INFORMATION TECHNOLOGY SUPPORT SERVICE

Level II

Learning Guide #44

Unit of Competence: -	**Develop Business Practice**
Module Title: -	**Developing Business Practice**
LG Code:	EIS ITS2 M12 1019 LO2-LG44
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LO 2: Identify Personal Business Skills

Instruction Sheet	Learning Guide #44

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

- Identifying and taking financial and business skills.
- Accessing and matching personal skills/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 –

- Financial and business skills available are identified and taken into account when business opportunities are researched
- Personal skills/attributes are assessed and matched against those perceived as necessary for a particular business opportunity
- Business risks are identified 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 to 4.
3. Read the information written in the information "Sheet 1, Sheet 2,and Sheet 3," **in page 1 ,4,and 7** respectively.
4. Accomplish the "Self-check 1, Self-check t 2, Self-check 3 , Self-check 4, Self-check 5 and Self-check 6" **in page 3, 6, and 13** respectively

Information Sheet-1	Identifying and taking financial and business skills.

1.1 Concept of paradigm shift

- **"Paradigm"** designates what the members of a certain scientific community have in common, that is to say, the whole of techniques, patents and values shared by the members of the community which may be consciously articulated or, more likely, simply assumed and not intentionally acknowledged.
- **Paradigm shift** is the decline of the old paradigm, when the paradigm begins to fail solving problems and the emergence of a new one paradigm.
- **A paradigm shift** is necessary in most cases in order to generate a new business

1.2 Meaning of a Business Idea

A business idea is the response of a person or persons, or an organization to solving an identified problem or to meeting perceived needs in the environment (markets, community, etc.).

1.3 Meaning of a Business Opportunity

- A business opportunity may be defined simply as an attractive investment idea or proposition that provides the possibility of a monetary return for the person taking the risk.

1.4 Criteria for identifying a business opportunity

1. **Real demand**; it should have the potential to fulfill the needs and wants of customers
2. Return on investment;
3. Availability of resources and skills
4. Meet objectives
5. Be competitive

1.5 Unusual business opportunities

- These are new types of business opportunities which are not the same as that of most business opportunities in terms of their nature as well as the way they are utilized in business operation.
- Unusual business opportunities may originate as a result of different occasions; some of these may be
    - ✓ Public holidays

- ✓ Ceremonies
- ✓ Natural disaster
- ✓ Campaigns
- ✓ Changing way of life
- ✓ Changing culture
- ✓ Changing technology
- ✓ Economic growth

- **Unusual business opportunities** may differ from place to place, from culture to culture, as well as from country to country. This is because what may be unusual business opportunity in one culture or country may not be unusual business opportunity in another culture as a result of differences among two or more cultures and countries.

Self-Check -1	Written Test

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

Short Answer Questions

1. ______ is the decline of the old paradigm, when the paradigm begins to fail solving problems and the emergence of a new one paradigm.
2. List some Unusual business opportunities may originate as a result of different occasions?

Note: **Satisfactory rating - 1 points** **Unsatisfactory - below 1 points**

You can ask you teacher for the copy of the correct answers.

Answer Sheet

Score = ____________

Rating: _____________

Information Sheet-2	Accessing and matching personal skills/attributes

1.1. Maintaining an Entrepreneurial Outlook

A. Feel and Think Like an Entrepreneur

- Think along non-traditional and nonconformist lines
- Think about starting small
- Think realistically about finances
- Think always about viable business ideas
- Think about what people are willing to buy
- Think about doing things for yourself
- Think about cost-benefits of business involvement
- Think about doing things differently
- Think about family and people who can support and help you
- Think like an achiever
- Think clearly about complex problem situations

B. Behave and Act Like an Entrepreneur

- Have a good product or service that is of value to other people
- Utilize the skills, experience and abilities you have
- Adopt and use the language of achievement
- Move ahead and do things at your own pace
- Have a positive attitude and compete with yourself
- Be determined and motivated in whatever you do
- Lead and guide other people
- Develop plans on what you want to do
- Initiate activities in no matter what situation
- Maintain hope and never give up easily
- Dress well to gain attention and respect
- Be healthy, active and enthusiastic/passionate
- Unconditionally accept your own worth/value

C. Have a Goal (Something you work to gain from)

- Set small goals for yourself ("Today I will finish my homework"). When you have accomplished the small goals, move on to larger ones ("I will own business").
- Complete one goal at a time. If you have too many goals, you achieve few of them.
- If your goal is too big to reach as a whole, break it into smaller goals and aim for the smaller goals one at a time.
- Choose realistic goals. Don't set your sights on goals you'll never be able to achieve in your lifetime.
- Give yourself rewards along the way. Without encouragement to glue the bricks together, the wall will fall apart.
- Never forget where you are and where you are going. Remind yourself which goals you've reached and which still need to be achieved.
- Be specific and concise when starting your goals.
- Express your goals in qualitative terms that will tell you whether a goal has been achieved or not.
- Determine the causes for goals not achieved. In a small business, examples would include wastage of materials, shortage of money, production problems, marketing problems, competition, inflation, government regulations, and other natural causes like HIV/AIDS.
- Whenever there is deviation from achieving a goal it is necessary for you to redefine your goals to fit in with the new reality. This adjustment is a continuous process in business situations.
- When setting goals it is important to be conscious of their nature, such as regular/routine work goals, problem-solving goals, innovative goals and development goals.

Self-Check -2	Written Test

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

Short Answer Questions

1. List Maintaining an Entrepreneurial Outlook?
2. List Behave and Act Like an Entrepreneur?

Note: **Satisfactory rating - 6 points** **Unsatisfactory - below 6 points**

You can ask you teacher for the copy of the correct answers.

Answer Sheet

Score = ____________
Rating: _____________

Information Sheet-3	Identifying and assessing business risks

Business risks

What is Risk?

There is no one universal and comprehensive definition of risk that exists so far. It is defined in different forms by several authors with some differences in the wordings used. The essence, however, is very similar. Some of the definitions are shown below:

Risk is a condition in which there is a possibility of an adverse deviation from a desired from a desired outcome that is expected or hoped for. Or it can be understood as the possibility of an unfavourable deviation from expectations; it is the possibility that something we do not want to happen will happen or something that we want to happen will fail to do so. Any ways it is the objectified uncertainty as to the occurrence of an undesired event.

What is Risk Management?

Risk management is the identification, measurement, and treatment of property, liability, and personnel pure-risk exposures. It involves the application of general management concepts to a specialized area.

It requires the drawing up of plans, the organizing of material and individuals for the undertaking, the maintaining of activity among personnel for the objectives involved, the unifying and coordinating all the activities and efforts, and finally the controlling these activities.

Objectives of Risk Management

1. Mere survival: to exist as a business enterprise as a going concern
2. Peace of mind: to avoid mental and physical strain of uncertainty of a person
3. Lower risk management costs and thus higher profits
4. Fairly stable earnings: to eliminate the fluctuating nature of earnings due to fluctuating losses.
5. Little or no interruptions of operations
6. Continued growth
7. Satisfaction of the firm's sense of social responsibility or desire for a good image/ creating good will on society/value maximization/
8. Satisfaction of externally imposed obligations.

Risk Management Process

It is an iterative process consisting of five steps, which, when undertaken in sequence, enable continual improvement in decision making. These steps are a logical and systematic method of clarifying objectives, identifying, analyzing, evaluating, treating, monitoring and communicating risks associated with any operation, project or activity in order to minimize losses and maximize opportunities. Risk management is as much about identifying opportunities as avoiding or mitigating losses.

This process can be applied at many levels in an organization, from the business and strategic levels, down to operational and tactical levels. It may be applied to specific operations, activities or projects, in order to assist with decisions or to manage recognized risk areas. For each stage of the process, records should be kept.

STEP 1: ESTABLISH THE CONTEXT

General context: The process occurs within the framework of an organization's strategic, organizational and risk management context. This needs to be established to define the basic parameters within which risks must be managed and to provide guidance for decisions within more detailed risk management studies. This sets the scope for the rest of the risk management process.

- **External Factors:** The external environment includes the financial, operational, competitive, political (public perceptions/image), social, client, cultural and legal aspects of the organization's functions. External stakeholders should be identified, their objectives considered and account taken of their perceptions. Policies for communicating with stakeholders should be established. The organisation should seek to determine the crucial elements which might support or impair its ability to manage the risks it faces.
- **Internal Factors:** Before a risk assessment occurs, it is necessary to understand the organization and its capabilities, as well as its goals, objectives and strategies to achieve them. An organization's policy and goals help define the criteria by which a risk is deemed acceptable or not, and form the basis of treatment options.
- **Activity-specific Factors:** The aims, objectives and scope of the activity or project should be established from the outset. Full consideration of the need to balance costs, benefits and opportunities should be given. The resources required and the records to be kept should also be specified. Setting the scope and boundaries for the application of the risk management process involves:

Risk Evaluation Criteria: The criteria against which risk is to be evaluated should be defined. Decisions concerning risk acceptability and risk treatment may be based on operational, technical, financial, legal, social, humanitarian or other criteria. These often depend on an organization's internal policy, goals, objectives and the interests of stakeholders. Criteria may be affected by internal and external perceptions and legal requirements. It is important that appropriate criteria be determined at the outset. Although risk criteria are initially developed as part of establishing the risk management context, they may be further developed and refined subsequently as particular risks are identified and risk analysis techniques are chosen. The risk criteria must correspond to the type of risks and the way in which risk levels are expressed.

STEP 2: IDENTIFY RISKS

Risk identification is the process by which a business systematically and continually identifies property, liability, and personnel exposures as soon as or before they emerge. The organization tries to locate the areas where losses could happen due to a wide range of perils.

This step seeks to identify the risks to be assessed, treated and monitored. Comprehensive identification using a well-structured systematic process is critical, because a potential risk not identified at this stage could be excluded from further analysis. Identification should include all risks whether or not they are under the control of the organization. Techniques for identifying risks are as follows:

- Brainstorming
- Expert interviews
- Professional judgment
- Organizational data and records
- Checklists

The aim of Risk Identification is to establish what can happen, and how and why it can happen. It will generally be useful to identify risks by considering their sources. Sources of risk include the prevailing security situation, weather and climate, human nature…to name a few. Annex C lists eight generic sources of risk that are applicable to the more general types of business. Risk identification should centre on what risks can occur, as well as the reasons and environment in which they occur. Once identified, risks can then be assessed.

ASSESS RISKS

It is essential that risks are assessed in their current control regime (net risk) eg. the risk of a fire in a building should be viewed as risk with current fire prevention systems in place. Assessing the gross risks (risk without any controls applied) to the achievement of objectives is a theoretical starting point, however it is difficult to measure and it is not possible to identify what, if any, additional controls are required without identifying all the controls already in place. Organizations should therefore assess net risk by analyzing the controls that are already in place and their cost effectiveness.

In order to assess risks, it may be adequate to simply prioritize risks and deal with them. More normally however, it will be necessary to measure the identified risks in terms of the probability of them happening and the associated impact on objectives. This process is called Risk Analysis, and when complete, it leads to a second process – Risk Evaluation.

STEP 3: RISK ANALYSIS AND MEASUREMENT

There are three types of risk analysis:

- **Qualitative Analysis**: Qualitative analysis uses word form or descriptive scales to describe the magnitude of potential impacts and probabilities. These scales can be adapted or adjusted to suit the circumstances, and different descriptions may be used for different risks. Qualitative analysis is used as an initial screening activity to identify risks which require more detailed analysis, or where the level of risk does not justify the time and effort required for a fuller analysis. It can also be used where the numerical data are inadequate for a quantitative analysis.

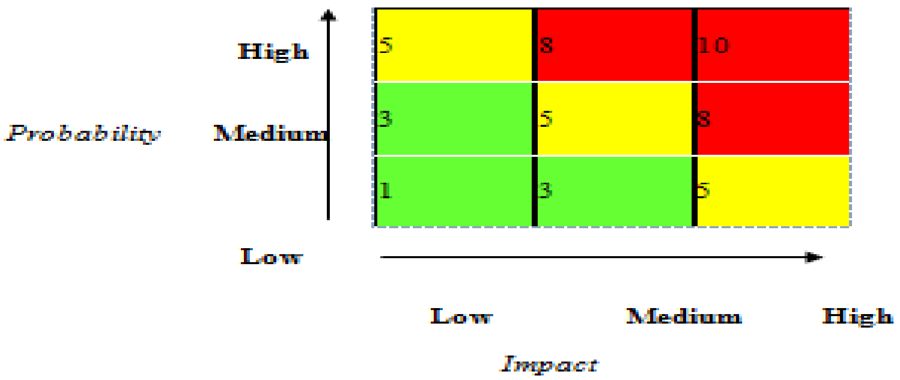
- **Semi-Quantitative Analysis:** In semi-quantitative analysis, qualitative scales such as those described above are given values. The number allocated to each description does not have to bear an accurate relationship to the actual magnitude of the impact nor its probability. The numbers can be combined by any one of a range of formulae provided that the system used for prioritization matches the system chosen for assigning numbers and combining them. The objective is to produce a more detailed prioritization than is usually achieved in qualitative analysis, not to suggest any realistic values for risk such as is attempted in quantitative analysis. Although more complicated approaches can be used, prioritization can be achieved simply by measuring the risk as a function of probability and impact.

- **Quantitative Analysis:** Quantitative analysis uses numerical values, rather than the descriptive scales used in qualitative and semi-quantitative analysis, for both impact and probability using data from a variety of sources. Three-Point Estimating is a quantitative technique that assigns numerical values to define a range of possible outcomes so that risk analysis may be carried out to better inform decisions. In forecasting terms, a Three-Point Estimate is an estimate of the range of possible outcomes from a minimum to maximum (i.e. worst case); with the most likely outcome appropriately located between these 2 extremes.

STEP 4: RISK EVALUATION

The fourth step is Risk Evaluation. This involves combining the estimates of Probability and Impact to derive an overall score that can be attached to that risk. We can use a Probability Impact Diagram for this purpose. The Probability Impact Diagram is a 3 x 3 matrix that returns a Risk Score that corresponds to a set of probability and impact estimates attached to a specific risk.

• Using the table below, a medium probability coupled with a high level of impact returns a Risk Score of 8, which is deemed a high (red) risk. Or, a medium impact coupled with a low probability returns a Risk Score of 3 – a low (green) risk.



• Once all risks have been scored, they can then be arranged in priority order to separate high risks from low risks, and to inform the next step – Risk Treatment.

STEP 5: TREAT RISKS

i. **Treatment Options:** Risk treatment involves identifying the range of options for controlling risk, assessing those options, preparing risk management plans and implementing them. There are 4 options for treating risk, which are not necessarily mutually exclusive or appropriate in all circumstances:

- Treat: By far the greater number of risks will be addressed in this way. Risk treatment allows an organization to continue with an activity while also taking action to constrain the associated risks to an acceptable level. Risk treatment seeks to control or reduce both the probability of an adverse occurring as well as its impact. Some techniques for treating risk are:
    - Probability can be controlled or reduced by: audit and compliance programmes, testing, supervision, inspections, formal reviews of requirements and specifications, R&D, training, and project management.
    - Impact can be controlled or reduced by: contingency planning, contract provisions, insurance, minimizing exposure to the sources of risk, engineering measures, fraud control planning, and public relations.
- Tolerate: The residual risk after treatment may be tolerable without any further action being taken. Even if it is not tolerable, ability to do anything about some risks may be limited, or the cost of taking any action may be disproportionate to the potential benefit gained.
- Transfer: Alternatively, residual risks can be further reduced by transferring them. This might be done by conventional insurance, or by paying a third party to accept the risk. This option is particularly good for mitigating financial risks or risks to assets. Risk transfer works because another organization may be more capable of effectively managing the risk. It is important to note that some risks are not (fully) transferable – the ultimate responsibility will always remain with the original party.
- Terminate: Some risks will only be treatable, or containable to acceptable levels, by terminating the activity. This option can be particularly important in project management if it becomes clear that the projected cost / benefit relationship is in jeopardy. It should be noted that on operations, the ability to terminate an activity may be limited by necessity.

ii. **Selecting the Appropriate Risk Treatment Measure:** Options should be assessed and selected on the basis of the extent of risk reduction, and the extent of any additional benefits or opportunities created, taking into account the evaluation criteria developed at Step 1. Selection of the most appropriate option involves balancing the cost of implementing each option against the benefits derived from it. In many cases, it is unlikely that any one risk treatment measure will be a complete solution for a particular problem. Often the organization will benefit substantially by a combination of options such as reducing the probability of risks, reducing their impacts, and transferring or retaining any residual risks. Risk treatment options should consider how risk is perceived by affected stakeholders.

iii. **Risk Management Plans (RMP):** Risk Management Plans should document how the chosen treatment option or combination of them is to be implemented. The RMP should identify responsibilities, schedules, the expected outcome(s), budgeting, performance measures and the review process to be set in place. The plan should document the management response to the treatment of risk and might include:

- Description of risk
- Action to be taken
- Person responsible for plan implementation
- Resources to be used and budget allocation
- Timetable
- Monitoring and review arrangements

iv. **Risk Ownership and Plan Implementation**: The risk owner is the person responsible for managing the risk and should be the individual best able to control it. Responsibilities should be agreed between the parties at the earliest possible time. The successful implementation of the plan requires an effective management system which specifies the methods chosen, assigns responsibilities and individual accountabilities for actions, and monitors them against specified criteria.

v. **Monitor, Review and Report**: RMPs must be monitored because changing circumstances will alter risk priorities. Few risks remain static. Ongoing review is essential to ensure that the RMP remains relevant. Factors which may affect the probability and impact of an outcome may change, as may the factors which affect the suitability or cost of the various treatment options. It is therefore necessary to regularly repeat the risk management cycle and to report regularly on progress. Used in this way, the RMP should become a primary management tool of any organization.

vi. **Communicate And Consult:** Communication and consultation are an important consideration at each step of the risk management process. It is important to develop a communication plan for both internal and external stakeholders. This plan should address issues relating to both the risk itself and the process to manage it. Effective internal and external communication is important to ensure that those responsible for implementing risk management, and those with a vested interest understand the basis on which decisions are made and why particular actions are required. Perceptions of risk can vary due to difference in assumptions and concepts and the needs, issues and concerns of stakeholders as they relate to the risk or the issues under discussion. Stakeholders are likely to make judgments of the acceptability of a risk based on their perception of risk. Since stakeholders can have a significant impact on the decisions made, it is important that their perceptions of risk, as well as their perceptions of benefits, be identified and documented and the underlying reasons for them understood and addressed.

Self-Check -3	Written Test

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

Short Answer Questions

1. **What is Risk?**
2. **What is Risk Management?**

Note: **Satisfactory rating – 1 points** **Unsatisfactory - below 1points**

You can ask you teacher for the copy of the correct answers.

Answer Sheet

Score = ____________

Rating: _____________

List of Reference Materials

1- https://www.thebalancesmb.com/quastions.for-partnership.agreements
2- https://yourbusiness.azcentral.com/companies-honor-previous-contracts
3- https://www.nolo.com/legal-encyclopedia/amending-existing-contract
4- https://www.thebalancesmb.com/quastions.for-partnership.agreements
5- https://www.lawyers.com/legal-info/business-law/business-law-basic/com
6- https://www.contract experience.com/resources/contract-amendment.html