

# **Module 9    Entrepreneurship**

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## **Unit 9.3            Planning and Goal Setting**



# Contents

About this unit .....	1
How to use this manual .....	1
How you will be assessed .....	2
Finding your way .....	2
Competency .....	3
Learning outcomes .....	3
Assessment criteria .....	3
Other resources you may find useful .....	4
 <b>Section 1: Planning and Goal Setting</b> .....	<b>5</b>
The Process of Planning and Goal setting .....	5
Why is it Important to plan? .....	6
The Planning Process .....	6
Planning and the Entrepreneur .....	7
The Purpose of Planning and Goal Setting .....	7
Why do businesses fail? .....	8
The Business Plan .....	9
Activity 1 .....	10
What are Goals? .....	10
Why is Goal Setting Important? .....	11
Activity 2 .....	11
Types of Plans .....	12
Activity 3 .....	13
Summary .....	13
 <b>Section 2: Elements of Planning</b> .....	<b>15</b>
Definition of the Business Area .....	16
Activity 4 .....	16
What is a market? .....	17
Planning for your market .....	17
Activity 5 .....	19
Promotion .....	19
Activity 6 .....	22
Planning for the competition .....	22
Activity 7 .....	23
Summary .....	23
 <b>Section 3: Management Controls</b> .....	<b>25</b>
Ensuring appropriate controls .....	25
Basic steps in the control process .....	26
Financial controls .....	26
Major control techniques .....	27
Forecasting periods .....	29
Profit and cash forecasting .....	29

Why prepare budgets? .....	31
Types of budgets .....	31
Pitfalls in budgeting .....	32
Planning for the resource needs of your business .....	32
Activity 8 .....	34
Summary .....	35
 <b>Section 4: Effective Teamwork</b> .....	 37
Teamwork: Its nature and importance .....	37
Stages of team development .....	38
Making teams effective .....	39
Activity 9 .....	40
Leadership .....	41
Characteristics of team leaders .....	41
The role of the leader .....	32
Summary .....	43
 Assignment 1 .....	 47
Assignment 2 .....	51

# Rationale

Planning and Goal Setting are important aspects of everyone's life. Without goals, there is little sense of direction, nor is it possible to plan. As the Cat said to Alice, in Lewis Carroll's famous story:

*'Would you tell me, please, which way I ought to go from here?'*

*'That depends a good deal on where you want to get to,' said the Cat.*

*'I don't much care where--' said Alice.*

*'Then it doesn't matter which way you go,' said the Cat."*

*Carroll Lewis, Alice in Wonderland*

In entrepreneurial initiatives it is very important to “*know where you want to get to*”, otherwise it is impossible to determine how to get there, but it is equally important to know what your goals are in all aspects of your life. This unit will help you to understand the processes of goal setting and planning, which you will be able to utilise in your professional life as a teacher, and also in your personal life. But you will also understand how it relates to developing a Business Plan, and be able to communicate the importance of this, to your trainees.



# Introduction

## About this unit

Welcome to the third in the series of units on Entrepreneurship.

In this unit you will focus on ***planning and goal setting*** and the importance of these in business planning. You will also explore the importance of teamwork in the facilitation of planning and goal setting.

The unit consists of four (4) sections. *Section 1* discusses the purpose and relevance of planning and goal setting, as well as the planning and goal setting processes. *Section 2* discusses the elements of planning as it relates to the development of a business plan. *Section 3* examines the need for management controls and discusses some management controls necessary for effective planning and implementation. *Section 4* focuses on the importance of teamwork and discusses skills required for effective teamwork.

## How to use this manual

In addition to the information on the Planning and Goal Setting and the importance of teamwork to these processes, the unit includes some activities, as well as two assignments.

The activities will not be considered as a part of your final assessment. Their purpose is to help you to check your progress as you go through the unit.

Answers to these activities are provided at the end of each section, so that you can check your work at the end of each activity.

An assignment appears at the end of each section. These are to be completed and submitted to your tutor.

**Please note:** Your assessment for these assignments will determine if you have achieved the required competency from the unit.

## How you will be assessed

You will be assessed on two assignments that will be weighted as follows:

Assignment 1    45%

Assignment 2    55%

**Please note:** Each assignment is to be completed and submitted to your tutor.

These assignments will require research on your part, and will be presented as written reports. Contact your tutor regarding the time allowed for completing and submitting these assignments.

## Finding your way

As you work through the unit, you will see symbols ('icons') in the left margin of some pages. These 'icons' will guide you through the text.



Read



Important- take note!



Activity



Assessment task





## Competency

The competency for each unit is expressed as a number of **learning outcomes and assessment criteria**.

Assessment criteria specify what you must be able to do to show you have gained the knowledge and skills needed to achieve each learning outcome.

Each unit has its own assessment criteria specified. Recognition of prior learning is encouraged. If you feel confident that you have the necessary level of competence to successfully complete the elements shown below, you may be able to take the assessment without studying the unit.

## Learning outcomes

On completion of this unit you will be able to:

- Explain the benefits of planning in the production of a business plan
- Explain the importance of teamwork to facilitate planning and goal setting
- Identify the skills required for effective teamwork
- Design an activity which has appropriate plans and goals
- Explain the essential features of management control.

## Assessment criteria

- State four (4) benefits that can be derived from a carefully produced business plan.
- List six (6) elements to be addressed in the development of a business plan and explain their relevance to the success or otherwise of the venture.
- List and describe briefly, the value and roles of people who may form part of a team to develop a business plan.
- Describe, in accordance with given information, seven (7) skills that assist in developing effective teamwork.
- Design and plan a small entrepreneurial activity appropriate to the field of specialisation of the teacher trainee.
- State, in accordance with information provided the essential features of management control.

## **Other resources you may find useful**

You will be required to explore other learning resources to augment the material in this module. Other important sources of information may be found in your local Library or resource centres of your local:

- Chamber of Commerce
- Small Businesses' Association (SBA)
- Industrial Development Corporation (IDC)
- Manufacturers' Association
- Exporters' Association
- National Development Foundation (NDF)
- equivalent agency

# Section 1



## Planning and goal setting

### The process of planning and goal setting

#### *What is planning?*

Planning is the process of setting goals and choosing the best means to achieve them.

Planning helps the entrepreneur to effectively organise people and resources. Without plans the entrepreneur cannot lead the business with confidence or expect others to follow. A plan is essentially a map to a targeted destination. It gets the business from the starting point to the goal, or from the basic business concept to a healthy, successful business. It is not a single event with a clear beginning and end. It is an ongoing process that reflects and adapts to changes in the environment in which the business operates.

***Planning may be defined as:*** The way we determine and outline our goals and indicate how we intend to achieve them.

The process of planning determines beforehand the course of action to be taken relevant to the successful achievement of goals.

Goals should specify a target, be measurable, realistic, achievable and timely.

Planning generally occurs in all types of activities. For instance, you may have, at sometime in your life, planned for a vacation, a career, anniversaries, and may now be planning for your retirement. In a similar way, the entrepreneur needs a plan in order to achieve the goals of the business. It is often said: “***He who fails to plan, plans to fail!***”

## **Why is it important to plan?**

Planning helps entrepreneurs and other individuals to:

- Focus on goals
- Make better decisions
- Reduce the chance of risk and uncertainty
- Measure accomplishments

Planning is a way of making our lives more orderly and manageable.

## **The planning process**

The planning process requires that

- a business recognises where it is now
- where it would like to be
- how it proposes to get there

The following steps summarise all the activities involved in planning:

1. Be aware of the opportunities around you. “Where am I now?”
2. Define your goal: “What do I desire?”
3. Set goals and develop good objectives to achieve them.
4. Consider the environment in which you will operate.
5. Identify your alternatives.
6. Compare your alternatives with your goals.
7. Select the course of action you will pursue.
8. Formulate supporting plans depending on the work to be done.
9. Convert your plans identified in # 8 to budgets.

## ***Implement the plan***

Ah, it's over ..... No it's not! The planning process has just begun!

Remember, the business is a system that is affected by changes both in the external and internal environment in which it operates. These changes can throw the original plans off balance making it necessary to take corrective action. It is here that managerial controls will come in.

## Planning and the Entrepreneur

A common characteristic of entrepreneurs is their ability to continuously plan and set goals. Entrepreneurs are self-motivated people, accustomed to setting their own goals and determining their own tasks. They undertake endeavours not merely to please others but because they understand the importance of being involved in activity to achieve their overall objectives.

From the moment an entrepreneur is inspired by a new business idea, careful planning becomes very important. Persons who are getting into business for the first time often do not understand that planning is the key to getting things done and making things happen!

*Think about this:* “If you don’t know where you are going, how will you know when you are lost?”

You may know exactly where you want to go but have no idea of how to get there. Successful entrepreneurs seek ways to ‘get there’ by **setting goals and planning** for their accomplishment.

Planning and goal setting are important management tools that will point you to your destination and indicate the best road to get there. A workable business plan is the road map that will increase the entrepreneur’s chance of succeeding in business. Planning gives the entrepreneur a defined path to follow.



### The Purpose of Planning and Goal Setting

#### *What benefits can be derived?*

A carefully thought out business plan is perhaps the best tool which can help entrepreneurs in achieving long-term goals. Planning and goal setting are inherent activities in the production of a business plan. Whether the business is large or small, a start-up or long established, planning and goal setting enables the entrepreneur to accomplish the following:

- ***Make the crucial business decisions*** that will ensure the appropriate focus on activities that will maximise returns. Planning also helps the entrepreneur to maximise resources including raw materials, financial and human resources.
- ***Project the financial needs of the business*** so that the necessary steps can be taken to acquire the necessary funds in a timely manner. Failure to do this could result in a cash crisis that could spell trouble for the business. For example, the

business may be unable to buy necessary raw materials or pay workers and creditors because it is starved for cash. Secondly, knowing in advance, what the cash needs of the business are likely to be, will enable the entrepreneur to determine whether the performance of the business is 'on track' and take appropriate steps to ensure this.

- ***Gather crucial industry and market information.*** Such information could indicate the level of competition and changes in demand, thereby allowing the entrepreneur to initiate appropriate strategies.
- ***Anticipate and avoid obstacles the business is likely to encounter.*** These could include a decline in demand for the product or service and shortages of raw materials. Planning helps the entrepreneurs to anticipate these before they turn into crises.
- ***Assess progress over time.*** The plan can be used as a yardstick to determine how well the business is doing.
- ***Enable the maximisation of resources.*** The business plan gives an overall picture of the business and therefore could indicate whether resources are being efficiently utilised. The production plan, could for instance, indicate whether there is under-utilised capacity.
- ***Be more persuasive to funding sources.*** A well-developed business plan can instil confidence in the business, thereby enabling the entrepreneur to secure funding.

### Why do businesses fail?

While there is no guaranteed formula for a successful business, budding entrepreneurs should guard against the following causes of business failure:

#### ***Poor planning and poor goal setting:***

These are characterised by:

- inadequate market analysis
- defective products
- lack of proper marketing
- inaccurate product costing
- inadequate capital
- failure to anticipate the competition

- poor credit control
- poor customer service
- poor selection and management of employees
- lack of consultation with experts

A major factor contributing to the above situations can be summarised in three words:

**Lack of planning.**

Organising resources to achieve goals is a critical entrepreneurial function.

### **The Business Plan**

The business plan is a written summary of the business activity, including its strengths, weaknesses, opportunities and threats that it might face. It also points to strategies for accomplishing specified goals.

Most importantly, the business plan is the critical guide to start building and managing a successful business. It provides a measurement for success.

A good business plan should incorporate the following components:

- An Executive Summary
- A SWOT Analysis: i.e.: Strengths, Weaknesses, Opportunities, Threats
- Marketing Strategies
- Promotional Activities
- Budget & Financial Information i.e.: Income Statement, Balance Sheet
- Any other relevant documentation – graphs, photographs, etc.

The benefits to be derived from proper planning and goal setting in producing a business plan are innumerable. However, what makes a successful business plan?

No one formula works for all businesses, however, the following elements contribute towards a successful business:

1. A thorough business plan.
2. A product and service for which there is a market.
3. Good marketing strategies.
4. Capital or access to it.
5. An objective, honest, assessment of one's entrepreneurial skills i.e. personality, strengths and capability to manage the business or lead a team of individuals.

**Remember:** The ultimate purpose for developing a business plan is to have a functioning, successful, business.



### Activity 1 Check your progress

1. Outline three benefits that the entrepreneur can derive from planning.
2. Discuss three reasons for business failures
3. Think about a plan you recently developed. Using the planning and goal setting steps, identify some of the steps you think you followed. Then re-think the plan and apply those you did not include.

**Discuss your answers with your tutor.**



## What are goals?

Inherent in the planning process is the establishment of goals.

A **goal** is a condition or situation that is desired; an end that one strives for.

**Goal setting** is how we go about determining our goals. Goals are usually broad based but can be broken down into specific objectives.

One goal of any business is to make a profit, but in order to achieve this a number of specific objectives must be achieved. Some of these would be to reduce costs and increase production.



Setting goals allows the entrepreneur to review the progress of the business. The entrepreneur is also able to determine the quality and efficiency of the resources available.

Goals are the long-term results that the entrepreneur wants the business to achieve.

Without goals, the entrepreneur has no base, no benchmark to use in the improvement process, no opportunities to detect weaknesses, no opportunity to build on strengths, very little opportunity to learn from experience and few chances to be positive.

The goal setting process is an exercise in discipline and is very similar to the planning process.

### **Why is goal setting important?**

Goal setting is important towards the achievement of the following:

- A sense of direction.
- Focus our efforts.
- Guide our plans and decisions.
- Evaluate our progress



#### **Activity 2 Check your progress**

State the differences between planning and goal setting.

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**Discuss your answers with your tutor.**



## Types of plans

Two types of plans are generally used to manage businesses:

- Strategic or/long term plans
- Operational or/short term plans

Long-term planning is futuristic and general. For instance, it could be what you envisage for your business in two years' time. Short-term plans on the other hand, concentrate on NOW!

Failure to recognise the several different types of plans can cause difficulty in planning effectively. In fact, a plan can encompass any future action, which clearly shows that plans vary.

In this module we will focus primarily on operational planning, an activity in which the entrepreneur will constantly be engaged.

The ***operational plan*** is a detailed short-term plan for performing specific tasks necessary to achieve strategic goals. This plan must include details specific to implementing those strategic plans to be achieved in day-to-day activities.

Operational plans can be single use plans or standing plans. Programs, budgets and projects are examples of ***single use*** plans. Policies, standards, procedures, methods and rules are examples of ***standing plans***.

The entrepreneur must consider operational planning and control in the production of the business plan. Even after you have designed your operational system, decisions still have to be made on a short-term, day-to-day, month-to month basis as to how the system will operate. This type of planning involves the scheduling and control of labour, materials and capital input to produce the desired quantity and quality of output.



### Activity 3

#### Check your progress

1. Name two types of plans.

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2. What are operational plans and why are they important?

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**Discuss your answers with your tutor.**



## Summary

Planning and goal setting are important activities in the production of business plans. A plan is the basis for control; without plans no control is possible. A plan helps to co-ordinate the activities that must be implemented. Effective entrepreneurial planning provides a road map for where the business is intended to go.

Goals are important to provide a sense of direction. They are the essential starting points in the planning and control process. The goal setting process is an exercise in discipline that helps you to determine your goals.

Research has shown that businesses may fail because of unclear goals, inadequate strategic planning and inaccuracies or insufficiencies in the information used to prepare the plan.

Good planning results in clearly defined goals and objectives. The planning process begins with the identification of clear goals, followed by a consideration of the environment in which the business will operate in order to determine strengths, weaknesses, opportunities and threats. Alternative courses of action and strategies are then formulated. These alternatives and strategies could take the form of specific plans for the various activities to be undertaken by the business. Examples of these activities are the production and marketing plans.

There is no doubt that planning and goal setting will help to determine business success, moving the business from a concept to Entrepreneurial action!



## **Assignment No. 9.3-1**

### **Unit 9.3 Planning and Goal Setting**

You are now required to do the Assignment 9.3 – 1 that will be found at the end of this unit or distributed by your tutor.

## Section 2



### Elements of planning

There are important elements to be considered in the entrepreneur's planning activities. These elements emerge in the pre-start-up stage of the venture. In this period where entrepreneurs plan the venture and do the preliminary work of obtaining resources and put business concepts into proper perspective, these important elements emerge. In your planning, you must first recognise the possible **constraints** that will affect your business.

These include:

- finance: i.e. shortage
- risks: i.e. the risks involved
- general: i.e. location, family, staff, time constraints, personal skills and experiences

It is important to note that if you do not prepare a plan, some constraints may not have been considered, resulting in unforeseen circumstances!

Once you have identified constraints, they should become the guidelines within which the plan is developed.

Some critical elements to include in your business plan are as follow:

1. Definition of the business area
  - Markets
  - Clients
  - Competition
  - Promotion
2. Management controls
  - Predictions
  - Resources
  - Time lines
  - Capital/Credit

These elements are forces that could be both opportunities and threats. The success or failure of the business is largely determined by how well the entrepreneur recognises and adjusts to these forces.

## Definition of the business area

Meeting needs is the basis of all business. You can devise a wonderful new product but if it does not address some important need or desire, people will not buy it and the business will fail. As a result of this, it is important that your business be clearly defined. A comprehensive definition of the business will include information on when it was formed, for what reasons, by whom and for what purpose. “What is the issue?” “What business are we in?” “Who are we?”

The definition of the role of the business should be in terms of what customer needs are being served by the business, rather than what products and services are being produced. For example, in answering the question, “What business are we in?”... An automobile manufacturing company may define its business as being “the provision of transport” rather “than the manufacturers of cars! The business definition should also include who i.e. Name of owner/s, address, legal formation, and type of ownership.

The process of business definition is extremely important. Not only does it ensure that a company thinks in terms of its customers’ needs and wants, but also in terms of the **planning process** as this forms a focus for all that follows in planning the business.



### Activity 4 Check your progress

Why is it necessary to define the business?

Identify a business entity in your community.

Write a definition of its business.

**Discuss your answers with your tutor.**



## What is a market?

A market is an organisation of clients/customers sharing similar needs and wants. Most markets consist of a number of sub-markets, each of which is different. For instance, the airline market consists of freight and passenger transport. The passenger side can be further subdivided into holiday makers or business people. Failure to understand the needs of these different groups will result in failure to the services each group desires at the right price. A business cannot exist if there is no market for its products or services. Entrepreneurs therefore have a constant need for information and knowledge about their markets.

Market research is the common tool used to identify and analyse market situations such as:

- profitable markets
- saleable products
- consumer behaviour
- industry trends

Market research tells us what markets exist and how best we can enter to find customers. It will also reveal important elements such as customers and competitors and will assist in the construction of marketing strategies. Many entrepreneurs make the mistake of basing decisions on their own feelings and opinions. Identifying your markets with the use of market research will assist you to know the reasons for the success or failure of your products. You could also gain ideas about new products that may have potential.

## Planning for Your Market

This element is concerned with an analysis of the market situation in which your business is likely to operate. Of course, the precise content of this step will vary from business to business but normally the analysis will encompass the following factors:

- Does a market exist?
- If it does, who constitutes this market?
- How big is it?
- What share will we aim for?
- Can we research this ourselves?

All this aside, it is important to note that a market only exists when there are qualified buyers!

### ***Knowing your clients/customers***

Having identified your market you must now be concerned to learn more about your clients/customers since they are constituents of your market. Again, market research is the tool that will assist you in this venture to answer such questions as:

- who are your customers?
- what products do they buy?
- when do they buy?
- who is involved in their purchase decision?
- what media reaches them?

Your business success is determined by customer demand. Your business exists to satisfy your customers hence the reason you need to know about them. In fact, you should seek to satisfy the needs of your customers in a manner that will give you an edge over your competitors. It is therefore important that you identify your customers' needs and then develop your product/service to meet those specific needs.

It is incorrect to assume that customers will want any product you wish to offer for sale. This is a wrong approach for any entrepreneur to take because creating a demand will involve a great deal of time, energy and money. Since costs are incurred in producing goods, it is necessary to find customers to buy your goods at a sufficient price and in sufficient volumes to enable the business to cover its cost and make a surplus.

Remember that markets are people.... not products!

You must be able to match the capabilities of your business to the wants of the client/customer. Market planning is the tool for achieving this. In your market planning your primary focus should be to accomplish the following:

- Understand the needs and desires of present and potential clients/customers
- Select and develop products that would best satisfy those customers within the limits of your resources
- Develop a programme to tell your customers about the benefits of your products
- Ensure that your products get to your customers
- Develop good relations with your customers and know the reasons they do business with you



***Don't wait for them to come to you.***

One method of finding them is through ***promotion***, the next element to be discussed.



### **Activity 5** **Check your progress**

1. What is meant by 'markets'?
2. Why do we need to know our clients/customers?

**Discuss your answers with your tutor.**



## **Promotion**

Having identified the market (customers and clients), it is now vital that you inform your target group of the existence of your business and the products and services you have to offer. This can be accomplished with that major marketing tool - promotion.

### **What is promotion?**

It is a major selling proposition. After you have attracted customers you need to make them turn to you more and more to meet their specific needs. This is your means of developing positive relationships between your business and the public. It is imperative that you inform your identified customer groups of your existence through promotion.

You need to move your customers from the point of unawareness to awareness to comprehension to conviction and finally to purchase. Promotion helps you to accomplish this. Promotion tells people who, where, and what you are.

### **What promotional tools can you use?**

Some major promotional tools are:

- advertising
- personal selling
- sales promotion
- publicity
- public relations

To properly promote your business, you need to understand the market you need to reach while keeping in mind the reasons people buy. Your promotion must seek to influence:

- Sales people - to sell
- Customers - to buy
- Customers - to sell
- Users - to buy
- Users - to use

### ***Which tool to use?***

Although advertising is thought to be the most effective promotional tool, a personal sales pitch can contribute significantly. Your best advertisers are your own satisfied customers. Promotion brings customers to your door while personal selling entices them to buy. Media advertising can be expensive although it is the most popular medium.

Personal recommendation, especially word-of-mouth, is one of the best ways to promote your business. One satisfied customer would spread the word for you. People converse with each other about advertising they see, products they have tried and general shopping experiences they have had.

Effective personal selling and good public relations can go a long way towards satisfying customers. Get them to tell others about your products/services and ensure their return. In communicating your message to them, it must highlight the benefits of your products/services.

Convenience and cost saving are two areas that will certainly attract customers. Try to incorporate these in your message.

Sales promotion includes the special efforts you make to increase sales. These can take the form of

- reduced prices
- special displays
- demonstrations
- special advertising

**Remember:** These promotional tools are useful to inform and to persuade your target market to purchase.

## **Preparing a sales promotion plan**

1. Establish a sales objective for your promotion
2. Clearly state this objective e.g. To encourage people to try the product; to encourage repeat purchase
3. Select the appropriate technique e.g. Personal selling
4. Test the promotion technique you have selected
5. Begin the promotion
6. Evaluate its impact. If the technique proves ineffective, explore another

The following checklist should assist you to develop your promotional plan.

### **CHECKLIST FOR PROMOTIONAL PLANNING**

<b>HEADING</b>	<b>CONTENT</b>
Introduction	What, where, when?
Objectives	Promotional objectives
Background	Information on the market
Promotional offer	Detail the offer e.g. special introductory price
Eligibility	Say who will be eligible
Timing	When will the offer be available?
Responsibilities	Assign responsibilities and deadlines
Support	Public relations
Administration	Determine costs
Assessment	Decide how the promotion will be evaluated

It is important to ensure that promotions are well co-ordinated in terms of what happens before, during and after the promotion. In essence, the above is all you need in a plan. It is also important to note that at different stages different persons might be participating giving rise to the need to assign responsibilities.



### Activity 6

#### Check your progress

Why is it important to promote your products/services? Name some promotional tools you could utilise.

**Discuss your answers with your tutor.**



## Planning for the Competition

### Who are the market players?

Market research will reveal other constituents of the market, namely, other people either in the same business as you or operating different businesses.... ***market players*** or the ***competition!***

### *What is meant by competition?*

Competition includes businesses that sell similar products and services as well as other businesses that compete for the same customers.

### *Why is it essential to identify the competition?*

The existence of competition means that your customers and potential customers have a choice, and you need to ensure that there are good reasons for them to buy from you.

Combining your own good ideas with the best ideas used by your competitors could give you an advantage. You must learn from their successes and avoid their mistakes. It is therefore essential to identify competitors to analyse how their business activity is likely to affect yours. Too often entrepreneurs ignore this and find themselves outdone in the market.

If serious competition exists, e.g., a competitor opening a similar business a few doors away from yours, you will certainly need to know this and be ready to consider the means to cope with this. Knowing your competition will help you to understand the total business environment in which you operate.

Some small companies do not have immediate competition because of success in finding an early niche in the market. However, they will

have to be concerned about competitors. Competition must always be on the entrepreneurs mind. The moment a new idea is conceived the question must be asked: *“I wonder who else is doing this?”*

***Ways to obtain information about the competition.***

- ***Professional Associations:*** pay attention to successful owners who will give information and advice at meetings.
- Personal Research of your competitors operation.
- Trade Journals
- Government data



**Activity 7  
Checkpoint**

Explain what is meant by the term ‘competition’?

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Why is it important to identify competitors?

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**Discuss your answers with your tutor.**



**Summary**

The business planning process offers you a vital opportunity: that of better understanding your business environment and specifically your market environment, thereby understanding forces you cannot always control.

Steps in the process include laying out your concept, ascertaining your markets, gathering information and assessing that information to devise marketing strategies to apply to your business idea.

The specific elements appropriate to your business plan include the following:

- What is the business?
- Does a real market exist?
- Who constitutes the market?
- What promotional strategies can be used?
- How much competition is there?
- What management controls can I implement?
- What resources do I have?
- How much financing will I need?
- Where can I find financing?
- How can we build effective teamwork?

Market research must be done to identify appropriate markets, customers and the competition. Markets are people, not products. The capabilities of the business must be matched to the needs of the customers and the market environment. Promotional tools such as advertising and personal selling are available to assist in making customers aware of the business.



## Assignment No. 9.3-2

### Unit 9.3 Planning and Goal Setting

You are now required to do the Assignment 9.3 – 2 which will be found at the end of this unit or distributed by your tutor.

## Section 3



### Management Control

#### What is control?

Management control is the process of ensuring that actual activities conform to planned activities.

Now that you have planned, you must look at specific elements that will ensure that all your resources are being used in the most effective and efficient ways possible in order to achieve your goals. All these techniques are in the first instance tools for planning.

The task of control is to make plans succeed and in doing so, control must reflect plans and planning must precede control. In order to develop effective control, plans have to be further “dollarised” by budgets.

#### “Controlling your business”

No business can be properly controlled unless it has some kind of plan against which progress can be compared. This plan is however of little value if management does not meet regularly to discuss progress and take corrective action.

Management controls are critical, particularly during the first few years of the business. During this phase, funds and other resources are usually limited and control becomes critical.

The control and motivation of people are also important to small business; so too are such aspects as production, marketing and research. However, financial control is the most common weakness of small companies.

Good planning includes control necessary to implement the plan successfully.

#### Ensuring appropriate control

Effective planning assumes that no important decisions will be made without your knowledge or approval. Constantly changing conditions will require that you have adequate control of your business.

Planning and forecasting will allow the entrepreneur to predict technological changes that might affect sales of current products and the potential for developing new products. This allows appropriate action to be taken in a timely manner.

### **Basic steps in the control process**

Business enterprises need to use control procedures to ensure they are making satisfactory progress toward their goals and efficient use of their resources.

The basic control process involves the four (4) steps listed below:

1. Establish standards and methods for measuring performance: goals/objectives in the planning process.
2. Measure the performance: measurement is ongoing.
3. Determine whether performance match the standard: compare measured results with established targets.
4. Take corrective action: necessary if performance falls short of standards.

### **Financial control**

Financial controls have special prominence since money is easy to measure and tally. Financial statements provide insight into the performance of the business and its long-term prospects. They are used to track the monetary value of goods and services.

Financial control provides a means of monitoring three major financial conditions of the business:

1. Liquidity: the ability to convert assets to cash in order to meet current financial needs.
2. General financial condition: long-term balance between debt and equity (i.e. assets left after liabilities are deducted).
3. Profitability: the ability to earn profits steadily over an extended period.

The most common financial statements are income statements, balance sheets and cash flow statements.



### ***Balance Sheet***

The message of a balance sheet is, “Here’s how this business stacks up financially at this particular point in time”.

It describes the company’s assets, liabilities and net worth for the particular period under consideration.

### ***Income Statement***

This statement summarises the company’s financial performance over a given interval of time. An example is the net earning of a business (revenues less expenses) over the last six months or year.

### ***Cash flow Statement***

This statement shows where cash or funds came from and how they were used during a particular period. They include only the actual cash inflows and outflows of the business. An example of an inflow is sales revenue, while salaries and the purchase of goods represent outflows. The cash flow statement or cash budget focuses on how much cash will be used rather than on how much profit or loss will be made.



## **Major control techniques**

### **Predictions**

Another important element for consideration is prediction, or forecasting.

Your planning must be validated by forecasting. Your forecast will, for example, indicate how much finance is needed to cover operating costs during the first six months of the business. Failure to adequately budget for these costs and to plan for them could lead to a cash crisis or even business failure.

On the other hand, with regard to sales, it is crucial that the forecasts you make are conservative i.e. they should err in the direction of caution - sales should be forecasted at a level within which it will be comfortably achieved. Sales forecast is the cornerstone of planning.

In addition to validating your planning, your forecasts can form the basis of a system for monitoring early performances of your business. This can be done by comparing actual results with forecasts. The variances (which are the difference between forecast and actual

numbers) will be important pointers towards any corrective action that might be needed to return you to the planned path.

### **Forecasting tools**

A variety of tools and techniques have been used to help managers control. A widely used and older control technique is the budget.

### ***Budgeting***

Budgets are plans formulated for a given future period. They are statements of anticipated results expressed in either financial terms, such as in revenues and expenses, or in non-financial terms, such as budgets of materials, labour, sales, and production. They are major control devices and major means of co-ordinating the activities of the business. They are used widely for planning and controlling activities.

### ***Features of budgets***

1. They are stated in monetary terms.
2. They establish clear and unambiguous standards of performance for a set period.
3. They directly convey information on a key resource e.g. capital and on a key organisational goal profit.

### ***Assumptions for the forecast***

If you are new to the subject of Accounting, you may need to seek professional advice on your forecasts. Why? They may contain conceptual mistakes or you may not have the right assumptions.

Caution needs to be the keynote of your forecast because many aspects of the future will be uncertain.

The forecast needs to be your best estimate of the performance of the business. Therefore, they must be based on realistic and careful appraisal of the resources available.

Assumptions are notes to forecasts and allow you to see how realistic the forecast will be. The following are some general areas for which assumptions must be made.

***Important areas to be considered when forecasting***

FIXED ASSETS (Premises/plant/office)	Do you know these costs? Should you lease or purchase? For how much?
SALES	What level of sale? A good sales forecast is crucial as everything else flows from it
STOCK (inventory)	Stock levels have to be determined
DEBTOR	How much credit will the business give?
CREDITORS	You may have difficulty obtaining credit from suppliers if your business is new. If available, you need to assume how invoices will be settled.
PRODUCTION COSTS	You will need to make assumptions about cost of materials and labour
PRICING	Crucial area as it determines your gross profit.
OVERHEADS	How much?
INFLATION	This can affect all cash items and must be allowed for.

**Forecasting periods**

You may need to forecast your new business for the first two years. Any greater length is of little value because of increasing uncertainties. Your forecast will need revision by the end of year one.

Once it has been established cash balances can change drastically from month to month. Each forecast should therefore be broken down into monthly periods for the first year and may be quarterly for the second year.

**Profit and cash forecasting**

To forecast profit you will need three separate forecasts:

1. A sales forecast
2. A production cost
3. An overhead forecast

### ***Profit forecast***

This is normally the first of the detailed financial forecasts you will need to prepare. All other forecasts depend on it!

### ***Sales Forecast***

In a new business the process is particularly difficult unless orders are confirmed. This is why market research extending as far as possible to specific customers is so valuable. The first year's sales forecast must be done with the greatest possible care.

### ***The Production Cost Forecast***

Next you must consider the variable cost of each sale. For example, in a retail store these costs would be the cost of the stock sold. In a manufacturing enterprise, these will be the costs of every additional unit produced.

### ***The Overhead Forecast***

Lastly, you must forecast **overhead costs**. The following is a list of most categories of overheads that will be found in many businesses.

#### **Factory Overheads**

- Rent, rates
- Maintenance of plant, building
- Transport
- Heat, light

#### **Distribution/Selling**

- Salaries
- Travel costs
- Entertainment
- Advertising promotion

### Administration and Management

- Salaries
- Rent
- Insurance
- Travel
- Office Equipment

### Finance

- Overdraft interest
- Loan interest
- Leasing costs
- Home purchase cost
- Bank charges

A well-prepared forecast will help you to determine the level of sales (of your products and services) that will be necessary to break-even and the amount of cash you will need to continue in business. If you wish to remain in control, you will need to frequently revise your forecasts and compare actual performances with forecasts.

### **Why prepare budgets?**

Budgets correlate plans and allow authority to be delegated without loss of control. They reduce plans to numbers and allow the entrepreneur to have a clear vision regarding the sources and uses of funds.

### **Types of budgets**

There are many types of budgets. They can be classified into the following basic types:

### ***Revenue and Expense Budgets***

Revenue budgets measure the effectiveness of your marketing and sales efforts. They spell out plans for revenues and operating expenses in dollar terms. Examples of these are the Sales Budget and the Operating Expenses Budget.

Operating expenses budgets can be numerous as they deal with individual items of expenses such as travel, entertainment, advertising, telephone; expenses where money was applied.

### ***Material and Product Budget***

These are budgets expressed in terms of quantities to be purchased or used. Examples are Materials and Labour Budgets.

### ***Capital Expenditure Budgets***

These budgets outline capital expenditures for machinery, equipment and inventories. These budgets require care because they give definite form to plans for spending the funds of an enterprise.

### ***Cash Budgets***

This budget is a forecast of cash receipts and disbursements. This is one of the most important control tools in a business as the availability of cash to meet the obligations as they fall due is the first requirement for existence.

### **Pitfalls in budgeting**

Remember, budgets are used for planning and control. Unfortunately, some budgeting control programmes are so detailed that they become cumbersome and meaningless. So beware of the following:

- over estimating sales
- under estimating expenses
- budgeting outside of the goals of the business
- using incorrect information as the basis for your budgets

### **Planning for the resource needs of your business**

Your business success depends on the use of resources - i.e. money, clients, physical assets, customers, professional advisors, and your time.

People and money are two primary resources usually in short supply. Attracting and keeping good employees is essential to your success. If your business is small, all your employees may be considered key personnel. It is through their efforts that you will achieve your goals. Selecting key employees is one of the most important tasks for an entrepreneur.

In planning for your resource needs, keep the following in mind:

- a. People (you have or need). How will they perform? Are they reliable?
- b. Your business location. Will it attract the customers? Are your services acceptable? Future expansion?
- c. Your business layout (whether factory or corner store). Does it help staff to service customers? Are there bottlenecks?
- d. Other to be considered, including buildings, plant, vehicles and inventory.

The management process that you, as an entrepreneur must follow must include the development of ideas and strategies, the management of people and the administration of systems to ensure that your business flourishes. This requires facts and figures that can only come from satisfactory information systems.

You must plan how to:

- command scarce resources i.e.
  - locate personnel
  - provide training
  - identify dependable sources of supplies/materials
  - identify appropriate technology
- Seek outside resources i.e.
  - Sources of free assistance such as:
    - Employees
    - Customers
    - Suppliers
    - Other entrepreneurs
  - Other sources
    - Industry data
    - Trade associations
    - Educational programmes

Use of these resources will increase your decision-making ability. You must plan to accommodate these costs effectively at some stage in your business operations.

**Activity 8****Set a personal goal and develop a plan to achieve it.**

Follow the series of steps listed below to identify a goal prepare a plan outlining how you will achieve it.

Step 1: List three important personal goals.

Step 2: Select your most important goal

Step 3: Determine how long it will take you to achieve this goal  
10 months? Three Years? When?

Step 4: List the things you currently have that can help you achieve your goal.

Example

talent  
skills  
experience  
access to money

Step 5: Identify the resources you will need in order to achieve your goal

Example

information on how to start a business  
information on marketing  
equipment  
money  
people to assist you  
skills

Step 6: Determine how long it will take you to acquire these resources

Step 7: Determine how long it will take for you to get what you need

State the various sources from which you can get each of the things you need

Specify what you need to do in order to get what you need

Step 8: What obstacles or problems do you think you will face

Step 9: Decide how you will deal with the potential problems or obstacles?

What strategies will you adopt?

Step 10: Analyse how you feel about the goal at this point

Do you still want to pursue it?

If you now wish to pursue a different goal, repeat steps 2 - 10.



Step 11: Now that you are certain about the goal you want to achieve, the next step is to finalise the details of your plan. You might want to take a second look at the resources you will require and how you plan to get what you will need. You might have to make changes to these as well as other areas of your plan. Make any changes you think will be necessary

Step 12: Implement your plan!  
Do the things you have planned to do. Remember, you are likely to face obstacles, but like the true entrepreneur, continue to work towards your goal. Draw on your creativity as well as that of others and try to find creative solutions to these the problems you face.



## Summary

The business planning process offers you an opportunity to better understand your business, specifically your market environment and the resources you will require. Steps in the process include laying out your concept and defining your business, ascertaining your markets, gathering information, assessing that information to devise marketing strategies to apply to your business idea.

Specific elements to consider appropriate to your business plan centres around the following questions:

- What is the business?
- Does a real market exist?
- Who constitutes this market?
- Is there too much competition already?
- What management controls can be implemented?
- How does the financial picture look?
- Where can we find financing?
- Can the business be viable?
- What resources do we have?
- How can we best control use of time?
- Who will make up the management team?
- How can we build effective teamwork?
- Markets must be identified.

- Market research will reveal information on customers, and the competition.
- Marketing strategies must incorporate promotion.
- The capabilities of the business must be matched to the customers wants and matched to the marketing environment.
- Marketing tools and techniques such as promotion must be applied.

The control and motivation of people are important to a small business. Therefore, habits of control should be acquired early in the business. Planning and forecasting will allow the entrepreneur to make valuable predictions.

Financial controls have a special prominence since money is the lifeblood of the business. Financial Statements (income statements, balance sheets and cash flow statements) provide a means of monitoring the financial conditions of the business.

Budgeting is an important control technique that establishes standards of performance. Having set these standards, the entrepreneur can measure the actual performance of the business to determine the extent to which goals and targets are being achieved.

Entrepreneurs must plan how to use resources within their environment. People and money are two scarce resources to consider. Effective use of resources can improve the profitability of the business.

The entire business operation must be guided by your plan!

# Section 4



## Effective teamwork

### Teamwork: Its Nature and Importance

#### What is a Team?

A team can be defined as an organised group of individuals of varying skills and expertise, who come together to achieve a specific or common goal.

Most goals in business require not just a single skill but also a set of multiple skills. The many individual skills needed can be brought together in a work **group or team**.

#### Why Teams?

Teams help people accomplish more than if working individually. They satisfy significant human needs, particularly the need for social contact and interaction at the workplace. The business will function more effectively when all members of the business team are organised to perform the various responsibilities. Teams allow for cohesiveness or solidarity that help individuals to feel good about their contribution to the effort.

The important function of **communication**, where goals and plans are disseminated and human and other resources organised, is also a critical element.

Good teams are beneficial as:

- teams enable the enterprise to achieve its goals more efficiently and effectively.
- teams allow for the combination of several skills.
- teams enable team members to offer advice and assistance to individuals in meeting goals.
- teams allow for the sharing of responsibilities and tasks.
- teams satisfy the need for good working relationships.
- teams influence team members to care for and support each other.
- teams allow for the development of loyalty among team members and to the enterprise.

Teams allow people to use their gifts, skills and talents more effectively and offer members the opportunity for:

- job satisfaction
- using their creativity
- for motivation
- greater productivity

### **Stages of team development**

Experts have suggested that small groups move through four stages of team development: ***forming, storming, norming, performing.***

#### ***Forming***

During this initial stage, the group learns what sort of behaviour is acceptable to the members. In this stage the group sets ground rules to cover the completion of specific tasks. This is the orientation stage.

#### ***Storming***

In this stage group members become more comfortable with one another and individual personalities begin to assert themselves. Conflicts arise and power struggles emerge as individuals struggle for influence. This must occur in order for the team to become productive.

#### ***Norming***

At this stage, the conflicts tend to be resolved. Group unity emerges as members establish common goals, norms and ground rules. A level of trust is established as close relationships are formed and personal opinions voiced.

#### ***Performing***

The team has now become more productive, now that structural issues have been resolved. They now operate as a unit. The structure becomes a tool for the group's use instead of an issue to be fought over

#### ***Adjourning***

For temporary groups, there is also an additional stage – adjourning, this is the time when activities are wrapped up. The group shifts from high task performance to closure. All groups will not stick to this framework, but in many cases this framework explains why groups

experience difficulty. For example, groups who try to perform without storming and norming will be unsuccessful.

### **Making teams effective**

Teamwork is often the best way to pool the expertise of different members of the business team and then channel their efforts towards effective problem solving and decision-making.

***Effective teamwork*** requires clearly defined goals, roles, tasks, and responsibilities. Each member of the team requires adequate training and must be provided with the tools needed to perform the tasks.

### ***Skills required for making teams effective***

In order to achieve the goals of a business, a number of skills are required. For example, a business requires administrative skills such as typing/word processing, supervisory, marketing and selling and other interpersonal functions such as communication, leadership, responsibility, delegation of authority, problem-solving.

Effective teamwork requires good leadership skills. Someone must be in charge to give direction, monitor performance and lead by example. In the same way that every successful cricket team is associated with great leadership, every business needs a good leader in order to be successful.

The effective leader encourages a spirit of teamwork and cooperation, delegates responsibilities and acknowledges and regards good performance in order to keep the team motivated and ensures that goals are achieved: the manager guides but does not dominate!

### ***Elements for effective teamwork***

1. The goal must be clear.
2. Leadership must be present.
3. Resources must be pooled and shared selflessly.
4. Authority should be specified.
5. Communication must be regular, clear and free from barriers.
6. Guidelines and procedures must be clearly established.

Remember: a team, like a chain, is only as strong as it's weakest link!

### ***Building an Effective Team***

- Define the goals, objectives and priorities of the team.
- Identify the role you will play.
- Identify the leader. Will it be you or someone else?
- Define the role of other team members in as specific a manner as possible.
- Decide on how your team members will relate to each other as well as to other persons outside the team.



#### **Activity 9** **Check your progress**

List four ways in which teamwork can benefit the enterprise.

**Discuss your answers with your tutor.**



#### **Checklist exercise**

**Do you consider yourself part of a team?** Check to see how well you work together as a team:

	YES	NO
1. Does the team share a sense of purpose or a common goal?	<input type="checkbox"/>	<input type="checkbox"/>
2. Are differences of opinion encouraged?	<input type="checkbox"/>	<input type="checkbox"/>
3. Is the team willing to resolve conflicts that surface?	<input type="checkbox"/>	<input type="checkbox"/>
4. Are risk taking and creativity encouraged?	<input type="checkbox"/>	<input type="checkbox"/>
5. Are mistakes treated as a source of learning?	<input type="checkbox"/>	<input type="checkbox"/>
6. Does the team have a constructive approach to problem solving?	<input type="checkbox"/>	<input type="checkbox"/>
7. Is there a climate of trust within the team?	<input type="checkbox"/>	<input type="checkbox"/>



# Leadership

Leadership is an important management function and is directly linked to effective teamwork. Leadership is the art of getting others to get the job done by maintaining morale, motivating subordinates and generally co-ordinating **team effort** to achieve set goals and objectives.

Leadership is an attitude and, to a great extent, a demonstration of the entrepreneur's approach towards accomplishing goals.

The total performance of a business is heavily dependent on the attitudes and actions of the entrepreneur. The entrepreneurs' effectiveness as a leader is determined by the results that are achieved.

## Characteristics of effective team leaders

In a business situation, the effective leader demonstrates a high degree of concern for both production and people. Leaders who only focus on production could find themselves in frequent conflict with workers.

Good leaders pay attention to the needs of their team members (workers) and work with each person to set clear goals. In doing this, conflict is minimised and there is a greater chance that team members will be more satisfied with their assigned tasks.

One school of thought feels that leaders are not born, even though it would appear that people are sometimes born with some innate qualities. Rather, it is felt that persons develop leadership qualities based on the environment in which they function. Some of these qualities are listed below:

- Leading and the ability to be lead

- Effective in listening/communicating objectives (task oriented)

- Action-oriented

- Dedicated and decisive

- Efficient in the use of resources

- Resourceful and able to take responsibility

- Sincere

- Honest and humble

- Inspirational

- People-oriented, productive

The ability to communicate, delegate, be responsible, decisive, productive and action-oriented are all qualities that can be acquired through effort.

Steps can be taken to develop skills to enhance effective teamwork. Take the case of cricket teams worldwide. Some cricket captains have demonstrated good leadership qualities while others have not. This is particularly true in the case of the West Indies team: a team which has experienced mixed fortunes under different leaders and whose performance is often a function of the team's morale.

Leadership is situational and leaders emerge dependent on the situation at hand and the expertise and skills that are required. For example, in preparing the budgets for the business, the accounting officer is the leader and in the preparation of a marketing plan the marketing officer is the leader.

Dependent on the situation, formal or informal leaders can emerge. Formal leaders are appointed while informal leaders emerge gradually as group members interact. A good manager must understand this and allow those with the relevant expertise to take on **leadership roles**. In order to be an effective leader, the entrepreneur must be able to do the following:

- lead and be prepared to be led
- know when and how to delegate, making others responsible
- be able to manage the task or job using available resources
- communicate effectively, ensuring that each team member is aware of the goals and objectives and understand the tasks to be performed

### **The role of the leader**

The role of leaders in ensuring effective teams could be summarised as leaders:

- make decisions to guide their teams
- keep their teams focused on their goals
- identify with the goals and values of the teams they lead





## Summary

- In any entrepreneurial project or activity, perhaps the most important factor is an effective entrepreneurial team. This team must be headed by a leader. Leadership is an important management function.
- It is the art of getting others to do the job. The effective leader demonstrates a high degree of concern for both production and people. Some desirable leadership qualities to be developed include leading, communicating, efficiency, resourcefulness, honesty and sincerity.
- Effective teamwork requires good leadership.



# Assessment Instrument

## Module 9 – Entrepreneurship

### Unit 9.3- 1 - Planning and Goal Setting

The teacher trainee has successfully:

- ☐ Identified the correct statements relating to the planning and goal setting
- ☐ Listed six purposes for a business plan
- ☐ Described five common terms used in management control
- ☐ Explained the meaning of SWOT
- ☐ Explained four benefits of which can be derived from planning
- ☐ Described a business venture including a definition of the market and the nomination of a suitable promotional tool





# Assignment No. 9.3-1

## Unit 9.3 Planning and Goal Setting

To be completed and returned to your tutor for assessment.

This is an open book assignment and you may refer to whatever references you have at your disposal.

**Name:** \_\_\_\_\_ **Due Date:** \_\_\_\_\_

### Question 1

Answer True or False to the following questions:

1. \_\_\_\_\_ Entrepreneurs always need to be setting goals
2. \_\_\_\_\_ Careful planning is required only at the beginning of the business venture
3. \_\_\_\_\_ Planning and Goal Setting are two tasks which are important, but not necessary if you are purchasing an existing business
4. \_\_\_\_\_ A Business Plan can be thought of as a “Road Map” as it directs you to your new business
5. \_\_\_\_\_ A Business Plan can help to project the needs of a business
6. \_\_\_\_\_ A goal is a general statement of what a business is about
7. \_\_\_\_\_ A goal guides plans and decisions
8. \_\_\_\_\_ A strategic plan is a short term plan
9. \_\_\_\_\_ An operational plan is a futuristic plan
10. \_\_\_\_\_ A constraint in a business can be the lack of finance

**Question 2:**

List 6 purposes for developing a business plan.

**Question 3:**

Write a brief statement to describe what each of the following terms mean:

- Inadequate market analysis
- Inaccurate product costing
- Poor credit control
- Poor customer service
- Risk

**Question 4:**

What does the acronym SWOT mean? Explain its purpose.

**Question 5:**

List four benefits to be derived from planning and write a paragraph describing each.

**Question 6**

- Identify a business currently operating in your community.
- Write a concise definition of the business in no more than 200 words
- Define the market you believe this business serves
- Indicate a promotional tool you feel would be appropriate for this business, stating your reason for this choice.

# Assessment Instrument

## Module 9 – Entrepreneurship

### Unit 9.3- 2 - Planning and Goal Setting

The teacher trainee has successfully:

- ☐ Matched the identifying term with definitions of elements associated with management control.
- ☐ Identified four qualities that are characteristic of a good leader.
- ☐ Stated three roles a leader would anticipate performing
- ☐ Described the impact of the qualities on the ability to perform the roles
- ☐ Identified a possible business idea:
- ☐ Listed two goals
- ☐ Developed a plan for implementation







# Assignment No. 9.3-2

## Unit 9.3 Planning and Goal Setting

To be completed and returned to your tutor for assessment.

This is an open book assignment and you may refer to whatever references you have at your disposal.

**Name:** \_\_\_\_\_ **Due Date:** \_\_\_\_\_

### Question 1

Match the following definitions with the appropriate element of management control by inserting the correct term beside it.

- \_\_\_\_\_ Allows the conversion of assets to cash in case of financial need.
- \_\_\_\_\_ Debts or obligations for which a person is responsible.
- \_\_\_\_\_ A description of a company's assets, liabilities and net worth over a given period.
- \_\_\_\_\_ A statement of anticipated results expressed in either financial terms or in non-financial terms such as materials, labour, sales and promotion.
- \_\_\_\_\_ The capacity to earn a profit over an extended period of time.
- \_\_\_\_\_ The assets remaining after all liabilities have been deducted.
- \_\_\_\_\_ A general increase in prices and a fall in the purchasing power on money.
- \_\_\_\_\_ The combined cost of rent, rates, maintenance, heat, lighting, transport.
- \_\_\_\_\_ A statement of where cash or funds actually came from and how they were used in a given period.
- \_\_\_\_\_ An estimate of a person's suitability to receive commercial credit.

***Cash Flow Statement, Liabilities, Profitability, Credit Rating, General Financial Condition, Balance Sheet, Liquidity, Inflation, Overheads***

**Question 2**

Identify four qualities that you would expect to find in a good leader.

State three roles that an entrepreneur would expect to fulfil as the leader of an entrepreneurial team.

Write a short statement on the impact of two of the qualities on the ability to perform the roles nominated.

**Question 3**

Identify a business idea or project in your area of expertise. Using the steps provided in Activity 3.1 of this unit, list two goals for this business project.

Using Activity 3.8 as a guide, develop a plan for implementing the business idea or project.