



Ministry of Education and
Sports

HOME-STUDY LEARNING

SENIOR
6

ENTREPRENEURSHIP

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This material has been developed as a home-study intervention for schools during the lockdown caused by the COVID-19 pandemic to support continuity of learning.

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SELF-STUDY LEARNING

FOREWORD

Following the outbreak of the COVID-19 pandemic, government of Uganda closed all schools and other educational institutions to minimize the spread of the coronavirus. This has affected more than 36,314 primary schools, 3129 secondary schools, 430,778 teachers and 12,777,390 learners.

The COVID-19 outbreak and subsequent closure of all has had drastically impacted on learning especially curriculum coverage, loss of interest in education and learner readiness in case schools open. This could result in massive rates of learner dropouts due to unwanted pregnancies and lack of school fees among others.

To mitigate the impact of the pandemic on the education system in Uganda, the Ministry of Education and Sports (MoES) constituted a Sector Response Taskforce (SRT) to strengthen the sector's preparedness and response measures. The SRT and National Curriculum Development Centre developed print home-study materials, radio and television scripts for some selected subjects for all learners from Pre-Primary to Advanced Level. The materials will enhance continued learning and learning for progression during this period of the lockdown, and will still be relevant when schools resume.

The materials focused on critical competences in all subjects in the curricula to enable the learners to achieve without the teachers' guidance. Therefore effort should be made for all learners to access and use these materials during the lockdown. Similarly, teachers are advised to get these materials in order to plan appropriately for further learning when schools resume, while parents/guardians need to ensure that their children access copies of these materials and use them appropriately. I recognise the effort of National Curriculum Development Centre in

responding to this emergency through appropriate guidance and the timely development of these home study materials. I recommend them for use by all learners during the lockdown.



Alex Kakooza

Permanent Secretary

Ministry of Education and Sports

ACKNOWLEDGEMENTS

National Curriculum Development Centre (NCDC) would like to express its appreciation to all those who worked tirelessly towards the production of home–study materials for Pre-Primary, Primary and Secondary Levels of Education during the COVID-19 lockdown in Uganda.

The Centre appreciates the contribution from all those who guided the development of these materials to make sure they are of quality; Development partners - SESIL, Save the Children and UNICEF; all the Panel members of the various subjects; sister institutions - UNEB and DES for their valuable contributions.

NCDC takes the responsibility for any shortcomings that might be identified in this publication and welcomes suggestions for improvement. The comments and suggestions may be communicated to NCDC through P.O. Box 7002 Kampala or email admin@ncdc.go.ug or by visiting our website at <http://ncdc.go.ug/node/13>.



Grace K. Baguma

Director,

National Curriculum Development Centre

ABOUT THIS BOOKLET

Dear learner, you are welcome to this home-study package. This content focuses on critical competences in the syllabus.

The content is organised into lesson units. Each unit has lesson activities, summary notes and assessment activities. Some lessons have projects that you need to carry out at home during this period. You are free to use other reference materials to get more information for specific topics.

Seek guidance from people at home who are knowledgeable to clarify in case of a challenge. The knowledge you can acquire from this content can be supplemented with other learning options that may be offered on radio, television, newspaper learning programmes. More learning materials can also be accessed by visiting our website at www.ncdc.go.ug or ncdc-go-ug.digital/. You can access the website using an internet enabled computer or mobile phone.

We encourage you to present your work to your class teacher when schools resume so that your teacher is able to know what you learned during the time you have been away from school. This will form part of your assessment. Your teacher will also assess the assignments you will have done and do corrections where you might not have done it right.

The content has been developed with full awareness of the home learning environment without direct supervision of the teacher. The methods, examples and activities used in the materials have been carefully selected to facilitate continuity of learning.

You are therefore in charge of your own learning. You need to give yourself favourable time for learning. This material can as well be used beyond the home-study situation. Keep it for reference anytime.

Develop your learning timetable to cater for continuity of learning and other responsibilities given to you at home. **Enjoy learning**

SELF STUDY MATERIALS

SUBJECT: ENTREPRENUERSHIP EDUCATION

CLASS: SENIOR SIX. TERM: ONE TOPIC

1: BUSINESS PLANNING

LESSON 01: STRUCTURE / COMPONENTS OF A BUSINESS PLAN

Learning outcomes: By the end of this lesson, you should be able to:

Define a business plan, explain the reasons for preparing a business plan, describe the steps followed when preparing a business plan, prepare an executive summary, general description of the business, statement of the vision, mission, goals and objectives, and describe the elements in the organizational plan.

Materials you need: Entrepreneurship textbooks, Notebook, pen, ICT tools e.g Radio, T.V. Mobile phone, laptop, desk computer, Internet etc.

Introduction

You must have been involved in planning when you intend to carry out certain activities. For instance, planning to go back to school, spend your holidays or start a business. Some of you have been participating in planning occasions like wedding, birthday celebrations, and school parties among others. You must have had logical arrangement of activities to carryout in order to achieve your set goal/objective.

Whenever you tried to get involved in an activity, you thought of the type of activity to carry out, how and when to do it, and also sustain it. Therefore, business planning is not new to you. You were unknowingly engaged in business planning.

Business planning is the process of deciding on the type of business to establish, how and when to establish it and also to successfully sustain it.



A business plan is a document prepared by an entrepreneur describing all the requirements needed for starting a new enterprise or expanding an already existing enterprise. Such a business plan may be formal or informal. A formal business plan is usually detailed, follows a standard format and is also presented to interested users such as lenders and private capitalists for securing loans whereas an informal business plan is not presented to other users but is merely a planning tool for the business owner.



Before venturing into business every individual or organization needs to prepare a business plan so as to guide the entrepreneur on the specific goals and objectives of the business, where the business is going and act as a timetable for implementing the business activities.

In this lesson you will learn about types of business plans, reasons for preparing business plan, and steps involved when preparing a business plan.

REASONS FOR PREPARING A BUSINESS PLAN

You probably know that when a formal business plan is prepared it helps to:

- Define the specific goals and objectives of the business in order to constantly compare it with the progress of the business with these set targets hence direct more resources and activities to attain the targets. You are aware that an entrepreneur sets business goals and objectives and writes them in the business plan before committing resources in the venture.
- Tests the feasibility of the business idea in terms of whether it is possible to start the business or not. The financial plan component of the business plan indicates the financial requirements and profitability of the enterprise when it is in operation. This helps you to know in advance if the business idea can be implemented or not.

- Acts as a timetable for implementing the laid down business activities so as to have an operational business. When preparing a business plan the activities to be carried out are sequenced and made compatible. This gives logical implementation of business activities which support each other therefore making the enterprise be a success.
- Helps to secure funding from lenders such as banks, private capitalists, donors among others by presenting an impressive business plan. When you are looking for business funds lenders and donors usually request for your business plan in order to judge whether your enterprise can be able to pay back the funds by observing the fixed assets, cash flow and profitability of the business.
- Gives the business the best possible chance of success by having an organized plan to follow. A business plan is prepared by a professional who ensures that it is feasible, compatible, sequential, consistent, and resources are proportionally allocated to the planned activities.
- Enables identification of early problems such as insufficiency of funds, shortage of required manpower, and so on or factors that hinder the success of the business. After writing a business plan it is usually appraised. This helps you to know if the available resources are adequate by comparing the business requirements with the resources at hand.
- Attracts investors by showing the business plan for the enterprise to show that the business is attractive. Investors who want to become your business partners or takeover the business request for the business plan and examining it to know attractiveness of the enterprise. This helps the investors to make informed decision whether to invest or not.
- Reveals the gaps and needs of the business for further research in areas like new markets, sources of funds among others. Most businesses do not have all that they need and May not do all they want to do. Such gaps and needs are indicated in the business plan which you continue to prepare for to overcome.
- Acts as a tool for obtaining permission to operate the business and fulfill the legal requirements such as registration, opening of bank account for the enterprise, obtaining a license among others. Authorities providing these legal services usually request for submission of a business plan as a precondition for rendering the service.

- Makes business planning manageable and effective by using the business plan to identify what has been done, what is yet to be done, what changes need to be done, or what new directions your enterprise's growth should take.

STEPS INVOLVED WHEN PREPARING A BUSINESS PLAN

Writing an appealing business plan involves following the necessary procedures.

The following are the steps involved when preparing a business plan:

Step 1. Select a business to establish. For example, a saloon. The business you select should be one which is in line with your skills, has high expected rate of return, resources needed, large market potential among others.

Step 2. Conduct market survey on the selected business. You need to gather data from various sources such as potential customers, competitors among others in order to be aware of the market conditions.

Step 3. Collect all the relevant information concerning the various aspects of the enterprise. For instance, data on costs of machinery, tools, equipment, raw materials among others, which will help you to write up the components of the business plan with ease.

Step 4. Write the draft business plan. You draft the first/rough copy of the business plan. It may require some items to be included or removed from it

Step 5. Discuss the draft business plan with people experienced in a similar field of business for better advice on the idea. Such people may be business consultants, accountants, traders among others.

Step 6. Write the final business plan. This involves making adjustments to the draft business plan by including useful comments and removing unwanted items recommended by business experts.

Step 7. Prepare the action plan for the implementation of the business. This provides the logical timeframe for implementing the activities laid down in the business plan so as to realize business goals and objectives.

ELEMENTS/COMPONENTS OF A BUSINESS PLAN

Business experts and institutions have different formats for writing a business plan.

Despite their many differences all business plans have certain elements in common that users of business plans expect to find. These include the following: Executive summary, general description of the business, statement of the vision, mission, goals and objectives,

production/operating plan, marketing plan, organizational or management or human resource plan, financial plan, action plan.

1. EXECUTIVE SUMMARY

Since you are already aware of the components of a business plan, it is always necessary to summarize the core facts in the document just like you do regarding your class notes. Likewise, the executive summary sets out the key points of the document for its readers, saving them time for reading the whole content. That is, it provides a high-level view of what is in the business plan. Whereas the executive summary comes first in business plans, it is important that it is written last. Its purpose is to make a memorable first impression, leave the reader asking for more, and stand out by differentiating your plan from others. The content includes:

- The background of the business: This outlines the business name, physical location, address, industry and ownership/nature.
- The objectives of the business: This indicates the short-term targets the business plans to achieve.
- The products/services the business offers: This describes what the business is producing and its features.
- An overview of the market for the products/services: This explains the target market population and marketing strategies you intend to use.
- The competitive advantage of the business: This outlines how the enterprise intends to sustain competitive advantage in the market/industry.
- The projected growth: This indicates the anticipated expansion of the business.
- The key members of the business. This describes the key persons especially the directors, management and ownership of the business.
- Funding requirements: This describes the anticipated establishment costs, projected profits and flow of funds in the business.

2. GENERAL DESCRIPTION OF THE BUSINESS

Many times, you have been asked to describe an object you have seen. This section refers to a brief information about the business being planned. It outlines what you would tell the public or an audience about your enterprise if you were asked to do so. In your speech you would mention to your listeners:

- Name and address of the business.
- Physical location.
- Purpose of the business: that is the vision, mission, goal, and objectives.
- Goods or services offered.
- Sources of funds.

- Date of establishment.
- Target customers.
- Nature/legal ownership of the business.
- Description of fixed assets.
- Uniqueness of the business.
- SWOT analysis.

3. STATEMENT OF THE VISION, MISSION, GOAL AND OBJECTIVES

This element refers to a relatively brief statement that indicates the purpose of a business. That is, the long-term dream, why the enterprise is in operation, long term and short-term targets. This gives direction for operating the business. It seeks to answer the following questions: What business are we in or what business do we do? What do you want the business to be in future.

Vision statement: Your vision statement provides an inspirational description of what your enterprise would like to be in the long run. It expresses your long-term dream. For instance, for a bakery business the vision would be: “We exist to provide the most nutritious best quality bakery products in East Africa.”

Mission statement: Your brief mission statement indicates the very reason why the enterprise exists or why it intends to join business. It is the unique aim of the enterprise that distinguishes it from others. Hence, it focuses on the need you want to fulfill and how to fulfill it. In case of the bakery business the mission would be:

“To improve diet of the community by providing most nutritious high quality bakery products at affordable prices.”

Goals: Some of you have set long-term goal of studying hard so as to pass highly for admission to a university for a government-sponsored course. Business goals are not new to you. They are medium- and long-term targets you want your business to achieve. It is a desired state, and based on its mission statement. For the bakery business one of the goals would be: “To become a market leader in the bakery industry in East Africa in five years to come.”

Objectives: You must be having short-term targets to achieve, like doing and submitting your daily class assignments to your subject teacher. Hence, objectives are specific short-term targets that you set to achieve. They drive you into the direction of achieving your goals. Examples for the bakery business would include the following: “To acquire 20% market share every year.”

NB. Business goals and objectives must be specific, measurable, achievable, realistic and time bound (SMART)

4. PRODUCTION PLAN

In your life you must have been engaged in a productive activity. Hence, you must have known the location, physical necessities, capital and expense requirements, as well as inventory requirements and manufacturing process of the activity you performed. If you describe these requirements by writing them down you are preparing a production plan.

Therefore, a production plan is an analysis or a statement of the projected needs/requirements for producing the proposed goods or services. It involves how you are going to carry on production of the proposed good or service.

COMPONENTS OF A PRODUCTION PLAN

When preparing a production plan, you should describe the following:

- **Business site and location required:** You should include stating the postal and physical address of the business, cost of the land and its size.
- **Manufacturing/production process, flow of work and lay out:** You need to identify the steps involved in producing a particular product, show the flow of work, arrangement and use of machines.
- **Physical plant and capacity required:** Indicate the capacity of the machines to produce the volume of goods required to meet the market demands in the short run and long run.
- **Equipment:** This involves describing them, indicating their cost and explaining their financial requirements.
- **Assets:** You should identify and make a list and specification of assets such as buildings, machines, tools and the equipment required and their costs.
- **Raw materials:** As an entrepreneur you should establish the type of raw materials you will use, their standards, amounts, stock required and their terms of purchase.
- **Inventory plans:** Explain how you will keep track of inventory. You have to plan for stock in progress and finished products.
- **Production planning and control:** You need to estimate the expected output to be produced per worker, the total output, and explain when you will start producing and how long it takes to produce a unit of product.
- **Feasibility:** You should describe any product testing and price testing you have done, and comment on how feasible it is to produce and sell the products/services.
- **Research and development plans expected:** As an entrepreneur you are required to specify areas where the current production process needs improvement.

- **Costs of production:** You need to give details of product cost estimates and methods of costing.
- **Labor requirements:** This involves establishing the type of labor to work in the business i.e. skilled, semi-skilled, amount to earn, level of qualification etc.
- **Infrastructure:** Infrastructural facilities to be used like transport, electricity, water, insurance, and their costs should be described.

- **Disposal of the waste products:** This involves establishing the amount of wastes the business and how they can dispose it off.

ACTIVITY 1.1.1: With reference to the above study material, select a business you would like to carry out within your home community and,

- (1) Write a business plan for the selected business highlighting the executive summary, general description and production plan.

- (2) Record your findings in your note book and share them with your subject teacher and classmates when the term re – opens.

LESSON 02: STRUCTURE/COMPONENTS OF A MARKETING PLAN

Learning outcome: By the end of this lesson, you should be able to: define a marketing plan, Prepare a marketing plan, organizational / management / human resource plan, financial plan. and action plan.

Materials you need: Entrepreneurship textbooks, Notebook, pen, ICT tools e.g Radio, T.V. Mobile phone, laptop, desk computer, Internet etc.

Introduction

In your families or on your own you might have sold a product/service. Before the sale you might have planned how you will get your customers, and if you did you were actually engaged in market planning.

MARKETING PLAN

Therefore, a marketing plan is a document or an analysis of the possible position and opportunities of a business being planned in the present market situation. It involves focuses on the analysis of marketing objectives, strategies, techniques and activities to be followed when marketing your proposed products /services.

COMPONENTS OF A MARKETING PLAN

- **Products or services:** When writing the marketing plan you need to describe the products or services you intend to produce and its values to customers as well as what needs have been satisfied by the products/services.
- **Pricing strategies and Policies:** You should determine the price at which you are to offer your products/ services while considering the current market prices of similar products/services and possible prices that the customers can afford.
- **Target market:** You need to establish who your customers are, their location, needs, and buying patterns. Provide a qualified statement of the market size, growth and expected market share.
- **Projected sales targets:** You have to identify the total sales volume the business expects to get in a particular time period.
- **Terms and conditions for selling:** As an entrepreneur you are required to establish the terms of selling you products/services. That is, cash or credit basis, selling on regular basis, order with cash.
- **Distribution strategy:** You have to select the distribution channels and other alternatives in bringing the products to customers. For instance, use of direct, medium or long distribution channels.
- **Competition and competitors:** You the entrepreneur have to establish the strength, market up, volume of sales, pricing strategies, weakness and number of competitors thus calling for carrying out market research.
- **Sales promotion and advertising strategy:** You need to identify the methods to use to inform and attract customers, and how you will communicate with and influence the customers through advertising and promotion.
- **The projected marketing expenses:** You should establish the expenses and their costs to be incurred during marketing. For example, costs of transportation, packaging, advertising, commission paid to sales representatives/marketing agents.

6. ORGANIZATIONAL PLAN.

In an enterprise you need people of varied qualifications and status to work with. As such you have to describe the personnel needs of your enterprise in terms of the ownership, management team and other staff members, and plan for their recruitment, remuneration/pay, and retention for full production. Such a document is an organization plan

Therefore, an organization plan is the component of business plan which describes personnel needs of your enterprise in terms of the ownership, management team and other staff members, and plan for their recruitment, remuneration/pay, and retention to have an operating business.

COMPONENTS OF AN ORGANIZATIONAL PLAN

- **People working in the enterprise:** position of workers you should indicate the total number of people to work in the enterprise, their job titles, and supervisors.
- **Tasks or duties and responsibilities:** You must state clearly the tasks to be performed by employees in order to avoid role confusion.
- **Level of qualifications:** You have to state clearly the skills and knowledge required of each category of the staff members. That is, their work experience, and academic qualification like a degree, diploma etc.
- **Basic pay:** Amount of salary paid to employees needs to be made known to the staff.
- **Fringe benefits to employees:** You should define the fringe benefits such as medical allowance, lunch, accommodation among others the workers are entitled to get.
- **Summary of administrative expenses:** Any administrative expenses to be incurred should be stated.
- **Training opportunities:** Manpower development facilities for the staff should be properly stated and made known to the staff.

7. FINANCIAL PLAN

In your lifetime you must have planned to carry out activity which requires funding. For example, planning to go back to school where you need money for meeting personal and school requirements. When you write down these funding requirements you are preparing a financial plan.

A financial plan refers to a statement of the financial requirements of the proposed business. It involves estimating the business requirements in monetary terms. It determines whether your business idea is viable or not thus revealing the attractiveness of the business plan for any investment. Always present the financial plan after the other components of the business plan but before the action plan.

CONTENTS OF A FINANCIAL PLAN

When preparing a financial plan, you should include the following:

- **The estimated total cost:** You need to list all business requirements and cost them. This will help you to know how much money is required to set up and operate the proposed business.

- **Planned use of funds:** You should show how you will spend funds on the different needs. You should divide the estimates of business capital requirements into:
 - Fixed capital requirements- amount of money held up in permanent assets of a business.
 - Working capital requirements-amount of money for buying stock and meeting operating expenses.
- **Expected sources of funds:** Indicate clearly how you plan to finance the proposed business. For instance, personal savings, loan, trade credit among others, plus the amount expected from each source.
- **Sensitivity analysis:** You should try to demonstrate how much effect different environmental factors have on the outcome of the business project. You have to pose and answer the question, “what if an environmental factor negatively affects the enterprise would the business still be viable?”
- **Projected profitability of the proposed business:** Show the projected return on investment. This is by constructing the income statement to ascertain the gross income and net income.
- **Breakeven analysis:** You have to find out the level of output at which the total revenue equals the total cost. This helps to focus on your ideal production and sales targets.
- **Cash flow statement:** As an entrepreneur show the projected cash inflows and cash outflows for one or more periods indicating their net cash positions.
- **Balance sheet:** You need to show the projected financial position of the planned business in terms of assets, liabilities and capital.

8. ACTION PLAN/ BUSINESS IMPLEMENTATION PLAN

In your school there is a timetable for carrying out routine activities in an orderly manner. Likewise, you need to present a summary usually in form of a table for implementing your business activities in their chronological order. This is referred to as an action plan which is a section of a business plan showing the timetable for implementing the various business activities within a specific time period.

FORMAT OF AN ACTION PLAN

Name and address of the business

Action Plan

| Activities | Performance | Resources | Person | Time | Remarks | indicators required |
|-------------------|-------------|-----------|--------|------|---------|---------------------|
| responsible frame | | | | | | |

ACTIVITY 1.1.2:

Using the information you have read from this self-study material on business planning and with reference to your selected product in the previous activity, complete the business plan preparation below highlighting the following aspects:

- a) (i) Marketing plan (ii) Organization plan (iii) Financial plan (iv) Action plan of for your planned business
- b) Write your findings in your note book, you will share them with your subject teacher and classmates.

LESSON 03: PRODUCTION PROCESS AND PURCHASING MANAGEMENT SKILLS

Learning outcome: By the end of this lesson, you should be able to: describe the production process, explain the factors that influence production decisions, describe the principles of purchasing, explain the steps taken when purchasing inputs / goods from suppliers, factors considered while selecting raw materials for the business and explain the steps taken when ordering for goods from suppliers.

Materials you need: Entrepreneurship textbooks, Notebook, pen, ICT tools e.g Radio, T.V. Mobile phone, laptop, desk computer, Internet etc.

PRODUCTION PROCESS

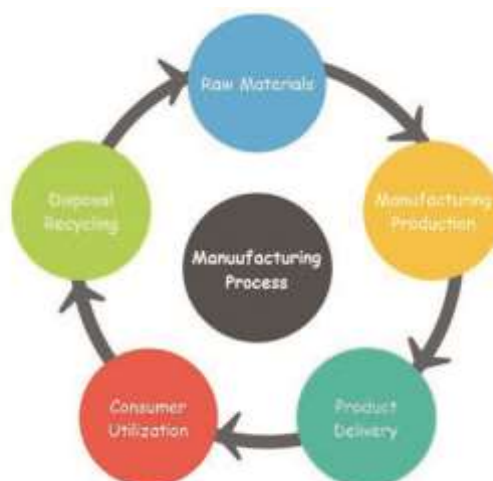
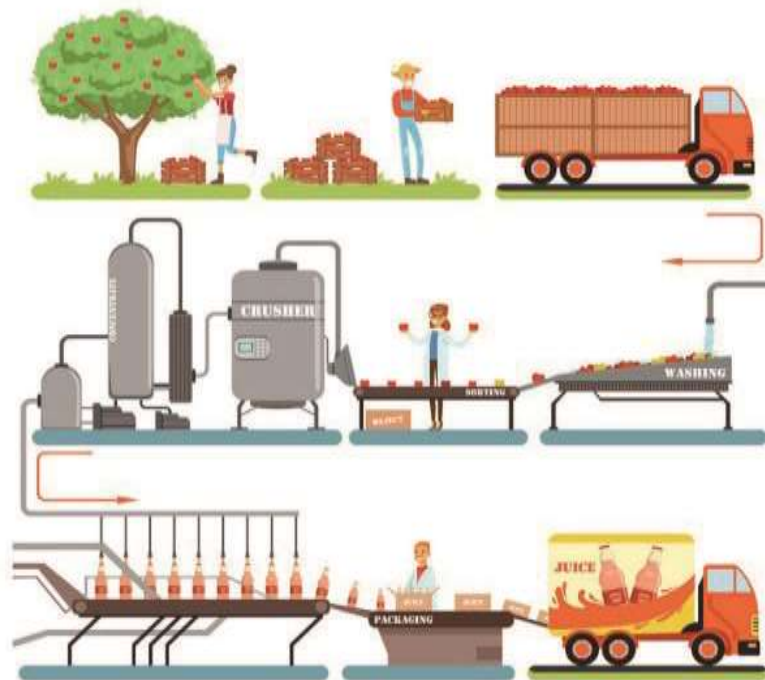
You probably carry out production in agriculture, manufacturing, service, trade or extraction. In the process there are different activities performed chronologically up to when the final product comes out.

Production is the process that involves the transformation of inputs into outputs to satisfy human needs.

The production process is a set of steps or productive activities carried out chronologically when producing a good/service. It involves engaging in the following activities:

- Carrying out market research.
- Developing a product idea. That is deciding what business to undertake.
- Translating a business idea into a product design.
- Sourcing/acquiring inputs like buying raw materials.

- Carrying out actual production by transforming inputs into a product/service while observing quality standards.
- Packaging the product.
- Branding the product.
- Storing the product.
- Distributing the product.
- Making a follow up with the customers to find out how the product is performing in the market.
- Making any improvements desired.



Before and when carrying out production, you make decisions. Such decisions you make may be effective or disastrous to the enterprise due to influence of environment. Therefore, you need to know and understand what influences the decisions you make.

FACTORS INFLUENCING PRODUCTION DECISIONS

- **Money requirements:** When you have adequate financial requirements like initial investments, working capital, among others your production decisions are stimulated but inadequate financial requirements such as working capital limit production decisions like business expansion
- **Facilities and organization:** Readily available facilities required to produce and sell the product stimulate your production decisions but scarcity of such facilities hinder your production decisions.
- **Supply sources:** This involves determining the type of raw materials and components, suppliers, quantity and quality. Readily available raw materials and of good quality as well as at a reasonable price accelerate your production decisions but inadequate raw materials of poor quality and high price hinder your production decisions.
- **Labour requirements:** Adequate skilled labour encourages you to make production decisions to produce good quality products that increase business sales. But inadequate skilled manpower limits your production decisions because of involving training programs and sources of getting the needed employees.
- **Cost of production:** High costs of production limit production decisions since they make it difficult to sell the products at a reasonable price. But low costs of production encourage your production decisions because it allows the entrepreneur to set a reasonable price.
- **Sales volume:** This involves asking questions like how much, why and when will your customers buy. Buying goods in large quantities by customers promotes your production decisions, buying low volume of sales limit your production decisions
- **Legal requirements:** This involves getting licenses, following legal procedures among others. Favorable legal requirements promote your production decisions but unfavorable legal requirements like lengthy procedures limit your production decisions.
- **Acceptance by community:** This involves the general feeling of the population about business operations and their support. Good feeling of the community and support favors your production decisions, but bad community feeling and lack of support from the community hinders your production decisions.
- **Sales promotion and growth:** Effective sales promotion increases the volume of sales and stimulates your production decisions. But ineffective sales promotion limits your production decisions.
- **Transportation:** This involves determining how to handle raw materials and finished goods. High transportation costs hinder your production decisions while low transportation costs encourage your production decisions.

PURCHASING MANAGEMENT SKILLS

In your you might have bought some items for your own use, for another person/organization or for sale. Certainly, they might have been of required quantity, quality, and price.

Purchasing refers to obtaining items or materials for the business firm in the right time, price, quality, quantity and from the right source.

PRINCIPLES OF PURCHASING

To be a good purchaser you must always observe the purchasing principles. The main principles of effective procurement/sourcing of materials in business may include the following:

- **Right quality:** The right quality of any item comprises the features and characteristics which are relevant to its ability to meet a given need.
- **Right quantity:** The right quantity of purchases made depends on the level of stock an entrepreneur wants to maintain, availability of finance, the consumption rate among others.
- **Right price.** The price charged should be in line with the quality specifications.
- **Right time.** This involves considering the lead time of the supplier, the place of buying materials and the mode of transport.
- **Right place.** Raw materials should be kept near the firm or work place in order to minimize transportation costs and time.

Quality inputs or raw materials are very basic for getting quality products in a business. Raw materials refer to the basic materials from which products are made through a transformation process. They can be natural or artificial. Examples of Natural raw materials include: cotton for cloth, Timber for furniture, clay for bricks. Artificial raw materials include: plastics, Nylon, polyester etc.



STEPS TAKEN WHEN PURCHASING INPUTS / RAW MATERIALS FROM SUPPLIERS

When purchasing goods you should follow specific procedures, materials and equipment from suppliers. Such procedures include the following;

STEP 1: Determining business needs: This is done through conducting market surveys to know your customer and the products they want.

STEP 2: Identifying potential suppliers: You should look for the suppliers who sell the good materials or equipment of your choice. This done by asking your business friends, the people who work with you, other suppliers, contacting organizations that support small businesses, and by reviewing newspapers, magazines, trade journals, and businesses in the telephone directory.

STEP 3: Contacting the supplier: This can be done by visiting the suppliers' office personally or using cost effective communication means. Each potential supplier should provide written information to you regarding the kinds of goods, materials or equipment they can provide.

STEP 4: Selecting the best suppliers: You need to compare the quotations received from various suppliers to determine what each of the different customers can offer. You choose the best supplier depending on the conditions and priorities like credit, price, discounts, and reliability, among others.

STEP 5: Ordering for the goods: You order for the goods through writing, putting into consideration the smallest quantity you can order, how much is there in each bulk package, among others.

STEP 6: Checking the goods as soon as they are received: You usually send a delivery note with the goods or materials and sign it as a proof that the goods have been received. Some suppliers send an invoice instead of a delivery note which lists the goods bought, where and how the supplier is to be paid. You should check to ensure that everything ordered has been received on time.

STEP 7: Making sure that the invoice is correct: If you are buying on credit, compare the invoice with the delivery note. You should make sure that you have received everything you are asked to pay for and that the prices and totals are correct. If the invoice is not clear, notify the supplier immediately.

STEP 8: Making the payment to the supplier by cash or cheque: Make sure that you get a receipt as a proof of payment.

FACTORS CONSIDERED WHILE SELECTING RAW MATERIALS FOR THE BUSINESS

A business needs inputs which undergo transformation in order to produce output these are known as raw materials. The product to be produced determines the raw materials to be used by an individual. Buying quality raw materials and storing them safely in a warehouse or store leads to production of quality output. Below are the factors which should be considered while selecting raw materials in a business.

| **Cost of raw materials.** An Individual will select cheaper but quality raw materials to produce a particular product.

Quality of the raw materials. Businesses usually select quality raw materials from identified suppliers, this enables them produce quality goods

Quantity of raw materials required by the Entrepreneur. An entrepreneur selects a supplier with quantity raw materials so as to get a trade discount for bulky purchases

Nature of the product to be produced. The product to be produced determines which raw materials the entrepreneur will select

Terms and conditions of payment for the raw materials. An individual will buy raw materials whose terms and conditions of payment are favorable e.g. payment for the raw materials on credit terms.

Distance of getting the raw materials. An individual selects particular raw materials if they are nearer the production unit so as to reduce the transport costs.

Reliability of the supplier of the raw materials. An individual will make choice for particular raw materials if the supplier for the raw materials is reliable and can supply them at any time when he or she is given an order

The lead time of the supplier of the raw materials i.e. the time it takes for the entrepreneur to receive the raw materials after making an order from the supplier. An individual will select raw materials which will be supplied in the short period of time (short lead time)

Mode and terms of delivery of the raw materials. An Individual will select raw materials which can be delivered at the business premises.

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ORDERING FOR GOODS AND SERVICES



You can order for goods and services either verbally or through writing. Ordering for goods through writing involves drafting documents at each stage in the ordering process. The ordering process involves the following steps and documents:

STEP 1: Making inquiries

This involves sending inquiries to possible suppliers about the goods and services available for sale and the terms and conditions of sale or payment. Inquiries can be made orally or in writing by way of sending letters of inquiry, by phone call, using messengers who reach the suppliers' place.

Letter of inquiry is a letter written to the supplier by the buyer requesting to be informed about goods available for sale, terms and conditions of sale and the prices for the goods.

STEP 2: Reply to the letter of inquiry/ quotation

Once a potential supplier receives an inquiry, he/she will respond by giving his/her quotations in which he will state his/her prices, specifications of the products to be supplied, lead time, warranties, payment terms and conditions. Therefore,

Quotation is a statement or letter prepared and sent by the potential supplier to the buyer stating information about the things inquired about in the inquiry sent by the buyer. It may also be accompanied by a catalogue, price list and product samples.

A price list is a list of items sold by the supplier with their respective prices.

A catalogue is a booklet which briefly describes each item offered for sale, often carries illustrations of the items and therefore more information than a price list.

STEP 3: Preparing a purchasing order.

Having recorded all the necessary information in the quotation you may now make a purchasing order.

A purchase order is a document issued by the entrepreneur /enterprise to the supplier, whose quotation is the most acceptable, requesting to be supplied with the goods and services specified there in as regards quantity, quality, description, price and place of delivery. It can be made orally, verbally, or by phone call

STEP 4: Delivery of goods

After placing the purchase order you will then be supplied with the goods/ items you ordered for. You may collect them in your own van or they can be transported using public transporters. A delivery note should be prepared by the seller and sent together with the goods supplied.

A delivery note is a document prepared by a supplier and sent to a buyer specifying the items delivered.

STEP 5: Invoicing

After delivering goods and receiving the delivery note signed by the buyer the amount by preparing an invoice i.e. when goods have been brought on credit.

An invoice is a document prepared and sent to a purchaser by the goods supplied to him on credit.

It serves as notification to the buyer of their amount due and also evidence of debt due to the seller who also uses it for accounting or book keeping purposes.

Receiving goods and services purchased

- When receiving goods and services purchased, you should do the following:
- Check the quantity and quality of goods and services against the purchase order to make sure that goods that have been delivered are of the right quality, quantity, and price as ordered for.
- Check the delivery note against the purchase order for accuracy to ensure that what is recorded is what has been received and that the prices quoted are the prices that were agreed upon.
- Check for damages to ensure that goods that got damaged during the transportation process are excluded and replaced by the supplier.

- Deliveries found unacceptable because they don't fit the description of the goods ordered for or because they are damaged or the terms and conditions differ from those agreed upon should be rejected.

Other documents used when purchasing goods and services

Credit note is a document sent by the seller to the buyer in order to correct an overcharge in the invoice and it informs the buyer that he has been credited by the seller.

Debit note is a document sent by the seller to the buyer in order to correct an under charge in the invoice and informs the buyer that he/she has been debited by the seller.

Receipt is a document issued by the seller acknowledging payment by the buyer for the goods and services supplied to him/her.

ACTIVITY 2.1.1: Make a field visit to a manufacturing business of your choice in your community.

- (I) Describe the production process for a particular business product.
- (II) Identify documents used by the business while ordering for inputs / goods from the suppliers.
- (III) Write your findings in your note book and share them with your subject teacher and classmates when the term re – opens.

(N.B Don't forget your face mask, observe 2 meters social distance, wash /sanitize your hands frequently and follow other ministry of health guide lines for your safety against covid 19 during your field work)

LESSON 04: PRODUCTION MACHINERY, TOOLS AND EQUIPMENT AND COSTS OF PRODUCTION

Learning outcome: By the end of this study you should be able to: describe the production machinery, tools and equipment used by the selected manufacturing business in the community, explain the factors considered when selecting machinery, tools and equipment in the production process, describe the types of production costs, and explain the methods of costing production in the business selected, explain the measures undertaken to minimize costs of production in business

Materials you need: Entrepreneurship textbooks, Notebook, pen, ICT tools e.g Radio, T.V. Mobile phone, laptop, desk computer, Internet etc.

PRODUCTION MACHINERY, TOOLS AND EQUIPMENT USED IN BUSINESS

A business may require production machinery, tools and equipment for transformation of inputs into products/service. Production of the desired quantity and quality of goods/services depends on the choice made of machines, tools and equipment. Each production process requires particular type of machines, tools, and equipment. It is important for you to make proper choice of machinery, tools and equipment to use.



Factors considered when selecting machinery, tools, and equipment in the production process

The following are the factors you should consider when selecting machinery, tools and equipment in an enterprise:

- **The initial cost:** You should choose machinery, tools and equipment that are of a low cost and affordable so as to reduce production costs.
- **The capacity of machinery, tools and equipment:** You need to choose machinery, tools and equipment that can produce the required capacity.
- **Maintenance and repair costs:** It important you should choose machines with low maintenance and repair costs to allow you make profits. Such machines should have spare parts and repair services available.
- **Flexibility for adjustment in relation to consumers' changing tastes and preferences:** Machines, tools and equipment that are flexible should be chosen to meet customers' demands.
- **Availability of other equipment required to operate the machines or equipment:** You should choose machines, tools or equipment where the complements are readily available, like for computers when printers and ink are available.
- **Durability/life span of the machinery and equipment:** Durable and longlasting machines, tools and equipment should be selected to reduce on the cost of replacing machinery.
- **Productivity and efficiency of machinery and equipment:** This should be considered because efficient machines produce high level of output and of good quality in the shortest period of time possible.
- **Guarantee given by the manufacturer:** You should choose machinery, tools and equipment the efficiency, durability, maintenance and safety of which are guaranteed by the manufacturer.
- **Ease and simplicity in the use of machines:** Machinery, tools, and equipment which are easy and simple to use as opposed to difficult ones should be selected.
- **Complexity of the task to be done:** This enables you to choose machinery, tools and equipment that can perform the required activities effectively.
- **Sources of machinery and equipment:** Reliable sources are preferred by most entrepreneurs since they allow continuous production in an enterprise.

COSTS OF PRODUCTION IN BUSINESS

INTRODUCTION

Every activity carried out involves incurring costs. At school parents incur costs like school fees, pay for uniforms, and other scholastic materials to enable their children learn. When carrying out production you incur costs. For example, you pay for the factors inputs you use in the production process.

Costs are expenses that an entrepreneur incurs on production or buying goods and services for his or her business or running business operations.

Types of costs of production.

There are majorly four categories of costs namely:

- Direct costs e.g direct material costs, direct labour costs and direct expenses like water and electricity linked with production of a particular good/service.
- Indirect/overhead costs e.g indirect materials, indirect labour and indirect expenses
- Administrative costs e.g stationery, auditing fees, managers' and director's allowances.
- Selling and distribution costs e.g packaging, advertising, transport

METHODS OF COSTING

Different industries follow different methods for ascertaining cost of their products/services. The method you adopt to cost production will depend on the nature of the production and the type of output your enterprise produces.

The following are the important methods of costing:

- **Job costing:** This is concerned with the finding out the cost of each job or work order. This method is followed by these concerns when work is carried on by the customer's request
- **Contract costing:** This is applied for contract work like construction of a dam, building civil engineering contract etc.
- **Batch costing:** A batch is a group of identical products. Under this method, a batch is divided by the total number of units in a batch to arrive at the cost per unit. It is generally in industries like bakery etc.
- **Process costing:** This method is used in industries where production is carried out through different stages/processes before becoming a finished product. Costs are determined separately for each process.
- **Service (operating) cost:** This method is used in those industries which render services instead of producing goods. Organizations such as water supply department and electricity department are the best examples of using operating costing.
- **Operation costing:** This is suitable for industries where production is continuous and units are exactly identical to each other. This method is applied in industries like mines or drilling, and cement works.

- **Multiple costing:** It is a combination of two or more of the above methods of costing where a product comprises of many assembled parts or components e.g. a motor car costs have to be ascertained for each component as well as for the finished product.

WAYS OF REDUCING PRODUCTION COSTS IN BUSINESS

You are aware that taking up entrepreneurship is for earning profits. You have to minimize production costs in order to maximize your profits. It is a moral obligation upon an entrepreneur to reduce production costs. Businesses can minimize costs of production through:

- Studying the production methods employed thoroughly to ensure that they are efficient and effective
- Introducing supporting facilities like tools and fixtures whenever possible to ease the process of handling work.
- Fixing time standards for all operations. For any operation or process, minimum and maximum times should be noted and then time for the process standardized.
- Establishing the time gap between placing an order and receiving the materials to ensure that raw materials and other supplies are received on time and that they do not disrupt the production process.
- Numbering the storage bins for easy reference and retrieval.
- Studying the process layout to ensure that slack times are removed, repetitive operations and movement are avoided, and that the layout and organization of work promotes efficiency and effectiveness.
- Specifying employees' duties and responsibilities to minimize conflicts, duplication, lack of coordination and wastage of other resources.
- Proper storing and handling of materials to avoid spoilage and contamination.
- Promoting good working relations to employees to reduce costs from strikes.
- Recycling products to reduce costs of buying raw materials.
- Contracting part time workers who are cheaper than full time workers.

ACTIVITY 2.2.1: Make a field visit to a selected business in your community.

- (I) Describe the production machinery, tools and equipment used by the selected manufacturing business in the community.
- (II) Identify costs of production incurred by the selected business.
- (III) How does the business minimize the cost of production?
- (IV) Write your findings in your note book and share them with your subject teacher and classmates when the term re – opens.

(N.B Don't forget your face mask, observe 2 meters social distance, wash /sanitize your hands frequently and follow other ministry of health guide lines for your safety against covid 19 during your field work)

LESSON 05: QUALITY CONTROL, INVENTORY / STORES MANAGEMENT & PACKAGING

Learning outcome: By the end of this lesson, you should be able to: explain the factors that influence the general quality standards of products in business, Importance of quality control in business, describe the tools of inventory and stores management, explain the importance of inventory management, describe the types of packaging materials used in businesses, explain the importance of packaging in business and explain the factors considered when choosing packaging materials.

Materials you need: Entrepreneurship textbooks, Notebook, pen, ICT tools e.g Radio, T.V. Mobile phone, laptop, desk computer, Internet etc.

QUALITY CONTROL AND MANAGEMENT

I am sure you are after consuming things that exactly satisfy your needs and requirements. All of us are interested in consuming goods and services which are of standard/required quality. Quality of a product is either high or low depending on some factors. Quality is also relative since what is considered high quality by one person may be low quality to another.

Quality refers to the ability of a product/service to meet customers' needs and requirements.



The Photograph above shows a poor quality chair and a good quality chair

FACTORS THAT INFLUENCE THE GENERAL QUALITY STANDARDS OF PRODUCTS IN AN ENTERPRISE

An entrepreneur may aim at producing a product/service of a particular quality to meet his customers' needs but fail to achieve it. This is because quality is a function of many factors. The general quality standards of products in an enterprise are influenced by a number of factors as follows:

- **Hygiene or cleanliness of the production area:** A clean environment enables an entrepreneur to produce high quality products like presence of clean utensil at the work place, safe drinking water, but a dirty environment reduces the quality of products in an enterprise.
- **The quality of raw materials:** Good quality raw materials result into high quality finished products/services while low quality raw materials result into low quality products/services.
- **The quality standards set by regulating authorities:** High quality standards set by regulatory authorities enable you to produce high quality product/services but low-quality standards set by regulatory authorities like Uganda National Bureau of standards make you be relaxed, hence producing low quality products/services.
- **Level of organization of production a process:** A systematic or well organized and timed production process results into high quality products/services while inefficient and disorganized process lowers the quality of products/services.
- **Quality of human resource management/quality of management:** Proper management of workers in the enterprise like timely payments can motivate employees to contribute to high quality products/services compared to poor human resource management characterized by delayed payments which leads to low quality products/services in an enterprise.

- **Level/quality of financial management:** Strict and proper financial management encourages savings which are used for other business activities aimed at improving quality, like research while weak financial management leads to low quality due to less saving for other activities that improve quality
- **Quality standards or objectives set by the enterprise:** Enterprises with high set quality standards produce high quality products/services while enterprises with set low quality standards produce low quality products/services.
- **Nature of the distribution channel/handling of products:** Good methods used to distribute products to customers, maintain the quality of products but poor methods used to distribute goods to customers negatively affect the quality of products in an enterprise.
- **Level of monitoring and supervision:** High level of monitoring and supervision of employees leads to production of high quality goods and services but low level of supervision leads to low quality products/services.
- **Technical specification regarding quality and quantity of a product:** Proper and accurate mixing of ingredients leads to production of high quality products/services but improper or wrong mixing of ingredients leads to production of low quality products/services.
- **Availability and quality of storage facilities:** Adequate storage facilities with good quality maintain the quality of products but inadequate and poor quality existing storage facilities lower the quality of products.

IMPORTANCE OF QUALITY CONTROL IN BUSINESS

Good quality is what every producer wants to achieve. This is because producers want maximum profits on each unit of output they produce while consumers want maximum satisfaction from each unit of money they spend on the product/service. You will realize many benefits if the products/services produced are of a high quality. Such benefits may include the following.

- Improves on the brand image of your enterprise through production of high quality branded products which appeal to the customers.

Enables you to produce standardized goods/services which eliminates cheating of the customers.

- Reduces production costs by ensuring that the right amount and type of raw materials are used in the production process.
- Helps your enterprise to determine its production costs and the prices at competitive levels in advance before production starts.
- Enables your enterprise to comply with the set standards by supervisory authorities like the Uganda National Bureau of Standards (UNBS).
- Helps you to maintain the image and reputation to the enterprise since it will be known and liked for its high-quality products.
- Helps your enterprise to achieve its set goals, and objectives concerning quality specification. For instance, if it wants to be a market leader with the best quality.
- Increases sales since the quality of the products will attract the customers. This eases advertisement and creates relationships between you and the customers.

INVENTORY AND STORES MANAGEMENT

You have personal items like clothes, books, footwear among others which you always want to keep safe. Likewise in business there are items referred to as inventory the enterprise or entrepreneur needs to safeguard mainly through proper storage.

Inventory refers to stock at hand in form of raw materials, goods in progress/the production process, goods under repair, finished goods for sale, and unused office supplies.

Inventory management refers to control of stock at hand by ensuring that the enterprise does not tie up too much working capital in stock so as to have continuous production.



IMPORTANCE OF INVENTORY AND STORES MANAGEMENT

As an individual it is important that you look after your inventory and stores jealously. Such benefits you enjoy when you manage your inventory and stores very well include the following:

- Helps to avoid tying up a lot of financial investment or working capital in inventories since it ensures that enough quantity of raw materials is kept in store without excesses to support continuous production.
- Helps to meet demand fluctuations and avoid embarrassing or expensive stock outs by ensuring that the right quantity and quality of raw materials that match with the current demand is kept.
- Reduces stock losses while in stores through theft or expiry of shelf life since it ensures maintenance of only the required amount of stock to sustain the business production cycle.
- Allows flexibility in production scheduling as well as marketing scheduling.
- Ensures timely replacement of raw materials for continuous production or replacement of products / merchandise for sale thus ensuring continuity of the production cycle or process.

TOOLS OF INVENTORY AND STORES MANAGEMENT

There is no wonder you always like to keep your items safely. This same spirit is shared by businesses. To ensure that inventory and stores are properly managed, effective methods need to be used.

The following are the main tools for inventory and stores management;

- **Re-order level:** This refers to the minimum level below which stocks should not fall before fresh orders are placed. This technique triggers you to make fresh orders when stocks are running out.
- **Lead time:** This is the time it takes between when the entrepreneur places an order and the actual time he receives the goods ordered for. In case it is long, then the entrepreneur has to place orders for large quantities or place his order much easier to avoid stock outs.
- **Working capital:** This is the amount of money used for buying stock for a given business venture or meeting routine operating needs of a business.
- **Store cards:** These are cards where information regarding the stock items kept in store is written.

Store requisition and issue forms: This is a document that shows the details of what is being requested for and the corresponding record of issues. The person in need of an item completes this form and gets it authorized by the responsible person.

- **Physical stock counting/stock taking:** This involves physically counting stock to ascertain what is available and cross check what is expected to be there as per the stock cards.
- **Stock reconciliation:** This refers to up-dating and balancing all records regarding what is in store to give a true record of what should be in store. The records are checked and compared to what is physically or actually in store. Any discrepancy is cross checked and accounted for.
- **Stock taking:** This is the actual counting of the stock available in the store to ascertain the number of goods kept.

PACKAGING

In an effort to give more satisfaction, entrepreneurs sometimes improve the quality of their products by packaging them. This is in line with the general consumer perception that packaged products are of better quality hence consuming them improves one's status.

Packaging refers to wrapping, crafting, filling or compressing of goods to protect or prevent them from spoilage, pouring, contamination during handling, transportation, usage among others. For packaging of a product to be successful, an entrepreneur must ensure that it is easy to use and open; it is of practical size and has instructions which can be easily followed and understood.

Types of packaging

The common types of packaging include; bottling and canning, bagging (paper, polythene, plastic, Using plastic containers, baling, tinning, boxing or using cartons.

The different types of materials used for packaging include: metals- aluminum, tinfoil and steel, plastic-polythene papers, jerry cans and bottles, wood-cartons and packaging cases, paper- paper, board and corrugated board, glass- bottles, laminates- aluminum foils and plastic films, polyesters, hessian/ jute for bags

IMPORTANCE OF PACKAGING

Packaging is one of the key stages in the production process. Customers tend to prefer packaged products to unpackaged products. Generally packaging is of paramount importance to the enterprise/supplier and the customers. Its benefits include the following:

- Ensures protection:** It protects the products from damage or getting spoilt especially during transit and storage period.
- **Facilitates portability:** It facilitates easy handling of goods and transportation up to the consumers. For example, liquids, cereals, and flour like putting soda bottles in a crate.
 - **Ensures preservation:** Packaging helps in preserving the content. For instance, goods like food and chemicals are protected from atmospheric germs and contamination.
 - **Enables self-promotion or advertising:** Goods that are well packaged and attractive create a good product image. Hence, promoting brand awareness to customers about the product.
 - **Promotes positioning:** Packaged goods in relatively small sizes, that is, according to weight, length, volume, common usage, among others increase the appeal of the products to large sections of customers like children and adults.
 - **Eases distribution:** Packaged goods are easily delivered to customers, by mail order services.
 - **Facilitates product differentiation:** Packaging helps entrepreneurs to make the looking of their goods different from those of their competitors. This involves using unique packaging materials in terms of colors, design, scent and the like.
 - **Promotes self-service:** Packaging facilitates self-service since all the products are well packaged and arranged.
 - **Enables giving instructions and easy labeling:** Packaging enables easy labeling and giving instructions since packaging materials provide space where entrepreneurs normally write the labels instructions.
 - **Time saving:** It saves the entrepreneur/seller from weighting the products again hence saving time.
 - **Eases of selling:** Packaged goods ease the selling process, like some packaged goods can be sold by automatic vending machines.

FACTORS CONSIDERED WHEN CHOOSING PACKAGING MATERIALS

- **Sources of packaging materials and supplies:** Readily available sources are preferred by most entrepreneurs to allow continuous production and supply
- **Availability of the packaging materials in the required amounts:** Readily available packaging materials and adequate in supply are preferred to those that are not readily available and limited in supply
- **Unit cost of packaging materials required per production cycle and inventory levels to be maintained:** Packaging materials with low unit cost per production cycle are preferred to those with high unit cost per production cycle to allow the entrepreneur earn profits

Cost of packaging in relation to the value of the good being packaged:

Cheap but of high quality packaging materials are preferred so as to allow the business to earn profits than those which is expensive in relation to the value of the product to be packaged

- **Type of goods to be packed:** For example, liquid, solid or gas etc. liquids products are packaged in tins, bottles, cans among others to prevent them from pouring but solid products are packaged in boxes, bags, bales and the like to prevent them among others from damages and contamination.
- **Purpose of packaging:** Businesses/manufacturers/entrepreneurs with the major purpose of informing the customers use packaging materials with a large space to include instructions but manufactures with the major aim of attracting customers use attractive packaging materials
- **Means of transport to be used:** Water transport requires the use of containers, tins, bottles and the like as packaging materials to avoid contamination. Air transport requires light packaging materials like paper bags, wooden boxes among others but road transport requires durable packaging materials like containers, wooden boxes and the like.
- **Durability of the product:** Durable products require long lasting packaging materials that can maintain their life span but non-durable packaging materials require packaging materials that can maintain their life span in the short period.
- **Effect of the packaging materials on natural environment:** Packaging materials that are friendly to the natural environment are preferred to packaging materials that are harmful to the environment like polythene bags.
- **Quality of the packaging materials:** Good quality packaging materials are preferred to poor or low-quality packaging materials.

ACTIVITY 2.3.1: Make a field visit to a selected business in your community.

- (1) Find out the strategies used by the business to ensure quality products
- (2) Find out the tools of inventory used by the business
- (3) Find out the benefits the business gets from packaging its products
- (4) Write your findings in your note book and share them with your subject teacher and classmates when the term re – opens.

(N.B Don't forget your face mask, observe 2 meters social distance, wash /sanitize your hands frequently and follow other ministry of health guide lines for your safety against covid 19 during your field work)

LESSON 06: STRUCTURING TIME FOR INCREASED PRODUCTIVITY AND TOPIC 3: FINANCIAL MANAGEMENT

Learning outcome: By the end of this lesson, you should be able to: define time management, techniques of ensuring effective time management, mention the elements of financial management, describe financial needs of a potential business and explain the importance of financial record keeping in business.

Materials you need: Entrepreneurship textbooks, Notebook, pen, ICT tools e.g Radio, T.V. Mobile phone, laptop, desk computer, Internet etc.

TIME MANAGEMENT



As a student you must be managing your time to fit in school programs. Time is ever limited hence needs to be properly managed for better performance. Entrepreneurs ensure that time for doing work is optimally utilized to maximize production of desired goods/services.

Time management refers to the use of available time appropriately to increase productivity in an enterprise.

TECHNIQUES OF ENSURING EFFECTIVE TIME MANAGEMENT



- **Spending time planning and organizing:** This involves using time to think and plan what to do in a day or a week.
- **Setting goals/being goal oriented:** This technique requires you to set goals that are specific, measurable, realistic and achievable. This gives you a direction on how to use your time effectively.
- **Prioritizing time:** This involves prioritizing your time to concentrate on items or tasks with the greatest rewards or allocate more time on your priority activities.
- **Setting a daily “to do” list:** This involving preparing a list of activities to be done in a day or a week and what to begin with first and to end with.
- **Establishing deadlines:** Setting realistic deadlines (time periods) for certain activities is one way of managing time effectively since it enables you to accomplish more tasks.
- **Being flexible in time usage:** This involves scheduling time for unexpected, unplanned emergencies. This enables you to handle interruptions and destructions.
- **Considering your biological prime time:** This is the time of day when you are at your best. It is important you identify your biological time and use it to do your priority activities.
- **Doing the right thing right:** This involves identifying the right thing to do and then concentrate on efficiency or doing it right because “doing the right thing is more important than doing things right.”
- **Practicing the art of intelligent neglect/learning to say “no” to useless activities:** This enables you to allocate your time on activities that are beneficial to the business.
- **Avoiding being a perfectionist:** This saves the entrepreneur from over concentrating on a particular activity where he/she ca not yield maximum benefits.
- **Breaking bigger tasks into small tasks and handle one at a time:** This gives the entrepreneur more courage to accomplish smaller tasks than bigger tasks.
- **Being action-oriented:** This involves outlining specific course of action to solve specific problems.
- **Being reflective:** Reflective thinking is the act of learning from one’s past, present and potential future activities. This enables an entrepreneur to be focused.

TERM: TWO

LESSON 01: FINANCIAL MANAGEMENT

Learning outcomes: By the end of this lesson, you should be able to: describe the elements of financial management, explain the importance of financial record keeping in business, develop a cash flow statement and state the components of a cash flow statement.

Introduction

Finance is the life blood of the business organization. It gives life to all the divisions, sections and departments of an enterprise. Therefore, each business must maintain adequate amount of finances for the business running and activities.

Finance is the monetary support for a person or an enterprise.

Business finance means the funds and credit employed in an enterprise for purchasing assets, goods, raw materials and for the other flow of economic activities.

Financial management is the management of the finances of a business or organization in order to achieve financial objectives. It involves the raising of funds and their effective utilization in order to achieve financial objectives of the business.

Elements of financial management

To achieve the key objectives of creating wealth for the enterprise, generating cash, and providing adequate return on investment, financial management integrates three major components, which are:

Financial planning: This involves laying strategies to ensure that there are enough funds available in the enterprise at the right time to meet the needs of a business in both short- and long-run.

Financial control: This refers to the procedures, policies, and means by which an organization monitors the allocation, and usage of its financial resources for meeting its objectives.

Financial decision making: This is a process which is responsible for making decisions regarding investment, financing, and dividends.

Financial needs of a potential business

An entrepreneur needs resources for starting a business. This requires proper identification of business financial needs. The total investment is partly capital investment required for starting the business and working capital to finance its day to day operations. These capital investment requirements are usually shown in a budget and

capital expenditure statement. Therefore, before you start a business, you have to identify the business financial needs which are categorized into:

Fixed capital requirements: These are the capital expenditures incurred on fixed assets such as land, machinery, buildings, tools and equipment, vehicles, furniture, fixtures and fittings.

Working capital requirements: These are capital expenditures incurred on business preparation and implementation such as research, business formation and registration, interest on loans among others.

IMPORTANCE OF FINANCIAL RECORD KEEPING IN BUSINESS

Proper keeping of business records is a necessity in business. Without proper financial records a business is in comma and on life supporting device. Day to day record keeping in a business organization is done by a bookkeeper who uses source documents for obtaining numerical figures or information for preparing books of accounts.

Bookkeeping is the art or process of recording, classifying and summarizing business financial transactions in a logical manner. It ensures proper financial record keeping which is of great importance including the following:

Helps in determining financial position of a business: From the records an enterprise is able to prepare financial statements for determining the financial position of the business.

Facilitates borrowing: Financial records are used by the entrepreneur in deciding on whether to apply for a bank loan or not. Lenders also ask for financial records as a precondition when applying for loan.

Guides on tax assessment: Provides information and documents to government/ tax authority in order to ensure proper tax assessment. Tax returns are also made easier with accurate tax assessment.

For research: Academicians, policy makers and scholars refer to business records when carrying out research in the field of business finance.

Facilitates making of investment decisions: Prospective investors rely on charts, graphs and data on business records presented to them in the cash flow statement and financial statements for making decisions to invest or not.

Helps in planning: It makes business planning easy by referring to the financial statements to check if the business is on the right track financially, and to make effective policies and programs to follow.

Provides reference: Proper record keeping makes retrieving process easy for making reference especially by auditors and in the future when needed.

Helps in soliciting for donations: A business that is seeking more donations requires proper record keeping to show the donors the accountability of funds remitted. This is usually a condition set by donors before more donations are made.

Facilitates calculation of profits: Accurate bookkeeping allows an entrepreneur to see whether or not the business is actually making a profit and appropriate measures are taken to improve on the business.

Acts as a tool for control: Enables the business to keep accurate on all its resources and also proper information on its expenses and incomes for accurate payments thus eliminating the possibility of theft, fraud, pilferage, embezzlement.

Provides information on credit transactions: Proper financial records provide information on business debtors and creditors. This enables keeping track of all the debtors and creditors.

CASH FLOW STATEMENTS

Before an enterprise is established the entrepreneur is interested in knowing how will flow into and out of the business. He has to identify sources of funds and expenditures on which cash received will be spent. His cash projections are then written down in a statement form, referred to as Cash flow statement/plan.

Cash Flow implies movement of cash in and out of an organization during a particular period of time. That is, where cash is coming from and on what it is being spent.

A cash flow statement is a monitoring tool which shows an entrepreneur from where cash is coming into his business and is going out of the business. It shows the expected cash receipts and payments over a given period of time.

Components of a cash flow statement

- Balance brought forward (b/f): Shows the net balance brought forward from the previous period.
- Cash inflows: These are the sources from which cash flows into the business.
- Cash out flows: These are the items on which cash flowing into the business will be spent.
- Net cash position: This is the difference between the total cash inflows and total cash outflows of a particular period.

ACTIVITY 2.4.1: Read the case study below on Valiz Enterprise and answer the questions that follow:

Rafiki Safari, the Managing Director of the enterprise, is a unique C.E.O who is reflective and always keeps a diary. He is well known for being goal oriented, conducting meetings properly, being action oriented, selecting priorities, and making quick decisions. Having alternative plans, being self-motivated, doing much on computer, and establishing deadlines are his work commandments. However, his weaknesses are that he delegates his duties, avoids unnecessary interruptions and misuses time reminders.

- (1) Describe the activities Rafiki Safari performs in Valiz Enterprise for better time management.
- (2) Select a business from your community and find out the books of accounts it uses to ensure proper book keeping.
- (3) Find out how the business benefit from proper book keeping?
- (4) Write your findings in your note book and share them with your subject teacher and classmates when the term re – opens.

(N.B Don't forget your face mask, observe 2 meters social distance, wash /sanitize your hands frequently and follow other ministry of health guide lines for your safety against covid 19 during your field work)

LESSON 02: THE MARKET

Learning outcome: By the end of this lesson, you should be able to: define a market & marketing, explain the factors determining a target market population, distinguish between marketing and selling, describe the components of the marketing mix, examine the methods used by entrepreneurs to carry out market research and explain the marketing strategies used by businesses to increase sales.

Materials you need: Entrepreneurship textbooks, Notebook, pen, ICT tools e.g Radio, T.V. Mobile phone, laptop, desk computer, Internet etc.

Introduction

You have interacted with the market situation both at home and at school since you have been involved in buying scholastic material, food items and other products from the seller, any interaction you have had as a customer with the seller to exchange money for a good or service is a market. A market should have the need for the product

A market refers to the group of people, institutions or businesses that are in need, able and willing to buy a product at a given price.



A Photograph showing buyers and sellers in the market

An Individual is expected to take up a business idea that has market opportunities so as to get enough profits. In business we have two types of market the potential market and a real market.

A potential market refers to a group of people or institutions or businesses in need or having the ability to pay for it but not yet willing to buy the product While a real market refers to a group of people or institutions or business in need of the product and is able and willing to buy the product at a given price.





An entrepreneur should be identify the target market population for his or her products. **A target market population is a group of people to whom an individual is supposed to sell his or her products.**

THE TARGET MARKET POPULATION

Activity 4.1.1. You have developed a good business idea in your home area and you are researching about which group of people, institutions or businesses will buy your product at a given price.

Who are those people likely to be your potential buyers for the selected product?

Get your Note book and list down your expected target market, share them with your parents, you will also share them with your subject teacher at School.

FACTORS THAT DETERMINE A TARGET MARKET POPULATION

- **Income levels.** Income level refers to the incomes of different categories of people. It is the total income that each group of people gets on daily, weekly or monthly. High income levels imply large market share while low income levels imply small market share.
- **Consumption habits.** This is the behavior of consumers in consuming different products. The pattern of their expenditure on items depends on their consumption habits for example, smokers, alcoholics and sports. Consumption habits in favor of a product lead to large target market population while unfavorable consumption habits lead to a small target market population.

- **Number of competitors/level of competition.** These are the businesses, which are dealing with and selling similar products or those that can be substituted for yours. Existence of many competitors reduces the market share or target market population but few or no competitors at all increases the target market population.
- **Market share.** This involves quantifying the number of potential customers that exist in a reasonable area and how many potential customer the business can attract from competitors. A large market share implies large target market population but a small market share implies a small target market population.
- **Age and sex of customers.** This is because within a target market population, there are people of different ages and sexes. Different groups may require a variety of specified products and different sizes, colors and shapes.
- **Market trends.** These include changes in population i.e. are there more people coming to live in the target areas? Are there regulatory changes or development, changes in economic situation, lifestyle changes etc. Favorable market trends lead to a large target market population but unfavourable market trends towards the business lead to a small target market population.
- **Education level.** This should be considered when determining the target market since people with different levels of education demand different goods (In terms of Quality, quantity, size and shape etc.)



Marketing is the process of identifying, anticipating and satisfying customers' needs effectively and profitably.

Marketing is also defined as a series of activities an entrepreneur does to find who his/ her customers are and what they need or want.

It constitutes all activities involving the flow of goods and services from the producer to the manufacturer. The main reason for marketing is to ensure that the customers' needs / wants are satisfied. Marketing activities include finding out what customers' needs are, providing the goods and services that meet the identified needs of the customers, making products available at places where customers can access them, promoting the products by informing and attracting customers to buy them, and carrying out market research.

Selling is a two way communication between the buyer and seller aimed at persuading the buyer to buy the product.

DIFFERENCES BETWEEN MARKETING AND SELLING

Sometimes Individuals misinterpret the two words marketing and selling as being the same, however the two concepts have the following differences:

| MARKETING | SELLING |
|--|---|
| Focuses on customers' needs | Focuses on seller's needs |
| The customer enjoys supreme importance | The product enjoys supreme importance |
| The entrepreneur converts customers' needs into a product through product design & development | Selling converts products into cash |
| Profits are realised through customers satisfaction | Profits are realised through sales volume |
| Involves product development to match product with the market | There is high pressure of selling already produced products |
| Is based on customers approach | Is based on product approach |

MARKETING MIX / THE 5P's



This refers to all elements involved in marketing activities. It is used to describe how entrepreneurs can combine various elements into their overall marketing program. They are commonly known as the 5P's and they include the following;

Product: This refers to a good or service offered by a business enterprise to satisfy human needs or customer's needs. Examples of products include books, pencils, pens, graph books, rulers, clothes, plates, cups, eats e.g chocolate, fruit juice etc.



The entrepreneur should sell what the customer wants and therefore his or her products should be unique in design, color, size and qualities that customers refer them to those of other competitors.

Price: This refers to the monetary value of the product. The value charged by the entrepreneur for any product should be affordable to attract customers yet it should also be high enough to earn enough profits to the entrepreneur. The entrepreneur should also have a credit policy



ACTIVITY 4.1.2:

When setting a price for a good or service entrepreneurs put into consideration particular factors, Make a survey in the business community in your home area and find out the factors considered when determining price for their products, Take note of your findings in your note book, you will share them with your teacher at school.

Place / distribution: This concerns with various methods of making products available to the customers. It involves transport, storing and stocking products such that they are available for customers all the time.

A place should be well connected to transport network that buyers or customers can be able to avail themselves with products whenever the need arises. The entrepreneur should set up his or her business in a place where there is a good market or where customers are located to make it easy for them to access the business.

Positioning: This means targeting a small segment of customers for whom an entrepreneur aims to sell his or her products e.g. you may be position yourself near a school if you are selling sweets, chocolate, apple, sweet bananas, and biscuits to attract children to buy your products.

Some goods are consumed by children, others by adults or youth, male or female, high income earners and low income earners. This helps the entrepreneur to strategically put the products where these categories of people can get them.

Promotion: It refers to all activities used by the entrepreneur to inform and attract customers to come and buy the product.

Activities that influence people to buy the product include advertising, trade shows, displaying the products outside and inside the business premises/ window display, offering discounts, prize giving, arranging the products inside the shop, communicating with customers and understanding their requirements e.t.c this is aimed at increasing demand of a product which leads to increase in the income of the entrepreneur.

MARKET RESEARCH



INTRODUCTION

Before and after committing your money and time in a business, you need to be sure that you have sufficient and large demand for your products/services. In order to be sure that your product or service meets all customers' needs, you need to find out as much information as possible about the characteristics, tastes and preferences of customers on the business product. Information about the demand for the business products can be got through Market Research. Many people operate businesses without conducting a market research and this accounts for the high failure rate of many businesses in Uganda.

Market Research is the process of investigating a potential or existing market in order to obtain useful information, analyze it and then formulate strategic policies for the business' success.

It is also defined as the process of collecting and analyzing information relating to demand of a good or service in order to identify market opportunities and problems.

Sources of data for conducting market research

Competitors. This is where data is collected by monitoring the activities of competitors in the same line of business. Information about customers' demand and offering something unique can also be got for improvement.

Customers. The entrepreneur should talk to customers to get their feelings and ask them where improvement can be made.

Employees / workers. This is one of the best sources of information about customers' feelings, likes and dislikes, usually employees work more directly with the customers and hear their complaints that may not reach the owner.

Company records and files. Examining company records and files can be very informative e.g looking at the sales records, complaints, receipts or any other records can show an entrepreneur where his customers live and work, what their preference is, amount purchased etc.

The results from the obtained help producers to project their sales and the future prospects of the business, improve or change goods or services to meet demand, identify the number of potential customers and their needs in relation to color, size type of goods, complaints about the business products among others. The information gathered and all your findings are then prepared in a market research report.

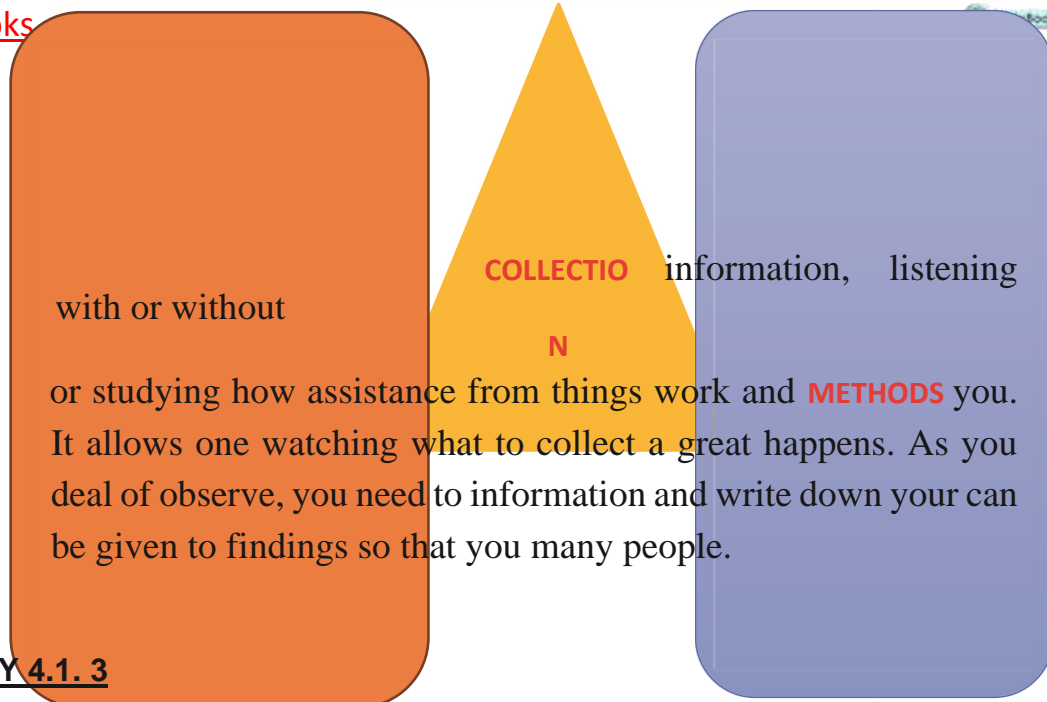
METHODS OF CARRYING OUT MARKET RESEARCH

These are some of the commonly used methods of carrying out Marketresearch, they include using questionnaires, interviewing customers, observation e.t.c

Interviewing the Respondents

You can find out many things by talking to people. Interviewing is like a conversation with people where you ask them for

Observation: You can **Questionnaire:** A collect information by questionnaire is a looking on the areas document with a you are interested in list of questions and for which you **DATA** where you can ask would like to get some people to complete



ACTIVITY 4.1. 3

- (1) Apart from the above methods used to carry out market research, find out other methods of carrying out market research used by the businesses in your community.
- (2) Find out the marketing strategies used to increase sales / market of the business products by the selected businesses.
- (3) Record your findings in your note book you will share them with your classmates and subject teacher.

(N.B Don't forget your face mask, observe 2 meters social distance, wash /sanitize your hands frequently and follow other ministry of health guide lines for your safety against covid 19 during your field work)

LESSON 03: THE MARKET RESEARCH

Learning outcome: By the end of this study you should be able to: explain the importance of conducting market research and the steps followed while carrying out market research, design a marketing survey tool and write a market research report for a product you intend to produce in your community.

Materials you need: Entrepreneurship textbooks, Notebook, pen, ICT tools e.g Radio, T.V. Mobile phone, laptop, desk computer, Internet etc.

IMPORTANCE OF CONDUCTING MARKET RESEARCH

Market research has the following advantages:

- Market research helps an entrepreneur to assess / check the effectiveness of his advertising and promotional activities.
- It helps an entrepreneur to find out the responses of customers to

new product developments that he has introduced in the market.

- It helps an entrepreneur to identify problems in the current product or service so as to fulfill the customers' demands.
- It helps an entrepreneur to find out his market share i.e the number of customers he is serving in the market.

- It helps an entrepreneur to find out who his customers are, where they live, what the customers want and when they want, their buying patterns etc.

- It helps an entrepreneur to collect information which can be used as a basis for decision making.

- It helps an entrepreneur to identify his / her competitors, their activities and strategies and devise various ways of out competing them.

Steps involved in carrying out Market Research

The process of carrying out market research involves the following steps:

Defining the problem. This means that the manufacturer has to clearly state what he wants to find out.

Designing or planning the research. This involves identifying different tools and methods that are to be used in collecting data.

Collection of data. Using the defined tools the researcher collects primary or secondary data. Primary data is information that is gathered by means of questionnaires, samples etc. secondary data is that which is obtained from internal records and data previously collected.

Compiling the collected data. Data is compiled in such a way that it can be analysed to find out whether the intended results have been obtained.

Interpreting the results. The data collected is analysed, interpreted and expressed in economic terms. This is presented to the user in form of a report.

A Marketing Survey Tool

For a business to be successful it should determine the features of the product that satisfy the target customers. A market survey tool is a tool that directly collects feedback from the target audience to understand their characteristics, expectations and requirements. This

tool enables the entrepreneur understand his or her customers and make important marketing decisions.

An example of a marketing survey tool for a confectionary Business

ABC CONFECTIONARIES LIMITED, P.O.BOX 75, Mukono.

TEL: 0782-427900 / 031 - 223467

Greetings from ABC Confectionaries Ltd. You are requested to fill for us this questionnaire to help us in our market research program me.

1. **Name.....Sex:Male / Female**
2. **Location and address.....**
3. **How regular do you buy bread from ABC Confectionaries Ltd?**
4. **In what quantities do you normally buy?
.....**
5. **How did you come to know about ABC Confectionaries Ltd?
.....**
6. **What aspects of our product needs improvement.....**
7. **What attracts you to buy our bread?
.....**
8. **Do you easily access our bread from the nearest shops?**
9. **If Not, how easily can we bring our product close to you?
.....**
10. **Is the quality good? Yes No**
11. **Which size of bread do you normally buy? Bans, 500 grams or 1 kg?**
12. **How do you compare our bread to that of our competitors?**
13. **What do you think the management should do to serve the customers better?**
14. **What is your comment about the prices we charge for our bread?**
 - a) **It is a fair price because**
 - b) **It is an average price because**

c) It is a quite high price because

15. Suggest ways which we can use to increase our bread sales in the market.....
.....

Please, thank you very much for sparing us time to answer our questions.

A market research report

After doing market research an analyst compiles his or findings in form of a market research report. After gathering the information you need, analyze the information and then prepare the findings in a written report. The information gathered will guide you in preparing and writing a business plan if the information shows that the business will be profitable.

The market research report provides detailed information on the product in relation to its demand, consumer behavior, the sales and growth opportunities for a business. It includes details like the brief description of the business, objectives, market situation/ findings, conclusion and recommendations.

Activity 4.1.4

With reference to the self-study material above, Carry out this project at your home

- (1) Assuming you have started a production company for a particular product in your community. Design a market survey tool for the product of your choice in your note book using the format above.
- (2) Make a market research report from the information in your market survey tool
- (3) Present the market survey tool and market research report to the subject teacher for his / her comments when the term re – opens. Take note of the teacher’s comments for improvement.

LESSON 04: SALES PROMOTION & ADVERTISING

Learning outcome: By the end of this lesson, you should be able to: explain the sales promotion strategies used in business and explain the methods used to advertise business products.

Introduction

Advertising

Advertisement involves spreading information about the business products to customers through a commercial process through advertising media. Informing customers about the availability of the business product is usually persuasive in nature. Advertising induces people to buy the product instantly when the advertisement is done or in the near future.

Advertising is the non-personal communication of information usually paid for and persuasive in nature about the business products through using various media.

Advertising Media

Refers to methods/channels through which advertising messages are conveyed to the public. .

METHODS OF ADVERTISING BUSINESS PRODUCTS

Entrepreneurs can use the following forms / medium of advertising their business products, the various channels through which advertisements are passed on to the public include:

Through the press: this mainly involves use of Newspapers and Magazines which are normally published daily, weekly or monthly and are circulated into the market.

Disseminating information to prospective customers is done using Newspapers such as monitor, new vision, observer among others.

Outdoor advertising media. This is a form of advertising media involves placing advertising messages in strategic places exposed to audience and mainly reaches people when they are in movement. It uses bill boards e.g. neon signs, handouts, banners, sign posts.



Through radio: this involves broadcasting advertisements from a radio station which may either be a public or private radio station. The adverts are broadcasted using different radio stations like Central broadcasting services, KFM, Maria, Beat etc.

Through television: this involves advertisements brought to the attention of the audience on a screen which creates a visual and audio impression to the public. Entrepreneurs can induce their customers to buy their products through using television stations like NBS, UBC and NTV etc.

Cinemas and Films: Some entrepreneurs use cinema intervals and film calls. This helps them to target the prospective customers.

Specialty advertisement: Is when an entrepreneur offers special products to customers with the business trade name and symbols brand like shirts, key holders, calendars, cars etc.

Internet: Businesses can communicate internationally to various customers through using the internet for example on company web sites and social media apps like Facebook, WhatsApp, twitter, Instagram.

Leaflets / fliers: Businesses can advertise through using summarized information on fliers.

Brochures: These involve detailed information about the business and the products offered plus their benefits.

Telephone directory: Business can advertise themselves through telephone directory and this includes providing written information about the location, telephone contacts, products offered and the persons to contact when dealing with the business.

Phone messages: Some businesses send messages to the mobile phones of their customers and induce the customers to buy the business products.

SALES PROMOTION



Businesses face a lot of competition, new products frequently come into the market and at the same time old products are improved therefore in order for business to maintain their market share there is need for them to carry out sales promotion. There specific

methods used to promote a company's products to the targeted customers. Sales promotion is important to consumers as goods are available at lower prices. It also provides information about the improvement in quality of the product.

Sales promotion refers to a collection of marketing activities that are aimed at persuading consumers to buy goods and services available it can also be referred to as an intensive campaign which is aimed at boosting the sales of a particular product or service.

Sales promotion involves all activities that help increase sales of a business product other than advertising and personal selling.



The objectives for conducting sales promotion in business include: introducing new products on market, during sales promotion free samples are given to consumers and after the latter have developed the taste for the product, they can buy more of the product at the later date, attracting new consumers and retain the existing ones. Customers are attracted towards the product that offers discounts, gifts, prizes, maintaining sales business products.

METHODS OF SALES PROMOTION IN BUSINESS

Sales are the life blood of the business, for the business to succeed, it needs to have a sales promotion strategy. Below are the sales promotion methods / Techniques that can be used by the business:

Giving free samples of product to customers in order to attract them buy products hence increasing demand. Customers can be given some of the products to taste or use them, this attracts them to buy the product.

Using bonus offer. This is where a customer is given a free additional product together with the purchased product to encourage and reward the customers for example. Toothbrush with toothpaste.

Exchange schemes. This refers to the offers of exchange of an old product for a new one at a price less than the original price of the product for example the exchange scheme of decoders by startimes.

Selling goods on credit so as to attract customers. This can be done to customers who are trustworthy after assessing their credit worthiness.

Price off offers. This is where the products are sold at a lower price than the original price especially during pick seasons like Christmas and the time when the business is introducing a new product.



Participating in trade fairs and exhibition. This is where the business demonstrates the use of the product in order to customers.

Giving appropriate after sales services such as free transport, maintenance and repair, carrying products to customer's cars to attract them buy the business products again.

Through using coupons. Coupons are used by manufacturers, they are put in the packet through an advertisement put in the Newspapers magazine. The holder of the coupon buys the product at a discount and this attracts the prospective customers.

Through scratch and win offer to induce customers buy the products. Under this scheme, the customer scratches a specific area on the package of the product, and gets a benefit according to the message there. This attracts more customers to buy the products for example century bottling company uses this method to increase its sales.

Through window display. Some business' use window display as means of promotion. The window display is changed often in order to keep on attracting customers.

Offering cash discounts, this is offered to those customers who buy goods in large quantities and those who pay promptly pay at lower prices.

By giving donations as a way of contributing money or goods to charitable organizations. Homes of disabled, sponsoring education of disadvantaged children among others, such a method attracts the customers to buy the company products.

Organizing competitions or games. This is where a company offers a gift or prize to the winners of the game so long as they are buying products from it for example coca – cola games.



Maintaining links with other people.

This involves communicating with other people such as current potential customers, wholesalers, retailers, agents, this keeps these people well informed about the business product and they can always spread the right information to customers.



Activity 4.1.5

Visit any 5 selected businesses in your community,

- (1) Identify the methods used by the businesses to advertise their products.

- (2) Find out the importance of Advertising to the businesses selected above.
- (3) Identify the sales promotion strategies used by the selected businesses.
- (4) Write a report on your findings in your note book, you will share it with your teacher.

(N.B: Don't forget your face mask, observe 2 meters social distance, wash /sanitize your hands frequently and follow other ministry of health guide lines for your safety against covid 19 during your field work)

TERM: THREE

LESSON 01: HUMAN RESOURCE MANAGEMENT

Learning outcome: By the end of this lesson, you should be able to: define human resource management, describe the elements of human resource management, explain the importance of human resource management to an enterprise, explain the factors that determine the type of employees to work in an enterprises and describe the sources of recruitment for a business.

Materials you need: Entrepreneurship textbooks, Notebook, pen, ICT tools e.g Radio, T.V. Mobile phone, laptop, desk computer, Internet etc.



A photograph showing the production manager supervising workers in a Nytil factory

Introduction

You have noted that all business within and outside your community employ people, the people at the work place influence the quality, productivity and profitability of our businesses. The way labour is obtained, managed, developed, and maintained at work has major effects upon quality and productivity, customer service, costs and eventual survival of the business. Do you know that the among all the factors of production labour is the most important at the work place? Every business depends on getting and keeping good people for its success.

The managers / supervisors need to recognize that the way the work force is managed, motivated and trained as a significant weapon for business success. This should be through creating favorable working conditions that allow workers to achieve their the business goals and individual goals.

Human resource management is defined as the continuous process of Identifying, recruiting, selecting and maintenance of human resources in an organization to accomplish organizational goals and objectives.

It can also be defined as the part of management which deals with effective control and use of workers to do all the activities involved in an enterprise.

Activity 6. 1.1

The businesses in your home community are employing workers because they feel these human resources have an important contribution to their success. Think about any 7 (seven) benefits of employing workers / human resources in a business. Record your findings in your note book, you will share them with your subject teacher.

ELEMENTS OF HUMAN RESOURCE MANAGEMENT

Human resource management constitutes the following elements / components:

Man power planning: this is concerned with planning for the current and future human resource needs of an organization so that it can achieve the desired goals.

Recruitment: refers to the process of attracting and identifying a suitable worker for a given job. It can be done through advertisement.

It involves identification of vacant post, advertisement, short listings and interviewing in order to get the best candidates.

Selection: this is a process an enterprise follows so as to pick out the most suitable candidates for a particular job.

Placement: this involves assigning workers tasks to be done in an enterprise.

Induction training / orientation: this involves introducing a new worker to the enterprise so as to build confidence in him / her and also socialize with other workers

Human resource Training & development: this is concerned with improving the skills and knowledge of workers so that they become more productive like through workshops, study tours, refresher courses, further studies etc

Determination of employees' remunerations, terms of employment and working conditions: this involves assessment of monetary and non-monetary rewards payable to workers.

Motivation: this involves encouraging or stimulating workers to work hard in order to achieve desired goals of an organization / enterprise.

Effective Communication: this involves putting in place formal and informal communication requirements and procedures for the enterprise. It involves making consultation between employers and employees.

Termination: this concerns laying off a worker due to some reasons such as inefficiency, indiscipline, retirement age etc.

IMPORTANCE OF HUMAN RESOURCE MANAGEMENT

The following are the benefits of effectively managing the human resources in a business

- It enables an organization to get competent workers with the right skills and knowledge. This promotes productivity and better production.
- It enables an organization to be efficient and effective in order to achieve its goals and objectives. This is because workers are informed of production standards and other expectations of the organization.
- It helps to minimize damage of machines and equipment by the fact that machines and pieces of equipment are operated by technically competent workers, damages are controlled.
- It helps to minimize costs of production, within an organization. This may come about as a result of employing skilled and experienced workers to minimize wastage of time and resources.
- It helps an organization to achieve its targets of profits maximization since the needs of the workers are well catered for.
- It helps in staff training and development. This is done through organizing various training programs and seminars by the personnel department which improves workers skills.
- It promotes good staff relations through development of co-operation between the employer and the staff.
- It promotes good image of the business to the public through the good skills exhibited by the personnel manager.
- It helps in evaluating the performance of employees in all departments of an enterprise through performance appraisal.

RECRUITMENT

This is the process of identifying vacant posts, advertisement, short listings, and interviewing in order to get the best candidates. It involves attracting qualified applicants for jobs in an enterprise.

SOURCES OF RECRUITING EMPLOYEES

Internal sources of recruitment

This is where an organization recruits workers from within itself, internal recruitment takes the following forms (sources):

Transfers: A transfer of workers from one job to another within the same enterprise is a source of recruitment. This is usually done to meet the demand of workers in the enterprise or business.

Promotions: this refers to the appointing a worker to a position of a greater and high authority. This is an internal source of recruitment that brings change in the duties and authority of the worker.

Present employees/ employees' referrals: this is where an entrepreneur asks employees to recommend their friends and relatives to fill vacant posts in an organization.

Demotions. This is a form of internal recruitment where employees who may have been proved ineffective in performing their tasks may be transferred to fill lower positions as compared to their current positions. This method is commonly used in security organizations like the police, army and the private security organizations like Saracen.

External sources of recruitment

This is where employees are got from outside the organization, such sources include the following:

Unsolicited applicants /walk ins: The organization can receive applications from various people before advertising for the Job, these are kept in file for future reference. The human resource manager can select from this pool of applications to get a suitable candidate for the post

Advertisement: this involves looking around for the type of person by making the vacancy known to the public by the use of media like newspapers, television, radio stations etc.

Visiting institutions of higher learning and technical institutions: these are sources for certain types of employees, especially if prior work experience is not a major factor in the job specification. Schools are also excellent sources for part time employees.

Private employment agencies: these are organizations which specialize in recruitment of workers for different employers. The entrepreneur or employer provides them with job description for the vacancies to be filled together with the applicable terms and conditions in so that they look for and recruit the appropriate candidates for the employer.

Head hunting / talent spotting: this involves looking around for the type of person that would suit the specification of the job. This is normally done by Human Resource Manager who inquiries from friends, giving them the description of the type of person he needs.

Field trips: this is where an entrepreneur goes out to different places spotting the right type of personnel needed for existing job.

Internet (surfing). This is where information about certain jobs is entered into the computer and those looking for jobs feed data also in the system. The computer then will match the jobs with people. However, computer networks are used by multi – national companies.

When recruiting employees, business look at the desired qualities the applicant must have in terms of skills, knowledge, personal traits and other performance , these are also called competencies below are some of the competencies management looks out from Job applicants during an Interview.

Competencies expected from an applicant during an interview

- Qualifications / level of education / skills
- Confidence
- Courtesy
- Time management

- Decency / smartness
- Respect
- Intelligence
- Experience
- Team work
- Controlling emotions
- Good communication
- Creativity and innovativeness
- Concentration
- Consistence
- Self – motivation
- Knowledge
- Flexibility
- Attentiveness / listening

FACTORS CONSIDERED WHEN RECRUITING EMPLOYEES IN AN ORGANISATION / ENTERPRISE

When you have a plan to hire labour / recruit labour in a business there some factors you have to put into consideration these include the following:

- **Level of education/qualification/ type of skills.** This considers the level of education of employees that is some jobs require diploma or degree holders while others require certificates or senior six leavers.
- **Working experience of employees.** Most employers or entrepreneurs are interested in experienced people or workers who are efficient and productive.
- **Age of the employees.** Different jobs have different age requirements that are some want young and energetic workers like jobs that need lifters while technical jobs need mature people like chief administrators.
- **Marital status.** Some employers or entrepreneurs prefer employing single workers than married workers because they are flexible. For example, school wardens and matrons due to less responsibilities they possess.
- **Cost of the employee is considered when recruiting employees:** cheap labour is always wanted by employers to minimize on the wage bill of workers. This enables employers to maximize profits.
- **Sex of the employee.** Some employers or entrepreneurs prefer employment to women and others. Women to men for different reasons like for simple activities, women are preferred while heavy work is preferred for men.

- **Health status of the employee.** Some employer's want workers with good health status because they are in position to be at work at all times.
- **Language spoken by the employee.** Some employers are willing to employ people who know to speak many languages and specific languages for easy communication at the work place.
- **Size of the business:** some businesses are small and need few workers and at times large businesses need many workers. At recruitment therefore, the number of employees depends on the size of the enterprise.

ACTIVITY 6.1.2

- (1) Identify any 5 businesses in your community, how do they get their workers to fill the vacant posts in the organization? Or what are the sources of recruitment for their workers?
- (2) What factors do they consider before giving these workers a job in their business?
- (3) Record your findings in your note book you will share them with your subject teacher

(N.B: Don't forget your face mask, observe 2 meters social distance, wash /sanitize your hands frequently and follow other ministry of health guide lines for your safety against covid 19 during your field work)

LESSON 02: HUMAN RESOURCE MANAGEMENT

Learning outcome: By the end of this lesson, you should be able to: examine the factors that are considered when determining payments for workers in an enterprise, describe the strategies of motivating employees at the workplace, and explain the causes and solutions to high labour turnover in businesses today.

Materials you need: Entrepreneurship textbooks, Notebook, pen, ICT tools e.g Radio, T.V. Mobile phone, laptop, desk computer, Internet etc.

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Introduction

The payment for labour is salary or wages, sometimes businesses face a challenge of setting the salary structure for their workers, some may be underpaid while others may be over paid, underpaying workers makes them less motivated to be committed to the business and work hard to achieve the desired objectives while over paying an employee becomes a cost the business, below are some of the factors that can guide businesses set fair payments for the employees.



Factors considered when determining payments for workers in an enterprise.

- **Level of competition for workers among different employers.** High levels of competition for workers force employers to pay their workers higher wages so as to motivate and retain them. On the other hand, absence of competition for workers among different employers leads to relatively low wages paid to employees.
- **Level of education and training that a person undertakes.** Workers who have high levels of education are paid higher wages because of the extra period of training incurred. On the other hand, low wages are paid to those workers with low levels of education.
- **Cost of living.** employees who work in areas where cost of living is high for example in urban areas are paid higher wages than those who work in areas where the cost of living is relatively low for instance in rural areas.
- **Experience and skills for a particular job.** Higher wages are paid to employees with experience and the required skills relating to a particular job. On the other hand, workers lacking experience and the required skills to perform a particular job are paid less.
- **Amount of work (duties and responsibilities) being done.** employees with more tasks to perform than others should be paid highly because of the extra

assigned duties while those with less duties and responsibilities should be paid according to the amount of work being done i.e they should earn less.

- **Nature of employment opportunities.** Permanent workers with guaranteed job security are paid relatively low wages than those doing work which is on a contract basis. This is because the job security for contract jobs is usually for a limited fixed period which is agreed.
- **Strength and bargaining power of workers.** Workers with a lot of bargaining power and whose services are highly demanded by the organization are paid higher wages. On the other hand, employers who take advantage of workers with low bargaining power through paying them less provided they are helping to achieve its goals.
- **Demand for the services being rendered by the worker.** There are workers whose services may be highly demanded than those being offered by the others. In such situations, such workers are paid higher wages than those offering services that the organization / business would still continue to operate even without such employees.
- **Nature of work being done.** Workers who perform mental / knowledge-based type of work are paid higher wages / salaries for example accountants than those who perform physical type of work like cleaning.
- **Risk involved in the work being done.** Workers who do risky jobs like the night watchmen should be paid higher than those doing less risky jobs like office or toilet cleaning.
- **Profitability of the business/ employer.** Business or organization which make a lot of profits motivate their workers by paying them higher wages. On the other hand, workers in businesses with low profits being made are paid relatively lower wages.

MOTIVATION OF WORKERS

There is need to encourage employees to work hard in order to achieve the desired goals of the business, Motivation involves creation of an environment that encourages workers to perform the desired tasks, managers need to identify the needs of the workers and solve them so as to increase their productivity and efficiency.

Motivation refers to the process of stimulating / encouraging an individual to work hard in order to achieve the desired organizational goals.

It is also defined as the process of encouraging workers so that they may perform efficiently and effectively in an organization

MEASURES USED TO MOTIVATE EMPLOYEES IN ORGANISATIONS

- Ensuring Timely and adequate remuneration of workers. Workers payment should be made on time as agreed upon in terms of payment and it should be adequate to enable them perform their duties efficiently and effectively
- Managing employee discipline. The discipline among the workers, managers and entrepreneurs should be well enforced basing on rules and regulations in order to have effective working culture
- Rewarding employees that meet performance standards. Giving rewards to specific good result on the work well done encourages employees to work hard and get more rewards
- Providing fringe benefits to workers like pensions, housing allowance, maternity leave, sick leave where applicable to workers so that to encourage them perform better in the organization.
- Carrying out on Job training. Training of workers helps them to develop express, skills and acquire more knowledge used to improve performance of the organization e.g use of tools and equipment
- Ensuring good working conditions. Improving working conditions e.g provision of personal protective gear for safety enhances the employees motives to achieve the desired set objectives and goals of the organization
- Ensuring job security. There is need to ensure workers that they have job security by giving employees appointment letters and avoiding unnecessary termination of workers.
- Ensuring effective communication to all business employees. There is need for employer and employee to communicate efficiently and effectively through top-bottom and bottom – top communication with feedback.



- Through organizing staff parties. There is need to organize parties for staff members they socialize and share ideas and get encouraged to serve in the organization.
- Through promotion aspects. Workers need to be promoted from lower positions to higher positions if they perform better so that they are encouraged to perform to their best hoping for more promotions.
- Through participating in decision making. Allowing employees to participate in decision making promotes motivation among the employees since they develop sense of belonging.



- Through Training to workers in workshops and seminars. This enables the workers to acquire more knowledge and skills and enables them to grow in their profession
- Evaluating the performance of workers. This is through carrying out performance appraisal to evaluate employees' performance.
- By sharing and showing concern of workers problems.

- By involving employees in profit sharing schemes since they are one of the people who contribute towards profits

THE CONCEPT OF LABOUR TURN OVER

Many small and medium enterprises are challenged with well skilled and hardworking employees leaving their business. Many of them are hardworking and cannot be easily replace.

This therefore requires entrepreneurs to find out the reasons why employees exit their business even when their contracts have not expired so that they design strategies on how to retain the competent and skilled workers.

Labour turn over refers to the number of employees moving in and out of the business.

Entrepreneurs are faced with many employees leaving their businesses as they also have to advertise more workers to be employed leading to high labour turn over.

It involves a number of employees leaving the organization leading to wastage. Many small and medium enterprises are challenged with labour turn over, since some of the very competent workers leave the organization and cannot be easily replaced. Below are some of the causes of labour turn over in organizations:

CAUSES OF THE HIGH LABOUR TURNOVER IN UGANDA

- Inadequate wages leading to workers moving to competitors
- Sexual harassment of workers by bosses
- Low levels of motivation/poor morale
- Promotion prospects in other businesses
- Recruiting and selecting of wrong employees
- Delayed payment of workers' salaries
- Communication gaps which leads to poor relationship between employees and employers
- Disrespect of employees by bosses
- Transfers caused by marriage
- Excessive work load to workers

DISADVANTAGES / COSTS OF LABOUR TURN OVER

- It leads to additional recruitment costs
- Low productivity
- Increased costs of training and replacement of workers
- It lowers business's performance
- Loss of know-how and customer good will
- Potential loss of sales due to high turnover in the scale force
- Damage the morale and productivity to those workers remain in the enterprise
- Hiring costs
- Higher accident rates
- Underutilization of production facilities
- High rate of scrap and waste
- Over time pay is increased
- It lowers reputation of the enterprise which may make the business to lose its potential customers

STRATEGIES TO MINIMIZE LABOUREMPLOYEE TURNOVER IN ORGANIZATIONS

Below are some of the measures that can be undertaken to reduce labour turn over in businesses:

- **Engaging employees in the decision making process.** This involves engaging, retaining and optimizing the value of employees to motivate them to stay in the organization
- **Increasing knowledge accessibility.** Share knowledge and ideas with employees so that they feel part of the organization. Sharing information should be made at all levels of management
- **Optimizing workforce.** This can be done through establishing essential processes for getting work done, providing good working conditions establishing accountability and many good hiring choices would retain employees in their organization
- **Empowering of employees.** Superiors empowering subordinates by delegating responsibilities to them leads to subordinates who are more satisfied with their leader and consider them to be fair and in turn to perform up to the superior's expectations
- **Ensuring job involvement.** This involves an individual's ego involvement with work and indicates the extent to which an individual identifies psychologically with his / her job. Workers who have greater variety of tasks tend to love and stay on their jobs.
- **Employee training and development.** Staff training and development refers to the process programs and activities through which or organization develops, enhances

and improves the skills, competencies and overall performance of its employees and workers.

ACTIVITY 6.1.3

- (1) Visit any 5 well established businesses in your home area, find out the methods they use to motivate workers / employees
- (2) What benefits are the entrepreneurs getting from motivating workers?
- (3) What are some of indiscipline cases arising from the workers?
- (4) How are these businesses handling / solving employee indiscipline?
- (5) High labour turnover is still a big challenge in small and medium enterprises of Uganda. Identify the solutions the selected businesses put in place to reduce high labour turn over?
- (6) Record your findings in your note book, you will share them with your classmates and subject teacher when the term re- opens

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LESSON 03: BUSINESS COMPETITION

Learning outcomes: By the end of this lesson, you should be able to: define competition, describe the things an entrepreneur should do to win competition, list the indicators of an increase in the level of competition, explain the factors a business should consider when analyzing business competition, explain measures that can be undertaken by the businesses to win competition and examine the positive and negative effects of business competition.

Materials you need: Entrepreneurship textbooks, Notebook, pen, ICT tools e.g Radio, T.V. Mobile phone, laptop, desk computer, Internet etc.



Introduction

Competition in different activities in schools and our home communities is very common, in schools we have witnessed completion in sports, debate and other activities, in competition there is always a winner and a loser.

Similarly businesses have always been challenged with stiff completion from their rivals, every time a business comes up with a new idea, it gets competitors who copy the idea and produce almost the same product, this requires the business to come up with efficient strategies to survive the competition from the rivals.

Competition is the battle between businesses to win consumer acceptance and loyalty. It is all about creating value, capturing and retaining it In order to remain in operation businesses should come up with strategies to remain on top of their rivals.

There are many things an entrepreneur can do to win the competition. These include the following.

- i) **Pricing competition.** This type of competition involves charging different prices for the same commodity so as to win customers for example charging low prices compared to competitors
- ii) **Product presentation and appearance competition.** This type of competition includes the way one decorates his business premises, the way the sales person dresses, color of the product, wrappers or containers and neatness in packaging. There are many useless products on the market that sell like hot cakes due to the way they are packaged. It is therefore important to pay great attention to the way you package your goods.
- iii) **Quality competition.** His type of competition involves producing a product that satisfies the needs of customers. The quality of the product is the most significant competitive advantage over other people in one's business. The better the product, the more suitable for use and the more it attracts more customers.
- iv) **Added convenience competition.** This competition includes staying open late or during lunch when other businesses are closed. E.g. some commercial banks work for long hours on weekends. One could also offer something for nothing to the customer.
- v) **Customer care competition.** This type of competition involves winning customers in terms of treating them well One should always treat customers with respect because people always choose to go where they are treated with dignity.

INDICATORS OF AN INCREASE IN THE LEVEL OF COMPETITION

- Decrease in the demand for the business products
- Decrease in sales
- Increased advertising/sales promotion by competitors
- Increased complaints by customers
- Increased labour turnover in the enterprise
- Improved customer care
- Increased product added advantaged
- Increased customer convenience
- Improved methods of selling
- Improved after sales services
- Increased number of rival firms
- Increased in-service training for workers
- Demand for wage increment by employees

FACTORS A BUSINESS SHOULD CONSIDER WHEN ANALYSING BUSINESS COMPETITION

The following are some of the things that should be considered when analyzing competition:

- **Size of competition/number of competitors.** A large number of competitors implies a high level of competition but a small number of competitors implies a low level of competition.
- **Profitability of competitors.** High profits earned by competitors means that there is stiff competition among businesses but low profits earned by competitors means low competition among businesses.
- **Quality of substitute products or services.** High quality products produced by competitors indicates a stiff competition with the entrepreneurs' business but low quality products produced by competitors implies low competition with the entrepreneurs' business
- **Hours of operation.** Added hours of operation for example early morning and late evening indicates a high level of competition among businesses but normal hours of serving customers implies low competition existing between businesses
- **Skills/quality of personnel employed.** Use of highly skilled personnel for example sales personnel indicates a high level of competition among business but use of unskilled/semi-skilled personnel implies low competition.
- **Methods of selling and distribution channels.** Use of personal selling and a long distribution channel shows stiff competition in businesses but selling directly to customers implies low level of competition.
- **Location of businesses.** Strategic location of businesses in a particular place implies stiff competition but locating businesses in inaccessible places/less strategic places implies low competition among businesses
- **Level /nature of advertising.** Persuasive advertising in businesses implies stiff competition/high level of competition but informative or no advertising in businesses implies low competition in such businesses
- **Promotional methods/ level of product promotion.** A high level of product promotion among businesses implies a high level of competition but low promotional activities in the business implies less competition

- **Quality of customer care.** Good customer care in businesses implies high competition but poor customer care among businesses indicates low competition among businesses
- **Price charged on similar products.** Low prices charged on similar products indicates high competition among businesses but high prices charged on similar products by the entrepreneur's business indicate low completion of the business with other businesses
- **Product added advantages/warrantees offered.** Excessive benefits attached on a commodity imply high level of competition among the businesses but less benefits attached on commodities imply low competition

MEASURES THAT CAN BE UNDERTAKEN BY THE BUSINESS TO WIN COMPETITION.

- **Charging cheaper and attractive prices.** A similar service/product should be offered at a cheaper price, one stands a better chance of winning the customer's loyalty.
- **Ensuring good presentation and appearance.** This includes the way one decorates his business premises, the way the sales person dresses, color of the product, wrappers or containers and neatness in packaging.
- **Production of good quality products.** Good quality products live longer than poor quality ones and attract more customers and thus a larger share of the market is attracted by the enterprise.
- **Ensuring Added convenience.** This includes staying open late or during lunch when other businesses are closed. e.g. some commercial banks work for long hours on weekends. One could also offer something for nothing to the customer
- **Positive attitude towards the customers.** One should always treat customers with respect. People always choose to go where they are treated with dignity.
- **Rewarding loyal and regular customers** like by giving them gifts, prizes, inviting them to get together parties e.t.c
- **Offering credit to loyal and credit worthy customers.** The business should assess the credit worthiness of the customers.

- **Communicating regularly with the customers** like by communicating to them major changes in the business, availability of new products e.t.c
- **Maintaining up to date records of regular**, loyal and big customers and recognizing them when they call or come to the business
- **Providing appropriate after sales services** like offering delivery services, proper packing of goods bought for easy carrying, helping to install the product bought at the customer's premises

Business competition has both positive and negative effects which include the following:

POSITIVE EFFECTS OF BUSINESS COMPETITION

- It leads to better customer satisfaction/production of better quality products. The producers and sellers ensure that they produce high quality goods and services. and any other activity that ensures maximum customer satisfaction in order to attract more customers
- It promotes more efficient production; it makes producers more pro-active in discovering more efficient production methods like use of fewer raw materials and time to produce better goods.
- It results in better employee remuneration/payments. It forces employers to pay their highly skilled employees better salaries especially when they are likely to be taken away by competitors.
- Production of a variety of goods and services. It makes producers vary their products in order to make them different from those of competitors hence increased customer satisfaction.
- It results in lower or cheaper prices of commodities. competition makes producers and sellers to try to lower the prices of their goods or services, thus making consumers enjoy lower prices
- It enables businesses to earn more profits. Competition makes businesses that enjoy better competitive advantage over rival ones to sell more which in turn makes them to earn more profits that can be re-invested
- It leads to expansion of market for some businesses. Competition allows some businesses to expand the market for their goods or services through persuasive advertising, hence generating more incomes

NEGATIVE EFFECTS OF BUSINESS COMPETITION

- It results into wastage of resources. Competition makes businesses to duplicate activities or services as a way of attracting more customers, which results in wastages of the limited resources.
- It leads to poor relationship between business competitors
- It leads to collapse of small or inefficient businesses/It results in unemployment when the inefficient firms are out competed
- It makes resources to become more expensive. Competition makes businesses to compete or struggle to acquire the limited resources like skilled workers, high quality raw materials e.t.c
- It lowers profits of businesses. Competitive advertising increases the operation costs of businesses and thus lowers their profits
- It reduces the market share per business. Competition from many businesses divide the limited number of customers to different businesses and this reduces the market share per business, resulting in low sales income
- Leads to persuasive e advertisements which mislead customers.Sometimes customers are forced to buy products they do not really need or which may be of low benefit to them.

ACTIVITY 7.1.1:With reference to the above self-study material on business competition:

- (a) Identify any 5 businesses in your community
 - i) List down the names of their competitors
 - ii) Find out the measures they are using to win stiff competition from their rivals
 - iii) Find out the effects of competition to the businesses.

(b) Write a report about your findings in your note book. You will share your report with your teacher and classmates when the term re – opens. Their comments will help you improve your report.

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