of workplace.*
- By storing materials out of the workplace.*
- By storing materials in easy accessible places especially if they are heavy.*
- By using coolers or refrigerators in case materials require cool conditions.*
- By using stores ledgers, bin cards for numbering materials for easy retrieval.*

b) Work stations. These are places where actual production of goods and services is done. Work stations should be designed in the following ways.

- *Putting machine switches and other tools within easy reach of workers*
- *Using lifts and other mechanical measures to reduce the effort required by workers*
- *Providing a stable work surface at each work station*
- *Using cramps for holding things tightly and vices with two saws for holding things firmly*

- Adjusting the height of equipment to avoid bending postures or high hand positions which strain workers
- Providing chairs or benches of correct height with steady back rest to promote efficiency of workers
- Provision of enough space within workstation which enables smooth production process to take place.

Machine handling and safety

Ways of ensuring proper machine handling and safety

- Attaching proper guards to dangerous moving parts of machines and power transmission equipment
- Using safety devices which prevent running of machines while the workers' lives are in danger
- Redesigning situations which interfere visibility, production and maintenance aeration
- Making sure that the machines are well maintained by regularly servicing them
- Reducing and following instructions about the use of machines before using them.
- Putting precautions for instructions manually
- Painting machines to avoid rusting which affects its use
- Covering machines when not in use like computers to avoid dust effects
- Employing skilled employees to avoid accidents caused by machines
- Through close monitoring and supervision of employees
- Through proper storage of machines as they need care when handling them
- Switching off machines in case of any breakdown and reporting it immediately to competent personnel
- Checking machines to find out whether they are in good order before they are switched on for use.
- Avoiding use of the machines for something they are not designed for respecting machine capacity.
- Ensuring proper connection of machines to avoid short power circuits and damaging machines.

KIBOBO TRANSPORTERS

P.O BOX 222, Kampala

TEL: 0752-99-88-77

ROUTINE MAINTENANCE SCHEDULE OF MACHINES

<i>Date of service</i>	<i>Type of machine</i>	<i>Description of work</i>	<i>Person in charge</i>	<i>Venue of service</i>	<i>Date of next service</i>	<i>remarks</i>
7/11/18	2 trucks	Changing oil	technician	Business premises	2/12/18	
9/12/18	2 trucks	Over hauling	Technician	Business premises	2/01/18	

Prepared by

Sign:

Name: Namubiru Edith

Title : transport manager

approved by

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Control of hazardous substances

Refer to dangerous materials to workers e.g broken glasses, chemicals, contaminated food.

Reasons for controlling hazardous substances

- To minimize losses in business
- To improve or enhance quality
- To improve health complaints among workers

- Need to promote efficiency/ productivity of workers
- To minimize or control pollution
- To avoid accidents
- To maintain good relationship within the society

Ways of controlling hazardous substances in an enterprise.

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

LIGHTING FACILITIES

- By adding skylights and keeping windows clean to let in natural light.
- By painting ceilings white and walls for concentration and reflection of light.
- By providing artificial lighting which is adequate for the type of work.
- By reducing obstructions and eye strains through repositioning g of Lamps or bulbs
- By providing ventilations and ensuring their cleanliness.
- Providing local lighting or adjustable lights
- Switching off in case there is no need of light
- By replacing bulbs when they are fault.

WELFARE FACILITIES

This helps to enhance health, morale and productivity through work related welfare facilities

This can be managed in these following Ways.

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

PREMISES MANAGEMENT (WORKPLACE LAYOUT)

This can be managed in the following ways.

- By providing a sign post for business premises to direct visitors and other people involved in the workplace.
- By providing a clean environment for business premises.
- Through improving room temperature of the premises by covering the walls and roofs with insulating materials

- *By carrying away sources of heat and noise through constructing noise proof walls.*
- *By providing fire extinguishers to protect premises against fire accidents.*
- *By providing two ways out of every room for easy way out in case of any accident*
- *By minimizing the steps in the passages with in the premises. This can interfere with the movement of wheel barrows which carry heavy loads.*
- *By eliminating loose wire connection which can cause accidents.*
- *Providing walk ways and freeways at the workplace.*
- *Clearing passage and providing marking barriers to keep them clear and allow free movement of workers*
- *Eliminating regular wiring connections to reduce risks*
- *Ensuring that the layout and the working conditions are in good order to suite the nature of the product and productivity of the business*
- *By ensuring safety and security of assets of the business*
- *Providing good storage facilities for raw materials, work in progress and finished good during production*
- *Ensuring enough work space for workers during the production process.*
- *Ensuring stability of the work surface for quality products to be produced*
- *Providing proper furniture to the employees to use during production with stable back rest*
- *Allowing for furniture development plans where expansion can take place.*

Work organisation

It helps to optimize production and job satisfaction through better work organisation

Ways of ensuring proper work organisation

- *Eliminating some tasks by using machines*
- *Keeping workers alert and reducing fatigue through frequent changes in task, opportunities to change posture, short breaks music etc.*
- *Using quality circles or group work to improve productivity and quality of the workers*
- *Through re-arranging layout and order of operations to improve production flow, efficiency and productivity*
- *Dividing labour and separating tasks so that each worker knows what is supposed to do and when.*
- *Avoiding monopoly by using shifts for workers during production process.*
- *Keeping records for worker's performance and those who are better being rewarded e.g by promotion.*

Factors considered when designing a workplace

- *Cleanliness / sanitation / hygiene. A well designed workplace should ensure a clean environment*
- *Ventilation (heat production)*
- *Storage facilities*
- *Safety / security*
- *Emergency facilities / fire extinguishers*
- *Work place*
- *Stability of the work surface*
- *Nature of the furniture*
- *Sign post*
- *Installation of power requirements*
- *Machine requirements*
- *Future workplace development plant*
- *Nature of the products*

- *Inventory management*

Ways of Controlling Fixed Assets of the Business:

- ✓ *Having Assets register: A register book can be used to record the assets of the business like the furniture, computers, buildings, calculators etc. Review your physical assets regularly against your asset register and investigate any missing items. Make sure this is done irregularly not just on 30 June.*
- ✓ *Labeling the Assets: Company assets can be controlled by labeling them in the company names and assigning the some unique numbers for identification e.g. KSL/001/2014 etc.*
- ✓ *Physical security such as locking premises, using security cameras, safes etc.*
- ✓ *Restricting access to access codes for the asset by outsiders except trusted employees only.*
- ✓ *Changing computer passwords regularly.*
- ✓ *Avoiding giving one employee total control over a process.*
- ✓ *Making sure that there is an independent check on processes and procedures.*
- ✓ *Having firewalls and protective devises on computer systems.*
- ✓ *Having clear guidelines on personal use of assets of the company.*
- ✓ *Ensuring proper management supervision.*
- ✓ *Locking laptop to desks computers and data projectors as popular targets for theft.*
- ✓ *If your office entrance is located near the street or a staircase ensure hand bags and petty cash are well locked up at all times.*
- ✓ *Allocating a staff member to be responsible for any expensive items, ensure staff knows the location of the asset and lock it away when not in use.*
- ✓ *Reviewing your physical assets regularly against your asset register and investigate any missing items. Make sure this is done irregularly not just on 30 June.*

STRUCTURING TIME FOR INCREASED PRODUCTIVITY

Making productive use of hidden time: Hidden time is the time that was previously mismanaged, consumed with distractions or used for other tasks. This should be used to accomplish priority tasks.

Using energy high and lows: this involves improving the schedules of work depending on the time where performance is high

Ensuring that work is started faster by accomplishing the first tasks earlier to avoid interfering with actual work time

TIME MANAGEMENT / CONTROL

Time management is a technique for allocating of the managers' own time through setting goals, assigning priorities, identifying and eliminating time wasters and using managerial techniques to reach goals efficiently

EFFECTIVE TIME MANAGEMENT / CONTROL

Spending time planning and organizing, use time to think and plan for the time well spent.

Setting goals, setting clear goals which give people a sense of direction. Set goals which are specific, measurable, realistic and achievable

Prioritizing time to concentrate on work / items which have a greatest reward.

Using a to do list: the to do list is the last thing constructed the previous day or first thing in the morning such people may combine to do list with a calendar or schedule.

Being flexible: allowing time for interruptions, distractions and unplanned emergencies, when interrupted begin with the most important thing.

Considering biological prime time. Prime time is the time of the day where high performance is expected of an individual. If it is effective to use this prime for major activities.

Doing the right thing right: doing the right thing is effectiveness and doing things right is efficiency, focus on effectiveness and concentrate on efficiency.

Eliminating the urgent: urgent tasks should be dealt with first so that time is set for important priorities.

Practicing the art of intelligent neglect: eliminating from life tasks which have no long term consequences

Avoiding being a perfectionist: believe that errors and mistakes are to humans

Conquering procrastination: ie breaking the task into smaller tasks and doing just one smaller task and doing just one smaller task and setting time for the bigger

Learning to say no: after getting convinced about the importance of priorities, say no to the unimportant ones

Rewarding him/her: an entrepreneur has to celebrate achievement of his/ her success in achieving goals

TIME MANAGEMENT TECHNIQUES

Identifying goals: this involves understanding what is required to be accomplished each month, week or day, list your goals in order of importance.

Ensuring self-motivation: entrepreneurs should motivate themselves to produce high output in work which they have to do in a specific time frame.

Establishing a dead line: more work can be done if specific deadlines for achieving certain tasks are set.

Taking notes: recording thought and ideas and note down such things as names, telephone numbers, appointments and things to do.

Being goal oriented: concentrating on activities which lead to significant results, be selective in your work activities and try not to do everything.

Working in blocks of time: do major tasks in blocks of time during the period of the day you feel more effective.

Asking questions before working: for example what, who, how and why?

Being action oriented: outline your specific course of action and do it.

Being reflective: reflective thinking is the act of learning from one's past, present and potential future activities.

Planning the next day's activities at the end of each day

Questioning yourself on time usage, in order to manage time properly.

HOW DO ENTREPRENEURS WASTE TIME

- ✓ *Talking with people about personal matters unconnected with work*
- ✓ *Having unnecessary or extra-long group meetings*
- ✓ *Allowing too many interruptions*
- ✓ *Being disorganized or on specific targets*
- ✓ *Engaging in little or no delegation*
- ✓ *Being indecisive ie failure to make decisions on the side of entrepreneur*
- ✓ *Being late or absent*
- ✓ *Misusing time reminders*

Effects / disadvantages / costs of wasting time

- *It leads to the delays in production*
- *It lowers sales volume hence reducing revenue*
- *It leads to poor or late service delivery*
- *Puts the business / firm at a competitive disadvantage ie the firm can easily be out competed*
- *It leads to consumer dissatisfaction*
- *It worsens employee – employer relationship*
- *It destroys team work*
- *Reduces the profit of the firm*
- *Lowers productivity of the firm*
- *Delays or prolongs decision making process.*
- *It makes strategic planning difficult.*

PACKAGING

Packaging refers to the process of wrapping, crafting or compressing goods to protect them from spoilage, breaking, theft, contamination etc during the process of transit, storage and use.

Importance of packaging

- *Packaging protects the contents there in from rough handling and external conditions like poor weather.*
- *It facilitates easy handling and transportation of goods to the markets especially liquids, cereals etc.*
- *Through packaging goods can be preserved like food products, chemicals that can be protected against external conditions and germs like through putting them in tins.*
- *Well packed goods may attract a number of customers and facilitates easy selling as a customer can easily identify the product through its appearance and they end up buying them.*
- *Products are normally packed in relatively small sizes, which are easy to display in retail stores, easy to price and hence being affordable to different / many customers.*
- *It is easy to distribute / deliver packed products to the markets; it can facilitate mail order services which are convenience, fast and hence increasing profitability through increased sales of the product.*

- *Packed goods are usually accompanied with instruction labels which serve as a guide to inform / teach customers about the content and usage of the product there in.*
- *Self-service is possible with packaged goods; this saves time, attracts more customers and increases the sales of the business.*

TYPES OF PACKAGING

- ✓ *Bottling or Canning: This is the putting of goods in the bottles or cans. It is common with liquid foods like drinks, drugs etc.*
- ✓ *Bagging or putting in bags: Here products are put or packed in bags. This is common with clothes etc.*
- ✓ *Putting in plastic containers: Here, products are packed in plastic containers and it is common with drinks, powder, perfumes etc.*
- ✓ *Baling or Tying in bales: This is commonly used in paper trims and waste paper, beverage containers, plastic wraps, fiber such as cotton wool, tobacco etc.*
- ✓ *Tinning or putting in Tins : Here products are packed in tins after production. Examples of products tinned are drinks, powders, tablets etc.*
- ✓ *Putting in boxes: This is packaging products in the boxes. This is common for products like flowers, spare parts for cars and bicycles, mineral water and other tangibles, books etc.*

Different types of packaging materials

- ✓ *Metal – aluminum , tin plate, steel*
- ✓ *Plastic polythene papers, jerry cans, bottles etc*
- ✓ *Wood –wood , packing cases etc*
- ✓ *Glass for example bottle*
- ✓ *Laminators – aluminum foils, films etc*
- ✓ *Polyesters*
- ✓ *Hessians / jute for bags*

Note. The nature of goods determines the types of packaging to use. For instance, oil, wine and other liquid products are put in bottles, tins or cartons,

FACTORS CONSIDERED WHEN CHOOSING THE TYPE OF PACKAGING MATERIALS TO USE

Sources of packaging materials and suppliers, the source where the materials are got should be reliable in terms of quality and suppliers must be willing and able to supply whenever a need arises in order to avoid changing materials for the products over and again.

Availability of the packaging materials required, an entrepreneur selects a material that is available or that can be got in the required quantities to allow constant production and distribution of the goods.

The unit cost of packaging materials required per production cycles and inventory levels to be maintained, the unit cost should be relatively low and one should only acquire these materials that are needed depending on the volume and type of materials in stores.

The cost of packaging in relation to the value of the good being packaged, one should select a material which is not expensive to package, Cheap and lowly priced commodities, as it affects the profitability of the business.

Types of goods to be packaged, like liquids, gases, solids, should be considered e.g one is not expected to choose wood boxes to package oil or petroleum products, instead jerry cans are preferred.

The purpose of packaging, there are some goods that are packaged purposely to store them for a long time, one should choose along lasting materials like wooden boxes instead of glasses that are delicate, then others like food stuffs that are to be consumed in a short period of time, might be packaged in polythene bags or paper bags.

Means of transport to be used, this greatly affects the packaging materials e.g products that are to be moved via the roads (using trucks) should use a strong packaging materials for proper protection like wooden boxes.

The nature of goods to be packaged determines the materials like oil, wine and other liquid products are put in bottles or tins, cotton and other bulky products can be put in bales, while fragile goods like fruits, glasses are packed in paper boxes.

The government policies may also be considered , the government may decide to ban certain materials for packaging, so one is not excepted to use such materials, for example the government of Uganda recently banned the importation and use of certain types of polythene bags.

Note. For packaging of a product to be successful, an entrepreneur must ensure that it is easy to use, open, of practical size and has instructions which can be easily followed and understood.

QUALITY MANAGEMENT

Quality refers to the ability of a good or service to meet/ satisfy a customer requirements or wants.

ATTRIBUTES THAT DEFINE QUALITY OF A PRODUCT

- 1. Performance. It refers to the basic or primary operating characteristics of a product. E.g in case of a TV performance may mean sound, clarity etc*
- 2. Features. These are the secondary operative characteristics of a product. They supplement the basic functions of a product e.g DVD player on a computer.*
- 3. Durability. This attribute measures the product life. Durability is the amount of use one gets from a product before it breaks down, the longer the life of a product the more the quality.*
- 4. Reliability / Guarantee (expiry date) the longer the expiry date the more the reliability of the product.*
- 5. Conformance. This refers to the degree to which a product design and operating characteristics meet the set standards like weight for example bread is sold in different weights like 500gms or 1kg.*
- 6. Serviceability. It refers to the speed competence and ease of repair a given product. Consumers not only mind about a product breaking down but also the time before the service is restored , the timeliness with which service appointment are kept, the nature of dealing with service personnel etc.*
- 7. Perceived quality. This is how consumers view things. Consumers have different tastes and therefore, perceive quality of products differently. In such circumstances, things like images, advertising, brand names and misconceptions about quality are critical in perceived quality.*

Common terms used in relation to quality

Quality policy: this refers to the overall intentions and direction of a business or an organisation with regard to quality as prescribed by the top management. Quality policy is normally expressed and developed by the top management and is communicated to the subordinates / workers. In most cases, quality policy is expressed in the mission statement.

Quality planning: it refers to the establishment of what the business or an enterprise is planning to do so as to achieve quality.

Or

Quality planning refers to establishment of measures of what an enterprise is going to do so as to achieve quality.

Quality control: this refers to the activities and operational techniques that are used to fulfill the requirements of quality.

Quality system: it refers to organisational structure, procedures, process and resources needed to implement quality management.

Quality assurance: it refers to all the plans and systematic activities which are to be implemented within the quality system so as to achieve quality.

CONSUMER'S PERCEPTION ABOUT QUALITY

Due to differences in tastes and preferences, consumers usually perceive quality differently. This however, results into various inference / misconceptions about the quality by consumer.

CONSUMERS MISCONCEPTION ABOUT QUALITY

Misconception about price: it is always assumed that the higher the price, the higher the quality. However, this may not be the case.

Misconception about the brand name: consumers usually assume that some products are superior to others basing on their brand names. This is because a brand name tends to give a product either a good or bad reputation. For example one may prefer a DVD player branded "Toshiba" because of the brand name to that of Sony.

Consumers' point of view: consumers perceive quality of product differently. This is due to differences in consumers' tastes and preferences. Such differences results into various misconception about quality of goods and services.

Misconception about durability/ guarantee. Here, different consumers assume that quality products are those ones that take long time to get expired or break down.

Misconceptions about the origin of goods and services: consumers tend to assume that quality products are produced from specific countries or places e.g in Uganda people assume that cars from Germany are of high quality than from other countries.

Misconception about the size of the product: consumer considers quality products as those that can serve the purpose while in large quantities.

FACTORS THAT INFLUENCE THE GENERAL QUALITY STANDARDS OF AN ENTERPRISE

Selection of raw materials that are used as inputs in production. The use of low quality raw materials usually results into poor quality products while use of good quality raw materials yields quality products. Therefore, it is always important to use good quality raw materials so as to have a good quality product.

Cleanliness of the environment under which the product is being developed. A clean environment under which a good is produced or a service is offered helps in the production of quality products compared to unclean environment.

Packaging. The way of packaging may affect its quality in various ways for example, packaging can lead to contamination. It can also bring about damage or it can lead to product expiry if the product is kept long time. Therefore, the entrepreneur considers the packaging materials to ensure that the design of the product conforms to the planned packaging materials.

Technical specifications regarding quality and quantity. This affects the quality of products in a way that if there is change in the technical specifications like in the mixing of ingredients or size of the product, the quality and quantity are affected. For example in a bakery, if there is alteration in the mixing of ingredients and size, the quality of bread will be affected.

Storage of raw materials and finished goods. Improper storage of raw materials and finished goods results into low quality products while proper storage of raw materials and finished goods promotes production of quality products. Therefore, the producer should consider proper storage of raw materials and finished products.

Limits of deviations from set standards ie there is always set standards and specification for quality that should be maintained. The more the deviation from them, the more the quality of the product will be affected

Machinery used in production. Quality of products produced is greatly affected by the type of machines used in production process. This means that use of unsuitable machines in production process leads to low quality output and vice versa. Therefore an entrepreneur / producer should determine the machines required for production, the technical aspects of producing the product and proper installation of machines.

Availability of necessary skills for the production of products. This refers to Labour with the required skills to perform the production of the intended product. Usually the use of skilled labour leads to quality products and vice versa.

Product design and development. Wrong and improper product designs lead to low quality of the product while right product designs as demanded by customers lead to quality output.

QUALITY CONTROL IN A BUSINESS

Quality refers to various activities and operational techniques employed by an entrepreneur to achieve and maintain quality of a product or services.

Quality refers to the measures under taken by an entrepreneur to ensure that high quality products are produced

Why is necessary to observe quality in a business

- ✓ *To improve the brand image of the business. Quality control helps to improve the brand image of a business while helps the business to expand its market share.*

- ✓ *To reduce costs of production. This results from the minimizing wastage of raw materials when producing good quality products.*
- ✓ *To create consumers' loyalty. Quality control helps the entrepreneur to maintain his customers as the entrepreneur has to design and develop a product that conforms the needs of the customers.*
- ✓ *To facilitate standardization of the business products ie through production of uniform products or service.*
- ✓ *To comply with the quality standards prescribed by the relevant authority e.g UNBS in Uganda.*
- ✓ *To produce quality products. Quality control leads to production of high quality products which improve the image and reputation of the entrepreneurs' business.*
- ✓ *To compete with other competitors in the same line of business through improving on the quality of the output.*
- ✓ *To determine product costs and price at competitive levels in advance of production.*
- ✓ *To achieve business objectives concerning quality specification.*
- ✓ *To maintain business customers through improved quality.*

WAYS / MEASURES OF ENSURING QUALITY OF A PRODUCT

- *Ensuring selection and use of better quality raw materials. The entrepreneur ensure use of good quality raw materials so as to produce quality products.*
- *Monitoring and supervision of the production process. To ensure that the goods produced conform to the set standards.*
- *Ensuring proper packaging of the product. The entrepreneur ensure use of suitable materials in line with the product design.*
- *Selecting appropriate production machines and ensuring proper installation of such machines and equipment.*
- *Carrying out market research before developing the product and even in the process of making the product so as to understand the needs of the customers*
- *Employing labour with the required skills to perform the production of the intended product.*
- *Ensuring proper sale and distribution of the product. This requires the entrepreneur to select a suitable channel of distribution for his production.*
- *Ensuring a clean environment under which the product is to be produced.*
- *Considering the technical specifications regarding quality and quantity of the product to be produced like mixing ingredients or produced chemicals, size of the product etc.*
- *Ensuring good / right product design and branding of goods as demanded by the customers.*
- *Ensuring proper storage of both raw materials and finished products.*
- *Motivating employees to keep their morale high towards quality production.*

Importance of quality control in business.

- ✓ *Quality control helps to improve the brand image of a business while helps the business to expand its market share*
- ✓ *It helps to reduce costs of production. This results from the minimizing wastage of raw materials when producing good quality products*
- ✓ *Quality control helps the entrepreneur to maintain his customers as the entrepreneur has to design and develop a product that conforms the needs of the customers*
- ✓ *It facilitates standardization of the business products through which production of uniform products or service*

- ✓ *It helps the entrepreneur to comply with the quality standards prescribed by the relevant authority e.g UNBS in Uganda*
- ✓ *Quality control leads to production of high quality products which improve the image and reputation of the entrepreneurs' business.*
- ✓ *It helps entrepreneur to compete with other competitors in the same line of business through improving on the quality of the output.*
- ✓ *It enables entrepreneur to determine product costs and price at competitive levels in advance of production.*
- ✓ *It enables entrepreneur to achieve business objectives concerning quality specification.*

Quality and production management

Quality control involves activities at all phases of the production process ie product design, purchase of raw materials, marketing / marketing research, production machines and their installation, production of the product, Storage of materials and finished products, packing, sale and distribution. In the process of producing a product, the quality of the end – product is influenced by activities in each phase of the production process.

Phases and activities in the production process that have an impact on quality

Marketing and market research for the product. This involves collecting and analyzing information relating to markets so as to find out opinions of potential customers about the product that the entrepreneur intends to produce.

Product design and development. This stage involves planning the shape, fashion, size and colour of products to be produced.

Purchase of production raw materials. Poor quality raw materials lead to purchase to poor quality products and vice versa.

Production of the product. This stage involves transforming of the raw materials through the use of inputs like machines into finished products.

Packaging and storage of the product. This involves wrapping and compressing of the products produced in various packing materials so as to protect them from spoilage and damage and for easy transportation. After packing the products are then stored.

Selling and distribution of the product. This involves selecting of an appropriate channel of distribution and an effective mode of transportation to enable the entrepreneur's products reach the final consumer.

Installation of the product at the user's premises. After distribution of the product. The entrepreneur or salesperson installs the product at the client's premises. Installation may be free or at a small charge. However, this only applies to those products which require installation like machinery and equipment.

Technical assessment and servicing of the product. This is the last stage in the product life cycle. It involves the activities carried out to ensure that the customer is satisfied with the good or service and

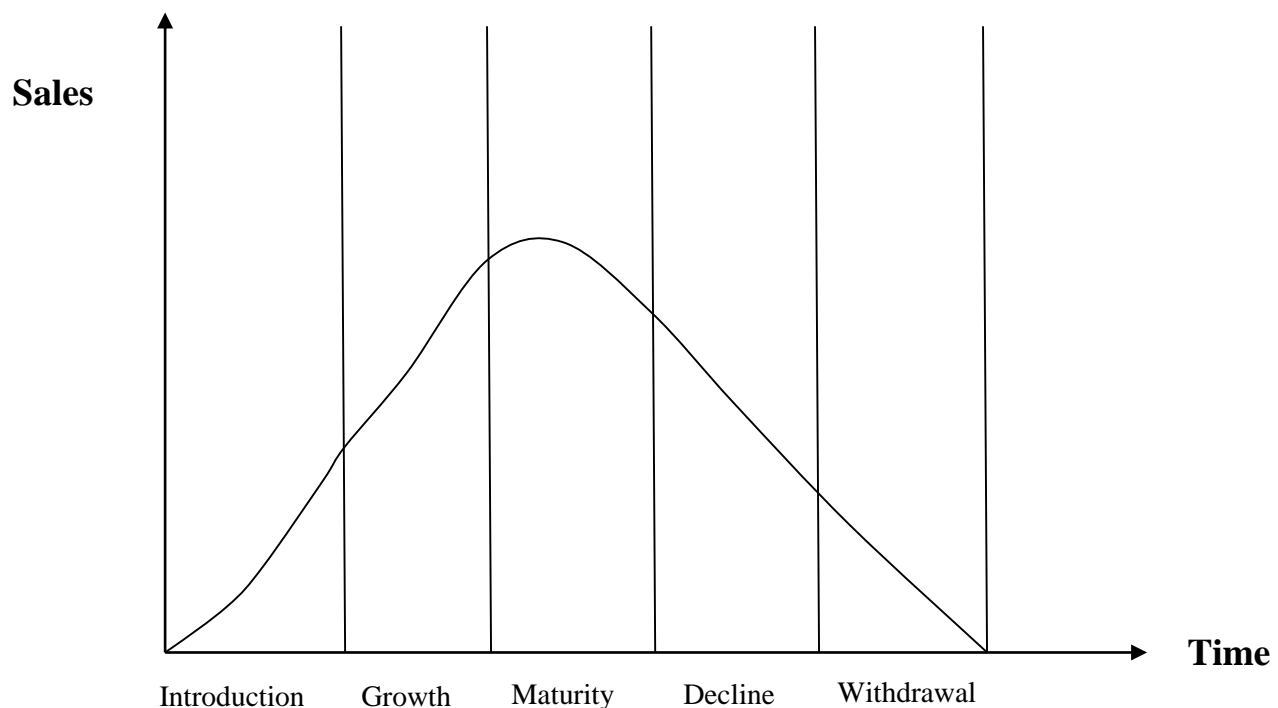
the entire business enterprise. It includes after sales activities like checking and ensuring product smooth performance and maintenance / servicing.

THE PRODUCT LIFE CYCLE (PLC)

Product life cycle refers to the combination of various activities that influence the quality of a given business product. The product life cycle merely views and enterprise from the angle of production management. Other angles to view and analyze an enterprise are human resource management and financial management.

STAGES OF PRODUCT LIFE CYCLE

Summarizing major events during product life cycle stage. This provides a summary of the major differences between the stages in the product life cycle with respect to sales, costs, profits, types of customers and the nature of competition



a) Introduction stage

The market size and growth is slight. It is possible that substantial research and development costs have been incurred in getting the product to this stage. In addition marketing cost may be high in order to test the market undergo launch promotion and setup distribution on channels

It is highly unlikely that companies will make profits on products at the introduction stage. Products of this stage have to be carefully monitored to ensure that they start to grow otherwise the best option may be to withdraw, low sales and high unit cost

Characteristics of the introduction stage

- ✓ Sales generally are low and somehow slow to take off. Customers are characterized as innovators

- ✓ *Production costs tend to be high on a per unit because the firm has yet to experience any significant economies of scale*
- ✓ *Marketing cost required for creating awareness, interest and trial and for introducing the product into distribution channels are high*
- ✓ *Because of low sales and high unit costs, profits tend to be negative or very low*
- ✓ *Competitors tend to be few in number indeed there may be only major player in the market place the innovating firm*
- ✓ *No profits*

b) Growth stage

It is characterized by rapid growth in sales and profits. Profits a rise due to an increase in output, economies of scale and possibly better prices. At this stage, it is cheaper for the business to invest in increasing market shares as well as enjoying the overall growth of the market

CHARACTERISTICS OF GROWTH STAGE

- ✓ *Sales increase rapidly. This increase is due to consumers' rapidly spreading positive word of much about the product*
- ✓ *Declining cost on per unit basis because sales leads to longer production runs and therefore economies of scale in production*
- ✓ *Decline unit costs and rapidly increasing profits due to increasing sales*
- ✓ *Customers are mainly majority. It is the early adoption specifically that is responsible for stimulating the WOM effect*
- ✓ *Competition continues to grow throughout this stage as competitors recognize profits, potentials in the market e.g enter the market with their own session of the products*

c) Maturity stage

It is in this stage that competition is intense as companies fight to maintain their market share. Here both marketing and financial become key activities. Marketing expenses have to be monitored carefully, since any significant moves are likely to be copied by competitors. The maturity stage is the time when most profit is earned by the market as a whole.

Any expenditure on research and development is likely to be restricted to product modification and improvement and perhaps to improve production efficiency and quality

CHARACTERISTICS OF MATURITY STAGE

- ✓ *Sales continue to grow during early stage (post) of maturity but at a much slower rate than experienced during the growth phase. At some point, sales reach the peak. This peak may last for extended periods of time*
- ✓ *Costs continue to rise during maturity because of market situation and continually intensifying competition*
- ✓ *Competition, where this slowing of sales is combined with this stage, the result is that profits will have reach their highest level and must from this point on decline*

- ✓ The only remaining customers to enter the market will be late, the late majority and the laggards. These customer groups are by far the most risk averse and most hesitant to adopt new products
- ✓ Competition is mostly intense. The intensity of competitive in fighting drives the changes in costs and profitability

d) Decline stage

The market is shrinking / reducing the overall amount of profit that can be shared amongst the remaining competitors. At this stage, great care has to be taken to manage the product carefully; it may be possible to take out some production cost to transfer production to a cheaper market. Ultimately depending on whether the product remains profitable, a company may decline to end the product

Characteristics of the decline stage

- ✓ Sales continue to deteriorate in addition unless major changes in strategy or market conditions occur, sales aren't likely to be recovered costs because competition is still spent on promotion particularly sales aimed at providing customers with price concessions
- ✓ Profits continue to decline with little hope of recovery
- ✓ Customers again are primarily laggards
- ✓ There are generally a significant number of competitors still in the industry at the beginning of decline. However as decline progress marginal competitors remaining thus decline leads to the large more entrenched competitors with significant market shares

e) Withdrawal stage

There is a down turn in the market e.g more innovative products are introduced or customers tastes change. There is intense price cutting and many more products are withdrawn from the market. Profits can be improved by reducing marketing expenditure and cost cutting

Benefits of product life cycle in enterprise

- ✓ It helps the entrepreneur in product decision making
- ✓ It helps the product designers and service providers, government agents and individuals to make choice
- ✓ It leads to increased productivity
- ✓ It reduces wastage of products and raw materials
- ✓ It minimizes product costs through the re – use of the original data
- ✓ It enhances the entrepreneur ability to quickly identify potential sales opportunities and renew contribution

Problems with product life cycle (critics of product life cycle)

- ✓ In reality very few products follow such a prescriptive cycle. The length of each stage varies enormously. The decisions of marketers can change the stage e.g from maturity to decline by price cutting, not all products pass through this stage. Some go from introduction to decline, it's not easy to tell which stage the product is in
- ✓ it doesn't any way predict the length of each phase and it can't be used to forecast sales with any accuracy

- ✓ *The model is self-filling e.g if a marketer decides that a product is approaching its decline phase and stops actively marketing it. The product sales will almost inevitable decline. This might not have happened had it been managed as if it was still in its maturity stage*
- ✓ *It's possible that by improving a product aggressively on an ongoing basis growth can continue for a long time. The model doesn't consider them*
- ✓ *Successful marketer need to draw on a wide range of data and on analysis to help them decide which phase a product is in and whether that phase can be explained*

TOTAL QUALITY MANAGEMENT

This is the method designed to prevent errors such as poor quality products from happening. It's a way of managing an organisation so that every job, every process is carried out right from first time of every time.

FEATURES / ELEMENTS OF TOTAL QUALITY MANAGEMENT

Quality chains, it emphasizes the linkage between suppliers and customers. The chain remains intact if the supplier satisfies the customers. Failure to accomplish this make delays in the next stage of production.

Company policy and accountability. Total quality stresses the role of the individual and aims to make anyone accountable for their own performance.

Control. Customers' needs will only be satisfied if the business has control of the factor that affect a product's quality. These may be human, administrative or technical factors.

Monitoring process, monitoring the business process enables possible improvements to be made thereby leading to total quality management. An entrepreneur has to develop methods to achieve this.

Team work, total quality management stresses that team work is the best effective way of solving problems in an organisation. The main advantages are

- ✓ *A greater range of skills, knowledge and experience can be used to solve the problem.*
- ✓ *Employees' morale is often improved.*
- ✓ *Problems across departments are better dealt with.*
- ✓ *A greater variety of problems can be tackled.*
- ✓ *Team "deals" are more likely to be used than individual ones.*

Total quality management strongly favours team work throughout the business. It builds trust and morale, improves communication and cooperation and develops interdependence.

Consumers' views. Firms have to be committed to their customers by responding to all their needs as per the quality standards customers expect. This leads to total quality management

Zero defect policy, this is aimed at ensuring that every product manufactured is free from defects. Companies that guarantee zero defects in customers order builds a good reputation and lead to new clients and improved sales

Advantages of total quality management

- ✓ *A greater range of skills, knowledge and experience can be achieved to solve a problem*
- ✓ *Employees' morale is often improved*
- ✓ *Problems across departments are better dealt with*
- ✓ *A greater society of problems can be tackled from individual ones*
- ✓ *Total quality management favours team work throughout the business. It builds trust and morale improves communication, co-operation and develops interdependence*

BENEFITS OF TOTAL QUALITY MANAGEMENT

- ✓ *It focuses dearly on the needs of clients or customers and relationship between suppliers and customers.*
- ✓ *It helps to achieve quality in all aspects of business not just product or service quality.*
- ✓ *Enable entrepreneur to critically analyze all the processes to remove waste and inefficiencies*
- ✓ *It helps to find improvements and develop measurement of performance*
- ✓ *It develops effective procedures from communication and acknowledgement of work*
- ✓ *It develops a team approach to a problem solving*
- ✓ *It helps entrepreneur to utilize human resources better*
- ✓ *It reduces product development time*

CRITICS / PROBLEMS OF TOTAL QUALITY MANAGEMENT

- ✓ *It involves taking developmental costs of the new system*
- ✓ *Total quality management only works if there is commitment from the entire business or organisation*
- ✓ *Involves a great deal of bureaucracy and documentation and regular audits are needed. This may be a problem for entrepreneurs or small firms*
- ✓ *Stress is placed on the process and not on the product*
- ✓ *Some workers and unions regard total quality management as management by stress and a way of de-unionizing work place*
- ✓ *It delegate the determination of quality to quality experts because total quality management is a complicated entity beyond the comprehension of the coverage employee*

QUALITY BUSINESS MANAGEMENT TASKS

In small enterprise, management also carries out special activities designed as functions. The basic management functions in a small enterprise are shown below:

Planning: planning is management task which involves the establishment of goals and objectives of a business and determination of how they will be achieved.

Advantages

- ✓ *It gives an entrepreneur direction and course of activities*
- ✓ *Helps the entrepreneur to set and achieve goals*
- ✓ *Enables the entrepreneur to allocate time from the different activities*
- ✓ *Enables the entrepreneur to make proper utilization of resources*
- ✓ *Enables the entrepreneur to evaluate alternatives and achieve the best alternative to benefit the business*

Organizing: refers to the identification of what activities are to be done, grouping their activities into sections (departments) and designing or delegating the activities to particular individuals to carry them out.

Staffing: it involves the process of recruiting, training, developing, compensating and evaluating employees who identify tasks.

Leading: leading involves motivation and guiding employees about the process and methods of work in the organisation. It requires leading by example and ensuring open communication.

Controlling: controlling in small enterprise deals with monitoring the goods purchased and sold. Money received and paid out, stock and other property of the business. This ensures the smooth running of the business and achievement of the set goals and objectives.

Communication: it is the process of passing information with suppliers, workers, customers, for successful performance.

Motivation: it's the process of encouraging people to give their best towards the achievement and get employees to willingly pursue business objectives.

Budgeting: a budget is a document showing expected income and expenditure of an enterprise of a given period of time. This is used as a guide in monitoring and controlling the implementation of the planned business activities.

Need for budgeting in an enterprise.

- ✓ *To price business products appropriately in order to make the desired profits.*
- ✓ *To calculate the cost of goods in advance.*
- ✓ *To prioritize expenditure of business funds.*
- ✓ *To encourage workers to work harder so as to achieve the set targets.*
- ✓ *To be able to compare actual performance with targeted one.*
- ✓ *To facilitate future planning of the business basing on set objectives.*
- ✓ *To motivate workers by involving them in setting targets to be achieved.*
- ✓ *To enable top management to communicate its expectations to workers for proper understanding.*

Benefits of budgeting

- ✓ *It provides managers with a way to cost their financial implications*
- ✓ *It provides specific goals and objectives that serve as a yard stick for evaluating performance*
- ✓ *It reveals potential problems before they occur*

- ✓ It coordinates the activities of the entire business by integrating the plans and objectives of various department

PRODUCTION MANAGEMENT SKILLS

1. (a) What is meant by production management?
(b) What are the factors considered when carrying out capacity planning and development?
2. (a) Describe the activities involved in the production process.
(b) Explain the factors affecting production decision.
3. (a) Describe the purchasing procedure.
(b) Explain the factors that are considered when choosing suppliers of materials.
(c) What steps can be taken by an entrepreneur to ensure purchase of quality materials.
4. (a) Why is it necessary to ensure proper management of inventory?
(b) Describe the tools used in inventory and store management.
5. (a) Define inventory and explain the different types of inventory.
(b) Explain the dangers of
 - i. Over investment
 - ii. Under investment in inventory
6. (a) Suggest measures that an enterprise can undertake effectively manage inventory.
(b) What are the costs incurred by a firm when
 - i. Ordering inventory
 - ii. Holding inventory
7. (a) Define the term purchasing and explain the principles of purchasing.
(b) Explain the objectives of purchasing
8. (a) What factors are considered when making decision for buying inputs?
(b) Explain the steps considered when making a purchasing plan.
(c) Explain the factors considered when selecting raw materials.
9. (a) Explain the various types of labour.
(b) Explain the reasons why labour is needed.
10. (a) Explain the factors considered when;
 - i. Determining the number and type of employee to work in a business.
 - ii. Recruiting employees in an enterprise.
 - iii. What are the characteristics of appropriate technology?
11. (a) Explain the factors that should be considered when designing a product.
(b) What is the importance of designing a product to an entrepreneur?
12. (a) Explain the elements of a work place that increase productivity of the business.
(b) Suggest ways through which an entrepreneur can minimize costs of production.
13. (a) Explain the various ways in which materials should be handled and stored in a work place.
(b) Suggest ways in which the work station can be improved.
14. (a) Explain the factors that should be consider when selecting machines for an enterprise.
(b) Suggest measures that can be taken to ensure proper handling and safety of machines in an enterprise.
15. (a) Suggest measures that can be taken to improve
 - (i) Welfare facilities.
 - (ii) Premises
(b) In what ways can production be optimized through better work organisation?
16. (a) Explain the various ways in which hazardous substances should be controlled in a work place.
(b) Suggest ways in which lighting can be improved in the work place.

- (c) Explain the factors considered when designing a work place.
17. (a) Describe the steps involved in the product design.
(b) Describe the stages of the product life cycle.
18. (a) Of what importance is an effective plant layout?
(b) What are the essentials of a plant layout?
19. (a) Explain the factors that should be considered when developing a new product.
(b) Describe the techniques used by entrepreneurs to make their products unique in the market.
20. (a) Examine the aspects of quality management that influence the quality of products.
(b) Explain the customers mis-concepts about quality products.
21. (a) Explain the factors which influence the general quality standards of products in an enterprise.
(b) What are the benefits of quality control in production process?
22. (a) Explain the ways in which proper human resource management promotes the quality of a product in an enterprise.
(b) Describe the components of enterprise activities model.
- (c) In what ways proper financial control promote to the quality of products in an enterprise.
23. (a) Explain the objectives of quality control for the quality of products in an enterprise.
(b) What measures can be taken to improve the quality of products in an enterprise
24. (a) Explain the types of plant layouts
(b) Explain the factors considered when designing a plant layout
25. (a) Explain the components of production planning and control.
(b) What are the various costs incurred in production of goods.
26. (a) What are the various methods of costing.
(b) Describe the various methods of costing.
27. (a) Explain the ways of minimizing costs and maximizing profits.
(b) Describe the mechanism of controlling business assets.
28. (a) Describe the various internal control system of small businesses.
(b) Define technology and explain the types of technology.
29. (a) Explain the factors considered when choosing a mode of technology to use.
(b) How can an entrepreneur structure his time for increased productivity?
- (c) Distinguish between feasible normal capacity and normal maximum capacity.
30. (a) How can an entrepreneur effectively manage time in the production process?
(b) What are the advantages of time management planning?
31. (a) Describe the techniques of time management.
(b) What are the activities involved in better time management.
32. (a) How do entrepreneurs waste time?
(b) What tips can act as a guide on time management.
33. (a) What is the importance of packaging?
(b) Explain various types of packaging
34. (a) What materials are commonly used in packaging?
(b) What are the factors considered when choosing packaging materials?
35. (a) Define a product life cycle and explain the characteristics of every stage.
(b) What problems are associated with the product lifecycle management of an enterprise?
36. (a) What are the benefits of the product lifecycle management of an enterprise.
(b) Describe the various elements of a product.
37. (a) Explain the elements of total quality management.
(b) What are the benefits of total quality management?
38. (a) What are the problems of total quality management?
(b) Discuss the various functions or tasks of management in an enterprise.

(c) *Explain the steps involved in the planning process.*

End

MARKETING MANAGEMENT

Is the performance of activities that are necessary to get the goods or services from the producer to the customers resulting into customer satisfaction and realization of profits on the part of the entrepreneur

Marketing involves identifying, anticipating and satisfying customer's needs effectively and profitably.

Objectives of marketing

- To recover the cash earlier enough*
- To penetrate the market especially for a new product*
- For product line promotion*
- To satisfy customers and the entrepreneurs by realizing a better profit*
- For functional satisfaction*
- To achieve the four utilities ie possession, time, form, and place utilities*
- Offering a total consumption system*
- Increments of satisfaction*
- Facilitating exchange*

Conditions of exchange

- There are at least two parties*
- Each party has something of value to the other party*
- Each party is capable of communication and delivery*
- Each party is free to accept or reject the exchange offer*
- Each party believes it is appropriate or desirable to deal with the other party.*

SELLING FUNCTION

Selling is a two – way communication between the buyer and seller. The purpose of this personal contact is to enable the entrepreneur (or his sales person) persuade the buyer to accept a product at a stated price.

In selling, a customer may be told how the product will help meet his/her needs, its price, how to use it, and why it would be good to but it.

Differences between selling and marketing

- ✓ Marketing focuses on customer's needs while selling focuses on seller's needs*
- ✓ In marketing, a customer enjoys supreme importance while in selling product enjoys supreme importance.*
- ✓ In marketing, there is an integrated approach to achieve long term goals while in selling there is a fragmented approach to achieve immediate gains.*
- ✓ In marketing, an entrepreneur converts customer's needs into a product while in selling he converts product into cash.*
- ✓ In marketing there is caveat venditor (let the seller be aware) while in selling there is caveat emptor (let the buyer be aware).*

- ✓ *In marketing profits are realized through customer satisfaction while in selling profits are realized through sales volume.*
- ✓ *Marketing aims at external market orientation while selling aims at internal business orientation.*
- ✓ *Marketing is based on customer approach while selling is based on product approach.*
- ✓ *Marketing is a series of activities an entrepreneur does to find out who his customers are and what they need or want while selling is a two- way communication between the buyer and seller aimed at persuading the buyer to buy the product.*

TERMINOLOGIES ASSOCIATED WITH MARKETING

Market

A market is an arrangement that enables buyers and sellers to come in contact with each other with the main aim of exchanging goods or services.

Or

A market refers to all people / institutions in a specific geographical area that need products and are able and willing to pay for them.

Market share

It refers to the section or portion of the total market which is controlled or served by one firm or entrepreneur.

Marketing ethics, Are those standards, values, moral principle or guidelines which control or govern the behavior of the marketing product in the market

Market fit, is the extent or degree to which a new product of the firm is likely to attract or appeal to its existing customers

TARGET MARKET POPULATION

This refers to various groups of people or customers where an entrepreneur intends to sell his/her products.

It is where likely buyers of one's products will be sourced. It includes women, men, students, rural and urban people, rich and poor, adolescents (youth) etc.

FACTORS THAT DETERMINE A TARGET MARKET POPULATION

- ✓ *Level of income. Customers with high income levels form a bigger target market due to their high demand for a products on the other hand, low income customers tend to have low demand for the products hence forming a small target market*
- ✓ *A consumption habit, customers whose consumption habit involves spending huge amounts of money to buy a product forms a bigger target market for business. On the other hand, customers who usually spend less on a given products forms a small a small market.*
- ✓ *Level of competition, Availability of many substitute products leads to a small target market population due to division of customer consumers for similar products. On the other hand less competition i.e. few substitute goods increase the target market population*
- ✓ *Market share. Existence of many potential buyers in a given area increases the target market population. However, limited number of potential buyers in a given area forms a target market for a business*

- ✓ *Age and sex composition.* A target market for a product is high if a population is made of potential customers of a given age or sex. However the target market for a product is small if the number of customers for a given age or sex is small
- ✓ *Market trends / patterns.* Positive market trends can bring a big target market area etc. however negative market patterns like increase in population in a given market area etc. however negative market patterns like a depression, unemployment etc. form a smaller target market for the business
- ✓ *Size of the population.* A big population size increases the target market population unlike a small population size that lowers it
- ✓ *Government policy of taxation and subsidization.* Increased subsidization especially for the consumers increases the level of their income and eventually the purchasing power hence increase in target market population. However, increase in government taxation lower the level of disposable income of the population which eventually lowers the TMP
- ✓ *The level / degree of advertisement.* Persuasive and repetitive advertising of products increases the size of the target market population since the consumers are influenced to buy and continue buying the product. On the other hand reduced advertisement

POTENTIAL MARKET

This refers to the part of total population that has shown some level of interest in buying a particular product or service.

Factors that are considered when selecting the market potential of a business.

Level of demand for the goods.

This is the amount of the business products that people are willing to buy at any given price. The higher the demand, the higher the potential market, and therefore, the better the prospects for the business. The lower the demand, the lower the potential market.

Income levels of the consumers.

A potential market depends on the ability or capacity of the target people and institutions to purchase the business products at profitable prices. The higher the income level, the higher the potential market and the lower the income level the lower the potential market.

Location of the business.

A business which is strategically located in relation to its target customers will have a higher potential market than the one that has an unsuitable location.

Government policies.

Government policies may affect operations of business for instance; opening hours, location of business, taxes, pricing and so no. For example, a business located near a military establishment may be having a high potential market but if the government policy changes and requires it to shift away from the location; it will lose the potential market.

Competition level.

Businesses selling similar products or services to the same customers share these customers. Customers will have more businesses among which they will choose to buy from and this creates competition in business. A business which faces a high competition has a low market potential because the would-be customers are taken by other businesses. On the other hand, a business that has low competition has a high market potential.

Substitutes.

Substitutes are alternative products that buyers can go for to satisfy the same need for example a Coca cola and a Pepsi cola. A business which produces products without close substitutes has higher potential market than the one which has many substitutes. This is because customers will choose only its products instead of others to meet the same need.

The number of people, business and institutions operating from the target area.

Potential market of any business will depend on the number of people, businesses and institutions operating from the businesses target area. The higher the number, the higher the businesses potential market and the lower the number, the lower the potential market for the business.

Level of prices.

The ability and capacity of customers to buy the business products is affected by the prices at which they are being offered or sold. The potential market for smart phones or expensive designer clothes in a rural poor area is very low because the people will not be able to afford and it is high in an urban area where people can afford them. On the other hand, the potential market for cheap phones and second hand clothes is very high because people are able to afford them.

THE MARKETING MIX

This refers to a set of the controllable variables a company puts together to satisfy the target customers.

ELEMENTS OF MARKETING MIX

Product. This is a good/service offered by a business to satisfy customers' needs. The product should be designed in an appropriate way to ensure that it meets desired needs of customers.

Place. This is concerned with how and where the seller can make product available to customers. It involves the entrepreneur selecting the best channel of distribution to ensure that goods are in the right place when required.

Price. This is the monetary value of the product. The price charged by an entrepreneur for his/her products should be affordable to attract customers but also high enough to earn profits.

Promotion. This refers to any activity used in informing and attracting customers to buy a product for the first time and to buy more of it.

Positioning. This involves the targeting of a particular segment of potential market to whom the entrepreneur aims to sell his/her product. It reflects the emphasis and entrepreneur puts on a product for a particular segment of customers purposely to attain them or maintain their loyalty.

Packaging. Wrapping of products in attractive packages to add value

Planning. Process of deciding what, when, how to produce

Physical evidence. Lay out, official company documents, staff uniforms etc.

Process. The way we offer services to our customers

People. The kind of people we employ, their competences, attitude and commitment

PRICING OF GOODS AND SERVICES

This refers to the activity that involves attaching of monetary values to goods and services at which the entrepreneur is to offer his products. Pricing is an important activity in an enterprise as it influences the profit of the entrepreneur and it also determines the consumer's purchasing power ie his ability to acquire particular goods and services.

Methods used by the entrepreneurs when pricing their products

- ✓ *Penetration pricing. This is where by a low price is combined with persuasive advertising aimed at capturing a large percentage of the market.*
- ✓ *Target pricing. This is where a firm pre-determines a target level of profits and then charges a price to generate the target profits.*
- ✓ *Skimming method. This is the price policy suitable for the top quality versions. It is set to target a distinct class of customers.*
- ✓ *Price discrimination. This involves charging different prices in different markets for the same good for different reasons associated rather than costs of production.*
- ✓ *Auctioning. Here the highest bidders take the product. Prices are determined depending on who offers a highest price.*
- ✓ *Demand oriented pricing. This is the method of setting price basing on the level of demand for the product. A high price may be charged where there is high demand and low price is charged where demand is low*
- ✓ *Bargaining. This is where the prices are determined after a further discussion between the customer and the seller and there after they reach final agreement.*
- ✓ *Government pricing policy. This is where the government dictates prices especially essential products; it fixes the price at which sellers should sell their products.*
- ✓ *Cost oriented method. This is a form of pricing determined by the cost of production incurred by the entrepreneur. The higher the costs of production, the higher the price and vice versa.*
- ✓ *The fashion oriented pricing. This is where prices are determined basing on the prevailing fashion or modal. If the fashion is attractive, a high price is set while low price will be set if the fashion is low.*
- ✓ *Competition oriented pricing. This is a form of pricing which is determined mainly by the other business competitors for the same products.*
- ✓ *Limit pricing. This is where the existing firms collectively chose to charge lower prices than the prevailing price on the market in order to discourage the new entrants.*
- ✓ *Through forces of demand and supply. This is the method of pricing where the set price is based on customer's demand and supply of the product in market.*

The Objectives for pricing the products

- ✓ *To target the return on investment*
- ✓ *To target the market share*
- ✓ *To discourage the new entrants*
- ✓ *To maximize the short run profits*
- ✓ *To determine the distribution of goods and services*
- ✓ *To stimulate the growth of the business*
- ✓ *To establish the market*
- ✓ *To maintain price leadership arrangement*

Factors affecting price decisions of a product / factors considered when determining price of a product.

- ✓ *The nature of customers. Customers with low incomes are always charged with a low price compared to high income earners.*
- ✓ *The government policy. The government at times influences price decisions by setting up minimum and maximum price levels.*
- ✓ *The cost of production. High costs of production for produced products encourages entrepreneurs to charge high prices while low costs make them to charge low prices e.g cost for raw materials.*
- ✓ *The level of competition. High competition encourages entrepreneurs to charge fair prices to their customers and vice versa.*
- ✓ *The main objective of an enterprise. Enterprises whose main objective is profit maximization always charge high prices for their products and where the objective is sales maximization, the entrepreneur always charges fair and low prices to increase on the sales of the business*
- ✓ *The quality of the products. High quality products are always charged with a high price value compared to low quality products.*
- ✓ *The level of demand for the products. Products with high demand encourage entrepreneurs to charge customers a high price compared to products with low demand.*
- ✓ *The seasonal factor .Some products are always charged highly during some seasons .E.g scholastic materials like books, bags are always charged highly when students are going back to school.*

MARKETING SURVEY / RESEARCH

Market research is systematic process of collecting and analyzing information relating to markets and opinions of the public about the products of a firm to enable present and future decision making.

It is the process of collecting and analyzing information relating to demand of a good or service in order to identify market opportunities and problems.

AIMS / OBJECTIVES OF CARRYING OUT MARKET RESEARCH OF A PRODUCT

- ✓ *To find out the type and nature of product preference by consumers at a given period of time.*
- ✓ *To find out the quality of products consumers desire to buy.*
- ✓ *To determine the quantity / volume of products to be on market ie how much is likely to be bought now and in future.*
- ✓ *To find out consumers reactions on the prevailing prices.*
- ✓ *To increase sales/ turnover of the firm.*
- ✓ *To determine the best channel of distribution of goods and services for possible area where the distribution channel is most appropriate.*
- ✓ *To find out the effectiveness of advertising and sales promotion on the sales of a particular product.*
- ✓ *To assess the level of competition with vital forms e.g crown bottlers may carry out market research to determine its market share and how its products are competing with those of century bottling company.*
- ✓ *To know where to locate your business.*
- ✓ *To find out where and when the customers want the good or service.*
- ✓ *To guide entrepreneur in making decisions whether to expand or improve on the current product.*

METHODS / TOOLS OF MARKET RESEARCH

Observation method. This is where the entrepreneur watches the behaviour and attitudes of the public towards his product and products of competitors. It involves making an informal survey by observing business activities in the community. It reveals the need for the particular business.

Experimental method. This is where an entrepreneur sells his products within a small selected area before selling on large scale. If the product is liked within a small selected area, then the entrepreneur can distribute nationwide.

Interviewing method. Under this method, the entrepreneur asks oral questions either face to face or by telephone to obtain response of people towards his products. It is a formal discussion which can identify the short comings of the business.

Telephone surveys. Under this method, an entrepreneur calls different groups of customers to obtain information about aspects of the product to establish the market stand.

Questionnaire method. Under this method, an entrepreneur carefully design questions which are printed on paper then sent to possible respondents to give answers. It is a formal survey which obtains market information.

Personal contacts. This involves making an informal survey by talking to family members and friends. These provide information about the best business to set up and the best products to be purchases in the locality.

Brain storming. This is a technique used to solve a problem by generating as many ideas as possible. It begins with a question from a leader and another person in a group gives the answer and then any one adds to it or changes it.

Surfing / use of the internet. This is where information is gathered through surfing from different websites from the internet.

SWOT analysis. This method involves collecting data by a business through gathering information about its strength, weaknesses, as well as information about opportunities and threats from the outside environment.

Steps taken in carrying out market research / survey

- ✓ *Defining the research problem ie setting objectives to be achieved.*
- ✓ *Designing / planning the research ie the strategy to be employed when collecting data.*
- ✓ *Collecting information. This involves gathering relevant information needed to make rational marketing decisions using the selected technique.*
- ✓ *Presenting the research report. This involves writing a final report about the research findings and making recommendations after analyzing data.*

Sources of data for conducting market research

Competitors / competition. This is where data is collected by monitoring the activities of competitors in the same line of business. This may provide important information about customers demand that were over looked and they may be capturing part of the market by offering something unique.

Customers. The entrepreneur should talk to customers to get their feelings and ask them where improvement can be made. Encouraging and collecting customers' comments is an effective form of research which involves asking customers to explain how the product could be improved to satisfy their needs.

Employees (workers). This is one of the best sources of information about customers' feelings, likes and dislikes, usually employees work more directly with the customers and hear their complaints that may not reach the owner. They are in most cases aware of the items customers request for that the business does not offer.

Company records and files. Examining company records and files can be very informative e.g looking at the sales records, complaints, receipts or any other records can show an entrepreneur where his customers live and work, what their preference is, amount purchased etc.

Importance of carrying out market research

- ✓ *Market research helps an entrepreneur to assess / check the effectiveness of his advertising and promotional activities.*
- ✓ *It helps an entrepreneur to find out the responses of customers to new product developments that he has introduced in the market.*
- ✓ *It helps an entrepreneur to identify problems in the current product or service so as to fulfill the customers' demands.*
- ✓ *It helps an entrepreneur to find out his market share ie the number of customers he is serving in the market.*
- ✓ *It helps an entrepreneur to find out who his customers are, where they live, what the customers want and when they want, their buying patterns etc.*
- ✓ *It helps an entrepreneur to collect information which can be used as a basis for decision making.*
- ✓ *It helps an entrepreneur to identify his / her competitors, their activities and strategies and device various ways of out competing them.*

Problems faced when conducting market research of a given product

- ✓ *Language difference. Given that Uganda lacks a national language, researchers sometimes miss the information they desire to get due to inability to communicate in the languages understood by the different respondents / consumers.*
- ✓ *Inadequate financial resources. It is very expensive to carry out market assessment. Small firms with limited capital may not be able to undertake it and this greatly affects their planning.*
- ✓ *Inadequate skills to handle data collection due to limited man power to effectively and efficiently handle market assessment. This leads to inaccurate interpretation of information from the public.*
- ✓ *Inadequate communication facilities. Accessibility of some areas of the country is difficult due to poor road network. Therefore, information from such areas cannot easily be got by researchers.*
- ✓ *Change in demographic factor like population, sex, age etc which affects the findings.*
- ✓ *Inadequate co-operation from the customers or public. Some people refuse to answer the questions; others give wrong answers while some chase away the researchers. All these distort research findings and conclusion.*
- ✓ *Insecurity / hostility in some areas which hinder effective data collection.*
- ✓ *Competitors, who subrogate effective data collection.*
- ✓ *There is also a possibility of getting information from a biased sample / source.*

MARKETING TECHNIQUES USED IN BUSINESS

These refer to the tools that may be employed by an entrepreneur so as to carry out his marketing effectively. These include the following:

Marketing decision making. This involves making right decisions on how to market and distribute the product. This gives an entrepreneur an opportunity to take action on a given situation.

Effective communication. This enables the entrepreneur to satisfactorily pass a message to the target buyers about products available for sale. It can be conveyed through media like radio, sign posts, newspapers etc either orally or in written.

Negotiations. This is the bargaining situation of a better deal. It enables an entrepreneur to reach an amicable understanding with the customer on a deal.

Display. This is when items are made known to potential buyers by strategically putting them in certain positions so that everybody can be able to see them e.g through attractive windows display.

Offering discounts / price reductions. This is the lowering of the price of a given product aimed at encouraging customers to buy them.

Offering credit. This is where an entrepreneur allows buyers to take goods and make payment for them at a later date. This can attract buyers who do not have immediate cash to customers to buy them.

Quality improvement. It helps an entrepreneur to meet the needs of the market and therefore accord bigger market share.

Distribution. This is the method where an entrepreneur makes the product available at places where customers can easily buy them. E.g by using distribution trucks, opening up distribution centres in different towns.

Personal selling. Is a situation where a team of sales persons are employed to sell directly to customers so to increase the sales of a business.

MARKETING STRATEGY

Includes identifying customer groups (target customers) which a small business can serve better than its large competitors. The business can tailor its product offers, prices, distribution, promotional efforts and services towards a particular market segment.

Tools for effective marketing strategy

Most business owners rely on two or three marketing strategies to attract new business. However, there are several ways to attract new business to your door.

Networking. Networking is perhaps the most commonly used approach by small business owners. This involves cultivating relationships with other people in the business.

Referrals. This is also effective in generating business ideas. It ensures that a pro-active approach is taken rather than a passive one. Ask your satisfied clients to refer other potential customers to you

Cold calling. This involves starting with a conversation with a good opening to capture other person's attention

Newsletters. This involves keeping your name in front of your customers and prospects. Provide valuable information to customers to act as advertising information / smart marketing.

Giving free information to interested prospectus. Offer information that will help your target market with their problems.

Offering guarantee. Assume it is for better and offer guarantee especially when charging suppliers after being dissatisfied with the current suppliers.

Advertising. Focus on customers' problems than product features then make the advertisement great by concentrating on the problem you can solve.

Marketing techniques used in business

These refer to tools that may be employed by an entrepreneur so as to carry out his or her marketing effectively. They include

Decision making. This involves making the risky decision to produce the right product for the customers.

Effective communication. This involves sending messages to potential customers successfully

Promotion and advertising, offering discounts or price reduction. This is the liberate lowering of prices to attract customers.

Display. This involves making items strategically arranged to attract the attention of the customers.

Negotiation. This involves bargaining with the customers to reach an agreement.

Quality improvement, this aimed at meeting customers' needs

Personal selling. This involves employing a team of sales persons to sale the product directly to customers.

Favorable pricing policies and strategies.

POTENTIAL CUSTOMERS

Potential customers are a group of people sharing common needs and characteristics that a business decides to serve

Characteristics of potential customers

Age. This is important where the product is aimed at a specific age group. For example, toys for children, as general rule people at different ages have different requirements for different reasons.

Sex. Some products by nature are designed for a particular sex whoever do not advise because some customers may buy for others. For example a man may buy a dress for his girlfriend or daughter.

Location. Customers can be defined by where they live, work and where they go. A small restaurant may cater for workers in nearby offices.

Occupation / employment. Analyse the social class or occupational group the product is targeting. Peoples' occupations determine their tastes / attitudes.

Income. Not many businesses appeal to ranges of income. If your business is going to focus on high price quality products, your customers will be in high income bracket.

Leisure activities. The leisure industry is an ever growing one. Define customers according to their leisure activities.

Usage. Identify segments based on the way the product is used by the customers, on a simple level, heavy use / medium use, low use, skilled use / unskilled use.

MARKET SEGMENTATION

Is the dividing the market into groups of individual markets with similar wants and needs.

Objectives of market segmentation

- ✓ *To accurately and profitably meet the needs of selected customers.*
- ✓ *To boost sales and cut advertising costs by targeting customers with a high likelihood of product purchases.*
- ✓ *To enable positioning of each branch within the portfolio against a distinct set of customer needs.*
- ✓ *To match customers' needs in a better way. Creating separate offers for each segment makes sense and provides customers with better solutions.*
- ✓ *To enhance profits for the business. Customers have different disposable income and are therefore different in how sensitive they are to price. Segmenting markets enables business to raise average prices and finally enhance profits.*
- ✓ *To increase opportunities for growth. Market segmentation boosts sales for example if introduced to lower priced products.*
- ✓ *To retain more customers. Customers circumstances change for example they grow older, have families, change jobs through promotions and change buying patterns. Marketing goods which appeal to different customers at different stages enables the business to retain customers than changing to competing products.*
- ✓ *To target marketing communications. Businesses need to deliver their marketing message to a relevant customer's audience.*
- ✓ *To gain share of the market segment. It enables businesses to achieve competitive production and reduce marketing costs. Small firms are able to compete with bigger firms.*

Basis for market segmentation

There is a large collection of possible segmentation bases. Some of these are briefly described below

Demographics. Consumers can be grouped on the basis of characteristics such as age or household composition (family size).

Socio-economic characteristics. Similarly, characteristics such as income, occupation and education can be used to derive segments that are easy to reach. Such segments are indicators of behaviour like lifestyle, price sensitivity and brand preference.

Product usage. Potential to use the firm's product is behaviour based segmentation. Potential could be determined by asking questions about disposition to use (such as awareness, used in the past, would consider using) in a survey and respondents grouped accordingly.

Psychographic. Personality, attitudes, opinions and life styles are often used as segmentation bases. These characteristics have some relationship to behaviour and provide insight into how to communicate with chosen segments.

Generation. Generation refers to people born in the same period of time. Such people share much in common. Not only of a similar age, but they experienced similar economic, cultural and political influences in their formative years.

Benefit sought. Some people are price sensitive, others seek quality or service. Some people are brand loyal, while others frequently switch brands. It is possible to group consumers on the basis of these factors.

Geography. There are two reasons why people who live in the same area may share similar characteristics. First, some areas have more expensive properties than others and so people with similar socio-economic characteristics may cluster together, second they have similar transport and shopping options, it is easy to reach particular areas by using local newspaper, cinema, outdoor and selective direct mail but mass media is less effective.

Geo-demographic. This combines demographic and geography. This identifies groups of small geographic areas which have similar demographic profile

Discussion. The segmentation basis depends on the decision to be done. For pricing decisions the segmentation should be price sensitive, advertising decision include benefit sought, media use or psychographic or a combination of these

Criteria for selecting segmentation basis

Internal homogeneity / external heterogeneity. This means that potential customers within a segment should have similar responses to the marketing mix variable of interest but a different response to members of other segments

Parsimony. This is the degree to which the segmentation makes every potential customer a unique target. That is, the segmentation should identify a small set of grouping of substantial size

Accessibility. This is the degree to which marketers can reach segments separately using observable characteristics of the segments

CUSTOMER CARE

Refers to the practice that enable an organisation to deliver services or products in a way that allows the customer to access them in a most efficient, fair cost effective and humanly satisfying and pleasurable manner possible

THE MANIFESTATIONS OF GOOD CUSTOMER CARE

- ✓ *By being honest to customers ie being trustworthy while handling business transactions with customer and suppliers, financiers and competitors.*
- ✓ *By handling customers objections and complaints well for instance underweight, over priced products, wrong size, contaminated products etc.*

- ✓ *Offering prompt and excellent services to customers ie serving them whenever they show interest or demand for goods or services.*
- ✓ *By being available to meet customers' demands and assist them all the time.*
- ✓ *By listening to customers suggestions and opinions*
- ✓ *By giving basic knowledge to customers about how the product can be used.*
- ✓ *By being pleasant to customers when serving them.*
- ✓ *Offering technical and after sales services like packaging, transport, free gifts etc.*
- ✓ *Improving on the quality of the products regularly depending on the market demands.*
- ✓ *Offering occasional price reductions or discount to customers.*
- ✓ *By giving credit facilities to customers when they don't have ready cash.*
- ✓ *Being clear when communicating to customers.*

Indicators of good customer care in the business

- *Increase in the sales thus increase in profits*
- *Decrease in advertising costs/ rates*
- *Increase in number of customers*
- *Repeat purchase by customers*
- *After sales service available*
- *Suggestion boxes*
- *Discounts allowed*
- *Honesty to the customers*

BENEFITS OF GOOD CUSTOMER CARE IN ENTERPRISE

- ✓ *It improves on the business' image before the public.*
- ✓ *It promotes good relationship between the business and its customers.*
- ✓ *It promotes high sale since more customers are attracted.*
- ✓ *It acts as a marketing technique to expand the market.*
- ✓ *It creates a platform to handle customers' complaints.*
- ✓ *It helps business to out compete its business competitors.*
- ✓ *It helps customers from being exploited like buying poor quality goods.*
- ✓ *It helps to retain business customers and attract the new ones.*
- ✓ *It promotes repeated purchases from the business customers.*

PROMOTION OF GOOD CUSTOMER RELATIONS IN A BUSINESS

Customer relations are the ways a business deals with customers

The following are the ways through which good Human Relations can be promoted in a business.

- ✓ *Proper handling of customer's complaints and quarries. Customers complaints should be handled with care so as to promote good relations between employees and employers*
- ✓ *The entrepreneur and employees should always show genuine respect to individual customers. This can be done by communicating to employees or customers in a friendly manner*
- ✓ *The entrepreneur and staff should be honest when handling the business transactions. There is need for an entrepreneur and staff to be trust worthy and avoid over charging customers and providing them with substandard goods / services*
- ✓ *Through provision of services promptly to customers. Time management is very important when serving customers so as to encourage them keep on purchasing from the same business*
- ✓ *Politeness and good business language of the entrepreneur. An entrepreneur needs to handle his customers very well and encourage them to keep on buying goods or services from his business*

- ✓ *Customer care. A customer is a king to the business and therefore there is need for an entrepreneur to care for them with required respect*
- ✓ *Quality improvement of products. An entrepreneur should be able to supply better quality products that can fully satisfy customers' needs*
- ✓ *Provision of credit facilities to trustworthy customers. There is need for an entrepreneur to extend credit facilities to trust worthy customers in order to attract them and to promote sales of the business*
- ✓ *Offering gifts and samples in the business. Giving gifts and free samples to customers will attract them and maintain good relations between the entrepreneur and the customer*
- ✓ *Offering discounts and after sales services to customers. Customers who buy goods in large quantities should be given discount and after sales services to promote relations between the entrepreneur and the customer*

Customer satisfaction survey

This is a study conducted to find out whether customers are satisfied with product or not.

Ways of establishing whether the customers are satisfied

- *Face to face interaction ie asking how, what, they think about the product*
- *Calling them on phone*
- *Mailing them on phone*
- *Emailing them a customer satisfaction guide*
- *Emailing them an invitation to take a customer satisfaction survey*

Measures / ways of ensuring customer satisfaction

- *Offering or selling good quality products*
- *Timely response to customers' concerns or being responsible*
- *Good packaging of the products*
- *Charging fair prices or giving discounts*
- *Ensuring constant supply of the products*
- *Being honesty or fair or transparent to customers*
- *Providing sufficient information about the use of business products or services*
- *Being courteous or sincere*
- *Being kind cheerful and able to control ones temper*
- *Offering a variety of products or services.*
- *Ensuring constant supply of the products*

PRODUCT PROMOTION

Promotion of goods and service refers to the process of informing, persuading and influencing the customer's decision in buying of a good or service.

Objectives /aims / purpose of promotion

Entrepreneurs normally undertake a variety of promotional activities so as to communicate with customers but with five major objectives ie

- ✓ *To increase and stabilize sales*
- ✓ *To increase and expand market share*
- ✓ *Increase business profits*
- ✓ *To inform the public about available products*
- ✓ *To constantly remind consumers of the availability of his products*
- ✓ *To out compete other firms ie fight competition in the market*

- ✓ To retain the existing market
- ✓ To introduce new products or designs
- ✓ To inform new customers about the availability of the entrepreneur's products
- ✓ To promote publicity of all enterprise and also acquire good will
- ✓ To create direct contact between the business men and the customers

Promotional mix. This refers to the combination of various activities / methods under taken by an entrepreneur to promote his products. It's a combination of methods used to achieve the objectives of promotion

Methods of promotion / attracting customers

- ✓ Sales promotion.
- ✓ Advertising.
- ✓ Personal selling.
- ✓ Publicity.

SALES PROMOTION

Refers to various activities undertaken by an entrepreneur to increase the sales of goods and services. It involves ways or behaviour that any entrepreneur uses to influence people to buy more of his goods or services so as to maintain profits

Objectives of sales promotions

- ✓ To inform or remind the public of the products available for sale
- ✓ To target a particular segment of the market to whom the products are to be sold
- ✓ To stabilize sales/retain market for the products
- ✓ To increase the sales of the entrepreneur by attracting new customers and retaining old ones
- ✓ To bridge the gap between the entrepreneur and the customers
- ✓ To out compete rival brands or to meet the challenge of competition
- ✓ To introduce new brands to market. This can be done by distributional samples
- ✓ To maintain sales of seasonal products

Ways / methods / techniques / tools used by entrepreneur to promote sales

The various methods through which a business person can communicate with his/her customers to promote sales include the following

Giving free sample. These are distributed to attract customers to try out a new product and thereby creating new customers. Sometimes these samples may be distributed among selected persons in order to popularize the product e.g when century Bottling Company (Coca-Cola) was introducing the 500ml and 1 liter bottle, people in Kampala were given free soda (samples).

Through premium or bonus offer. This is where a product is accompanied by an extra pack of product(s), in order to induce consumers to buy a particular product. This is very common today with toothpaste products like the big sized collegiate herbal which is packed with a tooth brush. It is also useful for encouraging and rewarding existing customers.

Through exchange schemes. This refers to exchange of an old product for a new one at a price less than the original price of that product. It is useful for drawing attention to product improvement. It is common with those shops that sell phones and their accessories in Kampala.

Through price – off offer. Under this offer, products are sold at a price lower than the original price. It boosts sales in off peak seasons and during introducing a new product in the market.

Through use of coupons. These are issued by manufacturers either in the packet of a product or through an advertisement printed in newspaper or magazine through mail. These coupons are presented to the retailers while buying the product and the holders buy at a discount.

Through trade fairs and exhibitions. These may be organized at local, regional, national and international levels to introduce new products, demonstrate the products and to explain the special features and usefulness of the products. Goods are displayed and demonstrated and their sale is conducted at a reasonable discount e.g UMA trade fairs at Lugogo show ground.

Through trading stamps. These stamps are distributed among customers according to the value of their purchase. Customers collect these stamps of sufficient value within a particular period in order to get some benefits

Through scratch and win offer. Some companies use scratch and win scheme to induce the customers to buy a particular product. A customer scratches a marked area on the package of the product and gets benefits according to the message written there.

Through money back offer. Customers are given assurance that full value of the product will be returned to them, if they are not satisfied with the product. It creates customers confidence regarding the product's quality especially when introducing a new product.

Selling goods on credit. This attracts customers who cannot pay promptly. It is offered to customers well known to the business to avoid bad debts.

Through window display. This involves putting the products near glass windows such that passerby, observe them and if possible buy by impulse.

Offering cash and trade discount. This is offered to those customers who buy goods in large quantities and those who buy on credit and pay promptly in an agreed period of time.

Giving donations. Donations can be given by way of contributing money or goods to charitable organisations or to disabled children's homes. This is done to attract publicity for the enterprise and its product.

Organizing competition or games. Business may offer products to winners of a game in order to attract them buy particular products.

Creating the right attitudes in employees. Training employees to be friendly to customers and knowledgeable about the products / services they are selling increases sales.

Maintaining links with others. Proper communication with other people like current and potential customers, wholesales, agents, retailers keeps the right people well informed about the business.

Offering after sales services. These include delivery, Maintenance, repairs, installation, servicing etc from a bigger impact on the business image and customer loyalty as long as they are not affecting the profit margin of the business.

Giving out free gifts. Producers may offer free gifts to their customers to encourage them buy more. Such gifts may be enclosed in the packages of goods or may be given directly to the buyers. For example, if you buy fuel worth 5,000 shs and above, from Jovena petrol stations, you are given Sackets of OMO.

Carrying out Intensive advertising of products in newspapers, radio, television, posters, sign posts, Music, banners, bill boards, electronic display (neon signs), calendars, brochures etc.

Using nonproductive value methods like providing free and convenient parking space, sales guides to customers etc, these also help to promote a firm's product and they are mainly used by supermarkets.

Note.

Non product value method of sales promotion do not involve financial benefits to the customer and do not involve financial loss to the entrepreneur. For example free and convenient parking space, guiding customers on how to use the product

Product value methods of sales promotion involve a financial benefit to the customer and a financial loss to the entrepreneur, for example reducing the price of the articles, offering delivery services

Importance of carrying out sales promotion in business

- ✓ *It leads to increased sales. This is because promotion of goods and services increases market for the entrepreneur which leads to increased profits*
- ✓ *It helps the business to become popular and also acquire good will result of the various promotional activities that may be undertaken by the firm*
- ✓ *It informs new customers about the availability of the entrepreneur's product. This is makes the goods and service of the entrepreneur to become known to the public*
- ✓ *It helps the business man to regain market share so that he does not lose some of the customers to other business men or competitors*
- ✓ *It's used to persuade the customers to buy the products of an entrepreneur instead of buying those from their producers. This is because many customers got to know such products through sales promotion*
- ✓ *It helps the entrepreneur to introduce new product designs. Some adverts are aimed at informing the public about the new styles, fashions, and tastes of a product. This is especially done through the giving of samples and gifts*
- ✓ *Helps an entrepreneur to constantly remind customers of the availability of the products hence increasing sales in areas of low or declining demands*
- ✓ *It creates direct contact between business man and customers such that other middlemen aren't able to increase prices which may lower demand for the given firm's products*
- ✓ *It promotes publicity of an enterprise of an enterprise thereby helping the businessmen to out compete his competitors hence making a lot of profits in the business*

Sales promotion strategies

A sales promotion strategy is an activity / technique that is designed to help in the boosting of sales of products or services.

Examples of sales promotion strategies

- Free sample campaign*
- Advertising campaign*
- Public relations activities e.g sponsoring sports*
- Free gift campaign*
- Trading stamp campaign*
- Demonstrations / trade shows*
- Prize trading competition*
- Temporary price reduction*
- Door to door sales*
- Tele- marketing*
- Personal sales letter and e-mails.*

Types of sales promotion strategies

There are three types of sales promotion strategies

- A push strategy. This involves pushing distributors and retailers to sell your products or services to the customers to buy by offering various kinds of promotion and personal selling efforts. E.g buy-back guarantees, free trials etc.*
- A pull sales promotion strategy. This involves getting the consumer to buy or purchase the product or service directly from the company itself. It focuses more on the seller than the consumer. E.g coupons, samples, refunds, loyalty programs etc*
- Combination of pull and push sales promotion strategies. These involve the combination of the push and pull strategies. It focuses on both the distributors as well as the consumers. It offers customer's initiative side by side with the dealer discounts.*

ADVERTISING

Refers to the spreading of information about one's products to the customers.

Or, is a system through which information about the existing goods and services is brought to the knowledge or awareness of the public / customers.

TYPES / FORMS OF ADVERTISING

Informative. It is a type that aims at creating awareness, reminding the customers about existing goods and services, facts like the nature of the product, where it's found, the price, its use, the quality, terms of sale are very important. E.g advertising for a job opportunity, when also advertising for cigarette a phase like "Cigarette may be harmful to your health" is informative advertisement.

Persuasive. This is also called competitive advertising. It is type which aims at inducing or convincing consumers to buy the producer's products and leave out other producers' product. It is common for branded products and goods which are close substitutes e.g drinks. It tends to be misleading in most cases

and hence at times undesirable common phrases are used such as “simply the best”, “our product is second to none”.

General / mass advertising. This is where producers in the same industry combine and advertise as one person instead of each of them advertising his/her own brand they form a trade association whose aim is to advertise members' products. Such association also undertakes other services in the interest of members like negotiations with government e.g UMA

Direct advertising. This is where the adverts appeals to a specific group of people e.g a radio programme in a particular language, local language newspapers, advertising of fair and lovely products for ladies

Indirect advertising. This is one that does not appeal to a specific of group. It's for whoever comes across it. E.g posters inviting people for a music show, aids awareness posters appeal to general public regardless of class, age, level of education

Institutional advertising. This one that attempts to promote the recognition and goodwill towards the firm or industry. Like when Uganda Christian University advertises all the other campuses benefit and are recognised.

Aims / purpose / objective of advertising.

- ✓ To stimulate buying by encouraging people to buy products being advertised even if they did not intend to buy.
- ✓ To arouse interest for example most adverts especially on television and magazines are aimed at increasing people's interest towards the goods or services of the producer.
- ✓ To create desire through indicating the benefits and satisfaction one is likely to gain from using a particular good or service for instance “Colgate makes you stronger”.
- ✓ To convey / pass on information to the public about product for example its quality, price, use, where it can be found etc.
- ✓ To introduce new products or designs, new styles, fashions and taste of a product by creating customer interest for it. For example a new brand Samsung cellular phone, a new model of Mercedes Benz car.
- ✓ To inspire / create confidence in consumers in using a good or service for example “you have Got what you want” for Pilsner larger” people who think differently” for club beer.
- ✓ to attract new customers through advertising a product by giving its good qualities attracts customers for instance “Pau clere for smooth skin”
- ✓ To sustain customers by advertising products repeatedly with an aim of keeping the already existing customers in the market. For example MTN, UTL, Century Bottling Company, etc continuously advertise so as to maintain their market share.

Guidelines for preparing an advertising media

- do not cluster the whole space with words or picture
- the advertisement should be easy to recognize and should stand out like including the logo of the business
- the head line should emphasize benefits of the customers from the product
- the content should be simple and easy to understand

- It should include important information about the business e.g location, telephone contact and services offered.
- One must be honest in the advertisement must deliver what his or her promises
- The name of the business must be in line with the type of the business
- The selection of certain things used to attract customers like colours should be emphasized.

ADVERTISING MEDIA

It refers to the several channels / methods through which advertising message are conveyed to the public. An advertising medium refers to channel through which advertising is delivered to the prospective customers

Types advertising media

Newspapers. These are printed on papers in black and white or coloured and they are used to advertise various business products showing even the illustrations

Advantages of newspaper advertising

- ✓ Messages can reach a huge number of people in a given geographical area
- ✓ There is flexibility in deciding on the advert size and placement within the newspaper
- ✓ The advert can be large enough as necessary to communicate as much story as possible
- ✓ Exposure to the advert is not limited since readers can go back to the message again and again if so desired
- ✓ Free help is always possible in creating and producing advertising copy

Disadvantages of newspaper

- ✓ Newspapers are usually read once and stay shortly in the readers minds
- ✓ The print quality of the newspapers is not the best especially for photographs
- ✓ The page size of the newspaper is fairly large and small advertisements can look tinny
- ✓ Competition is high within the same newspaper which requires making it attractive to capture the reader's attention
- ✓ Advertising space is expensive in a newspaper
- ✓ Poor photo reproduction limits creativity
- ✓ It is a highly visible medium thus competitors can quickly react to your prices
- ✓ Some readers prefer online versions of the publication to the print version

Magazines

These are in form of booklets which bear advertising message. They are on quality papers, with more colours published weekly or monthly

Advantages

- ✓ It leads to high reader involvement since more attention is paid to the advert
- ✓ Better quality permits better colour reproduction and full colour adverts
- ✓ The smaller page permits even small adverts to stand out
- ✓ Allows better targeting of audience since one can select a magazine publication that cater for audience or that specialize in the topic of interest of the audience

Disadvantages

- ✓ *The long lead time requires planning a week or months in advance*
- ✓ *The slower lead time heightens the risk of your advert getting overtaken by events*
- ✓ *There is limited flexibility in terms of advert placement and format*
- ✓ *Space and advert layout costs are higher*

Radio

This is where the programmes are broadcasted in local languages spoken in the country so that adverts can reach all groups of people

Advantages

- ✓ *All classes of people, literate and illiterate equally benefit by listening to adverts in their language*
- ✓ *Detailed explanations through repeated advert a clear view about the product*
- ✓ *The radio also provides entertainment in form of music combined with advert giving an impression about the products being advertised*
- ✓ *Radio programmes are on air the whole day giving enough time to broadcast adverts in all major languages*
- ✓ *It covers a wider geographical area because it has a wider coverage*
- ✓ *Many people can afford a radio*

Disadvantages

- ✓ *Radio adverts and announcements are expensive*
- ✓ *It may be difficult to broadcast in all languages. Therefore too many programmes on radio to provide time for commercial news / adverts*

Television

Television as a medium can be used to show film display about the product advertised

Advantages

- ✓ *It reaches many people at the same time at one moment*
- ✓ *It offers entertainment in form of music and films*
- ✓ *Provides details about the goods concerning the direction and application of such goods*
- ✓ *It can serve both literate and illiterate people*
- ✓ *Messages can be perceived both visually and audually*
- ✓ *It can serve a large geographical area*

Disadvantages

- ✓ *Few people have access to the television. It is only rich – ones can afford TV set*
- ✓ *It is very expensive to sponsor programmes on TV*
- ✓ *There is language problem especially in a country with many advertising languages like Uganda with so many local languages*
- ✓ *It may not adequately sever blind*
- ✓ *Sometimes the information given to use is not enough*

Outdoor advertising

Outdoor advertising is also a very popular form of advertising which makes use of several tools and techniques to attract the customers outdoors. The most common examples of outdoor advertising are bill boards, Kiosks, banners, posters, neon signs and also general events and trade shows organized by the company

- a) Trade fair and exhibition. This is where a group of traders gather to display their different products to buyers e.g UMA Lugogo show ground for trade fairs. The aim is to bring products in contact with wholesalers and customers*

Advantages

- ✓ There is close contact between manufacturers and buyers*
- ✓ Normally they sell at reduced prices*
- ✓ Occasionally they demonstrate the operation of some of their products*
- ✓ Many buyers normally turn up both locally and internationally increasing the turn over (sales)*

Disadvantages

- ✓ They are not permanent like shops, they occur once in a given season*
- ✓ They are costly to arrange if they are to succeed*
- ✓ They are limited especially to urban centres thus rural areas may not benefit from them*
- ✓ The blind cannot benefit from trade fairs and exhibitions*

- b) Posters. These are designed carefully by producers to convey the message for the goods. These can be located on the walls of public parks, schools, railway stations, sports grounds etc*

Advantages

- ✓ Posters are most effective and economical way of advertising*
- ✓ All are wide spread i.e. their coverage is big*
- ✓ The cost of display is very low*
- ✓ They are displayed 24 hours a day*

Disadvantages

- ✓ The blind cannot benefit from them*
- ✓ Illiterate people may not benefit from them*
- ✓ They can be vandalized or destroyed by rain and people*

- c) Neon signs. These can be installed on major buildings where writing on them advertise for commodities*
- d) Sign posts. These are majorly informative, however, they also persuade people to buy e.g Mukwano products*
- e) Banner. Is a cloth with writing is put up advertising the occasion, they are commonly used by musicians and other artists. They advertise conference and events*
- f) Window display. The goods are well organized in clear glass windows of shops. The buyers are able to inspect the goods on display, compare their labeled price and make a choice*

Advantages

- ✓ Window display leads to window shopping which influences the buyers mind to buy the commodity*
- ✓ The buyers are able to see what they buy*

- ✓ It is not costly to arrange the goods on display in the shop

Disadvantages

- ✓ The blind never benefit from this form of advertising
- ✓ Sometimes goods on display are different from what is being sold

Direct mail. It involves direct communication by the producer to the general public through mail

Business directory. This involves businesses listing or selected classification puts in the book with an assumption that if people need the product / service they look at the classification and contact the manufacturer

Internet advertising. This is online advertising. It offers the possibility of reaching potential customers 24 hours a day, seven days a week. The promotional message can be delivered with the click of a mouse at customer's home on work place

Importance of advertising to an entrepreneur

- ✓ It increases firm's sales due to increased demand for goods and services. When more adverts are carried out people will demand for more goods leading to mass production hence increased profits
- ✓ It helps an entrepreneur to introduce a new product or design into the market. Some adverts are aimed at informing the public about the new styles, fashions and tastes of a product
- ✓ It facilitates large scale production. This is because it results into increased demand which annually results in large scale production and its associated advantages
- ✓ Due to increased production, Advertising stimulates research and development activities this is so because competing producers on how to find ways on how to improve their product so as to out compete their competitors with sales for research in productions
- ✓ It persuades the customers to buy those products of an entrepreneur instead of buying those from other producers. This is because many customers get to know such products
- ✓ It promotes sales of goods and services of entrepreneurs by informing people about them and asking them to buy the advertised
- ✓ It helps the entrepreneurs' business to become popular and also acquire good will. This is because it helps to build reputation and image of the advertisement and creates customers' loyalty
- ✓ It helps the entrepreneur to constantly remind consumers of the availability of his products hence increasing sale in areas of low or declining demand
- ✓ It informs new customers about the availability of entrepreneurs' products. This makes the goods and services of the entrepreneur to become known to the public
- ✓ It helps the business to retain its market share so that it does not lose some of the customers to the other business men / competitors
- ✓ It creates direct contact between the business man and the customers such that other middlemen are not able to increase prices, which may lower demand of a given firm's products

Disadvantages of advertising

- ✓ unsuccessful advertisement lead to wastage of resources
- ✓ It increases the operational costs of a business ie it is expensive.
- ✓ It leads to closure of weak or high cost firms in the market.
- ✓ It leads to movement from one producer to another without increase in total demand in the market.

Components of an advertising media

- *The appeal; this refers to the underlying idea that captures the attention of the message receiver.*
- *Value proposition. This is the reason for customers to be interested in a product.*
- *Slogan. This is a word or phrase that is repeated across several different messages and different media e.g where quality matters, gives you wings to fly etc.*
- *Business name*
- *Business location*
- *Product offered*
- *Contact*
- *Illustration of the product where possible*
- *Benefits of the product to the customer.*

FACTORS FOR CONSIDERING WHEN SELECTING AN ADVERTISING MEDIUM

The cost of the medium. Expensive products are better advertised through expensive media like the television, newspapers and magazines whereas cheaper goods are advertised through cheap means like radios and posters.

Target consumers have to be considered. It will be useless to advertise a product in newspapers and magazines when your group is composed of illiterates and local people who cannot even read nor access the magazines and newspapers, you rather use radio, then if you are targeting rich people and literates, and you can then use television and newspapers.

Age group of target market has to be considered, different age groups have different media like if you are targeting youths, better use televisions, magazines, whereas if you are targeting adults, use radios and newspapers since they listen to radios more than televisions.

Speed and urgency of the information should be considered, where an entrepreneur needs to access his market very fast, he selects media like the radio, television etc than magazines that are out weekly, monthly etc

Geographical area to be covered. One selects an appropriate medium that can reach the geographical area he/she is targeting, newspapers, radios and televisions cover a wider area while outdoor advertising and window display that target customers in a small area like a trading center.

Medium used by competitors, one is expected to use a medium that is better off than the competitors' in terms of market coverage, urgency, reliability etc but this should be done in consideration of the cost of the medium in comparison with expected returns

Availability of the medium, for instance however much as one would wish to use neon signs as a medium of advertising in areas where there is no electricity / power, it would not be possible, like in remote areas thus one should consider media forms that are available and affordable.

Nature of the commodity to be advertised should be considered, like there are some commodities that can best be advertised by showing their fashions, models, colour and forms like cars, machines etc, so such items cannot be advertised over the radios instead of a television is appropriate as it will portray all the necessary features to the potential market.

Number of people reached by the medium, newspapers reach more people than magazines and while radio does it better than the television.

Economic status of the target group. Traders use television, newspapers or magazines while advertising to the rich while the radio and outdoor advertising appeals mostly to the ordinary people.

Preparing advertising message for goods and services (elements of advertising media)

Most advertising messages share common components within the messages including

- a) The appeal. This refers to the underlying idea that captures the attention of a message receiver. Appeals can be into categories as motional, fearful, humorous and sexual.*
- b) Value proposition. The advertising message often contains a reasons for customers to be interested in the product which often means the advert will emphasize the benefits obtained from using the product.*
- c) Slogan. To help position the product in customer's mind and distinguish it from competitors' offerings, advertisement will contain a word or phrase that is repeated a cross several different message and different media outlets e.g "everywhere you go" for MTN.*
- d) Awareness value. The advertisement should bring the awareness for the product or service.*
- e) Problem solving. The advertisement should provide the information regarding the use and utility benefit of the product that may remain in the minds of customers.*
- f) Recall value. The advertisement should be so effective that the product should stick to the memory of customers.*
- g) Sincerity. An advertisement must gain the confidence of the customers. It should avoid bold claims and the product should deliver the results as per claims made by the company.*
- h) Enlightening / educative value. A good advertisement should educate the general public about uses of the product*
- i) Instinctive value. A good advertisement must possess natural value so that customers are induced, persuaded and motivated to think well of a product and take to its use.*
- j) Strong fee offer. Good words which contain a strong offer should be used which tell the reader the next step in the buying process and encouraging him to take it now*
- k) Clear illustration. Good adverts do not use abstract concepts which puzzle the reader on what is being sold.*

PUBLICITY. Is the movement of information with the aim of increasing public awareness of a business product. It is the communication through significant unpaid presentations about the organisation in the impersonal media.

DISTRIBUTION CHANNELS

A distribution channel refers to the arrangement or path through which products move from the producer to the final consumers. The distribution channel consists of a set of business entities (middlemen) who participate in the distribution of goods and services as a link between the manufacturer and the consumer.

Features / characteristics of an effective distribution channel

- Maximizes the sales of an entrepreneur
- Maximizes profits for the producer / entrepreneur
- Maximizes the cost of distribution of the product and the general costs involved.
- Convenient to operate by the entrepreneur / producer and the customer.
- Capture a big market share i.e captures many customers.
- Does not affect the quality of the final product
- Minimizes the risks involved in distributing the product.

TYPES OF DISTRIBUTION CHANNELS

Distribution channel are classified according to the number of middlemen involved. There are mainly three types of distribution channels ie the short/direct channel, medium channel and the long channel.

Direct distribution / manufacturer to consumer channel. This channel is also known as direct – selling or short channel distribution. It is a method where an entrepreneur makes and sells his products directly to customers. This channel, a producer or trader may sell directly or through his or her own retail stores through mail or door to door selling

Retail distribution / manufacturer to retailer to customer. This is known as the medium channel. This is where the manufacturer sells to large scale retailers who in return sell to the final consumers. It is common in the distribution of most goods hence increasing the firm's total sales and profitability

Wholesale distribution / manufacturer to wholesalers to retailers to customers. This is the traditional and normal channel of distribution. In this channel, manufacturer sell products to wholesalers usually in bulk who in turn sell to retailers in relatively small quantities who finally sell them to final consumers in affordable quantities

Other types of distribution channels.

Manufacturer to agents to wholesalers to retailers to consumer. In this channel, the producer / manufacturer distributes his/her products to agents in different places who then sell to the wholesalers who sell to the retailers and finally retailers sell to the final consumers

Manufacturer to agents to retailers to consumer. In this channel the manufacturer distributes his/her products to her agents who then sell them to retailers and retailers finally sell to the customers

Manufacturer to agents to consumer. This is channel the manufacturer distributes his/her products through appointed agents found in different parts of the country or world who in turn sell to consumers

Factors that should be considered when choosing a distribution channel for goods and services

- ✓ *The nature of the product. Durable goods are distributed through a long channel because they cannot easily be damaged; bulky goods are sold directly to the consumers to reduce the transport costs. Also perishable products are sold directly to consumers.*
- ✓ *The location of potential customers. Where customers are near and within the reach of your business, a direct or short channel will be preferred. This helps an entrepreneur in identifying customer needs easily and reducing the distribution costs and the reverse is true where customers are far from your business*

- ✓ *The level of competition. High levels of competition in the market require the use of a shorter distribution channel in order to ensure that goods are delivered in time so as to out compete the other firms. On the other hand, low levels of competition in the market allow the entrepreneur to use medium or longer channel.*
- ✓ *The nature of the business. A manufacturer who is financially strong with marketing experience can afford to use direct selling to customers. Similarly if a manufacturer wants to have control over distribution and promotion of the products he uses direct selling. On the other hand a firm dealing in a single product and where the manufacturer is not financially strong, he may opt to use a long channel of distribution.*
- ✓ *The cost of distribution. Where the cost of distribution is high, and the producer has low level of finance, he/she prefers selling directly to the final consumers. On the other hand where the cost of distribution is low and the product is not perishable, the manufacturer can use a long channel of distribution.*
- ✓ *The manufacturer's distribution policy. Different manufacturers have different policies as to their distribution of goods and services. Where the distribution policy of enterprise is to directly reach customers, then a direct channel of selling to consumers is suitable. The business can use a longer channel of distribution if the distribution policy requires using middlemen.*
- ✓ *The value of goods. Highly valuable products and does not need a lot of handling, the short distribution channel should be used. On the other hand if the product is of low value a longer distribution channel may be used to minimize the costs.*
- ✓ *The availability of middle men. When the desired middlemen are not available the direct selling may be necessary, while if the available middlemen are desirable and able to handle the goods, a long and medium channel which involves middlemen should be used.*
- ✓ *The availability of storage facilities. For the cases where the storage facilities are available at the manufactures premises, a direct channel is always used but if the producer lacks storage facilities along channel is used.*
- ✓ *The reliability of the channel. A producer should choose a channel which is reliable and has a good image that will not alter the quality of the products. In case middlemen dilute products, then the producer may sell directly to consumers.*
- ✓ *The level of frequency in using the product. Products which are used frequently to customers are always sold through retail outlets and other middle men.*
- ✓ *Nature and size of the market where good are to be sold. When the market is small / narrow, the manufacturer uses direct selling (short channel). If the market is big and with geographically scattered customers, a long channel is better.*
- ✓ *Method of delivery. Where a manufacturer owns delivery trucks he/she can use short channel. On the other hand, an entrepreneur who has no proper distribution means can use a longer channel involving middlemen.*
- ✓ *Scale of production. Small scale producers who lack sufficient capital to handle the marketing task of their output sell their products through middlemen while large scale producers tend to have enough capital to handle the marketing costs and therefore can delivery to the customers.*
- ✓ *Amount of goods to be brought by consumer. Producers whose customers buy on large scale sell directly. On the other hand, sell through middlemen who are able and willing to provide all the relevant services to the customers enable the entrepreneur to sell through them.*

MIDDLEMEN IN THE CHANNEL OF DISTRIBUTION

Middlemen refer to wholesaler, retailers and agents that serve as intermediaries between the manufacturer (producer) and his customers/ clients.

There are two type of middlemen ie the merchant who buys goods and the agent middlemen.

- ✓ Merchant middlemen. These are middlemen who buy goods and handle them as their property before reselling. They include retailers and wholesalers.
- ✓ Agent middlemen. An agent middleman is a person who employed by another person to represent him in dealing with third party. An agent hold goods on behalf of the seller (principal) and the goods never become his. Examples of agents include the factor agents, brokers, del-credere agents etc.

RETAILERS.

A retailer is a trader who buys goods in large quantities and sells them to the consumer in small affordable quantities. A retailer is the last link in the chain of distribution of goods between the producers to the final consumer.

Roles / functions of a retailer in the chain of the distribution

- ✓ Selling goods directly to customers
- ✓ Breaking the bulk through selling goods in small quantities.
- ✓ Offering storage facilities for the goods until they are picked by the final consumers
- ✓ Offering transport facilities for himself when buying goods from the wholesaler or producer thereby saving him the burden of transport
- ✓ He anticipates demand of consumers and informs the wholesalers who in turn informs the producer.
- ✓ He offers a variety since he buys goods from different producers.
- ✓ He at times offers credit to trust worth customers.
- ✓ He acts as a financier of a wholesaler by paying him promptly.
- ✓ He carries out advertising on behalf of the wholesaler and producer
- ✓ He offers after sales services to the final consumers

WHOLESALEERS

A wholesaler is a trader who buys goods from the manufacturer and sells them to the retailers or final consumer in smaller quantities.

Role/functions of the wholesaler in the chain of distribution

- ✓ Providing a link between the producer and the retailer.
- ✓ keeping prices stable by ensuring a steady supply
- ✓ Transporting goods from the producer to his warehouse and then to the retailer's shop.
- ✓ Providing the manufacturer with ready working capital by paying for the goods bought promptly.
- ✓ Breaking bulk by selling goods in small quantities that retailers can afford.
- ✓ Providing storage facilities for the goods bought from the manufacturer by keeping them in his warehouse.
- ✓ Preparing goods for sale by grading, pre-packaging and pricing goods which reduces the retailers' workload and enables him/ her to serve customer faster.

- ✓ *Providing consumer with steady supplies throughout the year by holding large stocks and releasing them regularly.*
- ✓ *Advising the retailer on a range of goods to be held, prices to be charged, services to be offered etc.*

DISADVANTAGES OF MIDDLEMEN IN THE CHANNEL OF DISTRIBUTION.

- *Middlemen tend to overcharge their customers and they do this because they want to make a lot of profits.*
- *Some middlemen tend to dilute some products so that they get more units in order to make large profits. This is especially common with liquid items like milk, juice etc which leads to poor quality products.*
- *Hiding of commodities. Some middlemen create artificial shortages by hiding of certain goods in order to sell them when their prices have increased. This means consumers to pay higher prices especially for essential goods like sugar, soap, paraffin, salt etc.*
- *Sale of defective goods. Some middlemen sell defective and expired products to the customers which may be harmful to their customers especially food stuffs.*
- *Their profit margins of wholesalers as middlemen tend to be too high as compared to those of the manufacturers and retailers in most cases. This forces to charge high prices hence exploitation of customers through charging higher prices.*
- *Wholesalers exploit manufacturers if do not buy goods from them in time. This leads to over production that can result into losses to the producers. Similarly, wholesaler can refuse to supply goods to some retailers due to minor reasons. This means they can spoil the business of the manufacturers and retailers.*
- *Sometimes, wholesalers provide incorrect information to the manufacturers regarding the market situations. This may lead to over or under production by the producer.*

Terms and conditions for selling goods and services

Terms and conditions are areas, which agreed upon by the seller and the buyer to access, use and own the seller's products

Cash basis. This is where immediate payment for goods and services is made, it is simplest and most preferred way of selling by businesses where goods and services are sold on cash basis, cash receipts should be issued to the buyer or seller.

Advantages of selling goods on cash basis.

- ✓ *It ensures enough working capital for the business.*
- ✓ *It saves the business from extra paper work costs involved during credit transaction.*
- ✓ *It creates low risks for bad debts.*
- ✓ *It ensures constant supply of the business stock.*
- ✓ *It reduces administrative expenses that are associated with credit sales and debt management such as hiring edit officers.*
- ✓ *It allows selling to buyers from unknown customers.*
- ✓ *It facilitates the sale of small items.*
- ✓ *It enables flexibility in the business since capital/finances are always available.*

- ✓ Extra expenses like legal expenses experienced when handling bad debtors are saved from the entrepreneur.
- ✓ It enables an entrepreneur to have ready cash to pay his creditors promptly and obtain cash transaction.

Disadvantages of selling goods on cash basis

- ✓ It is convenient to only a limited number of customers with ready cash.
- ✓ It is difficult to operate on cash basis in a very competitive market.
- ✓ It leads to low sales.
- ✓ It is a risky form when selling expensive items like industrial machinery.

Selling on credit. This involves a seller giving out his/her goods, or providing service to a customer but payment is to be made a future date

Reasons for carrying out credit selling

- ✓ To promote more sales and high rate of turn over
- ✓ To attract more customers who may come to enjoy credit services
- ✓ To ensure good relationship between the business and its customers
- ✓ To reduce stock losses resulting from expiry of goods. This is because stock which is about to expire can be given on credit basis
- ✓ To promote repeated purchases from the business customers
- ✓ To enable the business customers who lacks ready cash to acquire expensive goods.
- ✓ To ensure enough market for the business products
- ✓ To create an alternative technique for marketing business products
- ✓ To increase on the profits made by the entrepreneur on sales. This is because goods sold on credit are always charge highly
- ✓ To create a chance for selling very expensive goods like industrial machinery
- ✓ To ensure enough market for the business products

Circumstances/conditions under which goods may be sold on credit

- ✓ When goods are about to expire.
- ✓ When sales are low and there is a need to attract more customers.
- ✓ When an entrepreneur has enough working capital
- ✓ When an entrepreneur can also purchase on credit
- ✓ When there are set standards as regards to credit recovery
- ✓ When a credit customer has presented a collateral security
- ✓ When goods are getting out of fashion or expired
- ✓ In case there is a need to out compete other business competitors.
- ✓ When the entrepreneur expects prices to fall in the near future
- ✓ If the supply exceeds demand. I.e deflationary tendencies
- ✓ When the entrepreneur has got the means to know about the credit worthiness of the customer. E.g the customer may get recommendations from other traders or suppliers.
- ✓ When an entrepreneur has insured himself against losses which may result from bad debts
- ✓ When goods are very expensive and it is hard to be sold on cash basis
- ✓ When the credit customer is well known
- ✓ When the entrepreneur is operating on a large scale

- ✓ *In case of dead stock*

THE COSTS / DISADVANTAGES OF CREDIT SELLING

- ✓ *It's administratively expensive.*
- ✓ *It may make the business to run out of working capital.*
- ✓ *It may spoil the relationship between the business and its customers*
- ✓ *At times poor quality goods are sold to customers.*
- ✓ *It creates high chances of bad debts.*
- ✓ *It limits customers from making their own choices.*
- ✓ *The business may run out of stock in case credit customers take long to pay.*
- ✓ *The system is disadvantageous especially during inflationary tendencies where money value is not stable.*
- ✓ *Hinders the business expansion*
- ✓ *High recovery costs leading to cash problems.*

FACTORS CONSIDERED WHEN SELLING GOODS ON CREDIT

- ✓ *The condition and financial status of the borrower*
- ✓ *The collateral security possessed by the customer.*
- ✓ *The period for making payments*
- ✓ *Whether the customer is daily customer or irregular customer*

WAYS OF MANAGING CREDIT SALES.

- ✓ *By ensuring proper documenting of all credit sales made.*
- ✓ *By setting up short credit periods for the business debtors*
- ✓ *By continuously reminding the business debtors their due dates for clearing their dates.*
- ✓ *By extending discounts to business debtors who clear their debts in time. This will encourage them to make prompt payment.*
- ✓ *By giving reminder notes to business debtors to remind them the due dates for clearing their debts*
- ✓ *By extending credit facilities to only well-known debtors with a good historical back ground.*
- ✓ *Asking for collateral security with a high value*

WAYS OF ENSURING PROPER CASH MANAGEMENT.

- ✓ *By ensuring proper counting and checking of the cash received to ensure that it is correct ie that it is the required amount*
- ✓ *By recording of all cash sales made.*
- ✓ *By locking of all the cash received in safe drawers all the time for security reasons*
- ✓ *By reconciling all the sales made per day with physical cash collected.*
- ✓ *By banking all the cash received intact on a daily basis*
- ✓ *By employing skilled personnel to handle business cash*
- ✓ *By carrying out proper accountability of cash expenditure*
- ✓ *By limiting unnecessary withdrawing of cash to reduce cash expenditures.*
- ✓ *By properly documenting all the cash documents for easy reference. E.g cash receipt.*

PERSONAL SELLING

This is where a team of sales persons are employed to sell goods directly to consumers. It involves sending sales persons to suit customers in their home land offices and discuss with them about the existing products sold by them

QUALITIES OF A GOOD SALES PERSON

- ✓ *Attractive personality ie the capacity to attract and influence customers*
- ✓ *He should have enough knowledge about the firm and products of the business and their qualities the target customers, competitors as well as the selling techniques*
- ✓ *He should be honest and sincere ie should be one who talks the truth, does not steal or cheat*
- ✓ *He should be persuasive to encourage buyers to buy more products from him /her*
- ✓ *Should be polite to the buyer ie should care for other peoples' feelings*
- ✓ *He should possess good communication skills. Ie having the ability to approach a person since customers have different characteristics*
- ✓ *He should be smartly and decently dressed. This makes him to be more presentable.*
- ✓ *He should be hard working and fulfill the customer's needs.*

CIRCUMSTANCES UNDER WHICH PERSONAL SELLING MAY BE NEEDED

- ✓ *When the product is still new on the market*
- ✓ *When the competition is high*
- ✓ *When there is a need to extend after sales services to potential customers*
- ✓ *When goods are very expensive*
- ✓ *Where the market consist of few customers who can easily be accessible*
- ✓ *When the firm is financially capable of hiring a large number of sales persons*
- ✓ *When demonstration is needed*
- ✓ *When goods needs minimum handling*

REASONS OBJECTIVES FOR PERSONAL SELLING

- ✓ *To increase sales*
- ✓ *To out compete other business competitors*
- ✓ *To expand the market share*
- ✓ *To save customers from being exploited by the middle men in form of high prices.*
- ✓ *To attract new business customers*
- ✓ *To identify and collect the customers opinions and suggestions towards a given product*
- ✓ *To create a chance for bargaining by the business potential buyers*
- ✓ *To improve the relationship between the business and its customers. This is because it involves direct contact*
- ✓ *To create a room for carrying out bulk or heavy purchases to customers*
- ✓ *To create confidence and mutual trust between the sales person and the customers*
- ✓ *To create a chance for business potential customers to ask questions and clear their doubts about the business products*
- ✓ *To create a chance for giving after sales services to customers to customers. E.g demonstration*

Procedures /steps of carrying out effective personal selling

- ✓ *Presale preparation.* This involves recruiting, training and motivating the sales person. At this stage the sales persons acquires knowledge about the firm, products of the business and other qualities, the target customers, competitors as well as the selling techniques.
- ✓ *Prospecting.* This stage involves understanding the market properly ie analyzing / knowing their prospective buyers, their needs and their purchasing power. This can be done through asking the already existing customers for their names, locations, needs etc and other potential customers who could want to benefit from the product.
- ✓ *Pre-approach.* It involves identifying the customers' habits, preferences, income levels, attitudes etc so as to be able to select the right sales appeal before approaching them.
- ✓ *The approach.* This is the first meeting face to face with the customers. The sales persons must introduce himself and the product of the firm in a polite and dignified manner.
- ✓ *Presentation.* This involves gaining customers attention by the sales man. It involves giving a brief description about the product in the question, to the customers, mentioning and explaining briefly the unique features that may not be self-evident. The sales person tells the prospective customer the price, terms and conditions of payment or delivery.
- ✓ *Demonstration.* Here the sales person displays how the product works. It is done to maintain the customers interest customers and a rousing his desire. Here the sales person is required to explain the utility and unique qualities of the product so that the prospective customers realize the need for the goods and services to satisfy his wants.
- ✓ *Handling objections.* This involves clearing all the customers' doubts and objections amicably by the sales man. At this stage the sales person should endeavor to convince the customers that he is making the best use of his money by buying the product. However the sales person should avoid proving that his products are superior to those of the competitors.
- ✓ *Closing the sale.* This is the climax of personal selling. The sales person should carefully guide the customer in making the choice without imposing any view on him/her. Therefore the sales person shouldn't force the transaction / deal but rather allow the customer to make the final decision. For successful closing some adjustments in price and other things may sometimes be necessary. In closing the sale, the item bought should be packed properly and handled over to customer who has bought an article.
- ✓ *Post sale follow up.* These are activities undertaken by the sales person to ensure that customer is satisfied with the goods and services from the business. Post sale follow up therefore includes after sales activities like free installation of the products, checking and ensuring its smooth performance Maintainace and ensuring after sales services. These activities help the entrepreneur to secure repeat sales evaluate the effectiveness of the sales persons.

Importance of personal selling to an enterprise

- ✓ *It enables the entrepreneur through the sales persons to deal directly with customers. This allows the customers on how the product works*
- ✓ *It provides a two – way communication channel that helps entrepreneur to meet his customers' requirements (needs) as regards prices, quality, and services offered as well as increasing sales for his products*
- ✓ *Personal selling enables the entrepreneur to negotiate specific needs to different customers as regards prices, quality etc*
- ✓ *It helps to gain quick feedback about the entrepreneur's goods and services as well as suggestions for improvement*

- ✓ It helps in winning customers confidence about goods and services

Disadvantages

- ✓ In addition, the free gifts and samples given to customers make it more expensive
- ✓ Some salesmen don't give out samples to customers. They tend to use them for their own consumption and in the end, the products are not known to the public.
- ✓ Travelling salesmen face a lot of risks and problems like road accidents, highway robbery and bad weather conditions.
- ✓ Personal selling cannot effectively be carried out where many products are involved since this will call for employment of very many salesmen.
- ✓ It is expensive; this is because sales men are always paid commissions.
- ✓ It may make the final cost of the product high.
- ✓ Some sales men are not honest enough.
- ✓ It has a very limited coverage and it appeals to very few individuals at time.
- ✓ It requires enough capital which most businesses lack.
- ✓ Some customers are not friendly and this makes it difficult to be approached.
- ✓ It needs special skills and techniques to be conducted successfully.
- ✓ Some attendants in show rooms may be rude and unfriendly to customers.

HUMAN RESOURCE MANAGEMENT (HRM)/ MANAGING PERSONNEL

HRM is the part of management which deals with effective control and use of workers to do all the activities involved in an enterprise. It is the art of influencing people to do all activities required in an enterprise.

Nature of personnel management

- ✓ It includes the function of employment, development and compensation. These functions are performed primarily by the personnel management in consultation with other departments.
- ✓ It is an extension to general management. It is concerned with promoting and stimulating competent work force to make their fullest contribution to the concern.
- ✓ It exists to advise and assist the line managers in personnel matters. Therefore, personnel department is a staff department of an organisation.
- ✓ Personnel management lays emphasis on action rather than making lengthy schedules, plans and work methods. The problems and grievances of people at work can be solved more effectively through rational personnel policies.
- ✓ It is based on human orientation. It tries to help the workers to develop their potential fully to the concern.
- ✓ It also motivates the employees through its effective incentive plans so that the employees provide fullest co-operation.
- ✓ It deals with human resources of a concern. In context to human resources, it manages both individual as well as blue – collar workers.

Role of personnel manager.

Personnel manager is the head of personnel department. He performs both managerial and operative functions of management. His role can be summarized as;

- ✓ Providing assistance to top management. The top management are the people who decide and frame the primary policies of the concern. All kinds of policies related to personnel or workforce can be framed out effectively by the personnel manager.
- ✓ Advising the line manager as a staff specialist. Personnel manager acts like a staff advisor and assists the line manager in dealing with various personnel matters.

- ✓ *Counseling personnel manager attends problems and grievances of employees and guides them. He tries to solve them in best of his capacity.*
- ✓ *Linking top management and workers. Personnel manager acts as a mediator between management and workers.*
- ✓ *Representing the organisation. Since he is in direct contact with the employees, he is required to act as representative of organisation in committees appointed by government. He represents company in training programmes.*

ELEMENTS OF HUMAN RESOURCE MANAGEMENT

Man power planning: this is concerned with assessment of the man power of an enterprise in terms of both quality and quantity.

Recruitment: refers to the process of attracting and identifying a suitable worker for a given job. It can be done through advertisement.

Selection: this is a process an enterprise or entrepreneur follow so as to pick out the most suitable candidates for a particular job.

Placement: this involves assigning workers tasks to be done in an enterprise.

Induction training: this involves introducing a new worker to the enterprise so as to build confidence and sense of co-operation.

Human resource development: this is concerned with improving the skills of workers like through further training, study tours etc

Determination of employees' remunerations, terms of employment and working conditions: this involves assessment of monetary and non-monetary rewards payable to workers.

Motivation: this involves encouraging or stimulating workers to work hard in order to achieve desired goals of an organisation / enterprise.

Communication: this involves putting in place formal and informal communication requirements and procedures for the enterprise. It involves making consultation between employers and employees.

Termination: this concern with laying off a worker due to some reasons such as inefficiency, indiscipline etc.

Importance of Human Resource management

- ☞ *It enables an organisation to get competent workers with the right skills and knowledge. This promotes productivity and better production.*
- ☞ *It enables an organisation to be efficient and effective in order to achieve its goals and objectives. This is because workers are informed of production standards and other expectations of the organization.*
- ☞ *It helps to minimize damage of machines and equipments by the fact that machines and pieces of equipment are operated by technically competent workers, damages are controlled.*
- ☞ *It helps to minimize costs of production, within an organisation. This may come about as a result of employing skilled and experienced workers to minimize wastage of time and resources.*

- ☞ It helps an organization to achieve its targets of profits maximization since the needs of the workers are well catered for.
- ☞ It helps in staff training and development. This is done through organizing various training programmes and seminars by the personnel department which improves workers skills.
- ☞ It promotes good staff relations through development of co-operation between the employer and the staff.
- ☞ It promotes good image of the business to the public through the good skills exhibited by the personnel manager.
- ☞ It helps in evaluating the performance of employees in all departments of an enterprise through performance appraisal.

TYPES OF PERSONNEL IN AN ORGANISATION

Production personnel: this personnel is responsible for transforming of raw materials into finished goods and providing services depending on the nature of the business.

Marketing and selling personnel: this is responsible for marketing, selling and distribution of goods produced by an organisation.

Transport personnel: this one is responsible for transporting raw materials from suppliers to the organisation and finished goods to market centres.

Security personnel: this is responsible for safeguarding the environment of the business and ensuring that the stock and assets of the business are not tampered with.

Financial personnel: This is responsible for keeping and counting business funds and all the money received or paid out in an organisation.

Entrepreneur (the owner): this carries out overall supervision within this organisation, makes clear the job available and the required skills and knowledge of the required workers.

RECRUITMENT PROCESS

It refers to identification of vacant post, advertisement, short listings, and interviewing in order to get the best candidates. It involves attracting qualified applicants for jobs in an enterprise.

SOURCES OF RECRUITING EMPLOYEES

Internal sourcing methods

This is where an organisation recruits workers from within itself, internal recruitment takes the following forms (sources).

Through transfers: A transfer of workers from one job to another within the same enterprise is a source of recruitment. This is usually done to meet the demand of workers in the enterprise or business.

Through promotion: this refers to the appointing a worker to a position of a greater and high authority. This is an internal source of recruitment that brings change in the duties and authority of the worker.

Present employees/ employees' referrals: this is where an entrepreneur asks employees to recommend their friends and relatives to fill vacant posts in an organization.

Demotions. This is a form of internal recruitment where employees who may have been proved ineffective in performing their tasks may be transferred to fill lower positions as compared to their current positions. This method is commonly used in security organisations like the police, army and the private security organisations like Saracen.

External sources

This is where employees are got from outside the organisation, such sources include the following.

Unsolicited applicants /walk ins: small businesses receive many un-solicited applications from qualified and un qualified individuals. The former should be kept in file for future reference. Good business practice suggests that all applicants be treated courteously whether or not they are offered jobs.

Advertisement: this involves looking around for the type of person by making the vacancy known to the public by the use of media like newspapers, television, radio stations etc.

Visiting institutions of higher learning and technical institutions: these are sources for certain types of employees, especially if prior work experience is not a major factor in the job specification. Schools are also excellent sources for part time employees.

Private employment agencies: these are organisations which specialize in recruitment of workers for different employers. The entrepreneur or employer provides them with job description for the vacancies to be filled together with the applicable terms and conditions in so that they look for and recruit the appropriate candidates for the employer. This is done in from the employees or employer for a highly qualified applicants exchange for a fee.

Head hunting / talent spotting: this involves looking around for the type of person that would suit the specification of the job. This is normally done by Human Resource Manager who inquiries from friends, giving them the description of the type of person he needs.

Field trips: this is where an entrepreneur goes out to different places spotting the right type of personnel needed for existing job.

Internet (surfing). This is where information about certain jobs is entered into the computer and those looking for jobs feed data also in the system. The computer then will match the jobs with people. However, computer networks are used by multi – national companies.

FACTORS CONSIDERED WHEN RECRUITING EMPLOYEES IN AN ORGANISATION / ENTERPRISE

Types of skills required: this is a very important factor; the recruited personnel should possess the required skills. This depends on the nature of the organisation; people with required skills will help a firm to achieve the set goals.

Employees' working experience: in every business, experience matters a lot; it is assumed that employees, who have enough experience in doing a particular activity, perform efficiently, so an organisation would look for those with enough experience, depending on the available work to be done.

Cost of the employee is considered when recruiting employees: cheap labour is always wanted by employers to minimize on the wage bill of workers. This enables employers to maximize profits.

Age of employee is greatly considered when recruiting employees: in most cases, employers do want to use minors in the business (people below 18 years). This is because in case of any problems, they cannot be blamed too much by the law. Actually, this would be taken as a case of child labour. Therefore employers always employ people who are above 18 years and at the same time those who are not too old.

Nature of the job to be done: employees to be recruited should vary with the type and nature of work to be done, for instance if the need for employees is in the marketing department, one would not expect to recruit accountants or doctors; instead he has to look for personnel who follow in that category (marketing).

Health conditions of the employee: most firms (mainly profit making firms) would not want to recruit employees with a lot of medical problems e.g those with chronicle disease. This is because it will affect the business in terms of reduced working days, increased medical allowance.

Sex of an employee: this also depends upon the nature of work to be done. some jobs are fit for a particular sex, for instance those who work in heavy machinery in factories loading and offloading of commodities etc are fit for men while others like receptionists, secretary etc are fit for ladies. So depending on a particular work, one should recruit a particular sex, which is fit for the job.

Language: it is also important as this is the only way for effective communication in an organisation that's why today firms need educated people who have common language to facilitate easy communication or want employees who speak many different languages.

Marital status is another vital factor always taken into consideration when recruiting employees: some employers prefer workers who are single because they will be committed to work and are easily flexible than the married people who always tend to have a sense of maturity are not easily flexible. For example, it becomes very hard for married people to move to other work stations, leaving behind their families.

Size of the business: some businesses are small and need few workers and at times large businesses need many workers. At recruitment therefore, the number of employees depends on the size of the enterprise.

Procedures followed when recruiting business employees

- i. *Identifying the vacant posts / man power .*
- ii. *Advertising the posts.*
- iii. *Receiving applications.*
- iv. *Cross checking the applicants and handling inquires.*
- v. *Short listing candidates*
- vi. *Conducting interviews.*
- vii. *Selecting suitable workers.*
- viii. *Appointing successful workers in their jobs.*
- ix. *Giving induction training to newly recruited workers.*

CAUSES OF DIFFERENCES IN WAGES OF WORKERS IN AN ENTERPRISE

- ✓ *Differences in the nature of job performed: more difficult or demanding jobs earn high wages and salaries compared to simple jobs.*
- ✓ *Differences in level of education and training: workers with high level of education and skills would normally be paid higher wages and salaries compared to those with low level of education.*
- ✓ *Differences in productivity of labour: more productive employees in terms of output are paid higher wages than those whose productivities are low.*
- ✓ *Differences in cost of living: some entrepreneurs fix wage rate depending on cost of living of workers, in places with high cost of living workers earn higher wages than those working in places with low costs of living.*
- ✓ *Differences in entrepreneur's capacity to pay: entrepreneurs enjoying higher profits can afford to pay higher wages than those firms earning low profits or operating on losses.*
- ✓ *Demand and supply for labour: where the demand for labour in relation to supply is higher, the wage rate tends to be high and where the supply is higher than their demand, the wage rate tends to be low.*
- ✓ *Differences in working conditions: jobs with poor working conditions such as high levels of risks should be paid highly compared to less risky jobs.*

- ✓ Differences in trade union's bargaining power: a stronger and more powerful trade union will secure higher wages for their members and weak unions may only afford to negotiate a bare minimum wage for their members.
- ✓ Differences in level experience / expertise: highly experienced workers tend to be paid higher wage rates than less experienced.
- ✓ Government policy on wages: the government may set up minimum wage rate. If these minimum wage rates are high, wages and salaries will also be low.
- ✓ Difference in the nature of employment: workers on contract receive high payment compared to those on temporary or permanent basis/
- ✓ Difference in workers bargaining power.
- ✓ Difference in efficiency of the worker.

SILENT FEATURES OF MAN POWER PLANNING

Man power planning involves forecasting of the future man power needed so that adequate and timely management can be made to meet the man power needs in the business

The major purpose of man power planning is to determine the types of workers and the right number required for effective accomplishment of the tasks and goals of the enterprise

Human resource planning is continuous process since the demand and supply of the labour change frequently. It leads to development of policies, programmes and procedures for the acquisition and development of the man power employed by the enterprise

It involves both qualitative (determination of number of workers needed) and quantitative (determination of appropriate skills for various jobs) planning

OBJECTIVES OF MAN POWER PLANNING

- ✓ To forecast or predict type of skills required in future
- ✓ To determine the number and type of the workers required
- ✓ To promote the development of the existing personnel
- ✓ To ensure optimum use of present man power
- ✓ To ensure proper control measures of an enterprise so that the man power is available when it is needed

BENEFITS OF SUCCESSFUL MAN POWER PLANNING

- ✓ It enables the management to reduce labour cost since imbalance due to the shortage in surpluses in demand can be controlled before it becomes unmanageable
- ✓ It helps in identifying gaps that need to be filled so that the suitable training programmes can be designed so as to build particular skills required in the future
- ✓ It helps in formulation management and succession plans since it provides enough time to the employer to identify and help managers to be promoted
- ✓ It provides a sound basis for the development of workers so as to ensure optimum use of the available talents
- ✓ At national level it guides the government in employment creation in education reforms and in transfer of workers in the country
- ✓ It helps in diversification of business to undertake new projects and expansion programmes aimed at increasing earnings

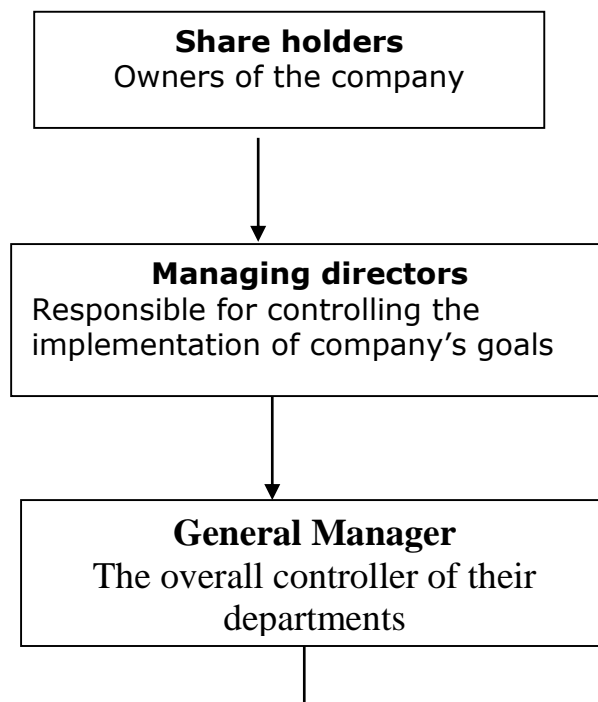
ORGANISATIONAL CHART

This is a diagram that shows the organisational structure of a firm showing the overall top management shown in different departments of the firm. The organisational chart shows the different departments and the job functions and the personnel with in those units

USES OF AN ORGANISATIONAL CHART

- ✓ *It acts as a visual aid for staff training during induction session*
- ✓ *It specifies duties and responsibilities of different personnel in an organisation*
- ✓ *It shows the hierarchy of authority within the organization*
- ✓ *It is used as a reference whenever transfers and promotions are to be done in an enterprise*
- ✓ *It facilitates smooth flow of information communication in an enterprise*
- ✓ *It helps an entrepreneur to identify vacant posts in an enterprise*
- ✓ *It helps an entrepreneur to coordinate with different department*
- ✓ *It ensures an entrepreneur to determine the man power requirements of the business*
- ✓ *It gives the organizational structure of the enterprise*
- ✓ *It shows the reporting relations in an enterprise*
- ✓ *It is used as a reference point whenever transfers and promotions are to be done in an organization*
- ✓ *It creates a platform for delegation of authority between superiors and subordinates*
- ✓ *It enables the successfulness of performance appraisal basing on employees duties and responsibilities*
- ✓ *It instills discipline among employees and manager as it specifies the level of administration and subordination*

Illustration



REASONS WHY AN ENTREPRENEUR MAY RECRUIT WORKERS

- ✓ *To recruit the right people with the required skills and abilities. When workers with skills and abilities are recruited there are high chances of increasing productivity in the enterprise.*
- ✓ *To minimize damages to machines and equipment by using technical competent persons. When competent workers are recruited, damages which can increase costs on machines and equipment can be minimized.*
- ✓ *To minimize costs in an enterprise. Recruitment of workers helps to avoid wastage of resources and time thus increase in efficiency and effectiveness.*
- ✓ *To replace workers who are retiring, dismissed and die. Recruitment helps an enterprise to fill the gaps caused by the workers moving out.*
- ✓ *To get workers for future use in case an enterprise expands. Workers may be recruited to be kept for future programs e.g when more branches are open.*
- ✓ *To increase productivity and output in an enterprise. Recruitment of workers improves performance leading to high productivity and output.*
- ✓ *To cater for advancement in skills required to perform certain tasks. Some workers may be recruited due to more development in an enterprise e.g advanced technology.*
- ✓ *To be groomed by the business. Workers may be recruited when they are under qualified or not experienced hoping to be groomed to become better workers.*
- ✓ *To fill the gaps caused as a result restructuring within the enterprise. Unqualified or not experienced staff members may be restructured in order to recruit skilled workers.*
- ✓ *To increase man power required for efficient and effective in achieving the set target of the business. Recruitment enables an enterprise to increase labour force so as to achieve its set standards and targets.*

Competencies expected of an applicant during an interview

- *Consistence*
- *Qualifications / education*
- *Confidence*

- *Courtesy*
- *Time management*
- *Decency / smartness*
- *Respect*
- *Intelligence*
- *Experience*
- *Team work*
- *Controlling emotions*
- *Good communication*
- *Creativity and innovativeness*
- *Concentration*
- *Self – motivation*
- *Knowledge*
- *Flexibility*
- *Attentiveness / listening*

PERSONAL REQUIREMENT OF THE BUSINESS

Personal resource requirement of the business implies determination of the staff, their skills and experience or specific requirements required by the business in its operation

JOB ANALYSIS

This refers to the systematic collection and recording of information concerning the jobs to be performed in an organisation. It involves rewarding of information that concerns the purpose of the job and major duties and conditions to be performed. It also involves knowledge; skills and abilities needed to perform the job effectively and efficiently for example the job of an accountant would require knowledge of accounting duties

Job analysis therefore involves the following activities

- ✓ *identifying the purpose of the job*
- ✓ *Identifying duties and responsibilities of a job / position.*
- ✓ *Stating the terms and conditions of the job.*
- ✓ *Identifying the knowledge, skills, experience and abilities required to perform the job effectively and efficiently.*
- ✓ *Identifying the reporting relationships i.e to whom to report.*
- ✓ *Identifying of the qualifications one should have to perform the job.*
- ✓ *Identifying the personnel qualities and behaviour one should possess for example age.*
- ✓ *Identifying of physical and mental characteristics one should have to perform the job.*

Steps followed when carrying out job analysis

- ✓ *Collecting the relevant data ie information about the job*
- ✓ *Selecting the representative positions*
- ✓ *Collecting job analysis data i.e information is related with the future of the job with required qualifications*
- ✓ *Developing job specification*
- ✓ *Developing a job specification*

JOB DESCRIPTION

This is a broad statement of the purpose, scope, duties and responsibilities of a particular job to be done. Job description should be written or prepared under the following headings

- ✓ *type of the job*
- ✓ *Location of the job / department.*
- ✓ *main duties and responsibilities of the job / position*
- ✓ *supervision given and reporting line*
- ✓ *the limit of jobholder's authority*
- ✓ *job relationship to other jobs or departments*
- ✓ *any office equipment to be used on the job like computer*
- ✓ *some terms and conditions of employment*
- ✓ *Job circumstances ie whether pleasant / unpleasant, demanding or undemanding etc.*

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JOB DESCRIPTION

JOB TITLE: Sales Manager

DUTIES AND RESPONSIBILITIES

- Identifying suitable advertising media
- Selecting appropriate way of increasing sales
- Motivating the sales team
- Receiving customer orders

Reporting to: Human Resource Manager
Working conditions: Normal working conditions

JOB SPECIFICATION

It refers to a detailed statement of the physical and mental activities involved in doing the job. It defines the desired human requirements needed for a given job e.g knowledge, experience, skills, physical requirements like health etc

Job specification is expressed in terms of what the workers does what knowledge he/she uses in doing it and the judgment he/she make

Such requirements may include.

- ✓ *identifying the level of education and training one should have attained in order to perform a particular job*
- ✓ *Specifying the knowledge, skills and experience that one should possess.*
- ✓ *Identifying the personal characteristics that one should have to perform the job such as age, sex, integrity etc.*
- ✓ *identifying the physical requirements*
- ✓ *age range*
- ✓ *health and appearance (not commonly considered)*

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Job specification for an accountant

Qualification

Importance of job specification

- ✓ *It can be used in communication programmes for recruiting workers*
- ✓ *It enables the employer's management to set standards of performance*
- ✓ *It provides useful information for undertaking job evaluation, recruitment, replacement and training performance appraisal and wage and salary administration*
- ✓ *It is used at executive levels of improving standards and productivity of organisation*
- ✓ *It enables the employee to know the scope of her job in terms of activities and responsibilities involved*

JOB GRADING / JOB EVALUATION

Job grading

This refers to the process of determining the relative value of every job in the organisation in order to price the jobs in terms of wages and salaries. It is what is expected to be the output for a given job and one should perform as expected

The main objectives for carrying out job grading.

- ✓ *To determine the relative value for each job.*
- ✓ *To provide factual information to be used when settling salary disputes.*
- ✓ *To provide a basis for negotiations between employers and employees since salary grievances are reduced*
- ✓ *To ensure good relationship between employers and employees since salary disputes.*

- ✓ To provide adequate information used when designing job analysis.
- ✓ To motivate employees this improves their morale.
- ✓ To promote hand working among employees.

Methods of payment

- ✓ *Salary: this is a fixed periodic payment within a given time to workers. It is a fixed period payment to workers after a long period of time. It is commonly paid to non-manual either monthly basis or other wise*

Characteristics of salaries

- ✓ *It is confidential to the employee earning*
- ✓ *It is progressive in nature therefore it should be increased after a given period of time. But not remaining static or constant*
- ✓ *It is considered personal to the workers earning*
- ✓ *It has no additional payments like bonus, overtime*

2. Wages: this is the payment to manual workers and it's usually expressed as a rate per hour. It is a method of payment used by entrepreneurs to their temporary workers in enterprise. It is normally paid after a short period of time e.g daily basis, hourly or weekly

Wages have different structures and they include

- a. *Overtime pay. This is paid to the worker who works or serves over and above the normal working time.*
- b. *Shift pay. This refers to an allowance or payment given to workers who alternate as they perform their duties. Sometimes employees work during unusual hours and this allowance is given to them as way of compensating them for their hard work inconvenience and hardships.*
- c. *Cost of living allowance. This refers to payment given to workers in response to an increase in the general price level. It is a payment given to employees who work in places where there are high costs of living e.g in urban areas like Kampala.*
- d. *Piece rate payment. This refers to the payment where a worker is paid doing a given piece of worker. This is applicable where work to be done is measurable and payment rates are usually agreed upon before work is done.*
- e. *Time rate. This refers to method of payment based on the amount of time worked. It is a type of payment arrangement where remuneration is given according to the time one take doing the job.*
- f. *Contract based payment. This refers to a mode of payment where a given worker takes on a piece of work to be done which should be completed in agreed time for agreed amount of money.*
- g. *Special wage addiction. This is a situation where the worker is paid during abnormal working conditions for example in insecure places.*
- h. *Bonus scheme payment. This refers to extra reward given to the worker over or above his regular pay and it is normally given to workers who perform their duties exceptionally well.*
- i. *Standard pay. This refers to the payment given to workers as a fixed pay in a given period, this may be monthly, weekly, this is irrespective of the amount of work done.*
- j. *Policy allowance. This is usually paid to workers whose services are very scarce. The intention of this payment is to motivate and encourage the workers to serve for the organisation.*

Factors considered when determining payments for workers in an enterprise.

- ✓ *Level of competition for workers among different employers. High levels of competition for workers force employers to pay their workers higher wages so as to motivate and retain them. On the other hand, absence of competition for workers among different employers leads to relatively low wages paid to employees.*

- ✓ *Level of education and training that a person undertakes. Workers who have high levels of education are paid higher wages because of the extra period of training incurred. On the other hand, low wages are paid to those workers with low levels of education.*
- ✓ *Cost of living. employees who work in areas where cost of living is high for example in urban areas are paid higher wages than those who work in areas where the cost of living is relatively low for instance in rural areas.*
- ✓ *Experience and skills for a particular job. Higher wages are paid to employees with experience and the required skills relating to a particular job. On the other hand, workers lacking experience and the required skills to perform a particular job are paid less.*
- ✓ *Amount of work (duties and responsibilities) being done. employees with more tasks to perform than others should be paid highly because of the extra assigned duties while those with less duties and responsibilities should be paid according to the amount of work being done ie they should earn less.*
- ✓ *Nature of employment opportunities. Permanent workers with guaranteed job security are paid relatively low wages than those doing work which is on a contract basis. This is because the job security for contract jobs is usually for a limited fixed period which is agreed.*
- ✓ *Strength and bargaining power of workers. Workers with a lot of bargaining power and whose services are highly demanded by the organisation are paid higher wages. On the other hand, employers who take advantage of workers with low bargaining power through paying them less provided they are helping to achieve its goals.*
- ✓ *Demand for the services being rendered by the worker. There are workers whose services may be highly demanded than those being offered by the others. In such situations, such workers are paid higher wages than those offering services that the organisation / business would still continue to operate even without such employees.*
- ✓ *Nature of work being done. Workers who perform mental / knowledge-based type of work are paid higher wages / salaries for example accountants than those who perform physical type of work like cleaning.*
- ✓ *Risk involved in the work being done. Workers who do risky jobs like the night watchmen should be paid higher than those doing less risky jobs like office or toilet cleaning.*
- ✓ *Profitability of the business/ employer. Business or organisation which make a lot of profits motivate their workers by paying them higher wages. On the other hand, workers in businesses with low profits being made are paid relatively lower wages.*

JOB PERFORMANCE STANDARDS

These refer to acceptable competency aspects required for a given job. It is minimum expected from output from the job

Sourcing. This involves identifying the sources of the required personnel. Source may include the organisation itself (internal sourcing), compiling organisation (other organs of the same industry) newspapers, journals, colleges and institutions

Selection. This involves evaluating and choosing among different candidates it involves the following steps

- *Receiving application forms*
- *Initial screening of the short listed candidates*
- *Reference to check the truthfulness of the candidate*
- *Physical examination*
- *Job letter (accompanied with an appointment letter)*

However the selection exercise is always accompanied by a recruitment programme

Example of recruitment programme

- ✓ Identifying the vacant post and the value in the enterprise
- ✓ Advertising the vacant post
- ✓ Receiving application and handling inquiries about the advertised posts
- ✓ Cross checking applications against job specification
- ✓ Establishing interview panel, rooms and questions
- ✓ Short listing the candidates
- ✓ Contacting successful candidate for the interview
- ✓ Conducting interview
- ✓ Analyzing the interview results and selection of the suitable candidates
- ✓ Appointing the successful candidates
- ✓ Carrying out induction training for the successful candidates

JOB INDUCTION OR ORIENTATION

This is the process by which a newly recruited employee is introduced to a job and various aspects are given. An induction training or programme include the following

- ✓ Issuing an appointment and discuss the content there
- ✓ Introducing the worker to the board of directors, shareholders and other heads of departments
- ✓ Introducing the worker to other supporting staff
- ✓ Carrying out tour or survey around the business premises
- ✓ Providing him with all the necessary resources and introducing him to his office
- ✓ Welcoming part with the boards of directors and getting ready to report to work

Factors considered when preparing induction of new employees

- ✓ Knowledge and job ie one should have the necessary knowledge about the job which employees are to be inducted
- ✓ Having a current employee serve as a mentor ie there is need to give a new employee a mentor to guide him on the job
- ✓ Setting/ preparing a sample job break down. This spells out the contents of the job to be done in terms of job content.
- ✓ Setting a training time table. This shows the activity / time
- ✓ Work area. This involves arranging the venue for induction by providing facilities required.
- ✓ Evaluating new employee's work on a daily basis. This helps to know their performance to guide them well where they are to work.
- ✓ Employee special needs. In case of this provide special facilities for them during induction.

Advantages of induction of new employees

- ✓ It leads to increased productivity. Adequate training increases skills which improves both the quality as well as quantity of the product due to increase in level of performance
- ✓ It improves employees' morale. Training improves needed skills which build up confidence and satisfaction of the employees
- ✓ It decreases supervision. A trained employee supervises himself. He accept responsibility and expects more freedom and autonomy and less supervision

Characteristics of a good induction program

- ✓ A good induction programme should give something to do with the health and safety information. Organisations are required by law to provide a safe and health working environment. This helps promote the safety of works.
- ✓ A good induction programme should take new recruits through the terms and conditions of employment. Such may include time for probation, working hours, whether or not lunch/ or tea is provided etc.

- ✓ Give details of the organizations history, its products and services, its culture and values cherished. Such would reveal where the organisation has come from, whether it has been progressing, whether the products put on market meet the required standards.
- ✓ Should give a clear outline of the job requirements like the physical effort and skills, training, sensory demand like sight etc.
- ✓ Career opportunities

PERFORMANCE APPRAISAL

This refers to the continuous process of assessing and providing employees' feedback about how well or how poorly they are doing their work for the organisation

It refers to the continuous process of evaluating workers process against the organizations' job standards

It refers to a judgment of employee performance on the job based on various considerations than productivity alone. It is sometimes termed as merit attracting assessment

Reasons to appraise workers performance

- ✓ To determine the future use of an employee ie whether he/she should remain on the present job or be transferred, promoted, demoted or dismissed.
- ✓ To decide whether there is need to increase a worker pay or not basing on ground of merit
- ✓ To identify the training needs of employees
- ✓ To motivate employees to do better in present jobs by allowing them to appraise their own performance
- ✓ To judge whether the employee has performed according to the expected standards of performance or not
- ✓ To provide performance records needed by financiers donors /creditors so as to evaluate performance of the enterprise
- ✓ To enable employees set realistic job targets
- ✓ To promote good working relationship between employers and employees those who obtain proper communication.
- ✓ To re-enforce desired competencies / behaviors among workers
- ✓ To obtain feedback on performance
- ✓ To validate selection techniques and human resource policies for equal opportunities of worker
- ✓ To monitor and ensure efficiency and effectiveness of workers

Importance of performance appraisal

- ✓ It helps to determine the future use of an employee ie whether he/she should remain on the present job or be transferred, promoted, demoted or dismissed.
- ✓ It helps to judge whether there is need to increase a worker pay or not basing on ground of merit.
- ✓ It helps to identify the training needs of employees. This is because after performance appraisal it is easy to identify areas of performance where there is need for improvement and appropriate training
- ✓ It helps to motivate employees to do better in present jobs by allowing them to appraise their own performance. The employee (appraise) is in position to get knowledge of results of his performance and recognition of his merit and opportunity thus discussing the results with the managers or entrepreneur
- ✓ It helps to judge whether the employee has performed according to the expected standards of performance or not. it enables the employer to identify the best performers in the business enterprise
- ✓ It provide performance records needed by financiers donors /creditors so as to evaluate performance of the enterprise
- ✓ It enables employees set realistic job targets for work to be done. This enables an entrepreneur to meet business standards and long term goals

- ✓ It promotes good working relationship between employers and employees those who obtain proper communication.
- ✓ It re-enforces desired competencies / behaviours among workers
- ✓ It helps to obtain feedback on performance
- ✓ It validates selection techniques and human resource policies for equal opportunities of workers
- ✓ It helps to monitor and ensure efficiency and effectiveness of workers. This is because workers tend to perform carefully bearing in mind that they are to be appraised
- ✓ It enables an enterprise to monitor the progress of the employees on the jobs. This is because the strength and weakness of workers are easily identified through performance appraisal

Methods of appraising performance

- ✓ Ranking method. This method requires an entrepreneur to rank his/ her subordinates in order of merit. Basing on the total skills, knowledge and experience
- ✓ Grading. this method requires an entrepreneur or manager to group his employees in different categories basing on the total performance usually quality and quantity
- ✓ Rating scale. This method consists of a list of personal characteristics of factors against each of which is a scale up to 5 points for the manager to base his assessment of workers e.g better performance are given excellent and worst performance are given poor
- ✓ Open ended method. This method emphasizes the way the job is performed and expect the manager or supervisor to write a few sentences about the subordinates' performance rather in different aspect of the job
- ✓ Behavior expectation scale. This method requires the manager to select some aspect of the worker behaviour where appraisal can be based. It is sometimes termed as behaviorally anchored rating scale (BARS)

An example of performance appraisal

BYONNA TWALA ENTERPRISE
P.O BOX 3333, Kampala, UGANDA
TEL: 0725556677

DATE.....

PERFORMANCE APPRAISAL FORM

Name of the employee:

Job title; Accountant

Evaluation period: 1 Month

Method: Rating Scale Method

KEY ASPECTS

Details	Excellent	Good	Fair	Average	Poor	Points
Quality of work	✓					100
Beating deadline		✓				70
punctuality				✓		50
smartness	✓					100
Social interaction			✓			50
Team player					✓	10
Total						380

Weight of comments

Excellent – 100, Good – 70, Fair - 50, Average – 40, Poor – 10

Comment: quite good employee and deserves a certificate of merit

Recommendation: more improvement should be made on punctuality in order to enable the organisation achieve its goals and objectives

The generally agreed set of criteria for an effective appraisal scheme:

- ✓ *Should be systematic i.e. all relevant personnel should be appraised using the same criteria.*
- ✓ *It should be effective i.e. critical remarks that are factual may be acceptable but citing personality defects (objective judgment).*
- ✓ *Should be based on functions that are relevant to the performance on the job and not consider those factors which may relate more to personal prejudices of a particular assessor.*
- ✓ *It should be carried out on a regular basis so that the assessment of any individual is based on current information.*
- ✓ *Where possible, it should be mutual and there should be a large amount of agreement between the superior and subordinates about the subordinates' performance if performance has to be improved.*
- ✓ *It should be constructive, helping to improve performance as destructive appraisals will lead to resentment and a worsening superior – subordinate relationship.*
- ✓ *Before the appraisal, there should be agreement between management, trade unions and employees concerning the need for appraisal, the user that will be made of it and the method of operation.*
- ✓ *There should be adequate training given to those responsible for carrying out the appraisals.*
- ✓ *The standards should be consistently applied in all functions at all levels.*

Job evaluation is the way of establishing relative advantages of jobs within a business in order to establish pay differentials.

Advantages of carrying out job evaluation

- ✓ *Improves relationships between management and workers.*
- ✓ *It gives basis for salary, training and promotion schemes within an organisation.*
- ✓ *It ensures that staff performing similar tasks receive equal pay.*
- ✓ *It shows work content of jobs and the difference between them.*
- ✓ *It reduces the effects of traditional arrangements for pay.*
- ✓ *It encourages management and employees alike to think of jobs in terms of key components.*
- ✓ *It enables management to exercise effective control over the labour costs since they can give appropriate pays for each job.*
- ✓ *Helps harmonize the organisation goals with those of the workers since it ensures that conflicts are resolved as they arise*

MOTIVATION

It refers to the process of stimulating labour to take up a desired course of action

Or it refers to the process of encouraging workers so that they may perform efficiently and effectively in an organisation

METHODS USED WHEN MOTIVATING EMPLOYEES.

- ✓ *Ensuring Timely and adequate remuneration of workers. Workers payment should be made on time as agreed upon in terms of payment and it should be adequate to enable them perform their duties efficiently and effectively*
- ✓ *Management of discipline in the organisation. The discipline among the workers, managers and entrepreneurs should be well unforced basing on rules and regulations in order to have effective working culture*
- ✓ *Rewarding good results. Giving rewards to specific good result on the work well done encourages employees to work hard and get more rewards*
- ✓ *By providing fringe benefits to workers like pensions, housing allowance, maternity leave, sick leave where applicable to workers so that to encourage them perform better in the organisation*
- ✓ *Through job training. Training of workers helps them to develop express, skills and acquire more knowledge used to improve performance of the organization e.g use of tools and equipment*
- ✓ *Ensuring good working conditions. Improving working conditions costs a pleasant working environment which enhances the employees motives to achieve the desired set objectives and goals of the organisation*
- ✓ *Ensuring job security. There is need to ensure workers that they have job security and therefore an employer should avoid sending away employees at any time he feels*
- ✓ *By ensuring open communication to all business employees. There is need for employer and employee to communicate efficiently and effectively through top-bottom and bottom – top communication with feed back*
- ✓ *Through organizing staff parties. There is need to organize parties for staff members they socialize and share ideas and get encouraged to serve in the organisation*
- ✓ *Through promotion aspects. Workers need to be promoted, if they perform better so that they are encouraged to perform to their best hoping for more promotions*
- ✓ *Through participating in decision making. Allowing employees to participate in decision making promotes motivation among the employees since they develop sense of belonging*
- ✓ *By carrying out performance appraisal to evaluate employees' performance*
- ✓ *By sharing and showing concern of workers problems.*
- ✓ *By involving employees in profit sharing schemes since they are one of the people who contribute towards profits*
- ✓ *Through giving sponsorships to workers. This enables the workers to acquire more knowledge and many opportunities in their profession*

Reasons for motivation of workers

- ✓ *To stimulate workers to perform their duties positively so as to contribute towards the achievement of desired objectives and goals of the organization*
- ✓ *To promote good human relations through job satisfaction*
- ✓ *To improve the productivity of workers through inducing them to work hard which increase outputs*
- ✓ *To create a better image of the firm or business since employees will be given financial and non-financial rewards*
- ✓ *To improve skills of worker s through provision of training programmes like on the job training*
- ✓ *To minimize labour strikes and other forms of labour un rests through regular and appropriate communication with workers*
- ✓ *To retain workers in the business through making them contented by promising them promotional prospects*
- ✓ *To reduce supervision costs*
- ✓ *To improve the quality of products*
- ✓ *To improve self-esteem of employees*
- ✓ *To encourage employees to be open*
- ✓ *To attract a competent employee*
- ✓ *To ensure timely completion of work and beating deadlines*

- ✓ *To encourage the spirit of hard work*
- ✓ *To ensure team and spirit of togetherness*

Importance of motivation

- ✓ *It stimulates workers to perform their duties positively so as to contribute towards the achievement of desired objectives and goals of the organization*
- ✓ *It helps to prevent workers from seeking alternative employment opportunities in other enterprises. If workers are well motivated, they cannot easily move to other enterprise for jobs*
- ✓ *It promotes good human relations through job satisfaction*
- ✓ *It improves the productivity of workers through inducing them to work hard which increase outputs*
- ✓ *It creates a better image of the firm or business since employees will be given financial and non-financial rewards. This attracts more workers to the organisation*
- ✓ *It improves skills of workers through provision of training programmes like on the job training*
- ✓ *It minimizes labour strikes and other forms of labour unrests through regular and appropriate communication with workers*
- ✓ *It reduces supervision costs*
- ✓ *It helps to increase relations between the employees and employers. When the workers are encouraged to participate in management in decision making, it increases labour relations in the organisation*
- ✓ *It improves the quality of products this is because workers are well motivated and their morale is kept up, thus production of quality products and services in an organisation*
- ✓ *It encourages employees to be open*
- ✓ *It attracts a competent employee*
- ✓ *To ensure timely completion of work and beating deadlines*
- ✓ *It encourages the spirit of hard work. when workers are motivated they work hard in order to achieve the set goals of the organisation leading to high productivity in the long run*
- ✓ *It promotes team and spirit of togetherness. When workers are motivated they work together in order to achieve the set goals of the organisation leading to high productivity in the long run*

Advantages of promoting employees in a business organization.

- ✓ *Earning of higher remuneration. Promotion comes along with higher pay scale and the employee draws more salary and allowances. This leads to better standards of living for the employee and his family members.*
- ✓ *Creates sense of loyalty. When employees are promoted they consider the organization as their source of livelihood. This creates a sense of loyalty among employees for fear of losing their jobs.*
- ✓ *Achievement of higher status and position. Promotion makes an employee get higher status and position which gives him mental pleasure and satisfaction. It carries honour and other benefits.*
- ✓ *Provides motivational force to employees. The management can use promotion as a motivational force. It motivates employees for better performance and better contribution for achieving the goals and objectives of the organization.*
- ✓ *Brings change in nature of work of employees. Promotion means accepting new duties and additional responsibilities. The routine work is replaced by planning and decision making work. This puts more pressure of work and the worker has to be alert all the time. It also enables the Employee to grow, develop and qualify for next higher position.*
- ✓ *Reduces the rate of labour turnover and absenteeism. Employees who are regularly promoted love to work in the organization. This is because they get encouragement for acquiring new qualities and qualifications for higher positions in the organization*
- ✓ *Gives psychological satisfaction to workers. Employees get a feeling that their work or contribution is receiving due appreciation from the employer or management.*

- ✓ Promotes good work relations. Scientific promotions develop cordial labour management or employer-employee relations. This is because workers feel they are part of the organization as they receive more monetary, non-monetary benefits, higher status and more responsibilities.
- ✓ Facilitates development of leadership or management or executives. Promotion develops leadership in the organization, and facilitates the process of management or executive development or manpower development activity in the organization. This widens management capacity of the organization.

Employee – employer relation

For nay organisation to achieve its objectives and goals there is need for good employee – employer relations

Methods of ensuring good employee – employer relations

- ✓ Creating favourable working environment. For good relations an entrepreneur or manager should assist the people who want to perform certain tasks through positive methods of relationship
- ✓ Through ensuring proper motivation of workers. An employer should motivate the workers by giving them prices and fringe benefits when they perform well and there should be appropriate punishments to minimize indiscipline in the organisation
- ✓ Through proper communication. an employer should communicate effectively to employees the fundamental objectives of the business and basic policies so as to promote good relations
- ✓ Promoting economic satisfaction of workers. It is necessary for the employer to satisfy the needs of the workers especially basic needs so as to provide opportunity for personal development e.g provision of training facilities
- ✓ Providing good relationship. An employer or manager can ensure good relations with workers by becoming good examples in their actions e.g an employer shouldn't be harsh to the workers
- ✓ Treating workers with dignity and respect. There is need for an employer to recognize that workers are human beings who need to be accepted and helped in order to perform better
- ✓ Putting in place proper machinery and handling of disputes. An entrepreneur needs to utilize proper methods, tactful and speedy ways of handling disputes among the workers so as to improve good relations

Common Causes of indiscipline among employee

- ✓ Inadequate work rules and regulations within an organisation. Failure to avail and inform the employees the rules and regulations concerning the organisation may cause indiscipline among them
- ✓ Defective culture and habits at work. Some workers may adopt bad habits like late coming, absenteeism and rudeness which may cause indiscipline among the workers
- ✓ Inconsistence in enforcing discipline. When an employer becomes tough on certain worker and tends to relax on another one like a relative or friend then this may cause indiscipline
- ✓ Lack of proper procedures for handling disputes. When there is no clear way of handling grievances of employees, dissatisfaction may come up leading to indiscipline
- ✓ Corruption and favouritism within an organisation. When top management treats some employees fairly compared to others in an organization then indiscipline tends to come up
- ✓ Excessive dictatorship in administering the activities of an organisation. An employer should not be too much authoritative since it may irritate the workers thus causing indiscipline
- ✓ Poor time keeping that is workers' unreliability in being in the right place at the right time. Excessive lateness in arriving at work delays any tasks done on a team basis.
- ✓ Unauthorized absence, employees taking leave without permission or 'time off' which may affect the management attitude for all employees.
- ✓ Misuse of e-mail, internet or social media which wastes time that would be used to do organizational work or posting irrelevant material on these pages.
- ✓ Bullying and harassment at the place of work amongst members of staff.

- ✓ Theft and fraud, employees stealing from the organisation or involving themselves in fraud.
- ✓ Violence, employees fighting or verbally abusing each other which affects teamwork and productivity.
- ✓ Substance misuse, abuse of alcohol which adversely affects performance at workplace and brings disorganization.
- ✓ Poor work performance due to lack of care, with shoddy work or a large number of rejects.
- ✓ Violation of safety rules with potential danger either to the employee or to the employee's colleagues like wearing of face masks during work.
- ✓ Insubordinate attitude, which may affect the motivation of a group and create unnecessary stress or tension in the workplace.
- ✓ Failure to wear correct clothing for reasons of hygiene, or decency which affects the public image of the organisation.

Disciplinary mechanisms that can be used to solve disciplinary problems in a workplace:

- ✓ An informal chat with employees to clear up a relatively minor breach of discipline for example when handling cases of dress code, drug abuse and alcoholism.
- ✓ A formal oral warning with the supervisor, stressing the possibility of more serious action if the misconduct is continued.
- ✓ A formal written warning which becomes part of the employee's record.
- ✓ Disciplinary actions, such as suspension, demotion or lay off, to reinforce the formal written warning.
- ✓ Dismissal, the final drastic action which should only be applied if all other previous actions fail.

Under what circumstances may an entrepreneur terminate the services of an employee?

- ✓ If the employee is unproductive
- ✓ When there is need to have capital intensive technology than labour intensive / labour saving, technology
- ✓ In case of closure of the company or a business
- ✓ In case there is need to reduce costs of production in term of labour costs
- ✓ Where the workers contract comes to an end
- ✓ When it's time for retirement of the workers
- ✓ In case the worker fails to cope up with changes in technology
- ✓ If the worker is in poor health condition
- ✓ In case of restructuring
- ✓ If the government policy is against the line of operation of a certain business
- ✓ In case of unsuitable qualification
- ✓ When there is change in management
- ✓ In case an employee requests to retire
- ✓ In case of absenteeism
- ✓ If a worker is a drunkard
- ✓ In case a worker leaks company secrets
- ✓ In case a worker is a late comer
- ✓ When a worker fails to cope with the company culture
- ✓ In case of corruption and embezzlement (fraud, theft)

Ways in which good human resource management can be used as a tool to promote the quality of products in an enterprise

- ✓ Training of workers to equip them with the necessary skills
- ✓ Motivating workers to encourage them work hard
- ✓ Ensuring proper organizational structure
- ✓ Giving workers detailed instructions

- ✓ *Providing a favorable working environment and working conditions*
- ✓ *Carrying out performance appraisal to enable judgment of performing in respect to quality*
- ✓ *Ensuring discipline among workers to help promote unity and peace at work to enable production of qualitative products*
- ✓ *Giving timely and adequate remuneration which make employees satisfied at work*
- ✓ *Giving workers appointment letters to work with job security*
- ✓ *Involving workers in the decision making process*

Labour turn over

Refers to the ratio of the number of employees that leave a company through attrition, dismissal or resignation during a period to the number of employees on payroll during the same period

Or refers to the number of employees moving in and out of the business

Causes of the high labour turnover in Uganda

Low levels of salaries and wages. This causes employees to move to the competing business where they are paid highly with good working conditions.

Recruiting and selecting wrong employees. When wrong employees are recruited and can't fit in the current job, they end up leaving and look for suitable ones.

Absence of job security for employees. Jobs where workers have no security, they end up leaving them and look for jobs where there is job security like government jobs.

Existence of target workers. Some employees come with their targets to achieve and after attaining them they quit the job hence labour turn over.

Failure to involve workers in decision making. This forces employees to think that they are not part of the firm and therefore find alternative to where his or her presence can be recognized.

Abundant jobs on the labour market. The existence of many labour market agencies with attractive job opportunities forces employees to move from one job to another.

Lack of promotional prospects. Some workers may decide to leave if there are no chances of being promoted to the higher position within the organization .

Absence of transparency. Some employees tend to lose confidence and morale in an organization especially when there is no transparency in finances and end up quitting their jobs.

Mismanagement of the employees. A bad manager makes any worker miserable, hence even if the staff is committed, bad immediate supervisor create unfavorable conditions which force workers to stay for a short period of time.

Low levels of motivation of employees. Limited motivation either monetary or non momentary benefits i.e allowances causes employees to move where they are highly appreciated.

Poor relationships between employees and employers. This makes it hard for employees to settle in an enterprise hence as they are recruited, they serve for shorter time and look for other jobs. elsewhere.

Poor working conditions and facilities. Unfavorable conditions at places of work like lack of meals, toilets, working equipments, poor office space, long working hours, etc force some employees to look for other favorable jobs.

Sexual harassment by employers most especially to the female workers can force such workers to leave their current jobs.

Poor handling of discipline. High rate of indiscipline amongst some workers like drug abuse, fighting, Rumors, corruption may force some workers to quit their jobs and look for new ones.

Costs of labour turn over

- ✓ *It leads to additional recruitment costs. This is because there is need to continue replacing those that leave the enterprise which is expensive in terms of advertising, conducting interviews.*
- ✓ *It leads to loss of production as the enterprise continue to lose experienced workers in production, sales etc*
- ✓ *It increases the cost of training to replace those who have left. This reduces the profitability of the enterprise.*
- ✓ *It leads to loss of customer goodwill. Some customers are lost especially those with attachments to employees who leave the enterprise.*
- ✓ *Loss of employee morale. High labour turn over demotivates other workers which lowers their productivity as they keep wandering who is next to go.*
- ✓ *It leads to loss of enterprise reputation in the labour market. This makes it had to hire experienced and knowledgeable workers.*
- ✓ *It increases damage of machines by disappointed employees who are soon leaving. This increase repairing expenses and replacement which also reduce revenue of the enterprise*
- ✓ *Increases accidents in the enterprise. This is due to fact that managers may resort to hiring part-time workers who may not be familiar with work routine.*
- ✓ *Business planning becomes difficult especially at the implementation stage.*
- ✓ *It leads to increase in production costs which leads to low sales and profits especially when a member from production sector, sales department leaves.*
- ✓ *It discourages the growth and development of the business especially when skilled employees leave.*
- ✓ *It increases Salaries and wage costs. This is because of the need to offer good wage packages and other working conditions in order to attract and retain workers in the enterprise for some time.*

Benefits of labour turn over

- ✓ *New employees bring new skills, ideas, enthusiasm and contacts with them*
- ✓ *New employees are resistant to changes in most cases*
- ✓ *New employees are willing to accept lower pay rates*
- ✓ *New employees are excited about their new jobs and work harder to please management and clients*
- ✓ *Employee turnover allows for flexibility in the way the organisation is to run*
- ✓ *It allows management the opportunity to restructure departments and functions*

Strategies to minimize employee turn over

- ✓ *Engaging employees. This involves engaging, retaining and optimizing the value of employees to motivate them to stay in the organisation*
- ✓ *Increasing knowledge accessibility. The extent of the organization's collaborativeness and its capacity for making knowledge and ideas widely available to employees to stay in the organisation. Sharing information should be made at all levels of management*
- ✓ *Optimizing workforce. This can be done through establishing essential processes for getting work done, providing good working conditions establishing accountability and many good hiring choices would retain employees in their organisation*

- ✓ *Empowering of employees. Superiors empowering subordinates by delegating responsibilities to them leads to subordinates who are more satisfied with their leader and consider them to be fair and in turn to perform up to the superior's expectations*
- ✓ *Ensuring job involvement. This involves an individual's ego involvement with work and indicates the extent to which an individual identifies psychologically with his / her job. Workers who have greater variety of tasks tend to stay in the job*
- ✓ *Employee training and development. Staff training and development refers to the process programs and activities through which or organisation develops, enhances and improves the skills, competencies and overall performance of its employees and workers*

METHOD OF CALCULATING LABOUR TURNOVER

Separation method. This method takes into account those workers who have left during a particular period. Its formula is

$$\frac{\text{number of separation}}{\text{average number of workers during the period}} \times 100$$

Replacement method. This method takes into account only those workers who have joined in place of those who have left. The formula

$$\frac{\text{number of replacement}}{\text{average number of workers during the period}} \times 100$$

Flux method. This shows the total change in the composition of labour force due to separations and replacement of workers. Its formula is

$$\frac{\text{number of replacement} + \text{number of separation (left)}}{\text{average number of workers during the period}} \times 100$$

Additional method. Under this method, number of employees added during a particular period is taken into consideration for computing the labor turnover. The method of computing is as follows.

$$\frac{\text{number of additions}}{\text{average number of workers during the period}} \times 100$$

During October 2007, the following information is obtained from the personnel department of a manufacturing company

Labour force at the beginning of the month 1,900 and at the end of the month 2100.

During the month, 25 people left while 40 persons were discharged. 280 workers were engaged out of which only 30 were appointed in the vacancy created by the number of workers separated and the rest on account of expansion scheme. Calculate the labour turnover by different methods.

Solution

Additional method

$$\frac{\text{number of additions}}{\text{average number of workers during the period}} \times 100$$

$$\begin{aligned} \text{Average number of workers} &= \frac{1900 + 2100}{2} = 2,000 \\ \frac{280}{2,000} \times 100 &= 14\% \end{aligned}$$

Separation method

$$\frac{\text{number of separation}}{\text{average number of workers during the period}} \times 100$$

$$\frac{20+45}{2,000} \times 100 = 3.25\%$$

Replacement method

$$\frac{\text{number of replacement}}{\text{average number of workers during the period}} \times 100$$

$$\frac{30}{2,000} \times 100 = 1.5\%$$

Example two.

From the following information, calculate labour turn over using the following methods

- i. *Separation method*
- ii. *Replacement method*
- iii. *Flux method*

Number of workers at the beginning 800

Number of workers at the end 1,700

During the year, 12 workers left and 89 workers were discharged. The company recruited 1,000 workers and of these 70 were to fill the vacancies of those leaving, while the rest were engaged for an expansion scheme

$$\text{Average number of workers} = \frac{800+1,700}{2} = 1,250$$

Separation method

$$\frac{\text{number of separation}}{\text{average number of workers during the period}} \times 100$$

$$\frac{12+89}{1,250} \times 100 = 8.08\%$$

Replacement method

$$\frac{\text{number of replacement}}{\text{average number of workers during the period}} \times 100$$

$$\frac{70}{1,260} \times 100 = 15.6\%$$

Idle time

Is a period or duration for which payments are made when an employee is available for work but is not carrying out any productive work

Idle time can arise because of reasons like

- ✓ *Machine break down*
- ✓ *Lack of orders*
- ✓ *Unavailability of materials*
- ✓ *Consultation*
- ✓ *Having lunch*
- ✓ *Resting etc*

Idle time can be normal or abnormal

Abnormal idle time

Time caused by factors that can be avoided if proper precautions are taken e.g long time power failure, shortage of raw materials, production stoppage, sudden strikes and lock outs etc

Idle capacity

This means that plant and machinery is available for utilization but is not fully used due to normal or abnormal reasons.

How to control idle time

- ✓ *Strict supervision*
- ✓ *Proper planning*
- ✓ *Proper maintenance of stock*
- ✓ *Time procurement of stock*
- ✓ *Assurance of power supply from own proper plant*
- ✓ *Advance planning for machine utilization*

Training of employees

Refers to the process of identifying and developing the necessary knowledge for doing administratively and meeting complaint conditions.

Type/forms of employee training

- ✓ *Off – the – job training. This requires the trainees to leave their job desks and take part in training. It may be at the company premises or at an offsite location.*
- ✓ *Workshops, seminars and conferences. These are short term training arrangements under which participants meet and share knowledge and experiences on matters of interest, take part in hands on activities (the case for workshops).*
 - *Induction / orientation training*
 - *Mentoring. Mentoring is related to coaching but it goes beyond just the current roles. A mentor is expected to offer broader guidance than just job/task requirements. Such decisions may include career planning and general personal development which may not be on the coaching agenda*
 - *Performance review training*
 - *Apprenticeship*
 - *On – the – job – service / in-housing training*
 - *Internship. Internship involves formal college education which is appropriately complimented with practical sessions. For example, a business may enter into an arrangement where college/university students are given a chance to be employed during semester holidays and those who do well in their courses are subsequently recruited as fulltime staff.*

On-the-job training is where the worker in a certain enterprise is put under supervision of a trained instructor. The methods used include the following:

- ✓ *Use of job rotations that is moving employees from job to job within the organisation on some planned basis. This is aimed at helping the trainee to see and appreciate how things are done and also let him/ her be familiar with the different sections of the organisation.*
- ✓ *Temporary promotions where individuals are appointed acting managers when the permanent managers are on vacation, ill or on business trips.*
- ✓ *Assistants to positions which help broaden the view points of the trainees. This gives trainees a chance to work closely with experienced managers who can give special attention to the needs of the trainees.*
- ✓ *Use of committees and juniors' boards where by the trainees are given an opportunity to interact with senior managers. Trainees became acquitted with a variety of issues concerning the whole organisation.*
- ✓ *Coaching: This is where the line manager ensures development of subordinates by helping them to overcome their weaknesses. Here the manager/ trainer and the subordinate work on the student-*

tutor relationship. The trainer coaches and guides the trainee explaining how and why particular jobs function.

- ✓ Planned progression where by managers must know where they stand and where they are going. It is a step by step approach that requires an outline of the path from bottom to top e.g. the lower manager having the outline of the path from the superintendent to the works manager and eventually to the production manager and this will help him focus on that plan

Purpose of training employees in an enterprise

- ✓ To create a pool of readily available and adequate replacement for personnel who may leave or move up in the organization
- ✓ To enhance the company's ability and use advances in technology because of a sufficiently knowledgeable staff
- ✓ To build a more efficient, effective and highly motivated team, which enhances the company's competitive position and improves employees morale
- ✓ To enable employees develop a greater sense of self-worth dignity and well-being as they become more valuable to be firm in society
- ✓ To optimize the utilization of human resources that further helps the employee to achieve the organizational goals as well as their individual goal
- ✓ To provide an opportunity and broad structure for the development of human resource technical and behavioural skills in an organisation. It also helps the employee in attaining personal growth
- ✓ To develop the job knowledge and skills of employees at each level. It helps the employee in attaining personal growth
- ✓ To reduce employee turnover since workers will have necessary skills needed for better performance of the job
- ✓ To reduce on supervision costs. This is because a trained employee accepts the responsibility and expect more freedom for less supervision
- ✓ To build the positive perception and feeling about the organisation. The employees get these things from leaders, subordinate and the peers
- ✓ To increase productivity of the employees that help the organisation further to achieve its long term goals
- ✓ To increase productivity of workers morale. Training improves needed skills which build up confidence and satisfaction of the employees
- ✓ To improve on the relationship between the business and its employees

The following are the importance of the training business employees

- ✓ it creates a pool of readily available and adequate replacement for personnel who may leave or move up in the organization
- ✓ it helps to enhance the company's ability and use advances in technology because of a sufficiently knowledgeable staff
- ✓ it helps to build a more efficient, effective and highly motivated team, which enhances the company's competitive position and improves employees morale
- ✓ It enables employees develop a greater sense of self-worth dignity and well-being as they become more valuable to be firm in society
- ✓ It helps to optimize the utilization of human resources that further helps the employee to achieve the organizational goals as well as their individual goal
- ✓ It helps in providing an opportunity and broad structure for the development of human resource technical and behavioural skills in an organisation. It also helps the employee in attaining personal growth
- ✓ It develops the job knowledge and skills of employees at each level. It helps the employee in attaining personal growth

- ✓ It reduces employee turnover since workers will have necessary skills needed for better performance of the job
- ✓ It reduces on supervision costs. This is because a trained employee accepts the responsibility and expect more freedom for less supervision
- ✓ Builds the positive perception and feeling about the organisation. The employees get these things from leaders, subordinate and the peers
- ✓ Increases productivity of the employees that help the organisation further to achieve its long term goals
- ✓ Increases productivity of workers morale. Training improves needed skills which build up confidence and satisfaction of the employees
- ✓ Improves on the relationship between the business and its employees

Reasons why most of the small business are reluctant to offer job training

- ✓ Lack of interest and openness. Many managers prefer to keep information to themselves and thus hide information from subordinates
- ✓ Limited time this limits managers to train subordinates
- ✓ Failure to mind about the future benefits and concentrate on the present benefits like enjoying present benefits
- ✓ Broad expertise Managers tend to have broad expertise rather than specialized skills for training and development activities
- ✓ Limited funds to finance training requirements
- ✓ Getting started business owners expect workers to learn on job

Procedure for training business employees

- ✓ Identifying organizational objectives. The organisation reviews its objectives so that the training offered is geared towards attaining the set objectives
- ✓ Assessing the needs to discover the gap that requires training
- ✓ Setting training objectives. The training objectives are set to guide the training process for example developing a well-trained person, assisting employees towards achieving their high potential, motivating and stimulating employee participation
- ✓ Selecting the trainees. This involves deciding on who to be trained. This depends on employees ability to enable the success of the program
- ✓ Setting training goals. The training goals relate directly to the needs determined by the assessment. The goals help to transform on employee from the current performance level to where the firm wants him in future. Workers are motivated if mode part of the process of setting goals
- ✓ Selecting the training methods. The methods to use when training the workers are selected. This may be on the job which train employees on the job or off – the job training which is offered to workers in form of conferences, case studies, lectures etc
- ✓ Selecting competent trainers. People to conduct the training depend on the type of training and people receiving the training. On the job training is mostly conducted by supervisors and off the job training is commonly offered by outside instructors
- ✓ Administering the training. The training is then administered for the selected employees. While training, considerations are made on time, location, facilities, accessibility, comfort and equipment to use. The training steps are critically followed during the training
- ✓ Evaluating the training. This involves assessing the extent to which the desired changes are accomplished. The newly acquired skills are compared with the skills defined by goals of the training program. Timely evaluation prevents the training from straying from its goals.

Factors that limit employees training / challenges of training employees

- Limited time. Training needs time which most enterprises do not have
- Limited trust of employees

- *Broad expertise of managers*
- *Limited trust of openness to employees*
- *Unpredictable future business needs*
- *Desire for high profits by business owners*
- *Limited commitment on the side of trainers*
- *Doubt about the value of training*
- *Fear of losing workers*
- *Difficulty in identifying training needs*
- *Limited skilled personnel*

END

COPING WITH COMPETITION

Competition is the battle between businesses to win customer acceptance and loyalty. Competition is all about value ie creating it, capturing it and retaining it. To be successful today, your company must be competitor oriented.

TYPES/FORMS OF COMPETITION IN BUSINESS

There are basically four types/forms of competition ie perfect competition, monopolistic competition, oligopoly and monopoly

Perfect /pure competition. This is the market where there are many sellers and many buyers dealing in similar / uniform products. There is no government intervention.

Examples of firms facing perfect competition include

- ✓ *Small bars and restaurants*
- ✓ *Variety stores, convenience stores*
- ✓ *Nail salons, barbers*
- ✓ *Small grocery stores*
- ✓ *Doughnut shops*
- ✓ *Professional services (dentist, doctor, lawyers, accountants, architects)*

Features/characteristics or conditions of perfect competition

- ✓ *Large number of firms. The basic condition of perfect competition is that there are large numbers of firms in an industry.*
- ✓ *Large number of buyers. In a perfect competitive market, there are very large numbers of buyers of the product.*
- ✓ *The product is homogeneous. The good produced by all the firms in the industry is identical (similar).*
- ✓ *No barriers to entry. The firms in a competitive market have complete freedom of entering into the market or leaving the industry as and when they desire.*
- ✓ *Complete information. The consumers and producers possess information about the prevailing price of the product in the market.*
- ✓ *Profit maximization. For perfect competition to exist, the sole objective of the firm must be get maximum profit*

- ✓ No advertising is required to attract more customers since the products look alike
- ✓ There is perfect mobility of factors of production, factors of production can freely move from one place to another without any barrier
- ✓ There is no government intervention.

Monopolistic/ imperfect competition. This is the market where there are many sellers or producers of differentiated products. A variation may be a difference in quality, durability, price or utility.

Examples of firms facing imperfect competition include

- ✓ Restaurant industry where services differ in quality, quantity, price and cleanliness
- ✓ Google, there used to “pure competition” until Google grew very big and become dominant

Features of monopolistic competition

The following are the features or characteristics of monopolistic competition

- ✓ Large number of sellers. There are large numbers of sellers producing differentiated products. So competition among them is very keen.
- ✓ Product differentiation. Every producer tries to keep his product dissimilar than his rival's product in order to maintain his separate identity.
- ✓ Freedom of entry and exit. This feature leads to stiff competition in market. Free entry into the market enables new firms to come with close substitutes.
- ✓ Existence of selling cost. Due to product differentiation, every firm has to incur some additional expenditure in the form of selling cost. This cost includes sales promotion expenses, advertisement expenses, salaries of marketing staff etc
- ✓ Absence of interdependence. Large numbers of firms are different in their size. Each firm has its own production and marketing policy. So no firm is influenced by other firm. All are independent
- ✓ Two dimensional competitions. Monopolistic competition has two types of competition aspects ie price competition where firms compete with each other on the basis price and non-price competition where firms compete on basis of brand, product quality advertisement.
- ✓ Concept of group. A group means a number of firms producing differentiated products which are closely related.

Oligopoly. This is the market where there are few put large firms dealing in similar or differentiated products. It where a limited number of companies compete for consumer purchases, the quality of the product from one business to another may be differentiated or the products may be identical.

Examples of firms facing oligopoly competition include

- ✓ Banking industry
- ✓ Automotive manufacturers
- ✓ Petroleum retail companies
- ✓ Insurance companies
- ✓ Telecommunications companies

Characteristics of oligopoly

- ✓ Interdependence. The firms under oligopoly are interdependent in making decision. They are interdependent because the number of competition is few and any change in price and product, etc any firm will have a direct influence on the fortune of its rivals, which in turn retaliate by changing their price and output.

- ✓ *Existence of advertising and selling cost.* The firms under oligopolistic market employ aggressive and defensive weapons to gain a greater share in the market and to maximize sales in view of these firms have to incur a great deal on advertisement and other measures of sale promotion. Thus advertising and selling cost play a great role in the oligopolistic market structure.
- ✓ *Group behaviour.* The profit maximization behaviour on their part may not be valid. The firms under oligopoly are interdependent as they are in a group
- ✓ *Element of monopoly.* Under oligopoly with product differentiation each firm controls a large part of the market by producing differentiated product.
- ✓ *Price rigidity.* Under oligopoly there is the existence price rigidity; prices tend to be rigid and sticky. If any firm makes a price cut it is immediately retaliated by the rival firms by the same practice of price cut.

Monopoly. This is where there is only one seller dealing in one product with no close substitutes facing many buyers.

A monopoly firm may be owned by a person, a few numbers of partners or joint stock companies

Examples of firms facing monopoly competition include

- ✓ *Hydro services*
- ✓ *Software companies like Microsoft*
- ✓ *Post office services*

Features of monopoly

- ✓ *One seller and large number of buyers.* Monopoly is a form of imperfect market structure where there is only one seller of a product. Under monopoly there are large numbers of buyers although the seller is one. No buyer's reaction can influence the price
- ✓ *No close substitute.* Under monopoly a single producer produces single commodities which have no close substitutes.
- ✓ *Strong barriers to the entry into the industry exist.* In a monopoly market there is strong barrier on the entry of new firms.
- ✓ *Downward sloping demand curve.* In case of monopoly one firm constitutes the whole industry. The entire demand of the consumers for a product goes to the monopolist. Since the demand curve of the individual consumer slopes downwards, the monopolist faces a downward sloping demand curve

Ways of competition in business

There are many things one can do to win the competition. These include, pricing, packaging, quality, added convenience and attitude towards customers

- *Attractive /unique product pricing.* This involves offering similar products for a cheaper price hence giving one stands a better chance of winning the customer's loyalty.
- *Using attractive packaging.* This includes neatness and colour of the products, wrappers or containers and neatness in packaging.
- *Improving quality of goods and services.* The better the quality, the more the products would be suitable for the use which it is intended. By improving the quality of products, it is possible for the enterprise concerned to attract a larger share of the market.
- *Offering convenience services.* This includes staying open late or during lunch when other businesses are closed. One could also think about offering to the customer something for nothing. This sounds

crazy but people love free things. For instance some commercial banks close at 6:00 pm and even work for long hours on weekends

- *Treating customers with respect. People generally choose to go where they are treated with dignity. Never argue with a customer*
- *Using attractive branding of giving business products unique and differentiated names to distinguish them from the competing products. For instance, branding makes close up to be differentiated from Delident although they are all tooth pastes.*
- *Blending / favouring ie combining varieties or grades to obtain a mixture of a particular character, quality or consistency e.g blending tea leaves, tobacco etc*
- *Using unique distribution channel that makes the product conveniently more available by a firm than its competitors.*

Factors considered in analysis competition

Following are some of things that should be considered

- ✓ *Description of competitors. This involves identifying and characterizing those businesses which will be competing with you*
- ✓ *Size of competition. Large number of competitors implies stiff competition as compared to small number of competitors.*
- ✓ *Profitability of competitors. High profits by competitors imply high level of competition while their low profits imply low competition.*
- ✓ *Operating methods. Improved forms of selling cost like advertising and promotions indicate higher competition than poor methods of selling cost.*
- ✓ *Price charged on similar products. Very low prices of similar products implies stiff competition as compared to high prices of similar products.*
- ✓ *Quality of substitute products. Good quality of substitute products implies high competition while low quality of substitute products implies low competition.*
- ✓ *Hours of business operation. Long hours of operation in business implies high competition while short hours of operation in business implies low competition.*
- ✓ *Quality of customer care. Good customer care implies high competition in the business while poor customer care implies low competition.*
- ✓ *Product added advantage e.g packaging. Where competitors offer more added services it shows more competition than offering limited services.*
- ✓ *Nature of after sales services offered e.g free loading and off- loading, free repairs etc show higher competition than where these services are not provided.*
- ✓ *Methods of product selling and distribution. Improved methods of selling mean higher competition compared to ordinary methods of selling.*
- ✓ *Nature of labour force or personnel used e.g use of skilled personnel signal high competition and unskilled personnel signal low competition.*

Factors affecting competition

FACTORS AFFECTING /ENHANCING COMPETITION

- *Mobility and accessibility overlap.* A business that is near to the customers has a better or competitive advantage over rival firms or businesses that are far or are not easily accessed
- *Product overlap.* Product overlap is the selling of products by different kinds of businesses that are similar or identical to each other. A business that provides a variety of similar product has a competitive advantage over a rival business that sells only one type of product.
- *Product priority.* A business that influences customers to spend on its products first has a competitive advantage over the rival firms or businesses that do not adequately influence customers to give their products priority.
- *Level of substitution.* A business that conveniently competes with the rival firms and has the capacity to attract a bigger percentage of the public /customers has better competitive advantage over rival businesses that cannot easily compete for the market share.

Terms to note.

1. *Competitive cost advantage.* It refers to ability of a firm or business to provide the same service to the customer at a lower cost than its competitor.
2. *Competitive advantage.* It refers to ability of a business or firm to provide the same service to a customer in a better way than its competitor's e.g the ability to bring new product in the market than competitor e.g like MTN with mobile money.
3. *Sustainable competitive advantage.* It refers to advantage that enables business to survive against its competitors over a long period of time. Or it refers to advantage that allows the maintenance and improvement of the enterprise's competitive to position in the market.

Sustainable competitive advantage

Competitive advantage is an advantage that a firm has over its competitors, allowing it to generate greater sales or retain more customers than its competitors. It is an advantage that enables a business to survive against competition over a long period of time

Ways of maintaining a competitive position in business

The stronger and more efficient operations are, the better your chances are of surviving competition in all its forms. The following areas are important to competing successfully

- ✓ *Charging cheaper or affordable prices for the goods or services than those charged by rival firms*
- ✓ *Producing or providing high or better quality goods or services so as to attract more customers.*
- ✓ *Ensuring good presentation or appearance of different aspects related to business that attracts customers e.g. attractive packaging of product, dressing workers with nice good quality uniforms.*
- ✓ *Ensuring added convenience to the customers like opening the business premises early in the morning and closing a bit late than the rival firms.*
- ✓ *Treating the customers with respect or receiving of customers pleasantly.*
- ✓ *Rewarding loyal and regular customers by giving them gifts, inviting them to get together parties etc.*
- ✓ *Offering credit to the loyal, trusted, and credit worthy customers to create confidence in them so as to continue buying from the business.*
- ✓ *Communicating regularly with customers like by communicating to them major changes in the business, availability of new products etc.*
- ✓ *Maintaining up to date records of regular, loyal and big customers and recognizing them when they call or come to the business.*
- ✓ *Providing appropriate after sale services like offering delivery service, proper packaging of products etc*

- ✓ Advertising the product or products especially persuasive advertisement to influence the customers to buy and continue buying from the business
- ✓ Motivating the business employees e.g. providing fringe benefits, ensuring job security, regular and timely payments, ensuring favourable working conditions etc. to inspire them to perform better rival jobs to overcome the rival firm

MERITS/POSITIVE IMPACTS OF COMPETITION

- ✓ Leads to better customer satisfaction. Through competition, producers/sellers ensure that they produce/provide high quality products/services and do any other activity that ensures maximum customers satisfaction to attract more customers
- ✓ Promotes increased efficiency. Competition makes firms or producers develop or discover more efficient production methods hence ensuring efficient resource use.
- ✓ Leads to better employee payments/ remuneration. Competition in business forces employers or businesses to pay their highly skilled workers better salaries in order to induce them to stay within the business and make them work better to produce high quality goods or provide high quality services.
- ✓ Leads to production of a variety of products. Competition makes producers to vary their products or services in order to make them different from those of rival firms hence widening consumer choices and increasing their satisfaction.
- ✓ Consumers enjoy cheaper goods and services. Competition makes producer/sellers to lower the prices of their goods or services in order to overcome the rival of firms or businesses hence making consumer enjoy lower prices.
- ✓ Promotes hard work. Business competition forces entrepreneurs or businesses to put in more initiations in order to overcome the rival businesses and this leads to increased production.
- ✓ More profits for some businesses. Competition makes businesses that enjoy better competitive advantage to sell more than the rival hence realizing more profits.
- ✓ Leads to the production of better quality product. Due to competition, firms or businesses adopt improved methods of production through market research which improves the standards of living of the customers.

DEMERITS/ NEGATIVE EFFECTS / IMPACTS / COSTS OF BUSINESS COMPETITION

- ✓ Makes resources to become more expensive. Competition makes businesses to compete or struggle to acquire the limited resources e.g. high quality raw materials, skilled workers hence making such resources costly to acquire.
- ✓ Reduces the number of customers. Competition from many businesses leads to the division of customers which eventually reduces the market share for each business.
- ✓ Leads to collapse/unemployment. Stiff competition leads to collapse of small or inefficient businesses hence resulting into unemployment.
- ✓ Lowers the profit of businesses. Competition makes business to duplicate activities or services as a way of attracting more customers leading to wastage of limited or source of resources.
- ✓ Misleads customers; persuasive advertising due to stiff competition urgently need or which may be of low benefit to them.
- ✓ Business competition increases labour turn over or employee which limits productivity of businesses and promote bad image to the public.

Indicators of an increase in the level of competition

Nb. Do not use high or low when stating the answer

INDICATORS OR MANIFESTATION OF AN INCREASE IN THE LEVEL OF COMPETITION

- *Decrease in the level of sales. A fall in the volume of goods sold is an indication of increase in the level of competition.*
- *Increased advertising and sales promotional activities of businesses in order to retain the old customers or attract the new ones.*
- *Increased complaints by business customers especially about the quality, quantity and price of the products*
- *Increased labour turn over i.e. many employees especially leaving the enterprise to join the rival firms or businesses.*
- *Improved quality of the product is an indication of increase in the level of competition so as to sustain competition*
- *Reduction in prices of the products by competitors selling similar products in order to sustain the competitive advantage*
- *Reduction in the profit margin i.e. reduction in the investment returns realized by the business.*
- *Increased hours of operation by the competitors in order to attract customers' acceptance and loyalty.*
- *Improved customer care i.e. improved ways of handling the customers to make them satisfied reflects an increase in the level of competition.*
- *Demand for wage increase by employees or workers for the service they provide*

Sample questions

1. (a) *Distinguish between business competition and business competitive advantages.*
(b) *Explain any three business competitive advantage.*
2. (a) *Assess the implications of business competition.*
(b) *Analyze how entrepreneurs cope up with business competition in business.*
3. (a) *Explain different types of competition*
(b) *What are the indicators of increase in business competition?*
4. (a) *Explain the characteristics of monopoly and perfect competition.*
(b) *Suggest ways entrepreneurs use to overcome competition*

Financial markets

Is any market place where buyers and sellers participate in the trade of assets such as equities, bonds and currencies.

Types of financial markets

1. *Money market*
2. *Capital markets*

Money market is a market that deals in short term financial instruments such as treasury bills, commercial papers, deposits, collateral loans and bills of exchange.

CAPITAL MARKETS

Capital market is a markets deals in long term financial securities such as bonds and equity shares.

Capital markets deal with the trade of financial products such as share, bonds issued by the government or private companies, units in collective investment schemes, debentures etc. these financial products

are collectively referred to as securities in Uganda, the market where these securities are traded is called the Uganda securities exchange.

Distinction between capital market and money market

- ✓ Money market is related to short term funds while capital market is related to long term funds
- ✓ Money market deals in securities such as treasury bills, commercial papers, deposits, collateral loans and bills of exchange
- ✓ Participants in money market are central banks, non – financial banking companies while capital market participants are stock brokers, under writers and individual investors.
- ✓ Money market is regulated by central bank while capital market is regulated by capital market authority.

TYPES/INSTRUMENTS USED IN CAPITAL MARKETS

BOND. This is a certificate issued by a company acknowledging that money has been lent to it and that it will be paid back with an interest at a specified period of time. When you buy bonds, you are lending the bond issuer money in return for a fixed rate of return, they are therefore known as a fixed – income investment and therefore become a creditor of the company

SHARE. This is a unit of ownership of a company, when you buy a share you become a part owner or a shareholder of the company. An investor will buy stake in business by buying shares which will automatically entitle him or her to a company's profits

DEBENTURE. This is a document showing that a company has borrowed a certain amount of money from a person named on it. The company pays a fixed rate of interest on this loan

TREASURY BILLS. These are short term government instruments issued regularly with a maturity period of less than one year

COMMERCIAL PAPER. This is a short term unsecured promissory note issued by a company or a bank which enjoy fairly high credit rating.

Types of commercial papers

- ✓ Promissory notes
- ✓ Cheques
- ✓ Certificate of deposits

Conditions for issuing commercial papers

- ✓ Since instrument is not backed by collateral, only companies with credit rating from recognised credit rating agencies are allowed to issue commercial papers
- ✓ Commercial papers are usually sold at a discount to its face value and repaid at a par on maturity
- ✓ The aggregate amount to be raised by the issue of commercial papers should not exceed 30% of the working capital
- ✓ Commercial papers shall not be issued 15 days later than intended date of issue
- ✓ The minimum current ratio of the company to issue commercial papers should be 1.3

ROLES OF CAPITAL MARKETS IN BUSINESS

- ✓ Raising funds through the sale of shares

- ✓ Provision of a market where the selling and buying of shares take place in an organized manner
- ✓ Attracting foreign investors who may wish to invest their money in an organized capital market
- ✓ Better standards of living brought about by increased employment opportunities caused by increased investments

TYPES OF SHARES

There are two types of shares

ORDINARY SHARES. These are the common one that are held by the owners of the business and they usually do not have a fixed rate of dividends realized from the business profits.

PREFERENCE SHARES. These are shares where the holders do not have voting rights but have a right to a fixed rate of dividend before any dividend is paid out to the ordinary shareholders, they also have the first priority over the business assets over ordinary shareholders in an event of winding up

Preference share are further categorized

Cumulative preference share. Holders of these shares are entitled to a fixed rate of interest every year, irrespective of whether the business has made profits or not, this means that in case the holder misses dividend for a year (may be when the company has incurred losses), he/she will receive a double share in the following year (the dividends will continue to accumulate until paid)

Non- cumulative. Holders of such share are entitled to a fixed rate of dividends only when a company has realized profits

Redeemable preference shares. These shares are bought back (redeemed) by the company after a stated period of time

Irredeemable preference shares. These are ones that cannot be redeemed / bought back by the company

Participating preference shares. Holders of such shares are entitled to a share of the surplus profits remaining after the ordinary share have been paid i.e on addition to the fixed rate of dividend

Methods of issuing shares

- ✓ **Public offers.** A company will invite the public to subscribe for shares, based upon the information contained in the prospectus, either a fixed price or via a tender process.
- ✓ **Private placements.** New shares are issued to the financial institution and large private clients rather than making an invitation to the public.
- ✓ **Right issue.** Is an offer to the existing shareholders to subscribe for the new shares at a discount to the current market value, in proportion to the existing shareholding.
- ✓ **Bonus share / scrip dividends.** A company could issue more shares to the existing shareholders at no cost on a pro – rate basis to their existing share holding.
- ✓ **Stock split.** Takes place when a company divides its existing shares into multiple that the shareholder will have two shares for every share hold earlier.

TYPES OF DEBENTURES

Naked debentures. These are debentures which are not secured. Ie no property of the company has been pledged against them. So in case of the bankruptcy of winding up, these debenture holders will just be regarded as ordinary creditors of the company

Mortgaged debentures. These are debentures which are secured ie some property of the company has been pledged against winding up to pay off the mortgaged debentures

Redeemable debentures. These are debentures which are supposed to be bought back by the company any time after the specified minimum period. E.g if the period stated is between 2-4 years, they can be redeemed any time after 2 years but before 4 years elapse

Irredeemable debentures. These are debentures which are never refunded until when the company is winding up

DIFFERENCES BETWEEN SHARES AND A DEBENTURE

- ✓ *A share is a unit of capital while a debenture is a unit of a loan in a company*
- ✓ *Shareholders earn dividends ie part of the company's profits whereas debenture holders earn interest which is an expense that a company has to pay whether it has realized profits or not*
- ✓ *Shares are usually irredeemable while debentures are usually redeemable*
- ✓ *At the time of winding up, the debenture holders get only the face value and a specific interest even if the company's assets fetch returns while shareholders in most cases enjoy much more than the face value of their shares*
- ✓ *A shareholder is a member of the company whereas a debenture holder is a mere creditor to the company*
- ✓ *In case of decision making in the company, shareholders have voting rights whereas debenture holders do not have them*

CAPITAL MARKETS AUTHORITY (C.M.A)

C.M.A is a semi-autonomous body that was established by the government (1996) to oversee the operations of capital markets, it is responsible for promoting, developing and regulating the capital market industry in Uganda, with the overall objective of investor protection and market efficiency

ROLE / FUNCTIONS OF CAPITAL MARKET AUTHORITY

- ✓ *It regulates and promotes the development of capital markets in Uganda with particular emphasis on creation of incentives for longer term investments in productive ventures*
- ✓ *It guarantees and approves the stock exchange operations*
- ✓ *It is responsible for approving and giving licenses to brokers or dealers in stock exchange and investment advisors like Uganda securities exchange*
- ✓ *It is responsible for approving all offer of securities to the public*
- ✓ *It helps in the protection of the interests of investors*
- ✓ *It advises the government on policies concerning the development and operations of the capital market industry*
- ✓ *Provision of avenues for those required additional capital and others who wish to invest their money.*

THE STOCK EXCHANGE

This is a market where the existing stocks and bonds are exchanged smoothly. It is an organized market where traders of securities meet as dealers / brokers represent them and acquire or sell securities

The key participants in capital markets/ players in stock exchange

- ✓ *Brokers – These are licensed financial professionals authorized to buy and sell shares on behalf of clients. They try to buy at cheapest price possible and then sell to someone else at a higher price. They receive a commission for their services*
- ✓ *The registrar. This is in charge of keeping records of quoted stock and shares.*
- ✓ *Jobbers. These buy and sell shares on their own account at the stock exchange. Their reward is jobber's return being the difference between the buying price and the selling price of the share jobbers are further classified into:*
 - *Bulls: are jobbers who buy shares when they are cheap in anticipation that prices of these shares will rise in the near future and he/she will be able to sell them at a higher price*
 - *Bears: these are ones that sell shares when prices are high on his expectation that these prices will fall in the near future when he will be able to buy them again*
 - *Stags: these are ones that buy shares of a newly established company in the hope that prices will rise to be resold. They deal in new issues of a company*
- ✓ *Investment advisors – these are licensed individuals that engage in business of advising their clients about securities on issues of whether it is advisable to invest, purchase or sell securities.*
- ✓ *Share holders. These are individuals or companies that purchase shares in a company or business and hence own a part of that company with an expectation of returns afterwards*
- ✓ *Capital Market Authority (CMA). This is a government established body which ensures the regulations and development of the capital market industry.*

The major functions of stock exchange market

- ✓ *It provides a facility for raising funds for investment in long term assets*
- ✓ *They help in regulation of traded securities*
- ✓ *They help in publishing useful information about various businesses necessary for investors and other companies*
- ✓ *They help in monitoring the affairs of the quoted companies*
- ✓ *They help in raising capital for businesses*
- ✓ *They facilitate company growth through raising more funds for acquisitions of assets and increase productivity*
- ✓ *They help in creation of utility through providing ready market for stocks and bonds i.e. investors at any time can easily convert their securities into cash or other profitable security investments.*
- ✓ *They facilitate the diversification of government owned companies, the privatization process through capital markets involves the floatation of shares and needs of a secondary market for its success*

Examine the role of capital markets to an economy

- ✓ *Enabling businesses raise long term finance through the sale of shares at low interest rates*
- ✓ *Providing a venue where to buy and sell shares by the members of the public*
- ✓ *Encouraging the inflow of foreign capital since investors will find it easier to buy shares in the companies listed in stock exchange*
- ✓ *Encouraging full disclosure and sticking to better accounting and management practices of companies*
- ✓ *Creating more employment opportunities through increase saving and investment by companies leading to better standards of living.*
- ✓ *They provide alternative investment and saving operations through the purchase of shares and bonds*
- ✓ *Individuals are given opportunities to diversify their investments like risk by investing in various products available on the market*

- ✓ They are source of capital through capital pays and dividend payment

Benefits enjoyed by a share holder

- ✓ There is possibility of earning dividends in case the company makes profits
- ✓ Shareholders gain capital in case their shares are sold at higher prices than the prices they were purchased, this represents profit which is termed as capital gain
- ✓ Shares may act as a collateral security for the owner, for instance if they wish to access a loan from financial institutions
- ✓ Shares are easier to transfer in case the shareholder wishes to leave the company, they can transfer to another person
- ✓ The shareholder have voting rights to decide on the issues concerning the company during the Annual General Meeting
- ✓ If the company is growing, the value of share will also grow and hence the shareholders will gain

Disadvantages of investing in shares

- ✓ If the company's profits fall, the dividends will fall and if the company makes a loss, it may not pay any dividend at all
- ✓ If the share profits fall, their value lessens
- ✓ If the company collapse or becomes insolvent, the shares become worthless
- ✓ If the company goes into liquidation, shareholder are the last to be paid after all other creditors

Steps involved in the process of buying and selling share

- ✓ Visiting the broke / dealer to obtain advice about companies to invest in and their prices
- ✓ Deciding which shares/stock to buy ie making an investment decision
- ✓ Placing an order through the broker / dealer
- ✓ Receiving a copy of the prospectors and reading it well or seeking advice.
- ✓ Filling in the security central depository account opening forms
- ✓ Filling client information form / share application form
- ✓ Signing a purchase transfer form
- ✓ Paying for the number of shares one is willing to buy
- ✓ Receiving a share certificate from the registrar to confirm the number of shares bought.

The process of selling shares

- ✓ Finding out how much shares are selling in the market ie use broker or newspapers and through stock change
- ✓ Contracting the leader /broke and place an order at satisfactory price for you.
- ✓ Receiving a sale contract note from brokers showing the net proceeds payable
- ✓ Collecting the cheque from the dealer/broke
- ✓ Following the company's shares trading on stock exchange

An example of share certificate

GOGOLO DISTRILLERS LIMITED		
P.O BOX 3444, Kampala UGANDA		
No	SHARE CERTIFICATE	DATE.....
This is to certify that;		
Name		
Address		
Is a registered holder of (No. of shares) ordinary shares ofshillings each, fully paid in the above named company, subject to the memorandum and articles of association thereof		
DATE		
TRANSFER No.		
No OF SHARES		
For and on behalf of Gogolo distillers limited		
.....		
Chairman	company seal	

Investing in bonds

A bond is essentially a loan an investor makes to the issuer of a bond. The investor receives regular interest payments on this loan until the bond matures or is called, at which point the issuer pays you the principal. Certain bonds have special provisions

Bonds are issued by government entities and corporations to raise money for their endeavors. There are four major types of bonds representing the four major issuers

- ✓ *Government (treasury), Government Issue treasury bonds to pay for government activities like paying off the national debt or fighting inflation. The yield is lowest among bonds but considered low in risk if held until maturity. Bonds are exempt from state and local taxes*

- ✓ *Municipal: corporations issue bonds to expand, modernize, cover expenses and finance other activities. The yield and risks are generally higher than governmental and municipal. They are fully taxable*
- ✓ *Mortgage bonds: banks and other lending institutions pool mortgages and offer them as securities to investors. These bonds have a yield that exceeds those of corporate, with comparable maturity. They are also fully taxable*

Advantages of investing in bonds

- ✓ *Bonds are predictable. you know how much interest you can expect to receive, how often to receive it and when the principal will be repaid*
- ✓ *Bonds are steadier than equity investments (shares) which fluctuate widely in short term that's why most investors prefer buying bonds than equity investments which are more volatile*
- ✓ *People on a fixed income and or in retirement will receive a predictable amount of regular income from bonds since most bonds pay interest to holders on a regular basis a part from the zero coupon bonds*
- ✓ *The interest rates paid by bonds typically exceed those paid by banks on savings accounts especially shorts term bonds*

Disadvantages of investing in bonds

- ✓ *Companies and municipalities can go bankrupt and if they do, your bonds will lose value and become worthless*
- ✓ *Long term bonds will have your money tied up in low yielding bonds if interest rate go up*
- ✓ *Unlike stocks, bonds don't offer the possibility of high long term returns*
- ✓ *Bonds are not immune from price fluctuations. A company can easily default on the bonds loused, resulting in a total loss principal on the bond holder*

INVESTING IN COLLECTIVE INVESTMENT SCHEME

Collective investment schemes are private financial arrangements that provide a means for mobilization of saving and enable small investors to participate in capital markets. They pool resources of many small savers, generating a large pool of funds, which resources are then invested in various assets like shares, bonds, property and treasury bills with the sale purpose of generating high returns while minimizing risk through diversification of investment

Advantages of collective investment schemes to investors

- ✓ *Diversification of risk. Investors can secure a much wider diversification of risk, because these funds are invested in different securities. The greater the diversification of portfolio, the lower the risk in relation to the return. Those who invest in CIS are therefore seeking to lower risks in relation to their returns*
- ✓ *Giving access to securities investments. By investing in small sum, an investor through the CIS can achieve a personal portfolio spread over several securities. Investors can access high priced markets because of the pooled resources which create a larger fund*
- ✓ *Lowering transaction costs. By investing in CIS, investors incur lower costs than if they were to buy and sell shares/bonds directly. This is because transaction costs are generally related and investors benefit from the fund manager's ability to deal in large quantities of shares at lower average dealing costs*
- ✓ *Exhibiting professional management. Due to the complexity analysis information regarding individual securities, most individuals do not have the professional skills to manage their own investment. CIS provide full time professional management in a direct and simple form and this is especially important where market information is not widely available*

- ✓ *Protection of investors. CIS have succeeded in developed markets due to an effective legal and regulatory frame work. People need to have confidence that their money is protected from fraud, theft and other forms of abuses*
- ✓ *Giving an opportunity to easily liquidate them at low prices. It gives an opportunity to easily liquidate investments by selling your units back to the unit trust manager. The manager is obliged to buy the units*
- ✓ *Some funds allow investors to buy more share in a regular basis even with smaller monthly installment*
- ✓ *Monitoring performance of shares on the market. The net assets value per share or the bid and offer are reported in the press, internet sited allowing the investors to continually monitor the performance of his/her investment*

N.B

- ✓ *Portfolio, Refers to funds managed on behalf of the clients at the discretion of a fund manager*
- ✓ *A trustee, refers to an individual or company that hold the assets of a collective investment fund on behalf of its clients or investors who are the beneficiaries of the trust*
- ✓ *A unit trust is an investment scheme that pool savings of the public who share the same financial interests, which savings are then invested in securities like bonds, shares etc*
- ✓ *A fund manager is a person / company licensed by the authority to undertake on behalf of the client, the management of a portfolio of funds*
- ✓ *Trust deed is an agreement between the fund manager and a trustee or any other authorized corporate director (ACD)*

Disadvantages of collective investment schemes

- ✓ *Loss of control. When you invest in CIS, you are not directly involved in deciding how your money is invested. As long as the unit fund managers invest your money in accordance to the prospectus and deed of the scheme, there is little that you, the unit holder, can do if you happen to disagree with their investment decisions*
- ✓ *Fees and charges. The funds provided by the fund manager are not for free. There are fees and charges payable by the unit holders to the CIS*
- ✓ *Opportunity cost ie by putting your money in CIS, you lost the opportunity to use it elsewhere and there is no guarantee that putting in it CIS, things will be perfect, thus in such a situation, you would have used money that you would have used productively somewhere else*

Conditions necessary for the operations of CIS

- ✓ *A conducive operating environment with laws that can enforce recovery of the saving*
- ✓ *Availability and conducive banking environment where saving can be kept*
- ✓ *Saving culture and environment among the population that can encourage the members to save*
- ✓ *Maximum co-operation among the savers*

Challenges facing the capital markets industry in Uganda

- ✓ *Under development capital and money markets to transact the sale and buying of products*
- ✓ *The challenge of fear of risks by players e.g fluctuation in the value of share capital*
- ✓ *Inflation that affects the value of shares*
- ✓ *Inadequate information by the public about the role of capital market*
- ✓ *Unfriendly government policies e.g unfair taxes*
- ✓ *Under developed financial institutions to lend funds for buying financial products*
- ✓ *The challenge of high levels of target players who aim at maximizing profits early*
- ✓ *Uncertainty to income in form of dividends since a business may or may not make profits to declare*
- ✓ *Unstable economic climate in Uganda that scare away investors who would invest in capital markets*

RAISING LONG TERM FINACE THROUGH CAPITAL MARKETS

When sourcing for long term finance in business, there are many questions that may arise, these may include

- ✓ Should you apply for a bank loan? But the repayment period is quite short
- ✓ How about the micro finance institution, the interest rate is quite too high
- ✓ So how about capital markets?

Advantages of raising long term finance through capital markets

- ✓ Raising funds, through the sale of shares on the capital markets, businesses are enable to raise funds, which is cheaper, easier and faster compared to other forms like commercial funds
- ✓ Provision of markets to sell and buy shares, capital markets provide members of the public or other interested individuals or company to buy shares. This provides them an alternative method of investing their savings
- ✓ Inflow of international capital, foreign investors who may wish to invest in the country will find it easier to do through the capital market where they will buy shares easily, this leads to inflow of international capital which contributes to the growth of the country's economy
- ✓ Better standard of living, increased investment by companies due to the existence of well-organized capital market will lead to more employment opportunities being created, more incomes generated and these may result in more disposable income that people may use for consumption and even more savings

Avenues of raising long term financing through capital markets

There are two avenues through which a business can raise finance in the capital markets ie equity financing and debt financing

EQUITY FINANCING

With this type of financing, the business raises finance by issuing shares to the general public. Those who buy the shares of the company then become part owners of the company and thus called shareholders. A company must apply first and seek approval from the capital market Authority before it offers shares to the public

Advantages of equity financing for a business

- ✓ On closure of the company, shareholder's equity contributions will not be paid back until all the company's creditors have been paid
- ✓ The business assets are not pledged as collateral in order to obtain equity investments / sell share to the public
- ✓ The business / company does not have to make debt and interest payments to shareholders
- ✓ The company is better governed given the international standards accounting followed by listed companies.

Disadvantages of equity financing

- ✓ The company owners may have to relinquish ownership of all proceeds and may have to share their business profits with other equity investors / share holders
- ✓ Owners will have to be accountable to all shareholders and therefore will be required to publish annual accounts, organize annual general meetings for all shareholders and communicate all major assurances in the company to all share holders

DEBT FINANCING

A business can also raise finance by borrowing from the public and institutions through capital markets. The examples of debt financing instruments included

- ✓ Corporate bonds. Which is an arrangement that enables a company to borrow money from the public for a long period of time

- ✓ *Government bonds/ municipal bonds, which is an arrangement that enables both government and local councils to borrow funds from the public for a long period of time*
- ✓ *Commercial paper, which is an arrangement that enables a company to borrow money for a short period of time*

Advantages of debt financing

- ✓ *The company does not have to give up any ownership of the company*
- ✓ *The lender has no control over how to run the company whose bonds he/she has purchased all that the lender requires of the company is that the loan and interest should be paid back*
- ✓ *The company is not required to pay the under dividends when it makes a profit as is the case with the share holders*

Disadvantages of debt financing

- ✓ *The company is required to pay back the principle and interest regardless of its financial position*
- ✓ *The company must have sufficient cash flow to repay the loan and interest*

SAMPLE OF QUESTIONS

1. (a) *Explain the key participants in capital markets.*
 (b) *Explain the major functions of stock exchange market.*
2. (a) *What is the role of collective investment schemes to investors?*
 (b) *Explain the steps involved in the process of buying and selling shares.*
 (c) *Explain the process of selling shares.*
3. (a) *What are the benefits of equity financing over debt financing*
 (b) *Examine the role of capital markets to an economy.*
 (c) *Challenges facing the capital markets' industry in Uganda.*