IMPROVE BUSINESS PRACTICE
NTQF LEVEL -III

LEARNING GUIDE -71

UNIT OF COMPETENCE: -	IMPROVE BUSINESS PRACTICE
MODULE TITLE: -	IMPROVING BUSINESS PRACTICE
LG CODE:	HLT MLT M015 LO1-LG-71
TTLM CODE:	HLT MLT TTLM 0919V1

LO1: Diagnose the business

Instruction Sheet	Learning Guide 71

This learning guide is developed to provide you the necessary information

regarding the following content coverage and topics –

- Determining and acquiring data for diagnosis
- Identifying Sources data
- SWOT analysis of the data
- Competitive advantage of the business

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 –

- Identifiy Diffrent source of data, determine data for the diagnosis
- Conduct value chain analysis.
- Undertake SWOT analysis of data.
- Determine competitive advantage of business.

Learning Instructions

1.Read the information written in the "Information Sheets".

2.If you earned a satisfactory evaluation proceed to next module. However, if your rating is unsatisfactory, see your teacher for further instructions.

3.Read the "Operation Sheet" and try to understand the procedures discussed.

4.Practice the steps or procedures as illustrated in the operation sheet. Go to your teacher if you need clarification or you want answers to your questions or you need assistance in understanding a particular step or procedure

5.Do the "LAP test" (if you are ready). Request your teacher to evaluate

your performance and outputs.Your teacher will give you feedback and the evaluation will be either satisfactory or unsatisfactory. If unsatisfactory, yourteacher shall advice you on additional work.But if satisfactory you can proceed to the next Learning Guide

Information sheet 1	Diagnose business

1.1. Identifying source of data

As you already know, there are two types of data: quantitative and qualitative.

- *Quantitative data* is numerical and can be counted, quantified, and mathematically analyzed (e.g., GPAs, standardized test scores, attendance patterns). Quantitative data is often considered a highly reliable source of information.
- *Qualitative data* is usually non-numerical and used to provide meaning and understanding. Student narratives describing their reasons for participating in your program each month are examples of qualitative data. Qualitative data is believed to have great validity and depth.

Many evaluators will collect and use both types of data to present a reliable and valid picture of their results by providing statistically reliable numerical results and validating their meaning using qualitative data. You can learn more about how to analyze quantitative and qualitative data in the Analyze section of the Evaluation Toolkit.

People, documents, and observations are the three main types of sources that can provide data. The figure below provides examples of each

EXAMPLE DATA SOURCES FOR COLLEGE ACCESS PROGRAM EVALUATION

- **People – You can survey or interview individuals and/or groups.**
  - ✓ Clients, program participants, nonparticipants
  - ✓ Staff, program managers, directors
  - ✓ Teachers, administrators
  - ✓ Community members, general public
  - ✓ Staff, informants, decision-makers at institutions of higher education
  - ✓ Local and state education officials
  - ✓ Funding officials, critics/skeptics, staff of other agencies/programs
  - ✓ Policymakers, elected officials, legislators
- **Documents- You can review existing documents.**
  - ✓ Registration/enrollment forms
  - ✓ Grant proposals, newsletters, press releases

- ✓ Meeting minutes, administrative records
- ✓ Database records
- ✓ School records and files
- ✓ Publicity materials, quarterly reports
- ✓ Previous evaluation reports
- ✓ Asset and needs assessments
- ✓ Records held by funding officials, collaborators, and/or partners
- ✓ Publications, journal articles, books
- ✓ Internet pages
- ✓ Graphs, maps, charts, photographs, videotapes
- **Observations- You can observe organizational practice and programs.**
  - ✓ Staff meetings, special events/activities, job performance
  - ✓ Program operations, activities, services
  - ✓ Direct service encounters
  - ✓ School and/or community environment of program participants

Self-check 1	T/F

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

the next page.

I-True or False: Write TRUE if the statement is correct and write FALSE if the

statement is wrong. (5pts. Each)

1. Quantitative data is usually non-numerical and used to provide meaning and understanding

2. Qualitative data is numerical and can be counted, quantified, and mathematically analyzed

3. Database records is one method acquiring data from people by

interview

Answer Sheet

Score = _____

Rating: _____

Name: _____Date: _____

I- True/false:

1. _____
2. _____
3. _____

Information sheet 2	Determining and acquiring data for diagnosis

1.2. Determining and acquiring data for diagnosis

Over the years, we have met a lot of entrepreneurs which have been frustrated by low profits, lack of growth, or the stress of the never-ending demands. Many struggle with all three. While every business is different, there are common denominators. In fact, I believe there are 10. The tricky part is that failing to have a handle on just one of these areas can result in mediocre performance, a stressful existence, or ultimate and intimate failure. That is one reason the failure rate for small businesses is so high (here are some others).

This is the checklist we review when we not satisfied with company's performance.

Marketing

1. Targeting. Do you have a strategy to reach your best potential customers with your sales and marketing efforts? A shotgun approach is too expensive and inefficient for any company, especially a small one. What percentage of the people you approach actually buy a product or service like yours?

2. Advertising and Public Relations. There are many choices for where to place an ad and how to execute a public relations campaign. The problem with many small businesses is that their marketing activities are driven primarily by which salespeople happen to call on them. Ineffective advertising or public relations can be not only a tremendous waste of money but a tremendous waste of opportunity. If you are doing things the same way you did them 10 years ago, you are probably getting less response.

3. The Message. Lots of companies still use this line: "We will exceed your expectations." I even saw it on the back of an ambulance. (I don't know about you, but I have pretty high expectations when I call an ambulance! Are the technicians going to give me a haircut after they bring me back to life?) It was a good line when someone first thought of it. Now, it is old. It is tired. It needs to retire. You need to exceed people's expectations by coming up with your own line. Maybe it is not a line at all. Maybe it is a message. Whatever it is, it should say something about your company that means something to potential customers.

Management

4. **Hiring**. I can't think of anything more important than hiring the right people. Great hiring is a skill, one that frequently is not the strong suit of the typical entrepreneur. Do you have a hiring process? Hiring by trial and error is a very expensive and painful way to build a staff. I have found that hiring the right people is 75 percent of management. What percentage of the people you hire work out great? It should be 80 percent or 90 percent, and perhaps less in a low-wage environment.

5. **Firing**. This is never a popular subject, and it's especially uncomfortable these days. But it is a harsh reality of business that some people are just not suited for some jobs. Many bosses avoid firing at all costs, including going broke, because they want to see themselves as being "nice." In reality, customers and other employees just see them as irresponsible. Here is a simple test: Are there people who work for you who you would be relieved to have come in tomorrow and quit? If the answer is yes, that is not a good sign. Especially if the employee is a relative.

6. **Operations**. Training, standards, support, recognition, systems, key performance indicators, follow-up, etc. Is your company getting the job done? Are customers happy? Do you know? How is employee turnover? Are employees happy? Would they tell you if they weren't? Do you have people who tell you the truth? Do you yell? (I know. You're passionate.) Have good people left your company for more money? That is frequently an indication of other problems.

Accounting and Finance

7. **Basic Accounting**. Many seemingly successful companies have gotten into big trouble by neglecting accounting until it is too late. Accounting is not just about paying taxes. It is about information, insight, and control. Great accounting will not make a business successful, but bad accounting can destroy a business. Is someone staying on top of receivables, being careful about opening new accounts and making sure the existing ones are current? Could you walk someone through your financial statements and explain each part?

8. **Pricing**. This is probably the sleeper on this list. I can't tell you how many times I have seen entrepreneurs either put themselves out of business, or never make the money they should have, because of bad pricing models. They charge prices that bear no relation to the costs or to the value proposition. This is just one of the reasons a company needs accurate accounting so it can determine the true cost of a product or service. Do your salespeople have control of the pricing for

jobs that they quote? If so, are they selling at a price that allows you to make a profit?

9. **Financing**. Most businesses need some kind of financing. Whether it comes from investors, banks, credit unions, factoring or even credit cards, there is a lot to know and understand. This is another place where a good accountant can be of great help. Or not. If you have one of the many accountants who just do tax returns and are not really experienced at helping businesses grow, you can find lots of information in books and online. Or you can hire a better accountant. Here is a test: Do you know your debt-to-equity ratio?

Leadership

10. Any one of these topics could fill a book, and leadership is no exception. Let me count the ways: vision, direction, inspiration, support. It is similar to management, but they are not the same thing. As my company has gotten larger, I have found that leadership gets easier because I now have managers managing. When a company is smaller, the boss has to manage and lead. One minute you are writing someone up for violating the late policy, and the next you are trying to inspire the troops. Perhaps management is pushing, and leadership is pulling. It's not easy doing both at the same time.

Whether you score well or poorly on this list, keep in mind that it is an ongoing struggle. Personally, I've been doing this for 30 years, and I can assure you that I am constantly wrestling with almost every item on the list.

Self check 2	**Written test**

Name: _____Date: _____

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

I-Essay: Explain briefly:

1. write the check list used to review company performance? (5pts.)

Note: Satisfactory rating above- 5 points   Unsatisfactory below -5 points

   You can ask your teacher or trainer for the copy of the correct answers.

Answer Sheet

Score = _____

Rating: _____

Name: _____   Date: _____

   I-   Essay:

1._____

_____

1.2. Conducting Value chain analysis

Value chain analysis (VCA)

> is a process where a firm identifies its primary and support activities that add value to its final product and then analyze these activities to reduce costs or increase differentiation.

Value chain

> represents the internal activities a firm engages in when transforming inputs into outputs.

Value chain analysis is a strategy tool used to analyze internal firm activities. Its goal is to recognize, which activities are the most valuable (i.e. are the source of cost or differentiation advantage) to the firm and which ones could be improved to provide competitive advantage. In other words, by looking into internal activities, the analysis reveals where a firm's competitive advantages or disadvantages are. The firm that competes through differentiation advantage will try to perform its activities better than competitors would do. If it competes through cost advantage, it will try to perform internal activities at lower costs than competitors would do. When a company is capable of producing goods at lower costs than the market price or to provide superior products, it earns profits.

M. Porter introduced the generic value chain model in 1985. Value chain represents all the internal activities a firm engages in to produce goods and services. VC is formed of primary activities that add value to the final product directly and support activities that add value indirectly.
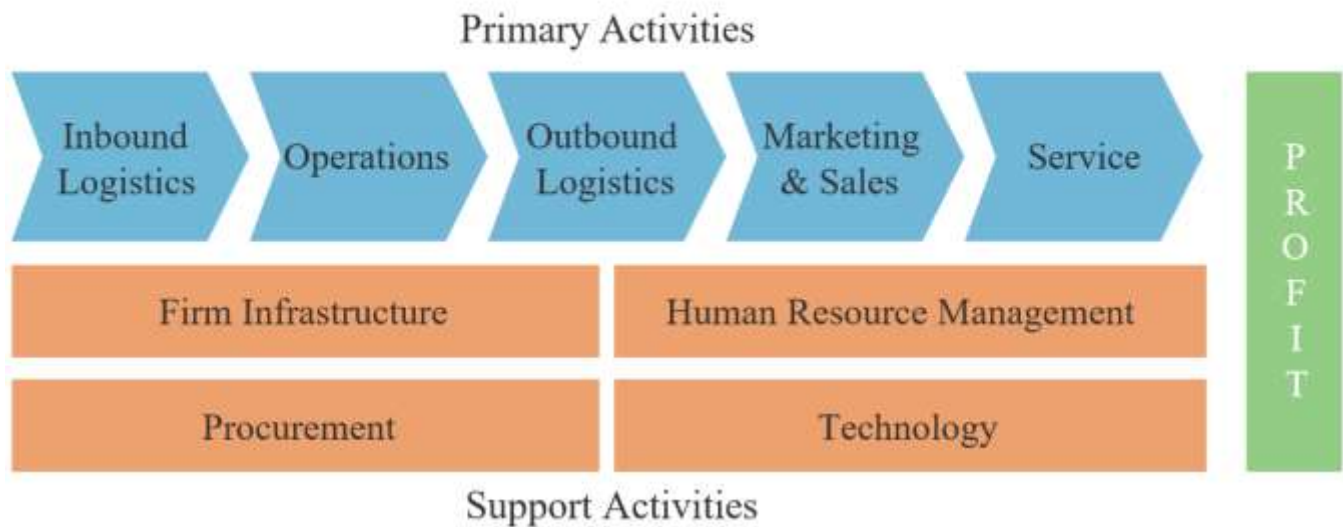
Porter's Value Chain Model

Figure 1 value chain analysis model

Although, primary activities add value directly to the production process, they are not necessarily more important than support activities. Nowadays, competitive advantage mainly derives from technological improvements or innovations in business models or processes. Therefore, such support activities as 'information systems', 'R&D' or 'general management' are usually the most important source of differentiation advantage. On the other hand, primary activities are usually the source of cost advantage, where costs can be easily identified for each activity and properly managed.

Firm's VC is a part of a larger industry's VC. The more activities a company undertakes compared to industry's VC, the more vertically integrated it is. Below you can find an industry's value chain and its relation to a firm level VC.

Industry's Value Chain

- Raw Materials
- Intermediate Goods
- Manufacturing
- Marketing & Sales
- After-sales service

Company's Value Chain in Manufacturing

Inbound Logistics → Operations → Outbound Logistics → Marketing & Sales → Service

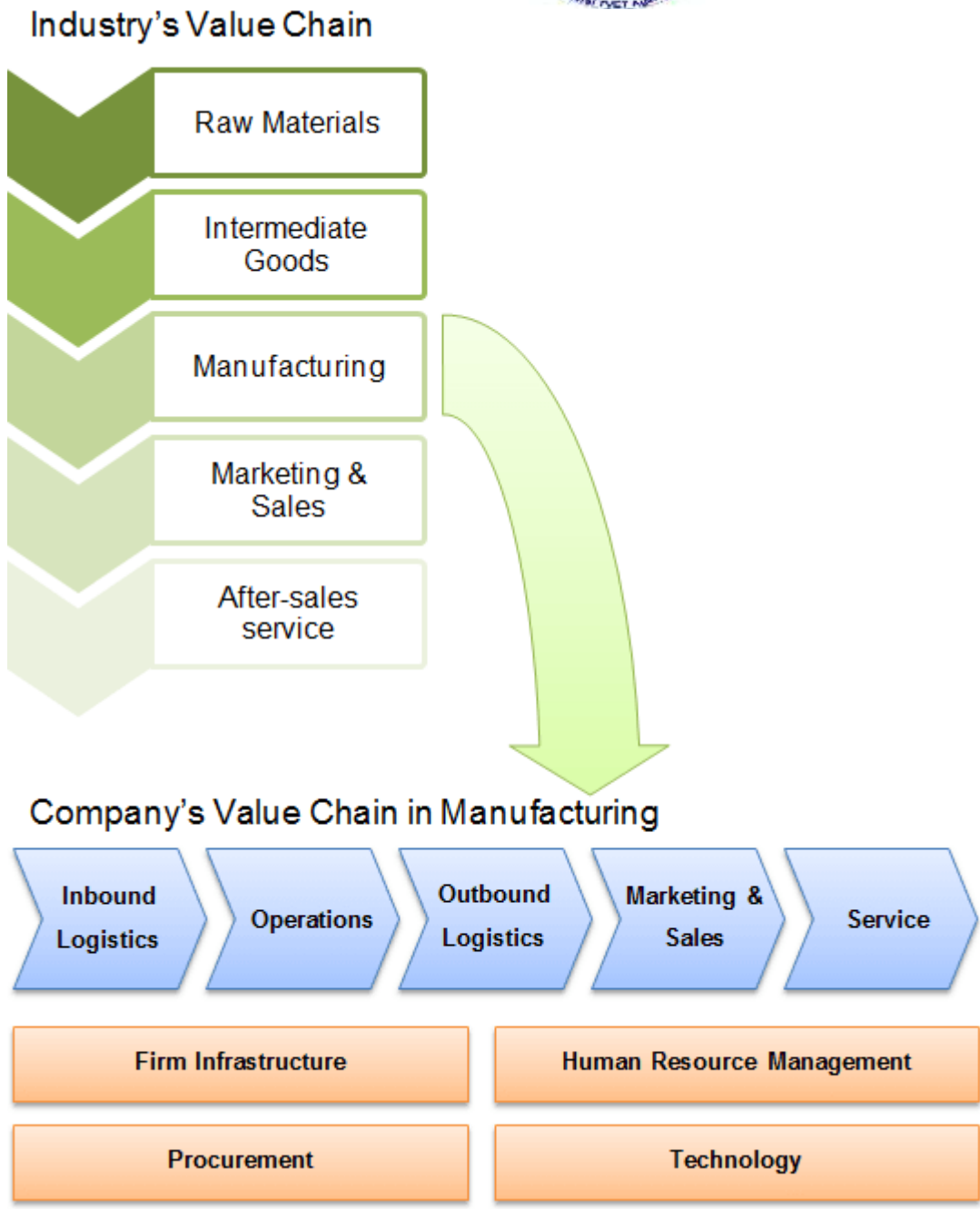| Firm Infrastructure | Human Resource Management |
| Procurement | Technology |

Figure 2 value chain analysis model 2

There are two different approaches on how to perform the analysis, which depend on what type of **competitive advantage** a company wants to create (cost or differentiation advantage). The table below lists all the steps needed to achieve cost or differentiation advantage using VCA.

Competitive advantage types	
Cost advantage	Differentiation advantage
This approach is used when organizations try to compete on costs and want to understand the sources of their cost advantage or disadvantage and what factors drive those costs.(good examples: Amazon.com, Wal-Mart, McDonald's, Ford, Toyota)	The firms that strive to create superior products or services use differentiation advantage approach. (good examples: Apple, Google, Samsung Electronics, Starbucks)
Step 1. Identify the firm's primary and support activities. Step 2. Establish the relative importance of each activity in the total cost of the product. Step 3. Identify cost drivers for each activity. Step 4. Identify links between activities. Step 5. Identify opportunities for reducing costs.	Step 1. Identify the customers' value-creating activities. Step 2. Evaluate the differentiation strategies for improving customer value. Step 3. Identify the best sustainable differentiation.

Table 1 approaches to perform value analysis

Differentiation advantage

VCA is done differently when a firm competes on differentiation rather than costs. This is because the source of differentiation advantage comes from creating superior products, adding more features and satisfying varying customer needs, which results in higher cost structure.

Step 1. Identify the customers' value-creating activities. After identifying all value chain activities, managers have to focus on those activities that contribute the most to creating customer value. For example, Apple products' success mainly comes not from great product features (other companies have high-quality offerings too) but from successful marketing activities.

Step 2. Evaluate the differentiation strategies for improving customer value. Managers can use the following strategies to increase product differentiation and customer value:

- Add more product features;
- Focus on customer service and responsiveness;
- Increase customization;
- Offer complementary products.

Step 3. Identify the best sustainable differentiation. Usually, superior differentiation and customer value will be the result of many interrelated activities and strategies used. The best combination of them should be used to pursue sustainable differentiation advantage.

Self test 3	Written test

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

Answer the following questions

1. Define the term value chain analysis?
2. List and define different methods used for value chain analysis?

Note: Satisfactory rating above- 3 points   Unsatisfactory below -3 points

You can ask your teacher or trainer for the copy of the correct answers.

Answer Sheet

Score = _____

Rating: _____

Name: _____   Date: _____

I-   Essay:

1._____
_____
_____
_____

2_____
_____
_____

Information sheet 4	Undertaking SWOT analysis of the data.

1.4. Undertaking SWOT analysis of the data

SWOT analysis (alternatively SWOT Matrix) is a structured planning method used to evaluate the Strengths, Weaknesses, Opportunities, and Threats involved in a project or in a business venture. A SWOT analysis can be carried out for a product, place, industry or person. It involves specifying the objective of the business venture or project and identifying the internal and external factors that are favorable and unfavorable to achieving that objective. The technique is credited to Albert Humphrey, who led a convention at the Stanford Research Institute (now SRI International) in the 1960s and 1970s using data from Fortune 500 companies. The degree to which the internal environment of the firm matches with the external environment is expressed by the concept of strategic fit.

Setting the objective should be done after the SWOT analysis has been performed. This would allow achievable goals or objectives to be set for the organization.

- Strengths: characteristics of the business or project that give it an advantage over others
- Weaknesses: are characteristics that place the team at a disadvantage relative to others
- Opportunities: elements that the project could exploit to its advantage
- Threats: elements in the environment that could cause trouble for the business or project

Identification of SWOTs is important because they can inform later steps in planning to achieve the objective.

First, the decision makers should consider whether the objective is attainable, given the SWOTs. If the objective is not attainable a different objective must be selected and the process repeated.

Users of SWOT analysis need to ask and answer questions that generate meaningful information for each category (strengths, weaknesses, opportunities, and threats) to make the analysis useful and find their competitive advantage.

Self check 4	MCQ

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

Choose the best answer

___**1** All of the following are studied by marketing **except**

- A. Targeting
- B. Advertising and Public Relations
- C. The Message
- D. All
- E. All except C

____2. ___ is a structured planning method used to evaluate the Strengths, Weaknesses, Opportunities, and Threats involved in a project or in a business venture.

  A. Wawe analysis
  B. Swot analysis
  C. WOT analysis
  D. None

Note: Satisfactory rating above- 3 points   Unsatisfactory below -3 points .You can ask your teacher or trainer for the copy of the correct answers

Answer Sheet

Score = _____

Rating: _____

Name: _____Date: _____

I- MCQ:

1._____

2. _____

1.5. Determining Competitive advantage of the business

We're starting to see that any company's competitive advantage is increasingly determined by the quality of the data they have and how they're using that data to make real-time decisions. This applies to not only humans making the decisions, but also to how they're allowing the machines they have in their enterprise to make decisions. In other words, they're deciding what decisions they want the machines to make versus what decisions they want humans to make, and they're increasingly making those decisions based on actionable, high-quality, real-time big data.

Interestingly, what we call big data today is going to look puny two to three years from now, because the amount of data being created is growing exponentially. For example, governments, organizations, corporations, educational institutions, and the military are in the process of installing connected sensors to just about everything, from the concrete in streets, bridges, highways, and buildings, to cars, boats, and everyday products, just to name a few. In addition, we are connecting machines to machines on a massive, global scale, allowing them to carry out functions and make repairs all without human intervention. All of this is creating what could be called the Internet of Things. And, all of this means much, much more data!

Going forward, the type, quality, and relevance of the data will become far more important than the quantity of data, so being very good at managing these will create new ways to differentiate as well as find innovative approaches to creating and maintaining competitive advantage.

So with all of this data coming in, it's clear that competitive advantage is going to be created by your use of data and by your ability to make sure you're getting good data. After all, bad data yields bad decisions. You want to be able to draw the right conclusions from your data, as that's what provides new opportunities, better solutions to problems, and new competitive advantage.

At this point you need to ask yourself a few questions, namely:

- What kind of data do I need to get that will give me insights into the causes of problems and new opportunities?
- What sensors could we install right now, wireless or wired, that would give us more real-time information so that we could, as humans, translate that data into actionable knowledge and wisdom in order to gain competitive advantage?
- What machines might I want to connect, wirelessly or wired, so they can talk to each other and operate at a more intelligent level?
- What decisions do I want my machines to make instantaneously in order for everything to run more efficiently and effectively—so the machines can solve problems before they happen and even before a human would notice it?

If you want to solve seemingly impossible problems and find new competitive advantage, you have to look at the type and quality of the data you're generating and how you're using it. When your data can empower your people and your machines to make better decisions faster, you'll have increased competitive advantage

Self-check 5	written

Name: _____   Date: _____

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

I-Essay: Explain briefly:

   1.write the competitive advantage of business? (5pts.)
Note: Satisfactory rating above- 3points   Unsatisfactory below -3 points.You can ask your teacher or trainer for the copy of the correct answers.

Answer Sheet

Name: _____Date: _____

I- Essay:

1._____

_____

Operation Sheet-1	**Procedures to gain cost advantage**

Techniques for- gaining cost advantage

Step 1. Identify the firm's primary and support activities

Step 2. Establish the relative importance of each activity in the total cost of the product

Step 3. Identify cost drivers for each activity

Step 4. Identify links between activities

Step 5. Identify opportunities for reducing costs

Operation Sheet-2	Procedures for under taking SWOT analysis

Techniques for- SWOT analysis

Step 1. Analyze the external environment
Step 2. Analyze the industry and competition
Step 3. Identify the external opportunities and threats
Step 4. Analyze the internal environment and identify the internal strengths and weaknesses
Step 5. Assess the attractiveness of the organization's situations and draw conclusions regarding the need for strategic action

LAP Test 1	Practical Demonstration

Name: _____ Date: _____

Time started: _____ Time finished: _____

Instructions: Given necessary templates, tools and materials you are required to perform the following tasks within 3-4 hour.

Task 1.perform and analyze gaining cost advantage
Task 2. Perform SWOT analysis for specific business you have

List of reference materials

1. https://www.ibm.com/support/knowledgecenter/SSPT3X_3.0.0/com.ibm.swg.im.infosphere.bigi nsights.import.doc/doc/identifying_data.html
2. http://toolkit.pellinstitute.org/evaluation-guide/collect-data/identify-types-sources/
3. https://www.strategicmanagementinsight.com/tools/value-chain-analysis.html

Prepared By

No	Name	Educational Background	LEVEL	Region	College	Email	Phone Number
1	Kalicha Boru	Laboratory	B	oromia	Nagelle HSC	boru9683@gmail.com	0912493885
2	Furo Beshir	Laboratory	A	Harari	Harar HSC	nebi.furo@gmail.com	0911739970
3	Motuma Chali	Laboratory	B	oromia	Nekemte HSC	lammiifcaalii@gmail.com	0938456753
4	Abdirahman Mahad	Laboratory	A	Somali	Jigjiga HSC	abdirahman7584@gmail.com	0911044715
5	Adisu Tesfaye	Laboratory	B	Somali	Jigjiga HSC	adistesfaye21@gmail.om	0931747320
6	Kebebe Tadesse	Laboratory	B	BGRS	Pawi HSC	no	0926841290
7	Tagel Getachew	Laboratory	A	Harari	Harar HSC	tagegetachew@gmail.com	0915746748