

# **ENTREPRENEURSHIP EDUCATION**

## **NOTES**

Entrepreneurship refers to the taking of a risk (chance succeeding or failing) to produce or sell products (goods and services) to meet the customer's needs in the hope of earning some profits.

It involves doing new things or doing things already being done but in a better way.

Entrepreneurship is a process where people identify opportunities and transform them into practical business activities.

Entrepreneurship education means developing personal qualities and attitudes as well as formal knowledge and skills to start business and become successful.

Personal qualities and attitudes are those that increase the probability of a person seeing opportunities and doing something about them.

Formal knowledge and skills are what must be done to establish a new enterprise. They teach to develop an idea into successful oriented people.

### **AN ENTREPRENEUR.**

This is a person who produces new or better good or services with a view of selling them to customers and making a profit

The entrepreneur commits his/her resource, time, land, energy, etc. and start with a hope of making a profit.

Entrepreneurship development means developing people's knowledge, skills and qualities to make them better entrepreneurs.

### **WHY DO WE STUDY ENTREPRENEURSHIP EDUCATION**

1. To become job creators and not job seekers in future after completing school
2. To appreciate business as a career
3. To appreciate self - employment instead of being a paid employee.
4. To understand the increasing needs of our society i.e. Unemployment, poverty.
5. To acquire skills of starting and managing a business successfully.
6. To pass exams

### **WORK**

Work is the use of bodily and mental efforts to perform (produce) something beneficial to the person engaged in it.

### **TYPES OF WORK**

There are 2 types of work i.e.

- i). Professional work
- ii). Non – professional work.

### **PROFESSIONAL WORK.**

It is work which requires skills, knowledge and training to be performed

### **PROFESSIONAL WORK PROFESSIONAL WORKER**

|                           |                    |
|---------------------------|--------------------|
| Teaching<br>/ Tutor       | Teacher / lecturer |
| Medical care              | Doctors / Nurses   |
| Building                  | Engineers          |
| Book keeping<br>/ Auditor | Bursar / Cashier   |

Security  
solider

Police man /

Building and construction  
Plumber

Engineer /

## **NON PROFESSIONAL WORK**

This is work where one is not required to possess prior knowledge and skills before performing a task.

The person involved may acquire basic skills and knowledge through repetitive execution of work.

Examples of such work include

- Digging
- Mixing mortar
- Making bricks manually
- Compound cleaning

## **DIFFERENCES BETWEEN PROFESSIONAL WORK AND NON PROFESSIONAL WORK**

1. In most cases, professional work is more paying than non-professional work.
2. People who do professional work are more respected than those who do non-professional work
3. Professional work doesn't involve dirt while in professional work involves a lot of dirt.

## **CHARACTERISTICS OF WORK.**

This refers to the typical characteristics of any task. Work can be grouped into physical or mental

## **PYSICAL TYPE OF WORK.**

It involves mainly the use of the brain to perform a given task e.g driving, teaching.

It may involve use of body muscles but mainly brains to perform a given task.

## **NATURE OF DIFFERENT TYPES OF WORK COMMONLY DONE IN OUR COMMUNITIES**

People in the community do different types of work in order to earn money. Examples of such work include;

### **1. Agriculture.**

This is growing of crops and rearing of animals, birds, fish with the intention of earning income. Examples of agricultural activities include; Cattle keeping, poultry, piggery, bee keeping, aqua – culture etc.

### **2. Trading**

This is buying and selling of goods and services with the aim of making profits.

### **3. Manufacturing**

This is work which involves the transformation of raw materials into finished products such as making clothes from cotton, making cement from limestone, shoes from leather, books from wood, etc.

### **4. Service rendering.**

This is the use of knowledge, skills, attitudes and talents to perform a task that is required and paid for by others. It involves the provision of intangible items to satisfy wants.

## **TOPIC 1: DIGNITY OF WORK.**

It refers to the respect and values of one attaches to work.

## **IMPORTANCES AND VALUES OF DOING WORK.**

It is important and valuable to work because of the following reasons.

## **1. For social recognition**

People who work are given social recognition and earn a lot of respect from society members.

## **2. To increase one's income.**

Work helps one to increase his/her income

3. It improves one's standards of living.
4. It helps people to use resources, talents, knowledge and skills productively.
5. It makes people become useful and helpful to their communities in general.
6. It helps people to meet their family requirements
7. It gives people independence and self-reliance
8. It creates a competitive spirit which enables people to acquire property.
9. It helps people to save and prepare for their old age.
10. It helps one to be self – employed. Here a person starts doing work

because he / she is interested in becoming self –employed.

This promotes one's independence and self-reliance.

11. People work to preserve culture. Some people may be shown through

singing and dancing

## **MYTHS AND BELIEFS ABOUT WORK AND BUSINESS**

Myths refer to the false ideas that society has about doing certain things.

Examples of myths are;

- A carpenter or teacher will never become rich
- Building is an actively for men only
- Business is normally a last resort after one has failed to succeed with studies
- Child care is work for women
- All people who work in breweries are drunkard
- Women do not catch fish
- Kitchen work is not meant for men
- Women should not ride bicycles or climb trees.
- Entrepreneurs are borne not made
- Entrepreneurs are rich because they cheat
- Business people apply charms to attract customers
- Business is all about gambling
- You cannot set up a business unless you have a lot of money
- Business is a risk and ends in failure
- Mathematics is a subject for boys only
- Scientists cannot speak English fluently
- Engineers and mechanics are always dirty
- Government officials with big stomachs are corrupt.

## **NEGATIVE BELIEFS ABOUT BUSINESS**

1. If you open your business on Sundays, you will get bad luck
2. If you sell salt at night, you will get bad luck
3. Business is for people who have failed to get paid employment
4. Business people are thieves and never tell the truth.
5. To succeed in business, one needs to practice witch craft
6. Room No 13 in a hotel has bad luck

7. Do not offer credit to the first customer in a business
8. To succeed in a business one should first sacrifice a goat or hen
9. To succeed in business, one has to go under water for blessings.

### **WAYS OF OVERCOMING NEGATIVE BELIEFS ABOUT WORK AND BUSINESS.**

1. Do work or business as long as it is legal, socially acceptable and profitable
2. Train to acquire necessary knowledge and skills for work or business
3. Develop self-confidence and apply one's knowledge and skills effectively
4. Work hard and succeed
5. Analyze your business failures objectively
6. Persevere in business.

### **CAREER OPPORTUNITIES**

A career refers to an undertaking that one gets involved in order to survive and achieve one's future goals.

It is what one wants to be e.g. Doctor, lawyer, teachers.

An individual who wants to employ him / herself can develop these careers

### **FACTORS THAT PROMOTE STATUS IN SOCIETY.**

Some of the factors that promote status in society include;

1. Values such as honesty, hard work, respect / unity, dependability, compliance with law are to promote the status of an individual to high level.
2. Diligently serving the customers all the time through exhibiting all the customer care skills

3. **Servicing selflessly**

I.e. being empathetic about other people

4. **Excellent performance.**

This involves showing good results or quality in a given task.

5. **Education status.**

This is having high levels of academics attachment e.g. a PhD in Medicine, Law, Education, etc.

6. **Family back ground.** Society respects people who come from royal families e.g. Price, Princes, Queen, King or from the ruling families e.g. president's children.

7. **Hereditary position.**

These include the King's family or those people who are attached to the King's family.

8. **Political attachment or position** e.g. MP, Mayor, council, District Chairperson, etc.

**FACTORS THAT INFLUENCE THE CHOICE OF A CAREER.**

The factors considered when choosing / selecting a career are;

1. **Personal interest of the student.**

People normally choose careers which they like and admire

2. **Family background.**

Some families have a bias either in favour of against some careers. In the end, they encourage or discourage their members from taking up certain careers.

3. **Academic preference and attainment.**

People tend to choose careers basing on the level of academic attainment achieved of a S. 4 certificate, a Master's Degree, Diploma etc.

4. **Ability of the Person.**

Some people have special talents and abilities that enable them to do certain things with ease. Such people end or find themselves doing jobs which they are talented in.



**5. Government Policy towards employment.**

Government can determine what choice of careers it wants most of its citizens to be involved in e.g. encouraging student to do science subjects at A 'levels to become Scientists in future e.g. Doctors, Engineers, etc.

**6. Influence from friends, teachers, etc.**

The friends you interact with regularly influence the careers and choices individuals. Make people always tend to go in for career which are praised by their friends e.g. teachers at school and ignore those are despised.

**7. Benefits associated with career.**

People tend to choose careers which are highly paying and leave careers which are poorly paying.

**8. Job opportunity available for the career.**

People choose careers that are marketable and can enable them to get employment soon after completing studies. They leave those careers are not marketable.

**9. Religious influence.**

People choose careers basing on their religion or in line with their religion e.g. choosing to be a priest because you belong to a Roman Catholic setting.

**10. Peer influence.**

The peers one interacts with, regularly influence the choice of careers to undertake people go in for careers which are praised by their peers and ignore careers which are despised by their peers.

**11. Inspiration from role model.**

Role models are people who are excellent in their activities. Most people have role models and therefore tend to choose careers of their position role models.

## EXAMPLES OF POSSIBLE CAREER OPPORTUNITIES

| SECTOR                     | CAREER OPPORTUNITIES                                                                                                                                                     |
|----------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Education                  | Teachers, Lecturers, Tutors.                                                                                                                                             |
| Health                     | Dentist, Optician, Nurses, Midwives, Surgeons, Psychosis, Pathologist, Radiologist, Cardiologist, Genealogist, Neurosis, Orthopaedian, Pedestrian, Virogist, Pharmacists |
| Security Forces            | Army men/women, Policemen/women, Prison officers and waders Askaris.                                                                                                     |
| Law                        | Advocates, Lawyers, Judges, Magistrates, Prosecutors.                                                                                                                    |
| Hotel and Tourism          | Front desk officers, Tourist guides, Park rangers, cashiers, chefs, travel agents.                                                                                       |
| Commerce and manufacturing | Managers, Accountants, Secretaries, Banking officers, Engineers, etc.                                                                                                    |
| Media                      | Newsreaders, journalists, news reporter, TV Cameraman/woman, printers and Engineers, Editors, Sub-editors, Designers                                                     |
| Construction               | Architects, Engineers, Survey, Plumber, Electrical engineer, Construction, workers contractor                                                                            |

## UNEMPLOYMENT.

This is where a person is looking for and willing to take whatever is offered to him as salary or wage but cannot find one. Many people in Uganda in the working age bracket do not have jobs. Some have temporary jobs while others work where they are not interested or do not fully exploit their potential. All these are signs of unemployment.

## **CAUSES OF UNEMPLOYMENT IN UGANDA**

### **1. High population growth rate.**

Many children are born in the country every day and when they reach the working age, some fail to get jobs even after studies. This means that the speed at which jobs are created is slower than the speed at which the population is growing.

### **2. Discrimination in the market in Uganda basing on sex, age, etc.**

Some employers in Uganda only employ particular sex of workers and this leaves the other sex with similar skills unemployed.

### **3. Rural – Urban migration (RUM).**

Many people move from the rural areas to towns like Kampala where they end up becoming unemployed.

### **4. Inappropriate education and training.**

The education system in Uganda mainly trains job seekers instead of job makers and such people may fail to get jobs.

### **5. Poor attitude towards work.**

Some people such as those from rich families and those who are lazy, etc. tend to undermine some jobs

### **6. Lack of information on available job opportunities.**

Some people do not know where the jobs exist.

### **7. Political instability in some parts of Uganda.**

Some people such as those in Northern Uganda have been driven away from their job areas.

### **8. Changes in seasons in the Agricultural sector.**

Farmers become unemployed particularly during the dry season.

### **9. Use of advanced technology.**

Some workers in the country are laid off from their jobs and are replaced by machines. Such as computers, automated teller machines (ATM) etc.

**10. Physical and mental disabilities.**

Some people with disabilities like the same and the blind cannot find jobs where they can be accepted.

**11. The nature of land ownership.**

Some landlords own rent large pieces of land especially in the rural areas, leaving other people without land where they can get employed.

**12. Changing jobs.**

Some people become unemployed during the short time of looking for another job after leaving the previous job e.g. builders.

**13. Shortage of capital.**

Some people do not have funds with which to start business of their own.

**SUGGESTIONS ON HOW TO REDUCE UNEMPLOYMENT IN UGANDA**

- Providing students with proper career guidance on their subject combination leading to causes that provide skills needed in Uganda's current job market.
- Having a positive attitude towards science and technical subjects as these enable a person to be a job maker rather than a job seeker.
- Use of family planning methods to reduce Uganda's high population growth rate.
- Providing credit facilities to local investors at favourable interest rates.
- Ensuring political stability and security in all parts of the country
- Improving on the existing infrastructures such as roads, in order to encourage entrepreneurs to set up enterprises.
- Privatizing the public enterprises so that they can be expanded and efficiently and effectively be managed by private entrepreneurs hence creating more jobs.

- Advertising the available jobs to the public through giving this responsibility of collecting information on available jobs to the employment bureaus.
- Carrying out rural electrification to enable rural people start small scale industries.

## **COMPETENCES REQUIRED IN THE JOB MARKET.**

### **SUPPORTIVE SKILLS NEEDED FOR DIFFERENT CAREER**

Employers are interested in employing people who have special and particular abilities that enable them to perform tasks well.

These abilities are referred to as skills which result from training and experience. These supportive skills include the following among others.

#### **1. Communication skills.**

This is the ability of a person to use good ways to interact with other people both verbally and through writing. This skill helps a worker to understand his employer and the employer to understand his employees.

#### **2. Adopting skills.**

This is the ability of a person to easily learn or respond to changes i.e. the ability to be flexible.

#### **3. Decision making skills or Initiative.**

This is the ability of a person to make appropriate decisions whenever necessary. Entrepreneurs / employers may seek the option of workers and those with good decision making skills will easily be liked.

#### **4. Interpersonal skills.**

This is the ability of relate / work with others. This enhances teamwork to effectively and harmoniously perform tasks for the success of an enterprise.

#### **5. Technical skills.**

These refer to the various abilities of a person to understand and fully participate in the production process of a business. Normally employers want to recruit workers with the right technical skills such as machine operators, Managers, etc.

**6. Creativity and innovativeness.**

This is the ability to develop new ideas, methods, etc. Employers need workers with these abilities especially where the nature of work needs problem solving ability.

**7. Stamina.**

This is a person's ability to work hard or put in much effort for a long period of time without getting quickly tired. Employers need workers with stamina especially where mental or physical work is required.

**8. Cultural diversity.**

This is the ability to work in an environment with people from different cultures or background.

## **TYPES OF EMPLOYMENT**

Employment opportunities can be sub-divided into two i.e.

- i). Self-employment
- ii). Paid employment

The two types of employment opportunities may be sub divided into two other forms i.e.

- a). White Collar jobs
- b). Blue Collar jobs

White collar jobs are those jobs where a person is doing office work basically e.g. secretaries

Blue collar jobs are those involving manual labour e.g. in factories, digging toilets.

## **PAID EMPLOYMENT**

It refers to a situation where one gets employed by another person, business, government, non-governmental organization etc. and she / he is paid a wage or salary on regular basis.

### **ADVANGES OF PAID EMPLOYMENT.**

**1. Steady income.**

A paid employee is assured of his regular payment at the end a specific period even if the business has suffered losses

**2. Existence of fringe benefits.**

In paid employee may be agree like transport, medical, housing, Punch allowance and working leaves, etc. hence improving his / her welfare.

**3. Minimum risks involved.**

An employee suffers minimum risks since the business is not his therefore he is assured of his payments irrespective of the business performance.

**4. Fixed responsibilities performed.**

Responsibilities of the employees are usually specified in the job description. Therefore the worker knows exactly what he/she is supposed to do and how to do it.

**5. The worker may be assured of promotion and a certain future as long as he is operating well.**

**6. Fixed and favourable hours of work.**

The employee has favourable hours of work and he can be given some holidays (leave).

**7. The employee has a set and convenient spurn of control over the activities of the business i.e. one has the responsibility in the area where he specializes in.**

**8. The future is always certain.**

The future is always more certain since the income is always assured.

## **DISADVANTAGES OF PAID EMPLOYMENT**

**1. There is a fixed rate of pay.**

Paid employment is attached to a fixed rate of pay and therefore cannot be exceeded even if the profits of the business increases or even if your efforts lead to increased production.

**2. The employees follow strict orders and instruction.**

The employee works under specific instructions of the employer. He/she has to consult before he/she implements policies.

**3. Limited and fixed responsibility.**

A paid employee has limited and specific responsibilities and doesn't go beyond doing work that he/she is not meant to do. This hinders creativity and imitateness of new ideas by the employee.

**4. There is a set spern of control.**

i.e. one has to consult before implementing his own ideas which may be time consuming.

**5. There is no job security.**

The employer may decide to dismiss or terminate one's services leading to loss of the job.

**6. There is lack of independence by the employee.**

The employees follow strict orders and instructions given by the boss.

**7. Loss of confidence of the workers.**

One is required to follow order.

## **SELF EMPLOYMENT**

This is when an individual starts his / her own income generating activity and gets employed in it for survival.

### **ADVANTAGES OF SELF EMPLOYMENT.**

1. Self-employment promotes creativity as one can easily come up with new business ideas and even implement them.



2. The income for a self-employment person is potentially unlimited i.e. One can earn any amount of income depending on his effort and the level of profits made.
3. There is job security. The entrepreneur has no fear of losing a job or changing to another job.
4. He / she has maximum control over the business i.e. Whatever he wants will be done the way he wants it to be.
5. There is independence. The person is independent and can do things at his/her own pace depending on circumstances e.g. He may not report to work if he is sick. He is a boss of himself.
6. He promotes job satisfaction resulting from creation of one's employment
7. It leads to improvement in standards of living due to high income
8. It leads to provision of goods and services to the society
9. It leads to creation of employment for the owners where he earns a living
- Self-employed people are admired and respected by society for their positive contribution.
11. A self-employed person gives advice and guidance to others to be successful in self-employment.

12 .It develops self confidence and self-esteem as the person develops

the attitude of managing activities.

## **DISADVANTAGES OF SELF EMPLOYMENT**

1. **Long and irregular hours of work.**  
A self-employed person works for long hours in order to succeed
2. **Uncertainty of income to be earned.**  
A self-employed person is not sure of how his /her income will be i.e. whether it will be high or low.
3. **No fringe benefits.**

A self-employed person doesn't receive any fringe benefits from the work he does.

**4. Broad responsibilities.**

Self – employed people take on many roles in their business and they are personally responsible for every activity in the business.

**5. Uncertain future.**

A self-employed person is not sure of how his future will be i.e. whether it will be good or bad.

**6. High risks involved.**

There is a problem of risk taking in business therefore the entrepreneur may end up making losses e.g. unfavourable government policy, competition, etc.

**7. A self-employed person lives a low life style especially at the beginning.**

This is because most of the saving and incomes are used in the business leaving very little money for personal expenditures.

## **HOW TO OVERCOME ENTREPRENEURIAL CHALLENGES.**

- Entrepreneurs need to employ their entrepreneurial qualities e.g. hard work will lead them to success and bigger rewards, high incomes as well as public respect.
- Seek more information about your business
- Set specific, measurable, Achievable and realistic goals
- Link with other individuals, agencies and groups in order to maintain business contacts at a high level
- Practice good business ethics

Qn. Explain the different four categories of business in Uganda for employment.

- Service business
- Trading business

- Agribusiness
- Manufacturing business

## **PERSONAL ENTREPRENEURIAL CHARACTERISTICS. (PECS)**

These are the desired qualities that entrepreneur possesses in order to be successful.

### **TYPES / FORMS OF PEC's.**

Successful entrepreneurs are found to have unique characteristics grouped as

- i). Planning cluster
- ii). Achievement cluster
- iii). Power cluster

### **PLANNING CLUSTER.**

The planning cluster is made up of

#### **1. Goal setting.**

This refers to the ability of an entrepreneur to set goals and objectives which are specific.

#### **2. Information seeking.**

This is having the urge to look for the required information in order to make an informed decision. It involves seeking and obtaining information regarding customers, suppliers and competitors.

#### **3. Systematic planning and monitoring.**

This is the ability to develop plans that will be used in implementing, monitoring and evaluating the progress of the business.

## **CHARACTERISTICS OF AN ENTREPRENEUR.**

1. He sets moderately difficult goals where the chances of success are greater than those of failure. The tasks are neither too easy nor too hard and the entrepreneur works hard to achieve the goal.
2. They assume personal responsibility for the outcomes of his undertaking whether he succeeds or fails, rather than blame outside factors for unsuccessful results. He will not, for example, blame other people's faults, poor materials or unhealthy competition for a failure.
3. The continuously explores his surrounding to improve profits for his business.
4. He is guided by his performance in the past as well as his knowledge and skills. He is also able to recall reasons for past failure.
5. He is bored by routine and thus sets about revising his/her business using creative and innovative ideas of achieving objectives.
6. The wants concrete feedback on his/her performance. He / her interest in profits is mainly for the feedback that they give him / her.
7. Failure and difficulties do not easily discourage him / her but give him / her more enthusiasm and self confidence
8. He hates unfinished work or task
9. He considers interpersonal relationships important in as much as they can help him/her achieve her/his goals. However she /he chooses experts over friends as work partner being a task oriented person that help him / her.

## **RISKS IN BUSINESS**

A risk is a situation where a person takes on an activity with uncertain outcomes. The outcomes can be either good (profits or success) or bad (loss / failure).

## **TYPES OF RISKS.**

There are basically 3 types of risks i.e.

1. Low / minimal risks. These are risks that yield low profits/benefits to the business
2. Moderate risks. These are risks that can be forecast, calculated and managed by the entrepreneur.
3. High risks. These are risks whose chances of happenings are very high and the entrepreneur has very little or no control over them.

### **Examples of risks in business are;**

- Accidents during transportation of delicate products e.g eggs, pots, glasses.
- Unexpected fall in prices of goods
- Failure to attract enough customers. For example a new school failing to get enough students
- Change in customers tastes and preferences
- Wrong decision making that may cause loss to the business
- Outbreak of fire that may destroy the business.
- Find out what one would like to achieve
- Become aware of one's needs.

## **QUALITY CHARACTERISTICS OF AN ENTREPRENEUR.**

### **1. He / she is an opportunity seeker.**

Willing and able to see opportunities in whatever situation. Confronted with.

### **2. Information seeking.**

He/she always looks out for more information on opportunities

### **3. Persistence /determination.**

He /she doesn't give up easily when confronted with challenges

4. **Commitment.**

He is prepared to put in what it takes to succeed and dedicated to performing well

5. **Perseverance.**

He/she is not prepared to give up on one's aim even when one is challenged.

6. **Creative.**

He/she is able to think and come up with new ways and ideas.

7. **Initiative.**

He/she takes a lead in solving problems and doing things.

8. **Independence.**

He/she has the ability to make decisions on his own not depending on others for ideas, solutions and options.

9. **Problem solving.**

He/she has the ability to tackle challenges and solve problems

10. **Task oriented.**

He /she is prepared to complete an assignment as agreed.

10. **Risk taking.**

He/she is willing to take chances with a hope of

Succeeding and getting bigger rewards.

12. **Concern for efficiency and quality.**

He /she doesn't let things take their own concern but stick to agreed standards.

13. **Goal setting.**

He is being driven by the desire to achieve.

14. **Systematic planning and monitoring.**

He is able to follow a logical process and order in getting things done.

**15. Competitiveness.**

He/she is eager to win.

**16. Flexibility.**

He has the ability to listen and take other people's views and advice.

**17. Time consciousness.**

He/she keeps time and meets agreed deadlines.

**18. Energy and mobility** (high energy level).

He/she is willing to work with one's brains, body and energy.

**19. Self-confidence and determination.**

He is sure of oneself.

**20. Persuasiveness.**

He has ability to convince others to see and agree  
with your ideas.

**21. Network ability.**

He/she has ability to get others to work with you in pursuit of your  
aims.

**ACHIEVEMENT CLUSTER.**

This involves the following.

**1. Opportunity seeking.**

This is where an entrepreneur sees and acts on new business  
opportunities even where other people see nothing but  
problems.

2. **Commitment to work contract.**

Customer's expert entrepreneurs to honour their commitments e.g. a taxi driver has to take his passengers to the final destination.

3. **Persistence.**

This is where the entrepreneur is determined to have a job done at all costs. He continues to operate until he achieves his goal.

4. **Risk taking.**

Entrepreneurs are people who love taking manageable risks. Before they commit their resource, they assess the risks that are associated with a business opportunity.

5. **Efficiency and quality.**

This is what enables an entrepreneur to do things that meet or surpass existing standards or improve on performance. They strive to produce goods or services faster and more cheaply by using better technology e.g. a farmer using a tractor instead of a hand hoe.

## **POWER CLUSTER**

This involves the following.

1. **Persuasion.**

This is the ability to make the public aware of goods and services produced. This helps to expand the market for the goods and services this increases profits.

2. **Networking.**

This is the ability to link, convince and influence other individuals and agencies in order to maintain business contacts at a high level.

3. **Self-confidence.**

This refers to having a strong belief in oneself and the ability to complete a difficult task to overcome a challenge.



#### **4. Entrepreneurial self-awareness.**

This aims at enabling a person to become aware of one's strengths and weaknesses, achievements, motivation, Orientation, and aspirations. This can be done by completing an entrepreneurial self-assessment tool. This helps one to;

- Become aware of one's strengths and weaknesses in an far as entrepreneurship is concerned
- Review the reasons behind one's failure and success
- Discover one's mistakes and learn what and how to minimize failure by learning how to act effectively.
- Breakdown in the supply of raw materials
- Unexpected harsh climatic changes for farmers
- Theft of cash /property
- Bad debts
- Theft and burglary of property.

#### **ASSESSING RISKS.**

This involves determining the potential success or potential loss of the business. The greater the possible loss, the greater the risks involved. Risks can be assessed basing on the following factors.

1. Experience and abilities of the person or persons involved in the business. This looks at the person involved in promoting and managing the business whether he/she possesses the required knowledge, experiences and abilities.
2. Viability of the business

#### **BUSINESS IDEAS.**

A business idea is any thought that an entrepreneur may come up with for the purpose of developing it into a business.

A business idea is a starting point in the journey of starting a business

A business idea is the response of a person or an organization towards solving an identified problem in the environment

## **SOURCES OF BUSINESS IDEAS.**

An entrepreneur may develop or generate business ideas through;

1. Technical skills and experience that they exposes
2. Personal contacts with different people
3. Studying government policies and development plan
4. Hobbies / interest
5. Observations of the development and changes taking place in and around them
6. Through the press i.e. Newspapers and Magazines
7. Conducting survey to find out what is happening
8. Having discuss with other entrepreneurs
9. Trade shows and exhibition
10. Brainstorming
11. Vocational training and experience
12. Customers' complaints
13. Using a creative minds and innovative skills
14. Market research
15. Role models
16. Changes in society
17. Creative thinking

## **CREATIVITY**

This is the ability which enables entrepreneurs to come up with exciting business ideas in situation that may look hopeless.

## **INNOVATION**

This is the creation of new ideas, products devices for the purpose of production.

## **VIABLE BUSINESS**

It is one which can be done given the available resources and turns out to be successful i.e. It is one which is profitable.

### **INDICATORS OF A VIABLE BUSINESS.**

1. Availability of ready market.  
A market are the willing people and have the ability to buy the available products
2. High returns on investments.  
These are expected profits from a business.
3. Availability of efficient resources  
Resources are endowments that exist in a locality or an area e.g. area labour, R/M,etc.
4. Availability of technical skills that are available and affordable are also indicators of a viable business
5. Ability to motivate the workers' appropriate
6. Accessibility to appropriate technology
7. Accessibility in the community
8. Favourable government policy
9. Ease and compatible with society social roots
10. Accessibility to a well-developed social and economic infrastructure

### **DECISION MAKING IN BUSINESS.**

Decision making is a choice between two or more alternatives.

It is the process of making the best choice between 2 or more alternatives in order to achieve business goals and objectives.

### **FACTORS THAT INFLUENCE DECISION MAKING.**

1. Nature of the situation  
Some situation an entrepreneur to take urgent decision e.g. if a machine breaks down during production, an entrepreneur may decide to hire other machines to complete a given task.

**2. Availability of ready resources.**

Decision making is normally based on the availability of resources. If resources are available, the process of decision making is always easy and faster.

**3. Environmental factor.**

The environment in which the business is operating will affect any decisions to be made. E.g. a decision on whether to manufacture soap will have to be taken after taking into consideration the effects it will have on the natural environment.

**4. Possible benefits and challenges to self and others.**

The gains to be obtained from the outcome of the decision is seriously look at. The decision will be made passing on how it will improve the market and profits has many people will benefit and whether it will address the objectives of the business

**5. Costs involved**

The decision to be taken must be in line with the available financial resources. It is useless take a decision which can't be implemented due to its costs being too high to fit into the available financial resources.

**6. Time pressure.**

Some decisions require urgency and have to be taken faster within a short time.

**STEPS TO TAKE IN DECISION MAKING.**

The steps involved in decision making are;

1. Problem identification and getting acquainted with the problem in general.
2. Determining the most important facts of the problems
3. Identifying and putting aside major and minor problems
4. Looking for real causes of the problems
5. Considering possible solutions

## **INCOMES AND ITS USES**

Income is the financial proceeds that one gets after participating in a legal gainful activity. No business can survive without earning income.

### **TYPES OF INCOMES**

#### **1. Salary and wages.**

Salary is a fixed and regular payment that is received for work done by a permanent worker.

#### **2. Profits.**

A profit is an income which is earned by a business in form of excess of selling price over buying price

#### **3. Interest.**

It is income that is earned by someone for allowing another person to use his/her money

#### **4. Bonus.**

It is income received for satisfactorily or extra work done.

#### **5. Fees.**

It is income earned for providing a service.

#### **6. Commission.**

This is income received by an agent who sells goods and services on behalf of another person.

#### **7. Rent.**

It is income earned by the owner of a place to live in or the use of equipment for specific period of time.

#### **8. Tares.**

It is a transport charged imposed on passengers when they travel from one place to another.

### **SOURCES OF INCOME.**

There are different sources that an individual or business can earn income from. These include;

### **1. Farming activities.**

This involves growing of crops rearing animals or poultry and selling their products etc. when products from these farming activities are sold farmers get income.

### **2. Trading**

Trading refers to the process of buying and selling of goods with an aim of making profits. When traders sell their goods and revenues exceeds the cost value plus other administrative expenses incurred in the business then trader for entrepreneurs.

### **3. Manufacturing.**

Some entrepreneurs earn income from manufacturers and selling goods. This may be weaving basket mats producing house hold consumers etc. when the products are sold at prices higher than their cost of production, entrepreneurs earn profits which is an income to them.

### **4. Rendering services.**

People get income through providing services which other – people need and are willing to pay for e.g. Teaching, driving, hair, dressing, etc.

### **5. Paid employment**

People in paid employment earn income commonly known as wages or salaries (depending on the nature of the job being done). People like lawyers, doctors etc. who render private service to their clients earn income called fees. People who act on behalf of others in some transactions such as selling of their goods and services earn income known as commission.

## **6. Talent.**

Exploiting and developing one's talent like playing football, singing, etc. can earn one's income.

## **7. Education.**

Highly educated people are paid more than semi-skilled person.

### **Ways of using income.**

There are four main ways of using income which includes.

#### **i) Consumption.**

It's the use of one's income to satisfy his or her wants e.g. buying household income commodities paying children's fees clothing, food, and drink entertainment, buying family residential houses etc.

#### **Saving.**

Saving is reserving one's earning for future use solving requires one to reduce on his or her current consumption to reduce balance that can be future saved income can be is part of income earned which is not spent on consumption

#### **Investment.**

Investment refers to using one's income to start up an income generating activity investment could be in form of buying proactive resources e.g. land buying shares in other business, depositing money in bank on fixed deposit account to earn interest.

#### **Meeting precautionary needs.**

Income earners at time save their money to meet some anticipate future needs like old age, sickness and accidents.

Qn). Different between voluntary savings and involuntary savings Vs is where one saves by himself while Ins is where one is compelled to save by e.g. NSSF

## **SAVINGS AND INVESTMENT SAVING.**

### **WAYS OF INCREASING SAVINGS AND INVESTMENTS.**

For investments to take place, people and business must have saved some of their income.

Savings and investments can be increased through;

#### **1). Reduction of consumption.**

If you consume more income, savings will be below but if consumption is low, savings increase.

#### **2). Provision of banking facilities.**

Presence of banking facilities encourages people save through banks.

#### **3). Improvement of environment factors.**

Savings and investment can be and increased if the lives of savers are secure. This will give them confidence about the future and encourage them to save more.

#### **4). Creation of investment opportunities.**

When some business are established in an area, they create further investment opportunities for other services such as Metal fabrications, food processing, refrigeration services, etc.

#### **5). Development of saving attitude.**



If investment is to be increased, then people need to develop a savings culture. This could be done through intensive sensitization through media, workshops or training programmes among others.

## **6). Budgeting**

It is important to use realistic expenditure budget which must be less than income.

## **FORMS / WAYS OF SAVINGS**

There are different ways of saving which are include

- I. Opening of a bank account either a saving or a fixed deposit account
- II. Buying shares in a company or investing in a business
- III. Buying property such as land, houses, shares in other business, etc.
- IV. Borrowing for investments
- V. Buying currencies

## **PURPOSE / IMPORTANCE OF SAVING**

1. Savings help to finance future consumption especially at old age.
2. To meet specific needs
3. To store current value or surplus
4. To meet future investment plans e.g. starting a business
5. To meet legal requirements of the government e.g. taxes
6. To create self -employment
7. To realize funds that can be used to meet the firms operational budget
8. To facilitate the exploitation of idle resources
9. To accumulate letters / security for acquiring bank locus

## **PURPOSE / IMPORTANCE OF INVESTMENT IN AN ECONOMY.**

1. Investment facilitate the exploitation of idle resources e.g. land.

2. It enables entrepreneurs to create self-employment and become self-reliant
3. It helps to create employment opportunities for other people thus reducing unemployment
4. It enables an entrepreneur to create more wealth / riches
5. It increases income of individuals for the purpose of saving
6. It enables entrepreneurs to produce goods and services needed by the society and this improves the standards of living of the people
7. It boosts economic activities and fair distribution of income in a country through investing in various parts of the country.

## **IMPORTANCE OF SAVINGS AND INVESTMENTS**

The reasons for making savings and investments are;

1. **As a precaution for the future needs.**  
People save income to provide for unforeseen problems that may arise in the future that will require one to suddenly spend money. The future needs illness, accidents, unemployment, etc.
2. **For transactions.**  
Income is saved in order to have cash to meet transactions of personal and business nature.
3. **Self-employment.**  
Once an individual invests his / her savings, he/she will create employment opportunities for him/herself. This will enable him/her to become self-reliant.
4. **Exploitation of idle resources.**  
Investing in business enables entrepreneurs to use resources that may be idle. These can be converted into goods and services to meet people's needs.
5. **Employment of others.**  
If investments being made are to use more labour than capital, then a number of people will be employed. This will reduce

unemployment problem in the country. This will further lead to people raising their standards of living.

**6. Utilization of resources.**

By establishing enterprises whether small or large. It will help in tapping idle resources for instance human resources, land, water, plants and animals. It also helps to produce goods and services for exports, local consumption or investments. This will lead to economic growth of the area and the country at large.

**7. The quality argument.**

Investment helps in the creation of wealth by producing more goods and services as well as income for both the investors and employees. Investment therefore helps to bring more people into economic activities and in a way helps in the distribution of income. This particularly helps if investment is deliberately spread all over the country.

**8. Savings.**

Investment helps people and other business to increase their incomes. This makes it's possible for people who previously did not have any significant income to get it and therefore be able to start saving.

**9. Exploiting opportunities.**

One can easily exploit opportunities that it arise in the course of running business.

**CHARACTERISTICS OF PEOPLE WHO PREFER TO CONSUME MOST OF THEIR INCOME (CONSUMPTION ORIENTED PEOPLE.**

**1. They are very extravagant.**

They spend all the income that comes their way on things they may not need immediately.

**3. They live a luxurious way of life by purchases.**

Luxurious and expensive goods and services that they comes across. Some of these may not even be necessary but they just want to show off.

3. They have a low desire to save such people rarely save and invest their incomes.

**4. They have got no investment plans for the future.**

This is because their income is always spent as soon as they get it.

5. Their incomes normally tends to be used for paying debts that were incurred prior to earning the income.

6. Whenever they earn some income, they become unstable all the time waiting to go out and spend it. They only become stable after the money has been exhausted.

**CHARACTERISTICS OF PEOPLE WHO PREFERS TO SAVE  
(SAVING ORIENTED PEOPLE)**

**1. They are very careful in their spending.**

Every expenditure has to be justified.

**2. They normally tend to live a simple life.**

They do not engage in spending their income on luxury goods and services.

**3. They have high motivation to save and invest.**

They tend to give priority to saving most of their earned income.

4. They tend to look at and take up every opportunity that is available for them to save.

5. They tend to forego a lot of things at the beginning (at times even necessities of preferring to save for increased future consumption.

## **CHARACTERISTICS OF PEOPLE WHO PREFER TO INVEST.**

### **(INVESTMENT ORIENTED PEOPLE)**

1. They are always on the lookout for available investment opportunities.
2. They tend to give priority to investment and much of their income is reserved and used for investment.
3. They normally tend to live a simple life as they spend most of their income on capital goods and services that will lead to further investment.
4. Such people work hard and for longer hours to earn more income so that they can increase their savings and subsequently invest.
5. They are always willing to take up calculated risks
6. They are always patient because results of investment can only be realized after some time.
7. Security services protect properly against theft and burglary.
8. Advertising services help to promote goods and services by informing the public about them, their purpose and why they are necessary for the consumer's goods.
9. Repairing services help to restore the productive capacity of machines and equipment.
10. Water is a very important utility because in some business, it acts as a raw material and it is also used for cleaning purposes.

## **QUALITY MANAGEMENT**

Quality of a product is its ability to meet the customer's expectation / requirements.

### **CUSTOMERS' PERCEPTION OF QUALITY.**

1. **The price.**  
It is assumed that the higher the price, the higher the quantity.
2. **Brand name.**

This gives a product reputation, good or bad. One may say that radios and TVs branded SONY are of better quantity than PANASONIC

3. **Origin of products.**

There is a perception that quality cars are from Japan and German.

4. **Consumer's point of view.**

Consumers have different point of view and therefore perceive quality of products differently.

5. **Expiry date.**

The date when the product expires may also show its quality.

6. **Good packaging.**

Consumers belief that well packaged product are of high quality

7. **Conformance to weights and measurement.**

It is assumed that product of net weights of high quality.

**FACTORS THAT INFLUENCE THE GENERAL QUALITY**

**STANDARDS OF AN ENTERPRISE.**

1. **Cleanliness of the environment.**

A clean environment under which a product is developed or service rendered will have a bearing on its quantity 21600 +63600

2. **Packaging of the commodity.**

The way / methods of packaging a product may off its quantity i.e. poor packaging may lead to contamination and good packaging reduces contamination.

3. Technical specifications regarding quantity and quality in a soap industry, if there is any alteration in the mixing of chemicals and size of the product, it will greatly affect its quality and quantity.

**WAYS OF ENSURING PRODUCTION OF QUANTITY GOODS AND SERVICES**

- Purchasing and using quality raw materials in production producers
- Use if advanced technology, machines and equipment
- Employing skilled and experienced workers
- Ensuring proper packaging to protect products from damages
- Putting in place proper ware houses and storage facilities for safe handling and protection of products for damages.
- Choosing proper channel of distribution to ensure that the products are handled well and don't get spoilt on the way.
- Giving workers detailed instructions on what to do.
- Putting in place favourable working conditions for workers in terms of equipment, tools and welfare services
- Observing cleanliness of the workplace during production
- Carrying out market research regularly to meet quality standards of customs
- Observing technical specifications regarding quality
- Ensuring proper monitoring and supervision of the production process
- Observing regulatory standards and laws as set by UNBS
- Ensuring standardization to create a good production image.

## **SAVINGS AND INVESTMENT PLANS**

Making plans for savings and investment requires one to forecast how, when and how much income he/she will receive during a given period. The next step is to develop a budget and in so doing, priorities his/her needs.

This involves doing the following.

- Identification of needs
- Setting saving targets
- Prioritizing the needs
- Finding out the differences between the total cost of the needs and income, and establishing whether the balance meets saving targets.

- Carrying out a review of prioritizing needs, their costs and saving targets to ensure that they can all be accommodated within the income packages
- Choosing how the savings of income can be done
- Making the saving
- Spending part of the income on the priority list items that have been provided with the budget.

## **SUCCESS IN BUSINESS.**

Success is the realization of a worthy item. This means that one becomes successful in time he / she takes a step towards a chieng a predetermined goal, objective or target.

## **INDICATORS OF SUCCESS IN BUSINESS.**

1. Increase in Assets
2. Increased profits
3. Expansion of business in terms of
  - i. Market share
  - ii. Production lines e.g. No of products being produced.
  - iii. Quantity of products
  - iv. No of employees
  - v. More branches opened
  - vi. Recognition in the community
  - vii. Reduced operational costs
  - viii. Contribution of business to the social consumers
  - ix. Improvement in staff morals / behaviours.etc.

## **FACTORS LEADING TO SUCCESSFUL BUSINESS**

Several factors lead to success of the business namely;

1. Personal and entrepreneurial qualities of the owners and senior management. The owner and senior management staff must possess entrepreneurial qualities. These qualities help to provide the business with goods, efficient and effective leadership and management which will enable the business to succeed.



2. Clear objectives. It is necessary to have clear and definite objectives. Once set, the entrepreneur should ensure that the business operation and management guidelines set to achieve the objectives are closely followed.
3. Effective and efficient business planning. Planning enables a business to set its targets, methods of achieving them and resources to use in the process.
4. Proper location and plant layout. Appropriate location helps a business in securing the required inputs e.g. Materials, labour, power, etc. at minimum costs. It also helps to secure and access markets at low costs.
5. Availability of business support service such as financial services, loss information, transport, communication, water, power, etc. A business that requires credit will do well if there are banks that can lend it money for expansion.
6. Availability of market. Production of goods and services is meaningless. If there are no customers to buy them prices that will yield profits to the business. Enterprises produce their goods and services to meet the needs of their customers.
7. Conducive government policy. Business thrive and succeed if government policies are friendly such as fair taxation, controlled inflation, a well functioning financial system, good security and political stability as well as the banning of importation of cheap but fake goods.

## **BENEFITS OF A SUCCESSFUL BUSINESS TO AN ENTREPRENEUR.**

By running a successful business, an entrepreneur gets the following benefits.

1. It promotes self-reliance and fulfillment of basic needs by the entrepreneur.
2. It leads to increased income and further investments.
3. It leads to recognition in the community. This helps to attract more customers to the business.

4. It leads to improved standards of living of the entrepreneur and his family.
5. It creates a permanent address for the entrepreneur and the workers.

## **COMMON MANAGEMENT MISTAKES THAT CAUSE BUSINESS FAILURES**

Many business have failed because they have been poorly managed. The common management mistakes that cause business failure are;

1. **Mistaking cash for profit.**

Some entrepreneurs tend to mistake that the cash received from the sale of goods / services to be profits. They end up misusing business funds for other purposes not in line with business activities.

2. **Uncontrolled credit given to customers.**

If friends and relatives are allowed to take goods at will with only a promise to pay in the future, the business will soon run out of cash needed to replenish its stock and meet its operating expenses.

3. **Lack of record keeping.**

Without records, it is difficult for an entrepreneur to tell if a business is in trouble or not. In such circumstances, he / she will know who owes his/her what, how much money is in his/her business, how much profits he/she is making, etc.

4. **Poor customer care.**

If customers are not well handled, they will go to other business where they are treated better. As a result, the business loses its market, its products do not get bought while expenses continue being incurred, customers run and goods get spoilt, the business runs out cash and with time, the business collapsed.

5. **Neglect.**

Some business fail due to little attention given to them by their owners. This may result to loss of personal interest poor time and self-management such as over drinking, smoking extra

Marital affairs, change of priorities.

**6. Incompetence.**

This is the inability of the business owner and employees to manage the business operations effectively and efficiently.

**7. Theft of business funds, stock, assets etc.**

The business may suffer from loss of its assets (cash stocks, etc.) through from outside.

**8. Interference of the family members in the running of the business.**

An example of family interference is withdrawing business funds, taking credit, workers, not pay and chasing away workers, not being accountable to business.

**9. Death of the business owner.**

If the enterprise owner dies and there is no one competent to take over the management of the business or where the business is subjected to family wrangles.

## **INDICATORS OF A BUSINESS THAT IS NOT DOING WELL**

There are a number of signs that cannot show that business is not doing well e.g. in case of a shop the following are the indicators.

**1. Empty shop shelves.**

This means that business does not have cash to buy fresh stock or replace the ones sold.

**2. Expired / obsolete goods.**

This means that the business has lost market and can't sell the goods.

**3. Low sales.**

This is a sign that the business has lost market either because its products do not meet the customers or it has poor customer relationship.

**4. Low profits.**

This could be that the operating lost are low very high or the price have gone down and the business can't do anything about it

#### **5. High expenses incurred.**

These expenses reduce the profits of the business and increase the selling price.

This makes the products uncompetitive and lose market.

### **GOAL IN BUSSINESS**

A goal is the aim of achieving something within a given time frame.(definite time frame)

A business goal is what the entrepreneur expect to achieve over a given business.

#### **Types of goals**

There are two types of goals i.e.

Specific goals.

Long term goals

#### **Specific goals.**

These are tangible outputs or target that are to be realized in a short period of time e.g. a year.

Increase in business gross sales by 25%

Increase in business gross sales by 25%

Increase in profits by 15%

Opening of a new store.Producing more brands (types of goods).

#### **Long term goals.**

These are target aims or output s that are to be realized over a relatively longer period e.g. 3-5 years.

#### **Example of such goals include;**

Achieving profits that areincreasing gradually

Business achieving good will and respect from the community.  
Becoming a market leader.

%

Increase in business gross sales by 25%

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Example of such goals include;

Achieving profits that are increasing gradually

Business achieving goodwill and respect from the community.

Becoming a market leader.

### **CHARACTERISTICS OF A GOAL.**

Goals have characteristics which are summarized following letters (SMART)

**Specific.**

A good goal should be clear in terms of what is of what is to be achieved, when, and how it will be achieved .

**Measurable.**

A good goal should have indicators to prove or show whether it is being achieved or not and if achieved, how much of it is being realized.

**Attainable /achievable.**

This means having what it takes to achieve the set goal e.g. capital, labour skills, and experience.

**Realistic.**

A good goal should be achievable given the above resource, capacity of the entrepreneur and the workers, legal regulation etc.

**Time bound.**

A good goal should have a target time frame within which it should be achieved

**Written /documented**

A good goal should be seen and referred to simple to understand and not too much for one to fear and give up.

**IMPORTANCE OF SETTING GOALS IN BUSINESS**

1. Goals setting helps in proving targets that are to be achieved
2. It leads to maximum utilization of resources. Normally, goals are set basing on available resources.
3. It helps in decision making since in setting a goal, the entrepreneur considers the problem first then, it can help him to make the right decision.
4. It helps in evaluation of performance. This helps to find out the extent to which the business has been successful in achieving its goals.
5. Goals help an entrepreneur to plan effectively for his business.
6. Goal setting encourages an entrepreneur to work hard
7. They help in revision of goals periodically so as to progress.

**SWOT ANALYSIS**

SWOT analysis is the process of identifying the strength, weaknesses, opportunities and threats of an Organization or business.

**SWOT CHART**

1. **STRENGTHS** are;
  - Ability of the products to meet customer's task

- Efficiency and effectiveness in serving customers
- Ability and attract customers'
- Having good business location
- Having good and trained marketing staff
- Having high and effective entrepreneurial spirit
- High quality products
- Setting Prices which are customer friendly but profitable
- Strengths are the things, features and qualities that put the entrepreneur's business products at an advantage when compared to the competition.

## **2. WEAKNESSES.**

These are the constraints that the business products may face in the market e.g.

- Being new in the market and having a weak market image
- Weak distribution image
- Marketing skills that are below average
- Higher overall unit costs relative to key competitors
- Inability to finance needed marketing changes
- Too narrow a product line
- Location not being close or easily accessible to customer's etc.

## **3. OPPORTUNITIES**

These are external or chances that may happen and benefit the business. The business has no control over such happenings and they may or may not happen. Such possibilities may include the following

- Possibility of landing big orders, say from the government arising out of policy changes.
- Sudden shift in tastes and fashions of customers in favour of the entrepreneur's products.
- Change in the market trend due to new developments e.g. a new school being opened up in the neighborhood, a large business being established in the area, etc.
- Removal of trade barriers in attractive foreign markets e.g. United States of America's, Africa's Growth Opportunity Act (AGOA). Which removed import duties on selected goods

manufactured in Africa and enabled African countries to exploit to America.

- Faster market growth
- Complacency among rival enterprises

#### **4. THREATS.**

These are undesirable happenings that may occur in the market to the disadvantage of the business.

- Entry of lower costs foreign companies
- Rising sales of substitute goods
- Adverse shifts in foreign exchange rates and trade policies
- Costly regulatory requirements
- Growing bargaining power of customer / suppliers
- Changing buyer needs and tastes
- Sudden negative changes in the government policies
- New business being started
- Competitors reducing their prices.

### **RELATIONSHIP BETWEEN BUSINESS SOCIETY AND NATURAL ENVIRONMENT.**

Natural environment means both the things we can see and those that we cannot see around our business.

These are God “given things that surround us;

#### **COMPONENTS OF NATURAL ENVIRONMENT.**

These include;

1. Air
2. Water and things that live in it
3. Land or soil
4. Plants
5. Animals



## **DIFFERENCY OF BUSINESS ON THE NATURAL ENVIRONMENT**

How the natural environment supports business;

1. Land provides promises on which business premises are built
2. Air enables chemical and biological processes to take place
3. Water is used for both domestic and industrial use
4. Plants provide food, raw materials, oxygen and carbon dioxide
5. Animals and insects provide food and raw materials.

## **REQUIREMENTS OF THE BUSINESS THAT AFFECTS THE NATURAL ENVIRONMENT.**

These vary depending on the nature type and size of the business. However most of the size of business that affect the nature requirements of the environment and need to be planned for include.

i). Business premises for its operations, storage and extraction of raw

Materials require land.

ii). Machinery and equipment used in productive operations which pollute

the environment.

iii). Resources such as raw materials or stocks for sale whose production affect the natural environment e.g. charcoal, firewood, mining minerals.

iv). Packaging materials like polythene bags which affect drainage systems, soil texture.etc.

v). Rubbish or waste materials produced through consumption and productive operations which require disposal grounds e.g. garbage.

vi). Human resources for labour to manage business which use the environment to construct residences and disposal facilities.

## **BENEFITS OF BUSINESS TO SOCIETY**

There are several ways in which business benefits society.

## **HOW DOES SOCIETY BENEFIT FROM BUSINESS**

1. Business produce goods and provide services needed by the society
2. They provide employment opportunities to the members of the society
3. They contribute to community development programs.
4. They pay taxes to the local and central government which in turn provides to the society
5. They clean the environment
6. They provide market to the society e.g. Agro businesses, used as study centres i.e. for research and disposal grounds.
7. Business act as entertainment centres to the society e.g. clubs, bars, theatres, hotels, etc.
8. They provide training programmes to members of the society
9. They lead to increased development activity e.g. more buildings, more shelters, etc.

## **HOW DOES BUSINESS BENEFIT FROM THE SOCIETY?**

1. Society provides market for business goods and services
2. Society provides labour to the business
3. Society is a source of capital to a business in that when they pay cash for the goods and services, they provide working capital
4. Society provides security to the business
5. Society is a source of raw materials to the business
6. Business can use society to carry out research
7. Society gives advice to the business

8. Attitudes, society provides land to the business

## **EFFECTS OF BUSINESS ON THE NATURAL ENVIRONMENT**

### **POSITIVE EFFECTS.**

1. They provide employment opportunities to the people
2. They contribute to the community development programmes
3. They are a source of revenue to the government through payment of taxes
4. They provide social services to the people e.g. roads, health, etc.
5. They provide market to society's produce
6. They provide a variety of goods and services to the society
7. Some act as centres for developing and training manpower
8. They help students to carry out research and study activities
9. They clean the environment

### **NEGATIVE EFFECTS OF BUSINESS ON THE NATURAL ENVIRONMENT.**

1. They cause land degradation i.e. spoiling of soil fertility, soil nutrients composition and soil structure arising from different land use.
2. They cause deforestation i.e. cutting down of trees for timber
3. They cause Air and water pollution i.e. pollute water by using it as a dumping ground for their wastes and effluents such as use chemicals, residues, etc.
4. They lead to displacement of people i.e. through construction of roads, dams, etc.
5. They cause Noise pollution i.e. Manufacturing business produce a lot of noise which results into a noisy and polluted environment
6. They cause swamps reclamation
7. They cause vibration as a result of heavy moving vehicles on the roads
8. They lead to loss of natural beauty of the environment

9. Overfishing leads to loss of different species of fish left in lakes
10. They lead to over exhaustion of resources
11. They cause water logging.

### **MEASURES TO SOLVE THE HARMFUL EFFECTS OF BUSINESS ON THE NATURAL ENVIRONMENT.**

1. Using and selecting raw materials and inputs that have less or no degradation effects on the environment
2. Treating waste products before disposal and selecting a proper disposal ground
3. Choosing proper packaging materials such as paper bags instead of polythene bags.
4. Putting appropriate warning labels and sign posts on business operation sites to warn people about the danger zones
5. Re-forestation to reduce effects of deforestation and loss of soil fertility, water catchments and change of climate.
6. Conserving wetlands to reduce on climate changes
7. Operating environmentally friendly business that do not pollute the environment
8. Planting grass and covers to protect loss of soil.
9. Reducing bi-products for better use.
10. Educating the public about the importance of conserving the environment.
11. Strengthening government environmental bodies e.g. UWA, NEMA, NWSC, etc to prosecute those who destroy the environment.
10. Use of noise silencing machines to reduce noise pollution
11. Adopting better farming methods e.g. terracing
12. Ensuring strict monitoring and supervisors of business activities
13. Conserving wetlands to reduce on climate change
14. Using other forms of energy instead of wood fuel usage

15. Overtaxing business of negative impact on nature

### **EFFECTS OF A DEGRADED NATURAL ENVIRONMENT.**

A degraded environment is an environment whose quality has been destroyed.

An environment is usually degraded through;

1. Cutting down of trees
2. Stone quarrying
3. Drainage of swamps
4. Rapid population increase
5. Over cultivation of land
6. Over grazing

### **EFFECTS OF A DEGRADED NATURAL ENVIRONMENT.**

1. It leads to change in climate due to swamp reclamation, overgrazing, etc.
2. It can lead to breakdown of malaria which affects people's health
3. It may result into drought and famine
4. It may result into shortage of raw materials
5. It may result into reduction in soil fertility
6. It may lead to production of poor quality goods due to scarcity of quality raw materials
7. It leads to extinction of some species e.g. insects, birds may die or migrate.

## **BUSINESS IN UGANDA**

Business is any legal economic activity carried out by a person for the purpose of making profits.

### **FACTORS TO CONSIDER IN DETERMINE SIZE OF THE BUSINESS.**

These include;

- i. Size of the business
- ii. Amount of capital invested
- iii. Number of employees
- iv. Legal procedures in starting a business
- v. Volume of sales
- vi. Level of technology used
- vii. Source of energy
- viii. Size of the market

Business in Uganda are of varying sizes which include

- i. Micro business
- ii. Small scale business
- iii. Medium business
- iv. Large scale business

### **MICRO BUSINESSES**

Micro businesses are usually very small e.g. Kiosks, hawking, grocery, garage. They are usually run by their owners who may be assisted by family members.

They are characterized by;

1. They require very simple technology to operate
2. They usually employ the services to their owners who may be assisted by one or 2 persons usually family members.
3. Their sales volume are usually very low
4. They do not need fixed premises to operate
5. They do not have to be registered before they operate.

## **SMALL BUSINESS**

These are relatively bigger than micro – business. They operate from well-established premises that may be permanent or semi-permanent. They tend to employ family members or relative but the no of workers usually may not exceed 20 people.

They have the following characteristics.

1. They require simple small technology in their operation
2. They use small technology in their operation
3. They employ up to around 20 people most of who are family members
4. They require small capital outlay to start
5. Their periodic sales are higher than those of mic business
6. They are easy to start and may not require formal registration
7. Normally, they are operated from fixed premises that are of permanent nature
8. They use energy in most cases for lighting, freezing, etc.

## **MEDIUM SIZED BUSINESS.**

These are well established businesses which operate in permanent premises. They have the following characteristics.

1. They require large capital to be operated
2. They employ a big number of worker up to 100 workers
3. Their periodic sales are higher than those of small scale businesses
4. Profits realized are higher than those of small scale business
5. They use advanced technology to produce on a relatively large scale
6. They must be registered by the registrar of companies before they are started
7. They produce for the local market but can also export their products.

## **LARGE SIZE BUSINESS**

These are much bigger than the medium sized businesses. They have the following characteristics.

1. They require much capital to be operated
2. They employ more than 100 people
3. Their sales volumes are very high
4. They operate from well - established and premises
5. They are required by law to register before they commence their operations
6. Most of them produce for both the local and foreign market
7. They produce much because of using high technology
8. They have a very high profit margin

1a). What are the characteristics of small scale retail business?

b). What are the advantages and disadvantage of large scale (10 marks)

c). Give 5 disadvantages of small scale retail business. (10 marks)

Solutions.

1a). See note

bi).

- The cost of production is spread over large quantity production
- Specialists can be employed
- They can easily borrow money from the bank
- Specialization is possible
- Lead to reduction in prices of commodities due to large scale production
- They purchase raw materials at low prices because of bulk purchases
- They are high chances of expansion
- They can afford modern techniques of production



- They can easily bi- products easily
- They can afford advertising and research
- They can easily venture into staff training programmes

ii). Disadvantages of large scale firm

- Management may be different
- They are not flexible
- In case of natural disaster, they are greatly affected
- Resource wastages increases costs of production
- Modern machinery used is very expensive
- Employing large no of people results into labour disputes.

c).

- They employ few people and leave others unemployed
- They earn low profits because they operate on a small scale
- In most cases, they are not recognized by the society because they are not registered
- They have a low production capacity because of using simple technology
- They have a low scales volume because they produce less
- They cannot easily access loans from financial institutions due to having a small or no collateral; security
- They have fewer chances of expansion due to having little capital

## **TYPES OF BUSINESS**

### **1. Finding businesses.**

These are economic activities that deal selling of goods and services for those wholesalers and retailers.

### **2. Manufacturing businesses.**

These are business that process raw materials produce different products

### **3. Service businesses.**

These provide services to their customers by using the specialized knowledge and skills of the owners and employees.

E.g. Transport, medical, legal, security, banking, entertainment, education.

4. **Agri- businesses.**

These process or sell agricultural products or inputs for profits.

**BUSINESS ASSOCIATIONS IN UGANDA**

These are formed by business community which voluntarily come together to achieve their common objective.

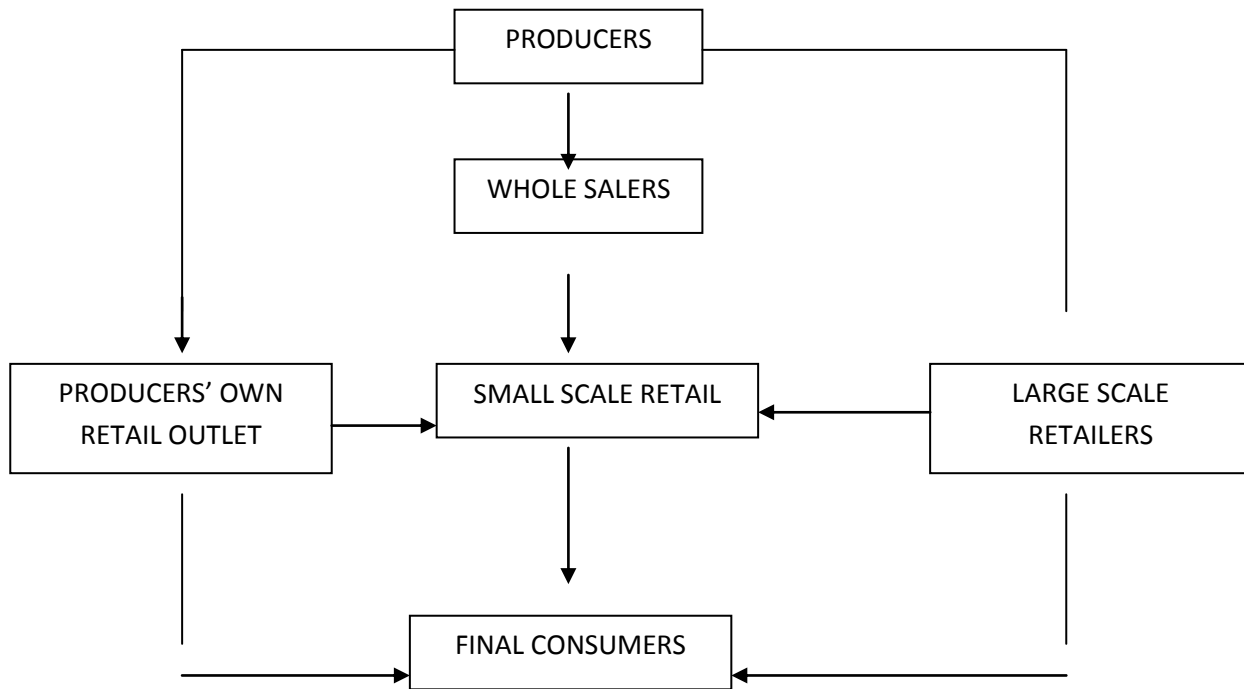
Examples of Business Associations in Uganda include;

1. Uganda National Farmers' Association (UNFA)
2. Uganda Private Midwives Association (UPMA)
3. Uganda Taxi Operators and Drivers' Association (UTODA)
4. Kampala City Traders' Association (KACITA)
5. Uganda National Teachers' Union (UNATU)

**TRADING BUSINESSS**

These are businesses whose operations mainly involve buying and selling of physical goods or services e.g. wholesalers and retailers such as shops, supermarkets as well as departmental and chain stores.

## **CHANNELS OF DISTRIBUTION IN TRADING BUSINESS**



## **TYPES OF TRADING BUSINESS**

There are two main types i.e.

- (a) Retail trading businesses
- (b) Wholesaling

**Retail trading businesses** are businesses which sell their goods to final consumers in small quantities. They stock very many types of goods that are commonly needed by their customers.

**Wholesale trading businesses** are business which sell their products in large quantities. They normally specialize in few produces and their customers are mainly retail traders.

## **BENEFITS OF TRADING BUSINESSES**

### **(A) TO THE OWNERS AND THEIR FAMILIES**

- It is a source of income to them.
- It is a source of employment to family members.
- It improves the owner and his/her family's standard of living.
- They provide market to the products of other businesses.

### **(B) TO THE CUSTOMERS**

- They bring goods nearer to the customers.
- They stock a variety of goods which enables customers to make a choice.
- They sell goods to customers in affordable quantities.
- They store goods and enable customers to collect them anytime.
- They advise some customers on how some goods are used and handled.
- They offer discounts to regular customers in form of reduced prices
- Customers get after sale services e.g. wrapping of goods, packaging, etc.
- Customers are assisted in choice selection especially or far as colours and designs are concerned
- They make consumers aware of the goods that are on the market through publicity and advertising.

### **(C) TO THE GOVERNMENT / LOCAL COMMUNITY**

- They provide government with revenue through payment of taxes imposed on traders during registration and acquiring license.
- They provide employment to the local people.
- Areas where they are located develop rapidly.
- They improve people's standards of living through provision of quality goods and services requires by people.
- They bring about improvement in infrastructure where they are located e.g. A well development transport network.
- They provide on-job training hence equip skills in people in an area.

### **CHALLENGES OF TRADING BUSINESSES IN UGANDA**

Most businesses in Uganda almost face the same challenges are among them include the following;

- Undeveloped transport and communication facilities
- Under unfavourable government policy e.g. high taxes imposed on them.
- Shortage of skilled labour
- Limited competition
- Bad debts
- Ever changing tastes and preferences
- Limited capital
- Price fluctuation
- High cost of production
- Political instability and insecurity in some parts of the country

- Limited access to credit facilities

## **EXPLORING THE ENVIRONMENT FOR BUSINESS OPPORTUNITIES**

A business environment refers to the social and economic activities surrounding a business which enable it to survive and carry out its functions successfully.

### **ELEMENTS / COMPONENTS OF A BUSINESS ENVIRONMENT**

These include;

1. The population of the area
2. Other businesses operating in the area (competitors)
3. The government
4. The infrastructure (roads, electricity, water and buildings)

### **BUSINESS OPPORTUNITIES**

A business opportunity is an identified situation or chance that can be turned into real and a profitable business.

It is an attractive investment idea that provides the possibility of a monetary return for the person taking the risk.

## **CHARACTERISTICS OF A GOOD BUSINESS OPPORTUNITY**

1. Reasonable return on investment / profitable / viable. It should yield reasonable amount of profits to the entrepreneurs.
2. Reasonable ease of entry into the market. There should be no entry barriers or limitation to penetrate into the market.
3. Good income potential: it should give sufficient income to support oneself in a reasonable lifestyle.
4. Low or modest start-up costs. It should require low capital investment when starting it.
5. Good growth potential: It should be able to survive for a long time where generating sufficient income for the owners.
6. Sizeable market gap / sufficient demand. The people should be in need, able and willing to buy the products of the business.
7. Related to one's skills and experiences e.g. A teacher should set up a school while a Doctor should set up a clinic.
8. Property timed: It should be properly times (timely) to capture a wider market.

## **QUALITIES OF A GOOD / AN ATTRACTIVE BUSINESS OPPORTUNITY**

Not all business opportunities can be turned into businesses. Some are viable and others are not. For a business opportunity to be viable it should possess the following qualities.

1. Sufficient demand:

The products and services should have sufficient demand to enable the entrepreneur maximize production.

2. Affordability:

The products and services should be affordable i.e. the customers should be in position to buy them.

3. Competitiveness

The business should be in position to compete favourably with the existing ones in terms of price, quality, quality, etc.

4. Profitability:

The business should generate maximum returns on investment i.e. yielding high profits.

5. Availability of resources

The raw materials, capital, equipment, labour, land, etc should be ready available to start the business.

6. Entrepreneurial skills

The entrepreneur should have an understanding of the running of the business and the necessary skills and attitude to manage it.

7. Legality

A good business opportunity should be legally acceptable.

8. Socially acceptable

A good business opportunity should be accepted by the community in which it is to be set up.



## **MARKET SURVEY**

This is the process of collecting and analyzing marketing opportunities and identifying possible problems in order to make decisions whether or not to start or expand a business enterprise.

A market survey involves spotting a good business opportunity and assessing its strengths, weakness, opportunities and threats.

A market is where sellers and buyers come into contact either directly or indirectly for the purpose of ..... and services.

## **IMPORT OF CONDUCTING A MARKET SURVEY / MARKET RESEARCH**

1. To know whether there are enough customers willing to buy the products on regular basis.
2. To establish the location of the target customers.
3. To forecast the level of customer's demand in future.
4. To establish the income levels of the target customers.
5. To determine the market gap of the unsatisfied customers.
6. To establish the suitable distribution channel for the business.
7. To determine the strengths and weaknesses of the existing competitors.
8. To determine the effective marketing strategies for the business
9. To find out what the customers' needs are.
10. To find out where and when the customers need the goods and services
11. To establish the best way of pricing the products

12. To determine the market share of the entrepreneur
13. to establish who the business competitors are, their strengths and weakness
14. To ensure production of quality goods and services that satisfy the customers' needs.

### **PREPARATION FOR CONDUCTING A MARKET SURVEY**

Before conducting a market survey, you need to find out the following information.

1. The source of information i.e. where to obtain the information required.
2. The amount of time required for the survey
3. The amount of money required
4. The methods you will use to gather the information
5. The tools required to gather the information
6. How you will interpret the acquired information

### **METHODS OF COLLECTING INFORMATION IN A MARKET SURVEY.**

#### **1. Interview**

Interviewing is like a conversation with people where you ask them for information or their opinion

#### **2. Observation**

You can collect information by watching, listening and studying how things work in the areas you are interested in. as you observe, you write down your findings for careful study.

#### **3. Questionnaires**

A questionnaire is a document with a list of questions where you ask people to complete with or without your assistance.

#### **4. Personal contacts**

You can conduct an informal survey by talking to your family and friends.

#### **5. Brainstorming**

It is a technique used to solve a problem by generating as business ideas as possible.

#### **6. Writing for information**

You can collect information by writing to different organizations and businesses requesting for particular information related to your business.

7. Through experimental method (sampling)
8. Through telephone survey
9. Through internet surfing
10. Through SWOT analysis
11. Through reading past records

### **SOURCES OF MARKET INFORMATION**

Market information can be got from the following sources.

1. Trade associations like UMA, UWEA, etc
2. Uganda National Chamber of Commerce and Industry
3. District Commercial Officer
4. Government agencies like Export Promotion Board, UIA, Ministry of Trade, Tourism and Industry, UBOS.
5. Publications such as Magazines, Newspapers, Books, etc

6. The community including friends, likely customers, suppliers, competitors, etc.
7. Regional private sector development centre.

### **STEPS TAKEN IN CONDUCTING MARKET SURVEY**

1. Identifying the problem i.e. identifying the specific information you need.
2. Planning the investigation
3. Collecting data
4. Organizing the data
5. Analysing the data and interpreting it
6. Drawing conclusions and giving recommendation

### **CHALLENGES / PROBLEMS ENCOUNTERED IN CARRYING OUT MARKET SURVEY**

1. Limited market data
2. Unpredictability of consumers' tastes and preferences
3. Every changing economic trends e.g. inflation
4. Inadequate transport and communication facilities
5. Undeveloped infrastructure
6. Insufficient funds
7. Limited skilled and trained labour force
8. Difficulty in getting correct information from some respondents.
9. Bad weather i.e. too much sunshine / heavy rainfall
10. Language differences
11. Stiff competition
12. Insecurity

13. Inaccurate data

### **CONTENTS OF A MARKET SURVEY GUIDE**

- Name of customer
- Age of customer
- Income levels of customers
- Product offered
- Unique features of production
- Sw of competitor
- Prices charged in market
- Prices offered by customer
- Promotional strategies
- Opportunities offered in the market
- Level of competition
- Marketing activities
- Market trends

### **POTENTIAL MARKET**

It refers to all buyers who are in need and are able to buy, but not yet willing to buy business products.

## **GOOD / REAL MARKET**

It refers to a market where there are many people who need, able and willing to buy the products of the business.

## **FACTORS FOR ASSESSING MARKET POTENTIAL OF A BUSINESS**

### 1. Demand for the product

This is the amount of the business products that the people are willing to buy at any given price. The higher the demand, the higher the potential market and the lower the demand the smaller the potential market.

### 2. Competition

The higher the level of competition, the lower the potential market. However the lesser the competition, the higher the potential market.

### 3. Prices of products

The more expensive products are, the lower the potential market and the lower the prices of products, the higher or large the potential market.

### 4. Substitutes

Absence of substitute goods lead to higher potential market. However presence of many substitute goods leads to a small potential market of products.

### 5. Income levels of customers

The higher the income levels of customers, the higher the potential market and the smaller the income levels of customers, the smaller the potential market.

### 6. The location of the business

A business which is strategically located near its target customer has high potential market. However a business which is located far away from customers has a low potential market.

7. Number of people, businesses and institutions operating from the target area.

The larger the number of business and institutions operating from the target area, the higher the potential market. The smaller the number of institution, the lower the potential market.

8. Government policies

The more favourable the government policies such as favourable hours of business, the higher the potential market. However for unfavourable government policies, the potential market is low.

### **MARKET ASSESSMENT**

It is the process of collecting and using market information in order to determine the market for the products of business.

It is the process through which an entrepreneur finds out how much market his/her products will have when they come into the market.

### **FACTORS TO BE CONSIDERED WHEN CONDUCTING A MARKET ASSESSMENT**

1. The target market for the products.

This refers to people, businesses or institutions the business intends to serve. When looking at the target group, the entrepreneur may wish to look at their age, income levels, education, etc.

2. The nature of the products to be produced and what the market wants.

The entrepreneur looks at the product variety, quality, design, features, brand name, packaging range of sizes, services, warranties and returns.

3. The competition and substitutes business' products will face and how this affects their market. High competition implies that few products shall be sold. Low competition implies that many products shall be sold.

4. The target market trends and their implications

Here the entrepreneur may wish to know how the market he intends to join has been behaving in the recent past.

5. The income levels of the target market.

This looks at whether the people the entrepreneur intends to serve are low income earners or high income earners.

6. Demand for the product

This looks at when the demand for the product is high or low.

7. The number of people, business and institutions operating from the target area.

This looks at whether there are many institutions in that area or there are few.

8. Government policies

This looks at whether the government policy in that area is favourable for business operations or unfavourable.



## **BUSINESS START-UP PROCESS**

Before starting any business, you must first generate different business ideas before selecting and implementing the best option.

The business startup process may involve the following steps.

1. Generating a business idea.
2. Spotting and selecting a business opportunity
3. Conducting a market survey
4. Selecting a legal form of business
5. Preparing a business plan
6. Sourcing of business funds
7. Selecting technology and machinery
8. Locating of business
9. Registering and licensing a business
10. Putting infrastructure for business in place
11. Commencing business operations

## **LEGAL FORM OF BUSINESS OWNERSHIP**

A legal form of business is one which is acceptable by law.

There are four legal forms of business ownership from which you can choose from i.e.

- (i) Sole proprietorship
- (ii) Partnership
- (iii) Joint stock companies
- (iv) Co-operatives

## **SOLE PROPRIETORSHIP**

It is legal form of business that is owned and managed by one person. He owns the business alone provides the capital needed to start the business and runs the business along although may be assured by family members and takes all the business profits and suffers losses alone.

## **CHARACTERISTICS OF SOLE PROPRIETORSHIP**

1. It is owned by one person who provides the initial capital.
2. The business and the owner are inseparable (no legal separation)
3. The owner suffers unlimited liability
4. The owner enjoys profits and suffers losses alone.
5. The owner is the sole decision maker i.e. discussions are easy to make.
6. It is easy to start since it requires little capital.
7. Management is easy
8. It is suited for micro and small businesses
9. The entrepreneur mostly employs family members.
10. Capital is contributed by one person.

## **ADVANTAGES OF SOLE PROPRIETORSHIP**

1. It is easy to form. The owner needs little capital to start the business and very few processes to get started.
2. It is also easy to dissolve. If the owner feels he/she no longer needs to continue in business, he simply closes or changes it.
3. The owner enjoys all the profits alone
4. The sole proprietor is in full command of the business and is solely responsible for all business decisions and most of the work.
5. The sole proprietor enjoys top secrecy. The secrets of the business can be kept from the public and other competitors
6. The business is flexible i.e. he can change it from one line of business to another.
7. Decision making and implementation is easy and faster. This is because the owner has no one to consult.
8. The sole trader is in direct contact with his customers therefore he gives them personal attention and caters for their personal complaints.
9. It is easy to manage since it does not require many skills like financial management skills.
10. There is close supervision i.e. A sole trader supervises his business closely and has direct contact with all employees.
11. This type of business can be set up anywhere even in remote areas.

## **LIMITATIONS / DISADVANTAGES OF SOLE PROPRIETORSHIP**

1. The sole trader has a problem of limited finance / resources / capital. This is because he/she depends on his own resources to finance the business.
2. The sole trader depends on himself to run the business but he may have limited technical expertise.
3. A sole proprietor suffers unlimited liability. This means that the losses of the business will have to be paid from his private property.
4. There is lack of business continuity. When the owner dies, the business closes down.
5. The business may not be in position to carry out research due to lack of enough capital.
6. The business owner may be overworked since he is alone and in case of sickness, the business may stall.
7. He suffers losses alone since he is alone.
8. He may not easily borrow or access credit facilities from financial institutions due to small size of collateral security.
9. Decision made by the sole trader alone may lead to mistakes due to lack of consultations.
10. The business does not enjoy advantages of large scale production e.g. quantity discounts since it operates on a very small scale.

## **OBJECTIVES OF BUSINESS ASSOCIATIONS**

The objectives vary from association to association.

However, the common ones include;

1. To secure or access local and foreign market for their member's produce.
2. To get raw materials for their members' business at low prices.
3. To access and provide training facilities for their members.
4. To assist their members to get better production technology.
5. To assist member to get financial and technical support from banks and other business support institutions and government.
6. To support individual members in times of need e.g. Death, sickness, marriage.
7. To develop and spread improved and better production and management system among members.
8. To speak to the government on behalf of their members for a better environment that is conducive for a business operation e.g. fair tax policies.

### **SERVICES RENDERED BY BUSINESS ASSOCIATIONS**

1. They provide information on market opportunities and trends.
2. They secure and negotiate local or foreign market for the members' produce.
3. They look for cheaper raw materials for the members' businesses.
4. They identify appropriate and better production technology for their businesses.
5. They provide training programmes for members of staff.
6. They assist members to get financial and technical support services from financial institutions and other bodies.

7. They speak to the government on behalf of their members for a conducive environment suitable for business operations.

## **AGRIBUSINESS IN UGANDA**

Uganda is an Agricultural country with almost 85% of the population earning their living directly or indirectly through Agriculture.

Agribusinesses are those businesses whose operations involve production and selling of Agricultural products for a profit.

## **COMMON TYPES OF AGRI-BUSINESSES IN UGANDA**

These include;

### **1. CROP PRODUCTION**

These are engaged in the production and selling of crops like bananas, coffee, cotton, etc. the business may be carried out on a large scale like tea and sugarcane and then growing and selling of crops on a small scale.

### **2. LIVESTOCK PRODUCTION**

These businesses are engaged in the rearing and selling of different animals for meat, beef, or their products like milk, hides and skins, etc. The common animals kept in Uganda are cattle, sheep, goats, pigs, rabbits, etc.

### **3. POULTRY KEEPING**

Here, the business rears and sells different types of birds for their meat, feathers, eggs, etc. The common birds kept in Uganda include chicken, ducks, turkeys, pigeons, guinea, fowls, etc.

#### **4. APICULTURE**

This involves keeping of bees for wax and honey.

#### **5. AQUACULTURE**

This involves keeping for fish, crocodiles, etc

#### **6. FLORICULTURE**

This involves growing of flowers.

#### **7. HORTICULTURE**

This involves growing of vegetables.

#### **8. ORCHARD FARMING**

This involves the growing of fruits.

### **IMPORTANCES OF AGRI-BUSINESSES**

1. They provide food which is needed for the people's survival.
2. They provide employment opportunities to very many people.
3. They pay taxes to the government which increased government revenue.
4. They contribute to community development by making voluntary contribution or services.
5. They act as a market to the products of other businesses e.g. hoes, pangas, etc.
6. They make use of some wastes e.g. coffee husks, rubbish which would otherwise pollute the environment.
7. They provide raw materials to Agro-based industries e.g. NYTIL

## **CHALLENGES FACED BY AGRIBUSINESSES**

- Natural hazards like unreliable rainfalls.
- Pests and diseases which attach crops and animals respectively.
- Limited market for agricultural products
- Low prices for Agricultural products
- Infertile soils hence poor yields.
- Poor land tenure system.
- The business is seasonal hence leaves many farmers out of the business for some time
- Inadequate storage facilities
- Stiff competition
- Political instability and insecurity in some parts of the country.
- Undeveloped transport network.
- Limited capital hence making it difficult.
- Limited access to credit facilities
- Inadequate skilled manpower
- High population growth hence no land for agriculture
- Unfavourable government policies e.g. High taxes on Agriculture inputs and products

Qn:

- 1a. Explain the challenges to Agribusiness in your country.
- b. Outline 5 requirements of Agribusinesses.

## **POSSIBLE MEASURES TO OVERCOME THE CHALLENGES IN AGRI-BUSINESSES**



1. By carrying out market survey to ensure that the products have a market at profitable prices.
2. By employing modern farming methods that help them improve and increase output, maintain soil fertility and control pests and diseases.
3. By studying weather patterns and acting according e.g. harvest during dry season and plant during rainy season.
4. By employing agricultural extension services to give up to date information e.g. Advice on control of pests and diseases.
5. By getting information on market changes and trends to make sure that they produce products on demand i.e. those that are desired by people at a particular time.
6. By carrying out irrigation or planting fast maturing crop varieties which don't require a lot of water to grow and mature before the rains run out.
7. By keeping good relationship with farm input suppliers, workers and financiers to make sure that the businesses are not interrupted unnecessarily.
8. By being an active member of any of the business association like UNFA in order to get support whenever necessary.
9. By understanding what your competitors are doing and learn from their experiences in order to outcompete them.
10. By setting up agricultural cooperatives for farmers to bargain for increased prices.
11. By providing loans to farmers at low interest rates.

12. By organizing workshops and seminars for farmers to enable them acquire skills needed for farming.

## **MANUFACTURING BUSINESSES**

These are businesses which transform raw materials to make finished products which are significantly different from inputs (raw materials).

They do this by changing the form of inputs or adding value to them. E.g. using clay to produce pots.

### **TYPES OF MANUFACTURING BUSINESSES**

The common types are;

1. Agro-processing industries

These are industries which use agricultural products to make different products.

2. Beverage manufacturing businesses

These concentrate on the manufacturing of drinks such as soft drinks, alcoholic drinks etc.

3. Metal fabrication businesses

These use different types of metals to make products like windows, doors, tables, etc. Examples include Uganda Baati, Roofings Uganda Ltd, GM Tumpeco, Tembo steel Mills – Lugazi.

4. Chemical Manufacturing business

These produce various products from a mixture of chemicals e.g. Uganda Oxygen Ltd.

5. Plastic Manufacturing business

These produce plastic products such as plastic cups, cans e.g. Nice House of Plastics.

#### 6. Textile Manufacturing business

These produce clothes out of silk, cotton, etc. NYTIL at Jinja, Tri-Star (U) Ltd.

#### 7. Extractive Manufacturing business.

These are businesses which extract different raw materials to produce items e.g. The defunct Kilembe Mines Ltd at Kasese.

#### 8. Carpentry and joinery which involve making of furniture for sale and construction work.

### **IMPORTANCES / BENEFITS OF MANUFACTURING BUSINESS**

1. They produce goods to the people at affordable prices compared to imported goods.
2. They add value to local raw materials and products e.g. cotton which is turned into cloth.
3. Some recycle products in order to produce other products e.g. scrap metals.
4. Some manufacturing businesses produce for export. This helps a country to earn foreign exchange.
5. They provide market for local produce and raw materials e.g. Simsim, Vanilla, Cotton etc.
6. They contribute to community development programmes by making donations, building roads, health centres, etc.
7. They pay taxes to government which is used to provide social services to the people.

8. They are a source of income to their owners hence increased standards of living.
9. They provide employment opportunities to the community where they are located.

### **CHALLENGES FACED BY MANUFACTURING BUSINESSES**

- Limited financial resources / funds.
- Inappropriate technology used in production
- Existence of a small / narrow market
- High rates of competition from imported products
- Unpredictability of consumer's behaviours (tastes and preferences)
- Shortage of land for expansion due to over population.
- Unfair tax system
- Production of poor quality products
- Managing risks e.g. fire outbreak, theft
- Inadequate storage facilities
- Undeveloped infrastructure e.g. poor state of roads.
- Inadequate and unreliable sources of raw materials.
- Price fluctuations
- Limited access to credit facilities.

### **MEASURES THAT SHOULD BE UNDERTAKEN TO OVERCOME THE CHALLENGES ABOVE.**

- By seeking for bank loans from financial institutions

- By carrying out intensive advertisement
- By ensuring production of quality products
- By recruiting skilled and experienced workers to guarantee quality output.
- By constructing more and improving on the existing infrastructure
- By acquiring firefighting equipment such as fire extinguishers.
- By carrying out market survey to know what customers want, when and at how much.
- By joining the UMA and various entrepreneurial organizations in order to get support whenever necessary.
- By taking insurance cover against possible risks like fire, theft, accidents in transit.
- By requesting government for tax incentives / holiday
- By acquiring and using high quality machines to produce high quality output.
- By getting involved in Agriculture i.e. growing their own raw materials to overcome shortage of raw materials.
- By putting in place proper storage facilities and inventory management.
- By looking for market abroad. This is done by exporting some products.
- By ensuring efficient staff motivation
- By training of staff to equip workers with the required skills.

Ex:

Why are there few manufacturing businesses in your country?  
services, etc

4. Entertainment

Entrepreneurs provide entertainment services like discos, theatres, cinemas, sports, swimming and dance.

5. Foods and drinks

In this area, entrepreneurs establish restaurants, bars, hotels, etc.

6. Tourism

Here entrepreneurs set up tours and travel at camping sites, beaches, hotels, lodgets, etc.

7. Utilities

Entrepreneurs provide telephone services, insurance, water and sewerage services, electricity, etc.

8. Financial services

In this field, entrepreneurs set up banks like microfinance institutions.

9. Beautification

In this type, entrepreneurs set up saloons, barber shops, bridal agencies, etc.

10. Technical services

In this field, entrepreneurs establish motor garage, electrical service repair centres, and TV repair service centres, etc.

## 11. Security services

Because of privatization, many private security organizations were established in Uganda.

### **BENEFITS / IMPORTANCES OF SERVICE BUSINESSES**

- They provide employment to their neighbours, families hence improving their standards of living.
- They support the operations of other businesses which help to improve their productivity by providing them with communication facilities, transport, etc.
- Service businesses like transport and communication help to open up and develop different parts of the country. By doing so, other businesses can be established in those areas.
- Service businesses provide services that satisfy the needs of other customers e.g. haircuts.
- They help in communication e.g. telephone, radios and TVs. By doing this, information is passed from one person to another quickly.
- Service businesses like financial institutions provide financial services which are vital for operation of other business e.g. By providing them safe custody of their money, deposit service, trade facilities, money transfer.
- Healthy services keep people healthy which increase their productivity and life expectancy.

- Security services enable businesses to operate in a conducive and secure atmosphere.
- Tourism service businesses make it possible for tourists to visit Uganda hence helping her to earn foreign exchange.
- Service businesses pay taxes to government which it uses to finance its development programmes like building schools, hospitals, roads that benefit the people.
- Service businesses make contributions towards the community development programmes e.g. sports and games, health services, etc.
- Education services impart knowledge and skills and help produce skilled and more productive manpower for other businesses.

## **CHALLENGES OF SERVICE BUSINESSES**

Service businesses also face the same challenges just like those of Agribusinesses and Manufacturing businesses. These include

1. They face a challenge of maintaining high quality services.
2. They face a challenge on Motivation inputs and this reduces the profitability of the business.
3. They face a challenge of retaining staff which at times depends on motivation.
4. They face a problem of bad debts since some customers take credit and fail to pay.
5. Competition from other service businesses and this reduces the market size.



6. Insufficient / inadequate finance.
7. Unskilled labour
8. Undeveloped infrastructure
9. High takes

## **HOW TO OVERCOME THESE CHALLENGES**

1. By not giving credit facilities to untrustworthy customers or minimizing credit services.
2. By motivating the workers to ensure that they render high quality services.
3. By employing trustworthy workers to work in the businesses thus avoiding misuse of business funds.
4. By treating the workers well e.g. paying them promptly, assuring them of job security, involving them in decision making. This will keep the workers satisfied.
5. By avoiding the use of expensive inputs in the business hence maintaining business profits.
6. By providing the workers with good working conditions so that they can render high quality services e.g. meals at the work place, giving them uniforms and other necessary equipments.
7. By conducting thorough market survey before they start their businesses.
8. By treating their staff very well e.g. paying them well.
9. By providing staff with good working conditions or an enabling environment.

## **PARTNERSHIP**

It is a legal form of business which exists between 2 or more persons who pool their resources and abilities in order to do a business jointly with the aim of making profits.

## **CHARACTERISITICS OF PARTNERSHIP**

1. It is characterized by two or more persons who come together to do business.
2. One or more partners may take an active part in the winning of the business and the other partners can take a dormant part in the running of the business.
3. The partnership deed must spell out how the partners have agreed to relate in course of doing business
4. It results from mutual agreement among partners
5. Each member is an agent of the firm
6. Each member has unlimited liability except in a limited partnership.
7. A partnership firm has no separate legal existence.
8. Major decisions are made by majority consent
9. Responsibilities, profits and losses are shared on agreed basis.

## **ADVANAGES OF PARTNERSHIP BUSINESS**

1. More capital is raised than in sole trade due to the pooled resources from many members.
2. Specialization is possible as each member takes up tasks for which he is best suited.
3. There is even distribution of work among the members hence less fatigue.
4. The absence of a partner may not affect the business unlike in sole proprietorship.
5. The burden of losses and liabilities are shared among partners unlike a sole trader who suffers alone.

6. Formation is fairly simple because there are fewer legal formalities unlike liability companies.
7. There is better combination of talents because of people with different skills which are pooled.
8. Issues are discussed by many people and decisions made are expected to be good.
9. New partners may be admitted for the expansion of the business.
10. There is limited liability in case of limited partnership.
11. Business accounts can be kept secret unlike public liability companies.
12. It is easier to borrow from financial institutions than for sole proprietorship of the large collateral security.

### **LIMITATIONS / DISADVANTAGES OF PARTNERSHIP BUSINESS**

1. There is unlimited liability in case of ordinary partners.
2. Decision making is slow because partners have to consult each other before passing a resolution.
3. Profits are shared which reduces the amount received by each member. Also problems of how to split the profits arises.
4. Death, insanity, bankruptcy or withdrawal of a key partner may lead to dissolution of a partnership.
5. Disagreements / misunderstandings are coming and this may slow down the progress of the business.
6. A misconduct / mistake made by one partner affects the entire business.

7. Chances of expansion are limited since members are restricted to twenty and fifty for professional firms.
8. Profits generated by hardworking partners are shared by all which discourages hard work.
9. Partnerships are not legal entities
10. They have no separate existence.

### **PARTNERSHIP DEED**

It is a written agreement among partners which spells out the terms and conditions under which the partnership business should be conducted.

### **CONTENTS / ELEMENTS OF A PARTNERSHIP DEED**

1. Name of the firm
2. Name, address and occupation of each partner
3. Status of each partner e.g. Active, Quash, General.
4. Purpose for which the firm is established.
5. Capital to be contributed by each partner
6. Rights of each partner e.g. interest on capital, drawing salary
7. Duties allocated to each partner
8. Profits and loss sharing ratios
9. Procedures to adopt at the dissolution of partnership
10. Duration of the partnership
11. Methods of calculating goodwill at the time of retirement, death or admission of a new partner.
12. The manner in which books of accounts should be kept.

13. Conditions under which the partnership shall be dissolved.

**CONDITIONS / CIRCUMSTANCES UNDER WHICH PARTNERSHIP MAY BE DISSOLVED / TERMINATED.**

Dissolution / termination of partnership means to bring a partnership business to an end.

1. In case the partnership is temporary
2. If a partner becomes insane, bankrupt or dies
3. In case the intended objectives have been achieved
4. In case of a notice, where a partner gives his intension or express his intension others to dissolve the partnership
5. If the partnership is illegal i.e. declared unlawful by the state
6. In case of expiry of the agreed period
7. In case of voluntary dissolution i.e. consent of all partners.
8. In case the partnership business is not making profits
9. In case there are misunderstandings or disagreements among the partners
10. In case of dissolution by courts of law due to persistent misconduct and violation of the partnership deed by a partner and where in the opinion of the court

**JOINT STOCK COMPANIES (LIMITED COMPANIES)**

It is a voluntary association of persons incorporated for the purpose of carrying out business together under the Companies Act.

Owners (shareholders). This business is run by directors who are appointed by the shareholders and act as agents of the business.

This can be private limited company or public limited company.  
It can be limited by shares or by guarantee.

A company limited by shares is one whose liability of its members is limited to the amount on the shares held by them.

A company limited by guarantee is where the company has no share capital but members guarantee to pay a fixed sum of money towards the liabilities of the company in the event of being wound up.

### **CHARACTERISTICS OF LIMITED COMPANIES**

- Voluntary association of persons who agree to combine resources.
- The business becomes an artificial person (legal entity)
- The business uses a common seal to transact its operations
- The business has a separate legal entity from the owners.
- Shares can be transferred from one shareholder to another.
- There is business continuity even if any of the shareholder dies, becomes insane or bankrupt
- The business has limited liability.

a) Private limited company is a business enterprise formed by 2-50 people who subscribe to its share capital thereby becoming its owners.

b) Public limited company is a business enterprise formed by 7-unlimited number of people who subscribe to its share capital thereby becoming its owners.

### **DIFFERENCES BETWEEN PRIVATE LIMITED COMPANY AND PUBLIC LIMITED COMPANY**

| PRIVATE LIMITED COMPANY                                                           | PUBLIC LIMITED COMPANY                                                                                    |
|-----------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|
| 1. Membership is between 2-50 persons                                             | 1. Membership is from 7 to unlimited (no maximum)                                                         |
| 2. Shares are only sold to members                                                | 2. They invite the public to buy shares from the company                                                  |
| 3. Shares are transferable after the consent of all the other members             | 3. Shares are freely transferable at the stock exchange market                                            |
| 4. Can start as soon as it acquires certificate of incorporation                  | 4. Can only start after receiving certificate of incorporation                                            |
| 5. Does not publish audited financial accounts                                    | 5. Publish audited accounts / financial matters to the public                                             |
| 6. Owners share direct control of the affairs of the company i.e. shareholders as | 6. Owners have no control over the affairs of the company i.e. shareholders are less active in management |
|                                                                                   | 7. Must have at least 2 directors who must retire at the age of 70                                        |



|                                                                                                                                                                                                                   |                                                                                                                                                      |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Managers</p> <p>7. Requires a minimum number of 1 director</p> <p>8. Government does not own shares</p> <p>9. Company name ends with Limited</p> <p>10. Limited capital is raised since shares are limited</p> | <p>8. Government owns shares</p> <p>9. Company never end with public Ltd company</p> <p>10. Much capital is raised since shares are not limited.</p> |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------|

### **ADVANTAGES OF PUBLIC LIMITED COMPANIES OVER PRIVATE LIMITED COMPANES**

1. Large capital can be raised for future expansion because membership is not limited.
2. Loan capital can be raised through the use of debentures to the public.
3. No restrictions on the transfer of shares
4. The public has confidence in public limited companies because they publish their books of accounts
5. Shareholders are safeguarded against fraud since public limited companies have to audit their books of accounts as a statutory requirement.
6. Public limited companies are normally larger than the private limited companies. They therefore enjoy benefits of large scale operation (economies of scale)

## **MAIN FEATURES OF JOIN STOCK / LIMITED COMPANIES**

1. Shareholders have limited liability i.e. the private property of the shareholders are not liable for the debts incurred by the company.
2. There is perpetual succession i.e. Business is not affected by death, insanity, bankruptcy of a company shareholder.
3. Has share capital which is divided into transferable shares except for private limited companies.
4. Business is a separate legal entity i.e a company can sue and can be sued.
5. Management control rests in a Board of Directors elected and answerable to the shareholders.
6. The business uses a common seal which is a signature of the company for signing documents in its operations.
7. Shareholders (members) cannot bind a company by their acts.

## **ADVANTAGES OF LIMITED LIABILITY COMPANIES**

1. Members enjoy limited liability. This means that losses do not affect the private property of the shareholders.
2. They have a large capital / financial base through the sale of shares to many people.
3. This business form has large scale operations which increases the prospects of making profits.

4. Shares are freely transferable from one shareholder to another. The person who wants to leave can sell his shares to another shareholder in case of public limited company.
5. There is assured business continuity even in case of death or inability of the shareholders
6. This form of business can hire skilled management to run the business on behalf of shareholders who opt to supervise it through the Board of Directors.
7. There is employment of specialists due to large capital. Also large sums of capital enable large scale production which results into economies of scale.
8. Employees may be allowed and encouraged to buy shares in the company giving them added incentives to work harder.
9. This form of business has greater chances of improving or expanding their capital through selling shares, debentures and borrowing from financial institution.

### **LIMITATIONS / DISADVANTAGES OF LIMITED LIABILITY COMPANIES**

1. Formation is difficult and costly. It requires long procedures such as Registration with the Registrar of Companies which requires several documents.
2. Decision making can be delayed (slow) due to many levels of management

3. There is lack of personal touch on the business by shareholders because they depend on hired labour and the Board of Directors.
4. This form of business is subjected to government regulation e.g. limited liability companies can only do the business they were set out to do, as is stated in the Memorandum and Articles of Association hence lack of flexibility.
5. The Directors may have their own interests that may conflict with the interests of the company especially those with shares who influence decisions.
6. There is minimal personal contact with customers yet personal relationship is very important for commercial purposes.
7. At times, public limited companies may over expand due to large scale operation hence suffer from diseconomies of scale.
8. Lack of secrecy or confidentiality due to publicity of certain documents including Annual accounts by the public limited liability companies.
9. Companies have to pay corporation taxes which reduces net profits and annual dividends to be shared by shareholders. This leads to double taxation.

## **FORMATION OF A COMPANY**

Formation of a company involves several documents i.e.

### **1. Memorandum of Association**

This is a document that defines the powers and limitations of the company.

Contents of the Memorandum of Association are;

- Name clause, states the name of the company
- Objective / Aim clause outlines purpose of which company is formed.
- Situation clauses, shows the registered office and address to which documents can be sent for contact.
- Capital clause shows the share capital the company wishes to raise.
- Liability clause, states that the liability of shareholders shall be limited to their capital
- Declaration clause, state the desires of the promoters to form themselves into a company

**2. Articles of Association**

Is a document that lays down the internal rules and regulation for management and organization of the company.

Contents of the Articles of Association are;

- The rights of shareholders and powers and duties of Director
- Method of calling and conducting General Meetings
- Rules governing appointment of Directors and Auditors, their qualification and payment
- Whether shares are transferrable and how
- The publishing and auditing of the books of accounts of the company

- How and when dividends are to be distributed
- How calls are to be made on shares
- How and when shares are to be forfeited (cancelled)
- Methods of dealing with any alterations of capital
- How and when dividends are to be distributed

3. Statement of Nominal capital of the company

4. A list of Directors

5. A statement signed by Directors stating that they agree to act as Directors and to pay for qualification shares if any.

6. A statutory declaration by a solicitor or chartered Accountant that the necessary requirements of Registration have been duly complied with. This declaration may be signed by the proposed company secretary or by one of the directors or promoters of the Company.

### **CERTIFICATE OF TRADING**

Is a document that allows the company to start business operations.

### **CERTIFICATE OF INCORPORATION**

It is a document that brings the company into existence as a separate legal entity and allows it to legally offer its shares to the public for sale.

## **PROSPECTUS**

Is an invitation or advertisement offering to the public for subscription or purchase of any shares.

It is a notice, circular or advertisement inviting the public to purchase the shares of the company.

## **CONTENTS OF THE PROSPECTUS**

- Number of shares fixed by Memorandum of Association.
- Name and Address of Directors and Managers.
- Minimum, subscription on which director can proceed to allotment of shares.
- Number of shares the company wants to issue
- The company's financial needs
- Voting and dividend rights of each class of shares

## **CO-OPERATIVES**

A co-operative society is a body of people who have agreed to work and co-operate with each other to attain a common objective.

## **CHARACTERISTICS OF CO-OPERATIVES**

1. Cooperatives have open and voluntary membership.
2. Members through selling and purchase of shares contribute capital
3. Shares are not freely transferable and are not quoted on a stock exchange.

4. They have a democratic administration with one vote regardless of the number of shares held.
5. Surplus is shared among the members according to their individual capital contribution amount sold or bought.
6. Education relevant to the needs of the members is provided.
7. Co-operatives are expected to be politically ..... with the religious beliefs.

### **PRICIPLES OF CO-OPERATIVES**

1. Open and voluntary membership. Membership is open to all people of adult age irrespective of their social, political, tribal, racial or religious differences.
2. Democratic Administration: Members elect the management democratically i.e. one man one vote.
3. Payment of dividends: The payment of dividends depends on the members participation towards the activities of the society e.g. According to the amount of sales a member makes with the society.
4. Limited interest on share capital: Interest is fixed at a rate laid down by the society's constitution. However return on investment is not usually given priority.
5. Co-operation with other co-operative societies at local, national and international levels.
6. Service Motto: Their concern is to improve the quality of life of the people of the community by rendering quality service.



7. Support for Education activities to members on co-operative affairs and successful business techniques.

## **TYPES OF CO-OPERATIVES**

1. Consumer co-operative societies:

These are associations of buyers who have the same consumer needs. They are set up to help members to get certain goods / services at reasonable prices compared to the market price.

2. Producer co-operative societies

These are associations of people who produce and market the same type of products. They are set up by producers to produce and market their goods and services at competitive prices.

3. Transport co-operative societies

These are formed to provide transport services to the public and members at reasonable prices.

4. Saving and Credit co-operative societies

These are formed to enable members to save their money and access financial services e.g. loans at reasonable interest rates so as to improve their welfare.

5. Housing co-operative societies

These are formed by persons whose purpose is to buy houses / homes.

6. Trade and craft co-operative societies

These are co-operative societies organized by people who are engaged in hand craft activities such as wood and stone carving and weaving.



## **ADVANTAGES OF CO-OPERATIVES**

1. It is easy to raise a relatively large sum of money start since membership is voluntary.
2. They enjoy limited liability i.e. personal property is not sold in case of debts.
3. The owners benefit through profits that are earned by the business. This enables them to live better standards.
4. The business is free to employ manager with relevant experience and qualification.
5. Members acquire goods / services at low prices / costs.
6. Members are protected and safeguarded from the exploitation of dishonest middlemen.
7. There is shared control in the business i.e. members can be allocated tasks to undertake in the business.
8. It encourages savings because members enjoy or acquire products at reduced prices.
9. Members acquire credit facilities at low interest rates which increased / raised their standards of living.

## **LIMITATION / FACTORS THAT MAY LIMIT THE CO-OPERATIVE DEVELOPMENT IN UGANDA**

1. Lack of skilled leaders i.e. some of these members have limited managerial / leadership skills. Since they are not full time

employees of the company. They give limited time to the administration of cooperatives.

2. Inadequate funds because of low incomes from members which in most cases are small and inadequate.
3. Inadequate management skills where members are not trained to act as small business managers.
4. Undeveloped transport and communication in most areas make their operations difficult.
5. Inadequate storage facilities for stock of their goods is a serious challenge.
6. Limited supply and range of goods and services offered to members.
7. Low commitment on the part of the members to the activities of the co-operation.
8. Ignorance by the majority of the members about running of the co-operative affects the conduct of the co-operative business.
9. Political interference and sabotage from some people in Authority hinders the smooth operation of co-operatives.
10. Insecurity in some parts of the country where the environment is un conducive for the smooth running of co-operative societies.
11. Fraud and embezzlement of funds by some people in top positions within the co-operative societies limits the chances of their success.

## **REGISTERING A BUSINESS**

It is a legal requirement for all businesses to register or be registered before starting business operations.

## **NEED / REASONS FOR REGISTERING A BUSINESS**

1. For business identity as a legal entity
2. For fulfillment of the legal requirement of running business
3. To be recognized and win government tenders.
4. To compete favourable with other business
5. To raise revenue for the government through license fees payments.
6. To access banking facilities since banks will have confidence with registered business.
7. To enable data collection is government possible in order to make informed decisions.
8. For planning purposes on the side of the government.

## **REQUIREMENTS FOR REGISTERING A BUSINESS**

1. Having a business name i.e. with physical, postal address and telephone number.
2. Payment of licensing and registration fees
3. Filling of application forms
4. Starting up a legal business

## **PROCEDURES / STEPS IN REGISTERING A BUSINESS**

1. The applicant, intending to register personally travels to the register of companies and presents all the relevant documents.
2. Payment of registration fees after filling application form is done.
3. Depositing of filled application forms to the records assistance / officer.
4. A search is conducted to confirm that there are no similar names of registered companies with other existing names.
5. The forms are placed to the register of companies for endorsement and approval.
6. If all documents are in order, the registrar of companies issues a certificate of incorporation which shows that the company has been registered.

## **SOURCES OF BUSINESS FUNDS.**

These include:

1. Equity funds

This is the money the owner invests in a business on his/her own.

2. Debt / credit fund

These are funds that are borrowed or a contribution of a business by an outsider who does not have ownership in the business.

3. Bank overdraft

This is a short term credit facility used to finance seasonal peaks or when there are low cash flows in the business. The business owner

is allowed to overdraw his account at the bank up to an agreed limit.

#### 4. Leasing

A banking or finance company buys an asset and makes it available to the business for a specific period in exchange for fixed regular rental or lease payment. The asset remains the property of the bank or finance company.

#### 5. Personal sources

A person can raise capital from his/her own savings or from the sale of personal property.

#### 6. Borrowing or loans

This involves obtaining money on credit from friends and financial institution for an agreed period of time and agreed interest rate.

#### 7. Trade credit / suppliers' credit

This is where the entrepreneur receives goods on credit from a supplier and makes payments for them later usually after selling.

#### 8. Gifts and offers from family members

The family can help to contribute towards the entrepreneurs' business capital in terms of money, fixed assets like land, buildings, vehicles, etc.

#### 9. Selling of shares

This is where the business like companies offer shares to the public who buy them. The money received by the company is then used as capital for the business.

#### 10. Fundraising grants and donations

An entrepreneur may carry out fundraising activities so that his/her well-wishers can give him/her money or contributions in kind to start the business.

#### 11. Retained profits

These are profits earned by a business but maintained in the business as working capital.

12. Through merging of firms which are almost at the same level of production.

### **BUSINESS LOCATION AND PREMISES**

Business location refers to the selling up of a particular business industry in a particular area.

### **FACTORS THAT AFFECT LOCATION OF A BUSINESS AND ITS PREMISES (FACTORS INFLUENCING LOCATION)**

The factors to consider when choosing business location and premises are;

#### 1. Nearness to market

It is important to be near to the market to save on transporting finished goods.

#### 2. Source / Availability of raw materials

Businesses should be located near sources of raw materials to reduce on the transport costs and the risks of raw materials that are perishable from getting spoilt.

#### 3. Accessibility to transport and communicate network

Business should be located along the roads to facilitate free movement of raw materials, products and customers all the time.



#### 4. Availability of premises to be purchased / leased

Business should be located next to affordable premises in terms of rent, purchasing or leasing.

#### 5. Availability of labour

Business should be located in an area with required skilled labour and where labour is cheap to reduce on labour costs.

#### 6. Government policy on location

Any business to be located in an area should ensure that it does so in line with the government policy. This may be done for reasons such as providing employment, balanced industrial growth in the country or protection of the natural environment.

#### 7. Availability of reliable power.

Business should be located in areas with reliable power supply for its operations to run the machines and for lighting.

#### 8. Availability of water supply.

Water plays an important role as a component and as a raw material in the production of some goods like soft drinks, beers, textiles, brick making, etc. such business should therefore be allocated near permanent sources of water.

#### 9. Security of the area

Many people prefer to locate their businesses in areas that are safe to life and property e.g. banks.

#### 10. Availability of business support services (Ancillary services)

Business support services such as banks, health centres, refreshments, sports are very important for any industry they make the smooth operation of the entire business process.

### 11. Room for expansion

The site acquired should be large enough to allow expansion if desired at a later stage.

### 12. Cost of land

Business should be located in rural areas as they are cheaper other than major towns (urban centres) which are expensive.

## **STARTING BUSINESS OPERATIONS**

Once the entrepreneur has completed the above business start up processes, he/she is now ready to start his/her business. He/she may commence operations as follows;

1. Mobilizing and lining up the necessary funds
2. Securing and cleaning the business premises
3. Procuring the necessary stock of goods to be sold
4. Stocking the shop and opening for business
5. Acquiring bank accounts and arranging the books of accounts.

## **BUSINESS PLAN PREPARATION**

A business plan is a written document that summarizes the operational and financial details of the proposed business.

It is a document which shows an entrepreneur what to do, how to do it and when to do it as drawn by the entrepreneur.

It is a management tool, which focuses on the nature of the business in a logical and organized manner.

## **STEPS INVOLVED IN PREPARING A BUSINESS PLAN**

These steps include

1. Selecting a business opportunity
2. Conducting market survey
3. Collecting data from the field
4. Analyzing the data collected from the survey
5. Drafting a business plan
6. Discussing the draft plan with experienced entrepreneurs
7. Finalizing the plan
8. Writing the plan
9. Implementing the plan by use of the Action Plan

## **COMPONENTS OF A BUSINESS PLAN**

There are basically seven (7) elements of a business plan which include;

1. General description of the business
2. Statement of missions, goals and objectives
3. Production plan
4. Marketing plan
5. Financial plan
6. Organization / management / administrative / human resource plan.
7. Action plan

### **1. GENERAL DESCRIPTION OF THE BUSINESS**

This is a summary statement of;

- The type of business being planned
- Which needs of the market it will seek to fulfill
- What makes the business to be different from other businesses
- The SWOT analysis of the proposed business

### **2. STATEMENT OF MISSIONS, GOALS AND OBJECTIVES**

(i) A Mission statement is a brief statement which indicates the purpose of the business.

To improve the income of the people by giving them loans at low interest rates.

To provide high quality products to our esteemed customers at friendly and affordable prices.

(ii) Goals are medium and long term aspirations that the entrepreneur wants the business to achieve based on his/her mission statement.

Example of a goal statement “To maximize profits”

Examples of goals in business are;

- To increase sales by 20% per month
- To increase profits by 10% of sales within 6 months
- To minimize / reduce operations costs by 50% within 6 months.
- To increase market share by 70% within 4 months

(iii) Objectives; these are specific targets that an entrepreneur sets, which will move him/her into the direction of achieving his/her goals.

Examples of objectives are;

- To increase sales by 20% per annum in 5years period.
- To improve plant productivity by 20% in one year.
- To increase profits by 15% in 2 years.
- To reduce operational costs by 10% in 3 years period.
- To open up retail outlets in different parts of the country in 2 years period.
- To train people in entrepreneurial skills in 2 years period.

### **3. MARKETING PLAN**

This is an analysis of the possible position and opportunities of the business being planned in the present market situation.

## **ELEMENTS / COMPONENTS / ASPECTS OF A MARKETING PLAN**

It covers the following areas;

- The target market. This looks at the customers whom the business intends to sell its products to.
- Products / services offered. This looks at what the business sells, its uniqueness and physical attributes.
- Position of competitors. These are major rival businesses engaged in the same line of operations, their strength and weaknesses.
- Pricing strategy; this looks at the process of calculating your costs, estimating the benefits to consumers and comparing your products, services and prices to other products that are similar.
- Sales and distribution plan; This looks at how the product is going to be distributed e.g. from manufacturers to consumer or Manufacturers to wholesaler to Retailer then to the final consumer.
- Means of promotion and Advertising: This looks at how you are going to send messages to your targeted audience and how you are going to increase sales volume e.g. Radio, Tv or free samples, coupons, display etc.
- Projected marketing expenses: This looks at the company to be incurred during the marketing process e.g. erecting signposts, brochures, business cards, fliers, banners, adverts, etc.

- Market size; This looks at the number of targeted customers the business expects to capture and serve.
- Projected sales volume: This is an estimate of the quantity of goods / services to sold off targeted customers.
- Plan for recruiting and motivating sales / Marketing staff in order to achieve the sales target. This looks at how sales persons are going to be recruited and how they shall be encouraged to achieve targets through proper motivation.

#### **4. PRODUCTION PLAN**

It is an analysis of the projected needs for producing / manufacturing of the proposed goods and services.

#### **COMPONENTS / ELEMENTS / FACTORS / ASPECTS OF A PRODUCTION PLAN**

These are;

- Business site and location. This is the place where production of goods and services is to take place.
- Production / Manufacturing process on how the business intends to produce or procure.
- Quantities estimates or volume of goods or services to be produced, purchased and for sale of customers.
- Plant capacities required in the short and long term to meet the market demand
- Choice of machinery and equipment to be used. This involves a group of machines and tools to be used in the production process.

- Choice of labour to be used. This looks at skilled, unskilled and semi-skilled labour force to be used.
- Choice of raw materials to be used. This looks the inputs used to produce goods and services.
- Choice of packaging materials to be used. This looks at materials like paper bags, polythene bags, boxes plastics, bales crates to be used to wrap and compress products to avoid spoilage, damage, contamination, etc.
- Transport facilities and means to be used. This looks at means of carriage to be used in the transportation of raw materials and finished goods.
- Power and utilities to be used. This looks at hydroelectric power, biogas, telephones or water to be used.
- Waste disposal management. This looks at measures to handle wastes from the production process such as polythene and how they can be properly disposed.
- Production overhead expenses to be incurred during production of purchase of raw materials, etc.
- Production standards and quality standards to be maintained so as to improve quality.
- Inventory control management. This involves establishing lead time, work in progress, finished products. It also looks at stock taking, stock valuation, stock counting and stock reconciliation.



## **5. FINANCIAL PLAN**

This is an analysis of the financial requirements of the proposed business.

### **COMPONENTS / ASPECTS / ELEMENTS OF A FIANNCIAL PLAN**

These include;

(i) Fixed capital

This is the sum of all the fixed assets of the business.

(ii) Working capital

This is the excess of total currents assets over total current liabilities.

(iii) Overhead expenses

These are costs incurred in the business startup process.

(iv) Sources of finance

These are avenues where the business it to get its incomes.

(v) Income statement

This is a financial statement prepared to establish and determine net profit or net loss of a business in a given period of time.

(vi) Balance sheet

This is a financial statement prepared to determine the financial position of a business as at a given date.

(vii) Cash flow statement

This is a monitoring tool used by an entrepreneur to establish how much and what sources the business is to derive its cash and how much is to be spent in a given period of time.

(viii) Breakeven analysis

This is a point where a business' total costs (TC) equals its Total Revenue (TR). At this point, the business does not make profits neither does it incur losses.

(ix) Sensitivity analysis

### FORMAT OF A FINANCIAL PLAN

| <div></div> <div><b>KAMIRA CLASSIC FURNITURE</b><br/><b>P.O BOX 24130</b><br/><b>SEETA – MUKONO</b><br/><b>TEL: 0772 604 020</b><br/>“Quality is Our Motto”<br/><b>FINANCIAL PLAN</b></div> |                      |                                |                              |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|--------------------------------|------------------------------|
| <b>PARTICULARS</b>                                                                                                                                                                                                                                                           | <b>QUANTI<br/>TY</b> | <b>UNIT<br/>COST<br/>(SHS)</b> | <b>TOTAL COSTS<br/>(SHS)</b> |
| <b>FIXED CAPITAL REQUIREMENT</b>                                                                                                                                                                                                                                             |                      |                                |                              |
| Acquisition of land                                                                                                                                                                                                                                                          | 1 acre               | 6,000,000                      | 29,000,000                   |
| Construction of buildings                                                                                                                                                                                                                                                    | 1                    | 9,000,000                      |                              |
| Purchase of machinery /<br>equipment                                                                                                                                                                                                                                         | 10<br>1              | 8,000,000<br>6,000,000         |                              |
| Purchase of motor vehicle                                                                                                                                                                                                                                                    |                      |                                |                              |
| <b>WORKING CAPITAL REQUIREMENT</b>                                                                                                                                                                                                                                           |                      |                                |                              |
| Raw materials                                                                                                                                                                                                                                                                |                      | 3,000,000                      | 5,600,000                    |
| Labour costs                                                                                                                                                                                                                                                                 |                      | 2,000,000                      |                              |
| Fuel                                                                                                                                                                                                                                                                         |                      | 500,000                        |                              |
| Utilities                                                                                                                                                                                                                                                                    |                      | 100,000                        |                              |

|                            |  |           |                   |
|----------------------------|--|-----------|-------------------|
| <b>START UP EXPERIECES</b> |  |           |                   |
| Rent                       |  | 500,000   |                   |
| Trade license              |  | 200,000   |                   |
| Market survey              |  | 150,000   |                   |
| Signposts                  |  | 150,000   | 1,000,000         |
| <b>SOURCES OF FUNDS</b>    |  |           |                   |
| Own savings                |  | 1,000,000 |                   |
| Loans                      |  | 2,000,000 |                   |
| Grants                     |  | 500,000   | 3,500,000         |
| <b>TOTAL</b>               |  |           | <b>39,100,000</b> |

## **6. ORGANISATION / MANAGEMENT / HUMAN RESOURCE / ADMINISTRATIVE PLAN**

This is the frame around which the people, the machines, the equipment and other physical parts of the plan are put together to have an operating business.

## **ELEMENTS / COMPONENTS / ASPECTS OF AN ORGANISATION PLAN**

These include;

1. The organizational chart / structure of the organization
2. The people working in the organization
3. Their positions / title of each worker
4. The skills and knowledge (qualification of each worker)
5. The duties and responsibilities of each worker
6. The basic salary or pay for each worker
7. The fringe benefits to be given to each worker

Qn: Explain the elements / components of an organization plan.

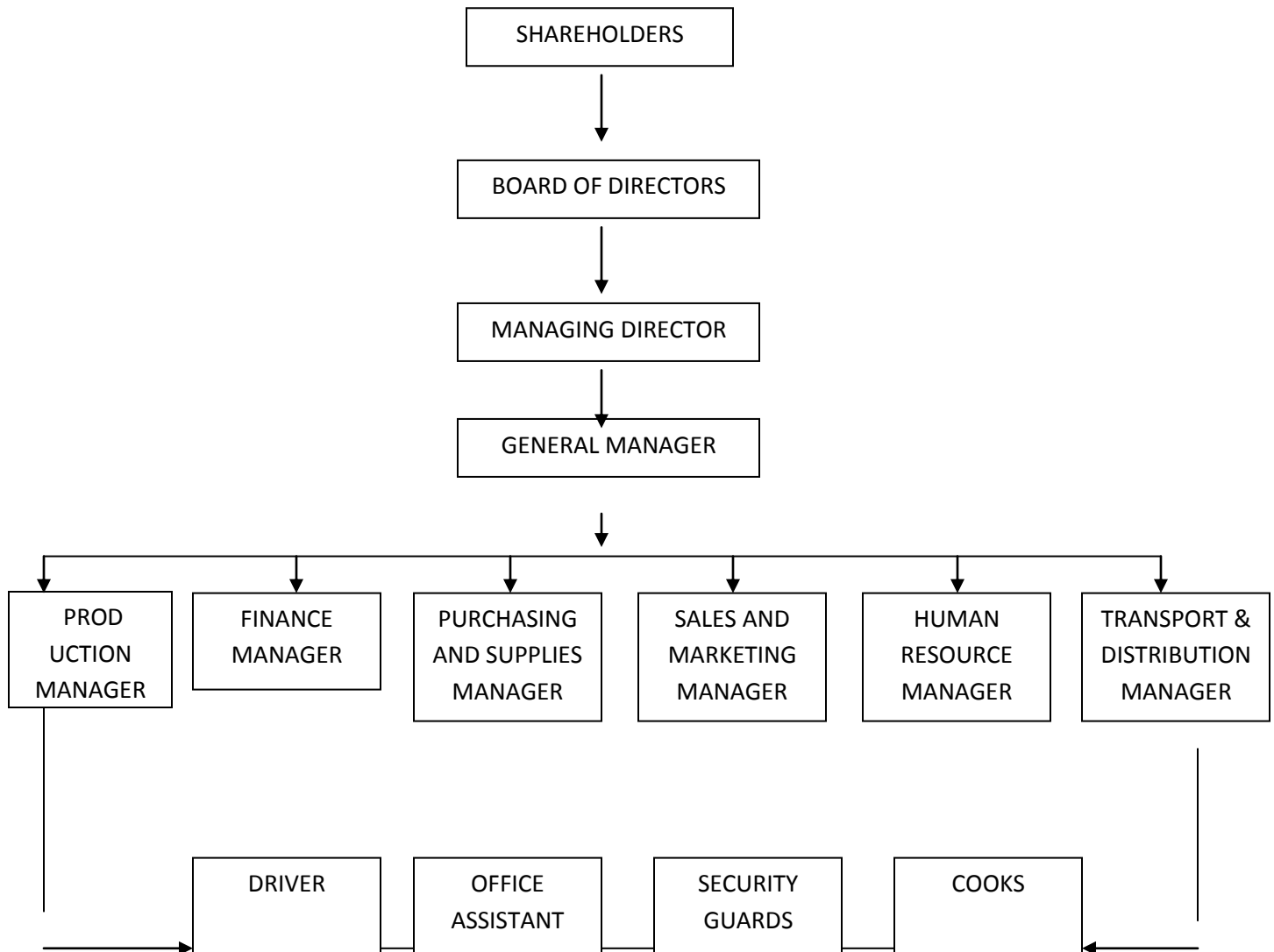
## ORGANISATIONAL CHART / STRUCTURE FOR

KAMPALA BAKERY LTD

P.O BOX 250,

SEETA – MUKONO

TEL: 0772 604020



## **7. ACTION PLAN**

It is a sequence of activities that acts as timetable / guide for the implementation of the planned business activities in order to achieve business goals and objectives.

It is a management tool that involves laying out a series of sequenced steps that enable an entrepreneur to implement planned activities of the business in a sequenced way so as to meet set goals.

### **ASPECTS TO ADDRESS IN BUSINESS IMPLIMENTATION PLANNING**

The components / elements of an Action plan are;

1. Activities to be done
2. Time frame
3. Business needed to carry out the activities
4. Person in charge of those activities
5. Indicators of success
6. Remarks / comments

### **USES OF AN ACTION PLAN**

1. It is used as a guide to help entrepreneurs remain focused when implementing business activities.
2. It is used as a time table for implementing the business activities.
3. It is used to get information on the progress towards the enterprise establishment.

4. It is used to locate sources of information and resources needed.
5. It helps to detect business barriers in advance so that appropriate steps can be taken to remove them.
6. It helps an entrepreneur to identify the SWOT of his business and compare them with those of his competitors.

### **FORMAT OF AN ACTION PLAN**

KAMIRA CLASSIC BAKERY

P.O BOX 231488

Seeta-Mukono

Tel: 0772 604060

**“Where quality is our Motto”**

### **ACTION PLAN**

| <b>ACTIVITY TO BE DONE</b>                       | <b>TIME FRAME</b> | <b>RESOURCE NEEDED</b> | <b>PERSON IN CHARGE</b> | <b>INDICATORS OF SUCCESS</b> | <b>REMARKS</b> |
|--------------------------------------------------|-------------------|------------------------|-------------------------|------------------------------|----------------|
| Formalizing formation of the business            | 2 weeks           | 100,000                | General Manager         | Certificates got             | -              |
| Carrying out preliminary survey of the product   | 3 weeks           | 250,000                | G/m                     | Survey guide filled          | -              |
| Carrying out market research and finalization of | 3 weeks           | 400,000                | Marketing Manager       | Survey guide filled          | -              |

|                                            |         |            |                    |                                            |   |
|--------------------------------------------|---------|------------|--------------------|--------------------------------------------|---|
| the business plan                          |         |            |                    |                                            |   |
| Sourcing of business fund                  | 1 week  | 10,000,000 | Finance manager    | Loan repayment schedule got                | - |
| Selection of business site                 | 4 days  | 100,000    | G/M                | Land title got                             | - |
| Securing machinery and tools               | 3 weeks | 2,000,000  | Purchasing manager | Receipts got                               | - |
| Installation of tools and machinery        | 4 weeks | 2,000,000  | Engineer           | -                                          | - |
| Recruiting of staff                        | 3 weeks | 500,000    | Human resource M.  | Interviews done                            | - |
| Application of utilities                   | 4 weeks | 1,500,000  | Production Officer | Electricity and H <sub>2</sub> O installed | - |
| Purchase of raw materials and other inputs | 2 weeks | 1,000,000  | Purchasing officer | Receipts got                               | - |
| Publicity                                  | 1 day   | 500,000    | Publicity office   | Customers present                          | - |
| Setting up and getting ready to start      | 1 day   | -          | -                  | -                                          | - |



|              |  |  |  |  |  |
|--------------|--|--|--|--|--|
| the business |  |  |  |  |  |
|--------------|--|--|--|--|--|

## **PROBLEMS FACED BY ENTREPRENEURS WHEN PREPARING BUSINESS PLANS**

These include:

- Inadequate finances for plan preparation
- Inadequate entrepreneurial skills in designing of the business plan
- Inadequate market information about the market trends
- Inadequate market research about the business plan
- Inadequate facilities like computers for use in preparation of the business plan
- Difficulty in getting the relevant work force
- Limited skilled labour to executive the business planning
- Ever changing market trends such as population size, income levels, etc.
- Opposition / resistance from some individuals and regulatory bodies like NEMA who may block the implementation process.
- Problem / challenge in choosing business location and site
- Failure to involve all stakeholders in the business planning process such as the local community
- Undeveloped infrastructure e.g. poor state of the roads, etc

## **FACTORS THAT MAY HINDER THE SUCCESSFUL IMPLIMENTATION OF THE BUSINESS PLAN**

These include;

1. Lack of completeness of the plan i.e. Missing out of some elements like financing plan or the marketing plan or production plan or Action plan.
2. Inconsistence in the business plan i.e. different components not being related for instance the financial budgets failing to match with the production and marketing activities hence cause scarcity of funds for implementation of planned activities.
3. Failure to involve business stakeholders like shareholders, workers, the community, etc. This causes resistance to the implementation of the planned activities hence failure.
4. Inadequate resources necessary for planning such as capital and labour. This leads to failure to carry out planned activities.
5. Underdeveloped infrastructures such as poor lands, power supply systems and financial institutions among other infrastructural problems. This increases costs of planned activities hence failure to carry them out.
6. Unrealistic action plan in terms of little time and resources allocated to various activities.
7. Person weaknesses of the entrepreneur on the part of monitoring the implementation of the business plan.

8. Threats like competition. This makes the business lose focus hence failing to carry out planned activities as it reacts to competitors.
9. Natural calamities such as drought can hinder supply of required materials or inputs.
10. Failure to adequately carry out market research leads to inaccurate data being used.

### **MANAGING A SMALL BUSINESS ENTREPRISE**

Management refers to the art of getting things done through people and proper utilization of business' resources like capital, raw materials and time. This enables the business to achieve its goals and objectives.

### **ROLE OF AN ENTREPRENEUR IN THE MANAGEMENT OF A SMALL ENTREPRISE**

#### **a. Decision Making**

Decision making is the process of making the best choice among other alternatives in order to achieve business goals and objectives.

#### **Role of an entrepreneur in decision making**

- i. Initiating and identifying business opportunities
- ii. Accessing and availing resources necessary for the identified opportunities like capital, human labour, etc.
- iii. Transporting and converting the business opportunities into an enterprise to produce goods and services to meet customer's needs.

- iv. Looking for new ideas for improving products to meet the changing needs, tastes and preferences of your customer.
  - v. Arranging for fresh financial and other resources to expand or improve the business products
  - vi. Holding meetings with project managers, research and development personnel.
- The entrepreneur also resolves conflicts among employees and solves differences with other businesses.
  - He also makes decisions when allocating the business resources
  - He also negotiates contracts with clients, suppliers

#### **b. Information processing**

- He constantly monitors and controls his environment.
- He studies and collects information concerning the enterprise such as changes in customer's tastes and preference as well as competitors behaviors and practices. This is usually done through personal contacts with customers, suppliers, competitors and financiers. Information can also be obtained from the media e.g. Newspapers, magazines, radios and television.

#### **c. Interpersonal relationships**

He maintains good interpersonal relationship by playing a role of a leader, network officer and figurehead.

##### **(i) Leadership role**

He should lead by example and should guide and direct others with respect, be committed and dedicated to the work.

(ii) Role as a Network officer

He has to maintain a network of outside contacts through regular communication and co-operation. This helps to assess the competitors of the business, social changes as well as changes in government rules and regulations. This can be achieved through occasional attendance of meetings, professional conferences, reading journals and reports, surfing the internet, etc.

(iii) Figure head roles

This involves attending to visitors and clients, signing legal documents, representing the enterprise at different forums, etc on behalf of the enterprise.

**NB:**

Internally, an entrepreneur as a figurehead has to attend to workers' gatherings like graduations, weddings, introduction ceremonies, funeral rites, etc. This leads to unity and commitment among the workers and it creates a good image of the entrepreneur to the outside world.

## **IMPORTANCE OF MANAGEMENT IN A SMALL ENTERPRISE**

1. Good management enables the entrepreneur to make maximum use of business resources so as to earn profits.
2. It enables the business to produce quality goods and services that can meet customers' needs and enables the business to make profits.
3. A small business that is well managed is in position to borrow funds from individuals and financial institutions.
4. It enables an entrepreneur to assign employees the right jobs as per their knowledge, experience, attitudes and interests.
5. It enables an entrepreneur to communicate to employees the business policies, procedures and objectives and strategies to be used to achieve the objectives.
6. Good management ensures that the working conditions of employees are conducive in terms of cleanliness, light, heat, ventilation, safety, space, furniture, etc.
7. It provides social support services to boost the employee's morale and dedication to service.
8. It provides psychological counseling to reduce stress and tension of employees at work as well as personal problems.
9. It provides fringe benefits in addition to salary such as Medical insurance, sick leaves, maternity leave, retirement and pension benefits and free education for workers.
10. It enables employees to participate in business affairs like how to improve the business performance. This builds commitment and dedication among employees to work hard.

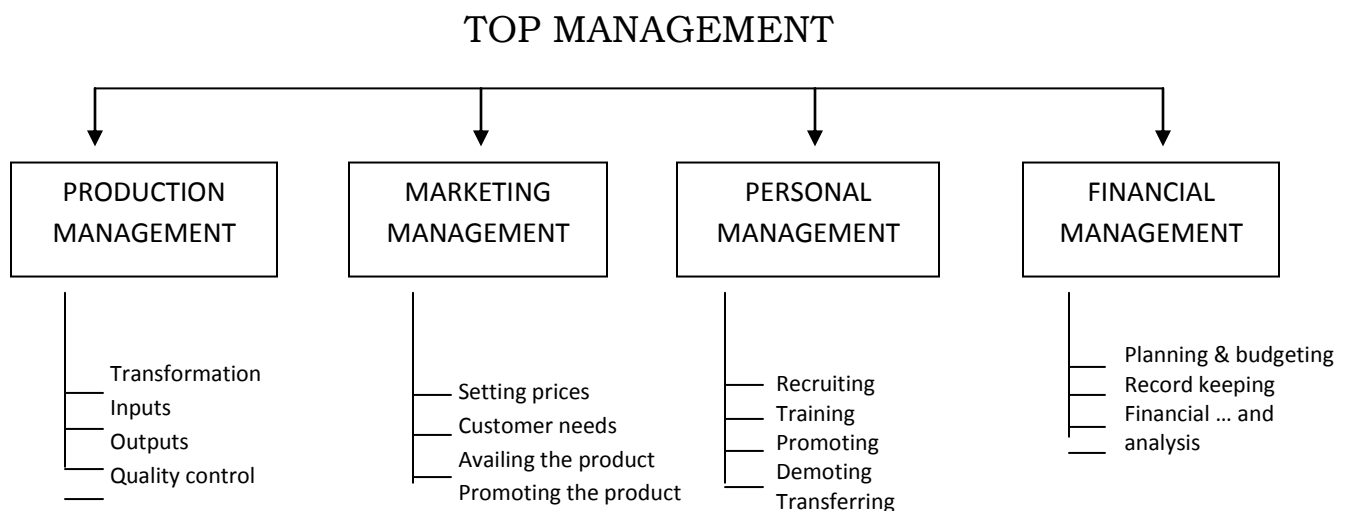
11. Good management enables the business to treat the customer as the KING/QUEEN and is always right and is the boss of the business.
12. It ensures correct advertising which does not mislead the customers.
13. Good management helps to maintain inter business relationship through fair trade practices like fair prices, good quality products, proper quantity of the product, good method of payment, quality services, etc.
14. It ensures that the business operates within the provision of the law and regulations of the state.
15. It ensures that environmental laws are respected through minimizing air pollution, noise pollution, etc.
16. It ensures proper and timely payment of taxes
17. It ensures provision of employment to its citizens
18. Good management ensures that the business contributes funds for public activities such as repairing hospitals, roads, schools, etc
19. It ensures provision of products and services needed by the community.
20. Good management provides business opportunities to the community members e.g. selling their products to the business or becoming agents, dealers or distributors of the business products.

## **MANAGEMENT TASKS**

A management task refers to activities organized in units for particular purposes. In a small enterprise, the management tasks include:

- i. Production management
- ii. Marketing management
- iii. Personnel management
- iv. Financial management

## **BUSINESS MANAGEMENT TASKS**



### **A. PRODUCTION MANAGEMENT**

This deals with planning and controlling production activities so as to meet the business' market plans.

Production activities include;

- (i) Acquiring inputs (land, capital, raw materials, human resource and information)



- (ii) Transforming inputs into outputs. Outputs are the products that have been processed from raw materials into finished or semi-finished goods.
- (iii) Production activities this begin from acquisition of inputs (factors of production) which have to be transformed, processed and converted into outputs (goods and services)

## **B. MARKETING MANAGEMENT**

Marketing management concentrates on meeting the customers' needs and drives the production function to ensure that it provides the required products in the desired quantities and quality.

The marketing functions include;

1. Providing the goods / services customers need
2. Setting prices that customers are willing to pay but are profitable to the business.
3. Getting business goods or services within the customer's reach
4. Informing and persuading customers to buy the products
5. Find out the customer's needs, products, their quantities, prices and delivery schedules and guiding the production department to produce them.

## **C. PERSONNEL / HUMAN RESOURCE MANAGEMENT**

It is the managing of people, and getting them to do all activities requested in an enterprise. Human resource / personnel management is the most significant because it is people that provide the brains that drive the business.

Personnel management mainly deals with;

- (i) Determining the need for additional staff.

- (ii) Recruitment of people in terms of numbers and types of skills required for better business performance
- (iii) Focusing business efforts on most likely sources of supply to reduce the total costs of hiring and training personnel
- (iv) Provision or replacement of employees from either inside or outside the enterprise whenever need arises either on a temporary or permanent basis. This therefore facilitates business activities to be carried out throughout.
- (v) Motivating staff.
- (vi) Carrying out staff appraisal for appropriate action
- (vii) Terminating the services of staff that are no longer needed, in form of retiring.

#### **D. FINANCIAL MANAGEMENT**

It involves the routine activities, which are performed within the enterprise to ensure availability and efficient use of funds.

Examples of routine functions of financial management include;

- (i) Supervising daily cash receipts and expenditures
- (ii) Baking of surplus cash balance.
- (iii) Setting debts of suppliers of goods / services on time
- (iv) Record keeping
- (v) Budgeting

## **MANAGEMENT FUNCTIONS**

In a small enterprise, management also carries out special activities designed as functions. The basic management functions in a small enterprise are;

### **1. Planning**

This is a management task which involves the establishment of goals and objectives of a business. It also determines the ways in which the goals and objectives will be achieved.

#### **Importance of planning**

- It gives an entrepreneur direction and course of action.
- It enables him to allocate time frame for different activities.
- It enables the entrepreneur to make maximum utilization of resources
- It helps the entrepreneur to set and achieve goals

### **2. Organizing**

It refers to identification of what activities are to be done, grouping those activities into sections / delegating

### **3. Staffing**

This involves the process of recruiting, training, developing, compensating and evaluating employees who do the identified tasks.

### **4. Leading**

This involves motivating and guiding employees about the procedures and methods of work in the organization. An entrepreneur should lead through open communication, should

lead by example and should motivate through staff appreciation of what is done by word of mouth.

## **5. Controlling**

This deals with monitoring goods purchased and sold, money received and paid out, stock and other property of the business.

## **6. Communication**

It is the process of passing information from one person to another. Through communication, an entrepreneur transmits and shares ideas, opinions, facts and information to his/her suppliers, workers and customers for successful performance.

## **7. Motivation**

It is the process of encouraging people to give their best towards achievement of desired goals of an enterprise. It is a psychological process through which entrepreneurs get employees to willingly pursue business objectives.

## **8. Budgeting**

A budget is a document showing expected income and expenditure of an enterprise.

It is a detailed plan expressed in financial terms. The process of preparing a budget is referred to as Budgeting.

A budget may be made up of a;

### **BENEFITS OF BUDGETING**

- It provides managers with a way to cost their plans and see their financial implication
- It provides specific goals and objectives that serve a yardstick for evaluating performance

- It reveals the potential problems before they occur
- It co-ordinates the activities of the entire business by integrating the plans and objectives of various department
- It ensures that cash is available for efficient running of the business.
- It acts as a yardstick for comparison of performance.
- It provides clear objectives for managers and supervisors
- It motivates executives / employees to attain given goals
- It acts as a method of communication
- It increases production efficiency, eliminates wastes and minimizes costs.
- It coordinates the Activities of various department
- It compel manager to think ahead
- Show excess / surplus cash balance so that the excess is re-invested.
- It establishes a sound base for credit
- It shows whether capital expenditure may be financed internally.
- It establishes a sound base for control over cash position.
- It assists in delegation of Authority.