

ENTREPRENEURSHIP FOR TTC

STUDENT'S BOOK

YEAR 1

OPTIONS: SSE, SME, ECLPE, LE

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FOREWORD

Dear Student-teachers,

Rwanda Basic Education Board is honored to present to you this Entrepreneurship book for year one which serves as a guide to competence-based teaching and learning to ensure consistency and coherence in the learning of entrepreneurship subject. The Rwandan educational philosophy is to ensure that you achieve full potential at every level of education which will prepare you to be well integrated in society and exploit employment opportunities. The government of Rwanda emphasizes the importance of aligning teaching and learning materials with the syllabus to facilitate your learning process. Many factors influence what you learn, how well you learn and the competences you acquire. Those factors include the instructional materials available among others. Special attention was paid to the activities that facilitate the learning process in which you can develop your ideas and make new discoveries during concrete activities carried out individually or with peers. In competence-based curriculum, learning is considered as a process of active building and developing knowledge and meanings by the learner where concepts are mainly introduced by an activity, a situation or a scenario that helps the learner to construct knowledge, develop skills and acquire positive attitudes and values. For effective use of this textbook, your role is to:

Work on given activities which lead to the development of skills

- Share relevant information with other learners through presentations, discussions, group work and other active learning techniques such as role play, case studies, investigation and research in the library, from the internet or from your community;
- Participate and take responsibility for your own learning;
- Draw conclusions based on the findings from the learning activities.

I wish to sincerely extend my appreciation to the people who contributed towards the development of this book, particularly REB staff who organized the whole process from its inception. Any comment or contribution would be welcome for the improvement of this textbook for the next edition.

Dr. MBARUSHIMANA Nelson

Director General, REB

ACKNOWLEDGEMENT

I wish to express my appreciation to all the people who played a major role in development of this entrepreneurship textbook for year one. It would not have been successful without active participation of different education stakeholders. I owe gratitude to different schools in Rwanda that allowed their staff to work with REB in the in-house textbooks production project.

I wish to extend my sincere gratitude to lecturers, teachers, TTC principals, tutors and all other individuals whose efforts in one way or the other contributed to the success of writing of this textbook.

Finally, my word of gratitude goes to the Rwanda Basic Education Board staff particularly those from Curriculum, Teaching and Learning Resources Department who were involved in the whole process of in-house textbook writing.

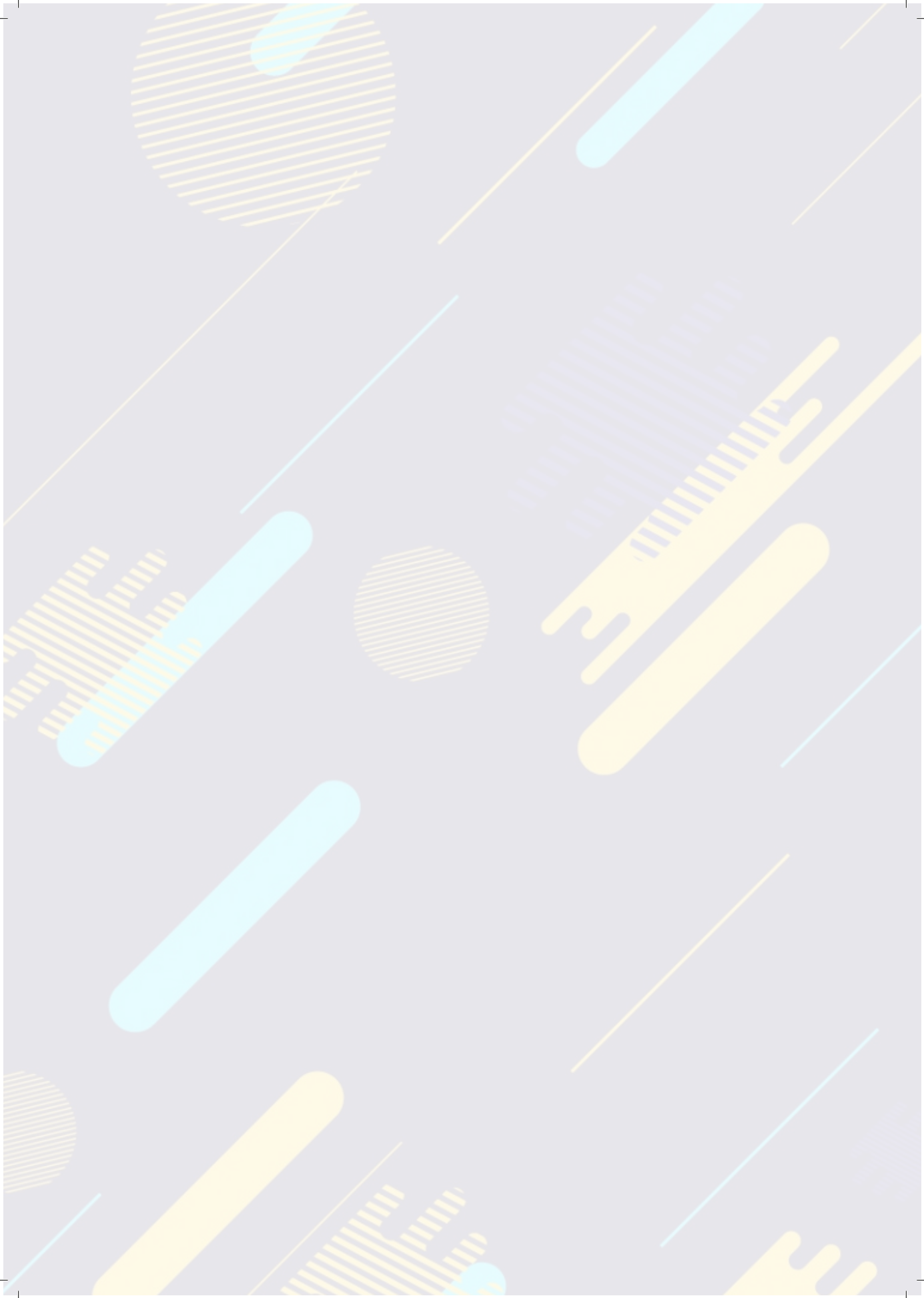
Joan Murungi,
Head of CTLRD

TABLE OF CONTENT

FOREWORD	iii
ACKNOWLEDGEMENT	iv
INTRODUCTION	1
UNIT 1: INITIATION TO ENTREPRENEURSHIP	4
1.1. Meaning of entrepreneurship, an entrepreneur, Intrapreneur and manager.....	5
1.2. Qualities/characteristics of an entrepreneur	11
1.3. Stages of entrepreneurship process.....	14
1.4. Types of entrepreneurs.....	15
1.5. Types, benefits, challenges of creativity, innovation and invention	17
UNIT 2: CAREER OPPORTUNITIES	23
2. 1. Meaning of career, choosing work to do and fields of career opportunities	24
2.2. Sources of career information.....	33
2.3. Career guidance	39
2.4. Career options /types of employment/ employment options.....	40
UNIT 3: SETTING PERSONAL GOALS	45
3.1. Meaning of entrepreneurial goal	45
3.2. Characteristics of a good goal (SMART)	49
3.3. Strategies of setting entrepreneurial goals	50
3.4. Steps of creating an action plan for entrepreneurial goals	54

UNIT 4: ROLE OF STANDARDS IN BUSINESS	61
4.1. Meaning of standards	63
4.2. Importance of standards	64
UNIT 5: MARKET RESEARCH	73
5.1 Meaning of Market, Marketing and Market research	74
5.2 Components of marketing / marketing mix elements (5Ps)	75
5.3. Importance of marketing in a business	78
5.4. Market research/Survey.....	81
5.5 Tools/techniques used in market survey and importance of market survey	90
UNIT 6: BUSINESS GROWTH AND DEVELOPMENT	96
6.1. Meaning of business growth and business development	97
6.2. Indicators of business growth	100
6.3. Business growth strategies.....	103
6.4. Factors that lead to business growth	108
UNIT 7: FORMS OF BUSINESS ORGANIZATIONS.....	112
7.1. Meaning of business organisation and classifications of business organisations	113
7.2. Registering a business in Rwanda	132
7.3. Benefits of registering and consequences of not registering a business	136
7.4. Factors considered in choosing people to work with in a business organization	137

UNIT 8: BUSINESS ORGANIZATION STRUCTURE	141
8.1. Meaning of organization structure and department in an organization.....	142
8.2. Managerial functions.....	146
8.3. Personnel (Human Resource) Management	148
8.4. Importance of human resource management	150
BIBLIOGRAPHY	155



INTRODUCTION

This textbook is part of curriculum reform in Rwanda in particular how the curriculum is taught. It is hoped that this change will make what you learn in TTC more useful both at college and when you leave college.

In the past, the main reason for schooling was to obtain knowledge that is facts and ideas about each subject. But nowadays the main reason is due to changes that are happening in the society and the job market which is becoming more competitive. Therefore you should be able to use the knowledge you will obtain to develop competencies. These competencies include ability to: think for yourself, communicate with others, explain what you have learnt, as well as being creative in developing your own ideas, not just following those of the tutors and the textbooks. In this textbook, different approaches are used to help you to develop competences and make this textbook user friendly. Among these approaches are the following:

Activity-based learning

These activities present you with instructions that will help you to learn some knowledge and skills and discover others for yourself. You already have knowledge and many ideas based on the experiences you have had and your life within community. Some of the activities, therefore, require you to use the knowledge and ideas you already have.

In using this book, it is essential that you do all the activities and follow instructions. You will not learn very well unless you complete these activities provided. They are the most important part of the textbook.

In some ways this makes learning more of a challenge. It is usually challenging to think for yourself than to copy what the tutor gives you. But if you take up this challenge you will become a better person and become more productive and successful in your life.

Group work

You can learn a lot from other people in your class. If you have a problem, it can often be solved by sharing it with others. Many of the activities in the book involve discussion. Your tutor will help to form and organize these groups in a conducive learning environment.

Research

One of the objectives of the new curriculum is to help you discover for yourself. Some activities requires you to do research using textbooks in the library, from internet, or any other source such as newspapers and magazines etc.

This means that you will develop skills of learning for yourself that can help you when still in college and after.

Skills lab

Entrepreneurship subject is more practical than being theoretical, that is why it requires time for skills lab which is a regular time on normal time table when student-teachers are required to complete learning activities working in manageable groups.

During skills lab activity student-teachers are given an opportunity to talk more and get more involved in the lesson than tutors. Student-teachers receive constructive feedback on work done presentations.

The Skills Lab lessons prepares student-teachers to complete portfolio assignments on their own after classes. So, classroom activities should connect directly to the portfolio assignments and during the skills lab lessons the tutor makes sure that he/she links the unit with portofolio assignement, student's business club and back home projects.

Icons used in this book

To guide you, each activity in the book is marked by a symbol or icon to show you what kind of activity it is. The icons are as follows:

Introductory activity icon



This indicates thinking for yourself or groups discussion. You are expected to use your own knowledge or experience, or think about what you have read in the book, and answer questions individually or as group activity.

Learning activity icon



This icon reminds you to link your previous knowledge with the topic you are going to learn. As a student feel free to express what you already know about the topic.

What is most important is not giving the right answer but the contribution you are making towards what you are going to learn.

Application activity icon



Some activities require you to complete them in your exercise book or any other book. It is time for you to show if you have understood the lesson by answering the questions provided.



Skills lab icon

This icon indicates a practical activity, such as a role play to solve a problem or complete an activity, participating in a debate and following instructions provided by the tutor. These activities will help you to obtain practical skills which you can use even after school.

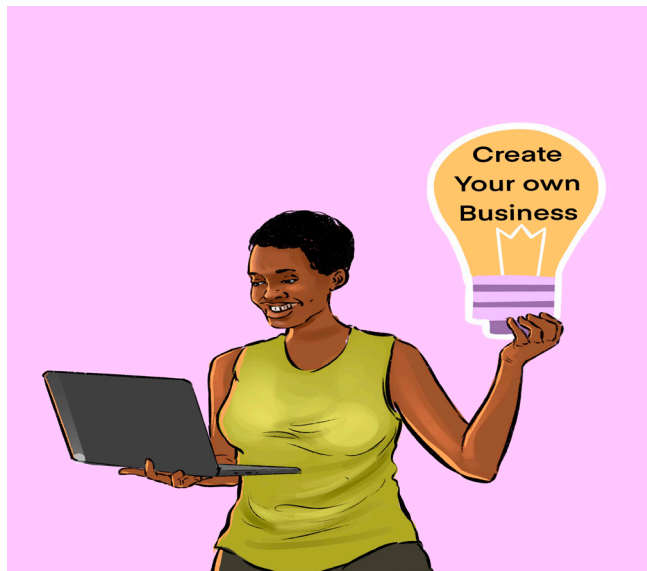


End unit Assessment icon

This icon requires you to write down the responses to activities including experiments, case studies and other activities which assess the attainment of the competences. Tutors are expected to observe the changes in you as student-teacher.

UNIT 1:

INITIATION TO ENTREPRENEURSHIP



Key unit competence: To be able to exhibit desirable qualities of an entrepreneur



Introductory Activity

After completing S.3 national exams, Bikorimana thought of starting a small project that will help him get money for school fees at advanced level, using the knowledge of entrepreneurship he learnt in the three years and his great appetite for *mandazi*. He asked himself what project he could start!, He talked to a nearby small business owner who inspired him to start a small bakery project because it required limited capital, Bikorimana was happy and liked the idea, he also knows how to make bread from his mother, he decided to start that small project with personal savings accumulated from pocket money while at school. Before starting this project, he first researched about the most marketable bakery product and found out that cakes and chapatti are marketable than bread. He also discovered that the whole village had one supplier of these items and in many shops, such items were lacking. Because he had little money, he prepared a budget focusing on sources of revenue and projected expenditure. Amidst all these challenges, Bikorimana was able to start and operate his bakery project within the trading centre.

He named his business “*Biko Bakery Supplies*”. He is now able to borrow money from the village co-operative bank, pay school fees, support his family and offer jobs to his friends using the profits generated. He has a plan of extending his project to Kigali by opening up a branch.

Questions;

- a. What skills do you think Bikorimana acquired from O’level entrepreneurship that motivated him to start his bakery project?
- b. What inspired Bikorimana to start his own business?
- c. What did it take Bikorimana to start a bakery project?
- d. Is Bikorimana an entrepreneur?, explain.
- e. How will the above project solve community problems?

From the above passage, we can conclude that being an entrepreneur takes an extra effort and all the activities undertaken by entrepreneurs such as Bikorimana to start production is called ‘entrepreneurship’.

1.1. Meaning of entrepreneurship, an entrepreneur, Intrapreneur and manager



Activity 1.1

Using your knowledge of entrepreneurship obtained in O’level and research, distinguish between the following terms, entrepreneur, Intrapreneur and manager.

1.1.1. Meaning of an entrepreneur

The word entrepreneur is derived from a French word “*Entreprendre*” meaning to undertake. It is used to mean a person who takes the risk of starting a new organization or introducing a new idea, product or service to the society.

According to *J.B. Say*, “An entrepreneur is an economic agent who unites all means of production; land, labour and capital which are used to produce goods and services.

By selling commodities in a goods market, he/she pays rent to land, wages/ salary to labour and interest to capital and remains with a profit.

According to Richard Schumpeter, “An entrepreneur is an individual who introduces something new in the economy; a method of production not yet tested by experience in the branch of manufacturing, a product which is new in the market from a new or old source of raw materials using new or existing methods of production.”

The entire definitions highlight: bearing of risks, combining factors of production, innovation and introduction of new methods and products and bringing about economic change as a function of entrepreneur.

Therefore an entrepreneur is a person who has the ability to see and evaluate business opportunities, gathers necessary resources and uses them to initiate and manage the identified business; takes risks in the business with the aim of making profits.

NB: Any person who assumes risks of any business and owns that business enterprise with an aim of making profits is an entrepreneur irrespective of the size and mode of operation of the business.

1.1.2 How does a person become an entrepreneur?

A person can become an entrepreneur in the following ways:

- Initiating or starting up his or her own business/enterprise.
- Inheriting an already existing business and assuming or taking risks
- Buying an already existing business and assuming its risks.
- Buying shares in an already existing business and assuming ownership and risks in that business. This is common in joint stock companies where shares are sold to the public.

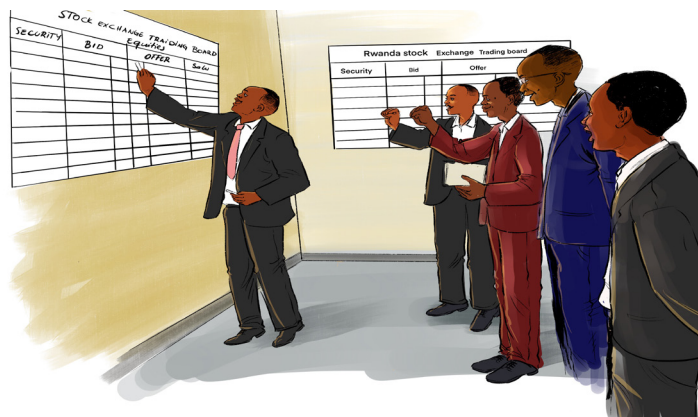


Fig 1.1. Selling and buying at Rwanda Stock Exchange,

1.1.3. Meaning of Intrapreneurship

Different scholars have defined entrepreneurship as below:

Arthur H. Cole in his book, *Business Enterprise in its social setting*; defines entrepreneurship as “the purposeful activity of an individual or a group of associated individuals undertaking to initiate, maintain and increase profits by production or distribution of economic goods and services”.

Higgins in his book, *The Economic Development* defines entrepreneurship as “the function of foreseeing investment and production opportunities, organising an enterprise to undertake new production process, rising capital, hiring labour, arranging the supply of raw materials, finding sites, introducing new techniques, discovering new resources or raw materials and selecting top managers for the day to day operations of the enterprise.

Grey Watson; defines entrepreneurship as “the process through which individuals identify opportunities, allocate resource and create value”.

From the above definitions, it can be observed that entrepreneurship;

- Involves the ability of a person to identify business opportunities.
- It involves mental attitude of risk taking, resource organisation and exploitation.
- It involves one or more individuals.
- It involves creativity, being innovative, initiative

Therefore, entrepreneurship is the process of identifying business opportunities from a locality, organising necessary resources, and using them to start an enterprise to produce goods and services, market them while covering risks with the aim of making profits.

Entrepreneurship is also a way of thinking and acting that focuses on identifying opportunities, apply action with analysis, and is driven by a passionate individual or team.

1.1.4. Meaning of Intrapreneur

An **Intrapreneur** is a person within a large corporation/enterprise who takes direct responsibility for turning an idea into a profitable finished product or service through assertive risk taking and innovation. Great ideas and products can result from letting your employees think, experiment, and try using new technology and production techniques.

Intrapreneurs are usually employees within a company who are assigned a special idea or project, and are instructed to develop the project like an entrepreneur would. Intrapreneurs usually have the resources and capabilities of the firm at their disposal. The intrapreneur's main job is to turn that special idea or project into a profitable venture for the company.

Example: *If an employee working in Airtel-Tigo telecommunication company Rwanda suggests and introduces the use of airtel money for Airtel-Tigo customers to access funds on their bank accounts i.e. can withdraw and deposit money using tigo cash then such an employee is an Intrapreneur and has to be paid for such inventions by Airtel-Tigo Company Rwanda*

1.1.5 Difference between an entrepreneur and intrapreneur

BASIS FOR COMPARISON	ENTREPRENEUR	INTRAPRENEUR
Meaning	Entrepreneur refers to a person who set up his own business with a new idea or concept.	Intrapreneur refers to an employee of the organization who is in charge of undertaking innovations in product, service, process etc.
Approach	Intuitive	Restorative
Resources	Uses own resources.	Use resources provided by the company.
Capital	Raised by him.	Financed by the company.
Enterprise	Newly established	An existing one
Dependency	Independent	Dependent
Risk	Borne by the entrepreneur himself.	Taken by the company.
Works for	Creating a leading position in the market.	Change and renew the existing organizational system and culture.

1.1.6. Meaning of Manager



Fig. 1.2. A female manager who makes a difference

A manager is a person who organizes resources, allocates tasks, oversees and controls business operations so as to achieve the organizational goals, mission and vision.

1.1.7. The difference between an entrepreneur and a manager

The term entrepreneur is often used synonymously with Manager yet these are conceptually different. It is true that an entrepreneur is a manager of his own enterprise but not all managers are entrepreneurs.

Difference between an entrepreneur and a manager

Items of differentiation	Entrepreneur	Manager
Initiation of enterprise	He/she launches a business venture for personal fulfilment and achievements	He/she renders services in already set up enterprise
Status	He/she is self-employed and independent	He/she is an employee in the enterprise.
Risk taker	Bears all the risks and uncertainties associated with the new enterprise.	He/she is an employee, so does not bear any risk

Reward	Receives profits for his/her risk bearing.	Managers earn fixed and regular salary for services rendered
Innovation	An agent of change who introduces new products	An executor who implements plans of the entrepreneur.



Application activity 1.1

Kharim is a graduate who recently graduated from University of Rwanda with a degree in Computer Programming. He has developed an application that he believes will make him earn a living. He performed very well and was called by prominent telecommunication company for a job, he accepted and worked for one month and after he thought to leave that Company so as to start his own project of designing new software. He wants to challenge himself and work the way he wants without answering to a boss. He is using a small inheritance to fund the start-up alongside contributions from his grandparents. As an entrepreneur, Kharim is not only starting a business, but is risking his personal wealth to establish it.

Kharim is also trying to convince some friends from school to form an entrepreneurial team with him. Kharim has a friend who majored in Web designing and another in marketing. He is hoping they may come along with him and bring their skills. He is building the right team so that they can co-operate, and achieve more together than they would individually.

Kharim hopes that his entrepreneurial gamble will pay off as well as the gambles of other well-known entrepreneurs.

Questions:

1. What lesson can be learnt from Kharim's experience?
2. Explain briefly the relationship between an entrepreneur and entrepreneurship

1.2. Qualities/characteristics of an entrepreneur



Activity 1.2

1. Do you have a role model in entrepreneurship who inspires you to join business? YES/NO?
2. If yes state and describe true characteristics that your role model mentioned above possesses.

Qualities or characteristics of a successful Entrepreneur

Hard working: This involves using extra effort to do whatever one is doing. A hard-working person commits more time, more energy and more resources to achieve the desired objective. Commitment and hardworking are essential to success in business.

Creativity and Innovation: Creativity involves using ideas to come up with new products. For a person to be successful in life, he/she has to be creative by doing new things or doing old things differently. Being innovative helps a person find new business ideas, improve existing business activities, and find solutions to difficult problems. All of these help an entrepreneur to become successful.

What's Upcycling?

You might have heard about **Recycling**...

Upcycling is similar to recycling, but much more fun!



Recycling: Recycling is the process of converting waste materials into similar new materials / objects.

Upcycling: Creative / re-use is the process of transforming by products, waste materials, useless or unwanted products into new materials or products of better quality or for better environmental value.

The relationship between Creativity and Innovation is like relationship between recycling and upcycling. One brings new idea, new product while others improve what is existing.

Risk taking: Entrepreneurs are risk takers. They risk starting a business. This is not to mean that they are reckless people. Good entrepreneurs assess the risks related to their business before they take them. They do not take every risk; they only take moderate risks that they will be able to manage.

Decision making skills: A successful entrepreneur makes intelligent, right and informed decisions on various issues, follows the decisions made, and accepts their results.

Persistence and Perseverance: Starting and growing a business requires a lot of determination and a “never-give-up” attitude. It is said that winners never quit and quitters never win. Entrepreneurs never give up, irrespective of all problems and setbacks met in the business. They put in as much efforts as possible to ensure business success.

Opportunity seeking: A good entrepreneur is able to spot opportunities even where other people are not able to see any. Ability to see opportunities also helps the entrepreneur to take advantage of other opportunities like identifying the best employees, taking advantage of cheap loans from commercial banks, raw materials, etc... he/she sees society's challenges or problems as basis for business creation or expansion.

Seek information: Good entrepreneurs are always on the lookout for information related to their businesses so as to make good decisions. Good decisions are based on right and updated information. For example, for a manufacturing business, the entrepreneur seeks information about suppliers of new machinery, new industries entering into competition, potential customers, new government policies, etc... All this information is helpful in making informed and profitable decisions.

Self-confidence: An entrepreneur should have a strong belief in his/her abilities. He/she should be confident that he/she will achieve what he/she sets himself to achieve. If a person is not confident of himself/herself, he/she cannot be a good entrepreneur.

Financial Discipline: A good entrepreneur has excellent money management skills. He/she does not spend business money on unplanned activities or things.

Goal setting and planning: Good entrepreneurs set goals and strive for achieving them.

The goals set should be SMART that is to say Specific, Measurable, Achievable, Realistic and Time frame/ bound.

Commitment: An entrepreneur will succeed in business if he/she is committed to the business and to fulfilling obligations; for example, he/she should spend a lot of time in the business and make sure that customers are served properly, they are given very good services and when he/she makes a promise, he/she has to fulfill it.

Persuasive and good at networking: Persuasiveness is the ability to convince others and change their thinking. Networking involves meeting other people involved in the same kind of work, to share information and support each other. A good entrepreneur will always get time to meet and share ideas with people who matter to the business such as suppliers, competitors who can give him/her good advices, etc... A good entrepreneur will not be an 'island' but will always be networking.

Controlling/monitoring: An entrepreneur ensures that results match with plans. Monitoring business activities helps him/her to know whether the business is succeeding or failing. By doing this he/she decides on what to do if the business is not achieving desired results.



Application activity 1.2

1.
 - a. Discuss the various qualities an entrepreneur should possess.
 - b. Choose two best entrepreneurs in the world today that act as your role models; one male and one female.
 - i.
 - ii.
2. Explain briefly how the above entrepreneurs have demonstrated the following characteristics basing on your knowledge about them.

Characteristic	How the characteristic has been demonstrated by him/her
Risk taking
Hardworking
Communication
Innovation
Creativity
Self-confidence
Persistence

1.3. Stages of entrepreneurship process



Activity 1.3

Looking at fully developed businesses with tangible products in your home area.

e.g. Inyange industries (Inyange water). What stages do you think the above business went through to get to where it is today?

The stages of entrepreneurship development



www.slideshare.net

Fig. 1.4. Stages of entrepreneurship process

Discovery: At this stage an entrepreneur generates ideas, recognizes opportunities, determines the feasibility of ideas, markets, and ventures and other prior information.

Concept development: here an entrepreneur plans the businesses, identifies needed resources through developing a business plan.

Resourcing: An entrepreneur acquires needed resources for the venture startup including financial, material, human and technology.

Actualization: Here an entrepreneur starts and operates business and utilizes resources to achieve its goals and objectives.

Harvesting: Here an entrepreneur decides on the venture's future (growth, development or demise).



Application activity 1.3

Gap-filling questions

.....an entrepreneur decides on the venture's future (growth, development or demise).

..... here an entrepreneur plans the business, identifies needed resources through developing a business plan.

..... an entrepreneur starts and operates business and utilizes resources to achieve its goals and objectives.

.....acquires needed resources for the venture startup including financial, material, and human and technology.

1.4. Types of entrepreneurs



Activity 1.4

Entrepreneurs can be classified into different types. Identify and explain the different types of entrepreneurs and give an example for each type in your community.

Types of entrepreneurs include the following.

Innovative entrepreneurs: These are creative entrepreneurs who introduce new products and new production techniques of the market through gathering available information and experimenting new combination of factors of production. Such entrepreneurs always see and exploit opportunities for

introducing new products, production methods or new markets. These are common in developed countries.

Example: *The Sina Gerard is innovative entrepreneur*

Imitative entrepreneurs/ adoptive entrepreneurs. These entrepreneurs do not innovate new products and services.

They imitate or adopt existing commodities and start their enterprises exactly in the same manner. These are common in developing countries. *E.g A person who start exactly the same shop like he/ she has seen in other area.*

Drone entrepreneurs/conservative entrepreneurs, they do not accept or imitate changes and they decline to utilise available resources to make changes in production processes even when their businesses are making losses and consequently are out competed and their businesses collapse. *E.g. Refusing to use new technology for example whats app, facebook or twitter until your business is outcompeted and declines.*

Fabian entrepreneurs: These entrepreneurs tend to be very conscious in adopting and accepting changes and innovations. They do not adopt environmental methods of production and business. Fabian entrepreneurs only adopt new methods if they realise that their businesses will fail if they do not adopt new ideas. *E.g. If a bank first resists using ATM services and come to use them later after realising that failure to use them may lead to its decline.*

Business entrepreneurs/trading entrepreneurs. They undertake buying and selling as their core business activity. *E.g wholesalers and retailers without modifying them.*

Industrial entrepreneurs. These are entrepreneurs engaged in converting raw materials into usable finished products.

E.g. Kabuye sugar works, Ruliba clays, etc.

Agricultural entrepreneurs: These are engaged in agricultural activities. For instance, they deal in activities such as growing of cash and food crops, rearing animals, dairy farming, poultry etc. They use modern methods of production and use of exotic breeds and non- exotic. *E.g. Rearing chicken layers in order to get eggs for sale.*

Induced entrepreneurs: These entrepreneurs are attracted into entrepreneurs' activities by policies and incentives provided by the governments, NGO's etc. Incentives like: loans, tax holidays, and land tenure

system. *E.g. If a person decides to study ICT because the government has put incentives for the persons who work as ICT employees.*



Application activity 1.4

1. Discuss the various types of entrepreneurs that you know and give examples from your community.
2. Explain any four attributes of each of the following types of entrepreneurs
 - i. Innovative entrepreneurs
 - ii. Imitative entrepreneurs
 - iii. Drone entrepreneurs
 - iv. Fabian entrepreneurs

1.5. Types, benefits, challenges of creativity, innovation and invention



Activity 1.4

Make research and discuss the following

1. The various types of creativity
2. Benefits of creativity and obstacles to creativity

1.5.1. Meaning of creativity

Creativity is an act of thinking new things, coming up with ideas, new ways of looking at opportunities and new approaches to solving problems.

There are two kinds of creativity: *innovation* and *invention*.

Innovation is doing new things or implementing the newly created ideas. It is the development of new products, ideas, markets, devices; processes for something that already exist.

Invention refers to creating something for the first time.

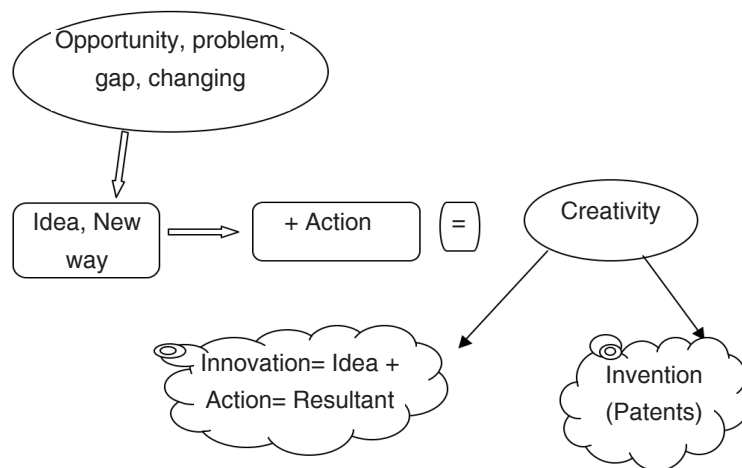


Fig 1.4: Creativity can be done through Invention and innovation

1.5.2. Types of creativity

Divergent creativity: Rather than finding a single correct answer, the divergent thinker discovers multiple options for addressing problems. Brainstorming, predicting, and imagination activities are all examples of divergent thinking. It is possible to increase divergent thinking by implementing open-ended questions when addressing problems rather than closed questions.

Convergent creativity: This involves focusing on only one idea or single solution.

Lateral creativity: This involves generating new ideas and problem solving as it leaves the already used behind and looks for completely new options.

Aesthetic creativity: This is about producing and discovering things which are pleasant, harmonious and beautiful to our senses.

Systems creativity: The ability to see how things are interrelated and form a larger whole.

Inspirational creativity: Inspiration and imagination are essential for creativity. It is concerned with the perception of receiving insights from others. It often happens in dreams or other states. Inspiration can be an idea that comes suddenly. Inspiration is different for different people.

1.5.3. Characteristics of creative people

They tend to be more original than others

They are more flexible conceptually and easily accept change since they normally have more ideas than non-creative people.

They normally prefer complexity to simplicity.

They do not want simple solutions.

1.5.4. Types of Innovation

Incremental innovation: This seeks to improve systems that already exist, making them better, faster and cheaper.

Process innovation: This is about implementing new and significant improved process or production or delivery method.

Service innovation: improving services by changing service idea, client interaction channel, service delivery system or technological idea that leads to one or more renewed service functions that are new to the firm.

Business modal innovation: This refers to creation or reinvention of business itself

Radical innovation: This provides something new to the world we live in by removing industry conventions and by significantly changing customers' expectations in apposite way. Ultimately, they end up replacing existing methods and technologies. It is an intellectually jump, which changes the whole area.

Frugal innovation: This is about doing more with less. Entrepreneurs devise low cost strategies to either tap or avoid resource limitations to innovate, develop and deliver products to low income users.

User led innovations: This is based on customers' needs since the customer is the king.

Sustainable innovation: This involves products and processes that lead to sustainable development.

Supply chain innovation: This is about applying best practices and technological innovations to your own supply chain so as to withstand extreme financial stresses.

Experience innovation: The companies try to create holistic experience by emotionally engaging their consumers.

1.5.5. Characteristics of a good innovator

Educated both formally and informally

- Receptive to change
- Emphatic-ability to place him/herself in the situation at hand

- Moderate risk taker
- High need for achievement
- Information seeker
- Communication skills

1.5.6. Benefits of creativity or creative thinking

- Become better problem solver
- Connect with your community
- Save more money: the more we become creative the more we save
- Expanded sense of time
- Self-awareness and expression
- Freedom through taking up risks, try new things and remove limitations as a result.
- Stress relief: reducing stress level and improving quality of things

1.5.7. Challenges of creative thinking

- Lack of direction; goals, objectives or plans
- Fear of failure
- Fear of criticism
- Striving for consistency; fear of doing new things
- Passive thinking: Thinking without putting into actions
- Negative attitudes: Focusing on negative sides
- Excessive stress: unwanted stress reduces quality of mental processes
- Rationalizing and justifying: Failure to improve business success due to justifying your decisions

1.5.8. Relationship between creativity, innovation and invention

Creativity is the ability to think and act in ways that are new and fresh. In our minds, there are two kinds of creativity: *innovation and invention*. Innovation is thinking creatively about something that already exists (e.g., the tape recorder, Walkman, and CD player are all innovations on the phonograph). Invention is creating something that did not exist before (e.g. the phonograph). A phonograph is a device that records or plays sound from cylinder records.

Innovation is the process of turning a new concept into commercial success or widespread use, **Invention** is the creation of a new idea or concept and **Creativity** is the act of turning new and imaginative ideas into reality.

Creativity, invention, and innovation are all interrelated and necessary for growth to occur.

Therefore, the three terms are related in a way that **both innovation and invention originate from creativity**

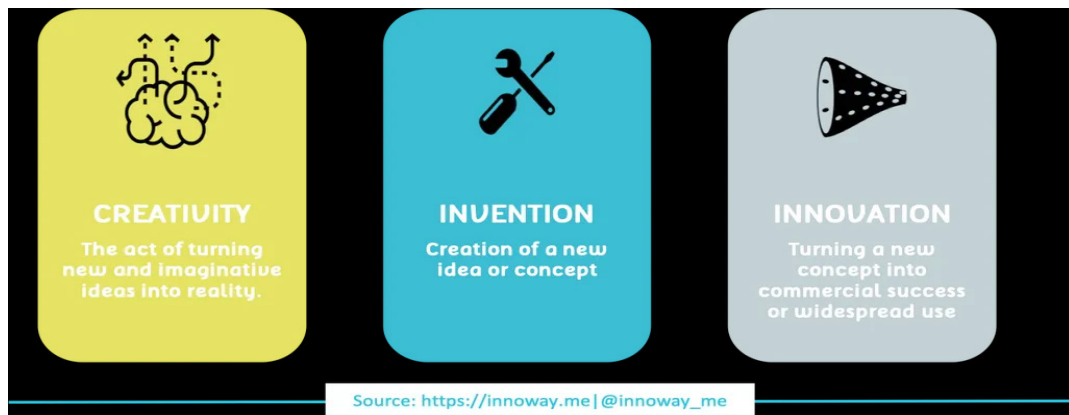


Fig 1.5. Relationship between Creativity, invention, and innovation



Application activity 1.5

1. Describe briefly the relationship that exists between creativity and innovation and give an example in each.
2. Identify the role played by the three aspects (creativity, innovation, and invention) in the development of the business



Skills lab

1. Using the knowledge of entrepreneurship you have acquired so far, form a school business club for your college, identify leadership positions to manage the club and vote for the leaders. Discuss Problems affecting the community and come up with a clear vision and mission that will guide the Business club to start projects that will address those problems and needs.
2. Draw a new product design that uses recycled materials and solves a customer need. Explain what problem it solves and what makes this product innovative.



End unit 1 assessment

1. Think of at least 4 different entrepreneurs in your home community. Explain what types of entrepreneurs these people represent and provide reasons why.
2. Joana is a year 1 TTC student and wants to start a small business project in her holidays. Imagine a situation where she comes to you for advice. How would you advise her to apply the five stages of the entrepreneurship process to start a successful business?
3. Analyse the needs in your community, relate them to your skills and, passion and available resources. Come up with a viable business opportunity.

UNIT 2:

CAREER OPPORTUNITIES



Key unit competence: To be able to make rational career choices and related decisions



Introductory Activity



Fig: 2.1 Examples of careers (Entrepreneurship for Rwanda Secondary Schools, Learner's Book 4, 2016)

1. Identify the type of careers shown in each photograph above.
2. Identify the subjects one needs to study so as to pursue each of the above careers.

2.1. Meaning of career, choosing work to do and fields of career opportunities



Activity 2.1

- a. What do you understand by the term career?
- b. From which fields can we obtain information concerning our careers?
- c. What could be the factors that influence choice of career?
- d. Observe the images below and indicate the jobs related to each career opportunities

Fields of career opportunities	Related Jobs
	
	
	

Fig: 2.2 career opportunities

2.1.1. Meaning of career

A career is a job or profession that you do for a long period of your life for survival which enables you to achieve your goals.

It can also be defined as a profession for which one has been trained for as an undertaking or as a permanent calling. It is what one wants to become in the future.

2.1.2. Choosing work to do and fields of career opportunities

Work can be understood as undertaking we get involved in pursuit for our long-life goals. Therefore, it is important to note that, work pre-trained and done for a long time can be referred to as career.

The choice of a career is very important for every person. It requires serious consideration, planning and analysis. Planning your career involves self-evaluation on the following questions, who am I, what are my interests, what work environment, what will I be doing and what are the job trends. A person can get into many careers.

In each industry or sector of the economy, there are many careers to choose from. Some careers require a lot of physical effort (muscle based) while others require a lot of mental effort (knowledge based); some careers require many years of training while others can be joined without formal training.

The following are some of the fields of career opportunities and careers that one can pursue:

There are very many careers in the world. The main fields include:

Education field for example; head teachers, teachers, school administrators, bursars and university lecturers.



Fig.2.3. Primary Teachers and school administrators belong to the education field.

Medical field for example; doctors, nurses, surgeons, pharmacists, gynecologists, dermatologists, physicians and so on.



Doctor



Pharmacists

Fig.2.4. Doctors, pharmacists, dentists, surgeons and nurses belong to the medical field.

Agricultural field for example; livestock farmers, dairy farmers, crop growers, etc.



Dairy farmer



Crop grower

Engineering field for example, electrical engineers, civil engineers, telecommunication engineers, mechanical engineers, land surveyors and so on



Surveyor



Mechanical engineer

Fig.2.6. Civil engineers, surveyors, mechanical engineers, all belong to the engineering field.

Political field for example; presidents, vice presidents, mayors, ministers, members of parliament, senators, community leaders and so on.



www.abc.net.au

Fig: 2.7 Nelson Mandela former president of South Africa

Construction field for example; construction engineers and so on:

Commercial and manufacturing field for example; wholesalers, retailers, vehicle manufacturing, textile production, bakeries and confectioneries.



Textile production



Retailer

Fig.2.8. Some of the career opportunities in commercial and manufacturing field.

Transport field for example; freighters, cargo couriers, pilots, air hostesses, drivers, captains and so on.



Pilot



Legal field for example; lawyers, judges, juries and attorney generals.



Judge



Lawyer

Fig.2.10. some of the career opportunities in the legal field

Finance field for example; bankers, accountants, Chief Administrative Officers (CAO), money changers, finance consultants and so on.

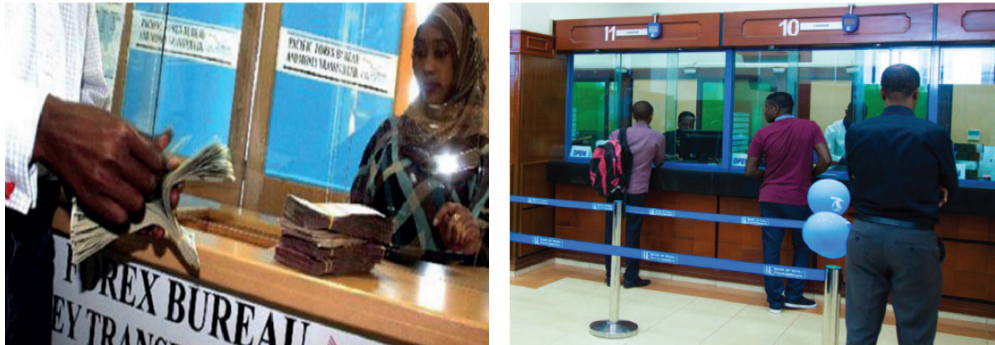


Fig.2.11. some of the career opportunities in the finance field.

Security field for example; police, military and army, secret service/ intelligence,



Fig.2.12. Some of the career opportunities in the security field.

Media field: This involves people working as news readers, news anchors, and television and radio presenters, journalists and so on.

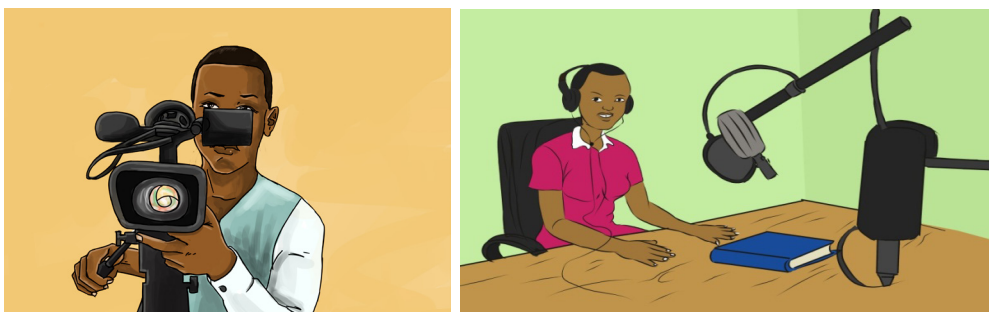


Fig.2.13. Some of the career opportunities in the media field.

Hotel and tourism field for example; waitresses, waiters, chefs, tourist guides, and so on.

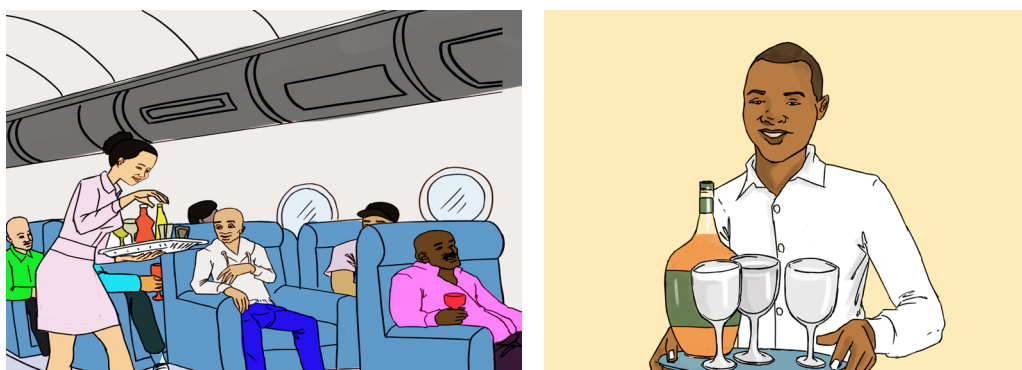


Fig. 2.14 air hostess , chefs among others belong to hotel and tourism career

Fields of Career opportunity	Related Jobs
Education	Teacher, Lecturer, head teacher, inspectors, etc...
Health	Doctor, Nurse, Mid wife, gynecologist, dentist
Security forces	Soldier, Chief, security guard, police, army,...
Law	Lawyer, advocate, judge, prosecutor,...
Media	Journalist, editors, radio/TV presenter...
Hotel and tourism	Waiter/ waitress, air hostess, tourist guide, receptionist,...
Commercial	Business person, Accountant, Cashiers, managers,...
Manufacturing and Construction	Engineer, technicians, machine operators, carpenters, masons, fabricators, clerks, managers, surveyors..
Agriculture	Agriculturalist, farmer, veterinary, scientist, etc...
Arts	Musician, Artist, manager, etc...

2.1.3. Factors that influence career choice

Family influence/Preference: Family background and or parents may influence directly or indirectly one's career. Some parents urge their children to do subjects which lead them do certain courses.

In some cases, children are influenced indirectly by the jobs their parents do or choose for them. For instance, if a parent is an economist, his/her children

will be influenced to do economics at advanced level to follow the footsteps of their parents.

Friends and Peer Pressure: Some people want to be close to their friends and so, they end up choosing the same career path. Peer pressure can also influence choice of a career because some people always want to fit in their peer groups, so they end up opting for the same career, schools and institutions. It is common to find students of some schools becoming musicians while a majority of another school becoming businessmen, doctors, teachers, etc.

Role models: These are people we admire and want to emulate. Because we admire them, we end up taking their careers. This is, especially in musicians and football players. People tend to pick up star performers in the above-mentioned fields to become their role models thus taking up the same careers.

Talent and natural ability: This is choosing a career basing on talent and ability. It is very good if one is able to identify their talents at an early stage.

Government policy: Government policy may also influence a career choice. For instance, when government gives scholarships to students doing particular courses, it indirectly influences people to join careers based on those courses. For example, if government sponsors the best performers at form six in national exams to go and study in America. They will either be doctors or engineers.

Demand in the job market: Demand for a particular area of specialization may encourage people to take up that career. For instance, many people have undertaken careers in information technology and human resource management in Rwanda due to high demand for such professions in the job market.

Income level and level of payment: Different careers have different levels of payment. This may be due to the nature of employment, level of demand and supply for its services, profitability of its products, employers' and government policies, among other factors. People usually prefer high paying careers to low paying careers.

Schools: Schools are important sources for acquiring information about careers. Through career day events, learners interact with professionals, ask questions, and get to understand about their career of interest.

It is important for learners to attend such events and ask as many questions as they can.

Media, (Newspapers and radios, TV): The media includes: newspapers, radios, TV set, etc. Newspapers normally have columns and articles advising about different careers. Radio and TV broadcasters have talk shows about careers. Learners should get time to read newspapers as well as listen to radio and watch TV for career advice.

Potential workplace: Potential work place are useful sources of information. If you already have a job and you are seeking for another for fear of being “right sized” by the present employer, then it’s better to seek information from those already employed by that organization or you may check on their website



Application activity 2.1

1. As a student of entrepreneurship, identify a field from which to choose your career and why?
2. Distinguish between work and career
3. Case study

Hitayezu Emmanuel born 1972 in Southern province and his father was a farmer as well a traditional medical healer. Hitayezu Emmanuel started his primary school at Munini, he continued his secondary at GS Kibyagira and obtained a certificate as a primary teacher, he continues university at Kigali Institute of Education (KIE) where he graduated as a teacher with a bachelor’s degree in education (Biology, Geography). After his university course, he obtained further training as a traditional medical healer and he gained more mentorship from his father on treating different diseases using local herbs, he as well authored a book on how to treat different diseases. He worked as a teacher shortly before being promoted to Sector Education inspector. Apart from being a government worker, he is a successful businessman and a prominent herbalist and he is known to treat many diseases like severe skin irritations of any kind.

He plans to establish a hospital to treat his patients.

Questions;

- a. Which careers are identified in the above case study?
- b. Identify the major characteristics that Emmanuel possesses as a successful entrepreneur.

c. As a student of entrepreneurship identify things that motivated him to pursue these careers.

d. What do you learn from Emanuel's story?

2.2. Sources of career information



Activity 2.2

1. Identify places and people in your home area that can be an inspiration to your career.
2. Use your internet, search on www.gostudy.net to choose a career field by filling in the questionnaire provided.

2.2.1. Sources of career information

There are many sources of career information from which an individual may choose from and these sources may include the following.

1. **Parents, friends and relatives:** Families and friends can be extremely helpful in providing career information. While they may not always have the information needed, they may know other knowledgeable people and be able to put you in touch with them. These contacts can lead to an "information interview" which usually means talking to someone who can provide information about a career. This person should have the experience to describe how he or she trained for the job, received promotions, and the likes or dislikes of the job. Not only can the person advise what to do but he or she can also advise what not to do.
2. **Professional societies, trade groups, and labor unions:** These groups have information on careers with which they are associated or which they actively represent. This information may cover training requirements, earnings, and listings of local employers. These groups may train members or potential members themselves, or may be able to put you in contact with organizations or individuals who have been in that career for a long time.
3. **Personal skills, talent and passion:** The first place to start from when looking for business ideas or opportunities is to look within you. Most people miss this greatest source of career information because of ignorance, laziness and self-doubt's. If you are talented or having a proven track record in a specific field, then it is time to analyze that skill or talent. You can discover what you are good at, what career to

take by asking yourself the questions such as; what skills or talents do you possess?, what are your hobbies?, what are you passionate about?, do you possess a skill that people are willing to pay for?



Fig: 2.15 A Popular musician.

A Popular football player

Note: It is because of personal skills, talent and passion that some people popular have the careers they chose.

4. **Mass media:** This is a wonderful source of information, ideas and opportunities. Magazines, TV stations, Cable networks, radios, newspapers and internet sites are all examples of mass media. A careful look at the commercial advertisements in newspapers or magazines, you will discover information on careers, as well as the skills and education level required to join the desired career.
5. **Guidance and career counsellors:**
 - Counsellors can help you make choices about which careers might suit you best.

- Counsellors can help you determine what occupations suit your skills by testing your aptitude for various types of work, and determining your strengths and interests.
 - Counsellors can help you evaluate your options and search for a job in your field or help you select a new field altogether.
 - They can also help you determine which educational or training institutions best fit your goals, and find ways to finance them. Some counsellors offer other services such as interview coaching, resume building, and help in filling out various forms.
 - Counsellors in secondary schools and post-secondary institutions may arrange guest speakers of different career fields, field trips, or job fairs to equip you with detailed information about careers.
6. **Local libraries:** These can be an invaluable source of information since most areas have libraries, they can be a convenient place to look for career information. Also, for those who do not otherwise have access to the Internet or e-mail, many libraries provide this access. Libraries may have information on careers locally and internationally; potential contacts within occupations or industries. Libraries frequently have subscriptions to various trade magazines that can provide information on occupations and industries. These sources often have references to organizations which can provide additional information about training and employment opportunities.
 7. **Tertiary institutions** such as colleges, universities frequently have career centers with libraries of information on different careers, listings of related jobs, and alumni contacts in various professions. Career centers frequently employ career counsellors who generally provide their services only to their learners and alumni. Career centers can help you choose a career, build your resume, find internships and co-operations which can lead to full-time positions, and tailor your course selection or program to make you a more attractive job applicant.
 8. **Exhibitions, expos and trade shows:** Another means to get career information is to attend exhibitions and trade fairs. These are usually advertised on the radio or in newspapers. By visiting such events regularly, you will not only find out new products and services, but you will as well meet sales representatives, wholesalers, distributors, manufacturers and franchisers. These are always excellent sources of career information.
 9. **Listening to customer complaints:** Complaints and frustrations on the part of customers have led to prospective career opportunities. Whenever consumers complain badly or bitterly concerning a product

or service then, you have the potential for a career opportunity. This will prompt you to acquire more skills as a career opportunity and also to provide better and competitive services or goods.

10. Surveys: You can carry out a survey online or offline. One can visit different people of different career fields and find out the advantages and disadvantages of each career field. This helps you to compare and make an informed decision on which career to undertake.

Note. The above sources aren't independent but rather complement each other towards choosing an appropriate career. Therefore, in choosing career for example teaching one can use Ministry of education and internet while others can refer to guidance and career counselors.

2.2.2. Steps for Career development.

There is no easy path to landing your first job and it's not just job itself you have to consider; a job is just one step, whereas a career is a journey over a lifetime. There are some important things to consider when planning your career. Below are steps to guide while planning a career.

Step 1. **Where am I now?** (What skills do you already possess?)

Step 2. **Where do I want to go?** (What do you want for your career?)

Step 3. **How might I get there?** (What steps do you need to take to get there?)

Step 4. **Who can help?** (What resources might I use?)

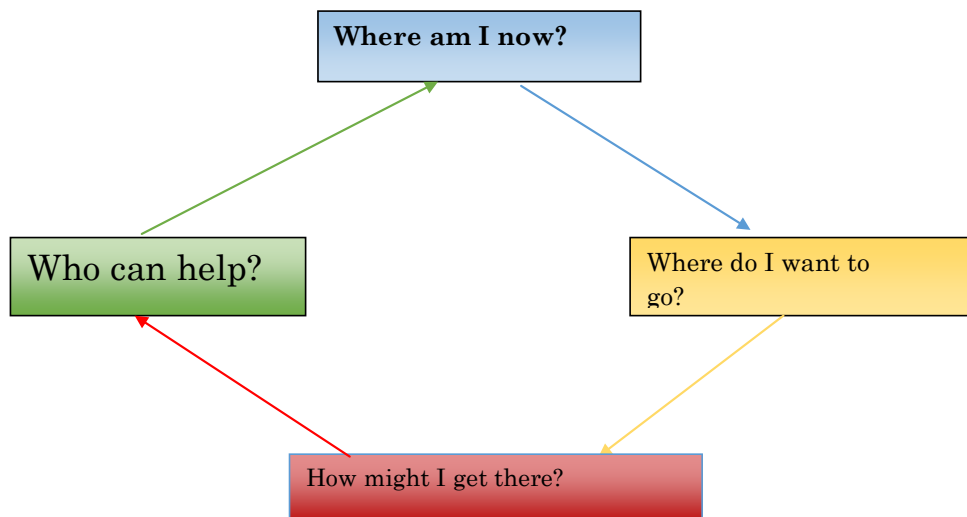


Fig: 2:16 career development steps

2.2.3. Career trajectory or path

Career Pathing: Career pathing is also referred to as career trajectory. Career pathing is the process used by an employee to chart a course within an organization for his/her career path and career development. Career pathing involves clearly understanding the specific knowledge, skills, personal characteristics, and experiences that are required for an employee to progress in the chosen career. There are different requirements for joining and the process of going through various stages also differs. Some careers have shorter trajectories while others have longer trajectories. Getting to the top requires a person to pass through various stages.

The following are steps taken in choosing a career.

1. **Assess yourself:** This involves looking at your skills, values, interests, personality and analyzing where your strengths and weaknesses lie. This is important both in choosing the right career and also for success in applications and interviews where you will find many questions which test whether you have been through this process. Begin by thinking about where you are now, where you want to be and how you're going to get there.
2. **Occupational Research:** Once you have understood yourself, the next step is to investigate what options are available. It would be more appropriate for one also to consider the current job trends. Job trends indicate the direction in which the job market is moving and indicate which sectors of the job market are in high demand. A successful career plan makes this investigation as comprehensive and exhaustive as possible.
3. **Information search/ explore the options:** For all the careers known to you, identify those that you have a possibility of taking up. Get as much information as you can about the selected career. The Internet provides a spectacular resource to research on almost infinite number of occupational choices. This will help you collect a rich and diverse background on those careers that attract you most. For instance, government statistics and related resources that track the growth or decline for a wide range of careers are a good source of information and are available on the Internet.

Bear in mind that technology is changing the nature of how work is being done all over the world. Throughout history, new inventions and innovations have created the need for new types of jobs.

4. **Make a list of potential occupations:** You should have an idea of your career preferences and research the specific skills and

qualifications required for the career. This requires a lot of research on the various careers for better decision making on the occupation of your interest.

5. **Explore the options** that interest you and ask yourself, how your skills and interests match up with the desired career. Here you ask yourself questions like, where are the gaps. What options do I have to gain these skills or qualify for the desired career? What skills do I need? Where is the work or how is the job market?
6. **Narrow down your list:** This is where you think about what suits you best at this point in time. You look at different aspects such as, your best work or training options, how they match with your skills, interests and values, do they fit with the current labor market, do they fit with your current situation and responsibilities, the advantages and disadvantages of each options, what will help and what will hinder you and finally what can you do about it?
7. **Set goals:** A career goal can be a specific job you want to do such as doctor or teacher. It can also be a particular field you want to work in, such as medicine or education. A career goal provides the means and the direction to accomplish your career, act as action-steps necessary to actualize your dreams and may also help you discover career possibilities you would not have thought of otherwise. There are several job possibilities with any chosen career. For instance, if you choose a medical career, you may want to be a scientist, nurse, doctor, dentist, surgeon, pharmacist, etc.
8. **Create a career plan:** This helps you to manage the direction you want your career to take, the job skills and knowledge you will need, and how you can get them.

Here, you plan the steps you need to take to put your plan into action. It involves using all you have learnt about your skills, interests and values together with the information you have gathered about the career you have chosen. A career plan will increase the likelihood of success.

9. **Obtain training:** This is the final stage of choosing a career. Individuals train so as to specialize in various areas under a specific field. Training in a specific career can be for a long term or a short term. Short-term training includes any class or program that lasts less than two years. All short-term training can help you get career information, find a job, get a promotion, or earn more money. Many programs lead to a certificate, which can give you a helpful edge in the job market and it enables one to be a professional.



Application activity 2.2

1. Suppose you wish to choose a career after your senior six graduation, what source of information would you put into consideration?
2. Reflecting on your future career, give reasons why you will choose that career

2.3. Career guidance



Activity 2.3

1. How can you define the term “career guidance”?
2. Reflecting on your choice of combinations, give reasons why you chose that combination and who helped/influenced you to make your choice.
3. Why is career guidance important?
4. Make a list of sources where career guidance can be obtained.

2.3.1. Meaning of Career guidance

Career guidance is the act of assisting students and adults to successfully choose the right career for themselves, manage and develop it.

Having the right and accurate information is important in the choice of a career. The choice should be based on accurate information. Career guidance can be obtained from various sources:

2.3.2. Sources of career guidance

- i. Teachers:** Teachers provide best source of career guidance to learners because they spend most of their time with learners hence, they understand their strengths, weaknesses, talents and skills.
- ii. Parents:** Some families have bias either against or in favor of certain careers and consequently encourage or discourage their family members to either take them up or leave them. Some people, therefore, choose to undertake certain careers because all their family members are taking the same career and are successful.
- iii. Career guidance counsellors:** These are professionals trained to help people assess their strengths and weaknesses, evaluate their goals and values and determine what they want in a career.

- iv. **Government officials.** Government officials may act as models that can guide us when approached and some have testimonies that can help young people find strength amongst themselves
- v. **Heroes and mentors.** For example, political and humanitarian heroes eg Nelson Mandela his biography is a touching story and an inspiration to many young politicians.
- vi. **Role models e.g. musicians, athletes**
- vii. **Friends and relatives** offer advice and support that help to shape and develop career



Application activity 2.3

You have had a challenge of choosing a course to do after your s6. Identify at least four people in your school that can offer career guidance to you?

2.4. Career options /types of employment/ employment options



Activity 2.4

Many people are confused today whether to engage in paid or self-employment. Advise them by showing them a list of advantages and disadvantages of each of the following

- a. Self-employment
- b. Paid employment

Employment opportunities

Employment opportunities refer to anything that an individual can pursue to earn a living.

There are two forms of employment:

1. Paid employment

Paid employment is when you work for someone else who pays you a salary or wage at the end of the month/ day/week... The salary is paid by the person, company or government department that employs you.

Benefits of paid employment

- Income is specific and regular (steady/consistent income)
- Favorable hours of work: Fixed time of work- spare time for leisure
- Limited liability: Not directly affected by business losses and debts.
- No exposure of personal assets to business losses
- Fringe/ financial benefits such as housing allowances, medical care, free transport
- Pension on retirement
- Defined specific tasks
- Allows specialization: Tasks are allocated to those who can do them better.
- It is easy for the government to collect taxes. E.g. PAYE (Pay As You Earn) tax.

Challenges of paid employment

- Fixed income even when output increases
- You cannot be innovative because you work on orders
- Poor working conditions since conditions are determined by employer.
- Lack of independence
- Relatives cannot be made part of business
- Limited freedom of expression
- Limited decision making
- You are exploited by the employer
- High level of job insecurity

Self-employment

This is where an individual privately utilizes his/ her own resources to start and operate his/ her own business. When you are self-employed, you work for yourself. You are the owner of the business. You are the entrepreneur. You do not get a salary or wage but rather you get profits from the business.

Benefits of self-employment

- Raise more employment opportunities
- You become your own boss and therefore you are independent

- You determine your own time of work
- More income from profits
- Higher status in society
- Positive contribution to the society's wellbeing by providing goods and services
- Better standard of living because of better income
- Allow your children to participate and learn business.
- More productivity
- High degree of job security
- Improved creativity and innovation
- It promotes confidence and self-esteem

Challenges of self-employment

- Risk of losses
- Uncertain Income. It varies depending on variation of profits
- Long and irregular hours of work: Most entrepreneurs work -on weekends, nights and public holidays.
- No defined tasks: No well-defined job description. Entrepreneurs do all kinds of jobs in their enterprises.
- Unlimited liability: self-employed persons are responsible for all risks and debts of the business
- No fringe benefits: Entrepreneurs do not enjoy extra benefits from the company
- Increased expenditures: Self-employed people spend a lot of money to meet the legal requirements of a business. e.g: taxes, licenses.



Application activity 2.4

Reflecting on your community;

1. Identify the various activities/work done by various people.
2. Classify the people with their activities as those working for themselves and those working for others.
3. How do you call those working for themselves and those working for others
4. What are the challenges of taking business as a career?



Skills lab 2

1. Conduct a personal assessment test and find out what things you are passionate about, Your strength and weaknesses. Discuss possible Career choices that align with your strength and passion. Create departments in the Business club that will enable various members to get initial experience in the careers of their choice.
2. Design a flyer that promotes the Student Business Club to new senior 4 students. The flyer should be attractive and present at least 3 arguments why students should start business projects while they are in school.



End unit 2 assessment

1. Read the sentences in the table below and indicate true or false.
 - a. A journalist belongs to the education field.
 - b. A DJ belongs to the media field.
 - c. Teachers belong to the medical field.
 - d. Police officers belong to the political field.
 - e. Pilots belong to the air field.
 - f. A barrister and chef belong to the same field.
 - g. Accountants and bankers belong to the finance field.
 - h. Lawyers and teachers belong to the same field

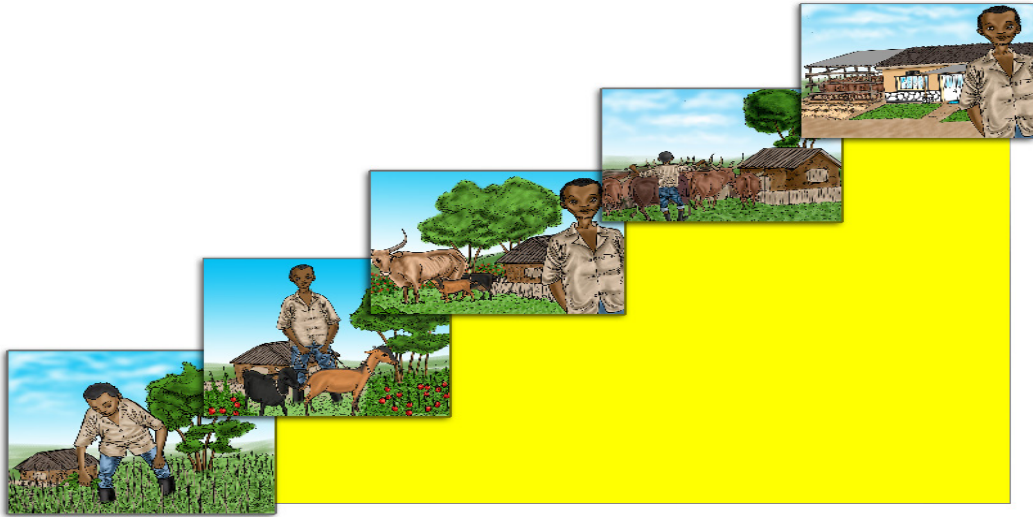
Formulate 5 interview questions you can ask an entrepreneur in your community to find out the advantages and disadvantages of running a business.

2. Give examples of careers one can take in each field by filling in the table

No.	Political field	Security field	Law field	Engineering field	Commercial field	Tourism field
1						
2						
3						
4						

UNIT 3:

SETTING PERSONAL GOALS



Key unit competence: To be able to set achievable entrepreneurial goals



Introductory Activity

Imagine that you are dreaming of standing at the top of Mount Karisimbi, Rwanda's highest mountain. Do you think that this dream could become a reality one day? How should you go about achieving this dream?

3.1. Meaning of entrepreneurial goal



Activity 3.1

1. What is a goal?
2. Think of an example of a goal.
3. Identify and explain various types of goals that you know. Give examples.

Goals are defined as the lifelong aims, which an individual or entity endeavors to achieve/pursue..

A goal, in business, describes what a company expects or hopes to accomplish over a specific period. People commonly use the term 'entrepreneurial goal' with the same meaning. On a personal level, a goal is an idea of a desirable or future result that people envision, plan, and commit to achieving.



Fig. 3.1. Mukakarere harvesting fruit from a low hanging tree as a benefit of her hard work

Reaching a short-term goal can be like harvest, it is a good step on the way. Picking the low-hanging fruit on a tree...

To be able to achieve our goals we need people and resources around us that is why our personal development depends on our goals. For us to achieve our goals we imagine ourselves as a fully-grown tree with fruits, thorns, roots, stem and many branches meaning that

- **Roots** mean values and skills
- The **stem** means areas in our lives that give us strength e.g. churches, families, friends etc.
- **Branches** mean our main interests and goals (what we always want to do or accomplish)
- **Leaves** mean resources that will be needed to reach our goals i.e. people, information, etc.
- **Thorns** mean obstacles or challenges we always meet toward achievement of our set targets

Fruits mean the benefits an individual achieves in relation to the set goal e.g. earning a salary after becoming a doctor.

Types of goals

There are mainly two types of goals

- Short term goals
- Long term goals

Note: Some goals take a long time to reach. For example, completing an education level or starting a new business.

Long-term goals and milestones, when long-term goals are far in the future you should set milestones.

A milestone is a stepping stone i.e. it marks the completion of an event. For example, completing Entrepreneurship Senior 2 is a milestone towards completing your O'level education.

You should always celebrate reaching a milestone.

Short-term goals

A short-term goal is a goal that you can reach within a short period of time, such as a day, a week or two or even a month. Often short-term goals can lead to long-term goals. For example, selling your first product is a short-term goal towards the long-term goal of being a business owner.

You can compare short-term goals to a low-hanging fruit. When the fruit on a tree ripens, it is easy to pick the fruit at the bottom. By picking the low-hanging fruit, you will not harvest all the fruits on the tree.

Long-term goal is something you want to do in the future usually above one year. Long-term goals are important for a successful career. A long-term goal is something you want to accomplish in the future. Long-term goals require time and planning. They are not something you can do this week or even this year.

When setting goals, it is good to think about:

- Where do I want to be in the next 3 months, 6 months, 1 year? Etc.
- What do I need to do to get there?
- What can I do that will help me reach there?
- What obstacles might be in my way and how can I deal with them?

Both short and long term goals should help you to do all of the following:

- give direction and purpose to life;

- make life more interesting and challenging;
- guide decisions in life;
- must be clear to know exactly what is required to achieve them;
- there are time limits on goals;
- some goals are made with teamwork;
- in life, people do not achieve goals all at once, but step-by-step.



Application activity 3.1

Study the picture below and answer the questions that follow.

Explain the following parts of a tree in relation to your personal development goals. What do the following represent?

According to you:

1. Roots
2. The stem (tree trunk)
3. Branches
4. Leaves
5. Fruits
6. Thorns



Fig.3.2. A goal tree.

3.2. Characteristics of a good goal (SMART)



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Activity 3.2

- Write any five SMART Goals of your choice basing on your values, skills, interests and talents
- Discuss five characteristics that a good goal should have?

Note. Sometimes a goal seems like it is just a dream. You may wish to do something one day that never seems to happen but it takes courage, patience and hard work to get where we desire to be

Goals should be	Example that cannot be reached	Example that can be reached
Specific	I will do very big businesses.	I will start a small project with my little money I have.
Measurable	I will attend morning lessons.	I will attend morning lessons five days a week.
Achievable	I will become chief legal advisor of Tigo Rwanda next year.	I will apply for employment in Tigo company next year
Realistic	I will milk 400 litres of milk from my one cow every day.	Will milk 30 litres from one cow every day

Time framed	I will find a good job soon.	I Will find a job after three months from now.
--------------------	------------------------------	--

A useful tool for setting goals that you can reach is a SMART goal. When we set a SMART goal, we can direct our actions into achieving the goal.

Therefore, the major Characteristics of a good goal should be Specific, measurable, attainable, realistic, time bound



Application activity 3.2

1. Define the following:
 - a. SMART goals
 - b. Long term goals
 - c. Short term goals
 - d. A goal
2. Using an example differentiate between personal and professional goals

3.3. Strategies of setting entrepreneurial goals



Activity 3.3

As a student of entrepreneurship:

1. What do you understand by a mission statement?
2. Set at least one entrepreneurial goal?
3. Identify unexpected life events that might come your way and prevent you from accomplishing your goal?
4. What can you do to overcome/avoid such events and minimize their impact?

3.3.1 Meaning of mission, goals and objectives of an entrepreneur

In simple terms, and as defined by [Merriam-Webster](#), a *mission statement* is “something that states the purpose or goal of a business or organization.” A mission statement explains why a company was formed and what the organization does. It defines the culture, ethics, values, fundamental goals and it all applies to key stakeholders.

Written mission statement when [starting your business](#) provides a guideline for decision-making that will help align and motivate your team. It allows and welcomes healthy changes -- and gives you a vision for the future. Most importantly, a mission statement gives your business direction.

A mission statement should accurately and honestly sum up your organization. The following four questions guide an entrepreneur to formulate a mission statement:

- i. What do we do?
- ii. How do we do it differently from others?
- iii. Who do we do it for?
- iv. What value do we provide to our audience?

Example of mission statement, *Build the best product, cause no unnecessary harm, use business to inspire and implement solutions to the environmental crisis.*

Therefore, it's important to note that a mission statement defines what an organization is, why it exists, and its reason for being. At a minimum, your **mission** statement should define who your primary customers are, identify the products and services you produce, and describe the geographical location in which you operate. The mission statement explains why your business exists and why people can feel good working for you and buying from you,

The **mission statement** supports the **vision** and serves to communicate the purpose and direction to employees, customers, vendors and other stakeholders. **Values**. A **values statement** describes what the organization believes in and how it will behave. **Values** create a compass for the company and its employees.

On the other hand, a **goal** is a description of a destination, and an **objective** is a measure of the progress that is needed to get to the destination therefore **goals** are the long-term outcomes you (or the organization) want/ need to achieve.

In summary therefore **a mission statement is something that states the purpose or goal of a business or organization, explains why a company was formed and what the organization does** and a goal is a description of a destination an entrepreneur wishes to reach while an objective is a measure of the progress that is needed to get to the destination therefore goals are the long term outcomes you (or the organization) want/ need to achieve.

Note: Setting goals is more than deciding what you want to do. It involves figuring out what you need to do, to get where you want to go, and how long it will take you to get there.

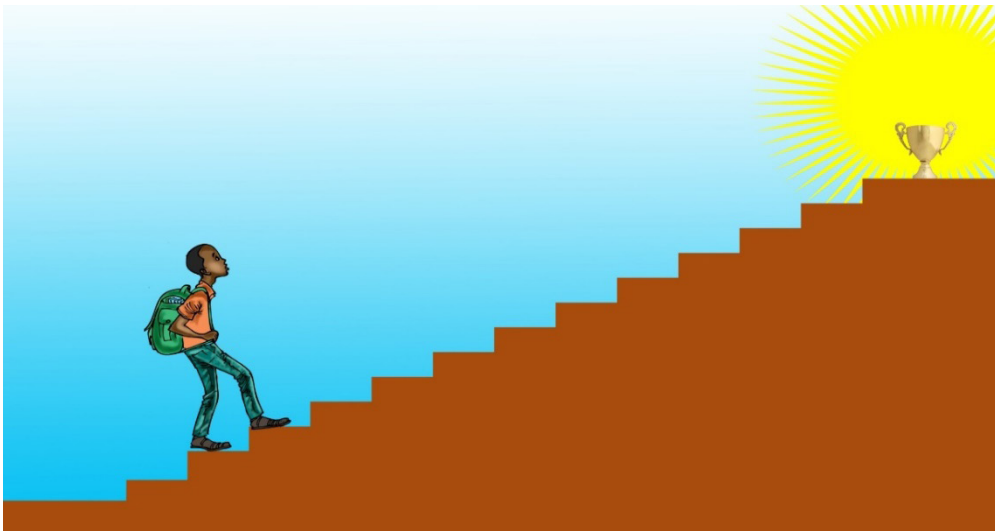


Fig.3.4. pathway towards achieving goals

The first step to success is knowing where you want to go. The second step is having a plan to get there. Your goals are your roadmap, follow them and you will be on your way to success.

The steps listed below are posed in question form.

In order to set smart goals, the following steps should be observed:

1. **Where do I want to be** in the next period of time say 4 months, 6 months, one year etc.? Consider the example of a goal, I want to start a big business project after my secondary studies i.e after two years. This shows exactly what the person wants to be in next two years.
2. **What must I know to get there?** Example To start my business I will need to discover which type of business to get involved in, I have to know how many are doing it, how they do it, for whom

they produce for (market), prepare my Weaknesses, Strength, Opportunities available and Threats (SWOT analysis) and where to do the business from.

3. What steps must I take in order to know and be able to do these things?

Example I have to prepare a business plan i.e. production, marketing, organisation, financial, action plans etc. Obtain a trading license and a business registration among others.

4. What abilities and experience do I already have that are going to help me take these steps?

Refer to the qualities of an entrepreneur. Do you possess any?

5. What obstacles might be on my way and how can I deal with them?

You have to list the challenges that you may meet on the way to achieving your goal. This is because you don't expect everything to go on smoothly. A lot of challenges can be met. Refer to the above goal in the question, suggest possible challenges that can be met.

Many of your responses may be:

- Inadequate funding (capital)
- Small market size, may be because of strong competition
- Strategic business location.

6. What should I do first, second and so on?

In setting goals, one has to specify short term goals first then the long-term goals, a person can suggest short term goals stating when it should be achieved and resources needed to achieve them



Application activity 3.3

1. Write a SMART goal for a business project you want to start after school.
2. Outline the major steps that you would put into consideration in order to achieve the above goal.
3. Distinguish between mission, goals and objectives of an entrepreneur.

3.4. Steps of creating an action plan for entrepreneurial goals



Activity 3.4

Based on entrepreneurial goals set previously, make a plan in order to achieve that goal in the period set.

Use template below

Long term goal		
Short term goal 1.....		
Steps	Time frame	Resources needed
1.		
2.		
3.		
Short term goal 2		
Steps	Time frame	Resources needed
1.		
2.		
3.		
Short term goal 3		
Steps	Time frame	Resources needed
1.		
2.		
3.		

An action plan is a useful tool that can help you to reach your goal. A plan helps you determine:

- What needs to be done?
- When the tasks must be done?

- Who will do the tasks?

Step 1

Create a list of the tasks that need to be done. Start each task with a verb (doing word) because a task is something that you can do.

Step 2

Break down the tasks into short-term and long-term actions. To identify short-term actions, ask yourself 'What can I do right now that will bring me closer to my goal?'

Step 3

Write a to-do list of actions and include guidelines (describe how to do each task).

Step 4

Create a timeline for your actions and include milestones.

Creating a timeline



Fig.3.5. A girl making an action plan on blackboard

A timeline is a tool that shows the progress of a task. It shows how much time a project will take and how each task fits into the overall project. The

most common type of timeline is the bar chart or Gantt chart. The chart shows the activities that need to be done. The chart also shows the start and finish date of each activity. It shows how the activities relate to each other. For example, if you build a house, you cannot fit the roof before you build the walls.

How to create a timeline

Step 1 Draw a graph where the X-axis (horizontal line) represents the time period for your project. You can use days, weeks or months as the time units. The Y-axis (vertical line) represents activities or tasks. The activities can be practical such as designing, constructing or installing. They can also include periods where there are no tasks, such as holidays or waiting for approval for your plans. Waiting time also influences how long it will take you to complete the project.

Step 2 Add tasks to your graph. If the first task (A) will take two weeks, then fill in a bar across two weeks on the X-axis. The next task (B) will take one week and can only start when task A is complete.

Step 3 Identify start and end points for your project. Write the date when you can start the project. When you have added all the tasks, you can also see the date when your project will be complete.

Resources

To reach your goals you also need resources.

These can be:

- Money
- Materials
- People.

The resources must also be included in an action plan.

Importance of setting goals

- It helps in allocating scarce resources
- Setting goals is important in decision making
- It's a tool for planning
- It helps a person to stay focused on achieving the set targets
- It's motivating to the entrepreneur
- It helps to allocate tasks to employees and setting employment targets

- It helps to avoid wastage of resources

Achieving SMART goals

An action plan is a tool that you can use to break up a large goal into smaller actions.

The action plan uses the four W^s (What, When, Who and whenever) to reach the goal.

A timeline is a tool that shows the chronological progress of a task.

It has a start date, end date, all the activities that must be completed and how activities relate to one another.

To reach a goal, you need to allocate the correct resources.



Application activity 3.4



Fig.3.6. Umuganura celebration

Your class has been appointed as festival coordinators for the annual Umuganura celebrations. Every year the harvest is celebrated as a day to give thanks. The event occurs on the first day of August. This year, you have been asked to plan a festival with decorated trucks and musical processions.

You are given the following list of responsibilities:

- Create a route for the procession through your community.
- Ask the cell council for permission if you need to close roads.
- Arrange a theme for your truck to celebrate the harvest and the importance of agriculture for Rwanda.
- Arrange bands and musicians and other forms of entertainment.
- Allocate spaces for stalls that offer food and drinks.
- Advertise the event to attract as many visitors as possible.

To plan the festival, you need to:

- Draw up an action plan where you identify the tasks and resources needed.

- Develop a timeline that shows start and end points.

Answer the following questions:

1. a. What are the obstacles (things in the way) that you need to overcome to plan the festival?
b. Which skills do you need to run the festival?
c. Which opportunities do this festival give your community?
2. a) Write a smart goal for a business project you want to start after school.
b. Outline the major steps that you would put into consideration in order to achieve the above goal



Skills lab 3

1. Referring to the vision and mission of the your Business club, discuss and set annual “SMART” Goals for the business club and clearly indicate activities/Action plan that will be done/followed to achieve the goals, with persons or departments that responsible for each specific goal or action step.
2. Draw a goal tree for one of your personal career goals. This will be a portfolio assignment in the tutor’s guide



End unit 3 assessment

1. Read the case study. Then answer the questions that follow.

The future is bright for Haguminshuti’s chicken empire Dieudonne Haguminshuti discovered farming opportunities in 2003, while working on a project in Kanombe. Here he developed poultry farming projects for people living with HIV. The work gave him an idea to start a business in agriculture. However, it would take him several years to make his dream a reality. After learning about poultry farming in the United States, Dieudonne Haguminshuti returned to Rwanda. His first application for a bank loan was rejected. He did not have collateral security (property or other wealth)

for the loan. Dieudonne also faced other difficulties such as an irregular supply of birds. He also had problems with the quality of the birds. However, he did not give up on his dream. He continued applying for funds and eventually the Rwanda Development Bank agreed to fund the project. There were many conditions for the loan. Dieudonne had to invest all his savings to get the project going. Today, he runs a successful poultry farm in Bugesera district in the Eastern Province. The farm contains four chicken houses that each house accommodates 25 000 birds. Haguminshuti's customers include supermarkets such as Nakumatt and Simba. Dieudonne is an ambitious business man and he has further plans (goals) for his chicken empire. He is currently looking for investors who can assist him with his plans to increase production. He estimates that he can increase meat production to 70 000 kilograms in nine months. Then he will spend the next six months increasing production at the chicken hatchery from 60 000 to 300,000 chicks per week.

Questions

- i. What was the goal that Dieudonne Haguminshuti had in 2003?
 - ii. Describe some of the obstacles that he had to overcome to reach his goal.
 - iii. The chicken business is still growing. List his goals for growth as SMART goals.
 - iv. Create a timeline to assist Haguminshuti with planning.
2. Jeremy wants to improve his results in mathematics. He set the following goal: I want to increase my grade from 80% to 90%. Compare his goal to the SMART framework.
- a. Which of the SMART elements did Jeremy incorporate in his goal?
 - b. Which SMART elements are missing?

UNIT 4:

ROLE OF STANDARDS IN BUSINESS



MADE IN RWANDA

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www.vectorstock.com

Key unit competence: To be able to justify the need for standards and its role in business



Introductory Activity



Fig.4.1. Products we use in our daily life

1. Take for example the garments that we wear such as shirts, shoes, belts even other things we use like pocket wallets, papers, books, pens, padlocks and keys, cups, plates etc. All these items are of various weights, shapes and they are used to serve different purposes.
 - a. In your opinion, why are standards necessary?
 - b. How are they enforced?
 - c. What can a consumer do in case he/she has a complaint about the standard of product or service?
 - d. What can an entrepreneur do to comply and minimise complaints about his/ her product quality?

4.1. Meaning of standards



Activity 4.1

1. Imagine you have bought cooking oil from a supermarket. After opening it, you find that it has bad smell is expired, doesn't have RSB mark and no longer of use. What can you do about it? What should you have done before buying the cooking oil?
2. What laws can be put in place to make sure this kind of thing does not happen?

A Standard is a set of rules and guidelines or characteristics of activities or their results established by agreement, documented and approved by a recognized body aimed at producing a common product.

They are widely accepted, agreed upon or established means of determining what something should be.

Substandard products/services: These are products/services which do not meet the customers' needs or purpose of their consumption.

Standardization: This refers to the process of developing and implementing technical specifications.



Application activity 4.1

1. List the various characteristics of each of the following giving examples from Rwanda.
 - a. Standard products/services.
 - b. Substandard products/services.

4.2. Importance of standards



Current RSB Certification Schemes



Fig.4.2 Rwandan certification schemes today



Activity 4.2

Isimbi went to the market and bought a new cloth that she wished to put on at the party of her brother's graduation; but when she washed it for the first time it lost its colour and she really felt betrayed by the seller because the cloth was no longer good for the party. Mugeni also bought a pair of open shoes when she was going to visit Mukambwe, not very far from her home, her new shoes got torn and she had to pay money to someone to repair her shoes before continuing with the journey.

From the above text;

1. What kind of inconvenience did Isimbi and Mugeni experience?
2. What caused this problem?
3. Identify the dangers that such products can cause to a consumer ?

Importance of standards to the government

- It helps to meet the requirements of the purchasers.

- It strengthens and harmonizes national metrology systems.
(**Metrology**: scientific process of measurement)
- It develops culture of quality management in public and private institutions.
- It facilitates the access of Rwandan goods and services to external markets.
- It leads to better public health, consumer and environmental protection, economic growth, poverty reduction, better quality of life.
- It protects its citizens from buying poor quality products.
- Standardization is a source of security.
- It promotes good relationship among countries.

Importance of standards to an industry

- It leads to lower costs of production since redundancy and errors have been minimized.
- It helps industry products, services and personnel to cross borders.
- They improve industry efficiency and remain competitive.
- Helps to earn customers' loyalty since customers want high quality, reliable, consistent and safe products and services.

Importance of standards to the consumers

Purchase of good quality products

- They are protected from being over exploited by entrepreneurs
- Improved choice and access to goods and services
- Improved standards of living
- Better products and service information
- Better operational compatibility between products and delivery of services

Importance of standards to the society

- Protecting natural environment from being contaminated by the activities of some entrepreneurs.
- Enhanced product quality and reliability at reasonable price

- Improved health, safety, environmental protection and reduction of wastes in society
- Simplification for improved usability
- Increased distribution efficiency and ease of maintenance
- Standards provide confidence in products and services to the users.

Levels of standardization

- **International standardization:** Standards developed by international organizations like International Standards Organization (ISO), International Electro-Technical Commission (IEC)
- **Regional standardization:** This enforces standards of services, goods, infrastructure in a given region like East African Community in order to promote trade and commerce in accordance with prosperity or progress of that region.
- **National standardization:** Standards established by national or state bodies of a given country. Examples in Rwanda RSB makes sure that all business activities reflect and conform to standards it has developed. Examples of standard bodies in Rwanda include; RSB, REMA, RDB, Rwanda National Police, Ministry of Health, Ministry of Agriculture and Natural Resources

Types of standards

- **Basic standards:** These are essential facts or principles that have to be maintained in a product or in a service provision.
- **Product standards:** These are established requirements/ qualities/ methods of testing, grading and making a product to ensure that it will serve its purpose effectively.



www.rwandatrade.rw

www.newtimes.co.rw

Fig.4.3 product standards

- **Terminology standards:** These are words to use in research and development process. It is for the purpose that the same industry uses a common, clearly understood language.
- **Test and measurement standards:** These define the process of measuring the properties of performance of a product.



Fig4.4 Test and measurement standards

www.blogs.whitman.edu

- **Service standards:** These are established requirements to be met in order to achieve designated purpose/service effectively such as for

repairing a car.



Fig.4.5 service standards

- **Process standards:** Standards that specify the requirements to be met by a process.



Fig.4.6 process standards

- **Code of practice standards:** Guidelines given to members to comply with the association's ethical practices



Fig.4.7 CCode of practice standards

- **Ethical standards:** Moral principles that if respected, promote values like trust, fairness, kindness, good behavior, etc...
- **Performance standards:** Standards on how a product is supposed to function.
- **Design standards:** These define characteristics or how a product is to be built.
- **Interface standards.** This concerns with compatibility.

Institutions involved in inspection of activities in different fields of standardization in Rwanda



Fig.4.8 Institutions involved in inspection of activities in different fields of standardization in Rwanda

The Rwanda Standard Board - **RSB**

The Ministry of Agriculture and Animal resources

The Ministry of Health - **MINISANTE**

Ministry of Infrastructure - **MININFRA**

Rwanda National Police – **RNP**

Rwanda Development Board - **RDB**

Rwanda Environmental Management Authority – **REMA**



Application activity 4.2

1. Discuss the various importance of standards to the following stakeholders in Rwanda in the process of exercising their rights and obligations.
 - Government
 - Consumers.
 - Industry.
 - Society.
2. Discuss the process of standardisation in Rwanda.



Skills lab

1. Referring to the products/services you are making/offering in the business club or intend to make/offer, compare what would be a standard product or service or a substandard one. Discuss the advantages of producing a standard product or service and challenges the club may face if they fail to meet the standards. Analyse the process the club will go through to standardise the products and services you offer or plan to, pointing out the costs, resources, and people/organisations that will be involved.
2. Teacher Gatabazi puts 5-7 different products on a table in front of a class, i.e. bottle of mineral water, ball, pen, broom, crisps, and sandals
Choose one of the products and imagine you were to explain the standards used in producing this product to young entrepreneurs.
 - a. Draw the product on a paper and explain what standards were used in developing this product. Use arrows to identify what part the standards apply to consumers.
 - b. Explain what purpose each standard has for consumers.



End unit 4 assessment

“Ejo Hacu Heza” is a business club in a Teacher Training college. In one day evening club members in a meeting, decided to start a business project for their club. The club president Akeza asked the treasurer Ineza how much they had in their bank account.

The treasurer informed the general assembly that after a period of two terms they had saved 30,000Frw from 200Frw each member saved every month.

Rubanguka astonishingly laughed and asked Akeza, “What can we do with such very little money”? Then, Rangira suggested that they could be buying avocados from the neighboring trading centre and sell them to their fellow student teachers in the dining as they take their meals. Munezero, objected Rangira’s view; and emphasised that they could still come up with a viable business project with the little savings they had. Ineza asked Munezero how she thinks they can do with 30,000Frw.

Munezero explained that in their skills lab period, they learnt how to apply skills acquired from other subjects to make products extension cables, bar and liquid soaps, juices, body lotion, etc. which are all made using locally available resources and how to manage business projects.

To the surprise, **Hindigiri** asked if the quality of products they would make would be legally accepted in the market standards; she further proclaimed that for any product and materials to be accepted for their purpose use, it must fulfil the required standard. The club members decided to first consult and research on why their products must be standardized by a recognized body and why do entrepreneurs go for approval of their products, materials and services standards.

Questions

1. Why did Hindigiri and “Ejo Hacu Heza” business club worry about the quality of the products they were making which were not approved by a recognized body?
2. What do you understand by terms standards, standard goods and standard services?
3. If after graduating from your college, you and your friend decide to start a company that produces and sells some of the products you were making in the skills lab and business club; describe the standard procedures you will apply to run and make products and services in your business.
4. What is the importance of standards in business and society?



Key unit competence: To be able to conduct market research for business start-up and growth



Introductory Activity

Kagoyire's Case Study

Kagoyire is a year one student of TTC in Rwanda. Having enough competencies in some year one units among others, initiation to entrepreneurship, career opportunities, setting entrepreneurial goals and role of standards in Business she decided to start a small orange juice processing factory and her main market was the restaurants located in Agaciro village. Two years later, she found that the level of sales was extremely declining and started wondering why? Thereafter, she decided to gather all relevant information regarding the likely causes of such a decline.

Questions

Referring to the above text, answer the following questions:

- What didn't Kagoyire do before starting her business and how would she have done it?
- What is the meaning of market research?
- Why do you think it is important to carry out market research?

5.1 Meaning of Market, Marketing and Market research



Activity 5.1



1. After analyzing the above pictures what comes to your mind?
2. What do you understand by the key terms which are reflected on these two above pictures?

A market: This is defined as an arrangement through which the buyers/customers/clients and sellers/business owner/entrepreneur come into contact to negotiate an exchange of goods or services for money.

Marketing: This is the action of promoting and selling products including market research and advertising.

- **Market Research:** This is the process of collecting and analyzing information or data related to the demand of goods and services in a particular market. Market research gathers information about products, customers, distributors/ suppliers and competitors.



Application activity 5.1

Fill in the following gaps

1.is an arrangement by which a buyer and seller come into contact and exchange
2. The act of collecting and analyzing information or data related to demand of goods and other services in a particular market is
3. The activity ofproducts/services including market research and advertising is marketing.

5.2 Components of marketing / marketing mix elements (5Ps)



Activity 5.2

Suppose you are about starting a business; what elements would you put into consideration for making your products/services more marketable?

5.2.1. Product:

A product is something either good or service that is offered to the market to be sold in order to get profit. It can be goods (tables, rice, potatoes, beans, cars, books, pens, clothes, etc) or services (transportation services, music, medical care, communication, banking, etc.)

5.2.2. Price:

This refers to the amount of money paid by customer for a product. The price has greater impact on the consumer demand for a product. If price is too low, then consumers may lose confidence in the quality of the product. If the price is too high the consumers will not be able to afford the product.

Objectives of price

- To target a market
- To maximize short term profits
- To maximize long term profits
- To stimulate the growth of the business

- To target the return on investment
- To maintain price leadership

Factors influencing / affecting pricing decision

- **Government influence:** Government may set prices mainly for essential goods.
- **Level of competition:** When you have many competitors, you should set the prices in line with those of your competitors
- **Demographic factors:** Decision to set prices depends on the number of buyers, their location, economic strengths and consumption rate
- **Costs incurred:** If the production cost is high, the price will also be high and vice-versa

Methods of price determination in the market

- **Haggling (Bargaining):** Negotiation between buyer and seller where a buyer increases the price and the seller reduces.
- **Auctioning (Bidding):** The seller (Auctioneer) offers goods for sale and requests for bids from buyers. The highest bidder takes the commodity.
- **Fixing by treaties (Agreements):** Buyers and sellers come into agreement to fix the price of a commodity.
- **Government determination (Legislation):** This is when the government fixes the price of a certain product.
- **Interaction of forces of demand and supply:** This is where the price of the product is determined by the forces of demand and supply. If the quantity demanded is higher than quantity supplied, price will rise and vice-versa.
- **Resale price maintenance:** Manufacturers fix the price of a commodity at which sellers/ retailers have to sell to the final consumer. The price is usually written on the commodity. Eg: Newspapers, airtime,

5.2.3. Place:

The place /location should be attractive and nearest to the customer (that place should be known). It involves the channels of distribution that are used.

The distribution process/**Supply Chain** includes: Manufacturers, wholesalers, Service providers, Retailers, marketing specialists and customers.

Types of marketing intermediaries/ Middlemen:

- **Middlemen / Middlepersons:** Refers to an independent business concern that operates as a line between producers and consumers or industry and consumers.
- **Agents:** These are wholesalers / retailers who do not own the goods they sell. They sell on behalf of the owners.
- **Wholesalers:** They engage in bulk buying, storing and physically handling the goods and sales of goods to retailers.
- **Merchant middlemen:** These engage in buying goods from the wholesalers and selling them to final consumers.
- **Brokers:** These arrange deals between buyers and sellers.

5.2.4. Promotion:

This is a set of ways of attracting customers to buy products either for the first time or to buy more of them.

Forms of Promotion

- **Advertising:** This is the process of informing the public about the existence of a product through the use of media such as newspapers, radios, TV, Journals
- **After sales services:** These may include repairing and maintaining the product at low cost, providing transport, guaranteeing the spare parts for the product, inspecting the product on regular intervals, Providing warranty, ...
- **Sales promotion:** This refers to various techniques used to attract customers and increase sales such as giving discounts, free gifts, self-services, fantastic music, delivering a product to customers' home, showing the knowledge of product to consumers and answer their questions, etc...
- **Public relations:** The way of promoting good image of a business and its products through various activities like: sponsoring matches, charity donations
- **Personal selling:** This involves a direct face to face communication between sellers and potential buyers. To make it effective, the sales person should:

- Gain the attention to buyers
- Arouse interest of the customer for the product
- Influence and convince the customer to act (to buy)

5.2.5. Positioning

Positioning refers to the place that a brand occupies in the minds of the customers and how it is distinguished from the product of the competitors. Positioning is one of the most powerful marketing concepts. Product positioning is the process marketers use to determine how to best communicate their products' attributes to their target customers based on customer needs, competitive pressures, available communication channels and carefully crafted key messages.



Application activity 5.2

Kamariza is a craft-woman who specializes in making sandals is operating in one of the busiest trading center of Northern Province. She sells her products at affordable prices and she is highly appreciated by her customers. In fact she occupies the first place on the market. Looking at how her business is expanding; she now plans to make an advert on media so as to increase sales and revenue.

From the above scenario, do you think Kamariza has used all the elements of marketing in her business Yes? No? Justify your answer?

5.3. Importance of marketing in a business



Activity 5.3

1. "Umukobwa wabuze umuranga yaheze iwabo" What does this Kinyarwanda proverb mean in a business context?
2. Do you think that "Umuranga "is very important in business? Justify your position
3. Identify the major ways of attracting customers to buy products of a business.

Importance of marketing in a business

- **Marketing is an effective way of engaging customers hence, increase the number of customers.**

It's important for your business to engage its customers. Marketing is a

tool to keep the conversation going. Engaging customers is different from pushing your offers. Engaging involves furnishing your customers with relevant information about your products and your business as well. Tell your customers what they don't know. Let it be interesting and worth their time.

Social media is one of the best platforms where you can engage your customers. Some organizations use short videos while others use publicity and other means. By engaging your customers, marketing gives them a sense of belonging.

- **Marketing helps to build and maintain the company's reputation hence, facilitates advertising**

Growth and life span of your business is positively correlated to your business's reputation. Hence, it's fair to say your reputation determines your brand equity. A majority of marketing activities are geared towards building the brand equity and loyalty of the company.

Your business's reputation is built when it effectively meets the expectations of its customers. Such a business is considered a responsible member of the community. The customers become proud to be associated with your products.

- **Marketing helps to build a relationship between a business and its customers**

Businesses need to build a relationship of trust and understanding with their customers. How does marketing establish this relationship?

Marketing research segments should be based on demographics, and consumer behavior. Segmentation helps the business to meet the needs of its customers hence gaining their trust. The product team ensures that the business delivers what's promised at the right time. This makes the customers brand loyal.

Loyal customers will have the confidence to buy more products from you. The trust and understanding between the business and its customers make your commercial activities more fruitful.

- **Marketing is a communication channel used to inform customers hence, location of an enterprise**

Marketing informs your customers about the products or services you're offering them.

Through marketing, the customers get to know about the value of the

products, their usage and additional information that might be helpful to the customers. It creates brand awareness and makes the business stand out.

There's stiff competition in the market and you need to be a constant voice to convince the customers. Inform your customers of discounts and other competitive tricks you intend to use.

- **Marketing aids in providing insights about your business**

Every marketer understands the need for targeting the right audience. However, you must have the right content to share with such an audience. Your marketing strategies can help you establish what business messaging will convince the target audience.

At this point, you have to test different messages and see what works. Once you have tested different sets of messaging on the target audience, you will find a viable baseline for your marketing efforts.

It acts as a metric and provides the insight needed to make you avoid guesswork.

- **Marketing helps your business to maintain relevance**

Every marketer understands the need for disrupting a potential consumer's opinion about other products. But don't make a mistake of taking this chance for granted.

Most businesses assume that they will always remain the client's favorite brand because up to now the client has never complained. This is the wrong mindset. You need to find ways to remain at the top of the client's mind.

Every relationship needs to be maintained. Marketing helps your business to maintain a good relationship with customers by making you remain relevant.

Don't focus on gaining new customers before addressing/solving the need to retain the present ones.

- **Marketing creates revenue options**

During the start-up phase, you are mostly cash-strapped. This limits your options. As your marketing strategies generate more customers and revenue opportunities, you'll begin having options.

Having options will give you the courage you need to penetrate new markets. Without marketing, you will be forced to continue working with clients who you have outgrown and are paying you peanuts.

- **Marketing helps the management team to make informed decisions**

Every business is confronted with problems such as to what, when, for whom and how much to produce.

A complex and tedious process determine your business's survival. As a result, businesses heavily rely on marketing mechanisms to make these decisions.

Why should you rely on marketing mechanisms? These mechanisms serve as a reliable link between your business and society. They cultivate people's mind, educate the public and convince them to buy.



Application activity 5.3

1. From the above list of importance of marketing, identify the most important in business that your business club can adopt to boost its sales?

5.4. Market research/Survey



Activity 5.4

1. What do you understand by the term market research?
2. Enumerate any two stages one would consider while conducting market research

Market research/Surveys

Market survey refers to the process of collecting/ gathering and analyzing market related data (i.e. information related to buyers/customers, competitors, suppliers/businesses and products.)

5.4.1. Steps to follow when carrying out market survey

1. **Finding the topic of the research study.** This is the title of all the research work that has to be done in the field. E.g. an evaluation of the influence of income levels of consumers to the growth of a business.
2. **Defining the research problem.** This enables the entrepreneur to find out how to deal with prevailing situation which consequently enables him/her to achieve his/her target.

3. **Setting of objectives.** Specifically show what the research wants to achieve at the end of the study. They should always be brief and SMART (systematic/specific, measurable, achievable, realistic, time bound).
4. **Selection of the basic data collection methods.** (Observation, interview, questionnaire, field experiments, focus group etc.)
5. **Determine the scope.** The researcher determines the limitations of his/her study. That is to say, areas to be covered and what to be included or excluded. (Sample/ population).
6. **Designing a clear schedule for conducting the research** or coming up with a clear plan of the whole research process. Consider the example below;

An example of a research schedule of activities on a topic of study
 ■ Customer perception towards a new brand of product from a given company

7. **Collecting data:** The researcher collects data on a number of things such as price, product, promotion, target market etc. This is normally done in the real field study.
8. **Analyzing data:** This is done during and after the real field study. It enables the researcher to know how the market will be especially in terms of demand.
9. **Presenting data:** After data analysis, the researcher presents his findings to the relevant authorities for action. The researcher should ensure that he presents empirical data and not estimates or hypothetical figures to those who are supposed to take the action.

5.4.2. An example of action plan for making research

Depend on the time and nature of the topic of research study, the action plan can be short or long. Here is an action plan for six months.

PERIOD/TIME	ACTIVITY	RESPONSIBLE PERSON	REMARK
JANUARY	Buying requirements E.g. cameras, note books, recorders, etc.	Procurement officer	Done or not done
FEBRUARY	Making a pilot study	Marketing manager and Research assistants	in process

MARCH	Real field study/ Collect data	Marketing manager and Research assistants	Done or not done
APRIL	Categorizing, analysis and interpretation of data findings	Marketing manager and Research assistants	Done or not done
MAY	Writing a report	Research department and marketing manager	Done or not done
JUNE	Decision making based on the research findings	Board of governors and managers (depending on the structure of the organization)	Done or not done

5.4.3. Elements of market survey

a. Customer survey

This is the process of finding out customer's attitudes (their needs, preferences, purchasing power) towards your product in the market or what you plan to put in the market. For the survey to be successful, one must know the types of customers.

Types of Customers

- **Loyal customers:** These are customers who buy from the business regularly. They are few but they bring more money to the business
- **Impulsive customers:** These buy whatever items that are attracting to them. No specific item in their mind, they just buy by impulse.
- **Potential customers:** These are people who are able to buy but not yet ready to buy business products.
- They can be turned into customers in the near future.
- **Real / Actual customers:** These are customers who have already done some transactions with the business.
- **Discount customers:** These are customers who buy low cost products that have been discounted, they buy only when businesses discount their prices.
- **Cash, cheque or credit customers:** These are customers who buy depending on modes of payment.

Importance of customers to a business “A customer is the backbone of the business”

- A customer is a source of income to the business
- They advise the entrepreneur by giving constructive feedback
- They provide capital to the business when they pay in advance
- Customers are the reason for the existence of the business, they consume business products.
- Customers spread business reputation
- They provide important information on companies' rivals
- Customers are sources of business profits
- Customers influence business innovations
- Customers recommend the business to other customers
- Customers advertise the business.

Importance of treating customers well

- It increases the sales of the business
- It improves business reputation
- It encourages prompt payment
- It is a source of business growth and success.
- It is a source of innovations and creativity
- It helps the business to improve on its operations
- It is a good way to maintain customers and attract potential customers
- Etc.

Customer data collection

You can collect the information on customers by using various methods including:

- Mobile technology
- Internet
- Customers' real time behavior (observing their actual behaviors)
- Questionnaires
- Social media like face book, WhatsApp, ...

- Interviews
- Experiments
- Suggestion boxes (feedback boxes)
- Personal tastes and preferences
- Being your own customer

Good ways of treating customers

- Giving them discounts (reduction on the prices)
- Giving gifts to customers
- Giving them credits
- Organizing parties for customers
- Being honest and kind to customers
- Delivering goods on time
- Offering after sales services like transport facilities to those who buy in bulk
- Accepting goods returned in case they are defected or damaged
- Using appropriate weights and measures
- Selling them fresh goods i.e goods which are not expired
- Etc

b. Product survey / analysis

Product analysis / product evaluation refers to forming questions about a product, its quality and forming some answers. Before launching a new product, marketing professionals first test it with a selected audience. A new product survey provides a way for marketers to understand when to start, modify existing ideas, how and who to market. Product analysis can also be carried out by comparing similar products with each other using the same criteria.

The purpose of Product Analysis

- To help customers determine whether the product is worth buying
- To improve the version of a product
- To provide a prototype (something developed/ improved before a final product is manufactured)
- To determine product price

Criteria to use while conducting product analysis

- **Ergonomics:** This refers to the study of working conditions. So, the question would be like: will this product make consumers uncomfortable?
- **Cost:** How much will it cost to produce this product and for how much will it be sold
- **Aesthetics:** How does a product look like?
- **Construction method:** What are the joining techniques used for that product?
- **Client's requirements:** is this product made in line with customers' needs?
- **Colors and texture:** The color and texture and effectiveness of a product should be assessed.
- **Health and safety:** Does the product fulfill health and safety standards?
- **Materials:** Are materials suitable for that product? Are they quality materials?
- **Environmental impact:** Is the product environmentally friendly? Are materials from suitable sources? Can the materials be recycled/reused?

c. Supply survey

A supplier is any person or a company that provides goods or services to another usually in exchange for payment.

Supply survey refers to the process of analyzing, finding out and establishing the best potential suppliers of a given product.

Types of suppliers

- **Manufacturers:** These are businesses that turn raw materials into finished goods. They supply their outputs to the wholesalers.
- **Wholesalers:** These business people buy large quantities and resell to other traders especially to large scale retailers.
- **Agents:** These are suppliers who stock and supply products on behalf of other business people especially manufacturers or wholesalers.
- **Retailers:** These are small scale suppliers who sell goods in smaller quantities to final consumers.

The supply chain/ chain of distribution

The supply chain refers to the channels through which goods are distributed from producers to the final consumer. It involves the relationship in terms of people, organization, products and activities involved in moving products up to final user.

Examples of a supply chain:

Producer → Agent → Wholesaler → Retailer
Consumer

Manufacturer → wholesaler → Retailer → Consumer

N.B: The length of a supply chain may be short or long; it depends on the following factors:

Factors that influence the chain of distribution

- a. **Nature of goods:** Expensive goods like cars tend to be sold directly to the consumers
- b. **Scale of production:** Some producers produce in great quantities and have no ability to sell directly to the consumers.
- c. **Nature of market:** For local goods, it may be possible to sell directly to consumers but imported goods normally pass through middlemen.
- d. **Government policy:** Government may set up a marketing board such that producers sell through such bodies.

Ways of finding out potential suppliers

A potential supplier refers to that who is likely to provide you goods and services at a later date/give you credit. To find this, a variety of ways is proposed here:

- Recommendation from friends
- Exhibitions
- Media
- Trade associations

Factors to consider when choosing the best supplier

- The quality of goods and services supplied
- Consistency and reliability of the supplier

- Good communication
- Terms and conditions of payment
- Lead time and distance: The shorter the lead time and nearer supplier, the better the supplier
- Taxes and regulatory procedures: A better supplier is the one with goods of low taxes or non-taxable goods because taxes increase the costs of the product.
- Financial capacity of the supplier: The supplier with higher financial capacity supply enough and sufficient quantities whenever required.
- Price: The lower the price the better the supplier.
- After sale services
- Reputation of the supplier or legal status of the supplier
- Methods of delivery.

When the above factors are favorable, then the better the supplier.

d. Competitor survey/ competitor analysis

A competitor is any business firm that provides similar goods and services like ours and whom we are sharing the same customers.

Competitor analysis refers to the process of assessing the strengths and weaknesses of both current and potential competitors.

You cannot analyse competitors unless you know them; here are some types of competitors:

- **Potential competitors** are those companies that are not yet in the same market place as the one who intend to be in or who are already in.
- **Current competitors** are those who are already in existence and already producing similar goods and services.
- **Direct competitor:** This is the one who produces or sell identical/ similar products as your own business.
- **Indirect competitor:** This is a business that produces products and services that are close substitutes. These competitors target the same customer with a product that provides an alternative level of satisfaction.

Importance of competitor analysis

- It enables an entrepreneur identify market gaps
- It helps in knowing the competitors' position
- It helps to know competitors' strengths and weaknesses
- It helps to identify market opportunities
- It is a good way to develop new technologies
- It is a key element in business plan
- It helps in pricing goods and services
- It helps to predict competitor's behaviors
- It is a good tool to adaptation of good strategies from competitors.

Sources of competitor's information for analysis:

Recorded data	Observable data	Opportunistic data
Government reports	Tenders	Meeting with suppliers
News papers article	Price lists	Trade shows
Press release	Promotions	Recruiting ex- employees
Websites	Advertising campaigns	Seminars and conferences
Patent applications		Customers



Application activity 5.4

1. It is said that a customer is a king, explain this statement.
2. Explain the importance of competitors in business

5.5 Tools/techniques used in market survey and importance of market survey



Activity 5.5

1. Jonathan is about starting a juice factory processing but is worried about information on customers' ability to buy, products that customers want most, location of his business etc

Required: advise Jonathan on which technique/techniques he would use to get the needed information?

2. Is market survey/research important? Justify your position

5.5.1 Tools/techniques used in market survey

a. Interviews

Interview as a source of research data refers to systematic talking and listening to people. The person asking questions is the interviewer while the person answering is called the interviewee or respondent. Interviews may be face to face or over a telephone.

b. Observation

Observation may be defined as a systematic viewing of a specific phenomenon in its proper setting for the specific purpose of gathering data for a particular study. Observation as a method include both seeing and hearing. It is accompanied by perceiving as well. Using observation of customers, the researcher can observe peak days, time, age and sex of buyers, etc.

For example, if you want to find out which age group buys most from Huye market, observation method would be simple and straight forward to find out. The researcher positions him/herself in a strategic position near the market main entrance gate, counts and records the most age group of all the buyers entering the market. At the end of the research period, this data can be analyzed to get the information required, that is which age group (male or female) shops most from Huye market.

c. Focus groups

A focus group is a small, but demographically diverse group of people and whose reactions are studied especially in market research or political analysis in guided or open discussions about a new product or something else to determine the reactions that can be expected from a larger population. It is

a form of qualitative research consisting of interviews in which a group of people are asked about their perceptions, opinions, beliefs, and attitudes towards a product, service, concept, advertisement, idea, or packaging.

Questions are asked in an interactive group setting where participants are free to talk with other group members. During this process, the researcher either takes notes or records the vital points he or she is getting from the group. Researchers should select members of the focus group carefully for effective and authoritative responses.

d. The Questionnaire

Questionnaire is a pre-determined set of questions used to get information from a client. These questions are presented in a written form and taken or given to the respondent. Questionnaires can be fact or opinion based. Respondents are expected to return the filled questionnaire to the researcher for analysis. The questionnaires should be well planned and carefully formulated if it is to generate the right data.

Questionnaire questions

Questionnaire questions can either be *open ended* or *closed ended questions*.

Open-ended questions: Open-ended questions are questions that allow someone to give a free-form answer. These questions are asked to encourage a meaningful and full answer using the respondent's own knowledge. Examples;

- a. What do you think about the new product?
- b. How is your relationship with your loyal customers?

Closed ended questions: These questions require the respondent to respond by choosing from a limited range of responses pre-determined by the researcher.

Examples:

1. What is your gender?
 - a. Female
 - b. Male
2. How are you likely to transact with our business this month?

- a. Very likely
- b. Likely
- c. Unlikely

There are several basic principles to remember when developing such questions.

- **The question should match the research objectives.** You must know why you want to conduct the survey in order to be able to ask the right questions.
- **Understand the participants.** It is important to remember that it is your respondents (and not you the researcher) who will be answering the questions. Compose questions that they understand and not those that you understand because it is them (the respondents) answering and not you the researcher.
- **Use familiar and natural language.** Use the language level that is understandable by your respondents. Consider their level of education and age. Also consider your religious, social, political and cultural background in phrasing the questions.

Advantages and disadvantages of questionnaires

Advantages	Disadvantages
<ul style="list-style-type: none"> • Large number of respondents possible. • Representative sample possible. • Question responses can be highly structured and easily coded. • Statistical tests possible (depending on nature of data collected). • Respondent has time to consider questions (especially so when not face to face). • Inexpensive way to cover a large geographical area. 	<ul style="list-style-type: none"> • If not administered face to face (eg by email attachment or on-line) there is a possibility of a low response rate (not getting many questionnaires back). • No way of knowing how representative people are in some website/internet based surveys (that is, it depends on whether people can access a website). • Questions cannot be explained to respondents can be misinterpreted (unless administered face to face) and answers cannot be put in any real world context.

- Questionnaires are replicable and can be used in later studies and, if well constructed and properly piloted, they should be reliable.
- Standardised questionnaires have already been validated; you can compare your work directly to other studies.

- Questionnaires cannot tell us about context and meaning behind a response.
- Likelihood of socially desirable responses to certain questions.

5.5.2 Importance of market survey

- Maximize sales and profits; whenever the collected information testifies that customers are well handled and maintained, business increases its sales and profits
- Retain customers; when customers' needs are addressed accordingly, customers remain in the business
- Identifying suitable suppliers hence, determining level of demand: when suppliers sources are certain (shown by market research) it is easy for the business to determine its productivity and level of demand
- Properly locate the business: when a market research has been conducted well, the information like customers, income levels and source of raw materials are available hence a business is located nearest these opportunities.



Application activity 5.5

Imagine a situation when you have finished your secondary school studies and one of your family members learns that you studied entrepreneurship and so accepts to grant you the capital to start your own business. But before he/she gives you that money he/she asks you to first carry out market research for the feasible business.

He/she then asks you to first carry out the following market research tasks after which you prepare report and present it to him/her for you to obtain the promised capital.

1. What products (goods or services) that people in your community would like to have but are currently not being provided?

2. Choose one product that you would be interested in dealing with.
3. Who from your community can give you information about the product you identified?
4. Decide the population sample (the number of people identified in no. 3 above) to ask
5. Formulate questions that you will use to collect the data that you require about the product that you chose in no. 2 above)
6. Make a plan of how you will collect the data and how you will analyse it.



Skills lab 5

Given the questions below, carry out a survey in your community and thereafter make a report according to the findings from the research. Show how you will use the 5Ps of marketing differently after analyzing feedback from the community so as to ensure success of the business club.

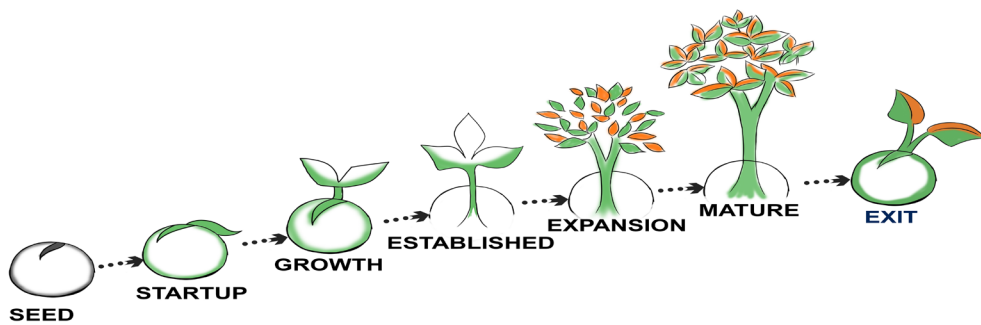
Interview questions:

1. What do you like most about the products that you normally buy and why? If you have a business club at the school, ask them what they find interesting about the club product
2. What changes would you propose to the above product (ones they normally buy?)
3. How do other products similar to the above product differ from others?
4. As aspiring entrepreneurs, advise us on how we can best extend our products to bigger markets outside our community?
5. Name other products we could make from locally available resources that can be most competitive.



End unit 5 assessment

1. Choose the best answer for the following statements
 - i. Having no research questions or poorly formulated research questions will lead you to poor research findings because:
 - a. You will only consider epistemological queries
 - b. Marks are allocated for having a research question and without them my project will be penalized.
 - c. You will not know what data analysis method used.
 - d. Your research is likely to be unfocused and you are likely to be unsure of what data to collect.
 - ii. What is data collection?
 - a. Collecting the research question and objectives together
 - b. Gathering the information (data) which will help you address your research question
 - c. Reviewing the literature
 - d. Outlining how you will gather the information for your research question.
2. Explain how research can help the marketing department of a business in achieving its target.



Key Unit Competence: To be able to analyze the factors that lead to business growth and development.



Introductory Activity

Hirwa's Case Study

Hirwa lives in one of the Southern province districts where he started a small boutique in his village with capital as little as 100,000Frw but with a big number of customers. In his absence he is assisted by his wife and sometimes his children during school holidays. Hirwa works so hard to provide good customer care to his customers. After four years, he has many customers and his capital has doubled.

Hirwa's capital continues to grow and his profit has increased tremendously. He has opened two more shops selling various items in different Districts within the country employing five skilled workers and has got enough market for his products. Hirwa is also planning to start a wholesale shop in Kigali but he is uncertain if he will succeed.

Questions

Referring to the above case study, answer the following questions:

- Is Hirwa's business growing, or declining?

- b. Differentiate between a growing business from a declining business
- c. Describe different strategies Hirwa used to grow his business
- d. What factors have favored the growth of his business?
- e. As a student of entrepreneurship, what advice would you give to Hirwa in order to continue expanding his business?

6.1. Meaning of business growth and business development



Activity 6.1

Questions

1. Analyze the picture below and comment in relation to different stages of plant growth.
 - a. Assume you plan to start a business after school, do you think it is possible to grow as it is illustrated in this picture? Justify your answer.
 - b. Referring to the picture below, is this plant growing or developing?



Fig. 6.1 stages of plant growth

The meaning of business growth and business development

A



B

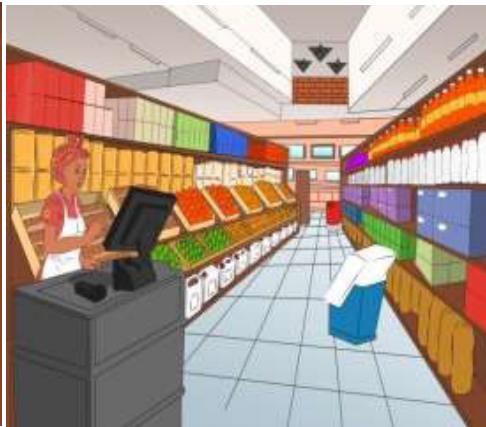


Figure 6.2: "A" A small and start-up business Figure 6.3: "B" A business that has developed

Business growth refers to the process by which business enterprises increase their production, profitability and size. It is the expansion of the business enterprise. Business growth can also be defined as a stage where the business reaches the point of expansion and seeks additional options to generate more profit.

Business development is an ever-evolving concept that can be approached from different perspectives. As its basic level, business development is defined as a growing business that is more competitive, expanding products or services, and /or focusing on specific markets.

It can also be defined as a qualitative and quantitative increase in the level of output, profits, sales, and other variables of any business.

In other words, business development is the practice of a growing business beyond its current state.

There are three main components that business experts generally agree form the base of business development: **markets**, **customers** and **relationships**. In order to expand a business beyond its current state, it is important to focus on one or more of these areas. The type of business and the direction of growth determines where the focus is placed.

There is a relationship between business growth and business development since all involve growth in terms of revenues, business expansion, increasing market and profitability.

A roadmap to Business Development

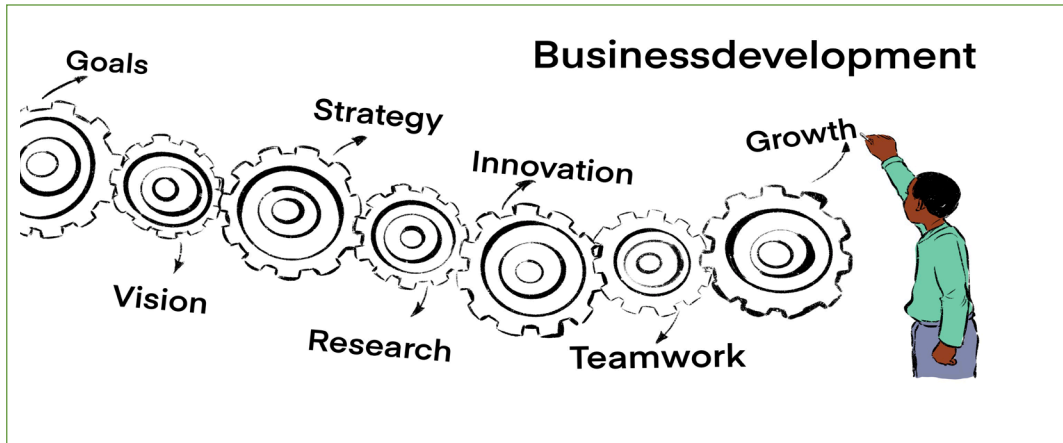


Figure 6.3: A roadmap to Business Development.

This figure above shows the process from the business start-up to business development i.e starting business with goals (know what you want), Vision (know where you are going), Strategy (techniques to be used to get there), Research (know who is/are your customers, what they want, knowing your suppliers, competitors,...), Innovation (improving things/doing things differently from others) and team work (working together with others either employees, suppliers, contractors, community, other businesses and government) all of this process leads to business development (multi-sectoral), business development impacts not only on growth but also on the increase in business new branches, many employees, market expansion, new technology, more business infrastructures etc. Business development is achieved in long term compared to business growth which only impacts on the production level.



Application activity 6.1

As a student of entrepreneurship and with vast knowledge obtained from O'level, advise a friend on the indicators of a growing business and a declining business.

6.2. Indicators of business growth



Activity 6.2

Mukamana started a business of selling women shoes in town. She started the business with little money. After one month she would sell an average of five shoes per day. Five months later, the number of customers had increased to an extent that she could sell an average of twenty shoes per day. She used the business profits and a small loan from the bank to increase the stock and after a short time the shelves were full of shoes. One year later, Mukamana had thought of expanding her business by opening another shop in Kigali city.

Strategically, Mukamana used advertisement on different radios and televisions to inform people about her new branch in Kigali and prices of the shoes, as a result, there was an increase in customers and sales respectively. She is now a successful business woman who sells shoes in large quantities and has a license to export shoes to African countries. This, coupled with other factors mentioned above enabled her to accumulate a lot of profit.

Questions:

- a. Referring to Mukamana's business, what are the indicators of her business growth?
- b. Suggest other indicators not mentioned above responsible for business growth.

Indicators of business growth

There are many indicators of business growth. They include the following:

- **Increased capital:** If capital of a business is increasing, then it is an indicator that the business is growing.
- **Increase in assets:** Another indicator of business growth is the increase in assets like buildings, vehicles, bank deposits, etc. The total value of business assets can be revealed by the balance sheet of the business for a particular period of time.
- **Increase in business profit:** When the business profits are growing, then it is an indicator of business growth.

- **Opening more branches:** Opening more branches is an indicator that the business is covering more areas and is serving more customers. This is an indicator of business growth.
- **Increased market share:** When the market share of the enterprise is growing, the enterprise is growing because it is serving more customers.
- **Increased sales revenue:** Increased sales revenue for a business is an indicator of the business growth as it reflects an increase in the number of customers and stock.
- **Increased number of employees:** When the business grows, it normally increases the number of departments and employees. For example, a restaurant that started with four workers and expands into a hotel, it will need to recruit more employees than previously.
- **Use of advanced/improved technology:** Most businesses start with simple technology but as the business expands, they use more advanced technology.



Figure 6.4: An entrepreneur in a company using a computer in recording

Increased stock of goods: When the enterprise grows, it produces and sells more products. For example, in a shop there are more and wider variety of goods and services.



Figure 6.5: A big shop with varieties of products

Better salaries and wages paid to workers: When a business is growing, it is able to give better wages and salaries to its workers due to increased profits.



Application activity 6.2

Case study: Peter the maize farmer

Peter is a farmer of maize in eastern province. He started growing maize on a small piece of land using traditional techniques like hand hoes and did not use fertilizers to increase production. He employed two men on his small farm. One day Peter got the chance of being selected by the Ministry of Agriculture in the two days training that had the following theme “***Doing agriculture oriented to the market***”.

When Peter went back home, he tried to improve on the methods he used to grow maize production and decided to take a small loan from Umurenge Sacco with the purpose of buying another land to grow maize and acquiring enough capital to buy fertilizers that he mixed with manure.

Since that time, the production increased considerably. In the season that followed, he increased the number of workers from 2 to 50 workers. After one year, he thought of using irrigation system in order to cope with climate changes.

He also used tractors in farming instead of man power. Now he harvests more maize and sells it to maize processing industries in Kigali and in other provinces across Rwanda.

Questions

1. From the above Case study, what are the indicators of his business growth?
2. What strategies can you use to grow if you have a small business?

6.3. Business growth strategies

For a business enterprise to survive and expand, it needs to have specific growth strategies. There are two separate types of business growth strategies which are internal and external. Therefore, integration of both internal and external growth strategies is crucial to the overall development of a business and continuous increase of revenues.

These growth strategies are implemented using various resources such as financial, human and material resources.



Activity 6.3

Basing on your knowledge of entrepreneurship subject and other knowledge related to business, answer the following questions:

- a. What do you understand by a growth strategy?
- b. Describe any 5 internal growth strategies which you think entrepreneurs in your community should use to grow their businesses.
- c. Propose any external growth strategies used by business people in your community.
- d. What is/are the importance of using the above growth strategies in business?

6.3.1. Internal business growth strategies

Internal business growth strategy refers to the expansion of a business enterprise using internal resources and capabilities. This means that all business growth is established without using external resources or external

parties. It refers also to the growth within the organization by using its own internal resources to increase their size, scale of operations, resources (financial and non-financial) and market penetration.

The internal growth strategies which can be used by companies include the following:

- **Improving customer care:** This involves offering good customer care to the customers as a way of attracting others and retain old ones.
- **Delivering quality products and services:** This strategy involves providing quality products and services. This helps the company to grow.
- **Offering discounts to customers:** A **discount** is a deduction on the price. As a growth strategy, discounts attract customers and increase sales revenue.
- **Carry out sales promotion:** This growth strategy involves all activities done to inform and attract customers to buy more of the business products. For example, giving discounts, advertising on Radio, Television, Newspapers, etc.
- **Human resources development:** A business may seek to grow by improving the quality and efficiency of its workers through trainings and workshops. Better quality workers increase the productivity and efficiency of a business leading to higher profits.
- **Creating new distribution channels and locations:** This involves opening new branches and making products available in new outlets. This increases sales and generates extra profits for the business.
- **Bundling products:** This involves selling a bundle of products as one kit. For example, Mobile phone and SIM Card, Toothpaste and Tooth brush bread and butter, etc. Even services can be bundled where two separate services are packaged into one product and sold together. For example, for computer software. Software is often sold in “suites” bundle that contains multiple applications. If you buy Microsoft office, you pay a single price and get Word, Excel, Power point, Publisher and Access, etc.

Another example for service bundle is where some colleges and universities may say that if you pay for a diploma or a degree course, you will receive free computer training. This means that the degree/ diploma has been bundled with the computer training. Bundling helps the company to sell two products at the same time, attract more customers and earn more revenue.

- **Market penetration and development.** This involves selling more of the company's products or services to the existing as well as to the new markets. This strategy is about reaching new customer segments by targeting new both internal and external markets.

6.3.2. External business growth strategies

External growth strategies refer to the expansion of a business enterprise by using external resources. These growth strategies focus on increasing output using resources and capabilities that are not internally developed by the company itself. **The external business growth strategies include the following:**

1. Merging with other firms or Mergers

Merging of firms refers to the combination of one or more corporations, or other business entities into a single business entity; the joining of two or more companies to achieve greater efficiencies of scale and productivity. In most cases, this is done by the companies producing and selling related goods or services as a way of reducing competition among themselves, increasing profits, etc.

Types of mergers

The following are the types of mergers:

- a. Horizontal merging (integration):** Horizontal merging occurs when two or more firms which are in the same industry of production join/merge into one e.g. two hair dressing salons join together to form one bigger hair dressing salon.
- b. Vertical merging:** This is merging of two or more firms which are at different stages of production in the same industry. In this merging, a business merges with another that is at the next or previous stage of production process e.g. coffee farm combining with a coffee factory.
- c. Conglomerate merging:** This is merging of two or more firms which produce unrelated products which do not compete with each other e.g. if a book shop merges with a restaurant. Another example, if a shoe manufacturing firm merges with a restaurant. The idea behind this merger is to get a bigger market e.g. shoe clients going to the restaurant and vice versa.
- d. Concentric/ congeneric Mergers:** Concentric mergers take place between firms that serve the same customers in a particular industry, but they don't offer the same products and services. Their products may be complements, products which go together, but technically

not the same products. For example, if a company that produces DVDs merges with a company that produces DVD players, this would be termed as concentric merger since DVD players and DVDs are complement products, which are usually purchased together. These are usually undertaken to facilitate consumers, since it would be easier to sell these products together. Also, this would help the company diversify, hence higher profits. Selling one of the products will also encourage the sale of the other, hence more revenues for the company if it manages to increase the sales of one of its products

2. Franchising

Franchising: A franchise is an arrangement where one party gives another the right to use its trademark or trade name to produce and market a good or service e.g. telecommunication companies like Mtn, soft drinks industry like Coca-Cola etc.

A franchiser (or a franchisor) is the owner of the name, logo and business model who sells it for use by third parties.

A franchisee is the person or company who buys another company's name, logo and business model for use in his/her own business.

Companies can use franchising as a business growth strategy in two ways:

- a. **By buying a franchise from well-known and reputable companies.** This helps it to sell more in the markets it would have found harder to penetrate.
- b. **By selling the franchise.** By selling its name and logo, to be used by other companies, a business can spread further than it could have done alone.

The following are the advantages of franchising

- It helps to reduce stiff competition.
- It helps to increase sales and profits.
- Banks can easily lend you money to buy a franchise that has a very good reputation.
- The business is based on a proven idea and so chances of business success are higher.
- It helps to attract customers who are already familiar with the name and logo.

- The franchisee can get ideas from other business people who operate similar franchises.
- The owner of the franchise normally provides support, trainings and advice to the franchisee.
- A franchise gives you exclusive rights to sell the product or service in your region.
- It is easier for a franchisee to perform better than a start-up business whose name is not known and which has no reputation.

The following are the disadvantages of franchising:

- The costs of a franchise may be high.
- Profits are shared with the franchiser whose name, logo and business model you are using.
- The franchise includes strict guidelines and restrictions on how to run the business.
- In case you want to leave the business, it may be difficult to sell the franchise to someone else because the buyer must be approved by the franchisor first.
- If the franchisor runs out of the business or the reputation declines, it affects the entire business.
- The process of buying a franchise involves a long legal process which is costly.

3. Joint-ventures

A joint venture (JV) is a business entity created by two or more parties, generally characterized by shared ownership, shared returns and risks, and shared governance.

Companies typically pursue joint ventures for a number of reasons: to access a new market, particularly emerging markets; to gain scale efficiencies by combining assets and operations; to share risk for major investments or projects; or to access skills and capabilities. Companies that form joint ventures share the profits and losses while simultaneously pooling their resources to complete the specific objective.



Application activity 6.3

1. With examples in your community/village, describe at least 2 people or entrepreneurs whose businesses have grown up. Imagine if you had to start up such a business what strategies would you use?
2. Referring to business activities of entrepreneurs in Rwanda, what do you think are the benefits from establishing clear growth strategies?
3. What do you think would happen to business enterprises, if their owners do not apply growth strategies?
4. Assume you have a small business with a small capital and there are more competitors where your business is located. Do you think it will be possible to compete successfully with your competitors? What will you do to continue operating and out compete your business rivals?

6.4. Factors that lead to business growth



Activity 6.4

Answer the following questions:

1. Give any three examples of entrepreneurs in your community/village who have achieved businesses growth.
2. Think about any two main things that lead their businesses to grow.

Factors that lead to business growth and development

Business growth can be achieved either by boosting the top line or revenue of the business with greater product sales or service income, or by increasing the bottom line or profitability of the operation by minimizing costs. There are many factors that determine business growth these include,

- **Availability of market:** The market plays a big role in determining the success of a business. A big and reliable market helps a business to grow. More buyers will mean more sales and more revenue for the business.

- **Enough capital:** The amount of capital available to a business determines its growth.
- **Competent business management:** The quality and ability of the business management team determines the growth of a business. If the management is competent and hardworking, then the business will grow faster.
- **Proper location of the business:** A suitable location may determine the growth of a business. A business will grow if it is located near the customers. In addition, a business may succeed if it is located in a secured place without robbers.
- **Level of competition:** Competition may force a business to be more efficient and as a result it grows.
- **Technology used by the business:** Technology as a method of production determines the quantity and quality of output. It is a factor that determines the growth of a business.
- **Favorable government policies:** Government policy may directly affect business growth. Favorable government policy like low taxes, tax holidays, subsidies, etc. determine the growth of a business.
- **Political stability and security:** The political environment affect business growth; a peaceful political environment enables a business to grow
- **Quality of workers:** The quality of workers in terms of skills, trainings, experience and commitment is a factor of business growth.
- **Proper business planning:** Business planning is also a factor which determines the growth of a business. Planning enables the business to set targets to be achieved and properly control its resources and time.
- **Favorable economic environment:** The economic environment refers to all the **economic** factors that affect commercial and consumer behavior. ... “The term **economic environment** refers to all the external **economic** factors that influence buying habits of consumers and businesses and therefore affect the performance of a business.
- **Presence of business support services** like banks, insurance companies, telecommunication companies, etc. This also determines the business growth.
- **Good entrepreneurial characteristics (traits)** like self-confidence, risk taking, perseverance, creativity and innovation, etc. This also determines the growth of a business.



Application activity 6.4

1. Basing on your location (District) take one grown business and discuss the factors that lead to its growth.
2. Explain briefly the following statement in relation to business growth? "Rome was not built in a single day"



Skills lab 6

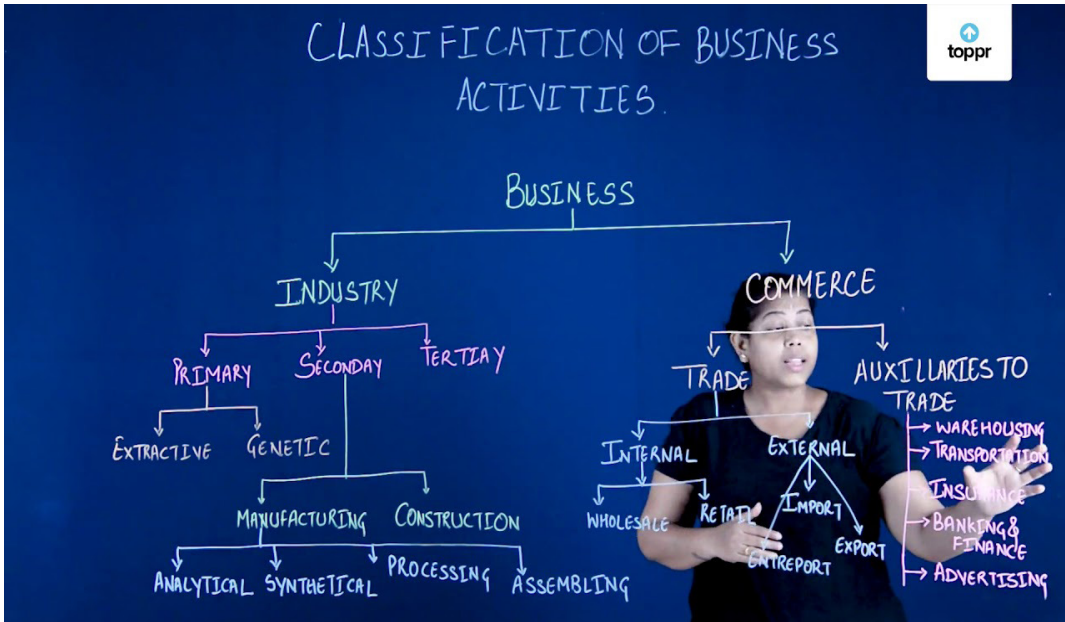
1. Analyse information the business growth strategies below and show how you will each one to serve customers better and achieve the business club's growth and development goals.
 - Bundling
 - Promotion and discount
 - Developing new product
 - Franchising
 - New distribution channels,



End unit 6 assessment

Fill in the following gaps:

1. Assume your business is attaining the following:
 - a. Increase in production, profitability and size.
Is known as
 - b. A prolonged period of little or no growth for companies.
Is known as
2. Assume that you have a mini-supermarket selling fresh milk, juices, bread and cakes in one center of Kigali city;
 - a. How would you know that your business is growing?
 - b. What are the factors which you think can favor the growth of your business?
 - c. How would you know that your business is declining?
 - d. What can you do to minimize such a decline?



Key unit competence: To be able to classify different forms of businesses



Introductory Activity



Fig.7.1 Mukamana and friends working together

Mukamana is one of the ladies involved in handicraft activities in her area. She makes baskets, mats, hats, necklaces and other related products. Of recent they had to register as individuals so as to obtain a trading license but Mukamana and the other ladies face challenges when buying raw materials for making their products. Marketing their finished products is also difficult as they work individually. Sometimes they travel to Kigali in search for customers to buy their products and when they are away, they have to close their work places and open them for work when they return from Kigali.

Questions;

1. What benefits would Mukamana and the other ladies enjoy if they decided to do their handicraft work together?
2. Identify the advantages they also enjoy working individually
3. Using your knowledge of entrepreneurship, identify the classification of enterprises to which they belong.
4. Explain the reasons why Mukamana and other ladies decided to register their business.
5. Which advice would you give to Mukamana in order to benefit more from their activities

7.1. Meaning of business organisation and classifications of business organisations



Activity7.1

Visit your Library or use the internet to research on the categories of enterprises according to life span and fill in the table below:

Category	Meaning	Features	Examples

Business is any economic activity done by any person or a group of persons with the purpose of making profits. It involves the exchange of goods or services for money. The main purpose of carrying out business is to make profits.

A business organisation is a group of people who form a business together in order to achieve a particular aim usually making profits.

An enterprise is a business or company set up with an aim of making profit. An enterprise is basically set up to provide goods and services at a profit.

It's a financially independent organism that produces marketable goods and services with an aim of making profit.

Business organisations can be classified according to sector of activities, size, legal status and lifespan.

Business organizations are numerous and vary widely in the nature and types of goods or services provided. Their classification can therefore take many forms. The major bases upon which enterprises can be classified are by:

- Sector or activities
- Size
- Legal status and
- Life span

7.1.1. Classification of Enterprises According to Sector or Activities

Enterprises can be classified on the basis of the goods they produce or activities they do.

On this basis, they can be classified as follows;

1. Agri-business Enterprises

Agri-business enterprises are business enterprises involved in the growing of crops and rearing of animals with the aim of making profits. Agri-business is basically carried out with the aim of producing food, meat, milk, eggs and wool for sale.

The term "agribusiness" is also used to describe businesses that are involved in the marketing of farm products, such as warehouses, wholesalers, processors, retailers and more.

There are different types of agri-businesses that are carried out in different parts of the country. These include:

- a. Crop production:** This deals with the growing and selling of crops. Crops that may be grown for sale include: coffee, tea, cotton, tobacco, fruits and so on.

b. Livestock farming: This is the rearing of animals for sale. Animals that are kept under livestock farming include: cattle for dairy or beef, goats, pigs, horses and sheep.



Cattle rearing

Piggery

Cattle and pigs are examples of animals under livestock farming in Rwanda.

c. Poultry farming: This is the rearing of birds for sale. Birds reared under poultry farming include chicken, pigeons and ducks.



Fig.7.3 poultry farming

d. Horticulture: This is the growing of vegetables such as cabbages, carrots, greens, and tomatoes for sale.



Fig.7.4 Cabbages and carrots are some of the vegetables grown in Rwanda.

e. Floriculture: This is the growing of flowers for sale



Flower Picking

Flower sorting

Fig.75 Floriculture in Rwanda

f. Apiculture: This is the rearing of bees.



Fig.7.6 Bee rearing in Rwanda.

2. Manufacturing/Secondary enterprises

Manufacturing process raw materials into finished goods. They take raw materials from agri-business enterprises and process them into more refined/finished goods or services that can be used by the final consumer. The process of converting raw materials into finished products is known as manufacturing or processing. Manufacturing enterprises can be categorized as:

- a. **Textile manufacturing:** These process clothing materials into finished clothes.

Examples of textile manufacturing enterprises in Rwanda include UTEXRWA.



Fig.7.7 Textile manufacturing in Rwanda.

- b. **Beverage manufacturing:** These enterprises are involved in the production of alcohols and soft drinks. Examples include: BRALIRWA, SKOL, INYANGE, COCA-COLA, SULFO and so on.





Fig.7.8 SKOL and Bralirwa are some of beverage manufacturing industries in Rwanda.

- c. **Agro-processing enterprises:** These process agricultural products into finished goods such as Agashya which processes fruits into juice, Akabanga, Sorwatom, Gashumba posho and so on.



Fig.7.9 Agro-processing enterprises.

- d. **The extractive industry** consists of any operations that remove metals, minerals and aggregates from the earth. Examples of extractive processes include: oil and gas extraction, mining, dredging and quarrying. Examples of extractive enterprises in Rwanda include Ruliba enterprises and Cemerwa.

3. Trading Enterprises

Trading enterprises are also known as commercial enterprises. They deal in the buying and selling of goods. These enterprises are also involved in distribution facilitates. Trading enterprises are of two types



Wholesale enterprise

Retail trading enterprise(supermarket)

Fig 7.10 Trading enterprise in rwanda

4. Service Enterprises

Service enterprises are business organizations that provide intangible products or benefits that satisfy customer needs in exchange of an acceptable compensation.

A business that specializes in some form of service provision usually needs to have qualified staff members that are regularly available to provide services to the clients in time of need. Examples of services that may be rendered include; transport, warehousing, insurance, banking, beautification, communication and legal services.



Transport service

Beauty service

Fig.7.11 Transport and beautification belong to the service enterprise.

7.1.2. Classification of Enterprises According to Size

1. Micro Business

Micro businesses are very small businesses which employ less than five people. Examples of micro businesses include: hawkers, kiosks, groceries, roadside vendors and so on.



Fig.7.12 Groceries and kiosks are examples of micro business enterprises.

Features of micro businesses include:

- a. Mainly use very simple technology or simple methods of production.
- b. Mainly employ unskilled people.
- c. They depend on skills of their owners who may be assisted by family members.
- d. Their sales are usually low in quantity and value because of limited capital.
- e. They don't own permanent premises; some rent premises, while others use temporary structures yet others are mobile.
- f. They normally serve a small number of clients, so their market is small.

2. Small Scale Business

Small scale businesses are businesses bigger than micro businesses. Examples include: retail shops, restaurants, bookshops, bakeries and maize mills.

Features of small-scale businesses include: Small Scale businesses

- a. Mainly use simple technology and produce goods mostly for the local market.
- b. They normally employ between 2 to 20 people.
- c. Small Scale businesses are mainly started as sole proprietorships and others as partnerships.
- d. Their sales are relatively higher in quantity and value than micro businesses.
- e. They usually operate from fixed premises that are owned by the proprietor



Bookshop

Restaurant

Fig.7.13 Bookshops and restaurants are examples of small-scale enterprises.

3. Medium scale businesses

Medium scale businesses are bigger than small scale businesses. Examples include: big bakeries, milk processing plants, packaging businesses, coffee hulling factories and so on.

Features of medium scale businesses

- a. They directly employ between 20-100 people some of whom are skilled in specific areas of the business.
- b. They are mainly registered as joint stock companies or operate as partnerships.
- c. Medium scale businesses mainly operate from large fixed premises usually owned by the business and fitted with electricity, water and telephone facilities.

- d. They basically use sophisticated machinery and equipment operated by skilled operators.
- e. Their output is usually high and they are able to produce for the local market and even export some surplus products.

4. Large-scale businesses

Large-scale businesses are business enterprises that require huge sums of capital to start operation. Examples include: banks, telecommunication companies, textiles, soft drinks manufacturers, cement factories and so on.

Features of large-scale businesses

- They directly employ over 100 people some of whom are highly skilled personnel like managers, accountants, engineers, technicians.
- They are registered as joint stock companies. Some are registered as joint ventures between private and government.
- They use a lot of equipment and sophisticated machinery; they use some of the latest production methods.
- Large-scale businesses produce goods and provide services on large scale for the local and foreign markets.



Fig.7.14 CIMERWA cement

7.1.3. Classification of Enterprises According to Life Span

Organizations can also be classified according to the length or period of time they are designed or intended to be in existence. Some businesses may be formed to last for a short time and come to an end. These are known as temporary business enterprises.

There are also businesses which are formed to last as long as it is practically possible. These are known as permanent business enterprises. Temporary and permanent businesses are further explained below:

1. Temporary or short-term businesses

Temporary or short-term businesses are formed to provide goods or services for a short period of time, after which they are dissolved, i.e. they cease to exist.

The period of time of their existence may be determined either by their owners or by the period they need to accomplish the task they are formed to do. For example;

- i. A school may wish to construct a new staff house and advertise inviting quotations from builders interested in undertaking the work. In response, two technical people; a mason and a carpenter may team together forming an enterprise where the mason builds the house while the carpenter carries out the furnishing of the house such as fixing doors, windows and wardrobes. At the end of the work when the house is complete, they are paid for the work and their relationship ends.
- ii. Two students of a technical training institute coming from different parts in Rwanda may find themselves together in a hostel in Kigali, where they may have to stay for at least six months before they return to their colleges to complete their courses. While in Kigali for the six months, they may agree to form a business enterprise and do business jointly for that period. At the end of the period, the enterprise will be dissolved as they return to their colleges.

2. Permanent or long-term businesses

Permanent or long-term businesses are businesses formed to last for as long as possible. There is no intention to bring it to an end within a specific period nor is it imagined that the nature of activities the business is intended to do have a time limit. Such businesses are referred to as permanent or long-term businesses.

Enterprises can exist temporarily or permanently depending on their purposes or what they are meant to serve. But sometimes businesses exist temporarily when they fail to stand competition from others and end up closing.

7.1.4. According to legal status/ According to ownership

The following are the classifications of business organizations

1. According to legal status.

- Sole proprietorship
- Partnership
- Joint stock company

- Cooperative
- State owned enterprises (SEO) parastatals

Sole proprietorship/ sole trade business

Sole proprietorship is a business started and owned by one person. The sole proprietor makes a decision alone, takes all the business profit and in case of losses he/she suffers them alone. Eg: Restaurant, Internet cafes, boutiques, etc...

Characteristics of a sole proprietorship

- The trader owns the business alone
- He/ she is responsible for financing the business alone
- Decision making is by one person
- Limited government interference
- The business is very flexible, it can be easily changed
- Sometimes employs family members

Merits of sole proprietorship

- The owner enjoys profits alone
- It requires little capital to start and operate
- Close or direct contact between the owner and the customers
- Easy coordination of activities
- Independence in decision making
- Easy to set up the business since there are no formal procedures required.
- The sole proprietor is self-motivated
- The sole-trader has enough time for the business
- Minimizes cost through employing family members
- Etc...

Demerits of sole proprietorship

- Chances of expanding are minimal due to limited capital
- The business may be closed when the owner is sick or absent
- The owner suffers from long hours of work ever holidays.
- It is difficult to obtain loans from banks due to lack of collateral security

- Unlimited liability
- Poor competitive edge towards large businesses
- Limited capital
- No specialization since the owner deals with all items sold on very small scale
- No separate legal entity
- Poor or lower technology used
- Personal attitudes affect the business
- The business may collapse when the owner dies.

Partnership

A partnership is a business unit formed by two or more individuals (ranging from 2 to 20 people) with the aim of making profits.

Characteristics of a partnership

- It is owned by more than one person
- Profits are shared among partners,
- Capital is contributed by partners,
- Members are responsible for all business losses and debts/risks,
- Partnership deed is required before starting the partnership,
- The burden of running the business is shared by all partners,
- The admission of a new partner requires general consent.

Types of partners

1. According to Roles played:

- **Active/acting/working or managing partners:** Partners who contribute capital and participate in daily running of the business. They have unlimited liability.
- **Dormant/ sleeping or financing partners:** Partners who contribute capital but do not participate in the daily running of the business. Their liability is limited to their capital.

2. According to age:

- **Minor partners:** Partners who are below 18 years of age.
- **Major partners:** Partners above 18 years of age. They are liable for all the business debts.

3. According to liability:

- **Limited partners:** Partners whose liability for the debts is limited to the capital contributed.
- **Unlimited partners/general partners:** Those whose liability for the debts is unlimited

4. According to capital contributed:

- **Real partners:** Partners who contribute capital, share profits and losses and are responsible for the debts of the business.
- **Quasi partners:** Partners who do not contribute capital to the business but allow their name to be used by the business. They are usually of high social status like celebrities, lawyers, ministers, etc...

Advantages of a partnership business

- Encourages specialization and division of labour
- More capital is raised
- Continuity of the business
- Wise decisions are made
- More skills applied and there is specialization
- Increase in transparency and reduction in the misuse of resources
- Losses are shared by all partners.

Disadvantages of a partnership business

- There is no secrecy in the business because all the partners have access to all business documents and records.
- The liability of the partners is unlimited
- Profits from the business are shared
- In case an active partner dies, the business may be greatly affected
- Misunderstandings can easily come up because partners have different interests that may result into the dissolution (end) of the partnership.
- There is slow decision making since partners have to first consult each other.

Joint stock companies

A joint stock company is at times called a limited liability company or simply a company.

This is a type of business formed and owned by a group of people called shareholders who have a separate legal identity. It is an artificial person created by law with capital divided into transferable shares.

Characteristics of a joint stock company

- **Legal personality:** A company is an artificial person or entity recognized by law. It can own a property, enter into contracts, sue or be sued in a court of laws.
- **Raises Capital through shares.**
- **Limited liability.**
- **Long life:** The death or retirement of a shareholder cannot affect the company. The company is separate from its members

Types of joint stock companies

- Statutory companies:** These are companies which are owned by the State and are created under parliament Act. The parliament chooses and appoints the Board of Directors to run the business.
- Registered companies:** These are formed by shareholders and registered with the Registry of companies under the Company's Act.

Difference between Private Ltd companies and Public Ltd companies	
Private Limited Companies	Public Limited Companies
<ul style="list-style-type: none"> • It is made by 2 to 50 shareholders • It doesn't invite the public to buy shares • Shares can't be transferred freely without consent of all shareholders • No publication of its balance sheet • Not separate from its members • It can start operations immediately on incorporation/registration. 	<ul style="list-style-type: none"> • It is made by 7 to unlimited numbers of shareholders • It invites the public to buy shares • Shares can be transferred freely on the stock market • It is a must to publish its balance sheet annually and send a copy to the registrar • Separate legal entity from its owners • Can't start until a certificate of trading is obtained.

Similarities between Private Ltd companies and Public Ltd companies

- Shareholders have limited liability
- Continuity in case of the death of a shareholder
- Greater status
- Long legal formalities involved in establishing the business

Advantages of a limited company

- Limited liability: The liability of each shareholder is limited.
- Expert management: It employs professional managers in different fields.
- Boosting the economy of the country: Companies pay more taxes
- Transferability of shares: Members can transfer their shares freely without any consent of other members in case of Public Ltd Company.
- Shareholders are safeguarded against frauds
- More job opportunities
- Higher profits
- Large scale production
- Probability to raise huge capital
- The company enjoys continuity even if all its members may die
- It is a separate legal entity. It can sue or be sued since it differs from its owners.

Disadvantages of a limited company

- Long procedures to start: The Company requires many documents to start operations
- Excessive government control
- Delays in decision making because of several management levels
- Lack of secrecy: It is necessary for companies to disclose and publish all information about its operations to the public.
- Lack of motivation since the management is separate from ownership.
- Shareholders who have more shares influence/ dominate the decision making.

- Risk of selling shares to rivals (competitor) companies: Competing companies can buy shares within the company which may lead to undermining the company and consequently to the collapse.

N.B: Private companies cannot engage in the business of Banking, Insurance, Finance and Leasing. Investors wishing to engage in these businesses are required to set up Public companies. **For a Public limited company:** A part from the above documents, it requires a minimum initial share capital of a hundred million Rwandan Francs (100,000,000Rwf).

The article and memorandum of association must be notarized. The cost of notarizing is arrived by applying the following formula: (Rwf 800 X number of pages X number of copies + Rwf 2500). One copy is retained at the notary's office, one at the registrar generals' office at RDB and one at the office of Official Gazette for publication. It takes 30 minutes for a public notary to notarize the articles.

After all requirements are fulfilled and the registration fees have been paid, the company is given a **certificate of incorporation** or **certificate of company registration** that allows it to start operations if it is private Ltd company, but a public Ltd company is required to seek an additional Public corporation

iii. Parastatals/ state owned enterprises/public corporations

These are organizations that are fully nationalized (state owned). The money used to form them is raised from tax payers. Some are run on commercial basis while others give social services to the public. Those that carry out economic activities like Rwanda Airlines, EWASA, etc...aim at making reasonable profits.

Advantages of public corporations/ parastatals

- Basic goods are made available to the public at a subsidised cost e.g. water and electricity
- Prices may be lower
- Creation of employment opportunities
- Source of income to the government.
- Economies of large-scale production are enjoyed by both the nation and citizens
- They foster development e.g. construction of roads

Disadvantages of public corporations

- Dis-economies of scale occur because of poor administration
- Poor customer care
- There is limited competition. This may lead to production of poor quality goods and services
- Tax payers are always over burdened
- Mismanagement of funds/embezzlement/corruption is common

Co-operatives

A co-operative enterprise or a society is a form of business made by a group of people who join efforts in the production or distribution of goods and services with the purpose of sharing profits among themselves. A cooperative is an organization owned by the people who work in it and share the profit or with the purpose of benefiting its members.

Features of a co-operative society

- The association operates in a democratic way.
- Each member has rights as per memorandum of association.
- The start-up capital is solicited from members, who agree the contribution of each one.
- The responsibility of each member is limited to the amount of share capital contributed.
- All members have one vote at important meetings.
- Members can contribute to the running of the business.

Types of co-operatives

- Consumer co-operatives: These enable consumers buy goods and services at a fair cost.
- Producer co-operatives: These aim at collectively marketing their products at competitive prices.
- Savings and Credit co-operatives (SACCOs): These carry out savings for their members and also provide cheap credit facilities to them eg: Umwalimu SACCO
- Transport co-operatives
- Workers co-operatives

Principles of cooperative societies

- Open and voluntary membership: Any person above 18 years can be a member if he/she fulfills regulations governing the society.
- Democratic administration: Leadership is based on one person one vote regardless of the number of shares one holds.
- Payment of limited capital: Each member contributes a minimum share capital that is agreed upon.
- Dividend payment: Profits made are divided among members as dividends.
- Promotion of education to all members: Every member acquires new skills through taking part in daily business operations.

Problems faced by co-operative societies in Rwanda

- Limited capital
- Limited securities
- Poor administration
- Embezzlement of funds
- Lack of interest of members:
- Disputes and misunderstanding between members
- Nepotism / Tribalism
- High competition from similar co-operatives
- Lack of government support
- Government interference
- Mismanagement of funds
- Lack of storage facilities
- Poor transport facilities



Application activity 7.1

Give examples of enterprises from your community and Rwanda at large by filling in the table below.

Manufacturing enterprises	Agri-business enterprises	Service enterprises	Trading enterprises

7.2. Registering a business in Rwanda



Activity 7.2

1. Suppose you intend to start a small business in your vacation out of your pocket money savings that you have accumulated over time suggest the major steps that you are to follow before starting

You can register your business **Online** or at the office of the Registrar General which is a department within the **RDB** located in **Kigali**, the capital city of Rwanda. The registration process has been covered after each business form.

7.2.1. Business Registration Process

For **Sole Proprietorship** business, an entrepreneur can start the business with few legal procedures. There are no formal procedures such as registration and document, an entrepreneur only pays a **trading license** and starts the business. But if he/she needs to register the business in the commercial registry, he/she is required to submit an application letter indicating;

- Personal names, place and date of birth, domicile and residence, nationality, sex;
- Name of the spouse in case he/she is married; and their matrimonial regime

- Consent of the spouse if their regime is based on joint ownership;
- Name of the business and its trademark if applicable;
- Commercial activities to be carried out;
- Headquarters of the business enterprise.

Partnership business may register with the registrar of companies. In this case, they will be required to submit partnership deed agreement (containing information discussed earlier in this unit). In the absence of an agreement between partners, the partnership cannot be registered.

Joint Stock Company/ Limited Liability Company, or a **Cooperative**, the following steps are normally followed:

- The promoters prepare a **memorandum of association** which outlines the activities the firm is to be engaged in, its objectives and its general organization.
- Preparing the **Articles of association** of the company that lays down the rules and regulations which will govern the internal organization of the company.
- A minimum initial share capital for companies is required. For Limited Liability Company it is 500,000Rwf, for Public limited company it is 100,000,000Rwf.
- The registration can be processed by the promoters themselves or through a lawyer.
- An application form is filled and deposited with the records assistant in the registrar's office.

A search will be conducted to confirm that firm uses similar names as those chosen by the promoters of the company.

The application forms are then passed on to the registrar of companies for endorsement and approval.

If all the required documents are in order; the registrar of companies will issue a **Certificate of Incorporation**. This document allows the owners to commence the business. If it is a public company, it is required to get a **Certificate of Trading** in order to commence operations. It puts the company into existence and the company becomes a separate legal entity.

7.2.2. Registering a Non-Governmental Organization (NGO) in Rwanda

1. Local Non-Governmental Organization

A local **NGO** is required to get an approval from the district where it plans to undertake its activities, provide its constitution as well as register with Ministry of Local Government (MINALOC).

2. International Non-Governmental Organization

An **INGO** is registered by department of Immigration and Emigration. The applicant makes an application letter addressed to Director General of Immigration and Emigration and attaches;

- A detailed action plan.
- A memo indicating the source of funding of INGO
- Its annual budget
- Evidence of collaboration of the district where it operates
- Recommendation letter from the line Ministry (ies)
- Articles of INGO
- A memo linking relationship between its program with Community Development Plan (CDP)
- A correctly filled inventory form
- Summary of business Registration process in Rwanda
- To register a **local enterprise** or a **foreign subsidiary**, RDB provides a quick and efficient registration service allowing you to have your business incorporated within 24hours. The process ends simultaneously by obtaining the **certificate of incorporation** (business registration), Tax Identification Number (tax registration) and the Social Security Registration for Employee Pension Submission.

Take a look on the **table** below to see how you can **start, add** or **cease** business activities in Rwanda.

Activity	Requirements	Cost
Registering a local company	Copy of ID/Passport of promoter(s) Completed application form and two copies of article 14 Payment of registration fee	Registration fee RWF 25,000 or USD 42

Registering a branch of foreign company in Rwanda	<p>Completed application form and two copies of article 14</p> <p>Notarized memorandum and power of attorney to represent the company in Rwanda</p> <p>Notarized copy of the articles of association</p> <p>Notarized certificate of registration of foreign company</p> <p>List of directors residing in Rwanda</p> <p>Payment of registration fees</p>	<p>Registration fee RWF 25,000 (USD 42)</p>
Registering additional activities for companies	<p>Completed application forms provided</p> <p>Three notified copies of board meeting minutes</p> <p>Original registration certificate</p> <p>Payment of registration fees</p>	<p>Registration fee RWF 10,000 (USD 17)</p>
Requesting duplicate of lost registration certificate	<p>Proof of loss of original certificate from parquet general</p> <p>Copy of registration certificate</p> <p>Completed application form provided by RDB</p> <p>Payment slip</p>	<p>Registration fee RWF 10,000 (USD 17)</p>
Cessation of trading activities	<ul style="list-style-type: none"> • Letter addressed to the Registrar General, stamped by the RRA. • A copy to RRA • Tax clearance certificate from RRA • Original Registration certificate • Minutes of Association notarized • Payment Slip 	<p>Cessation fee RWF 5,000 (US\$ 8.5)</p>



Application activity 7.2

1. Discuss the various procedures followed in registering a domestic company following Rwandan setting today.

7.3. Benefits of registering and consequences of not registering a business



Activity 7.3

Discuss the importance of registering a business and also suggest possible dangers of operating a business that is not registered

Benefits of registering a business

- It enables the business to acquire a trade license and a permit to commence its activities
- After registration, a business will be entitled to protection by the country's business legal framework
- Obtaining licenses and permits
- It helps a business to protect its brand: Trademarks are patented.
- It safeguards the business name.
- The business has guaranteed continuity as a result of registration
- The business is versatile.
- It avoids fines and penalties from the government

Consequences of not registering the business

- Being fined due to not paying tax by the government
- Suspension of operations: The government may close down such a business
- Inability to issue official documents, invoices to suppliers and other partners, ...
- Operating outside official system stipulated by the government
- Limitation to financial services. It's hard to access funds from financial institutions for investment



Application activity 7.3

Read the case study. Then answer the questions that follow.

Register your business – it is the law Government has threatened to close all unregistered businesses as it steps up efforts to make all business operations in the country formal and to increase its tax revenue base. The move is also aimed at enforcing the Company Act, which was passed in April 2009. This requires all companies to register with the Registrar of Companies at the Rwanda Development Board (RDB). The government introduced a two-year grace period to allow all unregistered businesses to register. Businesses that had registered using the old law also needed to re-register. The law was passed as government wants to encourage small businesses to grow. To implement the law, the Ministry of Trade and Industry embarked on a sensitization (learning) process where the relevance of this law was explained to the business community.

Question: Identify the consequences of running an unregistered business in Rwanda today.

7.4. Factors considered in choosing people to work with in a business organization

Smart business owners make hiring top talent a priority. After all, a company's productivity and profitability depend on the quality of its workers. When reviewing candidates, business owners and managers consider a variety of factors including academic credentials, work experience, personality and skills as follows.



Activity 7.3

The job market these days is becoming competitive. As a student of entrepreneurship suggest the criteria considered while choosing people to work in an organization

Factors considered when choosing people to work in an organization include the following

Education and Credentials

The education background of the employee is important, some of the positions they advertise might not require any advanced education, but the possession of a high school diploma demonstrates the ability and work contributed by the individual to complete an educational program.

Work Experience

Work experience might be one of the most important considerations for particular jobs. Experience in particular areas such as answering busy telephone lines or handling accounts, for example, can be essential for specific staff roles. For other positions, work experience might not be absolutely necessary, but a strong work background is always a good thing as it exemplifies a good work ethic.

Possessing Self-Confidence

An applicant who approaches with a confident attitude makes a good first impression. This is also probably the way this person will approach your clients. An applicant who exudes self-confidence believes in himself/herself. S/he will believe s/he can handle the job and exceed expectations.

Personality Compatibility and Warmth

Warmth and smiles indicate the type of employee will work well with others, including your clientele. Personality is one of the most important traits of a customer-oriented employee. Of course, an amenable person is one who will also work well others.

Specific Skills Sets. The specific skills set of potential employees is a critical factor e.g. computer skills

The age of the employee, some jobs usually consider a certain age bracket as a determinant for recruitment e.g. recruitment into army or police requires applicants to be less than 25yrs of age

Nationality. some jobs may require nationals while others prefer non-nationals (foreigners)

The level of education of the employee e.g. Master's degree or Doctorate depending on the job, most prominent companies prefer employees with at least a master's degree for a highly paying job e.g. marketing manager MTN Rwanda

The marital status of the employee. Some organizations prefer workers who are married while others prefer those still single.

The sex of employee, sometimes organizations may prefer to employ females than males or males than females in relation to the type of job

The physical ability of workers. Some jobs that require energy to perform may require people who are physically strong as a requirement

The cost of the employee in terms of salary and training needs etc.

The size of the organization that is recruiting workers in terms of ability to pay them

The level of confidence, personal value and esteem

The health status of the employee



Application activity 7.4

You have just started a small business in your holidays of selling airtime and you wish to employ someone to help you when at school.

- a. Suggest the factors you would put forward to recruit a worker in your business?
- b. Why did you decide to choose those factors amongst others?



Skills lab 7

Use business classification information and classify the projects the business club is running or plan to run, identify procedures of registering each business project basing on the class it falls into, Draw plans to register the business with the right office and discuss how the business club can find opportunities for each classification in terms of resources, technical capacity building to make products or services, market partnerships among others.



End unit 7 assessment

Case study: *Different forms of business organization/ enterprises*

Read the case study below and answer the questions that follow:

Jean Paul Semana is a friend you have known for many years. He is a computer expert. He has been working for a large computer supplies company in Kigali for many years. The company supplies and services computers. Most people and organizations are experiencing technical problems with their computers, take them to the company where Jean Paul is assigned to service the computers. He is now well known by many people for his skills in handling technical problems relating to computer breakdowns.

He informs you that he has been thinking of starting a business enterprise dealing with servicing and maintenance of computers. He has saved money for this purpose, but the amount is not quite sufficient for the type of business he would like to start. However, the money is sufficient to start a small size business.

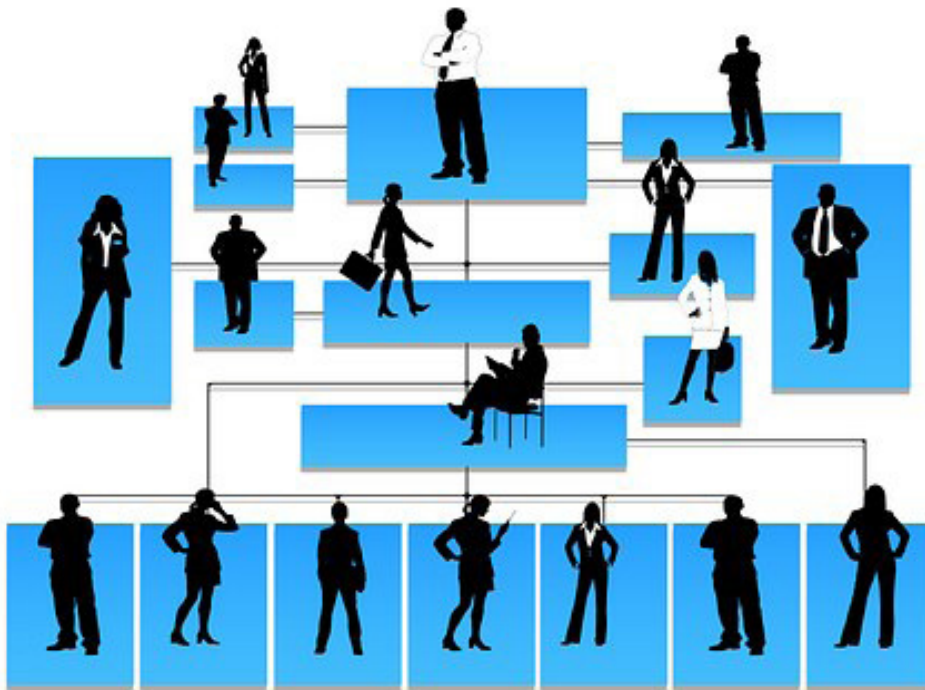
He also tells you that he has two uncles who are very rich. Both have a lot of money and have expressed their willingness to invest in the business enterprise with him.

Semana would like to get your advice on various options of the type of enterprise to invest in.

- a. Advise him on the forms of enterprises he can choose citing examples.
- b. Analyze the advantages of each form of enterprise.
- c. Analyze the disadvantages of each for of enterprise.

UNIT 8:

BUSINESS ORGANIZATION STRUCTURE



Key Unit competence: To be able to design business organization structure



Introductory Activity

Read the following paragraph and answer questions that follow:

Uwineza started a maize flour processing farm in her community. She is renting the place where her business is operating from. She buys her raw materials (maize grain) from a nearby town through a fellow business person. She says she trusts her employees so they never write down anything about duties. She always meets employees at the morning assembly or uses a telephone call at a distance to assign tasks. Recently, after some advice from a friend, she discovered that she was so wrong in tasks assignments and immediately take a step forward to collect the errors previously done.

Questions:

- a. What do you think Uwineza did as errors/wrong?
- b. What are the likely consequences of Uwineza's actions mentioned above?
- c. What advice would you give to Uwineza to avoid the consequences above and why?

8.1. Meaning of organization structure and department in an organization.



Activity 8.1

1. Read the following statements to identify an organization structure, give reasons to support your response
 - a. Claudette and Niragire playing football against Uwera and Mutesi
 - b. Uwimana is the deputy of one TTC, she outlined and documented the ways subjects' teachers teach and assigned supervisory duties to different heads of departments
 - c. A group of fellow students with whom they are going to represent the school in a debate competition
 - d. A group of five girls reading science magazines in the library preparing for a science competition against another class
2. What is a department in your own point of view?
3. Give any two departments that you know

8.1.1. Organizational structure

Organizational structure is a system that outlines how certain activities are directed in order to achieve the goals of an organization. These activities can include rules, roles and responsibilities. The organization structure also determines how information flows between levels within the company. Simply, an organizational structure is a system used to define a hierarchy within an organization. It identifies each job, its functions and where it reports to within the organization. This structure is developed to establish how an organization operates and assists an organization in obtaining its goals to

allow for future growth.

In order to achieve organizational goal there must be a team and teamwork

Team

A team is a group of individuals working together to reach a common goal. It can also be seen as a group of people with different skills and different tasks, who work together on a common project, service, or goal.

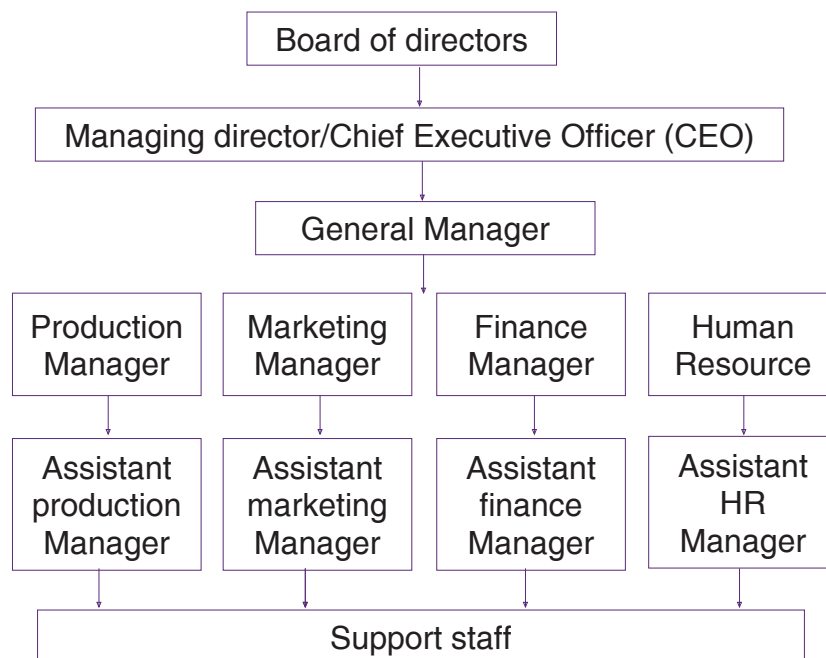
Teamwork

Teamwork is the collaborative effort of a team to achieve a common goal or to complete a task in the most effective and efficient way. This concept is seen within the greater framework of a team, which is a group of interdependent individuals who work together towards a common goal (*From Wikipedia, the free encyclopedia*)

8.1.2. An organizational chart

An organizational chart is a graphical representation of a firm's hierarchy of authority. An organizational structure is primarily represented by an organizational chart. It shows how different people and departments are linked together in the organization. People at the same rank in the business are at the same level on the organizational chart.

An example of organizational chart/Organogram



8.1.3. Departments

Department is also known as a section, Division or a single unit (special unit) within an organization that has specific functions which help the entire firm to achieve its goals.

Any organizational structure must be departmentalized i.e subdivided according to responsibilities.

Departmentalization can be done through 4 ways such as

- a. By functions: grouping activities by functions performed
- b. By product: grouping activities by product line
- c. By geography: grouping activities on the basis of territory
- d. By type of customers: grouping activities on the basis of common customers

8.1.4. Some of the departments that may be found in different organizations

Types of departments	Meaning and Functions
Administration department	Responsible for undertaking the overall management of the business. Coordinating all the departments to ensure that all activities are aimed achieving the objectives and goals of the business.
Production department	Responsible for turning inputs into finished products (outputs) through a series of production processes. Making adjustments on product design, determining methods of production, Quality control and the like.
Accounting & Finance / Accounts department	Responsible for Preparing budget, receiving payments, keeping financial records, banking all the cash, paying taxes, Monitoring the movement of financial resources and Preparation of financial statements/reports.

Human Resource / Personnel department	This deals with matters related to employees of an organisation. Recruiting and training new workers, controlling workers, preparing job description, disciplining workers, Managing the payroll, keeping staff record, motivating workers and negotiating with trade unions.
Sales and Marketing Department	It is Responsible for generating revenues by selling goods and services. Conducting market research, developing and implementing marketing plans, liaising with media, developing pricing strategies and marketing materials,
Research and Development (R&D) department	It deals with constant research so that the business can be able to develop new products and services and also improve on existing products or coming up with innovations.
Customer service department	It supports customers who need help with the goods or services of the business and providing good customer care.
Procurement department	This is responsible for acquiring goods and services, materials and equipment necessary for the business.
Store department	This is responsible for stocking all the necessary tools, spares, raw materials and equipment required to service the manufacturing process.



Application activity 8.1

Think as if you are working in business, with reasons to which department do you wish to work from?

1. From the list of departments, you have gone through which one is very important to you and why?
2. From your community, identify some business organizations that operate from there, explain how they are organized and the way they operate in different positions.

8.2. Managerial functions



Activity 8.2

Mugisha attended a business meeting organized by Executive Secretary of the Sector together with the one in charge of business where business owners who attended were told to abide to the rules and regulations regarding the business. They were also told to properly plan and take into consideration other business managerial functions related to the effective and efficient production hence, develop particularly our sector and our country in general.

From your point of view what do you think are other managerial functions discussed in that meeting?

8.2.1. Definition of concepts

- a. **Management** is the process of getting things done by using other people and resources like capital, raw materials and time.
- b. **Business management** involves planning, organizing and coordination of the activities of an enterprise to achieve defined objectives. Without proper coordination and planning, a business cannot achieve its goals and objectives.

8.2.2. Managerial functions

These are special activities that are designed for a manager to perform in order to achieve the goals and objectives of an enterprise.

- a. **Planning:** Refers to the process of setting goals and determining a course of action, defining who, when and how to achieve them.
- b. **Organizing:** Refers to the coordination and supervision of factors of production particularly land, capital and labor. It involves grouping activities and assigning tasks to people who would assume them. Organizing includes: Identifying tasks, assigning them to responsible workers and Developing work plans. An organization chart is one of the tools managers use to organize the people in business.
- c. **Leading:** This involves directing/ influencing or inspiring the workers towards achieving organizational goals.

- d. Staffing:** Refers to identification of the right people who will do the jobs as necessary to achieve organizational objectives. This is done through recruiting them through test, training, and paying them for the work done.
- e. Controlling:** This refers to the evaluation of achievements compared to the plans/standards and taking measures towards success of organizational goals/objectives.
- f. Budgeting:** This refers to making monetary estimations of the expected revenue and expenses of the business over a given period of time, usually a year.
- g. Coordination:** This refers to bringing together different workers and departments of the business so that they work in harmony and strive to achieve the set goals.
- h. Motivating:** This involves inspiring and encouraging workers by appreciating the work well done, allowing them to participate in decision making, paying their salaries on time and giving them incentives, bonuses and benefits. This encourages the workers to work harder, increase the output/productivity and improve on its quality.
- i. Commanding:** This involves giving orders and instructions to staff members so that the targets and deadlines are met.
- j. Communicating:** This involves passing on information between people and departments. The manager passes on information regarding responsibilities, targets to achieve, suppliers, laws and regulations, ...



Application activity 8.2

Mugabo is a business owner who always commands his employees in harsh voice and assigns them tasks basing on nepotism. While recruiting employees Mugabo never set exams for selection but rather considered groupmates, neighbors and his relatives.

From the passage above, justify your example what managerial functions does Mugabo fail to obey/follow?

8.3. Personnel (Human Resource) Management



Activity 8.3

Analyse the following case study; Mr. Busan's factory is among the oldest brick making factories that has been operating in their area. It started operating in the first half of the 20th Century. It employs over 200 employees and owns production machines. Last year, the external auditor of the factory found out that the business was about to collapse. When the manager read the report, he was shocked about the eminent collapse of the business and could not figure out what to do to prevent the business collapse. He consulted many people for help, but he was not able to get a clear solution.

- a. As an entrepreneurship student, what do you think could be the main cause of poor performance of that oldest brick making factory?
- b. Suppose you are appointed as the manager of this factory, what can you do so that this business does not collapse?

8.3.1. Meaning of Human Resource Management

Human Resource Management is a process or a managerial activity that consists of four main activities, namely, **acquisition**, **development**, **motivation**, as well as **maintenance** of human resources.

It involves several functions concerned with the management of people at work. It includes manpower planning, employment, placement, induction, training, motivation and appraisal and compensation of employees. For the performance of these activities efficiently, a separate department known as Personnel Department is created in most of the organizations. This department deals with matters related to employees of the organization.

8.3.2. Human resource management process

- **Human Resource Planning**, i.e., determining the number and kinds of personnel required to fill various positions in the organization.
- **Recruitment**: Recruitment refers to the overall process of attracting, shortlisting, selecting and appointing suitable candidates for jobs within an organization. Recruitment can also refer to processes involved in choosing individuals for unpaid roles.

- **Selection and placement of personnel**, i.e., employment function. This requires to ensure that the right people are recruited and placed to the right jobs through selection exam/test.
- **Induction:** is the process where new employees are welcomed in the business /company and are prepared for their new duties.
- **Training and development of employees** for their efficient performance and growth. Enabling employees to carry out their responsibilities effectively and make use of their potential.
- **Appraisal of performance of employees and taking corrective steps** such as transfer from one job to another is evaluating the performance of employees and to identify the abilities of a person for further growth and development.
- **Motivating the workforce** by providing financial incentives and avenues of promotion.
- **Remuneration of employees.** The employees must be given sufficient (equivalent to work done) wages and fringe benefits to achieve higher standard of living and hence higher productivity.

Note: According to *Edwin Filippo*; **Performance appraisal** is the systematic, periodic and an impartial rating of an employee's excellence in matters pertaining to his present job and his potential for a better job.

According to *Cummings*, the overall objective of performance appraisal is to improve the efficiency of an enterprise by attempting to mobilize the best possible efforts from individuals employed in it. Such appraisals achieve four objectives including the **salary reviews, development and training of individuals, planning job rotation and assistance promotions.**

8.3.3. Functions of human resource management

The main functions of human resource management are classified into two categories

Managerial Functions: Planning, Organization, Directing and Controlling

Operative Functions which include the following;

- Identifying the need for workers in the organization
- Recruiting and training of Personnel
- Managing the payroll
- Compensating or remunerating Personnel
- Maintaining Good Industrial Relations

- Keeping staff records
- Appraising the performance of employees
- Disciplining workers
- Preparing job descriptions and specifications
- Motivating workers
- Negotiating with trade unions
- Counseling and guiding workers



Application activity 8.3

Claudette is a human resource manager of Berwa enterprise, who is humble, always manages her employees in harmony and handle every personal issue accordingly. She normally performs her duties the way they are, whenever employees' challenges happen Claudette addresses those issues with integrity and professional manner, she always faces the person to whom they are talking to, listen carefully and takes step forward to solve any complaint of that person. Claudette is the best employee of Berwa enterprise in 2018 .

1. Basing on this 'scenario what do you think is /are her duty/duties in Berwa enterprise?
2. Is/are her duty/duties important in Berwa enterprise? Give your point of view.

8.4. Importance of human resource management



Activity 8.4

Bikorimana's enterprise is employing nine employees where they timely attend the work in the enterprise, try whatever they can to improve and innovate the business products/services. By the end of almost every month they wait to be paid as contracted but in vain, this activity of payment takes a long process till it reaches the district labor supervisory office.

From this scenario:

1. What do you think will be productivity efficiency of Bikorimana's enterprise?
2. Advise Bikorimana's human resource department on what to do?
3. If you were one of employees in Bikorimana's enterprise, would you remain working there? Explain your position

Human Resource Management is a management function concerned with hiring, motivating, and maintaining workforce in an organization. Human resource management deals with issues related to employees such as hiring, training, development, compensation, motivation, communication, and administration.

Importance of Human Resource management are discussed here below:

- **Strategic Management**

Human Resource Management improves the company's bottom line with its knowledge of how human capital affects organizational success. Leaders with expertise in HR strategic management participate in corporate decision-making that underlies current staffing assessments and projections for future workforce needs based on business demand.

- **Wages and Salaries: Increased production**

HR compensation specialists develop realistic compensation structures that set company wages competitive with other businesses in the area, in the same industry or companies competing for employees with similar skills. They conduct extensive wage and salary surveys/research to maintain compensation costs in line with the organization's current financial status and projected revenue.

- **Analyzing Benefits: qualified, experienced and skilled workers**

Benefits specialists can reduce the company's costs associated with turnover, attrition and hiring replacement workers. They are important to the organization because they have the skills and expertise necessary to negotiate group benefit packages for employees, within the organization's budget and consistent with economic conditions. They also are familiar with employee benefits most likely to attract and retain workers. This can reduce the company's costs associated with turnover, attrition and hiring replacement workers.

- **Safety and Risk Management**

Employers have an obligation to provide safe working conditions. Workplace safety and risk management specialists from the HR area manage compliance with occupational Safety and Health Administration regulations through maintaining accurate work logs and records, and developing programs that reduce the number of workplace injuries and fatalities. Workplace safety specialists also engage employees in promoting awareness and safe handling of dangerous equipment and hazardous chemicals.

- **Minimizing Liability Issues**

HR employee relations specialists minimize the organization's exposure and liability related to allegations of unfair employment practices. They identify, investigate and resolve workplace issues that, left unattended, could spiral out of control and embroil the organization in legal matters pertaining to federal and state anti-discrimination and harassment laws.

- **Training and Development**

HR training and development specialists coordinate new employee orientation, an essential step in forging a strong employer-employee relationship. The training and development area of HR also provides training that supports the company's fair employment practices and employee development to prepare aspiring leaders for supervisory and management roles.

- **Employee Satisfaction that leads to increased production**

Employee relations specialists in HR help the organization achieve high performance, morale and satisfaction levels throughout the workforce, by creating ways to strengthen the employer-employee relationship. They administer employee opinion surveys, conduct focus groups and seek employee input regarding job satisfaction and ways the employer can sustain good working relationships.

- **Recruitment and Onboarding**

HR recruiters manage the employment process from screening resumes to scheduling interviews to processing new employees. Typically, they determine the most effective methods for recruiting applicants, including assessing which applicant tracking systems are best suited for the organization's needs.

- **Hiring Processes**

HR professionals work closely with hiring managers to effect good hiring decisions, according to the organization's workforce needs. They provide guidance to managers who aren't familiar with HR or standard hiring processes to ensure that the company extends offers to suitable candidates.

- **Quality products/services**

Human resource management help employees in timely payment and motivates them either through fringe benefits or non-fringe benefits. These motivate employees to hardworking that leads to improved/quality products / services.



Application activity 8.4

1. From the above importance of human resource management, discuss their impact on business performance
2. Discuss how your employee's management will help you achieve your goals?



Skills lab 8

Discuss the staffing needs you have in the school business club basing on your unique needs to run the club effectively and;

- a. Identify the Functions you need to put on the business organisation chart and why
- b. Describe the tasks to be done under each function on the chart
- c. Show how each function support each other to lead to club achievement of it's goals.



End unit 8 assessment

Fill in the gap the following:

- i.is a process, which consists of four main activities, namely, acquisition, development, motivation, as well as maintenance of human resources.
 - ii. Is one of the managerial functions consisting of:
 - a. preparation of task force;
 - b. allocation of work to individuals;preparation of task force;
 - c. allocation of work to individuals;
 - d. integration of the efforts of the task force; and coordination of individual work with that of the department
2. Design an organizational chart of your school.

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