



Ministry of Education
and Sports

HOME-STUDY LEARNING

SENIOR
5

ENTREPRENEURSHIP
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This material has been developed as a home-study intervention for schools during the lockdown caused by the COVID-19 pandemic to support continuity of learning.

Therefore, this material is restricted from being reproduced for any commercial gains.

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FOREWORD

Following the outbreak of the COVID-19 pandemic, government of Uganda closed all schools and other educational institutions to minimize the spread of the coronavirus. This has affected more than 36,314 primary schools, 3129 secondary schools, 430,778 teachers and 12,777,390 learners.

The COVID-19 outbreak and subsequent closure of all has had drastically impacted on learning especially curriculum coverage, loss of interest in education and learner readiness in case schools open. This could result in massive rates of learner dropouts due to unwanted pregnancies and lack of school fees among others.

To mitigate the impact of the pandemic on the education system in Uganda, the Ministry of Education and Sports (MoES) constituted a Sector Response Taskforce (SRT) to strengthen the sector's preparedness and response measures. The SRT and National Curriculum Development Centre developed print home-study materials, radio and television scripts for some selected subjects for all learners from Pre-Primary to Advanced Level. The materials will enhance continued learning and learning for progression during this period of the lockdown, and will still be relevant when schools resume.

The materials focused on critical competences in all subjects in the curricula to enable the learners to achieve without the teachers' guidance. Therefore effort should be made for all learners to access and use these materials during the lockdown. Similarly, teachers are advised to get these materials in order to plan appropriately for further learning when schools resume, while parents/guardians need to ensure that their children access copies of these materials and use them appropriately. I recognise the effort of National Curriculum Development Centre in responding to this emergency through appropriate guidance and the timely development of these home study materials. I recommend them for use by all learners during the lockdown.



Alex Kakooza
Permanent Secretary
Ministry of Education and Sports

ACKNOWLEDGEMENTS

National Curriculum Development Centre (NCDC) would like to express its appreciation to all those who worked tirelessly towards the production of home-study materials for Pre-Primary, Primary and Secondary Levels of Education during the COVID-19 lockdown in Uganda.

The Centre appreciates the contribution from all those who guided the development of these materials to make sure they are of quality; Development partners - SESIL, Save the Children and UNICEF; all the Panel members of the various subjects; sister institutions - UNEB and DES for their valuable contributions.

NCDC takes the responsibility for any shortcomings that might be identified in this publication and welcomes suggestions for improvement. The comments and suggestions may be communicated to NCDC through P.O. Box 7002 Kampala or email admin@ncdc.go.ug or by visiting our website at <http://ncdc.go.ug/node/13>.



Grace K. Baguma
Director,
National Curriculum Development Centre

ABOUT THIS BOOKLET

Dear learner, you are welcome to this home-study package. This content focuses on critical competences in the syllabus.

The content is organised into lesson units. Each unit has lesson activities, summary notes and assessment activities. Some lessons have projects that you need to carry out at home during this period. You are free to use other reference materials to get more information for specific topics.

Seek guidance from people at home who are knowledgeable to clarify in case of a challenge. The knowledge you can acquire from this content can be supplemented with other learning options that may be offered on radio, television, newspaper learning programmes. More learning materials can also be accessed by visiting our website at www.ncdc.go.ug or ncdc-go-ug.digital/. You can access the website using an internet enabled computer or mobile phone.

We encourage you to present your work to your class teacher when schools resume so that your teacher is able to know what you learned during the time you have been away from school. This will form part of your assessment. Your teacher will also assess the assignments you will have done and do corrections where you might not have done it right.

The content has been developed with full awareness of the home learning environment without direct supervision of the teacher. The methods, examples and activities used in the materials have been carefully selected to facilitate continuity of learning.

You are therefore in charge of your own learning. You need to give yourself favourable time for learning. This material can as well be used beyond the home-study situation. Keep it for reference anytime.

Develop your learning timetable to cater for continuity of learning and other responsibilities given to you at home.

Enjoy learning

SUBJECT: ENTREPRENEURSHIP EDUCATION**CLASS: SENIOR FIVE. TERM: ONE****TOPIC 1: INTRODUCTION TO ENTREPRENEURSHIP EDUCATION****LESSON 01: CAREER OPPORTUNITIES IN UGANDA.**

Learning outcomes: By the end of this lesson, you should be able to: Define entrepreneurship career, distinguish between self-employment and wage employment, advantages and disadvantages of wage employment, explain the benefits of self-employment / entrepreneurship career over wage employment, describe the challenges of self-employment, Select entrepreneurship as a career opportunity besides others.

Materials you need :Entrepreneurship textbooks, Notebook, pen, ICT tools e.g. radio, T.V. mobile phone, laptop, desk computer, internet etc

Introduction

By this time you should have come across the word career through your career guidance activities, especially through relating with your parents, relatives and career guidance teachers.

We can refer to a **career as an occupation or work that an individual does to earn a living.**

There are a number of careers you could have come across, can you think about them?

Activity 1.2.1: Get your note book and list down at least eight (8) careers for different professions you have come across.

As a student advances in the education levels, there is need to think about the career to choose. Mapping out your career based on some factors, these factors play a role in influencing you to select a particular career : Your personal interest in a particular career, role models, talent, ability and level of education. Sometimes, a career can be influenced by your family members, peers, teachers, expected income, job demand and government policy among others. An Individual can opt for the entrepreneurship career due to its advantages we shall talk about later.

Among the careers you could have thought about, you may not have mentioned the entrepreneurship career, however this career is one of the most important careers that have contributed to the development of Uganda's economy.

Entrepreneurship career is a career where a person is involved in long term business for the purpose of making profits. This is also referred to as business career or self-employment.

On the other hand, **Wage employment** is when a person works for others and carries out specific duties in return for salary and wage. In wage employment an individual works for superiors who give him or her instructions and plans one follows. When you choose to be employed in the government service or private sector this implies you have opted for wage employment.

The Advantages of wage employment include:

- Enables an Individual get steady income due to regular payment by the employer hence he or she can easily plan how to spend the income.
- Ensures job security for a worker especially under permanent employment terms like in a government job and this makes him/her sure of the future.
- Increases the productivity of both the worker and that of the organization as it makes a worker to become more efficient due to specialization.
- Provides favourable or predictable hours of work for a worker like from 8:00 a.m to 5:00 p.m hence avoiding over working oneself.
- Allows a worker to acquire different skills through the training programmes designed by the employer and this makes him/her more productive.
- Enables a person to earn income that matches or fits his/her levels of qualification, experiences and abilities leading to better personal satisfaction.
- Enables a person to easily get a loan/ salary loan from a lending institution for personal use like for building a house, buying a car and so on since the lender is assured of regular source of money for repaying the loan.
- Allows a worker to undertake specific duties and responsibilities as defined in the employment contract and this makes him/her more organized.
- Provides steady or certain tax revenue to the government like in form of pay as you earn which enables the government to provide public services like health care, police and so on.
- Enables a worker to easily budget how to spend his/her earnings on what to buy since he/she is certain of the amount of pay and when it is paid.

Disadvantages of Wage employment

Despite the advantages of paid employment it's also faced with the following disadvantages:

- Forces a worker to follow specific orders or instructions given by the employer and this reduces his/her independence in decision making.
- Forces a worker to follow a set chain of control or command that always requires him/her to make consultations and get clearance before implementing his/her ideas in the workplace.
- Restricts a worker to a fixed rate or amount of payment regardless of the amount of effort put in the job, profit generated resulting in his/her being exploited.
- Restricts a worker to performing limited and fixed responsibilities as specified by the employer in the job satisfaction and this reduces one's areas of learning.
- It reduces the creativity and innovativeness of a worker due to limited freedom to act on his/her ideas.
- Workers face a lot of pressure or harassment from the employer who always expects a lot from them and this forces them to work longer to meet set targets in time.
- There is low level of job security for a worker especially in the private sector where they face the risk of being dismissed at any time by the employers.

- Workers do not have control over working conditions whether favourable or not and so they sometimes endanger their health by working in unfavourable conditions.
- Workers sometimes are forced to miss payment or receive less payment once they miss work or face disciplinary actions due to indiscipline.

Benefits of entrepreneurship career / self employment over wage employment

Self-employment is where a person or group of people start their own income generating activities/ business enterprise(s) to earn profit.

Therefore the benefits/ advantages of self-employment /entrepreneurship career over wage employment include the following;

- With entrepreneurship career income earned is unlimited unlike unpaid employment where income earned is fixed.
- With self- entrepreneurship career one gains freedom and independence to make decisions unlike in wage employment where decisions are mainly made by their employers.
- With entrepreneurship career one is the boss of his own unlike in wage employment where an individual works for others.

- Entrepreneurship career promotes creativity and innovation by enabling a person to develop new ideas and transforming them into new products that earn income unlike in wage employment where one carries out routine jobs given to him or her by the supervisors.
- With entrepreneurship career an individual gains respect and social recognition as a successful entrepreneur who provides goods and services to the community members unlike in wage employment where one may not be recognized in society.
- With entrepreneurship career one creates employment opportunities to others like workers in his /her business unlike in wage employment.
- Self-employment helps a person to develop self-confidence and self-esteem towards running a successful business which leads to personal growth and development.
- With self-employment career an individual creates wealth such as construction of buildings, owning land e.t.c, he/she also contributes to National income by producing output than wage employment.
- With entrepreneurship career there is high Job security since the entrepreneur is assured of the Job for all his life time than in wage employment were the contract may be terminated at any time.

Figure 1a and 1b below shows that with the entrepreneurship career one starts with a small business which later grows into a big business.



Figure:1a



Figure:1b

However, being an entrepreneur involves some challenges that one must minimize in order to become successful in business. You have probably observed some entrepreneurs in your community facing challenges but are successful. Think about some of these challenges they face as you plan to ask them when you go for fieldwork.



Figure 1:c.Shows a picture of a successful entrepreneur with improved standards of living at his home

Although entrepreneurs enjoy a lot of benefits, there are some challenges which they face due to self employment or being entrepreneurs. They include the following;

- Self-employment is associated with long and irregular working schedule or time to make the business a success.
- The entrepreneur has less time for leisure and other social activities because he/she spends more time working in the business.
- It is also associated with uncertainty in one's income i.e. one may not be assured of his or her monthly earnings.
- There are few or no fringe benefits e.g. medical allowance, housing allowance, annual leave etc. for a self-employed person.
- It is hard to delegate work, the entrepreneur has broad responsibilities and finds him or herself doing a lot of things which affects the quality of his or her life.
- Risks in the business are suffered by one person, this may cause tension and stress to the entrepreneur.
- It is associated with a high tax burden where the entrepreneur is taxed by the government.
- Uncertainty / unstable incomes as it keeps on increasing and decreasing depending on the performance of the business.

Having looked at the advantages and challenges of both self employment and wage employment above, I think you can now decide which career you are ready to opt for in your future life time.

Activity 1.2.2 :With reference to the above self-study material:

- (a) Identify any four businesses in your community and find out from the entrepreneurs about the:
 - i) Benefits they enjoy as self employed people.
 - ii) Challenges they face due to self-employment or as entrepreneurs.
 - iii) Find out how they minimize the challenges mentioned in a (ii) above.
- (b) Write a report about your findings in your note book. You will share your report with your teacher and classmates when the term re – opens. Their comments will help you improve your report.

(N.B During your business field trip, do not forget your face mask, observe 2 metre social distance, wash /sanitize your hands frequently and follow other Ministry of Health guidelines for your safety against covid-19 pandemic.)

LESSON 02: COPING WITH CHANGE IN BUSINESS

Learning outcomes: By the end of this lesson, you should be able to: define change, explain the reasons for change in business, explain the strategies that can be undertaken to manage resistance to change in business, examine the effects of change in business, cope with change in business.

Materials you need : Entrepreneurship textbooks, Notebook, pen, ICT tools e.g Radio, T.V. Mobile phone, laptop, desk computer, Internet etc

Introduction

You have seen changes take place in your homes and school where there has been alteration of the old ways of doing things. At school for example you have noted ongoing construction of new classes or latrines which have changed the appearance of the school.

In the present time change is unavoidable in business, businesses are required to cope with change without it a business cannot survive competition. Businesses have to be flexible enough and adapt to these changes if they are to remain in operation.

Change refers to the process of coming up with a completely different method of doing things. It also involves transforming an object into a different item.

Change is also defined as the process through which something becomes different. Change in business occurs when an organization improves, restructures or transforms a major or part of its operations, thereby disrupting its systems, people and process.

Activity 1.3.1

In your books, note down any four (4) changes that have taken place at your home and any four (4) changes that you have observed taking place in your school.

Reasons for bringing change in business

It is important for us to understand the forces / reasons that bring about change in business, these include the following among others:

- **Change in the level of efficiency.** An entrepreneur in need of success adopts techniques of operation that increase the quality and quantity of output in the shortest period of time using minimal resources.
- **Change in the level of competition.** An entrepreneur facing many rivals' in business may make many changes in business e.g improve the quality of products, improve the customer care techniques e.t.c so as to remain competitive and retain the customers.
- **Change in technology.** An entrepreneur adopts new and modern methods of producing better goods/ services which result into quality products that satisfy the customers' needs.
- **Change in the environmental factors.** A business will be required to adapt operational methods that reduce environmental degradation i.e reducing air, noise and water pollution. Using alternative sources of fuel rather than wood fuel, neutralizing the poisonous gases before releasing them in the atmosphere and using silencer machines helps the business to reduce pollution.
- **Social changes.** An increase in population will require the entrepreneur to increase his/her levels output so as to meet the needs of the increasing population.
- **Changes in globalization.** An entrepreneur makes necessary changes in his/her own business to cope up with globalization like expansion in foreign markets to tap market opportunities.
- **Change in the entrepreneurs' desire.** A successful entrepreneur adopts positive mental attitude to implement changes in business and achieve the set goals e.g better working conditions for employees.
- **Change in customers tastes and preferences.** Customers tastes change over time as a result entrepreneurs need to develop new and improved products that meet the needs of the customers.
- **Natural calamities eg floods, land slides, covid19** among others may force a business to relocate, change products that meet the needs of customers.

The picture below shows change in the natural environment and its impact on agribusiness



Activity 1.3.1.

- i) Describe the change in environment in the picture above
- ii) What could have caused the change in the natural environment?
- iii) What is the effect of this change on agribusiness?
- iv) Suggest ways of coping with change in the above business.

It is rare that change is totally accepted in business. Some employees and entrepreneurs resist change in business because of different reasons. Some employees think that change benefits only specific people but not them, others feel they are not capable of handling the changes in business due to lack of self-esteem and it may show gaps in their ability, others are stubborn and fear to lose their independence while some entrepreneurs see change as costly e.g using new technology, change also requires a lot of time and is characterized by uncertainty about the future if implemented. Because of these factors, change is resisted in businesses.

An entrepreneur should be skillful enough to manage resistance to change if the business is to survive. He / she can overcome resistance to change by using the following measures:

- Adapting an effective communication system that enables early communication of changes to employees.
- Training employees to be ready for change. Educating and training the workers / management about the need for change and training them in skills needed for the change e.g computer skills, machine handling skills etc.
- Involving employees in planning and implementing all changes in the business.
- Conducting research on the most appropriate ways of introducing new changes in the business.
- Promising rewards to managers and workers who accept the changes at the workplace.
- Carrying out proper planning on how to make changes in business.
- Encouraging feedback on the progress of change, get the thoughts, concern, and experience about change process in the business.
- Assessing the readiness for change. Entrepreneurs should evaluate whether employees are ready to handle the change process successfully by interviewing them or giving them questionnaires to provide their responses about change.
- Managing resistance to change by setting up policies and procedures that state consequences to the workers who are not following change, get strong leadership to spearhead change from those who have accepted the change.
- Reward employees who adopt to change through recognition, promotions etc.

Activity 1.3.2:Case study: Nandutu's carpentry workshop

Nandutu is a graduate of carpentry and joinery. She owns Nandutu's Carpentry Work Shop located along a busy road in Mbale town. As a positive thinker, she wants to be a leader in the field. The workshop is known for producing quality and reliable furniture products like guitar frames, beds, tables, cupboards, sofa chairs for individuals and institutions. Two months after starting operations, a competitor opened business nearby. This scared some of her workers but she discouraged them from being negative. She purchased new electric carpentry machines, retrained her staff, opted for unique furniture and quality services. She fitted her machines with silencers to improve the working environment. She also started using modern machines that have improved the quality of her furniture products.

As a result of this, output increased, there is also high demand for her quality carpentry products. She has increased the number of workers from 10 to 20. She reminds her staff daily to develop new ideas from various sources and rewards employees who come up

with new ideas that improve the business. Each worker has been given a note book for recording new ideas. One day Nandutu proposed the idea of making wooden toys due to the increasing number of children in the area and most of the workers were ready to learn more about producing toys. The workshop is a busy training centre for students and the society. Her business is growing steadily with an increase in the number of customers.

Required:

- (1) Identify the changes made in Nandutu's Carpentry workshop.
- (2) What are the causes of change in Nandutu's carpentry workshop?
- (3) Examine the effects of change to Nandutu's carpentry work shop
- (4) What strategies were used by Nandutu to manage change in her business?
- (5) Advise her on other strategies of coping with change in her business.

LESSON 03: CREATIVITY IN BUSINESS

Learning outcomes: By the end of this lesson, you should be able to: describe the characteristics of creative people, explain the importance of creativity in business, explain the techniques of improving creativity in business, practice creativity and make new products using the locally available materials.

Materials you need : Entrepreneurship textbooks, notebook, pen, ICT tools e.g. radio, T.V. mobile phone, laptop, desk computer, internet etc

Introduction

We are going to look at creativity, you realize that being creative is part of our lives, sometimes you develop new ideas in your mind about some new things and you feel the new ideas can solve problems which are personal, at your home or community. Similarly, the survival of a business requires the business owner to generate new ideas to solve particular problems that characterize the business environment.

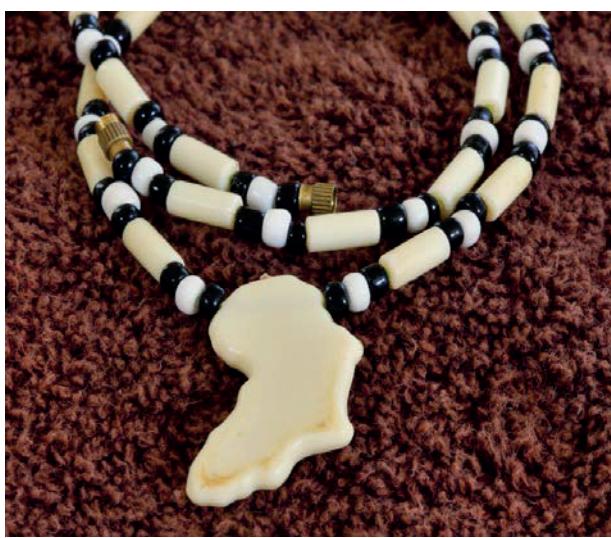
Therefore, creativity is the ability to produce something new through imaginative skills, one gets a solution to a problem, a new method.

Creativity can also be defined as the process of generating a new or useful idea that meets human needs.



With creativity the entrepreneur has the power or ability which enables him or her to come up with exciting business ideas even in situations that may look hopeless e.g. setting up a lucrative business in a refugee camp or turning people's problems into successful businesses. In challenging situations, entrepreneurs are able to dream up business ideas which they can then develop into opportunities and eventually turn them into profitable businesses.

Below are some of the pictures that reflect people's creativity in making African designed wear, ornaments / necklaces and shoes to satisfy people's needs.





Activity 1.4.1 : Study the pictures above and describe how the people who designed the above traditional wear, clothes, ornaments & shoes were creative. Take a record of your answers in your note book you will share them with your teacher in subject class and take note of his or her comments.

Characteristics / features of creative people

- Original or uniqueness. Creative people always want to do things in a new way.
- Passionate about their work. Creative people usually choose to do what they enjoy or love doing.
- Divergent thinkers. Creative people think differently from others people.
- Independent. Creative people think, act and behave from their own points of view and attitudes.
- Risk takers. Creative people are willing to take risks or are high risk takers.
- Flexible or flexibility. Creative people have the ability to see different aspects of issues and come up with possible solutions.
- Adaptive or adaptability. Creative people are able to adjust in most cases to all situations.
- Curiosity or inquisitive. Creative people are always curious and so ask various questions that help them come up with possible solutions to issues.
- Sensitive or openness. Creative people are open and are capable of responding quickly to the world or their environment to come up with new things that meet available needs.
- Imaginative. Creative people can also see things in their minds that do not currently exist and work to make them exist.
- Intelligent or bright. Creative people generally have high intelligence.
- Innovative. Creative people are capable of transforming their new ideas into real goods and services or wealth.
- Future oriented or compelling vision or visionary. Creative people often think about how what they are doing will impact on the future.

Creativity in business is very important and it has the following advantages as noted below:

- Increases productivity or leads to mass production in a business once workers come up with better production methods.
- Helps in solving everyday problems in business e.g finding ways of repairing damaged machines.
- Helps to promote the goods and services of a business once marketing experts get new ways of informing customers of the products.
- Encourages improvements in the quality of goods or services or promotes product updates and this in turn increases sales.
- Promotes proper use of limited resources like raw materials through challenging workers to come up with cost effective methods.

- Improves the way a worker/an individual looks at things, which in turn leads to better solutions to problems.
- Promotes the development of new and original ideas using existing ones, resulting in new goods or services.
- Encourages better team work in a business once the new ideas of the workers are transformed into new goods or services.
- Encourages better team work in a business through brain storming to solve business problems.
- Helps in building self-confidence and self-motivation in the workers through allowing each to come up with new ideas towards solving business problems.
- Creates interest in a person or worker to learn, and this makes it easy for the person to respond to the changes in the business.

Measures used by the business to develop or improve creativity

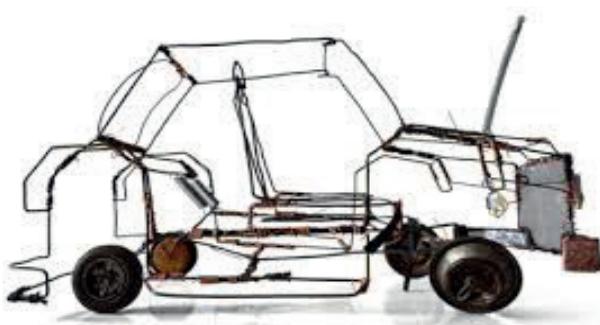
- Thinking beyond the invisible frame work or issues that surround the problem or situation.
- Recognizing when assumptions are being made in the business and challenging them so as to get more new ideas.
- Transferring technology from one field to another to solve a problem or situation.
- Developing or adapting ideas from more than one source and then selecting the best idea to use.
- Noting or writing down useful ideas that apparently come into one's mind so that they are not lost.
- Being prepared to use unpredictable events to one's advantage by coming up with achievable solutions.
- Suspending or avoiding negative judgement against ideas so as to encourage creative thinking.
- Tolerating ambiguity and learning to live with doubt and uncertainty so as to come up with solutions to problems.
- Stimulating one curiosity in everything and developing skills of observation, listening, reading and recording.
- Learning to use analogy or related situations to other similar ones so as to come up with models or solutions related to earlier ones elsewhere.
- Learning to make connections with points or ideas, situations that look irrelevant or unfamiliar, hidden, outside one's field of expertise in order to come up with something new.

- Spotting narrow minded thinking and then widening the field of coverage or vision, so as to learn from experiences of others.
- Practicing or experimenting or trying one's chance or luck in discovering valuable and useful things when not particularly seeking for them.
- Having a willing mind to learn at all times.

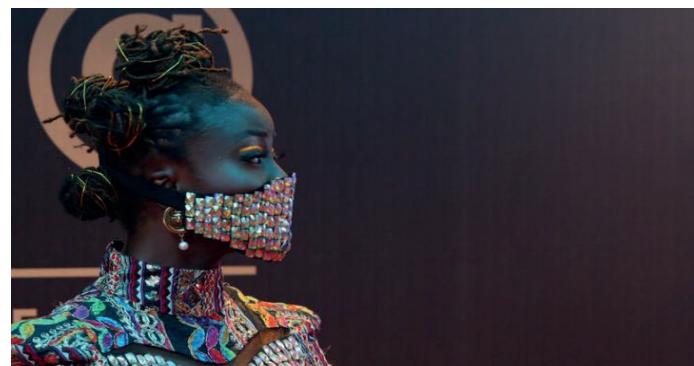
During this period of the covid-19 pandemic, people have been very creative, some have produced locally manufactured face masks using cloth, and others have produced new detergent soap and sanitizers, personal protective equipment used in hospitals among others. This has been aimed at preventing the spread and protecting people from the deadly pandemic which has claimed a number of lives in Africa, Europe and America.

There has been a lot of new ideas to solve the community problems. Just like other people who have shown their creative ability, you will be required to develop any product using the locally available materials in your community in the activity below:

The pictures below show that many individuals have practiced creativity in their homes and their business using the available local materials .Critically look at the pictures below and think about how you can also be creative like these people. What new ideas do you have that can help you develop a product which satisfies people's needs in your community or can solve their problems?







Activity 1.4.2

Having read about creativity and also seen some pictures reflecting creativity of other people, try out your creative ability by doing this project at your home.

Follow the Instructions below and perform the following task:

- i) Collect any of these locally available materials like used straws, metallic and plastic bottle tops, empty plastic bottles, banana fibres, dry beans, beads, sisal, plastic wires, metallic wires, wire gauze, empty tins, dry palm leaves, remains of cloth from the tailor, needle, threads, dry papyrus reeds, dry pieces of wood, nails, old tyres and plastic jerrycans, old rubber products, charcoal dust or fresh cow dung, soil , cassava flour, clay, water etc.
- ii) Use material that match with each other e.g cloth, needle and threads, metallic bottle tops, nails and wire gauze / metallic wires etc.
- iii) Think about any unique product you can make from any of the above local materials which you can easily access. Share your idea with your parent or relatives for more guidance, develop a quality product which you will present to your teacher when school re-opens.
- iv) But as you report to school carry some local materials with you i.e the ones you used to make the product. You will be required to produce the same product in your Entrepreneurship Education lesson in the first week of the term. You make many products and sell some to the community members. It can become an income generating project.

(N.B During your business field trip,don't forget your face mask, observe 2 metre social distance, wash /sanitize your hands frequently and follow other Ministry of Health guidelines for your safety against covid-19 pandemic.)

LESSON 04: INNOVATION IN BUSINESS

Learning outcomes: By the end of this lesson, you should be able to: define innovation, describe the types of innovation in business, describe the characteristics of successful innovators in business, explain the importance of innovation in business, become innovative by developing a different / unique product in your community using the available resources.

Materials you need :Entrepreneurship textbooks, Notebook, pen, ICT tools e.gradio, T.V. Mobile phone, laptop, desk computer, internet etc

Introduction

In our daily lives particularly from our homes you have visited the saloon and seen different hair styles which are quite unique, in arcades and shops you have also seen clothes for men and women being designed in different ways with unique fashions, you have always eaten cassava at your home, but are you aware that you can make well packaged cassava crisps out of the cassava? All these are innovations. Therefore, innovation starts from the households to businesses.

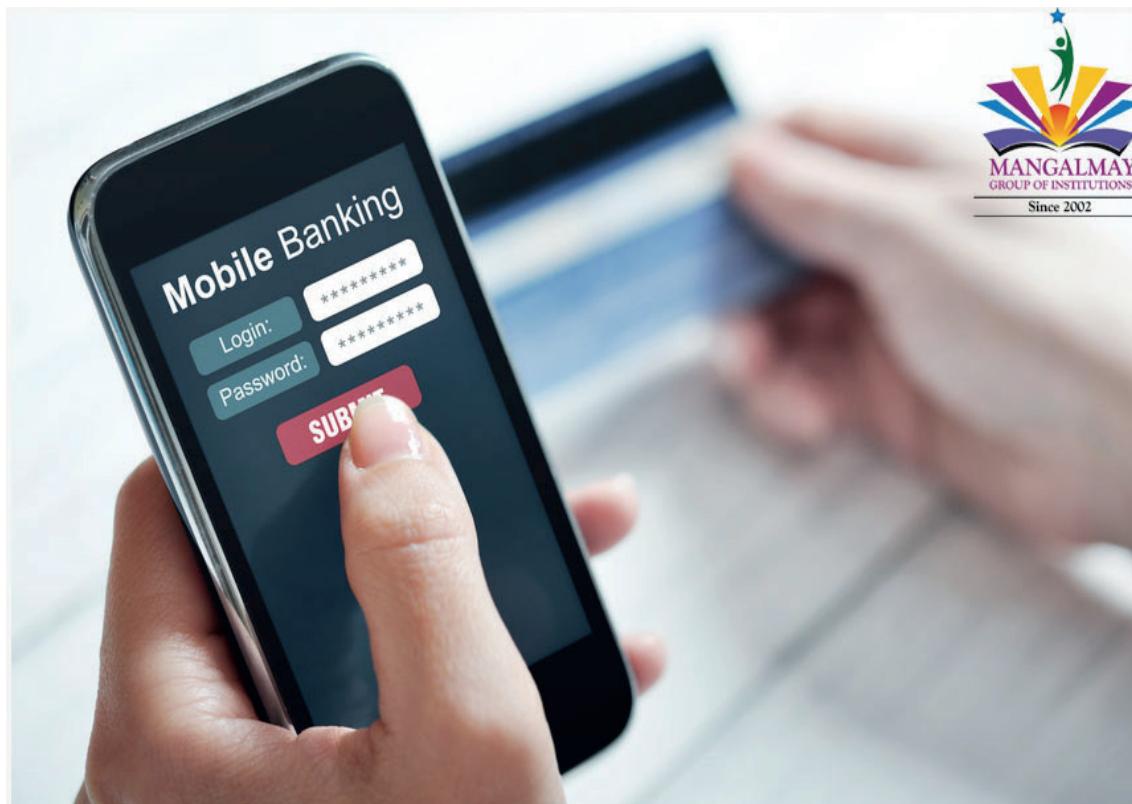
Innovation simply means to do something in a different or better way. It's also defined as the process of transforming the resources of an enterprise through creativity of people into new resources or wealth. It involves revolutionary changes in thinking where the business has discovered new aspects, implemented them, made improvements on what is existing in the business and add more value to it.

The types of innovations

In businesses innovation includes the following:

- **Product innovation.** This involves introduction of a good/ service that is new and remarkably improved than the previous one e.g Manufacturing companies of mobile phones are now producing mobile phones with multiple functions like internet, Cameras, radios etc.
- **Process innovation.** This is the implementation of new or significantly improved production process for the business products e.g a business can change from the manual way of sealing bottles to a computerized way of using machines to seal the bottles.
- **Business model innovation.** This involves changing the way how a business is being done in terms of capturing value in order to attract customers' e.g BukaDeT.V, NTV, NBS have different programs that try to make them unique and better off than their competitors.
- **Marketing innovations.** This involves changing and developing new marketing methods with improvements in product design or packaging, product promotion and pricing.

- **Organizational innovation.** This involves creation of new business structures, practices and models. It involves changing the way things are done for the better within almost every department in the organization e.g having a new better organizational chart.
- **Service innovation.** This refers to the introduction of new service by a business that is improved than the old one. e.g the introduction of ATM machines and mobile banking in banks to improve service delivery, School fees payment on mobile money in schools.



- **Supply chain innovation.** This involves making innovations in the sourcing of required inputs from the suppliers and the delivery of the outputs to the customers. e.g. the business can get new suppliers of raw materials and also buy a company van to supply finished products

Activity 1.5.1 :Study the pictures below and describe how people are doing things differently or making their products / services unique from other competitors in the same industry.

Record your findings in your note book, you will share them with your subject teacher when you go back to school.





Characteristics of successful innovators

- **Compelling vision:** An innovator is able to see/ forecast where the business is to go or be in the future and then does everything to reach the target.
- **Opportunity oriented:** An innovator looks for new ways of solving a problem or dealing with a situation in a better way.
- **Self-disciplined:** He controls and motivates himself to stay on track to develop a new good or service needed.
- **Passionate about what he or she believes:** An innovator has great love for what he does and always tries to develop new products that improve customers' satisfaction.
- **Inner directed:** He is guided by standards within himself that motivates him to create new ideas and turn them into improved goods or services.
- **Extraordinarily persistent:** An innovator has the ability to continue doing something until he comes up with new products. Without making obstacles to hinder him.
- **Trend spotter:** An innovator has the ability to identify or spot something new and its social benefits and then goes ahead to make improvements.

- **Surrounds himself with positive people:** He works together with people who have positive attitude towards creating something new with improved value to the users.
- **Creative:** An innovator develops a new idea and goes ahead to turn it into an improved good or service that provides more satisfaction to the customers.
- **Risk taker:** He takes risks to develop a new idea and then turns it into an improved good or service needed.

Importance of innovations in business.

Innovation leads to the following advantages in business

- Leads to improvements in quality of goods and services through making product innovations, resulting in more sales and profits for the business.
- Promotes mass production or improves productivity and reduces costs through making process innovations.
- Increases product varieties through making successful product innovations, and these result in more choices for the customers.
- Helps a business to handle legal and environmental issues better once the innovations are aimed at controlling pollution.
- Improves service delivery by making it faster through service innovations, leading to better customer satisfaction, leads to better management of competition, by coming up with new and better products than those of the rivals.
- Increases job satisfaction or improves staff retention once workers are involved in developing new ideas that improve business products.
- Leads to more added value or offers improvements in the business through enabling it to establish a unique selling position (USP) that in turn wins competition.
- Helps to increase the market share or promote the products of a business through adapting product innovations aimed at removing customer complaints.
- Increases the profits of a business by making better quality products that sell at higher prices and also attract more customers.
- Leads to creativity in business. Once the business motivates its workers to always come up with new ideas for innovations.
- Helps a business to develop new marketing methods with improvements in product design or packaging, promotion and pricing.

Activity 1.5.2 : Having read this self study material on innovation in business, you are going to try out your innovative skills by doing this project at your home.

Follow the instructions below and perform the following task:

- i) Identify a product which is already on the market. Critically look at the product. and ask your self the questionsbelow:
 - How can I produce a related product like that one I have selected with some uniqueness or value added?
 - How can you make an improved product from what I have selected?
 - How can I make my product different from another related productI have selectedon the market?

This is the opportunity for you to discover who you are !!

- ii) You can use any locally available materials e.g used straws, metallic and plastic bottle tops, empty plastic bottles, banana fibres, dry beans, beads, sisal, plastic wires, metallic wires, wire gauze, empty tins, dry palm leaves, remains of cloth from the tailor, needle, threads, dry papyrus reeds, dry pieces of wood, nails, old tyres and plastic jerricans, old rubber products, charcoal dust or fresh cow dung, soil, cassava flour, clay, water or any other local material depending on what you need to make your product unique.
- iii) Share your idea with your parent or relatives or a person with experience about that product to give you more guidance.
- iv) Develop a unique product which you will present to your teacher when school re-opens.
- v) Record all information you have collected on the product and steps you have followed to produce the unique product in your note book. You will share them with your teacher and classmates at school.
- vi) You can make many products and sell some to the community members, it can become an income generating project.

(N.B During your business field trip, don't forget your face mask, observe 2 metre social distance, wash /sanitize your hands frequently and follow other Ministry of Health guidelines for your safety against covid-19 pandemic.)

LESSON 05:RISK TAKING SKILLS IN BUSINESS

Learning outcomes: By the end of this lesson, you should be able to: explain the types of risks in business, identify examples of risks in business, examine the factors considered when assessing business risks and explain the ways of minimizing risks in business.

Materials you need : Entrepreneurship textbooks, notebook, pen, ICT tools e.gradio, T.V., mobile phone, laptop, desk computer, internet etc

Introduction

A risk is a situation where one is required to make a choice between one or two alternatives which may result to either success or failure (loss). It involves the possibility of suffering losses, danger or harm.

A Business risk is a factor or factors that may have a negative impact on the profitability or success of a business

A risk situation occurs when a choice is required between two or more alternatives whose potential outcomes are not known and must be subjectively evaluated.

Have you ever taken a risk in your life? What was your experience? did you achieve success or failure? Entrepreneurs, too are faced by risky situations and it requires them to assess the magnitude of these risks before they venture into business activities.



A picture showing a risky situation that can either lead to danger or success. Businesses are subjected to risky situations of losses or profits.

Remember you studied about the characteristics of successful entrepreneurs, the teacher told you they are risk takers, they make decisions in conditions of uncertainty and balance potential success against potential loss. Entrepreneurs should therefore undertake calculated risks which they can minimize. The greater the possible loss or gain, the greater the risk involved and the reverse is true.

Now, let us look at the types of risks in business,

Types of risks

There are basically three types of risks these include the following:

- **Low risks :**These are risks that yield low profits and make low losses for the business. They are less likely to happen and even when they occur, they can be managed by the entrepreneur. This type of risk usually makes entrepreneurs to only invest in a smaller business using little capital.
- **Moderate risks:** These are risks that have moderate gains or losses, the entrepreneur can easily be forecasted or predicted, calculated and managed by an entrepreneur. e.g theft of business property, bad debts, fire, accidents etc. They are easy to predict and so an entrepreneur can ensure that they do not happen or he/she can minimize their effects.
- **High risks:** These are risks whose chance of happening is very high and also bring high profits and yet the entrepreneur has very little control over them. If such a risk happens, the business will fail and collapse and there will be no chance of recovering. However, if it succeeds, then the entrepreneur is likely to get very high profits for example smuggling goods, selling prohibited goods.

Examples of risks facing entrepreneurs in Uganda

- (i) Fire outbreak
- (ii) Theft and burglary
- (iii) Smuggling of goods
- (iv) Bad debts
- (v) Work place accidents
- (vi) Motor accidents

- (vii) Natural calamities e.g. pests and diseases, landslides, locusts, floods that mainly affect agribusinesses leading to loss of crops or livestock
- (viii) Loss of business profits
- (ix) Changes in technology
- (x) Changes in customers, tastes, fashion and preferences
- (xi) Declining demand due to poor quality products & stiff competition
- (xii) Poor working conditions resulting into strikes, reduction in the number of employees.
- (xiii) Machinery outbreak and consequential loss
- (xiv) Loss of money/cash at business premises or while in transit
- (xv) Aircraft losses / damages
- (xvi) Marine losses or damages
- (xvii) Embezzlement of business funds
- (xviii) Duplication of company products

ILLUSTRATION OF SOME OF THE BUSINESS RISKS





Activity 1.6.1. Critically study the pictures above and in your note book:

- i) Identify the examples of risks in the photos.
- ii) Describe some of the risks faced by the business in your community.
- iii) How do you think they have minimized these risks?
- iv) Record your findings, you will share them with your subject teacher.

Assessing risk

This involves determining the potential success or loss arising from the risk i.e. what will be out of risk in case it happens or not.

Success will be easier to achieve if one is willing to and is able to take the necessary and calculated risks. The outcome of taking a risk is normally not known but it must be evaluated. It involves potential success and potential loss; the greater the possible loss, the greater the risk involved.

Factors to consider when assessing the risks in business

Risks can be assessed basing on the following factors:

- **Availability of a market.** Expectation of a big market size by the entrepreneur leads to business success while limited market for the business products leads to failure.
- **Pricing policies and strategies.** Competitive prices set by the entrepreneur and his/her ability to offer credit to trustworthy customers leads to profits and hence a successful business. Very high prices chase away customers and very low prices that do not enable the entrepreneur earn profits leads to losses.
- **Cash flows in the business.** This refers to the movement of cash in and out of the business. More cash inflows in the business lead to business success while more cash outflows than inflows lead to business failure.
- **Experience and abilities of the persons in the business.** Adequate knowledge and experience of the entrepreneur leads to success of the business while inadequate knowledge and experience leads to losses.
- **Viability of the business idea.** This refers to how profitable the business opportunity is. A viable business leads to profits while a business that is not viable leads to losses.
- **Flexibility of the business.** This is the ability of business to implement changes due to problems in the business environment. If the entrepreneur can change from one product to another, change technology, marketing strategies he / she will run a successful business while one who is rigid and not flexible will incur losses.
- **Honesty and reliability of the entrepreneur.** A high degree of honesty and reliability by the people dealing with the business e.g. employees, suppliers and customers the higher the chances of business success while the more dishonest and unreliable the people dealing with the business are higher the chances of incurring losses.

Risk management in business

Business is all about risk taking and management and therefore, one should not fear taking it, but should rather assess and weigh the kind of risk to take. The entrepreneur is a risk taker since all business decisions involve some risks.

Any entrepreneur who fails to manage risks may fail in business while one who properly manages risks succeeds in business.

Any business or entrepreneur has two possible ways to follow to manage any risk, and these two ways which include minimizing the risk to reduce its occurrence or effects or transferring the risk to another party such as to an insurance company.

Ways of minimizing risks in business

Once the entrepreneur is aware of the potential risks in business, he / she can take appropriate measures to control the risks and ensure that they don't happen or if they happen they do not cause damage to the business, the following are the methods of minimizing business risks:

- Employing well skilled and experienced workers to produce quality products.
- Observing or following government laws and regulations to prevent the business from being closed eg regularly paying government taxes.
- Putting in place appropriate security measures like employing well trained and armed guards, having burglar proof windows and doors, keeping cash in money safes and in the bank, proper lighting of the business premises at night, having a strong and well maintained wall fence and others.
- Using reliable and modern technology.
- Installing fire / smoke detectors within the business premises in order to detect fire outbreak and minimize its effects.
- Minimizing credit sales so as to minimize bad debts and properly assessing the credit worthiness of the customers.
- Keeping regular track of customers tastes and preferences.
- Ensuring effective supervision of the workers to monitor all business activities to minimize mistakes during the production process.
- Conducting regular research on better/ new methods of minimizing business risks.
- Extensive training of employees to use new machinery / handle modern technology
- Improving the quality of the business products and customer care skills
- Proper book keeping to ensure proper financial management to reduce embezzlement of company funds by employees.
- Locating reliable sources of raw materials and having many suppliers of these raw materials.

- Maintaining good employer – employee relationship at the work place to reduce strikes and good employees leaving the company
- Shifting the risk to another party ie Insurance company, where he/ she can get an insurance cover or protection against fire, theft, accidents and other insurable risks.

LESSON 06: NEGOTIATION SKILLS IN BUSINESS

Learning outcomes: By the end of this lesson, you should be able to: explain the principles of negotiation, demonstrate negotiation skills, identify challenges faced in negotiation, and provide strategies for overcoming challenges faced in negotiation.

Materials you need

A text book of entrepreneurship, a note book, a pen, an audio or audio-visual gadget like a radio, television set, or a recorder.

NB: You may record the lesson for your reference.

Introduction

Each of you have ever been involved in negotiation. For example, negotiation over price to pay for a product. In marriage, parties on the sides of the groom and bride negotiate on how much bride price the groom should pay. At the end of negotiation both parties benefit because they reach an agreement especially when the parties have the required information, facts or approach.

Negotiation is the process of bargaining that results into an agreement over something or over a situation. It involves a meeting between two or more parties bargaining over something so as to reach a compromise. Both parties anticipate and react during the process of negotiation resulting in double motivations which leads to reaching an amicable agreement.



Negotiation skills in business

Negotiation is not a layman's job. During negotiation not every party can achieve the set goals. To be successful in negotiation requires one to possess certain skills, some of which are as below:

- Clarity in communication is essential. Do not engage in communication which the other party does not understand.
- Stick to objectives. Concentrate on negotiation only. Leave out other issues not related to negotiation.
- Avoid personalizing situations. During negotiation do not monopolise the process. Work as a team.
- Control your emotions. Avoid being quarrelsome, annoyed, or shouting at the other party during negotiation.
- Occasionally showing anger may be effective but never lose your temper during negotiation.

Principles of negotiation

Like any other processes, negotiation requires to be carried out in a conducive environment. This is made possible when rules and regulations are put in place and observed. For negotiation to be successful it should be built on the following principles:

- **Set goals to be achieved:** During the negotiation process focus on the set goals to be achieved. Do not be hindered by emotions.
- **Look to the future:** Be focused. Always look at the future prospects and avoid looking at what happened in the past because it will distort or hinder the negotiation process and hence failing to reach a compromise.
- **Be flexible:** Avoid being too rigid. Always give room to views of other individuals. Evaluate the views and come up with a fair conclusion.
- **Prepare and do research for negotiation:** That is, make the research on what you want to present during the negotiation process. Avoid presenting incorrect information.
- **Have alternative plan B:** Always create an option to act as a fall back in case the negotiation process fails to materialize.
- **Set the tone and look apart:** You are the one to set the tone for negotiation, and look the part. Maintain eye contact and be a good listener
- **Know what you want and what the other side wants:** You should have a detailed plan of what you want and what you are willing to give up to get what you want i.e. the price.
- **You do not have to be right to settle:** Emotions arising from the feeling that one is always right have no space in negotiation. All parties should not only be interested in hearing what is right.

Characteristics/ Attributes of a good negotiator

To be a good negotiator you need to exhibit a peculiar behavior to make negotiation successful. Good negotiators have certain attributes in common, which include:

- **Integrity:** As a negotiator you must be honest to the parties / party with whom she or he is negotiating. This will help to build trust in him or her.
- **Flexibility:** You have to be flexible and be able to adjust your position.
- **Empathy:** You should have the ability and understanding to put yourself in the position of others. This will help to create a fair ground for the negotiation process
- **Patience:** You need to endure all challenges that come up during the negotiation process. This will help you to accommodate the views of others in the negotiation exercise.
- **Self-confidence/self-assurance:** As a negotiator you should have confidence in yourself and the subject matter upon which negotiation is best.
- **Persistence:** You do not give up easily. That is, you should persistently continue with the negotiation process until the objective is achieved.

- **Ingenuity:** You should have the ability to endure and influence the negotiation process.

Challenges faced in the negotiation process

You might have ever failed to achieve what you need during a negotiation. For instance, when you try to negotiate for a price reduction, the seller might still have sold the commodity at a price higher than you expected. This could have been due to certain factors.

During negotiation the parties may expect to experience some challenges which include the following:

- **Time pressure:** In most cases time may not be enough to allow the two parties to negotiate favourably so as to reach a fair compromise. This may be due to varying urgency of the matter under negotiation.
- **Influence from other decision makers:** Sometimes individuals may not exercise the negotiation skills fully due to the influence exerted on them by their superiors or senior administrators.
- **Delay tactics:** Some negotiators tend to delay the negotiation exercise so as to make the other party impatient and give up with the negotiation exercise.
- **Making early joint concessions:** Making a premature agreement during the negotiation process may lead to an unfair compromising situation to one of the parties.
- **Aggressive behavior:** Some negotiators are too aggressive thereby causing an undue influence in the negotiating process.
- **Letting the positions over ride the interest:** Sometimes negotiators tend to allow the prevailing position or situation to over shadow their personal interest hence leading to unfair compromise.
- **Personal problems:** A negotiator may have personal problems such as personal sickness, marital problems, or financial problems that make it difficult to carry on with the negotiation process.
- **Linking logic:** It is assumed that if a person is correct in one thing, he/she must be correct in another, which is not true.
- **Price only negotiation:** Sometimes negotiators pay attention to only price and ignore non price factors like short-and long-term relations and larger interests
- **Last-minute wavering:** Some negotiators tend to squeeze several additional concessions as the negotiation nears completion which may lead to disagreement

Solutions to the above challenges faced in negotiation

Challenges with solutions are no challenges.' As an entrepreneur, you should try to overcome challenges as soon as they arise. The following are some of the solutions to the above mentioned challenges:

- Time pressure can be solved by allowing a considerably long period of time to both parties involved in the negotiation exercise.
- The challenge of the influence from other decision makers may be solved by consulting superiors before entering into any negotiation.
- Delaying tactics may be solved by adding exercise in order to give another party an opportunity.
- Being emotional can be solved by being emotionally balanced and psychologically composed during the negotiation process. That is, never allow emotions to over shadow personal reasoning or intellectualism.
- Neglecting the negotiators personal problems can be solved by cooperating with each other during the negotiation process.
- Making joint concession may be solved by negotiating with individuals and get a good agreement that may bring in sales and products.
- Letting the position over ride the interest can be solved by not allowing prevailing situations to over shadow the personal interests hence leading to failure to compromise.

Activity 1.6.1.

(i) You are planning to meet Covid-19 Task Force in your country in order to negotiate for a contract to supply food stuffs to the vulnerable community. After seeking expert advice and holding discussions with your family members, describe how you intend to be successful during the negotiation.

(ii) Using information from the internet or interview with a public officer, outline some of the government projects in Uganda where negotiation has taken place.

(N.B During your business field trip, don't forget your face mask, observe 2 metre social distance, wash /sanitize your hands frequently and follow other Ministry of Health guidelines for your safety against covid-19 pandemic.)

TERM:TWO**LESSON 01: BUSINESS ETHICS**

Learning outcomes: By the end of this lesson, you should be able to: explain the principles of good business ethics, describe business ethics exhibited to various stakeholders of a business, and mention the importance of practicing business ethics.

Materials you need

A text book of Entrepreneurship, a note book, a pen, an audio or audio-visual gadget like a radio, television set, or a recorder.

NB: You may record the lesson for your reference.

Introduction

Under normality you have been observing values related to human conduct with respect to being good, or bad, right or wrong among others..However, there are standards expected and acceptable in every society which guide our behavior.

Business ethics refers to the generally morally acceptable behaviours in which businesses should conduct themselves towards their stakeholders such as customers, employees, government and the community.

It is important for businesses to conduct themselves in a generally accepted way/standards expected within thin the business world. Hence in its day to day running of its activities, the business should aim at attracting customers, employees, government and general public.

PRINCIPLES OF GOOD BUSINESS ETHICS

- **Honesty:** This involves you not saying things that are false and misleading. You should openly and freely share information as appropriate to the relationship.
- **Respect for others:** You are required to honour and value the abilities and contributions of other people. For instance, by being open and direct in communication.
- **Integrity:** It requires you to live up to ethical standards even if you are faced with a problem such as personal, professional and social risks and economic pressures.
- **Keeping promises:** This requires you to keep commitments but not making promises that cannot be kept, or make promises on behalf of the company with no authority.
- **Compassion:** It necessitates you to minimize harm wherever possible by being aware and meeting needs of others especially through social responsibility.
- **Fairness:** You need to achieve outcomes that are just to all parties. That is, being just when dealing with others such as customers.

Business ethics towards stakeholders

Businesses have parties who have interest in the businesses. These parties are called stakeholders, and include customers, employees, government, the community among others. Hence, businesses have an obligation to exhibit ethical behavior towards their stakeholders.

Business ethics towards customers.

You are a customer in your locality, and expect the local shop from which you buy items to treat you in an acceptable way. Some of your expectations or ethical acceptable behavior you need to be extended to you by the business community should include the following:

- Honesty: You are to be as honest as possible to your customers that is, by selling the right commodity in the right quantity at the right price.
- Responsibility: Your enterprise should endeavor to meet its obligations as agreed upon with the customers. It should understand the customer's needs and strive to satisfy them.
- Your business should be polite, patient and sincere to their customers which will help to attract more consumers.
- Your business should be considerate in their dealings with customers for example where a customer requests for credit always be considerate and extend the credit facilities to him or her.
- Geniality. That is you should always be kind and passionate to customers and should balance your temper when dealing with customers.

- Courtesy. You should be welcoming to the customers so as to promote repeated purchase and for consumer loyalty to the business.
- Your business should always offer after sale services especially the technical assistances their customers need i.e. should be able to direct the customers on use of the item bought.

Business ethics towards employees.

If you were an employee you expect your employer to do certain acceptable things to you. Most businesses do employ workers to assist in day to day running of activities. It is therefore important that businesses conduct themselves appropriately towards the employees. Hence, your business is required to observe the following;

- Give a fair and timely pay to your employees so as to enable them to meet their life requirements.
- Provide fair and clear working terms and conditions to your employees to enable them to perform their tasks appropriately.
- Ensure job security to your employees so as to enable them settle on the job given and to perform to the expectation of the enterprises.
- Be empathy by supporting your employees especially those facing different challenges e.g. sickness, loss of loved ones etc.
- Provide good working environment to your employees for example providing protective gear such as helmets, gloves, face masks among others.
- Provide business facilities to your employees either by using a company vehicle or tangible cash. Where possible, you should provide accommodation especially around the business premises.
- Provide good welfare facilities to your employees especially good breakfast, lunch and evening tea
- Respect your employees in all ways. No worker should be despised or un fair claims made from the workers.
- Allow employees to participate in the decision-making process.
- Provide periodical certificate of recognition, appreciation and encouragement to workers who perform their duties excellently.
- Provide on job training so as to enable your employees to acquire basic skills for effective performance.

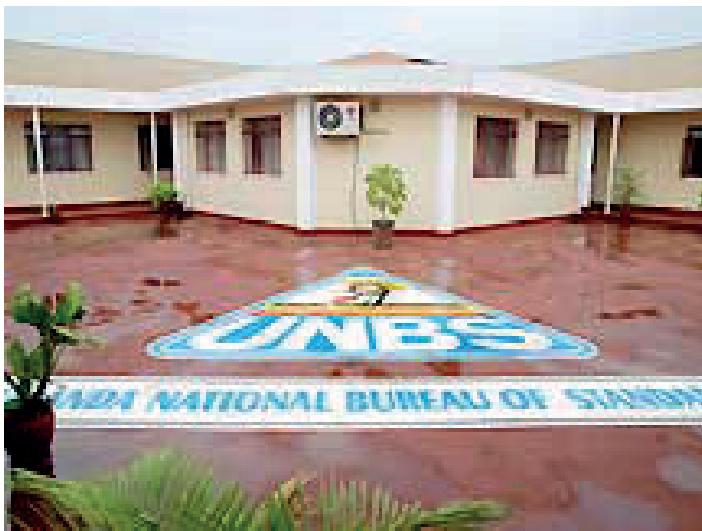
Business ethics towards the community / society

Being a member of the society, you expect to be treated by businesses around you in an acceptable manner. It is important that businesses conduct themselves well towards the society and the general public. In so doing; you are required to observe the following;

- Protect people's lives whereby in its daily activity. Your business should ensure that individuals' lives or members of society are protected. Hence, it should avoid the poor disposal of industrial wastes and other effluents that may endanger lives of members of the society.
- Conserve the environment. Your business is required to participate in protecting and improving on the nature of vegetation. This should be done through planting trees and giving protection and environmental knowledge to the members of the society.
- Provide for the society needs where possible especially to the needy, poor or displaced members of the society.
- Get involved in community development activities like constructions of roads, bridges among others.
- Give members of the society employment opportunities so as to fight unemployment.
- Observe and uphold the values and norms of the society. The business established should not conflict with existing society or religious norms, values and beliefs.

Business ethics towards the Government





You and I have government obligations to fulfill. We need to observe law and order. Likewise, an enterprise should follow rules and regulations set by government so as to operate smoothly. Therefore, businesses are required to conduct themselves in the following ways towards the government:

- Enterprises should observe their obligations regarding tax payment that is they are regularly required to pay the tax as assessed to them by the tax authorities like Uganda revenue authority (URA)
- Businesses must meet the required minimum quality standards as laid down by the government quality monitoring body, Uganda national bureau of standards (UNBS).
- All business should comply with the established laws governing business activities. Such laws may include a Business Registration Law, Public Health Law, the Labour Law among others.
- Businesses are required to possess appropriate documents before starting their operations. Such documents may vary from one business to another and may include trading license, certificate of incorporation, partnership deed etc.
- Businesses must meet the required minimum quality standards as laid down by the government quality monitoring body, Uganda national bureau of standards (UNBS).
- All enterprises should actively get involved in protecting the environment.

Benefits/ Importance of practicing good business ethics.

When you have ethical behavior you gain friendship, avoid being prosecuted, gain social recognition among others.

By practicing business ethics, you and your enterprise benefit in the following ways:

- Helps to protect consumers from consuming undesirable products or poor quality items since the government makes it a requirement that businesses should provide quality items.
- Enables the business to acquire and retain quality staff since employees are well protected by the enterprise.
- Helps to promote and protect the environment.
- Enables the business to reduce on the marketing and sales promotion expenses since members of the society will automatically advertise the business because of its good deeds.
- Helps to safeguard the lives of workers and the society in general.
- Helps the business to gain reputation and good will and hence attracting members of the society. Hence, gaining a large market.
- Enables the enterprise to operate without any interference from the government.

Activity: 1.7.1

With the help of a text book or internet reference(s)

Explain the business ethics observed towards:

- (i) The customers (ii) The management
- (iii) competitors (iv) suppliers (v) lenders

LESSON 02: COMMUNICATION SKILLS

Learning outcomes: By the end of this lesson, you should be able to: describe the forms/types of communication, mention the importance of communication in business, describe the essentials/characteristics of effective communication, explain the barriers to effective communication, and outline ways of overcoming the barriers to effective communication.

Materials you need

A text book of Entrepreneurship, a note book, a pen, an audio or audio-visual gadget like a radio, television set, or a recorder.

NB: You may record the lesson for your reference.

Introduction

You are ever communicating with your family members, friends, organisations/institutions among others using letters, telephone, gestures and the like. In most cases when you communicate you expect a reply to your message from the receiver thereby making the communication effective.

Communication is the giving and receiving of information and receiving feedback. It is a two-way process used for exchanging information and ideas, passing on knowledge and sharing thoughts and feelings.

Effective communication is the sending of message perceived by the receiver in the same way the sender intended and is received and also given feedback in time.



Importance of communication in business

Without communication it would not be easy for individuals and businesses to relate to each other and for enterprises to deal with their stakeholders. As an entrepreneur, when your communication is effective your business is kept running successfully due to the following:

- Enables you to pass on relevant information all the time to your staff, the customers, government and public in general. This is particularly important where you want one of these parties to act or behave in a specific way.
- Helps you to remit and select workers for your business by publishing the advertisement. In so doing, interested people can send in application letters, be short listed and interviewed whereby suitable candidates are selected.
- Helps you to implement your policies by giving instructions to subordinates and their supervisors. Promotes keeping good relationships with old customers and creating new ones through sales promotion.
- Enables you to make decisions from an informed position. This happens when you risk or consult different stake holders.
- Promotes creation of good understanding between you and your employees, most especially when both parties get feedback.
- Helps you to coordinate operations of your business that are executed by different departments i.e. through sending memos to those departments.
- Enables the general public to get information about your business. This improves the image of your enterprise.
- Facilitates government and other regulatory organizations to monitor, guide or direct business operations.

Forms/Types of communication in business

When you communicate you may write down the information, deliver it orally, use any part of your body and the like implying that there are various methods of communication which include:

- **Oral/verbal communication:** You can communicate orally by word of mouth, either face to face or by telephone. It will normally involve the entrepreneur and customers, workers, colleagues, suppliers and bankers among others.
- **Written communication:** You sometimes communicate by sending written messages. This involves writing business letter, memorandums, circulars, reports, notices, bulletins, business manuals, business journals, minutes etc.
- **Visual communication:** As an entrepreneur, you can communicate by presenting information using diagrams and pictures without necessarily using words. Examples include organizational charts, photographs, posters, graphs or pie charts, which may depict different situations in a business such as business growth, trends, product performance etc.

- **Audio-visual communication:** Information is sometimes conveyed using words, sound and visual aids. For example, by use of television programmes, films, video shows, computer power-point presentations, video conferencing, live theatre shows among others.
- **Gestures/body language:** Message can be conveyed by movement of specific parts of the body. For instance, nodding and shaking the head, fingering and the like.

Essentials / characteristics of effective communication in business

During communication you aim at being perfect but this may not come easily. Care needs to be taken. For information to be conveyed, received and given perfect feedback, it needs to possess certain qualities as listed below:

- **Completeness:** The message should include all the facts the receiver needs to know about the subject matter which is being communicated to him or her. The sender should try to answer all the questions the receiver may ask.
- **Conciseness:** The sender should give the message in the fewest words possible but still ensure that it is complete. A message should not be very wordy but precise, otherwise it will confuse the receiver.
- **Courtesy:** The sender should be as sincere as possible when giving the message and should avoid hurting the receiving party, but should not shy away from addressing the issues of concern.
- **Correctness/Accuracy:** The message given should be as accurate as possible to avoid any misinterpretation that may arise due to any smaller errors.
- **Consideration:** The sender should have the receiver in mind when sending a message. It is better to use positive words or sentences rather than negative words or sentences.
- **Clarity:** The message should be as clear as possible. The sender should choose words and language that the receiver is familiar with.
- **Timely:** The message should be conveyed or communicated at a time when the receiver is able to receive it and then give a feedback expected.

- **Environment:** The environment within which the communication is being made should enable the intended target receive the message.
- **Media:** The sender must use a medium that the target recipient uses. For example, when communicating to villagers, it is more effective to use radio, not newspapers (since most villagers do not know how to read).

Factors considered when choosing a channel /medium of communication

When communicating it is important to know in advance the kind of medium you are going to use for the communication to be effective. Any of the following factors will determine your decision on the medium:

- **Language:** The message should be conveyed in a language which the receiver knows and can easily understand
- **Message performance:** An entrepreneur should choose a medium that makes the message last for a long period of time e.g. letters, emails among others
- **Nature of the message to be communicated:** For messages that require giving detailed information, letters are more effective. However, messages can also be sent through the use of faxes, email and telegram.
- **The speed and urgency of the message:** Urgent information should be sent through the fastest media like telephone, telegram or e-mails.
- **Coverage of the media:** For messages to be conveyed to wide geographical areas, then newspapers, radios and televisions are more appropriate. However, messages that are intended for individuals in a small area, notices/posters are more effective.
- **Cost of the communication channel:** An entrepreneur should choose the most cost-effective channel in relation to the value of the product
- **Availability of the medium:** Entrepreneurs should use means that are within their reach or readily available than those means which are not readily available.

- **Secrecy of the media:** Confidential information is normally sent through letters as compared to other means of communication.
- **The age group of the recipients:** Information to the teenagers and youths should be communicated through internet, magazines and televisions since they appeal to them. However, for old people or adults it should be conveyed through the radio and newspapers.
- **Personality of the recipient:** Communication to people with hearing disabilities is normally done through the use of sign language/ gestures. For example, facial expressions, eye movements while verbal communication is ideal for the blind.

Barriers to effective communication

Some of you might have communicated and failed to get a feedback. Information sent may sometimes not reach the receiver as planned by the sender due to obstructions called communication barriers. Some of the barriers to effective communication include the following;

- **Wrong choice of the channel of communication:** This leads to message not being clearly communicated.
- **Emotional reactions:** Anger, fear by the receiver during communication hinder it.
- **Poor preparation of the content to deliver:** For instance, use of wrong address makes communication ineffective.
- **Disruption from the surrounding:** Physical barriers in form of destructions in the environment like noise.
- **Use of unfamiliar terminologies/complicated language:** For example, use of jargons and slogans give different meanings than intended.
- **Poor timing of communication:** Communicating at wrong time. For instance, during lunch time to students leads to ineffective delivery of the message.

- **Lack of interest in the subject matter:** Message is lost when the receiver loses interest in the sender or subject matter of the information.
- **Poor perception of the content:** Poor packaging of the message. That is, when it is not attractive, it becomes ineffective to communicate.
- **Poor listening and premature evaluation:** This leads to misinterpreting of messages.
- **Information over load:** Giving too much information makes it difficult to understand.
- **Communication to a wrong target group:** This leads to use of wrong medium.
- **Poor handwriting in case of written communication:** Unreadable handwriting causes loss of information.
- **Bad appearance of the sender:** Such a sender is not taken to be serious which leads to loss of message.
- **Faults in transmission:** This may be caused by power network failure, and use of faulty equipment thus making it difficult to communicate.

Solutions to barriers to effective communication

When you realize that there is a communication barrier, you need to manage it using any of the following measures:

- **Using clear and simple language:** Avoid trying to impress the audience or target group with jargons, vocabularies, long words and elaborate sentences which may not be understood.
- **Using feedback:** Ensure that you get a message from the receiver which tells you how much has been understood. It may be in form of a comment, question or facial expression.

- **Knowing and adjusting to the nature of the recipient:** The sender should study and understand the nature of the target group and therefore choose an appropriate communication channel, language and vocabulary for that target group.
- **Using different communication channels:** Some messages have to be in written form in order to be understood well without variation but whenever possible, supplement written communication with oral message.
- **Reducing the distance between the sender and receiver:** Whenever possible use face to face communication which also ensures feedback and reduces levels of management of the message.
- **Using reinforcement:** Repeat the message as often as possible and present it using different media emphasizing the important points and follow up.
- **Proper planning:** By planning the message in advance before making the communication it becomes effective.
- **Eliminating noise:** This is by communicating in a noise free environment.
- **Summarise message:** Communicating a reasonable amount of information that can easily be received by the receiver is vital to avoid information over load.
- **Training the receiver:** The receiver should be trained to develop good attitude towards becoming a good listener to avoid information blockage due to poor listening and differing perception.
- **Ensuring proper packaging of the message:** The message being communicated should be properly packaged to ensure that it is interesting to the receiver

Activity: 1.8.1

Make a field visit to an enterprise.

- (i) Interview the staff about the forms of communication used by the business. Record your findings in your note book.
- (ii) Write a letter of appreciation to the management of the enterprise.
- (iii) Share your findings with your teacher and classmates when schools re-open.

(N.B During your business field trip, don't forget your face mask, observe 2 metre social distance, wash /sanitize your hands frequently and follow other Ministry of Health guidelines for your safety against covid-19 pandemic.)

LESSON 03:BUSINESS IDEAS

Learning outcomes:

By the end of this lesson, you should be able to:explain the importance of generating business ideas, identify sources of business ideas, and explain the factors that determine an entrepreneur's choice of a good potential business idea.

Materials you need

A text book of Entrepreneurship, a note book, a pen, an audio or audio-visual gadget like a radio, television set, or a recorder.

NB: You may record the lesson for your reference.

Introduction

You must be having plans of starting a business, and you must be having interest in some businesses to carry out. Your decision to start a business could have been based on unsatisfied needs or problems you see in your society which you are planning to solve. At this stage you are generating a business idea. Finding a good business idea is the first step in transforming your desire and creativity into a business opportunity.

Business idea is the response of a person or an organization to solving an identified problem or to meeting perceived needs in the environment such as markets, community among others. Some of the business ideas are selling stationery, furniture, processing soft drinks, manufacturing mattresses, offering saloon services, transportation among others.

Business ideas are generated from different sources.



Sources of business ideas

Business ideas are not easily generated. They involve going over huddles to generate a good business idea. To be an entrepreneur requires one to be alert all the time for new business ideas. There are many sources from which to research new business ideas, some of which include:

- **Vocational training and experience:** The field of qualification and work experience provide knowledge and skills for generating a business idea in what you know to do.
- **Internet:** Business ideas are generated by surfing internet, especially for franchise, takeovers, floated shares among others.
- **Newspapers:** This requires one to read local newspapers for classified advertising of commercial opportunities and personal services.
- **Survey/research:** New business ideas can be identified by finding out what consumers want. This is done through personal contacts, observations, questionnaire and interviews.
- **Trade shows and exhibitions:** When you visit trade shows and exhibitions you meet sales people and product administrators who give you leaflets and brochures that may help you discover a business idea.
- **Magazines:** You become informed by regularly reading business articles in magazines describing new types of businesses helping you become aware of self-employment possibilities.
- **Brainstorming:** You can brainstorm by yourself or two or three people who are friends and relatives as you search for new business ideas.
- **Hobbies:** If you enjoy doing something, you may be able to expand it into a business idea/opportunity.

Importance of generating business ideas

All businesses produce and supply goods and/or services needed in the society. Generating a business idea is of strategic importance to all their stakeholders who have their interests for the business to fulfill. Therefore, the benefits of generating business ideas among others include the following:

- **Respond to market needs:** This is because markets are made of customers who have needs waiting to be satisfied.
- **Need for an idea:** A good idea is essential for a successful business venture to start and remain competitive.
- **Respond to changing fashions and requirements:** As fashions change they provide opportunities for entrepreneurs to respond to demand with new ideas and products/services.
- **Help specific groups of people:** specific groups of people like the elderly, disabled, disadvantaged and vulnerable have personal interest to fulfill by generating business idea.
- Enables staying ahead of the competition: New business ideas and products/services enable one to be different and better than others.
- **Respond to the product life cycle:** As existing products and even new ones become obsolete, there is need to generate new business ideas and products/services.
- **Spread business risks and avoids failure:** As you generate new business ideas, risks are spread out which avoids failure.
- **Respond to natural threats and scarcities:** New innovative business ideas help the business or entrepreneur adapt to changes in the natural environment that threaten it like lack of water, fuel, pollution among others.
- **Exploit technology to do thing better:** The high rate of change forces many businesses to innovate hence generate new business ideas.

Factors that determine an entrepreneur's choice of a good potential business idea.

What comes to your mind when choosing a business idea is whether it is a good idea or not. To make the right choice of a business idea you need to investigate further into what influences your decision. The factors that affect your final choice off a potential business idea are as below:

- **Personal skills:** It is advisable you choose a business idea which is inline with your existing skills. For instance, a qualified teacher starts a school, a doctor starts a medical centre.

- **Availability of market:** Sufficient market with prospects for rapid growth is of paramount importance for your product/service, hence must be considered.
- **Personal interests:** Choose a business idea in the field where you like the work the business involves.
- **Amount of personal capital you can raise:** The business idea you choose should be that for which you can easily raise the required amount of capital.
- **Personal commitments:** You need to choose a business idea where you have full commitment and support of your family and friends.
- **Costs:** It is advisable you choose a business idea with minimum costs in order to have high return.
- **Business risks involved:** You should choose a business idea with moderate or calculated risks.

Activity: 2.1.

Obtain newspapers, and look into the commercial section for advertisements to generate five business ideas.

For each business idea you have chosen, give reasons for your choice of the idea.

(N.B During your business field trip, don't forget your face mask, observe 2 metre social distance, wash /sanitize your hands frequently and follow other Ministry of Health guidelines for your safety against covid-19 pandemic.)

TERM: THREE**LESSON 01: BUSINESS OPPORTUNITIES**

Learning outcomes: By the end of this lesson, you should be able to: describe the characteristics of a good business opportunity, identify the types of business opportunities, and explain the steps followed to evaluate the profitability of a potential business opportunity.

Materials you need

A text book of Entrepreneurship, a note book, a pen, an audio or audio-visual gadget like a radio, television set, or a recorder.

NB: You may record the lesson for your reference.

Introduction

Probably you have seen or experienced situations that you feel may lead to a success or have a positive end, such that if you make use of the situation you realise gains. For example, during famine, favourable rainfall with adequate sunshine where there is fertile soil provides the chance for practising commercial agriculture. This is an opportunity for a person who is thinking of investing in commercial agriculture.

Seeing, seeking and acting on opportunities is one of the characteristics of successful entrepreneurs. It provides the basis for starting and maintaining successful business ventures, and involves generating ideas and recognizing opportunities as well as screening and evaluating them to determine the most attractive propositions to be pursued. Opportunity is a time or set of circumstances that makes it possibly to do something, especially for achieving ones aim.

Business opportunity is an attractive investment idea that provides the possibility of a monetary returns for the investor or person taking the risk.

It is also defined as an attractive project idea which an entrepreneur accepts as an investment on the basis of what is known about the possible success of the project.



Characteristics of a good business opportunity

A good business idea is not necessarily a good business opportunity. What turns an idea into a business opportunity would probably be a situation where income exceeds costs and profits are generated but there are other underlying factors as explained below:

- **Real demand/ good market scope:** There should be a sizeable market gap with a large stock of unsatisfied needs of customers who have the ability and willingness to purchase.
- **Availability of raw materials:** Raw materials required should be readily available in sufficient quantities to enable constant production.
- **Good income potential/high return on investment:** The business opportunity should give sufficient income for the risk and effort required so as to support oneself in a reasonable lifestyle.
- **Having low/modest start-up costs:** The projected costs to be incurred for starting and operating the business should be relatively low. That is, select a business opportunity which requires low capital investment.
- **Availability of required skills:** The business opportunity should be related to your skills and experience and/or where the required labour is easy to obtain.
- **Good growth potential:** Try to select a business opportunity which has the chance to survive for a long time while generating sufficient income for the owner.
- **Reasonable ease of entry into the market:** The business opportunity should not have entry restrictions like heavy legal requirements and tedious procedures for establishment.

- **Meeting of objectives:** A business opportunity that meets the goals and aspirations of those taking the risk is good and worth undertaking.
- **Properly timed:** To be competitive and achieve the goals and objectives of the investor, the business opportunity should exist at the right time to enable investment in it yield benefits.

Types of business opportunities

When you make a decision to invest, the next question you will ask is about the type/form of business which is right for you. This is a world of possibilities. You may decide on any of the following types of businesses to start:

- **Retail or wholesale business:** Retail businesses sell goods directly to consumers, usually in small quantities. Wholesale businesses buy goods in large quantities from manufacturers or importers and then sell them to retailers and other distributors.
- **Franchise or independent business:** Franchise means you buy the right to sell the parent company's products/services in a specific area. An independent business is that you create and nurture on your own.
- **Product or service or both type of business:** You may decide to have a business dealing in provision of a service like surveying, legal service as an advocate, medical treatment or you deal in products. The choice depends on your talents. And what you enjoy doing.
- **Storefront or non-storefront type:** If you decide to sell products you need a storefront such as a retail store. If you sell services you are non-storefront because services are performed at customers' homes, over phone or internet.

Steps you should follow to determine the profitability of a potential business

In financial accounting, profitability of a business is determined by constructing an income statement based on data provided by an enterprise. For a potential business, determination of profitability of an investment opportunity is a process which involves five procedures as described below:

Step 1: Selecting the type of business

There are five forms of businesses that you can choose from. These include merchandising/trading business, service business, manufacturing/processing business, agribusiness, and extraction business. Choice of the type of business depends on availability of market, skills possessed, and amount of capital raised.

Step 2: Choosing the business location

Appropriateness of business location is a key factor for success of an enterprise. You must choose the best location for the enterprise. Your choice of site will depend on personal factors, level of competition, economic factors, and size of the community.

Step 3: Projecting your sales

You need to estimate your total sales potential of the market for your product or service. This should be done after carrying out market research. If there is competition you need to determine the share of market your competitors have and what share you have.

Step 4: Estimating your costs

After projecting your sales for the period of time, you have to estimate your costs of running the business. That is, you determine the cost of goods, and the operating expenses.

Step 5: Forecasting your profits

Once you have estimated your sales and costs, you compute your projected profits by deducting estimated costs from estimated sales.

Estimated gross profit= projected sales- estimated costs.

Estimated net profit= estimated gross profit-estimated operating expenses.

Activity: 3.1

- (i) Identify any four business opportunities that you can exploit out of covid-19 pandemic in Uganda. List them in your note book. Discuss them with your family members, colleagues, and later with your teacher when schools re-open.
- (ii) Assuming the Covid-19 Task Force Uganda awarded MASMO a contract to supply face masks to the community. Every week MASMO supplied 5 million masks at a selling price of Shs 1, 500 each. Per mask the production costs have been Shs 700 and operating expenses Shs 300. Estimate the total amount of profits MASMO expects to earn from this contract which is to last for four weeks.

(N.B During your business field trip, don't forget your face mask, observe 2 metre social distance, wash /sanitize your hands frequently and follow other Ministry of Health guidelines for your safety against covid-19 pandemic.)

LESSON 02:SMALL AND MEDIUM ENTERPRISES

Learning outcomes: By the end of this lesson, you should be able to: explain the types of small and medium enterprises, state the role of small and medium enterprises in the development, explain the factors that determine success in business, explain the principles of insurance, explain the insurance policies that can be used by businesses in Uganda, examine the importance of insurance to the business community, describe the characteristics of family businesses, explain the challenges faced by family businesses, examine the solutions to the challenges faced by family businesses in Uganda.

Materials you need

A text book of Entrepreneurship, a note book, a pen, an audio or audio-visual gadget like a radio, television set, or a recorder.

NB: You may record the lesson for your future reference.

INTRODUCTION

Enterprises operating in various markets are not alike. There are those of different sizes classified as micro, small and medium enterprises while there are those which are legal hence known as formal businesses and others which are illegal thus referred to as informal businesses. Therefore, different yardsticks are used for categorizing enterprises.

4.1. MICRO, SMALL AND MEDIUM ENTERPRISES

According to the Uganda Investment Authority:

Micro enterprise is an enterprise which employs a maximum of 4 persons, has annual turnover of maximum Shs 12 million and total assets of maximum Shs 12 million.

Small enterprise is an enterprise which employs a maximum of 50 persons, has annual turnover of maximum Shs 360 million and total assets of more than Shs 360 million.

Medium Enterprise is an enterprise which employs more than 50 persons, has annual turnover of more than Shs 360 million and total assets of more than Shs 360 million.

Formal and informal businesses

Formal business is a business that is registered with the registrar of companies. A person starting such a business must be aware of the license, labour laws, taxes and permits required to avoid breaking the country's laws and regulations.

Informal business is a business that is generally not registered though it may have a license or permit. A person who has such a business neither pays taxes nor adheres to government regulations. Nevertheless, it is wise for owners of such businesses to be aware of the laws and regulations that need to be adhered to.

Role of small and medium enterprises in development

Business enterprises irrespective of their size or legality are productive activities hence employ inputs for producing goods and services thereby generating incomes and skills vital for the development of a country. Therefore, small and medium businesses play a key role in development among which includes:

- Creating many job opportunities in the country because of being mainly labour intensive. This raises the income levels of the employed hence improving on standards of living.
- Provides training ground for local entrepreneurs who later invest in large scale businesses thus promoting self-sufficiency in the country.
- Increasing on the national income of the country by producing many goods and services. Hence promoting economic growth and development.
- Promoting infrastructural development such as. the transport network, storage facilities, power supply among others since they are used as support services in the production process.
- Reducing income inequalities in the country. This is because they enable the many low income earners to set up their own businesses and employ others in them.

- Promoting technological progress because of acting as a basis for the development of indigenous technology like iron smelting, pottery and the like by stimulating innovation and invention.
- Producing affordable goods and services for the poor. The commodities are consumed by many people which helps to improve the wellbeing of the poor.
- Improving on the balance of payments position of the country through promoting export of locally produced commodities and reducing importation of commodities due to increased local commodities.
- Promoting economic diversification. These enterprises engage in production of a variety of goods and services hence reducing on the danger of relying on one line of production. This widens consumers' choice.
- Developing labour skills through formal and informal training which enables workers to acquire practical skills. This improves on labour efficiency and productivity.
- Providing government revenue through taxes. This enables the government to finance her expenditures thus enabling government to extend services to its people.
- Promoting self-sufficiency or self-sustenance since many people are employed in their own businesses and there is increased production and training of local manpower.
- This leads to balanced growth and development since sectors and enterprises support each other.
- Facilitating utilization of the would-be idle resources in the country. Such resources would have been wasted. This instead accelerates economic growth and development.
- Reducing regional imbalance in economic development since many small and medium enterprises are scattered in almost all parts of the country hence enabling the regions to grow at more or less the same rate.

- Providing market for other people's produce. Income earners of small and medium enterprises buy inputs/capital goods and consumer goods from the local producers who are motivated to expand their investments.

Factors that lead to success in small and medium enterprises

Majority of businesses aim at achieving success. They ensure that their set goals and objectives are achieved, and their stakeholders' interests are met. Success refers to achieving the set goals, targets and objectives for the expansion and survival of the business. Or it is the realization of a worth intension. There are a number of factors which influence the success of a business, among which are:

- **Good personal entrepreneurial qualities:** These are qualities that are possessed by entrepreneurs and managers that help in running a business successfully. For example, being hardworking, creative, persistent, flexible, networking among others.
- **Setting clear objectives:** These must be specific, measurable, achievable, realistic, and time bound. This enables the staff to work towards achieving the objectives.
- **Efficient and effective business planning:** The entrepreneur should carry out systematic planning to avoid contradictions thus leading to proper and successful implementation of business activities.
- **Availability of skilled labour:** Skilled manpower results into increased productivity and quality improvement thereby leading to high revenue.
- **Availability of adequate market:** This motivates entrepreneurs to expand existing businesses and invest in new business ventures hence leading to improved incomes.
- **Proper location of the business:** Appropriate location is the heart of a business. This facilitates easy movement of customers and factor inputs.

- **Production of good quality products:** This results into high prices for the products and increased incomes since customers are willing to consume the products even at a higher price.
- **Favourable government policies:** The provision of investment incentives leads to lower costs of production which induces entrepreneurs to invest more to earn higher revenue.
- **Proper management of business funds:** Effective and efficient management of funds facilitates business operations. The business can easily expand and achieve its set goals and objectives.
- **Adequate capital:** Where there is sufficient capital the business continues to grow due to ease of acquiring inputs, ability to carry out research and access to better technology and skilled labour.
- **Good customer care:** Proper handling of customers enables an enterprise to earn high sales revenue since more customers continue to be attracted.

Activity 4.1. 1.

- (i) Make field visits to five enterprises of different sizes and nature of operation. For each category of business, interview the management about the amount of capital invested, annual turnover, number of employees, technology, amount of energy consumed, registration of business, market location, and nature of legal ownership.
- (ii) Use the information you have collected to categorise the businesses into micro, small, and medium enterprises as well as formal and informal businesses.

(N.B During your business field trip, don't forget your face mask, observe 2 metre social distance, wash /sanitize your hands frequently and follow other Ministry of Health guidelines for your safety against covid-19 pandemic.)

4.2. INSURANCE FOR SMALL AND MEDIUM ENTERPRISES

All businesses run a risk of suffering some loss. Those exposed to a risk pay small amount of money to insure against the risks. The small collections go to a pool. Those who actually suffer the insured loss are compensated out of the pool.

Insurance is the promise made by an insurance company that has received regular payments to offer protection against a stated risk in form of compensation to the person, business or party that has suffered the loss due to the stated risk. Examples of risks in business include fire outbreak, theft and burglary, machine break down, damage of goods in transit, accidents, loss of profits among others. Insurance works on the theory of pooling risks that are faced by individuals, businesses and institutions.

Pooling of risks refers to a situation where people with similar risks contribute a certain amount of money that creates a fund from which those who suffer the insured risk are compensated.



Pooling of risks by businesses

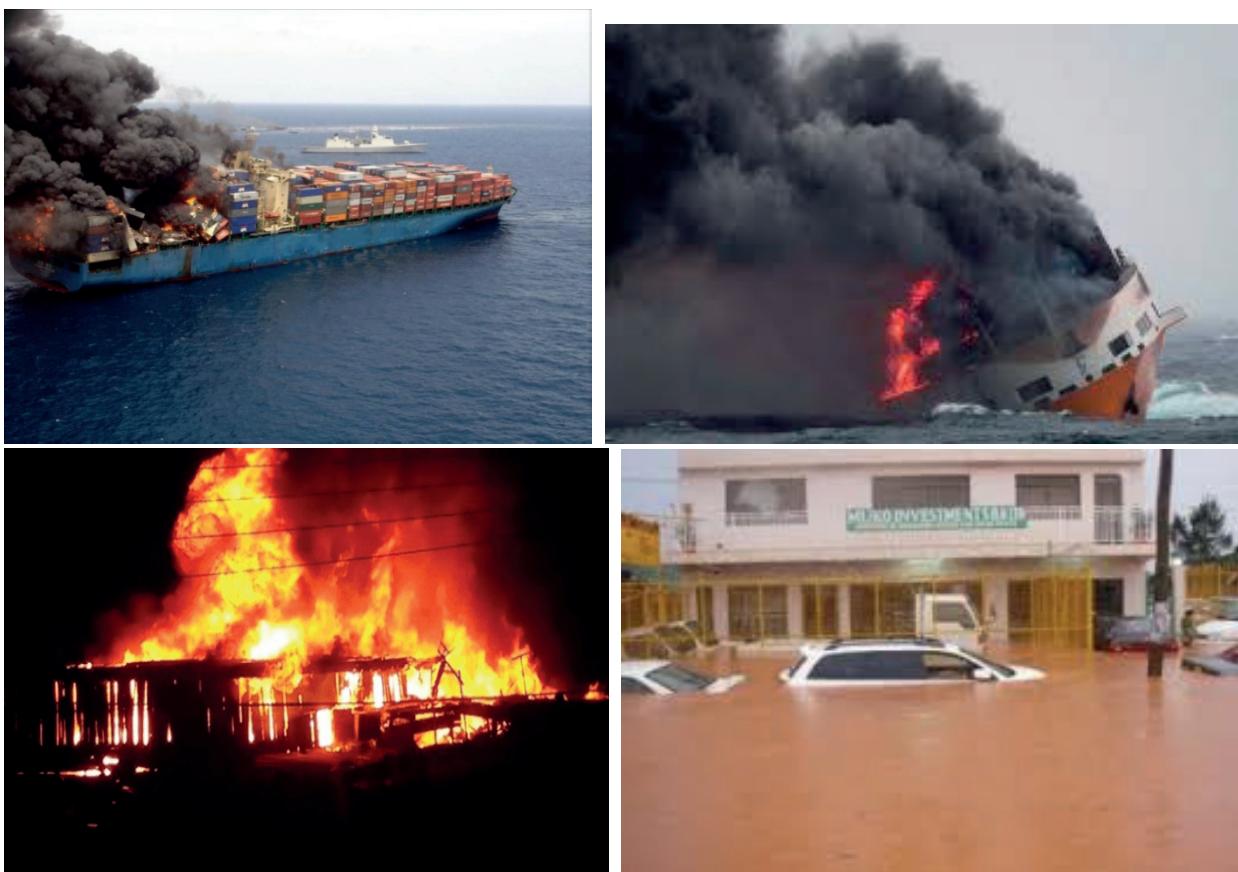
Basic terms used in Insurance

The following terms are used in insurance:

- **Insurer.** This is the insurance company that accepts to manage the pool and compensate the insured in case of a loss.
- **Insured.** This is a person or organization seeking to be covered against a risk or to be protected in the event of the insured risk happening.
- **Insurable risks.** These are risks that can be legally insured and their extent of loss can easily be calculated with fair accuracy in form of premium and compensation e.g fire, accident, theft and bad debts.
- **Non-insurable risks.** These are risks that cannot be legally insured and whose extent of loss can't easily be calculated as they are beyond human control, for example earthquakes, climatic changes, wars etc.
- **Premium.** This is an amount paid by the insured to the insurer as a consideration for the insurance cover provided by the insurer.
- **Surrender value.** This is the amount of money paid back to the insured when he decides to cancel out his insurance contract before a specified period of time.
- **Actuary.** This is a highly skilled insurance official whose duty is to calculate the premium involved in the risk being insured against.
- **Assessor.** This is the insurance official who calculates the extent of the damage in order to determine compensation in the event of the insured risk happening.

- **Sum insured.** This is the value of property insured as stated by the owner at the time of applying for insurance. The amount paid as premium depends on the sum insured. The higher the sum insured, the higher the premium and vice versa.
- **Loss.** This is the happening of events against which insurance is taken, for instance if one insures his business against fire and it's burnt down, then the loss of the business has happened.
- **Insurance broker.** This is a specialized person or company registered as an advisor on matters of insurance and links the insured to the insurance company
- **Co-insurance:** This is where the insured prefers to spread a similar risk among several companies by insuring only a portion with each company.

ILLUSTRATION OF INSURABLE RISKS IN BUSINESS

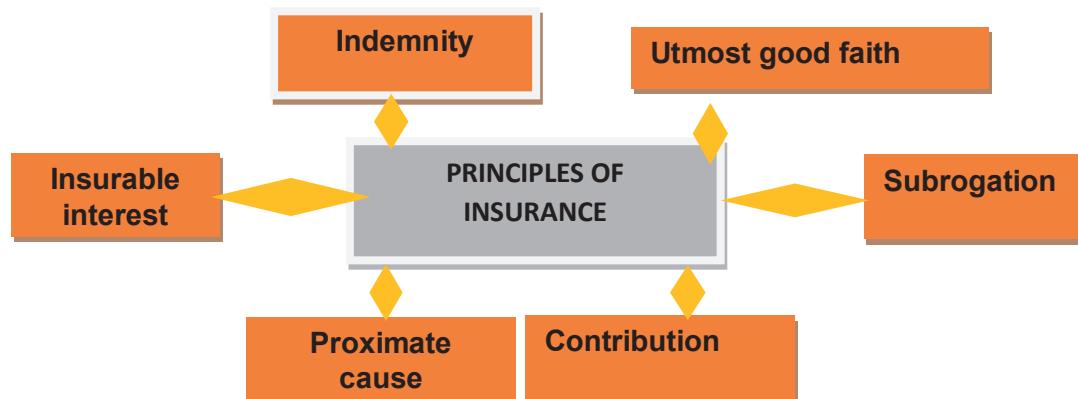




Activity 1.6.1. Study the incidents above; Identify and describe the types of insurance policies that can be undertaken for the identified risks. Record your findings in your book you will share them with your subject teacher.

PRINCIPLES OF INSURANCE

Insurance is based on the following principles:



Principle of Utmost good faith. This principle states that the insured should disclose all the relevant material facts openly and honestly to the insurer concerning the property being insured or life assured so as to help the insurance company to suitably calculate the premium.

Principle of Indemnity. According to this principle, insurance doesn't benefit a person. It's only meant to restore the insured to his or her original position before insured risk happened

Principle of insurable interest. The principle states that one can only insure a property which would result into a financial loss to himself / her i.e. where he/ she has interest for example an entrepreneur cannot insure a friend's business because if the business is destroyed he or she does not stand to lose.

Principle of proximate cause. This principle states that there must be a fairly close connection between the cause of a loss and the actual risks insured against to enable an insured to seek compensation from the insurer.

Principle of subrogation. This principle states that in case of total loss, after the insurer has been fully compensated, the insurer acquires the rights that the insured had in the property destroyed. This means that any gain made out of the loss belongs to the insurer e.g. the scrap from an accident.

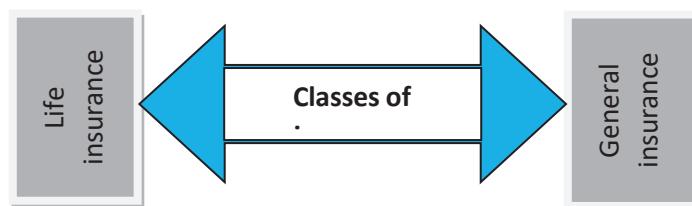
Principle of contribution. This principle provides that if a person insured a property against the same risks with two more insurance companies and the risk occurs, compensation of that loss will be shared between those insurance companies whereby each of them contributes a portion to compensate for the loss.

Types of insurance policies that businesses can undertake

Insurance policy. This is a document drawn up by the insurance company setting out terms and conditions of the contract between the insurers and insured.

Classes of insurance

There basically two major classes of insurance that are used in East Africa, namely;



A) Life insurance

This refers to the insurance of human life where an entrepreneur insures his or her life against death or insures another person's life in which he or she has insurable interest. It is always referred to as life assurance to confirm that the event insured against must take place (death must occur). The different forms of life insurance include:

Whole life policy. This is a life insurance contract where the insured pays premium throughout one's life until death and in the event of death the insurance company pays the beneficiaries of the dead the agreed sum of money.

Endowment policy. This is where the payment of premium is for an agreed period. Sum insured becomes payable at the expiry of such a period or at death whichever may come first. Endowment policy is essentially a saving scheme for the insured.

Group- life insurance. This is a life insurance contract that offers coverage or protection to a group of people such as members of an association or employees of a business.

Sickness policy/ Medical insurance. This insurance policy covers specified diseases which must be curable on the entrepreneur, the employees and their dependents.

B) General insurance

This insurance gives protection to all property belonging to a person or organization. It covers the insurable risks that would cause financial loss if people's property were destroyed. The Common general insurance policies include the following:

Motor insurance policy: This is an insurance undertaken by an entrepreneur to insure against loss of his or her vehicle due to theft, accident, fire and harm caused to any third party. Involves the following categories:

- a) **Comprehensive policy:** This policy covers all possible risks that can cause damage or loss to the vehicle e.g. fire or theft. Unlike third party policy, the driver and passengers are covered for injuries sustained if they are involved in an accident.
- b) **Third party policy:** this policy is compulsory for all vehicles in Uganda. It's called third party because it covers the following other than the car owner; Passengers travelling

in the vehicle, Persons injured as a result of the accident and any other property damaged

Fire insurance policy. This is an insurance policy taken to protect business or property belonging to an insured against losses resulting from fire out break.

Theft and burglary insurance policy: This is an insurance policy that is taken to protect against losses resulting from theft or burglary of business assets or property

Money / Cash in transit: This is an insurance policy that protects or covers an insured's money/cash against loss while in transit from one place to another

Goods in transit insurance policy: This policy covers an entrepreneur against loss or damages to specific goods while in transit

Employer's liability policy: This is an insurance policy undertaken by the entrepreneur/insured to insure or protect workers against work injuries or diseases got while at the work place.

Fidelity guarantee policy. This policy covers against dishonesty of employees or the entire working staff. Under this policy, the employer is covered against mismanagement of funds by employees.

Personal accident policy: This covers individuals against any accident which may affect them especially vehicles.

Aviation insurance policy: This is an insurance cover undertaken by the insured to protect against loss due to damages caused on an aircraft, cargo and passengers due to clashes.

Marine insurance policy: This is an insurance policy that enables an entrepreneur to protect against loss of a ship and goods in the ship. These include voyage policy, Marine cargo policy among others.

Importance of insurance to the business community

The contribution of insurance is very crucial in business operations. The following are the importance of insurance to individuals and businesses:

- Insurance companies compensate the people or businesses who suffer losses as a result of the insured risk.
- Insurance companies also give businessmen confidence to undertake ventures which are very risky since they expect compensation.
- They promote investment especially from accumulated funds which are often invested in construction of commercial buildings, securities like bonds, participate in stock exchange market, to mention but a few.
- Acts as a means of saving such as endowment policy whose premium can be used for school fees and health.
- Insurance companies lend out money to selected businesses from accumulated funds hence promoting economic growth.
- They provide employment opportunities to people who work with them as Brokers, clerks, secretaries, agents among others. This increases people's earnings thereby improving their standard of living.
- Act as collateral security. Life insurance and other policies taken out act as collateral security in case the insured wants to borrow money for investment.
- They offer educational services through conducting campaigns on health care, safety, accidents and other dangers to human life. This has given people assurance to life.
- They promote international trade. This is because they cover a variety of risks and guarantee payment. Packages offered include freight insurance, goods on transit insurance and others which gives traders confidence to participate in trade across borders.
- Life insurance policy enables the insured who has been injured and the family members of the deceased to be compensated which improves their lives.

- Facilitates business continuity. After being compensated in case of a loss, an entrepreneur is assured of continuity of his business. This gives him / her confidence, stability in earning and business growth.

Activity 4.2.1 :Make a survey in your community and find out the following:

- i) Entrepreneurs who have taken up insurance policies.
- ii) The types of insurances policies taken by the entrepreneurs.
- iii) Benefits of insurance to these entrepreneurs.
- iv) Write a report about your findings, you will present them to your subject teacher when the term re - opens

(N.B During your business field trip, don't forget your face mask, observe 2 metre social distance, wash /sanitize your hands frequently and follow other Ministry of Health guidelines for your safety against covid-19 pandemic.)

4.3. FAMILY AND BUSINESS

Some businesses are family owned while others are owned by a group of people. They require unity and good managerial skills for longer survival. Such businesses need good relationship between the family members.





Photographs showing different types of family businesses

Characteristics of family businesses that promote good relationship between family and business

Depending on market structure in which a business operates, all businesses have unique features that differentiate them from one another. Family businesses are no exception, hence have the following characteristics:

- Provides major source of employment to family members due to the perception that they are more secure and materially more rewarding.
- Some are seen as family property hence can be inherited and passed from one generation to another. This provides the succession plan for the businesses.
- Managerial decision making tends to be complicated. Family members sometimes want to dictate making of business decisions to achieve their personal interests.
- Pooling resources together by family members for starting and operating the business. This joint funding enables the members to influence decisions in the enterprise.
- Fear hired management due to ignorance of the advantages of external recruitment which family members may not offer because of their lack of skills and experience.

Challenges associated with family businesses

All businesses experience challenges, which if not solved bring the downfall of the business. Family businesses may face more challenges arising mainly out of personality, attitude, and perception, and these challenges include the following:

- **Challenge of succession of the business:** In case of death of the family head, it is not easy to decide on who should take over the family business. Choosing the heir is not easy if it is a large family.
- **Insufficient finance:** Raising adequate funds to start and operate the business may be difficult since family savings are sometimes too small to enable business operations to fully carried out.
- **Limited skills for operating the business:** In most cases family members employed do not have all the required skills to effectively run the business yet they want to occupy key positions in the enterprise.
- **Challenge of compensating family members:** When it comes to paying family members, they always feel they should be paid more than other non-family employees performing the same duties.
- **Laziness among family members:** Some family members who are employed do not want to work. They report for work late, and also absent themselves from work without proper reason.
- **Challenge of decision making:** There is difficulty of taking business decisions especially with regard to financial issues since some of the family members have personal interests.
- **Limited access to information:** Family members may not be widely exposed to have enough information about markets, production activities, and sources of funds.
- **Theft and misuse of business funds and stock:** Some family members take business funds and withdraw goods for personal use, this lowers the amount of capital for business operations and reduces business revenue.

- **Taking the business for granted:** This is brought about by negligence and lack of commitment of family members to do the joint business thus lowering labour productivity in the enterprise.
- **Role conflict :**As each member's responsibility in the business is not defined, the family members may interfere with other workers' duties hence demotivating hardworking employees.

Solutions to the challenges associated with family businesses

When challenges arise in business, they need to be overcome immediately using a variety of strategies without injuring the business. If not resolved these challenges become problems hence lead to business failure. Some of the solutions to these challenges are as below:

- Convincing family about the necessity of hiring external professionals in management positions to carry out management roles as family members become directors and concentrate on policies and growth.
- In case of controversial issues, it is necessary to invite experts to give technical advice. This helps to avoid biasness in decision making and implementation.
- Roles and duties in the enterprise need to be spelt out clearly so the family members employed do not interfere with other staff members' responsibilities.
- There is need to convince the family members to register the family business in order to have it as a separate legal entity thus spelling out authority relations and succession issues.
- Payment system in the enterprise needs to be made known to all employees, be in line with that of competing businesses, and should be based on piece rate or reflect the amount of work done.
- Family members who are stubborn and violate the set standards, procedures, rules and regulations should be disciplined, counselled and guided so that they are able understand work ethics.

- Exchange information with other firms on various issues such as marketing, expansion plans, source of raw materials among others.

Activity 4.3.1.:Read the case study below and answer the questions that follow:

MulaluKasolo, a graduate of Food Technology, has just set up a soya processing business with capital base of approximately \$8,500. It employs ten people, eight of whom are family members. He is yet to register the business. There are three computers for use in the enterprise. His wife who is a senior four dropout doubles as the cashier and procurement officer. Five of the workers are senior six leavers. The annual turnover of the business is about \$10,000.

- (a) Describe the type of small and medium enterprise (SME) under which the business falls and give reasons.
- (b) How can the business be assisted by: (i) the family (ii) government?
- (c) Write your findings in your note book, you will share them with your classmates and teacher when the term re – opens.



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