Ethiopian TVET-System

Technical & Vocational Education and Training

(TVET) Agency

TEACHING TRAINING LEARNING MATERIAL

- **Basic Account Works Level-II**
- **Learning Guide-1**
- **Unit of Competence: Develop Business Practice**
- **Module Title: Developing Business Practice**
- **LG Code: : BUF BAW2 M09 LO1-LG-01**
- **TTLM Code: BUF BAW2 M09 TTLM 0919v1**

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Sep , 2012, bhare dare

CLEANING LEVEL - II

Learning Guide #1

- **Unit of Competence Develop Business Practice**
- **Module Title: Developing Business Practice**
- **LG Code: EIS MNS2 M09 LO9**
- **TTLM Code: EIS MNS2 TTLM 030712v1**

- Be Innovative Leadership Development - Arms for Change

LO 1: Identify business opportunity

Instruction Sheet	**Learning Guide #1**

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

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

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

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

Learning Instructions:

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

5. Ask from your teacher the key to correction (key answers) or you can request your teacher to correct your work. (You are to get the key answer only after you finished answering the Self-check 1)

1.1 Investigation of business opportunities Undertaking feasibility study

Introduction

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

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

Makeup of a business opportunity

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

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

- A method to benefit

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

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

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

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

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

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

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

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

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

Steps of identifying business opportunity

- Focus on your core product
- Keep your business area simple
- Stay true to who you are
- Map it
- Utilize marketing tools that work best for you

- Implement a plan of action
- Exercise the plan

Undertaking of business feasibility studies

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

Importance of business feasibility study

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

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

Business feasibility study and dimensions of business viability

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

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

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

Self-Check 1.1	Written Test

Instruction: give short answer for the following questions

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

Answer Sheet

Score = ____________

Rating: _____________

Name: ___________________________ Date: ________________

Short Answer Questions

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

1. The expected financial viability
2. skills of operator
3. amount and types of finance available
4. returns expected or required by owners

5. likely return on investment
6. finance required
7. lifestyle issues

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

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8. ____

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1.2 market research

Marketing research

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

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

Marketing environment

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

Market segmentation

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

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

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

Types of Market Research

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

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

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

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

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

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

Marketing planning

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

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

Marketing strategy

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

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

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

Self-Check 1.1	Written Test

Instruction: give short answer for the following questions

1Explain the term business research ?

Answer Sheet

Score = ___________
Rating: ____________

Name: _________________________ Date: _______________

Short Answer Questions

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

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

Financial advice

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

Financial professionals can help you to:

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

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

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

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

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

Specialists and relevant parties include the following points.

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

- business brokers/business consultants

Self-Check 1.1 **Written Test**

Instruction: give short answer for the following questions

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

Answer Sheet

Score = ___________

Rating: ____________

Name: _________________________ Date: _______________

Short Answer Questions

Specialists and relevant parties include the following points.

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

lawyers and providers of legal advice

1.4 Impact of e-commerce on business

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

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

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

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

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

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

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

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

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

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

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

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

Self-Check 1.1	**Written Test**

Instruction: give short answer for the following questions

1 explain the advantages and des advantage Electron commerce

Answer Sheet

Score = ___________

Rating: ____________

Name: _________________________ Date: _______________

Short Answer Questions

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

1.5 Business plan

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

What Are the Components of a Business Plan?

The formal, traditional business plan has the following sections:

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

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

Why Does Every Start-Up Need a Business Plan?

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

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

For example:

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

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

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

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

The **financial plan** is the determining factor as to whether your proposed business idea is likely to be a success and (if financing is required) whether you are likely to obtain start-up funding in the form of equity or debt financing from banks, angel investors, or venture capitalists. You can have a great idea for a business and excellent marketing, management, and operational plans but if the financial plan shows that the business will not make enough income after expenses to be profitable then the business model is not viable and there's no point in starting that venture.
In a nutshell, then, the answer to the question, What is a business plan? is that a business plan is the due diligence that will prevent you from wasting time and money on a venture that won't work.
Still have doubts? See 5 Reasons a Business Plan Is Key to Success.

The Business Plan Is a Living Document

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

How to Write a Business Plan

My *Writing A Business Plan* series provides detailed instructions for working through each section of the business plan. The Business Plan Outline is the starting page; it includes a brief explanation of the contents of each section of the plan.
Note that the above is a detailed explanation of how to write a formal, full-fledged business plan; there are different business plans for different purposes.

How Does the Business Plan Differ from the Investment Proposal?

Not much. They both have the same contents. You can think of an investment proposal as a business plan with a different audience. The business plan is considered an internal document, unlike the investment proposal, which is designed to be presented to external agencies. For more about business plans crafted for investors, see Prepare an Investor Ready Business Plan.
See also:
The 7 Most Common Business Plan Mistakes
Simple Business Plan Template
A Coffee Shop Business Plan
One-Page Business Plan Templates

What Is a Business Plan?

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

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

Understanding Business Plans

A business plan is a fundamental tool any startup business needs to have in place prior to beginning its operations. Usually, banks and venture capital firms make a viable business plan a prerequisite to the investment of funds in a business.

Even though it may work, operating without a business plan is not a good idea. In fact, very few companies are able to last without one. There are definitely more benefits to creating and sticking to a business plan including being able to think through ideas without putting too much money into them—and, ultimately, losing in the end.

A good business plan should outline all the costs and the downfalls of each decision a company makes. Business plans, even among competitors in the same industry, are rarely identical. But they all tend to have the same elements, including an executive summary of the business and a detailed description of the business, its services and/or products. It also states how the business intends to achieve its goals.

The plan should include at least an overview of the industry of which the business will be a part, and how it will distinguish itself from its potential competitors.

Want Funding? You Need a Business Plan

Elements of a Business Plan

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

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

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

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

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

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

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

Types of Business Plans

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

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

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

KEY TAKEAWAYS

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

Special Considerations

Financial Projections

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

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

Self-Check	Written Test

Instruction: give short answer for the following questions

1 explain the term business plan and the component

Answer Sheet

Score = ___________
Rating: ____________

Name: _________________________ Date: _______________

Short Answer Questions

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

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10. ____

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11. ____

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CLEANING LEVEL - II

Learning Guide #2

- **Unit of Competence: Develop Business Practice**
- **Module Title: Developing Business Practice**
- **LG Code:** EIS MNS2 M09 LO2
- **TTLM Code:** EIS MNS2 TTLM 090712v1
- **Nominal time:** : 4 hrs

LO2: Identify personal business skills

Be Innovative Leadership Development - Arms for Change

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

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

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

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

Learning Instructions:

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

2.1. Financial and business skills

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

Assessment of entrepreneurial characteristics (example)

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

Do you have personal funds to put into the business?		
Or are there other reliable sources?		
Total number of strengths and weaknesses (example)		

Are your strengths greater than your weaknesses?

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

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

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

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

Example for selecting one best business idea

Business ideas	Availability of:						
	Demand	Staff	Tools	Raw material	Total	Com-petitors	Grand Total
	+	+	+	+	=	-	=

1st business idea	2	2	2	1	7	3	**4**
2nd business idea	5	4	3	5	17	3	**14**
3rd business idea	4	3	4	3	14	2	**12**

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

Test your business idea with a SWOT analysis

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

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

Outcome of the SWOT analysis will enable you to:

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

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

- Availability of market;

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

Identify available finance

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

Internal sources of finance: Internal sources of finance are the funds readily available withintheorganisation.Internalsources of finance consists of:

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

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

- **Retained profits**: Retained profits are the undistributed profits of a company. Not allthe profits made by a company are distributed as dividends to itsshareholders. The remainder of the profits after all payments is madefor a trading year is known as retained profits. This remainder of financeis saved by the business as a back-up in times of financial needs andmaybe used later for a company's development or expansion. Retainedprofits are a very valuable no-cost source of finance.
- **Working capital:** Working capital refers to the sum of money that a business uses forits daily activities. Working capital is the difference of current assets andcurrent liabilities (i.e. Working capital = Current assets – Currentliabilities). Proper working capital management is also vital as it is also asource of finance for a business.

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

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

Current liabilities: Current liabilities are short-term debts that are in immediate needof settlement. Some examples of current liabilities are creditors, accruals, proposed dividends and tax owing. These obligations have to be paidwithin a year.Creditors – also known as trade creditors are suppliers from whomthe business purchased goods on credit. Paying the creditors as late aspossible will ease cash flow requirements for a business. Accruals are the expenses owed by the business. Dividends proposed are the dividends payable for the year that isnot yet paid. Tax owing is the sum of money owing as tax.

- **Sale of fixed assets**

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

External sources of finance

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

- Ownership capital or
- Non-ownership capital

a. **Ownership capital**

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

- Ordinary shares
- Preference shares

Ordinary shares

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

Preference shares

Preference shares are another type of shares. Preferenceshareholders receive a fixed rate of dividends before the ordinaryshareholders are paid. Preference shareholders do not have the right tovote at general meetings of the company. Preference shares are also anownership capital source of finance. There are several types of preferenceshares. Some of them are Cumulative preference share, Redeemablepreference share, Participating preference share and Convertiblepreference share.Cumulative preference shares – if a company is in a loss makingsituation and is unable to pay dividends for one year then the dividend forthat year will be paid the next year along with next year's dividends.Redeemable preference shares – these preference shares can bebought back by the company at a later date. Normally the date of redemption is usually agreed.Participating preference shares – give the benefit of additionaldividends to its shareholders above the fixed rate of dividends theyreceive. The additional dividend is usually paid in proportion to ordinarydividends declared.Convertible preference shares – convertible preferenceshareholders have the option of converting their preference shares toordinary shares.

b. **Non-ownership capital**

Unlike ownership capital, non-ownership capital does not allow thelender to participatein profit-sharing or to influence how the business isrun. The main obligations of non-ownership capital are to pay back theborrowed sum of money and interest. Different types of non-ownershipcapital:

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

The financial costs of the different sources of finance

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

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

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

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

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

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

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

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

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

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

Grants: are free and have no financial costs.

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

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

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

Advantages and Disadvantages of the differentsources of finance

1. **Personal savings**

Advantages

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

Disadvantages

- Personal savings is not an option where very large amounts of fundsare required.
- Since it is an informal agreement, if the owner demands the moneyback in a short notice it might cause cashflow problems for thebusiness.

2. **Retained profits**

Advantages

- They need not be paid back since it is the organisation's ownsavings.
- There are no interest payments to be made on the usage of retained profits.
- The company's debt capital does not increase and thus gearingratio is maintained.
- There are no costs raising the finance such as issuing costs forordinary shares.
- The plans of what is to be done with the money need not berevealed to outsiders because they are not involved and thereforeprivacy can be maintained.

Disadvantages

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

3. **Working capital**

Advantages

- Since it is an internal source of finance there are no costs involved.

- No repayment is needed.
- External parties cannot influence business decisions.
- Will not increase debt capital of the firm so gearing ratio ismaintained.

Disadvantages

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

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

4. **Sale of assets**

Advantages

- Funds are again raised by the business itself and therefore need notbe paid back.
- No interest payments are required.
- Large amounts of finance can be raised depending on the fixedasset sold.
- Would be the ideal source of finance if it was for an assetreplacement.

Disadvantages

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

2.1Self-Check	**Written Test**

Instruction: give short answer for the following questions

1 identify available of finance source

2 explain the term SWAT analysis

Answer Sheet

Score = ____________
Rating: _____________

Name: ___________________________ Date: ________________

Short Answer Questions

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

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

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

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

Skills you need for business

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

- business skills
- leadership skills

System skills

Management Skills:

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

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

Financial Abilities:

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

Marketing Skills:

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

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

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

Personal Skills:

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

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

Communication Skills:

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

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

The 15 Most Important Business Skills

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

1. Hunger for new knowledge
2. Problem solving skills

3. Creativity, imagination and inventiveness
4. Networking skills (upward networking, leveraging)
5. Ability to get others to work for you (delegation)
6. Efficient time management abilities
7. Efficient resource management
8. Strategical analysis - where to focus
9. Ability to make tough decisions
10. Written and oral communication
11. Passion, energy and excitement
12. Ability to listen to other people's ideas
13. Know your audience and treat them well
14. Organization of documents, information and resources
15. Ability to set example with actions.

2.1Self-Check	**Written Test**

Instruction: give short answer for the following questions

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

Answer Sheet

Score = ___________

Rating: ____________

Name: _________________________ Date: _______________

Short Answer Questions

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

16. Hunger for new knowledge
17. Problem solving skills

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

2.3. Business risks (Identifying and assessing business risks)

Defining risk assessment

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

A process for capturing and analyzing risks

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

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

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

- **Strategic risk assessment**. Evaluation of risks relating to the organization's mission and strategic objectives, typically performed by senior management teams in strategic planning meetings, with varying degrees of formality.
- **Operational risk assessment**. Evaluation of the risk of loss (including risks to financial performance and condition) resulting from inadequate or failed internal processes, people, and systems, or from external events.
- **Compliance risk assessment.** Evaluation of risk factors relative to the organization's compliance obligations, considering laws and regulations, policies and procedures, ethics and business conduct standards, and contracts, as well as strategic voluntary standards and best practices to which the organization has committed. This type of assessment is typically performed by the compliancefunction with input from business areas.
- **Internal audit risk assessment.** Evaluation of risks related to the value drivers of the organization, covering strategic, financial, operational, and compliance objectives.
- **Financialstatement risk assessment**. Evaluation of risks related to a material misstatement of the organization's financial statements through input from various parties such as the controller, internal audit, and operations.
- **Fraud risk assessment.** Evaluation of potential instances of fraud that could impact the organization's ethics and compliance standard, business practice requirements, financial reporting integrity, and other objectives.
- **Market risk assessment.** Evaluation of market movements that could affect the organization's performance or risk exposure, considering interest rate risk, currency risk, option risk, and commodity risk. This is typically performed by market risk specialists.
- **Credit risk assessment**. Evaluation of the potential that a borrower or counterparty will fail to meet its obligations in accordance with agreed terms.
- **Customer risk assessment**. Evaluation of the risk profi le of customers that could potentially impact the organization's reputation and fi nancial position.

- **Supply chain risk assessment**. Evaluation of the risks associated with identifying the inputs and logistics needed to support the creation of products and services, including selection and management of suppliers (e.g., up-front due diligence to qualify the supplier, and ongoing quality assurance reviews to assess any changes that could impact the achievement of the organization's.
- **Product risk assessment**. Evaluation of the risk factors associated with anorganization's product, from design and development through manufacturing, distribution, use, and disposal.
- **Security risk assessment**. Evaluation of potential breaches in an organization's physical assets and information protection and security. This considers infrastructure, applications, operations, and people, and is typically performed by an organization's information security function.
- **Information technology risk assessment**. Evaluation of potential for technology system failures and the organization's return on information technology investments.

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

Key principles for effective and efficient risk assessments

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

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

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

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

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

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

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

Leading indicators are used to provide insight into potential risks.

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

Essential steps for performing a risk assessment

1. Identify relevant business objectives.

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

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

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

3. Determine risk tolerance.

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

4. Assess inherent likelihood and impact of risks.

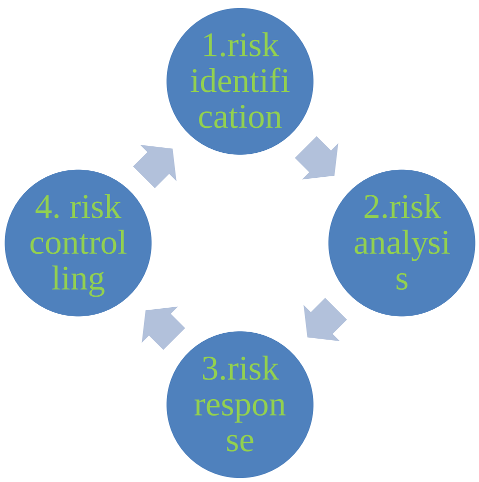
Events identified as potentially impeding the achievement of objectives are deemed to be risks and should be evaluated based on the likelihood of occurrence and the significance of their impact on the objectives.

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

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

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

Risk management process



Common challenges to effective risk assessment

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- **Putting key principles to work.**

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

Risk assessment: benefits and opportunities

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

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

Self check exercise	Written test

Instruction: give short answer for the following questions.

1. Define risk assessment

Score = ___________

Rating: ____________

Answer Sheet

Name: ___________________________ Date: ________________

Part one: Short Answer Questions

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

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CLEANING LEVEL - II

Learning Guide #3

Unit of Competence: Develop Business Practice

Module Title: Developing Business Practice

LG Code: EIS MNS2 M09 LO3

TTLM Code: EIS MNS2 TTLM 090712v1

Nominal time: 35 hrs

LO3: Plan for establishment of business operation

Instruction Sheet Learning Guide #3

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

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

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

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

Learning Instructions:

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

5. Ask from your teacher the key to correction (key answers) or you can request your teacher to correct your work. (You are to get the key answer only after you finished answering the Self-check).

Information sheet 3	Plan for establishment of business operation

Introduction

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

3.1 Business structure and operations

How to Determine the Best Organizational Structure

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

Instructions

1. Identify and document operational work procedures for your business.

2. Gather information about company job titles, descriptions and working relationships. Simple job descriptions and limited interaction between job roles typically results in a vertically oriented organizational structure with top-down management decision making. More complex job descriptions and a lot of interaction between employees in producing

products and services typically result in organizations structured in a horizontal fashion, with few managers and more collaboration between workers.

3. Analyze your work procedures to determine the optimal work flow. Decide how to group your functions. Traditionally, forming separate departments (such as sales, marketing, human resources and accounting) that function fairly independently works well for larger companies in stable industries. If your business environment changes rapidly, choosing a more flexible adaptive structure typically makes more sense.

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

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

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

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

a) business structure

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

1. Sole proprietorship (SP),
2. General partnership (GP),
3. Limited partnership (LP),

4. Limited liability partnership (LLP),
5. C corporation (CC),
6. S corporation (SC),
7. Limited liability company (LLC) and
8. Cooperative corporations (co-op).

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

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

1. ***Sole Proprietor*** – The easiest way to form a business is as a sole proprietor. The business owner and the business are essentially the same. A sole proprietor does not even need a federal employer ID number, but can do business under the individual owner's Social security number. The disadvantage to this structure is that the owner is personally liable for the business. If the business is sued, it is the owner that is liable. If things don't go well and the business goes bankrupt, it is a personal bankruptcy.
2. ***Partnership*** – Partnerships are used when more than one person is involved in the ownership of the business. The partners share in income and expenses based on their percentage of ownership share in the partnership..
3. ***Sub S Corporation*** – A Sub S Corporation is treated like a partnership for taxes, but creates a separate legal entity. It can protect the owner personally from suit or bankruptcy. The ownership is in the form of shares, so ownership can be transferred more easily.
4. ***C Corporation*** – A C Corporation is a standard corporation and most large businesses use this structure. C Corporations provide good liability protection for the owner(s); however a C Corporation is seen as a separate entity and is taxed as such.
5. ***Limited Liability Company (LLC, PLLC)*** – An LLC is the newest form of business ownership. It is a registered unincorporated entity. It gives the same legal protection as a corporation, but without as much of the reporting and taxing requirements. Legal protection for the owners is only effective if there is no mixing of personal and corporate money and assets. An LLC can be set up to function like a sole proprietorship, partnership or Sub S Corporation.

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

Factors of selection

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

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

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

The Importance of an Organizational Structure

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

Chain of Command

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

Span of Control

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

Departmentalization

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

Distribution of Authority

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

Organization Height

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

b) Business operation

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

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

Business Operations Roles include:

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

Self check exercise 3.1	Written test

Instruction: give short answer for the following questions.

1 The importance of an organizational structure involves assisting business owners

Score = ____________

Rating: _____________

Answer Sheet

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

Name: ___________________________ Date: ________________

Part one: Short Answer Questions

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

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

Developing a document management plan basically involves the following steps:

1. **Imposing standards in creating documents.** Businesses have different documents that keep piling up every single workday. Examples of these are sales invoices, payment notices, receipts, balance sheets, spreadsheets, and sales reports. For these documents to be highly organized there should be an existing format or standard in creating them. Decide upon the format or template to be used in each document. Create a standard

procedure on sharing or reviewing the documents. Finally, make sure that everyone involved in producing business documents are oriented in the standards that you have imposed.

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

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

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

Develop a sound business purpose

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

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

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

Self check exercise3.2	Written test

Instruction: give short answer for the following questions.

1 explain business document

Score = ___________

Rating: ____________

Answer Sheet

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

3,3 Obtaining finance

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

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

Self check exercise3,3	Written test

Instruction: give short answer for the following questions.

1 explain personal financial resources

Answer

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

Score = ___________

Rating: ____________

3.4 Business legal and regulatory requirements

Identifying and compiling Business legal and regulatory requirements.

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

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

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

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

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

Types of legislation

International treaties and agreements

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

- The United Nations Framework Convention on Climate Change and the subsequent Kyoto Protocol (UNFCC, 2004);

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

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

Identifying applicable legislation

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

Self chech exercise 3.4 **Written test**

Instruction: give short answer for the following questions

1. List the pricipal forms of business organization

Answer Sheet

Score = ___________
Rating: ____________

Name: ___________________________ Date: ________________

Part one: Short Answer Questions

1.____

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2.____

3.5 Human and physical resources and business operation

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

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

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

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

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

Self chech exercise 3.5	**Written test**

Instruction: give short answer for the following questions

1 explain human resources department

Score = ___________

Rating: ____________

Answer Sheet

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

Name: ___________________________ Date: ________________

Part one: Short Answer Questions

1.____

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2.____

3.6 Recruitment strategies (Developing and implementing recruitment strategies)

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

Step One: Resource Analysis

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

Step Two: Documentation

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

Step Three: Reflect, Analyse and Amend

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

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

Develop and Implement Recruitment and Selection Strategies.

1. Assess organization's ability to recruit and select the desired employees
    - Analyze trends that may impact on recruitment and selection strategies
    - Identify organizational issues that may impact on recruitment and selection
    - Communicate and present analysis results to management team to ensure management buy-in recruitment and selection strategies

2. Facilitate development of recruitment and selection strategies
   - Recommend strategies that align existing organizational and human resource services and strategies with recruitment and selection requirements
   - Select appropriate recruitment channels and selection methods
   - Communicate recruitment and selection strategies to relevant stakeholders
3. Coordinate the implementation of recruitment and selection strategies
   - Lead the human resource team in developing an action plan to implement recruitment and selection strategies
   - Ensure that sufficient resources are made available to deliver objectives of the recruitment and selection strategies
   - Support human resource team in the implementation of recruitment and selection strategies
   - Evaluate the appropriateness of strategies against organization goals and objectives and identify required changes to human resource services and strategies
4. Monitor and review the effectiveness of recruitment and selection strategies
   - Develop processes and systems for gathering measurement data and feedback
   - Analyze measurement data and feedback to establish performance against required criteria
   - Review best practices relating to recruitment to identify potential improvements
   - Recommend refinements or modifications to recruitment and selection strategies

Pre-requisites for recruitment selection

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

Self chech exercise 3.6 **Written test**

Instruction: give short answer for the following questions

1explain recruitment strategy

Score = ___________
Rating: ____________

Answer Sheet

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

Name: ___________________________ Date: ________________

Part one: Short Answer Questions

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2.____

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3.____

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