



Ethiopian TVET-System



BASIC CLERICAL WORKS

LEVEL-I

Based on August 2012GC Occupational standard

Module Title: Developing Understanding of Entrepreneurship

TTLM Code: [EIS BCW1TTLM0919V1](#)

This module includes the following Learning Guides

LG41: Describe and explain the principles, concept and scope of entrepreneurship

LG Code: EIS BCW1 M12 LO1 LG-41

LG42: Discuss how to become entrepreneur

LG Code: EIS BCW1 M12 LO2 LG-42

LG43: Discuss how to organize an enterprise

LG Code: EIS BCW1 M12 LO3 LG-43

Lg44: Discuss how to operate an enterprise

LG Code: EIS BCW1 M12 LO4 LG-44

LG45: Develop one's own business plan

LG Code: EIS BCW1 M12 LO5 LG-45

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Instruction
Sheet

LG41: Describe and explain the principles, concept and scope of entrepreneurship

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

- Analyzing and discussing principles concepts and terminologies of entrepreneurship
- Identifying the different/various forms of enterprise
- Categorizing and classifying the identified enterprises
- Identifying and interpreting the terms and elements involving in the concepts of enterprising
- Explaining functions of entrepreneurship in a business
- Explaining how entrepreneurs are improving business and economic environment

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

- Analyze and discuss principles concepts and terminologies of entrepreneurship
- Identify the different/various forms of enterprise
- Categorize and classify the identified enterprises
- Identify and interpret the terms and elements involving in the concepts of enterprising
- Explain functions of entrepreneurship in a business
- Explain how entrepreneurs are improving business and economic environment

Learning Instructions:

1. Read the specific objectives of this Learning Guide.
2. Follow the instructions described in number 1 to 7.
3. Read the information written in the “Information Sheets 1”. Try to understand what are being discussed. Ask your teacher for assistance if you have hard time understanding them.
4. Accomplish the “Self-check 1 **in page -.**



5. Ask from your teacher the key to correction (key answers) or you can request your teacher to correct your work. (You have to get the key answer only after you finished answering the Self-check 1).
6. If you earned a satisfactory evaluation proceed to “Information Sheet 1”. However, if your rating is unsatisfactory, see your teacher for further instructions or go back to Learning Activity #1.
7. Submit your accomplished Self-check. This will form part of your training portfolio.

Information Sheet-1	Analyzing and discussing principles concepts and terminologies of entrepreneurship
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1.1. Definition of Entrepreneurship

Entrepreneurship is the act of creating a business or businesses while building and scaling it to generate a profit. It is also about transforming the world by solving big problems. **It** is the process of doing something new and something different for the purpose of creating wealth for the individual and adding value to society.

Entrepreneurship is an organizational and management approach that enables persons to respond to change and solve problems in whatever situation (either business or non-business) they may find themselves.

Like initiating social change, creating an innovative product or presenting a new life-changing solution. It’s about building a life on your own terms. No bosses, No restricting schedules and no one holding you back. Entrepreneurs are able to take the first step into making the world a better place, for everyone in the world.

1.2 .Principles of Entrepreneurship

1.Be a Solution Provider

You must note that entrepreneurship is not just about making money at first but it’s about providing solutions and adding value.

2. Have a Vision

You are not an entrepreneur merely to make a living. You are an entrepreneur because you want to enable the world to live more amply, with greater vision, with a finer spirit of hope and achievement. You are an entrepreneur to enrich the world, and you impoverish yourself if you forget the errand. Jonathan Swift said that “*Vision is the art of seeing what is invisible to others*”. Have a defined purpose and pursue it.



“Successful entrepreneurs are those that were able to transform their vision into reality”

3. Choose the Right Team

When assembling your team, it is imperative to gather a team of individuals with the same mindset and attitude towards achieving a common goal.

“Good team work builds speed”

4. Viable Product/Service

Let your product/service fulfill a need, be innovative and the approach, a little different from other regular businesses. Technology is an important tool in the hand of modern entrepreneurs

“Good products most times sell itself”

5. Capital

Good business plan always draw investors. Capital should be your least worry when you have a solution. Entrepreneurship is all about solution. When your idea is great, you can easily get investors or government loan. World’s economy depends on it.

“Capital isn’t scarce, vision is”

6. Accountability

As an entrepreneur, you are accountable to the success or failure of your business, not your employees, investors or advisors. You must have detailed account of whatever transaction made by the company. Have a scorecard of all inventories.

“Accountability breeds responsibility”

7. Growth and Marketing

Every successful business grew over the years. Most big companies started small. It was all a process. Success in business is not a one-time event; it is an on-going process. You must give room for growth. Do not be content with the success of yesterday; always strive to beat your own record. That way, your business will keep on growing, your investors will be happy to remain and inject more funds. Always remain focused and dedicated to your goal. Have a clear goal and pursue it. Your business growth also depends on your **marketing strategy**. Marketing helps in getting your product known and good sales come from good marketing.

“Without continual growth and progress, such words as improvement, achievement, and success have no meaning”

8. Know Your Customer

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Your customer base determines the life of your business. If you provide solution to better the world, your customers will increase. In business, the higher your customers, the higher the profit. Your business must be streamlined into a particular niche.

“Always treat your customers as special guests”

9. Priorities

For success in business, you must categorize things in order of importance. Set your priorities based on your goals and do not deviate. Your investors should not make you lose focus on your dream.

“Things which matters most must never be at the mercy of things which matter least”

10. Never Give Up

The never give up attitude is one quality an entrepreneur must possess. Successful entrepreneurs are goal-getters. They never give up on turning their vision into reality.

“Never, Never, Never Give Up”

1.3. ENTREPRENEURIAL CHARACTERISTICS

Enterprising women and men exhibit the following characteristics:

E-Energy.

Working hard, but in a smart way, is key to being enterprising.

N -Need to achieve.

You need to have the motivation to achieve success and accomplish all the activities you engage in.

T- Task oriented.

To gain satisfying rewards, tasks have to be completed on time. Efficiency, effectiveness and time management are important aspects that enable you to complete tasks.

E -Empathy.

You are able to mentally put yourself in the position of the people you intend to influence. You try to feel what they are feeling.

R- Resourcefulness.

You are able to provide the leadership and guidance needed to manage the enterprise.

Identification, mobilization and effective utilization of both the physical and the nonphysical resources needed in undertaking a venture are very important in managing the enterprise.

P -Planning.

To see the total picture of the enterprise, it is necessary to establish a written plan.

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R -Risk-taking.

The decision to go ahead and start the enterprise or undertake the activity must be made. All enterprising men and women take risks only after they have conducted research, so that they can achieve the desired results and receive the rewards.

I -Innovation.

The ability to apply new ideas that will enable you to undertake unique activities is another hallmark of enterprising people. Through individual initiative, imagination, intuition and insight you will be able to devise new ways of doing things to accommodate whatever new situation you may find yourself in.

S -Skills.

Enterprising men and women have the ability or know-how that enables them to undertake and complete activities. Most men and women have a certain amount of knowledge, attitudes and practical skills that can be useful when realizing an enterprise.

Independence means freedom from dependence on others. Enterprising people are able to make their own decisions and are self reliant. They exercise their own will without the control of others.

N -Networking.

Networking is important because through this activity, enterprising people obtain information and learn from feedback they receive from others.

G- Goal oriented.

Self-Check -1	Written Test
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Directions: Answer all the questions listed below. Use the Answer sheet provided in the next page:

Match Column A with Column B

Column A

Column B

_____1. Entrepreneurship

A. Innovation

_____2.Principle of Entrepreneurship

B. Never Give-up

_____3. Characteristics of Enterprising

C. Act of Creating a Business

D. An act of Satisfaction

Note: Satisfactory rating - 3 points

Unsatisfactory - below 3 points

Answer Sheet

Score = _____
Rating: _____

Name: _____

Date: _____



Information Sheet-2	Identifying the different/various forms of enterprise
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1.1. Enterprising

An idea that is translated into Personal context a planned and implemented activity business venture or Business context: undertaking that brings profit. On a personal level, enterprising can be any identified idea that a person can translate

Into a planned and satisfactorily implemented activity. In the business sense, Enterprising refers to the implementation of a business venture or undertaking. Practically all undertakings can be referred to as enterprising, i.e. idea identification, Planning, implementation, successful completion of an activity and receiving the rewards. You are enterprising if you follow the above process whenever you are involved with issues in your life. By understanding the enterprising concept, you can appreciate that all people have the potential to be enterprising. Some people are enterprising when they own a business. Enterprising men and women are able to deal positively with the challenges and problems they face in their daily lives. Being enterprising can bring benefits to you and also help you to become a value member of your family, community, place of work and society. By adopting an enterprising approach to your activities, you will know what to do in whatever circumstances you find yourself in. This kind of approach will enable you to appreciate the challenges of life because you will be able to translate challenges into positive results.

2.2. Different Forms of Enterprise

People in a community have many interests and different needs and wants. Enterprising men and women are able to identify these needs and wants and establish specific enterprises to satisfy them. Enterprises can provide satisfying rewards for those who successfully establish them. Terms used to classify enterprises include:

- private
- public
- formal
- informal
- individual
- community
- local
- foreign
- small
- large

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- business
- social
- manufacturing
- service
- Consumer goods or industrial goods.

Enterprises that succeed, irrespective of their nature, come up with valued approaches to provide solutions to problems, and satisfying the desired needs and wants.

Enterprises in a community have the potential to benefit from each other. Output from one enterprise normally becomes input for other enterprises, and this helps in money circulation among the enterprises within the community. The more money circulates in the community, the more prosperous the community becomes.

Men and women acquire different skills that lead to different careers. They are applied in trade, services, manufacturing, food processing, recreation, information and communication, and other forms of enterprises. The existence of many types of enterprise in your community offers you opportunities to apply the skills you have acquired.

Self-Check -2	Written Test
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Directions: Answer all the questions listed below. Use the Answer sheet provided in the next page

Multiple Choice

1. Which one of the following is public type of enterprise?
 A. Telecommunication Corporation B. Retail Shop C. Wholesale enterprise
 D..none Answer- A
2. Enterprises are applied on:- A. Trade B. Services C. Manufacturing D. All E. none.

Note: Satisfactory rating - 3 points

Unsatisfactory - below 3 points

Answer Sheet

Score = _____
Rating: _____

Name: _____

Date: _____

Short Answer Questions

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1. Define What Enterprising mean?
2. Write at least five forms of enterprises

Information Sheet-3	Categorizing and classifying the identified enterprises
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2.1. Different Forms of Enterprise

People in a community have many interests and different needs and wants. Enterprising men and women are able to identify these needs and wants and establish specific enterprises to satisfy them. Enterprises can provide satisfying rewards for those who successfully establish them.

2.2. Classification/Category/ of Enterprises

- Private vs Public
- Profit vs Non-profit
- Manufacturing vs Service
- Local vs Foreign
- Business vs Social (non- business)
- Consumer vs Industrial
- Formal vs Informal
- Small vs Large

Self-Check –3	Written Test
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Directions: Answer all the questions listed below. Use the Answer sheet provided in the next page:

Note: Satisfactory rating - 5 points

Unsatisfactory - below 5 points

Answer Sheet

Score = _____
Rating: _____

Name: _____

Date: _____



Short Answer Questions

1. Write at least six classification of enterprises.

Information Sheet-4	Identifying and interpreting the terms and elements involving in the concepts of enterprising
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4.1. Terms used to explain enterprising

4.1.1. Enterprising involves:

1. Idea – identification, imagination, thought
2. Planned - Thought out, written down
3. Implemented - Using people, using materials, using money
4. Activity - can be seen, can be touched
5. Reward - Satisfying outcome, acceptable feedback

4.1.2. Meaning and scope of enterprising

- I. Personal context: An idea that is translated into a personal level. Enterprising can be any identified idea that a person can translate into a planned and satisfactorily implemented activity. In the business sense, enterprising refers to the implementation of a business venture or undertaking. Practically all undertakings can be referred to as enterprising, i.e. idea identification, planning, implementation, successful completion of an activity and receiving the rewards.
- II. Planned and implemented activity.
- III. Business context: Business venture or undertaking that brings profit.

Self-Check –4	Written Test
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Directions: Answer all the questions listed below. Use the Answer sheet provided in the next page:

- I. Choose the Best Answer from the given alternatives.
 1. Enterprising involves: A. Idea generation B. Planning C. activity D. all
 2. Which comes first in enterprising? A. Planning B. Idea identification C. Activity D. none

Note: Satisfactory rating - 5 points

Unsatisfactory - below 5 points

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Answer Sheet

Score = _____

Rating: _____

Name: _____

Date: _____

Short Answer Questions

Information Sheet-5

Explaining functions of entrepreneurship in a business

5.1. Function of Entrepreneurship in business.

5.1.1. Entrepreneurial Function in Business

- a. Identifying gaps in the market
- b. Obtaining finance for the business
- c. Managing the business/ managerial function/
- d. Bearing the uncertainties /risk taking activity/
- e. Creating job and wealth in the community

a) Entrepreneurs are the prime movers in the business or social sectors. Without entrepreneurs, there would be no business or social development. They are the ones who **identify gaps in the market** and then turn these gaps into business opportunities.

b) It is the entrepreneur who **obtains finances** for the business. After identifying a business opportunity, the entrepreneur mobilizes the necessary resources to implement the opportunity and becomes the financier of the enterprise. The entrepreneur does not of course have to finance the business from personal savings alone. The necessary finances and other resources could be borrowed. It is, therefore, a function of the entrepreneur to provide financing for the business.

c) Another function of the entrepreneur is to **manage** the business. This is also a function that he/she can delegate to other people. Even where other people are employed to manage the business, the ultimate responsibility for management remains with the entrepreneur.



Management functions involve a wide range of activities such as organizing, coordinating, leading, recruiting, rewarding and evaluating employees. The entrepreneur manages production, marketing, personnel and all other aspects of the business.

d) The entrepreneur also has the function of **bearing the uncertainties** and risks of the business. Entrepreneurs try to avoid risk situations whenever possible. Entrepreneurs take only calculated risks; before taking a risk, they know the costs and the benefits of the risk situation.

e) Through the entrepreneurial function, many jobs are created in the economy. In addition, wealth is made available to the individual, the community and society through the actions of entrepreneurs. Entrepreneurs **encourage competition**, which is critical in sustaining a free market system and promotes economic growth, social progress and the spread of prosperity among a country's population. Entrepreneurship is an effective mechanism for ensuring innovation and creativity as well as achieving economic development at the grassroots level.

Self-Check –5	Written Test
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Directions: Answer all the questions listed below. Use the Answer sheet provided in the next page:

- I. Choose the Best Answer from the Given Alternatives
 1. One is not function of enterprising?
 - A. **Encourage Competition** B. **manage** the business C. **Obtains finances**
 - D. **none**
 2. Bearing uncertainties in enterprise function means pertains:-
 - A. Financing B. Encouraging Competition C. avoid risk situations D. none

Note: Satisfactory rating - 5 points

Unsatisfactory - below 5 points

Answer Sheet

Score = _____
Rating: _____

Name: _____

Date: _____

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Short Answer Questions

1. Why Gap in the market is identified?

Answer-To turn Gaps into business opportunities

Information Sheet-6	Explaining how entrepreneurs are improving business and economic environment
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6.1. How Entrepreneurs improve business and economic environment

Entrepreneurs boost **economic** growth by introducing innovative technologies, products, and services. Increased competition from **entrepreneurs** challenges existing firms to become more competitive. ... **Entrepreneurial** activity raises the productivity of firms and **economies**.

6.2. Entrepreneurs and their impact on jobs and economic growth

Productive entrepreneurs can invigorate /refresh/ the economy by creating jobs and new technologies, and increasing productivity. Entrepreneurs are equally, if not more, important when the economy is doing badly. When unemployment is high and the economy is contracting or stagnating, dynamic entrepreneurship could help turn the economy around. By developing novel products or increasing competition, new firms can boost demand, which could in turn create new job opportunities and reduce unemployment. Often lead to economic growth [2]. Entrepreneurs who bring innovations to the market offer a key value-generating contribution to economic progress. The following are main contributions of entrepreneurs.

- Entrepreneurs encourages structural change
- Entrepreneurs introduce innovations and induce economic growth.
- Entrepreneurs increase competition
- entrepreneurs have positive employment effects in the short and long term, and negative effects in the medium term
- New businesses boost productivity
- Entrepreneurship encourages structural change

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6.3. Self-Management Activity

A. Efficient self-management means that you must effectively organize and plan your day-to-day tasks. To get the most use of the available time you have each day, set priorities (what is most important) and complete those – most important - things first.

B. Tasks tend to fall into three areas:

- 1) Tasks that must be done,
- 2) Tasks that should be done, and
- 3) Tasks least important or do not have to be done at all.

C. It is recommended that you make a list of all things that you want to accomplish in a day. Then set up a rating system for your list, for example: “A” for the most important tasks, “B” for the tasks that should be done, “C” for the least important tasks. You should only complete the “C’s” tasks if time allows.

D. Following a schedule controls the time needed to complete tasks. The time schedule can be adjusted due to unforeseen circumstances.

E. Choose five tasks you would like to accomplish by the end of today. Rank each task by level of importance (A, B or C) and indicate how much time is needed for each activity.

F. Set up a schedule for the day to complete these task.

G. Did your schedule your work? What would you change to have your schedule work better for you? Did you spend less or more time on a particular task? Did you omit or change any task?

6.4. Entrepreneurial Self-Management techniques

1. Complete High Priority Tasks First.
2. Use of Time.
3. Delegate Tasks to Subordinates.
4. Group Tasks.
5. Maintain a Clean Office.
6. Be Ready to Say “no!”
7. Have Daily Objectives.
8. Don’t try to do too much.

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9. Plan Effectively

Self-Check –6	Written Test
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Directions: Answer all the questions listed below. Use the Answer sheet provided in the next page:

Multiple Choice

Choose the best answer from the given alternatives.

1. Entrepreneurs retarded economic growth. This is :- A. True B. False C. neither true nor False
2. Productive entrepreneurs can invigorate /refresh/ the economy by:
A. Creating jobs B. Creating new technologies C. increasing productivity D. All E. A&B only.

3. Which one of the following is not true about entrepreneurs' contribution to economic development?

- A. Entrepreneurs encourages structural change
- B. Entrepreneurs introduce innovations and induce economic growth.
- C. Entrepreneurs increase competition
- D. Entrepreneurs are not important when the economy is doing bad
- E. All E. none

Answer- D

Note: Satisfactory rating - 5 points

Unsatisfactory - below 5 points

Answer Sheet

Score = _____
Rating: _____

Name: _____

Date: _____

Short Answer Questions

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Instruction Sheet	LG42: Discuss how to become entrepreneur
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This guide will also assist you to attain the learning outcome stated in the cover page. Specifically, upon completion of this Learning Guide, **you will be able to –**

- Discussing and analyzing self- employment
- Discussing and analyzing advantages and disadvantages of Self –employment
- Identifying and discussing entrepreneurial characteristics and traits
- Assessing self -potential to be future entrepreneur
- Identifying and explaining major competencies of successful entrepreneur

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

- Discuss and analyze self- employment
- Discuss and analyze advantages and disadvantages of Self –employment
- Identify and discuss entrepreneurial characteristics and traits
- Assess self -potential to be future entrepreneur
- Identify and explain major competencies of successful entrepreneur

Learning Instructions:

1. Read the specific objectives of this Learning Guide.
2. Follow the instructions described in number 3 to 20.
3. Read the information written in the “Information Sheets 2”. Try to understand what are being discussed. Ask your teacher for assistance if you have hard time understanding them.
4. Accomplish the “Self-check 2” **in page -**.
5. Ask from your teacher the key to correction (key answers) or you can request your teacher to correct your work. (You have to get the key answer only after you finished answering the Self-check 2).
6. If you earned a satisfactory evaluation proceed to “Information Sheet 3”. However, if your rating is unsatisfactory, see your teacher for further instructions or go back to Learning Activity #2.
7. Submit your accomplished Self-check. This will form part of your training portfolio.

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Information Sheet-1	Discussing and analyzing self- employment
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1.1. Self-employment

Self-employment is the state of working for oneself rather than an employer. Generally, tax authorities will view a person as self-employed if the person chooses to be recognized as such, or is generating income such that the person is required to file a tax return under legislation in the relevant jurisdiction. In the real world, the critical issue for the taxing authorities is not that the person is trading but is whether the person is profitable and hence potentially taxable. In other words, the activity of trading is likely to be ignored if no profit is present, so occasional and hobby- or enthusiast-based economic activity is generally ignored by authorities.

1.2. Objective of Self Employment

- To enable learners to appreciate that self-employment is a lifestyle that may suit some of them upon graduation.
- “Self- employment is an activity where individuals create their own employment opportunities by creating a business.
- Self-employed people generally find their own work rather than being provided with work by an employer, earning income from a profession, a trade or a business that they operate.
- In some countries governments (the United States and United Kingdom, for example) are placing more emphasis on clarifying whether an individual is self-employed or engaged in disguised employment, often described as the pretense of a contractual intra-business relationship to hide what is otherwise a simple employer-employee relationship.

1.3. Difference between self-employment, entrepreneurship, and startup

Self-employment provides works primarily for the founders. Entrepreneurship refers all new businesses, including self-employment and businesses that never intend to grow big or become registered, but startups refer to new businesses that intend to grow beyond the founders, to have employees, and grow large.

In summary:

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- Self-employment: an organization created with the primary intention to give a job to the founders.
- Entrepreneurship: all new organizations. startup: a temporary new organization created with the intention to be bigger (at least have employees)
- A **startup company**, or simply a **startup**, is an entrepreneurial venture in its early stages of operations typically aimed at resolving a real life issue with an innovative product or service.

Self-Check –1	Written Test
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Directions: Answer all the questions listed below. Use the Answer sheet provided in the next page:

Note: Satisfactory rating - 5 points

Unsatisfactory - below 5 points

Answer Sheet

Score = _____
Rating: _____

Name: _____

Date: _____

Short Answer Questions

1. **What is the difference between self-employment, entrepreneurship and start-up?**



Information Sheet-2	Discuss and analyzing advantages and disadvantages of Self –employment
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2.1. Self-Employment:

ADVANTAGES

1. Leads rather than follows
2. Can implement ideas
3. Can be creative
4. Potential income unlimited
5. Independence
6. Can take initiative
7. Controls work environment
8. Gives orders

CHALLENGES/DISADVANTAGES/

1. Long, irregular hours of work
2. Broad responsibility
3. Must take risks
4. Income neither stable nor guaranteed
5. No fringe benefits
6. Always involved in finances
7. Time constraint
8. Uncertain future
9. Learning never ends
10. Hard to delegate work
11. Too much paperwork
12. Dependent on employee actions



Self-Check –2	Written Test
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Directions: Answer all the questions listed below. Use the Answer sheet provided in the next page:

Note: Satisfactory rating - 5 points

Unsatisfactory - below 5 points

Answer Sheet

Score = _____
Rating: _____

Matching

Match Column A With Column B (It has more than one answer)

Column A Column B

- | | |
|---|---|
| <p>___1. Advantages of Self-Employment</p> <p>___2. Disadvantage of Self-Employment</p> | <p>A. Leads rather than follows</p> <p>B. Broad responsibility</p> <p>C. Can implement ideas</p> <p>D. Must take risks</p> <p>E. Independence</p> <p>F. Time constraint</p> |
|---|---|

Name: _____

Date: _____



Information Sheet-3	Identifying and discussing entrepreneurial characteristics and traits
----------------------------	---

3.1. Entrepreneurial characteristics

- Self- confident
- Independent
- Optimistic
- Dynamic leader
- Originality of thought
- Builds on strengths
- Innovative and creative
- Resourceful
- Committed
- Takes initiative
- Versatile and knowledgeable
- Gets along with others
- Flexible
- Responsive to feedback
- Achievement-oriented
- Builds for the future
- Highly motivated
- Profit-oriented
- Persistent and determined
- Willing to listen
- Hard working
- Energetic and forceful
- Perceptive
- Goal-oriented
- Risk-taker
- Accepts challenges
- Communicates effectively
- Decision-maker
- Sets own performance standards
- Sees broad picture
- Mentally well-organized
- Understands self
- Manages an organization
- Reliable, has integrity
- Copes with uncertainty

3.2. Traits: have been defined as the aggregate of peculiar qualities or characteristics which constitutes personal individuality. The 14 PECs can be summarized as follows and a successful entrepreneur:

- Takes initiative
- Is persistent
- Is concerned for high quality
- Is oriented to efficiency
- Solves problems in original ways
- Takes calculated risks
- Is persuasive
- Sees and acts on opportunities
- personally seeks information
- is committed to fulfilling contracts
- Plans systematically
- Demonstrates self-confidence
- is assertive
- Uses influential strategies

3.3. What would happen if a person had,

- Knowledge and skills only?

✓ unlikely to survive for long,



- ✓ he/she might exhibit little persistence when faced with major obstacles; or
- ✓ may neither see nor act on opportunities; or
- ✓ unwilling to take the calculated risk

• **Knowledge and traits only?**

- ✓ too dependent on outsiders and,
- ✓ The solution might be to find a partner or employ people with the requisite skills.

3.4. What would happen if a person had

• **Skills and traits only?**

Might be able to start a business. In a competitive environment, however, the lack of knowledge or familiarity with, for example, customers, or the market (including trends) could lead to failure. Information is essential for any business to succeed.

Self-Check –3	Written Test
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Directions: Answer all the questions listed below. Use the Answer sheet provided in the next page:

Note: Satisfactory rating - 5 points

Unsatisfactory - below 5 points

Multiple Choices

Choose the Best Answer from the given Alternatives

1. Which one of the following is not entrepreneurial characteristics?

A. Takes initiative B. Decision Maker C. Achievement-Oriented D. Persistent E. none

2. Aggregate of peculiar qualities which constitutes personal individuality:-

A. Characteristics B. Traits C. Principles D. none

Answer Sheet

Score = _____
Rating: _____

Name: _____

Date: _____

Short Answer Questions

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Information Sheet-4	Assessing self -potential to be future entrepreneur
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4.1. Assessing self -potential to be future entrepreneur

Whether you are about to start a new business or are already running one, every now and then you need to take time to review where you are and where you are going. Perhaps the most crucial aspect is whether you are going in the right direction and how you can make sure you arrive at the point of success. Start with a checklist that should include the following areas...

Your Passion

Are you passionate /Enthusiastic/about your business? If not, you’re probably in the wrong business and should think again. Unless you have that passion, you’ll be unlikely to weather the storms and come out smiling on the other side.

Your Vision

Do you have one for where you want to be in five years- time, and in ten years? This vision needs to sit in your mind while you mull over the different ways to get there.

Your Connections

Contacts are crucial for your business. If you’re worried about networking taking time from your day, join a business breakfast club and get it all over with early. These are springing up all over the place and members often make a point of doing business together.

It is equally vital that you don’t try to do everything yourself, for the business as well as your sanity. Many entrepreneurs have bitten the dust because they wouldn’t, or couldn’t, delegate or accept help. If you can’t afford a dedicated PA, and haven’t any family members who can help, check out the services of a virtual one. Assistants take the worry out of not being able to be in two places at once, not having the time to write follow up letters or emails, and so on. They can be worth their weight in gold.

Your Customer Relations

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Do you keep records of what your customers purchase from you, be it products or services? Do you know how much they've spent with you, and how they've spent their money. Among the many benefits you'll derive from this is that you can communicate with them personally, make them feel special to you.

Later, when they are established with you, is the time to go for a customer survey or to ask them to refer their own contacts. Then, if you don't have a referrals reward scheme, a simple thank you is always appreciated. It can lead to more referrals, while a sense of being ignored means they're unlikely to repeat their generosity.

Your Staff Relations

This is another crucial area, whether you have a paid workforce, rely on help from family and friends, or buy in temporary help now and then. Make people feel appreciated and you'll have their loyalty. Involve them in decision-making, even in a small way, and they will set to with gusto to make those decisions work. If you work with enough people to form more than one team, encourage a little competitiveness. As long as the teams can be equally balanced, this can be an effective way to get maximum productivity.

If you have a suggestion box, don't ignore anything posted in it. If it's not feasible, make sure everyone knows why. If you hold regular brainstorming sessions, involve everyone from your second in command to the lowest office assistant. Some of the best ideas can come out of these, and you'll get great satisfaction from seeing an office boy's pride as the management team discusses his idea with him and turns it into a brilliant plan. As the boss, you will benefit too as his confidence soars.

Your Personal Check List

Every entrepreneur needs to take time regularly to review all these areas of their business and how they themselves are performing. But no checklist is right for everyone. You can probably think of other areas to add to your own list. So do make your own checklist and set an appointment with yourself to review it at regular intervals. Having a mentor with you will help if you're not sure you can be totally honest with yourself, but just having your own thinking time is better than not doing it at all. Have your checklist to hand and take notes on action points as you go. Be sure to put your next self- assessment in your diary before you finish.

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Self-Check –4	Written Test
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Directions: Answer all the questions listed below. Use the Answer sheet provided in the next page:

Note: Satisfactory rating - 5 points

Unsatisfactory - below 5 points

Answer Sheet

Score = _____
Rating: _____

Name: _____

Date: _____

Short Answer Questions

8. Write at least four self-potentialities to be an entrepreneur.

Information Sheet-5	Identifying and explaining major competencies of successful
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	entrepreneur
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5.1. Who is Entrepreneur?

An entrepreneur is the person who sees a problem in the world and immediately focuses on creating the solution. They're the leaders that strike out on their own to improve society. Whether they're creating jobs or a new product, they constantly take action to ensure world progress.

5.1.1.Importance of Entrepreneurs

- Entrepreneurs create jobs Entrepreneurs create change
- Entrepreneurs are given to society
- Entrepreneurs add to national income
- Entrepreneurs see possibilities and solutions where the average person only sees annoyances and problems.

5.1. 1. ENTREPRENEURIAL COMPETENCIES

- Taking Initiatives
- being highly competitive
- Exploiting Change
- dealing with uncertainties
- Seeking Opportunities

5.2. Major Competencies for Successful Entrepreneurship

There are three major competencies for successful entrepreneurship. These are:

- a body of knowledge
- a set of skills
- a cluster of traits.

A. Knowledge: has been defined as a set or body of information stored, which may be recalled at an appropriate time. Knowledge in the context of business may be manifested by information on, or familiarity with aspects such as:

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- Business opportunity • the market
- Customers • competitors
- Production processes • technical matters
- Business management • sources of assistance

Knowledge of business or entrepreneurship, however, is not enough for success in setting up and operating a business – in the same way as, for example, reading or learning about flying, driving or swimming will not on its own enable you to fly a plane, drive a car or swim in a pool.

Skill: has been defined as the ability to apply knowledge and can be acquired or developed through practice, e.g. flying, driving or swimming. In the context of business, it is possible to distinguish between skills of a technical and managerial nature. Some examples are listed below:

Technical

- Engineering
- Computing
- Sewing
- Carpentry
- Mechanics
- Catering

Managerial

- Marketing (including selling)
- Time management
- Financial management
- Organization
- Planning
- Leadership



Self-Check –5	Written Test
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Directions: Answer all the questions listed below. Use the Answer sheet provided in the next page:

Note: Satisfactory rating - 5 points

Unsatisfactory - below 5 points

Multiple Choice

1. Which one is true about entrepreneur?

- A. Entrepreneurs do not create job. B. Entrepreneurs are not self -initiative C. It is good to have a body of knowledge only for successful entrepreneurs D. none

2. Which one of the following is not a technical skill type for entrepreneurs?

- A. Engineering B. Sewing C. Competing D. Planning

Answer Sheet

Score = _____
Rating: _____

Name: _____

Date: _____

Short Answer Questions



Instruction Sheet	LG43: Discuss how to organize an enterprise
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This guide will also assist you to attain the learning outcome stated in the cover page. Specifically, upon completion of this Learning Guide, **you will be able to –**

- Discussing and correlating the importance and role of entrepreneurship
- Discussing, clarifying and understanding facts about the small and medium enterprises
- Identifying and explaining key success factors in setting up small and medium business
- Identifying and assessing business opportunities
- Generating business ideas
- Discussing and understanding procedures for identifying suitable market
- Identifying and discussing major factors in selecting a location
- Identifying and explaining the basic types of business ownership
- Estimating the amount of money needed to start an enterprise
- Clarifying distinction between pre operations and initial operation payments
- Identifying Advantages and disadvantages of using various sources of capital to start an enterprise.

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

- Discuss and correlate the importance and role of entrepreneurship
- Discussing, clarifying and understanding facts about the small and medium enterprises
- Identify and explain key success factors in setting up small and medium business
- Identify and assess business opportunities
- Generate business ideas
- Discuss and understand procedures for identifying suitable market
- Identify and discuss major factors in selecting a location
- Identify and explain the basic types of business ownership
- Estimate the amount of money needed to start an enterprise
- Clarify distinction between pre operations and initial operation payments



- Identify Advantages and disadvantages of using various sources of capital to start an enterprise.

Learning Instructions:

1. Read the specific objectives of this Learning Guide.
2. Follow the instructions described in number 1 to 7.
3. Read the information written in the “Information Sheets 2”. Try to understand what are being discussed. Ask your teacher for assistance if you have hard time understanding them.
4. Accomplish the “Self-check 2” **in page -**.
5. Ask from your teacher the key to correction (key answers) or you can request your teacher to correct your work. (You have to get the key answer only after you finished answering the Self-check 2).
6. If you earned a satisfactory evaluation proceed to “Information Sheet 3”. However, if your rating is unsatisfactory, see your teacher for further instructions or go back to Learning Activity #2.
7. Submit your accomplished Self-check. This will form part of your training portfolio.

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Information Sheet-1	Discussing and correlating the importance and role of entrepreneurship
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1.1. Entrepreneurial Roles in Business

These are referred to as **behavioral roles**. All entrepreneurs have these common characteristics and decide to become an entrepreneur due to the factors or circumstances in their lives which made them think the way they do.

To do their work effectively and operate a successful business, these entrepreneurs should perform certain roles. These roles are the same as the basic managerial roles. All such roles are listed out in detail as follows –

Figure Head Role

The entrepreneur needs to be the Head in the organization and participate in ceremonial duties, such as representing the organization in formal and informal events or even being the public spokesperson whenever there is a press release, etc.

Leader Role

The entrepreneur should also act as a leader because an entrepreneur may need to bring people with dissenting views and approaches to work together as a team.

Liaison Role

The entrepreneur should also be the liaison officer for his organization. He should be the source of link with the outside world and business houses, always trying to find an opportunity of working together with other big organizations.

Monitor Role

The entrepreneur acts as a regulatory body too; he monitors both the internal and the external environment of the business constantly.

Information Provider and Receiver Role

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The entrepreneur should also act as the organizational representative and transmit information internally and externally the organization.

Spokesman Role

The manager should also act as the spokesman of the business and transmit information internally and externally the organization. He needs to be the source of knowledge about his company to potential investors and collaborators.

Entrepreneurial Role

This is the basic role of the entrepreneur; he/she declares new ideas for the organizations, brainstorms it with the employees and friends and then bears the risk of any unsuccessful implementation.

Disturbance Handler

The entrepreneur needs to act as the mediator and bring people with dissenting thoughts to the table and get them motivated to work together. He needs to handle all conflicts and get the team to focus constantly on the goal.

Resource Allocator

The entrepreneur needs to find out how the available resources can be allocated between different departments of the organization to suit their demands and necessities. This helps them achieve the organizational goals and the objectives.

Negotiator Role

The entrepreneur must negotiate on behalf of the organization both internally with the staff as well as with the external investors or collaborators. At such opportunities, the entrepreneurs need to be more focused on their role of being a ‘win-win’ deal breaker.

1.2. Added Roles of an Entrepreneur

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Apart from the above-mentioned roles, there are some specific entrepreneurial roles that a person is supposed to fill up in his duties of an entrepreneur. These are divided into three categories, which are as follows –

- Social Roles,
- Economic Roles, and
- Technological Roles.

Let us now discuss each of them in detail.

Social Roles of Entrepreneur

- Creating opportunities for entrepreneurship.
- Creating job or employment opportunities in the society.
- Engaging in social welfare services of redistributing income and wealth.
- Transforming a standard working procedure into a more modern approach.

Economic Roles of Entrepreneurs

- Bearing the risk of failing in business.
- Mobilizing the revenue of the organization properly.
- Utilizing human resources in a cost-efficient manner.
- Providing channels of further economic growth in the organization.

Technological Roles of Entrepreneur

- Changing traditional technology to modern system.
- Adapting improved technology to business environment.
- Utilization of available technology in the production process.
- Developing efficiency and competence in the workforce through technology

1.3. Importance of Entrepreneurship

1. EMPLOYMENT CREATION:

2. LOCAL RESOURCES:

When entrepreneurs utilize local resources, the value of these resources increases.

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- 3. **DECENTRALIZATION AND DIVERSIFICATION OF BUSINESS:** Entrepreneurs are able to identify business opportunities, and locate these businesses in suitable areas, including rural areas.
- 4. **PROMOTION OF TECHNOLOGY:** By being creative, entrepreneurs are able to contribute to the utilization and development of appropriate technology.
- 5. **CAPITAL FORMATION:** Entrepreneurship increases capital formation and investment in new and expanding businesses.
- 6. **PROMOTION OF AN ENTREPRENEURIAL CULTURE:** By projecting successful images, entrepreneurs become role models for other people.

Self-Check –1	Written Test
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Directions: Answer all the questions listed below. Use the Answer sheet provided in the next page:

Note: Satisfactory rating - 5 points

Unsatisfactory - below 5 points

Answer Sheet

Score = _____
Rating: _____

Name: _____

Date: _____

Short Answer Questions

1. Write at least two economic role of entrepreneurs
2. Write three dominant roles of Entrepreneurs
3. Write at least three Importance’s of entrepreneurship



Information Sheet-2	Discussing, clarifying and understanding facts about the small and medium enterprises
----------------------------	---

2.1. Small and medium enterprises.

A. Definitions of small businesses

A business is small if the owner has direct lines of communication with the operating managers and has personal contact with a large proportion of the work force, including key personnel.”

- Individually owned and operated business”
- “A business employing not more than fifty people” (this number may differ from one country to another)

B. Elements constituting the meaning of small business:

- Independent management
- Owner supplied capital
- Mainly local area of operation
- Relatively small size within an industry

2.2. Weaknesses and Strengths of Small Enterprises

2.2.1. SMALL ENTERPRISE STRENGTHS:

- **Personal touch**
- **Greater motivation**
- **Greater flexibility**
- **Less bureaucracy**
- **Unobtrusive (less conspicuous)**

2.2.2. SMALL ENTERPRISE WEAKNESSES:

- ✓ **Financial limitations**
- ✓ **Staffing problems**
- ✓ **Higher direct costs**
- ✓ **Too many eggs in one basket**
- ✓ **Lack of credibility**

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2.3. Importance of Micro and Small Enterprises

If you look at your community, there are many small enterprises working and greatly contributing for the development of a country. The contribution of micro and small enterprises is discussed below.

A. Supporting large enterprises:

The major contributions of micro and small enterprises in supporting large enterprises can be classified as distribution and supply function.

- Distribution function: _ to distribute and sale products wholesalers and retailers
- Supply function: _ act as suppliers for sub- contractors
- Outputs of small enterprises serve as inputs of the big enterprises.

B. Sources of innovation: the majority of the twentieth century innovations are the results of individuals or small scale enterprises. E.g. air engine. The research centers of big enterprises focus on the improvement of the existing products.

C. Creating employment opportunities: in our country, after the proclamation of free market economy, many private small business organizations have been established. These small enterprises have provided the chance of employment for many persons.

D. Stimulating economic competition: in an economy, where there is no competition, the quality of products and services highly depends on the self-interest of the business person. This is because the customers do not have different alternatives to compare and select the best organization that brings quality products and services.

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Self-Check –2	Written Test
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Directions: Answer all the questions listed below. Use the Answer sheet provided in the next page:

Matching

Column A

- __D__ 1. Small Enterprises
- __ C__ 2. **Greater motivation**
- __B__ 3. **Higher direct costs**
- __A__ 4. **Sources of Innovation**

Column B

- A. Importance of Micro and Small Enterprise
- B. SMALL ENTERPRISE WEAKNESSES**
- C. SMALL ENTERPRISE STRENGTHS**
- D. Individually owned and operated**
- E. Micro Enterprises**

Answer Sheet

Score = _____
Rating: _____

Name: _____

Date: _____

Short Answer Questions



Information Sheet-3	Identifying and explaining key success factors in setting up small and medium business
----------------------------	--

3.1. Key Success Factors in Setting up a Small Business

How do I become an entrepreneur? How can I set up a successful business? These are questions that people often ask. Unfortunately, however, no proof answer or formula has been identified as yet. The entrepreneur's ability to do this successfully depends on the following factors;

3.1.1. Idea and Market

The important issue to be determined here is the viability of the idea, project, product or service to be offered. In other words, does the idea, product or service meet a need or want for which there are customers who can afford it and are willing to use/purchase it in sufficient quantities to make the whole project worthwhile (i.e. return a profit, in a business context)? How the proposition to be offered is more desirable or better than what is currently available and how will competitors react?

3.1.2. Motivation and Determination

It is widely acknowledged that, to be successful, the individual or group needs to be highly motivated and determined to set up the business to make it succeed. This will be reflected, for example, in how persistent they are in overcoming obstacles that might get in the way, how they go about seeking information and how they act on opportunities. Additional indicators might be their commitment and attitude to work (quality, efficiency, and long hours), previous attempts to set up a business and the support of family or partners.

3.1.3. Ability

Another important question is whether the individual or others involved have particular abilities – these may be knowledge, technical or managerial skills of relevance to the business or project. One way of making up for any lack in this area could be to team up with people who have the necessary expertise, or buy it in.

3.1.4. Resources

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Finally, the extent to which the person(s) involved can acquire or organize resources in adequate measure will not only influence performance but also, in some cases, whether they start at all. Examples here include capital, cash, premises, materials, equipment and labor. The availability of infrastructure (e.g. utilities like electricity, telephone, roads) and support services might also be important.

3.1.5. Business plan

In order to turn the above 4 components into reality, a plan would be required. In business, this is normally referred to as a Business Plan. On the whole a business plan should show four main things, namely:

- Where you currently are with your idea, project or business;
- What you wish to do;
- How you propose to go about it;
- And that the project is worthwhile.

3.1.6. Organization and Management

The business then needs to actually start operating and, once this is done, it would need to be managed. In setting up the business, or before starting to operate, there may be legal or other statutory requirements to be met. There may be a need to consult professionals such as lawyers, accountants and/or staff from small business support agencies for advice. The whole business and the process need to be managed, and how well this is done – in particular, finding and dealing with customers, management of cash and finances, marketing, handling employees, dealing with suppliers, control systems – will all affect

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Self-Check –3	Written Test
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Directions: Answer all the questions listed below. Use the Answer sheet provided in the next page:

Note: Satisfactory rating - 5 points

Unsatisfactory - below 5 points

Answer Sheet

Score = _____
Rating: _____

Name: _____

Date: _____

Short Answer Questions

List entrepreneur’s ability to do this successfully depends on the following factors



4.1. Identifying and assessing business opportunity

Seeing, seeking and acting on opportunities is one of the characteristics of successful entrepreneurs. It is also the basis for starting and maintaining successful ventures. It involves not only generating ideas and recognizing opportunities, but also screening and evaluating them to determine the most viable, attractive propositions to be pursued.

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

4.2. Distinction between ideas and opportunities

A good idea is not necessarily a good business opportunity. Consider, for example, that over 80% of all new products fail. So, what turns an idea into a business opportunity? To put it simply in economic terms, Income must exceed Costs to earn a Profit.

4.3. Characteristics of a good business opportunity

To be a good business opportunity, it must fulfill, or be capable of meeting, the following criteria:

- **Real demand:** responds to unsatisfied needs or requirements of customers who have the ability to purchase and who are willing to buy
- **Return on investment,** provides acceptable returns or rewards for the risk and effort required
- **Be competitive:** be equal to or better (from the viewpoint of the customer) than other available products or services
- **Meet objectives:** meet the goals and aspirations of the person or organization taking the risk
- **Availability of resources and skills:** the entrepreneur is able to obtain the necessary resources.



Self-Check –4	Written Test
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Directions: Answer all the questions listed below. Use the Answer sheet provided in the next page:

Note: Satisfactory rating - 5 points

Unsatisfactory - below 5 points

Answer Sheet

Score = _____
Rating: _____

Self- Check Questions

Choose

- _____ 1. Which one of the following is not characteristics of a good business opportunity?
- A. Real demand B. Return on investment C. Be competitive D. all**
E. none

Name: _____

Date: _____

Short Answer Questions



5.3. How do I find a good business idea?

5.3.1. Generating business idea

The first and foremost step in starting a small business is to find out a suitable business idea. In order to establish a business venture with an entrepreneurial system an entrepreneur needs to take the following steps;

- 1) Search for business idea
- 2) Process the idea/investigate/
- 3) Select the best idea

5.3.2. Search for business idea

The idea may originate from various sources. Example; success story of a friend or family member, demand for certain products, Problems of society, etc. The idea may relate to the starting of new business or to take over of an existing enterprise. The idea should be technically feasible/workable/ and yield a reasonable return on investment.

5.3.3. Idea processing/investigating/

Once business ideas discovered, screening and testing of ideas is done. The following considerations are significant in the evaluation and testing of business ideas.

- a) **Technical feasibility/workability/**: it refers to the possibility of producing the product. Technical feasibility of a product is judged in terms of availability of necessary technology, machinery, equipment, labor, and raw materials.
- b) **Commercial viability**: a cost benefit analysis is required to ascertain the profitability of the idea.

5.3.4. Select the best idea: generally the following considerations influence the selection of idea for a product or service

- a) Products whose imports are restricted by the government
- b) Products which can be exported easily



- c) Products whose demand exceeds their supply
- d) Products which showed high profitability
- e) Products for which incentives are available by the government.

5.4. Why generate business idea

- Business ideas need to respond to market needs.
- Business ideas need to respond to changing consumer wants and needs.
- Business ideas help entrepreneurs to stay ahead of the competition.
- Business ideas are need to because the life cycle of products and services are limited.
- Business ideas help to ensure that businesses operate effectively and efficiently.

5.5. Sources of business ideas

- 1) **Hobbies or personal interests:** if you enjoy playing with computers, cooking, music or sport, you may be able to develop your hobbies or interests into business.
- 2) **Personal skill and experience:** over half of the ideas for successful business come from experiences in the work place. Your skill and experience are probably your most important resource, not only in generating idea but also in capitalizing on the to develop a good business opportunity.
- 3) **Mass media:** newspapers, magazines, TV and internet are all examples of mass media.
- 4) **Exhibition:** another way to find ideas for a business is to attend exhibitions.
- 5) **Survey:** survey might be conducted informally or formally by talking to people. Survey may be conducted using a questionnaire through interviews or through observation.
- 6) **Brainstorming:** brainstorming is a technique for creative problem solving and for generating ideas. The objective is to come up with as many ideas as possible. Brainstorming usually starts with a key question or problem statement. Each idea leads to one or more additional ideas. As a result, you will have in a good number of business ideas.

5.6. Four rules of brainstorming

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- I. Don't criticize the idea of others.
- II. Ideas that seem to be wild or crazy are welcome.
- III. Quantity is desirable-the greater the number of ideas , the better
- IV. Try to combine and improve upon the idea of others.

5.7. Creativity

Creativity is the ability o bring something new in to existence. Entrepreneurs use creativity to solve every day problems, promote products and services, update products and services etc. to be creative, entrepreneurs need to keep their mind and eyes open to their environment. Creative exercise; the nine dots, Creative Square, cancel the six letters and make a single word that is meaningful.

5.7.1. Organizational actions that may hinder creativity are;

- Emphasis bureaucratic structure
- Minimize the availability of resources
- Ensure poor communication that blocks the flow of ideas
- Omit reward for success

5.7.2 .Organizational actions that enhance creativity;

- Create an open, decentralized organizational structure
- Provide the freedom to fail
- Make resources available for new initiatives
- Remove bureaucratic structure
- Provide appropriate financial and nonfinancial reward for success

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Self-Check –5	Written Test
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Directions: Answer all the questions listed below. Use the Answer sheet provided in the next page:

Note: Satisfactory rating - 5 points

Unsatisfactory - below 5 points

Answer Sheet

Score = _____
Rating: _____

Self- Check Questions

Choose

_____1. Which one of the following is source for business idea?

- A. Success story of a friend or family member
- B. demand for certain products
- B. Problems
- D. all
- E. none

_____2. Which one of the following considerations are significant in the evaluation and testing of business ideas?

- A. Technical feasibility/workability
- B. Commercial viability
- C. Mass media
- D. A&B
- E. All

Answers

1. D 2. D

Name: _____

Date: _____

Short Answer Questions



Information Sheet-6	Discuss and understand procedures for identifying suitable market
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6.1. Market Information

6.1.1. What is market?

The market for a business is all the people within a specific geographical area who need a specific product or service and are willing and able to buy it. Every business sells some type of product or service to people. Potential customers can be described as:

1. People who need or want the product or service.
2. People who are able to buy the product or service.
3. People who are willing to buy the product or service.

Competition must be considered. If competitors are serving the same market, it must be decided if the market is large enough to support another business. It should also be determined how the product or service is unique and different from that of the competitors.

6.1.2. What should entrepreneurs know about potential customers?

a. Know the customers: The market can be segmented either by dividing it into meaningful buyer groups or dividing it according to characteristics such as age, sex, marital and family status, employment, income and trends regarding any of these characteristics.

b. Know what different customer groups wants: By segmenting the marketing into groups, it is easier for entrepreneurs to determine what products or services each group wants or needs.

c. Know where the customer buys: Entrepreneurs need to find out where the customers in their market are presently buying, and determine what factors will cause them to switch and buy from their new businesses.

d. Know when the customer buys: By knowing when customers buy (daily, weekly, monthly, yearly, and seasonally), entrepreneurs will be able to determine such things as possible hours of operation, when to advertise and quantity of merchandise to have on hand at specific times of the year.

e. Know how the customer buys: Knowing how the customer pays for products and services can help the entrepreneur to determine a credit policy as well as a pricing policy for the business.

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6.2. Where can customer information be located?

Customer information can be obtained from trade associations (publications), chambers of commerce, government agencies (including local government), newspapers and magazines, and individual research by conducting a market survey in the community.

6.2.1. What is market research?

A small market research program, based on a questionnaire given to present customers and/or prospective customers, can disclose problems and areas of dissatisfaction that can be easily remedied, or new products or services that could be offered successfully. Market research should also identify trends that may affect sales and profitability levels. Population shifts, legal developments and the local economic situation should be monitored to enable early identification of problems and opportunities. Competitor activity also should be monitored; competitors may be entering or leaving the market. For example, it is very useful to know what your competitors' strategies are (i.e. how do they compete?).

6.3. What is the marketing mix?

The marketing mix is used to describe how entrepreneurs can combine the following four areas into an overall marketing program.

a. Products and services:

Effective product strategies for a small business may include concentrating on a narrow product line, developing a highly specialized product or service, or providing a product/service package containing an unusually high amount of service.

b. Promotion: this marketing decision area includes advertising, salesmanship and other promotional activities. In general, high quality salesmanship is a must for small businesses because of their limited ability to advertise heavily.

c. Place/distribution: manufacturers and wholesalers must decide how to distribute their products. Working through established distributors or manufacturer's agents is generally more feasible for small manufacturers. Small retailers should consider cost and traffic flow as two major factors in location site selection. In other words, low-cost, low-traffic location means spending more on advertising to build traffic.

d. Price: determining price levels and/or pricing policies (including credit policy) is the major factor affecting total revenue. Generally, higher prices mean lower volume and vice-versa; however, small businesses can often command higher prices because of the personalized service they can offer. The nature of the product/service is also important in location decisions. If purchases are made largely on impulse (e.g., soda or candy), then high traffic and visibility are critical. On the other hand, location is less

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important for products/ services that customers are willing to go out of their way to find (e.g., hotel supplies).

Self-Check –6	Written Test
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Directions: Answer all the questions listed below. Use the Answer sheet provided in the next page:

Note: Satisfactory rating - 5 points

Unsatisfactory - below 5 points

Answer Sheet

Score = _____
Rating: _____

Name: _____

Date: _____

Short Answer Questions

2. Write types of Marketing Mixes

Answer

- a. Products and services**
- b. Promotion:**

- c. Place/distribution**

- d. Price**



7.1. Selecting a business location

Location of an enterprise is an important management decision. Selecting the business location is vitally important to the success or failure of a small business. Site location is not an easy problem because if the selection is not proper all the money spent on factory building, machinery and their installation etc. will go as waste and the owner has to suffer a great loss.

There are **two basic factors** in selecting a location for a business. These are;

- I) Deciding on the **particular community**, and
- II) Selecting a **particular site** within that community.

7.2. The general location of a plant

The following factors must be considered for selecting a region where the enterprise is to be located.

- a) Availability of raw materials: the site selection should be near the source of raw material, so that, the cost of transporting the raw materials to the site may be minimum.
- b) Near to market: the cost of transporting finished goods, advertising and distribution etc. will be greatly reduced if the enterprise is near to market.
- c) Transport facilities: availability of transport (for transporting finished goods and raw materials).
- d) Availability of efficient and cheap labor: while selecting a site it is necessary to consider that where right kind of labor rate is available or not.
- e) Availability of infrastructure
- f) Availability of power and fuel
- g) Business and commercial facilities
- h) Level of competition

7.3. Selection of a particular location

- List “necessary” and “desirable” location factors
- Identify potential sites that match location factors



- Visit sites and select 2 or 3 best sites
- Compare locations to “necessary” and “desirable” location factors
- Visit sites at various times of day and evening and conduct traffic count
- Ask experienced business people and consultants to help
- Analyze all facts and opinions
- Make final decision on business location

Women and men may have different considerations in selecting business location. Many women work from home or close to home because of their family responsibility and sometimes because of personal security concerns. This can limit their chances to run a successful business. Child care facilitates may help women to overcome these constraints and select a more promising business location.

7.4. General factors in selecting a business location

- 1) **Economy:** entrepreneurs should gather information about income in the area they have selected. Specific questions including, what is the average family income? What are the income levels (low, medium, high) in the area?
- 2) **Population:** entrepreneurs should identify the group of people who will be their customers. For example; if you are interested in opening a music store, it would be important to know where the greatest population of teenagers and young adults is located because they buy the most music CDs. Other population factors include: how stable is the area? Is the population growing or declining? All these factors need to be considered when locating a business.
- 3) **Competition:** you must study your competition by gathering information on their strengths and weaknesses. There are three favorable conditions for opening a new firm.
 - a) No competitors are located in the area,
 - b) Competitors businesses are poorly managed,
 - c) Customers demand for your product is growing

Self-Check –7	Written Test
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Directions: Answer all the questions listed below. Use the Answer sheet provided in the next page:

Note: Satisfactory rating - 5 points

Unsatisfactory - below 5 points

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Answer Sheet

Score = _____

Rating: _____

Self –Check Questions

Choose

- _____ 1. Which one of the following is the factor for choosing business location?

A. Economy B. Beauty of town C. availability of Product D. none

Answer

Name: _____

Date: _____

Short Answer Questions



Information Sheet-8	Identifying and explaining the basic types of business ownership
----------------------------	--

8.1. Legal Forms of Business Ownership

Majority of all business enterprises are organized in one of the following three legal forms;

- 1) Sole proprietorship
- 2) Partnership
- 3) Company/Corporation/

1) Sole proprietorship: it is a form of business organization in which an individual invests his own capital, uses his own skill and solely responsible for the results of its operation. It is the easiest and simple form of entrepreneurship. The liability is limited.

2) Partnership: two or more people jointly owned a business and agree to share the profits or losses in an agreed proportion. It is based on a legal agreement or legal document (the number of persons entering in to the agreement, their names, the amount of capital they are investing, their rights and duties, the share of profit/loss between them).

There are two types of partnership;

- I) Ordinary partnership and
- II) Limited liability partnership

In an ordinary partnership liability of the partners is unlimited. But, a limited partners liability is restricted or limited.

3) Company/Corporation/: a voluntary association of persons who contribute to its capital but their liability remains limited. It can sue and be sued in its own name. it has the right to own and transfer any property. Thus a company is an artificial. In the other words their company is considering to be a person in the eyes of law. In Ethiopia companies are normally known as share companies or corporations.

Advantages and Disadvantages of Different Forms of Ownerships		
Forms of Ownerships	Advantages	Disadvantages



Sole Proprietorship	<ol style="list-style-type: none"> 1. Low costs to start 2. Minimum regulations 3. Direct control of business 4. Low working capital requirements 5. Tax advantages 6. Owner receives all Profits 	<ol style="list-style-type: none"> 1. Unlimited liability 2. Lack of continuity 3. Difficulty in raising capital 4. Responsible for all Decisions
Partnership	<p>Advantages</p> <ol style="list-style-type: none"> 1. Easy to form 2. Low costs to start 3. Added capital sources 4. Shared management 5. Possible tax advantages 	<ol style="list-style-type: none"> 1. Unlimited liability 2. Lack of continuity 3. Shared authority 4. Difficulty in raising additional capital 5. Difficulty in finding suitable partners
Corporation	<ul style="list-style-type: none"> ✗ Limited liability ✗ Management can specialize ✗ Continuous existence ✗ Easier to raise capita 	<ul style="list-style-type: none"> ✗ Closely regulated ✗ Most expensive form to organize ✗ Extensive record keeping required ✗ Double taxation (company and stockholders)



Self-Check –8	Written Test
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Directions: Answer all the questions listed below. Use the Answer sheet provided in the next page:

Note: Satisfactory rating - 5 points

Unsatisfactory - below 5 points

Answer Sheet

Score = _____
Rating: _____

1. A Partnership has:
 A/ exactly two owners B/ no more than two owners

C/ one or two owners D / two or more owners

2. Which one of these characteristics **does not** apply to partnership:

- A/ unlimited Life B/ unlimited Liability
 C/ business income tax D/ Mutual agency

Answer

1. D 2. A

Name: _____

Date: _____

Short Answer Questions

- 1. Define Partnership form of Business Organization**

4) Answer

It is a type of Business organization two or more people jointly owned a business and agree to share the profits or losses in an agreed proportion. It is based on a legal agreement or legal document (the number of persons entering in to the agreement, their names, and the amount of capital they are investing, their rights and duties, the share of profit/loss between them)



Information Sheet-9	Estimating the amount of money needed to start an enterprise
----------------------------	--

9.1. Two essential lists to start a business:

9.1.1. Startup Expenses and Startup Assets

Startup costs normally include startup expenses and startup assets:

- **Startup expenses:** These are expenses that happen before you launch and start bringing in any revenue. For example, many new companies incur expenses for legal work, logo design, brochures, location site selection and improvements, and other expenses. Startup expenses also include expenses such as rent and payroll that start before launch and continue from then on.
- **Startup assets:** Typical startup assets are cash (in the form of the money in the bank when the company starts), and in many cases, starting inventory. Other starting assets might be either current or long-term assets, such as equipment, office furniture, vehicles, and so on.

9.2.1. Cash balance on starting date

- Cash requirements is an estimate of how much money your startup company needs to have in its checking account when it starts. In general, your cash balance on starting date is the money you raised as investments or loans minus the cash you spend on expenses and assets.
- As you build your plan, watch your cash flow projections. If your cash balance drops below zero then you need to increase your financing or reduce expenses. Many entrepreneurs decide they want to raise more cash than they need so they'll have money left over for contingencies.

9.3. Calculate your business startup costs before you launch

The key to a successful business is preparation. Before your business opens its doors, you'll have bills to pay. Understanding your expenses will help you launch successfully.

Calculating startup costs helps you:

- Estimate profits

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- Do a breakeven analysis
- Secure loans
- Attract investors
- Save money with tax deductions

9.4. Identify your startup expenses

Most businesses fall into one of three categories: brick-and-mortar businesses, online businesses, and service providers. You'll face different startup expenses depending on your business type. There are common startup costs you're likely to have no matter what. Look through this list, and make sure to add any other expenses that are unique to your business.

- Office space
- Equipment and supplies
- Communications
- Utilities
- Licenses and permits
- Insurance
- Lawyer and accountant
- Inventory
- Employee salaries
- Advertising and marketing
- Market research
- Printed marketing materials
- Making a website

9.5. Estimate how much your expenses will cost

Once you have your list of expenses, you can estimate how much they'll actually cost. This process will be different for each expense you have.

Some expenses will have well-defined costs — permits and licenses tend to have clear, published costs. You might have to estimate other costs that are less certain, like employee salaries. Look online and talk directly to mentors, vendors, and service providers to see what similar companies pay for expenses.

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9.5.1. Add up your expenses for a full financial picture

Once you've identified your business expenses and how much they'll cost, you should organize your expenses into one-time expenses and monthly expenses.

One-time expenses are the initial costs needed to start the business. Buying major equipment, hiring a logo designer, and paying for permits, licenses, and fees are generally considered to be one-time expenses. You can typically deduct one-time expenses for tax purposes, which can save you money on the amount of taxes you'll owe. Make sure to keep track of your expenses and talk to your accountant when it's time to file your taxes.

Monthly expenses typically include things like salaries, rent, and utility bills. You'll want to count at least one year of monthly expenses, but counting five years is ideal.

Add up your one-time and monthly expenses to get a good picture of how much capital you'll need and when you'll need it.

9.5.2. Use your startup cost calculations to get startup funding

It's a good idea to create a formal report of your expected startup costs. You want it in a format that's clear and easy to understand. Investors and lenders compare expected costs to projected revenue and determine the potential for your business to profit.

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Self-Check –9	Written Test
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Directions: Answer all the questions listed below. Use the Answer sheet provided in the next page:

Note: Satisfactory rating - 5 points

Unsatisfactory - below 5 points

Answer Sheet

Score = _____
Rating: _____

Name: _____

Date: _____

Short Answer Questions

1. List benefits of calculating Start-up costs

Answer

- Estimate profits
- Do a breakeven analysis
- Secure loans
- Attract investors
- Save money with tax deductions



Information Sheet-10	Clarifying distinction between pre operations and initial operation payments
-----------------------------	--

10.1. Distinction between Pre-operation and Initial Operation Payments

10.1.1. Money Needed to Start an Enterprise

Setting up a business requires a certain amount of money that has to be spent before the business activities can start to generate income through sales. This money is called start-up capital.

10.1.2. Estimating the Start-Up Capital

If someone wants to start a business he/she must be aware that a certain amount of money is needed during the start-up process of a business for payments before the business begins to earn its own income. This money is called start-up capital. It serves two purposes.

10.2. Sources of funds for a new business

There are different sources of funds to launch and operate small business. These sources are discussed below;

1) Equity financing (personal saving): The main source of equity financing for most entrepreneurs is their personal savings. Financial experts say that one-half of the money needed to start a business should come from the owners.

The main source of equity financing for most entrepreneurs is their personal savings. Financial experts say that one-half of the money needed to start a small business should come from the owner. Equity financing can also be obtained by selling part of the business to one or more partners.

2) Funds from friends and families; another popular source of money to start a business is money from other sources such as family, friends or local investors. However, there are a few points to consider, for example: what will happen if the business doesn't succeed? Will it ruin your relationship, especially with family and friends?

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3) Bank loan: when equity sources are not enough, the entrepreneur has the option of borrowing from other sources. Lenders do not want to lose money if the business fails. Most lenders will. Therefore, review the business plan carefully. This plan should describe how the business will be operated, how much money will be used, and at what point will be the business profitable.

The main sources of credit or debt financing are:

- Banks,
- Finance companies,
- Governments agencies (with loan schemes),
- Trade credit and
- Microfinance institutions

Self-Check –10	Written Test
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Directions: Answer all the questions listed below. Use the Answer sheet provided in the next page:

Note: Satisfactory rating - 5 points

Unsatisfactory - below 5 points

Answer Sheet

Score = _____
Rating: _____

Name: _____

Date: _____

Short Answer Questions

2. Write the three source of Funds to start a new business



Instruction Sheet	LG44: Discuss how to operate an enterprise
--------------------------	---

This guide will also assist you to attain the learning outcome stated in the cover page.

Specifically, upon completion of this Learning Guide, **you will be able to –**

- Identifying and understanding advantages and disadvantages of the three alternative means of becoming an entrepreneur
- Discussing and explaining processes of hiring and managing people
- Discussing and understanding the importance and techniques of managing time
- Discussing and explaining the techniques and procedures of managing sales
- Identifying and discussing factors to consider in selecting suppliers and steps when doing business with them
- Developing awareness of how new technologies can affect small and medium businesses
- Identifying and explaining characteristics of appropriate technologies for using SMES
- Discussing and understanding different types of costs
- Discussing and understanding how to manage costs
- Discussing and understanding factors and procedures in knowing the cost of enterprise
- Explaining and understanding the importance of financial record keeping and preparing simple financial statement
- Discussing the application of self - management skills and negotiation skills
- Performing risk assessment and management of business enterprise

This guide will also assist you to attain the learning outcome stated in the cover page.

Specifically, upon completion of this Learning Guide, **you will be able to –**

- Identify and understand advantages and disadvantages of the three alternative means of becoming an entrepreneur
- Discuss and explain processes of hiring and managing people
- Discuss and understand the importance and techniques of managing time
- Discuss and explain the techniques and procedures of managing sales
- Identify and discuss factors to consider in selecting suppliers and steps when doing business with them
- Develop awareness of how new technologies can affect small and medium businesses
- Identify and explain characteristics of appropriate technologies for using SMES



- Discuss and understand different types of costs
- Discuss and understand how to manage costs
- Discuss and understand factors and procedures in knowing the cost of enterprise
- Explain and understand the importance of financial record keeping and preparing simple financial statement
- Discuss the application of self - management skills and negotiation skills
- Perform risk assessment and management of business enterprise

Learning Instructions:

1. Read the specific objectives of this Learning Guide.
2. Follow the instructions described in number 1 to 7.
3. Read the information written in the “Information Sheets 2”. Try to understand what are being discussed. Ask your teacher for assistance if you have hard time understanding them.
4. Accomplish the “Self-check 2” **in page -**.
5. Ask from your teacher the key to correction (key answers) or you can request your teacher to correct your work. (You have to get the key answer only after you finished answering the Self-check 2).
6. If you earned a satisfactory evaluation proceed to “Information Sheet 3”. However, if your rating is unsatisfactory, see your teacher for further instructions or go back to Learning Activity #2.
7. Submit your accomplished Self-check. This will form part of your training portfolio

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Information Sheet-1	Identifying and understanding advantages and disadvantages of the three alternative means of becoming an entrepreneur
----------------------------	---

1.1. Benefits of being an entrepreneur

- You set your own schedule. Though entrepreneurship can often require long hours, the benefit of building a business is that you are in charge of deciding when you want to work. ...
- You believe in what you do. ...
- Your workplace can vary. ...
- You're the boss. ...
- You get to see your work change lives. ...
- You become a business leader. ...
- Excitement.

1.2. Disadvantages of Being an Entrepreneur

Self-Check –1	Written Test
----------------------	---------------------

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

Note: Satisfactory rating - 5 points

Unsatisfactory - below 5 points

Answer Sheet

Score = _____
Rating: _____

Name: _____

Date: _____

Short Answer Questions



Information Sheet-2	Discuss and explain processes of hiring and managing people
----------------------------	---

1.1. Hiring and Orienting New Employees

1.1.1. The Hiring Process

Hiring a new employee is as important to the entrepreneur as it is to the person hired. It can either be the beginning of a mutually rewarding relationship, or the beginning of a long series of mistakes. Two of the major influences on high employee turnover are the recruiting and selection procedures used. The way entrepreneurs advertise a position, handle applications, conduct interviews, and select and introduce a new worker to a job are all elements in the effort to cut down on employee turnover.

1. Sources of Potential Employees

- Within the business
- Wanted ads
- Employment agencies
- Educational institutions
- Former employees
- Current employees

2. Selection Procedures

- Application form
- Interview
- Checking of references
- Testing applicant's skills

2.2. Orientation Process

As a general rule, on their first day new employees should be shown around the business. The new employee should be introduced to the rest of the employees, given an overall view of the entire operation, and shown exactly how their jobs fit into the total operation of the business. Such small gestures take little effort and will probably save both time and money in the long run. Remember, it is important to start the new employee off on the right foot. Proper orientation will help a great deal in getting a more productive, long-term employee.

2.3. Four Basic Rules of Orientation

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- Prepare the employee
- Present the work
- Try the employee out under supervision
- Follow-up

2.3.1. Six factors in preparing for the orientation of a new employee

- Know the job
- Have a current employee serve as a mentor
- Prepare a simple job breakdown
- Set a training timetable
- Arrange the work area
- Evaluate new employee’s work on a daily basis

2.3.2. Employee Considerations

- Pay Plans:
- Fringe Benefits.
- Employee Relations
- Working Conditions:

2.4. Increasing Managerial Skills

When managing employees, entrepreneurs:

SHOULD be:

- Consistent
- Reliable
- be fair and honest
- build enthusiasm
- encourage questions
- encourage employees to make their own decisions
- instill confidence in them
- keep an open door
- listen actively
- recognize individual differences
- set a personal example
- show consideration for the feelings of others

SHOULD NOT be

- be argumentative
 - be autocratic
 - be unreasonable

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- conceal the truth
- discourage initiative
- discourage ideas
- fail to clarify instructions
- criticize an employee in front of others

Self-Check –2	Written Test
----------------------	---------------------

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

Note: Satisfactory rating - 5 points

Unsatisfactory - below 5 points

Answer Sheet

Score = _____
Rating: _____

Name: _____

Date: _____

Short Answer Questions

1. What are the two o major influences on high employee turnover? are

Answer

- A. The recruiting
- B. The selection procedures used.**



Information Sheet-3	Discussing and understanding the importance and techniques of managing time
----------------------------	---

3.1. MANAGING TIME

Time is something that cannot be saved. You simply lose more and more of it as the day progresses. By the end of the day, there is none left to use! All entrepreneurs need to manage time effectively, and the key to using time effectively is through better time management. By budgeting time, entrepreneurs will achieve better results. Specific ways to make better use of time include: establishing goals; determining deadlines; allocating time for each important activity. Creativity, problem-solving and opportunity seeking are the hallmarks of entrepreneurs. They must therefore set aside time for activities of this kind (all other duties should be given lower priority and be carried out later). Time must be used effectively to accomplish those things entrepreneurs believe are most important. There is no choice as to whether or not to save or spend time! Time is one of the entrepreneur's greatest assets. The main concern of this topic is to identify techniques for spending time effectively.

3.2. Time Management Techniques

- Identify specific goals with deadlines
- be motivated
- Use telephone/cell phone
- Take notes
- Do only essential activities
- Work in blocks of time and question your use of time.
- Ask questions
- be action-oriented
- be reflective
- Plan for each day's work
- Learn from experience
- Question your use of time



Self-Check –3	Written Test
----------------------	---------------------

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

Note: Satisfactory rating - 5 points

Unsatisfactory - below 5 points

Answer Sheet

Score = _____
Rating: _____

Name: _____

Date: _____

Short Answer Questions

- 1. Write at least three time management techniques**



Information Sheet-4	Discuss and explain the techniques and procedures of managing sales
----------------------------	---

4.1. MANAGING SALES

Successful selling depends on the entrepreneur's ability to:

- a. Attract the buyer's attention.
- b. Determine customers' needs, wants, problems and goals.
- c. Show how the product or service will satisfy those needs.
- d. Work out the problems that prevent customers from buying.
- e. Ask for the customers' business.

The success of a business depends on the art of selling. If entrepreneurs take advantage of the opportunity to serve people, to satisfy their needs and to solve their problems, there will be satisfied customers. Satisfied customers continue doing business with an entrepreneur and recommend the products and services to others.

No matter what type of business, the entrepreneur must focus not only on producing the product or service, but on selling the product or service as well. Entrepreneurs are salespersons in the sense that they are always selling their products/services to the public. They must maintain their sales image wherever they go and whatever they do in the community.

4.2.Characteristics of Successful Salespersons

- Results Oriented
- Highly Motivated
- Self-Confident
- Professional Appearance
- Honest
- Dependable
- Knowledge of Products
- Good Listener
- Enthusiastic
- Pleasing Personality
- Communicator
- Sociable
- Courteous

4.3. Selling Requires Communication

When selling, you communicate to prospective clients something about yourself and the product or service you are selling. This process can be viewed as a series of steps, and each step involves a higher level of communication.

- approach the prospective customer and introduce yourself and your company
- specify your reason for approaching the prospective customer

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- show or describe the product/service you are selling
- demonstrate how the product/service will benefit the prospective customer
- negotiate terms and conditions of the sale
- Ask prospective customer to make a decision regarding the purchase of the product/service.
- Once customers do start to buy your product or service, develop strategies to help you to keep your customers. One research study has indicated that it costs times as much to attract a new customer than it does to keep an old customer.
- Like effective communication, selling is a two-way process. Selling is more of an art than a skill.

Self-Check –4	Written Test
----------------------	---------------------

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

Note: Satisfactory rating - 5 points

Unsatisfactory - below 5 points

Answer Sheet

Score = _____
Rating: _____

Choose

_____ 1. Successful selling depends on the entrepreneur’s ability to:

- A. Ask for the customers’ business B. Attract the buyer’s attention
 C. Results Oriented D. all E. A&B only

Name: _____

Date: _____



Information Sheet-5	Identifying and discussing factors to consider in selecting suppliers and steps when doing business with them
----------------------------	---

5.1. Concept about Suppliers

Suppliers are important to entrepreneurs because they provide a variety of services to businesses. Suppliers often sell their products to businesses on credit. The business can buy small quantities of products on the basis of their needs, so the business does not have money tied up in inventory. Suppliers can give advice on technical matters, market trends and new products.

5.2. Factors in Selecting Suppliers

- who offer low prices
- give the most helpful advice,
- ,provide prompt delivery of goods
- provide prompt delivery of goods
- provide prompt delivery of goods

1.4. Doing Business with Suppliers

- Step 1: Determine your business needs
- Step 2: Identify potential suppliers
- Step 3: Contact suppliers and obtain written quotations
- Step 4: Select best suppliers
- Step 5: Order goods
- Step 6: Check received goods
- Step 7: Check the invoice
- Step 8: Pay suppliers

Self-Check –5	Written Test
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Directions: Answer all the questions listed below. Use the Answer sheet provided in the next page:

Note: Satisfactory rating - 5 points

Unsatisfactory - below 5 points

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Answer Sheet

Score = _____

Rating: _____

Self – Check

Choose

1. Which one of the following is the Criteria to choose a supplier?

A. Who gives the most helpful advice B. Who provides prompt delivery of goods

C. Who offer high prices D. all E. A&B. only

Name: _____

Date: _____

Short Answer Questions



Information Sheet-6	Develop awareness of how new technologies can affect small and medium businesses
----------------------------	--

Using Technology in Small Business

The use of technology is important because it increases labor productivity, and this in turn increases local competitiveness of both consumer and capital goods locally produced. The use of appropriate technology favors locally produced tools and equipment as well as local resources; this facilitates forward and backward linkages among local businesses

Technology is constantly changing the demands of consumers. Businesses use new technologies to produce new products and services. Entrepreneurs should realize that new technological developments such as the internet and cell phones increase the exchange of information and may have an effect on the operations of their business. Entrepreneurs may not be aware of the nature and effects of all new technologies, yet, they must try to determine technical developments which are likely to have the greatest impact on their business operations.

Self-Check –6	Written Test
----------------------	---------------------

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

Note: Satisfactory rating - 5 points

Unsatisfactory - below 5 points

Answer Sheet

Score = _____
Rating: _____

Name: _____

Date: _____

Short Answer Questions

1. Write importance of using new technology by small and medium enterprises

- A. It increases labor productivity**
- B. Facilitates forward and backward linkages among local businesses**
- C. constantly changing the demands of consumers**
- D. all**
- E. none**



Information Sheet-7	Identifying and explaining characteristics of appropriate technologies for using SMES.
----------------------------	--

7.1. Characteristics of Appropriate Technologies

The appropriateness of technology for use in a small business is determined by a number of characteristics.

7.1.1. Seven characteristics Of appropriate technology

1. **SIMPLE:** For technology to be considered appropriate, it must be simple to operate. The user of such technology must be able to apply it without encountering problems.
2. **EFFECTIVENESS:** Effectiveness of technology is judged by how well it fits in with the objectives of the user.
3. **AVAILABILITY:** Some technology may be appropriate for certain purposes but not available locally. Information technology, for example, may be the most appropriate for certain tasks, but it may not be readily available locally.
4. **FLEXIBILITY:** As time changes so do the requirements of technology. Appropriate technology must be flexible enough to adapt to changing times in the future.
5. **DURABLE:** Technology that is durable requires less maintenance and repairs.
6. **EFFICIENT:** Technology should be efficient in its utilization of local resources.
7. **COST EFFECTIVE:** The cost of technology should be justified by the benefits achieved. The overall benefits should be greater than the cost of the technology.

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

Note: Satisfactory rating - 5 points

Unsatisfactory - below 5 points

Answer Sheet

Score = _____
Rating: _____

Name: _____

Date: _____

Short Answer Questions



9.1.1. Direct and Indirect Costs

Every business generates costs even if there are no ongoing productions, service or trading activities. To understand this, it is essential to know that there are direct costs and indirect costs.

1. **Direct costs:** are those that only occur when an enterprise is manufacturing goods or producing a service or buying goods to resell. These costs depend directly on the number of products, services or goods produced. Direct costs are composed of two cost sub-groups: direct material costs and direct labor costs:

a) **Direct material cost:** Expenditures for all items that become part of a product or are used to produce a service or are bought for resale enter into the category of direct material costs. Costs linked to the acquisition of raw materials such as transport from the supplier to the enterprise are included in the direct costs.

b) **Direct labor cost:** All wages for workers and helpers that are directly involved in the production or the delivery of services. This also includes costs for social security.

Staff wages for the retailer and wholesaler are not considered as direct costs because one person generally sells many different items.

2. **Indirect costs:** are all other costs generated from business activities that are not direct costs. These are costs that cannot directly be attributed to a specific product or service, for example rent for the office premises, salary for the bookkeeper, interest on the bank loan, telephone costs, fire and car insurance, etc. In wholesale or retail business all staff costs are indirect costs.

To be able to calculate the manufacturing costs of one single product or one single service, the indirect costs have to be attributed proportionally. If the business produces a single product or service, or if the products are quite similar, for example chairs, beds, trousers or shirts, the indirect costs are divided by the number of products and this proportion is added to the direct costs to calculate the total cost per unit of an item. In a service business the indirect costs are generally calculated on the basis of working hours and added to the time spent in delivering the service. Indirect costs are also called overhead costs.



To make the distinction between direct costs and indirect costs is not always easy, for example the glue used in furniture making. The quantity used for one chair is so small that it represents only a very small portion of the price of the glue. The expenditure for a pot of glue is therefore considered as an indirect cost. Also, if a helper serves several workers, his/her salary cannot be attributed to one single product. The salary will therefore be counted as an indirect cost.

➤ Total cost of a product or service:

Sum of Direct Material Costs+ Sum of Direct Labor Costs+ Proportion of indirect costs= Total cost per product or service

Self-Check –8	Written Test
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Directions: Answer all the questions listed below. Use the Answer sheet provided in the next page:

Note: Satisfactory rating - 5 points

Unsatisfactory - below 5 points

Answer Sheet

Score = _____
Rating: _____

Name: _____

Date: _____

Short Answer Questions

1. Define Direct Cost and Indirect Costs
2. Write at least five characteristics of appropriate technology.

Answer

- SIMPLE
- AVAILABILITY
- EFFECTVENESS
- AVAILABILITY
- FLEXIBILITY
- DURABLE
- EFFICIENT



Information Sheet-9	Discussing and understanding how to manage costs
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9.1. KNOWING THE COST OF ENTERPRISE

Self-Check –9	Written Test
----------------------	---------------------

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

Note: Satisfactory rating - 5 points

Unsatisfactory - below 5 points

Answer Sheet

Score = _____
Rating: _____

Name: _____

Date: _____

Short Answer Questions

1. Define direct and indirect cost

Answer

Direct cost -all wages for workers and helpers that are directly involved in the production or the delivery of services. This also includes costs for social security.

Indirect costs: are all other costs generated from business activities that are not direct costs.



Information Sheet-10	Discuss and understand factors and procedures in knowing the cost of enterprise
-----------------------------	---

4 factors that could affect financing your start-up

Careful preparation will help you make a positive case for your loan. It's in your best interest to make it easy for a bank to lend you money. For many new businesses, access to start-up financing is essential. Unfortunately, passion alone won't get you your loan. You need to know the right steps to get it. "The first thing we would want to see is your experience and how prepared you are for your venture," It's important to take the time to prepare for how to get a business loan. Commercial lenders will typically look at these four aspects of your business.

1. Your professional profile

Bankers need to understand your project and know that you're a good risk. You need to establish your credibility and show that you have done your due diligence. You'll also need to show you have thoroughly researched your project.

Is your work experience related to your new business? How did you come up with the idea and what's your industry experience? You need to prepare your case because your answers will be evaluated by your lender.

2. Your project's viability

You will need to show a business plan that leads to action. How does the loan you are asking for fit into your company's overall strategic plan?

Questions that you will be expected to answer about your business plan include the following. Your answers will need to be precise.

- Where are you going to find your clients?
- How did you choose your location?
- Where are you going to find your suppliers?
- How many customers do you expect in a day?

3. Your financial strength

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A banker will want a detailed break down of your financial projections for at least the first year of your operations and up to two years. For example, if you say you are going to have 100 clients a day and they're going to spend \$10 each, then you will have \$1,000 in revenues. How much do you expect to make in your first year?

Your personal credit score is extremely important because it's often the only major factor that a bank can assess for a start-up business. A poor credit score is a red flag for a bank and could make it a lot harder for you to get a business loan.

4. Your guarantee

For a start-up business, the bank will typically ask you to sign a personal guarantee, which makes you responsible for the loan.

How much money can you invest?

The bank will also look at how much money you will be investing. This makes your personal net worth important because the bank needs to see that if you aren't going to take a salary for six months that you can afford to do so.

Can you meet your personal obligations, rent or mortgage payments for example, without drawing on revenues from your business?

Most of the time the reason why people don't succeed is because of the lack of their own cash. We want to make sure that you can re-invest in your business if something doesn't go as planned.

Common mistakes made when applying for a loan

A banker reading through your documentation is likely to get tripped up by the following types of mistakes in your application:

- underestimating expenses
- underestimating how long it will take to make a profit
- underestimating how much you will spend on marketing your new business
- no financial cushion



Information Sheet-11

Explaining and understanding the importance of financial record keeping and preparing simple financial statement .

11.1. Key Questions Concerning Record Keeping

11.1.1 Why keep records?

A. The law requires that some form of written records be kept by all businesses.

B. Adequate records can answer the following questions:

- How much profit is the business making?
- How much is the business worth?
- How much do credit customers owe the business?
- How much does the business owe its creditors?
- How much tax should the business pay

11.1.2. What kinds of records should a small business keep?

A. **Payroll.** The owner must know the amount paid to himself or herself and to employees. This information alone requires a mini-accounting system to keep things accurate and in order.

B. **Cash Balance.** The owner must know how much cash is available at any given time to determine if bills can be paid. Money comes into and goes out of the firm every day, but without records entrepreneurs would not know what they can afford.

C. **Accounts Receivable.** Under certain conditions, the owner extends credit to some customers. The money owed is called accounts receivable. They are important records. Without them, how would the owner know when to bill and for how much? When to discontinue credit? When to make aggressive efforts to collect overdue bills? When to charge interest, if any?

D. **Accounts Payable.** The amount of money owed by a business to others (such as suppliers) is called accounts payable. These bills need to be paid on time for two reasons: (1) sometimes by paying a bill on time you will receive a cash discount, and (2) You must maintain a good reputation in relation to those with whom you do business. Without accurate records you may make mistakes.

E. **Inventory Records.** Even in a small retail business, an owner must have control of inventory. What products are selling? What products aren't moving? Is there a good supply on hand? Entrepreneurs can keep some of this information in their head, but not enough to do the kind of job necessary to make a profit.



F. **Government Requirements.** The owner must file financial statements for tax purposes. Taxes are calculated on the profit a business earns. Even a small retail business must file certain reports.

G. **Financial Statement.** At least once a year the owner should have a comprehensive financial statement on the business prepared – this is similar to an individual having an annual medical check-up. How well did the business do in terms of total sales? What were its expenses? What are its profits before and after taxes? What can the owner do to improve things next year? When borrowing money, entrepreneurs must present such a statement to a banker; if they want to sell their business, they must show financial statements to prospective buyers.

ABC Flower Shop,
Profit and Loss Statement
For Month Ending July 31, 20____

Sales

Cash sales	60,000
Credit sales	<u>20,000</u>
Total sales	<u>80,000</u>

Cost of goods sold

Beginning Inventory	18,000
Purchases	<u>50,000</u>
Cost of goods for sale	68,000
Less ending inventory	<u>8,000</u>

Cost of goods sold **60,000**

Gross profit 20,000

Expenses

Salaries/wages	10,000
Electricity	1,500
Advertising	700
Other expenses	800

Total Expenses **13,000**

Net profit before taxes **7,000**

Estimated tax **2,000**

Estimated net profit after taxes **5,000**

The Balance Sheet

The balance sheet is a financial statement which indicates what you own and what you owe on any given day in the life of a business. The financial figures on the balance sheet change from day to day because money is always coming in and going out of the business. A



primary reason for preparing a balance sheet is to determine if the business is making a profit or a loss.

- The formula used to prepare a balance sheet is:

$$\text{Assets} = \text{Liabilities} + \text{Net Worth}$$

1. Assets:

These include everything a business owns, such as cash, equipment, buildings and inventory.

- **Current assets** include cash and anything that can be converted into cash within twelve months. Current assets include cash, bank accounts, and accounts receivable (What people owe you), and inventory.
- **Fixed assets** are things that cannot be changed into cash easily (within twelve months). They are items that the business acquired for long-term use. Fixed assets include land, buildings, machinery, equipment, and vehicles.

2. Liabilities:

These include anything that the business owes. Liabilities might include loans, credit notes, taxes and mortgages.

- **Current liabilities:** a current liability is anything you owe that has to be paid by using a current asset. Current liabilities are usually items to be paid within twelve months, including taxes, loans and bills due to creditors.
- **Long-term liabilities:** any debt that cannot be paid within twelve months, such as a mortgage.

3. Net Worth:

This is what is actually owned by the business after subtracting liabilities. It represents the initial investment of the owners and retained earnings.

ABC Flower Shop
Balance Sheet
June 8, 20__

ASSETS

Fixed Assets

Land and building	18,000
Equipment	<u>3,800</u>

Total Fixed Assets 21,800

Current Assets

Cash	8,000
------	-------



Accounts receivable	2,000
Inventory	<u>1,700</u>
Total Current Assets	<u>11,700</u>
TOTAL ASSETS	<u>33,500</u>
LIABILITIES AND NET WORTH	
Long-Term Liabilities	
Mortgage	8,500
Total Long-Term Liabilities	
Current Liabilities	
Accounts payable	1,000
Taxes payable	2,000
Total Current Liabilities	<u>3,000</u>
TOTAL LIABILITIES	11,500
NET WORTH	
(Total Assets – Total Liabilities)	<u>22,000</u>
TOTAL LIABILITIES AND NET WORTH	<u>33,500</u>



Information Sheet-12	Discussing the application of self - management skills and negotiation skills.
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12.1. Self-management Skills:

12.1.1. Definition

Self-management skills are some of the most important and difficult to learn abilities in business, in the workplace, and in our personal life. Effective self-management and self-motivation skills have the power to change dramatically almost every aspect of our life. Self-management skills definition refers to our abilities to control our feelings, emotions, and activities. They play a decisive role in our personal and business life. Self-confident people tend to see their lives in a positive way and they face their fears head-on. To be self-confident means to **like and to respect yourself** and to believe in your own abilities and strengths.

12.1.2. Self-Management Tips

Some of the best self-confidence and self-management tips are:

- get rid of the negative thoughts in your head;
- think positively;
- be happy with small things;
- do not forget to tell yourself that you are smart and intelligent;
- chat with positive people;

Self-confident people are some of the most successful people in the business.

12.1.3. Stress management skills

Stress management skills are among the most important in the **self-management skills list**.

It is impossible to find a completely a stress-free work and life environment!

We have to learn to **cope with problems and to manage stress** because the stress situations are everywhere. Unmanaged workplace stress reduces productivity, increases pressures, and affects the performance of the brain, memory, and concentration.

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Good stress and **self-management tips** and techniques are:

- exercise your body, relax yourself by taking your mind off your stress;
- enjoy yourself, rest yourself as regularly as possible;
- go to vacations and holidays with the people you love;
- take walks in nature;
- Do hobbies and take time to do activities that you love the most.

12.1.4. Self-motivation

Self-motivation is a crucial ability in the self-management skills list too.

Self-motivation is one of the most powerful forces that drive you to do things and to achieve success in business and personal life.

Good **self-motivation tips** and techniques are:

- to find and list your motives (needs and desires);
- find different sources of motivation and inspiration (music, books, activities);
- think expansive thoughts;
- live fully in the present moment;
- dear to have big dreams;
- dream often – every day;
- Remember that nothing is impossible.

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Information Sheet-13	Performing risk assessment and management of business enterprise
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13.1 Risk Assessment

13.1.1. What Is Enterprise Risk?

Some business risk is easy to identify. We put sprinkler systems in buildings and buy insurance policies to protect against fires. Retail stores put magnetic detectors at entrance doors to detect shoplifters and prevent theft. But some **enterprise risks**, which are risks that would cause losses or put the ability of the business to function properly in jeopardy, are not always as easy to identify.

13.2. Types of Enterprise Risk

There are many types of enterprise risk that a business might face. Here are a few examples:

- **Compliance** - A company has to follow relevant government health, safety and privacy regulations and can be fined if they do not. For example, physicians have to comply with HIPAA (Health Insurance Portability and Accountability Act) rules to protect patient privacy.
- **Financial** - Businesses have to account for things like non-payment (bad debt) or a rise in interest rates on business borrowing.
- **Operational** - Businesses have to handle operational issues, such as a power loss, theft, or a breakdown of an important machine in the plant.
- **Strategic** - Enterprises face many strategic risks. For example, they have to consider what happens when they introduce a new product that is an utter failure or when a new competitor enters the market and undercuts prices by 20%.

There are certainly other types of risks - reputation harm (bad social media buzz), safety (for our workers and clients), or even a breakdown in our supply chain. Even a positive risk (sounds funny, I know) is possible - what if our new product takes off like a rocket? Developing a policy for dealing with all of these types of risks is known as **enterprise risk management (ERM)**. ERM is about the ability to understand and control the risks and developing a strategy for dealing with them while still generating acceptable returns.

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Risk assessment is a lot of just-in-case planning. What do we do if something happens and is it worth worrying about? Given the fact that there are multiple categories of risks to plan for, we have to prioritize our efforts and put in place routine procedures and policies to minimize exposure. We have to look at our processes, our people and our technology and determine our **risk appetite**, which is the level of our willingness to accept risk.

One suggested mitigation strategy for dealing with risks is to put a framework in place that could include the following elements:

- **Governance and Policies** - Put in place to oversee risks
- **Risk Data and Infrastructure** - Mechanisms for making sure we have good information to manage risks
- **Measurement, Evaluation and Communication** - Determining what happened and reporting on it
- **Stress Testing** - How to evaluate the measures put in place or determine what could hurt us

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(BASIC CLERICAL WORKS LEVEL-I)
NTQF Level -I

Learning Guide -45

Unit of Competence: -: Develop Understanding of Entrepreneurship

Module Title: Developing Understanding of Entrepreneurship

LG Code: EIS BCW1 M12 LO1 LG-12

TTLM Code: EIS BCW1M12TTLM 12 2019

LG45: Developing one's own business plan

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Instruction Sheet	LG45: Developing one's own business plan
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This guide will also assist you to attain the learning outcome stated in the cover page. Specifically, upon completion of this Learning Guide, **you will be able to –**

- discussing and applying process of preparing a business plan
- applying standard structure and format of business plan
- interpreting, assessing and analyzing findings of the business plan
- making feasibility of the business idea clear and understandable
- identifying and understanding problems that may arise when starting business
- discussing and understanding techniques or procedures in obtaining and sourcing information

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

- discuss and apply process of preparing a business plan
- apply standard structure and format of business plan
- interpret, assess and analyze findings of the business plan
- make feasibility of the business idea clear and understandable
- identify and understand problems that may arise when starting business
- discuss and understand techniques or procedures in obtaining and sourcing information

Learning Instructions:

1. Read the specific objectives of this Learning Guide.
2. Follow the instructions described in number 1 to 7.
3. Read the information written in the “Information Sheets 2”. Try to understand what are being discussed. Ask your teacher for assistance if you have hard time understanding them.
4. Accomplish the “Self-check 2” **in page -**.
5. Ask from your teacher the key to correction (key answers) or you can request your teacher to correct your work. (You have to get the key answer only after you finished answering the Self-check 2).



6. If you earned a satisfactory evaluation proceed to “Information Sheet 3”. However, if your rating is unsatisfactory, see your teacher for further instructions or go back to Learning Activity #2.
7. Submit your accomplished Self-check. This will form part of your training portfolio.

Information Sheet-1	discussing and applying process of preparing a business plan
----------------------------	--

1.1. Business Plan

Definition: *A written document describing the nature of the business, the sales and marketing strategy, and the financial background, and containing a projected profit and loss statement*

A business plan is also a road map that provides directions so a business can plan its future and helps it avoid bumps in the road. The time you spend making your business plan thorough and accurate, and keeping it up-to-date, is an investment that pays big dividends in the long term.

Your business plan should conform to generally accepted guidelines regarding form and content. Each section should include specific elements and address relevant questions that the people who read your plan will most likely ask. Generally, a business plan has the following components:

1.2 .Process of preparing a business plan

8 Steps in Writing a Business Plan

1. **Executive Summary:** Summarize your company’s value-proposition.
2. **Company Overview:** Discuss your business’s history, leadership team, and locations.
3. **Market Analysis:** Describe your industry and how your company stands out from competitors.
4. **Business Organization:** Explain your company’s legal structure, and introduce key executives.
5. **Products and Services:** Showcase your product or service and the pricing model.
6. **Marketing and Sales Plan:** Highlight how you plan to acquire and retain customers.
7. **Financial Plan and Projections:** Provide at least three years of financial projections.

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8. **Appendix:** Include additional information, such as your resume.ne-Page Business Plan Template for a Service Business

Self-Check –1	Written Test
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Directions: Answer all the questions listed below. Use the Answer sheet provided in the next page:

Note: Satisfactory rating - 5 points

Unsatisfactory - below 5 points

Answer Sheet

Score = _____
Rating: _____

Name: _____

Date: _____

Short Answer Questions



1.1. Outline of Business Plan Template

The outline of our business plan template appears below. It is simplified a bit for this page, so we encourage you to download the Word version to get instructions for each section, as well as a cover page, table of contents, legal disclaimer, and more.

1. Executive Summary

1. Opportunity
 1. Problem Summary
 2. Solution Summary
 3. Market Summary
 4. Competition
 5. Overview
 6. Why Us?
2. Expectations
 1. Forecast
 2. Financial Highlights by Year [chart]
 3. Financing Need

2. Opportunity

1. Problem & Solution
 1. Problem Worth Solving
 2. Our Solution
2. Target Market
3. Competition
 1. Current Alternatives
 2. Our Advantages

3. Execution

1. Marketing & Sales
 1. Marketing Plan
 2. Sales Plan
2. Operations
 1. Locations & Facilities
 2. Technology



3. Equipment & Tools

3. Milestones & Metrics

- 1. Milestones Table
- 2. Key Metrics

4. Company

- 1. Overview
- 2. Team
 - 1. Management Team
 - 2. Advisors

5. Financial Plan

- 1. Forecast
 - 1. Key Assumptions
 - 2. Revenue by Month [chart]
 - 3. Expenses by Month [chart]
 - 4. Net Profit (or Loss) by Year [chart]
- 2. Financing
 - 1. Use of Funds
 - 2. Sources of Funds
- 3. Statements
 - 1. Projected Profit & Loss
 - 2. Projected Balance Sheet
 - 3. Projected Cash Flow Statement

6. Appendix

- 1. Monthly Financial Forecasts
- 2. Additional Documentation

Simple Business Plan Template

This template is suitable for freelance businesses that provide services, such as consultants, graphic designers, landscapers, and delivery services. For a one-page plan, the answers to questions should be one or two sentences.

	<p>Business Plan for <i>Company Name</i> at: <i>Date</i></p> <p>Address _____ Phone _____</p> <p>Email _____</p>
	<p>This section should articulate your hopes and dreams for the business. You</p>



<p>Vision</p>	<p>can write a vision statement. For example:</p> <p><i>What are you building?</i></p> <p><i>What do you see this business becoming in x years?</i></p> <p><i>How do you plan to grow the business and to what degree? For example, will you hire employees, open up branch outlets, or take the business public?</i></p> <p><i>Do you eventually plan to sell the business for profit or to provide money for your retirement?</i></p>
<p>Business Overview (or Mission)</p>	<p>The business overview or mission should describe how you intend to achieve your vision. For example:</p> <p><i>What services will you provide?</i></p> <p><i>What is your target market—who will buy your services?</i></p> <p><i>How will your service offerings address the needs of customers, for example, what is your unique selling proposition?</i></p> <p><i>How will you provide your services? Will you offer your services online, through your <u>home business</u>, or at a business location?</i></p>
<p>Pricing Strategy</p>	<p>The pricing strategy section needs to demonstrate how your business will be profitable. Summarize your projected revenue and expenses:</p> <p><i>How much will you charge for your services?</i></p> <p><i>Briefly describe how your pricing will be competitive enough to attract customers but be high enough to generate a profit after subtracting expenses.</i></p> <p>Consider breakeven analysis and pricing strategies.</p>
<p>Advertising and Promotion</p>	<p>This section describes how you intend to get the word out to customers about your services. For example:</p> <p><i>What are the most efficient ways to market your services? For example, will you market them via a business website, email, social media, or newspapers?</i></p> <p><i>Will you use sales promotional methods such as pricing discounts for new customers?</i></p> <p><i>What marketing materials will be used—business cards, flyers, or brochures?</i></p> <p><i>What about referrals?</i></p>
<p>Objectives</p>	<p>This section lists your objectives and metrics for success by time frame, as well as potential questions or challenges. For example:</p> <p><i>Capture 20% of the local market share by year end</i></p>



	<p><i>Gain five steady customers in the first six months of operation</i></p> <p><i>Earn a net income of \$50,000 for the first fiscal year</i></p> <p>List any obstacles or concerns, for example:</p> <p><i>Winter season or poor spring weather reduces demand for landscaping services.</i></p>
Action Plans	<p>Briefly describe the action items needed to achieve your objectives, using milestone dates. For example:</p> <p><i>By "date" a fully-equipped home office will be completed.</i></p> <p><i>By "date" business licenses and insurance acquired.</i></p> <p><i>By "date" purchase of delivery van negotiated with dealer.</i></p> <p><i>By "date" launch business website with description of services and price list.</i></p> <p><i>By "date" social media marketing plan in place and potential customers connected via Facebook and LinkedIn.</i></p> <p><i>By "date" subscribed to cloud-based accounting software and setup customer invoice templates.</i></p> <p>Describe possible solutions for any potential obstacles:</p> <p><i>If landscaping services cannot be delivered due to bad weather, look into providing other services such as snow clearing or tree pruning.</i></p>

Self-Check –2	Written Test
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Directions: Answer all the questions listed below. Use the Answer sheet provided in the next page:

Note: Satisfactory rating - 5 points

Unsatisfactory - below 5 points

Answer Sheet

Score = _____
Rating: _____

Name: _____

Date: _____



Information Sheet-3	Interpreting, assessing and analyzing findings of the business plan
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3.1. Evaluating Criteria's of a Business plan

1. Value Created by the New Product or Service
2. Attractiveness of the Market Opportunity
3. Competitive Advantage of the Proposed Venture
4. Operational and Technological Viability
5. Capability of Management Team
6. Capital Requirements and Financial Forecast

3.2. Business Plan Analysis

1. What Are the Basic Components of a Business Plan?
2. What Are the Functions of a Business Plan?
3. Key Factors to Considering Business Feasibility
4. Key Tools for Planning Finances

Analyzing a business plan correctly can make an entrepreneur, or save an investor, millions of dollars. Good business plans provide a thorough and logical breakdown of how a business makes money by delivering goods or services to customers and taking payment. They are designed to answer the question: Can this business work under real-world conditions?

Significance

The most common reasons to perform a business plan analysis are to determine whether the business is a good investment or lending risk, or even whether to pursue the business. Investors need to know how much risk the business represents, financially and operationally. Lenders need to ensure that the business has sound financial planning and a stable income. Entrepreneurs may find that writing the business plan allows them to view the venture more objectively.

Function

A thorough business plan should describe the business. Finances, history, operations, competition and customers. The plan must persuade readers that a specific set of customers

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has a specific problem, then describe exactly how the business solves that problem better than the competition. If the plan calls for investment or lending, it must also convince investors that the business. Managers and key employees are up to the task. A good plan must also specify how the investor will recover her money once the investment is mature.

Considerations

Successful businesses have ambitious goals but realistic expectations of the time and resources necessary to meet those goals. Each section of the plan should demonstrate the business owner knowledge of his customers and industry. That industry and customer base must be growing; it is better to demonstrate that the business can realistically capture a tiny piece of a growing market than a large piece of a stagnant or declining one.

Features

The business plan must clearly document the how the company makes and provides its goods or services. Suppliers of the business materials are described in terms of their reliability, costs and relationship with the business. Products are pictured, if they have already been produced, or mock-ups or schematics of planned products are provided. Plans for service businesses include a flowchart for how the service is provided. Payment methods, such as invoicing customers monthly or taking credit cards at the point of sale, are specified, and reasonable transaction costs anticipated. Owners have clearly stated what the risks are at each stage of operations, and how the business will avoid, deal with, or preferably profit from each risk.

Expert Insight

The finance section of the plan is arguably the most important. It includes three years of historical or pro forma (estimated future) financial statements, break-even analysis and revenue projections. Most entrepreneurs tend to underestimate their costs and overestimate their revenues; the plan must demonstrate that the figures are realistic and there is room for error, cost overruns, and economic downturns. In most cases, the business should be able to make money when achieving even a modest success.

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Information Sheet-4	Making feasibility of the business idea clear and understandable
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Information Sheet-5	Identifying and understanding problems that may arise when starting business
----------------------------	--

5.1. Problems that arise When Starting Business

5.1.1 Common Challenges That Many Startups Face

- Hiring Headquarters Home
- For Clients
- 11 Common Challenges That Many Startups Face

Startups struggle for many reasons. Some even die, or never quite attain the degree of success as early as they had hoped. They may not have anticipated obstacles and may not even know how to respond.

5.2. 11 of the challenges startups face:

1. MONEY

Yes, you need money. Unless you're remarkably lucky and the cash flows in straight away from sales or investors, you will be in trouble. Cash flow issues will hit you hard, either delaying the roll-out of products, hiring key staff, or fitting out new offices.

2. Neglecting marketing/sales

Some startups encounter problems because they haven't put enough resources into marketing and sales.

3. LACK OF PLANNING

It's amazing how many startups falter because they forgot to plan. Or perhaps they did, but just never covered all the bases. Key areas like sales, development, staffing, skills shortage and funding should be part of your business plan or be flexible enough to cope if events take an unexpected turn.

4. Finding the right people

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Certain skills are crucial not only for your business to survive, but also to grow. Knowing the exact skills needed – and how to get those essential people – may determine how well your startup thrives. Delays in finding the right personnel will not only eat up valuable time but also lead to severe bottlenecks, perhaps delay the rollout of new products or services. These are delays no startup can afford.

You may also have hired the wrong people, and their deficiencies may be more apparent as a startup grows, especially if they are in the wrong roles.

5. TIME MANAGEMENT

There’s never enough time. There are a million and one decisions to be made and, last time I looked, there are only 24 hours in a day. So, start by eliminating or minimizing distractions – anything that gets in the way of running your business.

6. Weak cofounders

Hard to believe, but your co-founders may be part of your startup’s woes, says Roy Hodges, deputy editor of The Startupmag.com. They may have helped develop a great product, but lack the skills needed to help run the business. Startups may need new executives to spread the workload. Failure to recognize the problem may exacerbate your woes.

7. Scaling up

Lucky you. Your products or services are experiencing phenomenal growth – and also causing you lots of headaches. It’s not just a question of adding a few extra employees: You may also need a larger office space, or to set up offices in other cities or abroad. Such is the price of success. If you have a plan and the cash to fund all this, great. If not, then prepare for a painful process.

8. Unwillingness to push yourself beyond the comfort zone

The founder or CEO may think he/she has all the answers, but do you really have what it takes to think – and act – outside your comfort zone? Ask yourself how much can you push yourself: Can you make a convincing pitch to potential investors when you need funding?

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The 'build it and they will come' approach doesn't always work, so are you prepared to put in the hard yards to make your startup thrive?

9. Competitors

No one ever said it was going to be easy, and despite your product or services being great, it's a crowded marketplace. New rivals may have altered the playing pitch, so having the right strategy, or being able to think on your feet quickly and adapting to the new reality will define your success – or failure.

10. Lack of Mentor

You may have a great product/idea, but lack the necessary guidance, market experience, and knowledge to move a stage further. That's where a mentor comes in, with the wisdom and confidence to help you clear those roadblocks that are holding your startup back. Mentors can also help you strategize better.

According to Rhett Morris of Endeavor Insights, whose firm conducted a major study of New York tech firms last year, 33% of founders who are mentored by successful entrepreneurs went on to become top performers. Having somebody you can lean on when major decisions have to be made, or startups need a sounding board, is very useful.

11. Poor management

One thing startups can't afford is ineffective management. A team that worked well in the initial stages, may find itself exposed as the startup expands, or is tested by everything from poor sales or market conditions. Procrastinating won't help. The issue needs to be tackled urgently or the result will prove very damaging.

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Information Sheet-6	Discussing and understanding techniques or procedures in obtaining and sourcing information
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1.1. Ways of Obtaining Information

The following table provides an overview of the basic methods to collect data.

Method	Overall Purpose	Advantages	Challenges
questionnaires, surveys, checklists	when need to quickly and/or easily get lots of information from people in a non-threatening way	<ul style="list-style-type: none"> -can complete anonymously -inexpensive to administer -easy to compare and analyze -administer to many people -can get lots of data -many sample questionnaires already exist 	<ul style="list-style-type: none"> -might not get careful feedback -wording can bias client's responses -are impersonal -in surveys, may need sampling expert - doesn't get full story
interviews	when want to fully understand someone's impressions or experiences, or learn more about their answers to questionnaires	<ul style="list-style-type: none"> -get full range and depth of information -develops relationship with client -can be flexible with client 	<ul style="list-style-type: none"> -can take much time -can be hard to analyze and compare -can be costly -interviewer can bias client's responses
documentation review	when want impression of how program operates without interrupting the program; is from review of applications, finances, memos, minutes, etc.	<ul style="list-style-type: none"> -get comprehensive and historical information -doesn't interrupt program or client's routine in program -information already exists -few biases about information 	<ul style="list-style-type: none"> -often takes much time -info may be incomplete -need to be quite clear about what looking for -not flexible means to get data; data restricted to what already exists
observation	to gather accurate information about how a program actually	<ul style="list-style-type: none"> -view operations of a program as they are actually occurring 	<ul style="list-style-type: none"> -can be difficult to interpret seen behaviors -can be complex to



	operates, particularly about processes	-can adapt to events as they occur	categorize observations -can influence behaviors of program participants -can be expensive
focus groups	explore a topic in depth through group discussion, e.g., about reactions to an experience or suggestion, understanding common complaints, etc.; useful in evaluation and marketing	-quickly and reliably get common impressions -can be efficient way to get much range and depth of information in short time - can convey key information about programs	-can be hard to analyze responses -need good facilitator for safety and closure -difficult to schedule 6-8 people together
case studies	to fully understand or depict client's experiences in a program, and conduct comprehensive examination through cross comparison of cases	-fully depicts client's experience in program input, process and results -powerful means to portray program to outsiders	-usually quite time consuming to collect, organize and describe -represents depth of information, rather than breadth

1.2. Sourcing information

Having prioritize the products or services to conduct supply market analysis, we now move on to sourcing information relating to the market conditions and they may be obtained from the following sources:

1. **Primary data** field research that can use one or more approaches, such as observation, analysis of internal records such as sales trends, trade missions to suppliers' operations and questionnaires. Trade association conferences offer a good opportunity to network and learn more from other people who know a lot about what is going on in the industry.
2. **Secondary data** statistics and annual reports issued for supplier companies. Trade journals provide recent updates to what is happening in the industry. News headlines, trade websites and libraries also provide multiple leads for further information.



Investment analysis reports, as well as interviews, can provide very good information on what is happening in certain industries where they are investing.

3. **Government sources**, e.g., abstracts of statistics, economic trends, employment gazette, business monitors, central bank reports, etc.
4. **Non-government sources** including chamber of commerce, professional associations, press reviews, economic forecasts, etc.
5. **Trade consultants** who can provide information, but they are very often costly.
6. **Existing suppliers and customers** with the power of snowball sampling where you can be referred to other experts.

The location of potential useful sources of supply is a major responsibility of the Procurement function and can be a huge challenge today with the increasingly complex buyer's needs in view of technological advances, increasing 'concentration' in supply markets with continuous trends of takeovers and mergers, and increased specialization among manufacturers with a greater proportion of their needs outsourced.

The good news is that the internet has revolutionized organizations' ability to locate and collect information on potential suppliers. Sources of information on certain potential suppliers can be collated from previous internal recorded performance, annual reports, catalogue library, publications, trade directories, exhibitions, other buyers, sourcing agents, distributors, embassies, trade consultants, existing suppliers, customers and colleagues.

There are multiple sources of market and supplier information available. However, the reputation of a particular source must also be investigated and ascertained. The key here is to triangulate, which means that the buyer needs to explore, compare and contrast data from multiple sources before he or she can validate it.

The whole point of conducting market research is to understand the prevailing market conditions and the ability of current or potential new suppliers to effectively deliver the product or service. In this respect, supply market intelligence becomes one of the most important and critical stepping stones for an effective sourcing strategy. As one manager noted, "Supply market intelligence may be the only competitive advantage of

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the future!"



Self-Check –6	Written Test
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Directions: Answer all the questions listed below. Use the Answer sheet provided in the next page:

Note: Satisfactory rating - 5 points

Unsatisfactory - below 5 points

Answer Sheet

Score = _____
Rating: _____

Name: _____

Date: _____

Short Answer Questions

