DELIGHT CONCEPT

COURSE CODE: ENT303

COURSE TITLE: SMALL SCALE BUSINESS MANAGEMENT

There is a popular belief that costs determine price and if cost were to determine prices, why do so many companies report loses? Discuss extensively.

If costs were to determine prices, why do so many companies report losses? There are marked differences in costs between one producer and another. Yet the fact remains that the prices are quite close for a somewhat similar product. This is the best evidence that costs are not the determining factor in pricing.

Price decisions cannot be based merely on cost because it is very difficult to measure costs accurately. Costs are affected by volume, and volume affected by price. The management has to assume some desired price and volume relationship for determining costs. That is why costs play even a less important role in case of new products as compared to existing products. It is not possible to determine costs without having an idea of what volumes or numbers can be sold. But, since there is no experience of volumes, costs and prices, one starts with the going market price for similar products. All this discussion does not purport to show that costs should be ignored altogether while setting prices. Costs have to be taken into consideration. In fact, in the long run, if costs are not covered, manufacturers will withdraw from the market and supply will be reduced which, in turn, may lead to higher prices. The point that needs emphasis is that cost is not the only factors in setting prices. Cost must be regarded only as an indicator of the price, which ought to be set after taking into consideration the demand, the competitive situation, and other factors.

Costs determine the profit consequences of the various pricing alternatives. Cost calculations may also help in determining whether the product, whose price is determined by its demand, is to be included in the product line or not.

Of all the methods of promotion that constitute the promotion mix, sales promotion is the only method that makes use of incentives to complete the 'push-pull promotional strategy' of motivating the sales force, the dealer and consumer in transacting a sale force. What is the opinion of: (i) Roger A. Strang (ii) American Marketing Association (iii) Stanley M. Ulanoff, with regards to these phenomena?

Of all the methods of promotion that constitute the promotion mix, sales promotion is the only method that makes use of incentives to complete the ‗push-pull promotional strategy of motivating the sales force, the dealer and consumer in transacting a sale.

There is no single universally accepted definition of sales promotion. One can, however, gather its essence by perusing a few definitions. Let us look at some of the popular definitions of sales promotion:

According to the **American Marketing Association**, sales promotion refers to:

'those activities other than personal selling, advertising and publicity, that stimulate consumer purchasing and dealer effectiveness, such as display shows and exhibitions, demonstrations, and various other non-recurrent selling efforts not in ordinary routine.'

This definition suggests that sales promotion is a catch-all for all those promotion activities which do not fall clearly into advertising, personal selling or publicity.

Roger A. Strang offers a simple definition *'Sales Promotion is short term incentives to encourage purchase or sale of product units or* service.'

Yet another definition that seems fairly exhaustive, and hence, will be used in this unit is the one given by **Stanley M. Ulanoff** in his *Handbook of Sales Promotion.* Stanley defines sales promotion as:

'all the marketing and promotion activities, other than advertising, personal selling, and publicity, that motivate and encourage the consumer to purchase by means of such inducements as premiums, advertising specialties, samples, cents-off coupons, sweepstakes, contests, games, trading stamps, refunds, rebates, exhibits, displays, and demonstrations. It is employed as well, to motivate retailers', wholesalers the manufacturer's sales forces to sell through the use of such incentives as awards or prizes (merchandise, cash and travel), direct payments and allowances, cooperative advertising, and trade shows'.

It offers a direct inducement to act by providing extra worth over and above what is built into the product as its normal price. These temporary inducements are offered usually at a time and place the buying decision is made.

Almost all programmmes in business require students to take a course in something called Information System. What exactly does that term mean?

Almost all programs in business require students to take a course in something called *information systems*. But what exactly does that term mean? Let's take a look at some of the more popular definitions;

Schneider and Valacich (2010) opined that, ―Information systems are combinations of hardware, software, and telecommunications networks that people build and use to collect, create, and distribute useful data, typically in organizational settings.‖ Also Laudon and Laudon (2012) stated that, Information systems are interrelated components working together to collect, process, store, and disseminate information to support decision making, coordination, control, analysis, and visualization in an organization.

As you can see, these definitions focus on two different ways of describing information systems: the *components* that make up an information system and the *role* that those components play in an organization. Let's take a look at each of these.

In details, list and explain 4 (four) criteria that distinguish a small business from a big business with scientific or mathematical illustrations.

Although we have succeeded in defining a small business, we need to go a step further to provide a framework that will enable us identify small businesses in our environment. We need to establish the criteria that distinguish a small business from a big business.

Some of the criteria are:

Initial Capital Outlay

Initial capital outlay refers to the financial resources that are required to start up a business. If the initial capital outlay required to start a business is small then that fact alone may lead us to conclude that a small business requires a small amount of money to start. For example, with at low as N3,000 (three thousand naira only), a newspaper vending business can be started. Also, a road side kiosk may require a total initial financial outlay of about N7000 (seven thousand naira only) to start. However, on the other hand, if a large sum of money say N50,000,000 (Fifty million naira only) is required to start a business, then that business is not a small business. Rather it is a big business.

A very important point you need to know in using initial capital outlay criteria to distinguish a small business is that there is no specific amount that constitutes the dividing line between a small business and a big one. For example if a trader purchases a luxury bus for use in transportation for the sum of N20, 000,000 (twenty million naira only), one may be tempted to think of the trader's business as a big business. But in the real sense, a transporter who has only one bus in operation cannot be said to be in big business. On our part, we need to use our own judgement to fix an amount which divides a small business from a big one.

Number of Employees.

Another criterion that you can use in distinguishing between a small business and a big business is the number of employees that the business has. A business that has four (4) employees obviously is a small one. Another business that has 3,000 employees

obviously cannot be described as a small one. Again we run into problem of what number of employees makes a business a small one. There is no exact number and this gives room for qualitative judgement. In the past, early writers on this topic saw a small business as one whose total staff strength does not exceed 50. Today, that number is no longer acceptable as the discussions on small business continues to change.

Ownership Structure

Ownership structure is another criterion that can be used to distinguish between a small business and a big one. You know that ownership structure of business can vary widely. A business can be owned by an individual and run on a sole proprietorship basis. Again, a business could be run as a partnership (two or more people combine to form a partnership). At a much higher level, a business can be run as a private limited liability concern with shareholders as foundation owners. And at a much higher level, a private limited liability company converted into a public limited liability company You will be able to see from our discussion so far that in context, it does appear that small businesses will be owned largely by individuals or a group of individuals. For example, a small restaurant can be owned by a man, his wife and children. That type of ownership structure makes it a small business. Also two or three lawyers can team up to start a law practice. Again the ownership structure makes it a small business.

Type of Technology Employed

Because of their size, small businesses employ relatively simple technology that is easy to acquire. This is so because of the huge capital outlays involved in the acquisition of modern technology. Small businesses cannot afford to employ complex and costly technology due to this capital constraint that we have already mentioned.

Consider for example a small cottage palm oil mill located in a rural area in Nigeria. The oil mill will consist of a small drum used as boiler and a manually operated screw press that extracts the oil from the oil palm. Production will be slow and difficult for the rural workers in the mill.

But if you compare the small rural based palm oil mill with a modern palm oil mill like Ada Palm oil mill at Ohaji in Imo State, you will realize a lot of differences. The Ada Palm oil mill is automated and employs modern technology in extracting palm oil.

What are the problems facing small business enterprises?

Problems of Small Business Enterprises

Even though small business enterprise has its importance, it is necessary to look at the problems facing small business enterprises. These problems include;

Inadequacy of finance capital

Majority have limited access to diverse sources of capital or even foreign exchange as institutional credit.

Lack of continuity

Most small business enterprises are sole proprietorship and ceased to exist as soon as the owner loses interest or he is dead.

Poor Implantation of Government Policy

So many government policies in respect of small business enterprises are poorly implemented, which makes it possible to continually sustain and support small business enterprises.

Poor Managerial Skills

Most owners do not have the require skills to successfully run the organization. More importantly there are no avenues for training to improve their skills.

Inadequate Information Base

Small business enterprises are characterized by poor record keeping and there are no institutional support facilities for them to have access to require information for effective planning and management purposes.

Inadequate Infrastructure

Facilities that are needed as support base to start, run a business successfully and to grow are grossly inadequate. In some cases these facilities have to be provided by the owners of the enterprises.

Lack of Raw Materials

In some cases, needed raw materials are sourced externally. Hence the fate of such establishment is tied to the availability of foreign exchange, fluctuation in the exchange rate and strict government policy for accessing the foreign exchange.

Poor Accounting System

Most small scale enterprises do not keep proper records and in some cases none is kept. It is therefore difficult to assess and evaluate their viability and package them for external credit facilities.

Unstable Policy Environment

Constant changes in government policy destabilize or lead some small business enterprises folding up. Some of these policies are not only contradictory sometimes they are out rightly discouraging.

What is budget?

A Budget is a comprehensive and coordinated plan, expressed in financial terms, for the operations and resources of an enterprise for some specified period in the future**.** It is the plan of the business expectations in the future usually for twelve months. It should be noted that an overall organization budget for one fiscal year with each department in the organization submitting her inputs to aid a comprehensive budget, Besides, the department later breakdown into weekly or monthly their budgets depending on the nature and size of business.

According to the Institute of Chartered Marketing Association (ICMA), England, a "budget is a financial and quantitative statement, prepared and approved prior to a defined period of time of the policy to be pursued during a given period for the purpose of attaining a given objective. e.g. profit or sales volume". The budget provides a guidepost to point the way, and the actual steering of the vehicle is in the hands of the driver-manager

Using the Institute of Chartered Marketing Association (ICMA) England,

i. ***explain the purpose of budgeting***

ii. ***Types of budgetary system***

iii. ***Discuss break-even analysis***

Purposes of budgeting

The main reasons for budgeting are:

1. To state a firm‘s expectation categorically and unambiguously to avoid possible confusion and facilitate their attainability. With this, individuals are motivated and performance can be evaluated. A number of both endogenous and exogenous variables affects such expectations, such as, socio-economic factors, political

factors, supply and demand conditions, competitive environment, technological dynamism etc.

2. It is used to reduce inherent risks and uncertainty that characterizes every business and to ensure proper direction of individual and group efforts to achieve goals. This is the impact of planning.

3. To provide a parameter to measure and control the performance of individuals and units in the organization and recommend corrective steps that will guarantee the achievement of the organization‘s goal. It serves as a feed-back mechanism.

4. To provide a means to effectively communicate organizational expectation to all parties involved in managing the business. A clear and written communication of objectives through budgets will help employees to understand, support and accomplish goals.

5. To help employees in coordinating resources and projects. This entails the harmonization of the activities of all departments for the realization of the organization‘s common goal.

5a. Brech (1963) defines management *"as a social process entailing responsibility for the effective and economic planning and regulation…"* But Henri Fayol (1919) considers management to consist of seven functions. List and explain the dichotomy between these authors.

Types of Budgetary System

The size of an average business organization determines the type of budgetary system to be adopted. Most businesses are too large to permit the detailed planning of the total business in a single budget. It is thus necessary to use a master budget that encompasses all the plans and shows how they affect the business as a whole. With this details being left for various specialized budgets. The following are the major types or classifications of budgets:

Sales Budget

It forms the fundamental basis on which all other budgets are based. In most organizations, it is the starting point of the budgeting plan; therefore, it is the level of sales that determine the budgeting plan in the organization. As sales are the primary source of cash receipts, such sales estimates is the foundation of financial planning.

It can be asserted that a budget is a forecast of sales to be achieved in a budget period, as production cost is based on all activities, most of which again depends on predicted sales level. The sales prediction is the foundation for the qualification of the entire business plan.

In preparing sales budget, the following must be taken into consideration:

i yearly break-down

ii product break-down

iii. territory break-down

iv. past sales experience

v. sales-man estimate

vi. plant capacity

vii. pricing policy and strategy

viii. government control

ix. competition

x. political situation.

Break-even analysis entails the calculation and examination of the margin of safety for an entity based on the revenues collected and associated costs. Analyzing different price levels relating to various levels of demand, an entity uses break-even analysis to determine what level of sales are needed to cover total fixed costs. A demand-side analysis would give a seller greater insight regarding selling capabilities.

Define Financial Ratios

Financial ratios are mathematical comparisons of financial statement accounts or categories. These relationships between the financial statement accounts help investors, creditors, and internal company management understand how well a business is performing and of areas needing improvement.

Financial ratios are the most common and widespread tools used to analyze a business' financial standing. Ratios are easy to understand and simple to compute. They can also be used to compare different companies in different industries. Since a ratio is simply a mathematically comparison based on proportions, big and small companies can be use ratios to compare their financial information. In a sense, financial ratios don't take into consideration the size of a company or the industry. Ratios are just a raw computation of financial position and performance.

What are the purposes of financial ratios?

Purposes

Financial ratios quantify many aspects of a business and are an integral part of the financial statement analysis. Financial ratios are categorized according to the financial aspect of the business which the ratio measures.

Financial ratios allow for comparisons

- between companies
- between industries
- between different time periods for one company

- between a single company and its industry average

Identify and discuss the various types of financial ratios

Types of Financial Ratios

Financial ratios can be broadly classified into liquidity ratios, solvency ratios, profitability ratios and efficiency ratios (also called activity ratios or asset utilization ratios). Other categories include cash flow ratios, market valuation ratios, coverage ratios, etc.

Liquidity Ratios

Liquidity ratios asses a business‘s liquidity, i.e. its ability to convert its assets to cash and pay off its obligations without any significant difficulty (i.e. delay or loss of value). Liquidity ratios are particularly useful for suppliers, employees, banks, etc. Important liquidity ratios are:

- Current ratio
- Quick ratio (also called acid-test ratio)
- Cash ratio
- Cash conversion cycle

Solvency Ratios

Solvency ratios assess the long-term financial viability of a business i.e. its ability to pay off its long-term obligations such as bank loans, bonds payable, etc. Information about solvency is critical for banks, employees, owners, bond holders, institutional investors, government, etc. Key solvency ratios are:

- Debt ratio
- Debt to equity ratio
- Debt to capital ratio
- Times interest earned ratio
- Fixed charge coverage ratio
- Equity multiplier

Profitability Ratios

Profitability ratios measure the ability of a business to earn profit for its owners. While liquidity ratios and solvency ratios explain the financial position of a business, profitability ratios and efficiency ratios communicate the financial performance of a business. Important profitability ratios include:

- net profit margin
- gross profit margin
- operating profit margin
- return on assets
- return on capital employed
- return on equity
- earnings per share

Other ratios related to profitability that are used by investors to assess the stock market performance of a business include:

- price to earnings (P/E) ratio
- price to book (P/B) ratio
- Dividend payout ratio
- Dividend yield ratio
- Retention ratio

Activity Ratios

Activity ratios assess the efficiency of operations of a business. For example, these ratios attempt to find out how effectively the business is converting inventories into sales and sales into cash, or how it is utilizing its fixed assets and working capital, etc. Key activity ratios are:

- inventory turnover ratio
- days sales in inventory
- receivables turnover ratio
- days sales outstanding
- payables turnover ratio
- days payable outstanding
- fixed asset turnover ratio
- working capital turnover ratio

Cash flow ratios

Cash flow ratios are mainly used to assess the quality of earnings of a business. Since net income information is based on accrual concept, which is subject to significant management judgment, cash flows ratios (also called performance ratios) provide a more unbiased assessment. Example include cash flow per share.

Coverage Ratios

Coverage ratios are supplementary to solvency and liquidity ratios and measure the risk inherent in lending to the business in long-term. They include EBIDTA coverage ratio, debt coverage ratio, interest coverage ratio (also known as times interest earned), fixed charge coverage ratio, etc.

Discuss the 14 principles of management by Henry Fayol

The universal principle of management has been highlighted by Henry Fayol known as fourteen (14) principles of management these are as follow:

1. Authority and Responsibility; In order to get things done, management has the authority to give orders to the employees. With this authority comes responsibility. The accompanying power or authority gives the management the right to give orders to the subordinates. That responsibility can be traced back from performance and it is necessary to make agreements about this. Authority and responsibility essentially go hand in hand.

2. Centralization; this implies the concentration of decision making authority at the top management. Sharing of authorities for the decision-making process with lower levels (middle and lower management), is referred to as decentralization.

3. Discipline; It is often a part of the core values of a mission and vision in the form of good conduct and respectful interactions. This management principle is essential and is seen as the oil to make the engine of an organization run smoothly.

4. Division of work; Employees are usually specialized in different areas and have different skill sets. The levels of expertise can be differentiated within knowledge areas. As such, Fayol stated that Specialization promotes efficiency of the workforce and increases productivity.

5. Equity; This occurs in the core values of an organization. Employees must be treated kindly and equally. They also must be in the right place in the organization to do things right. Managers should supervise and monitor this process and they should treat employees fairly and impartially.

6. Esprit de corps; this stands for striving for the involvement and unity of the employees. Managers are responsible for the development of morale in the workplace, individually and in the area of communication. Esprit de corps contributes to the development of the culture and creates an atmosphere of mutual trust and understanding.

7. Initiative; Fayol argued that with this management principle employees should be allowed to express new ideas. This encourages interest, involvement and creates added value for the company. Employee initiatives are a source of strength for the organization. This encourages the employees to be involved and interested.

8. Order; This principle states that employees in an organization must have the right resources at their disposal so that they can function properly in an organization. In addition to social order the work environment must be safe, clean and tidy.

9. Remuneration; motivation and productivity are close to one another in terms of the smooth operation of an organization are concerned. Remuneration should be sufficient to keep employees motivated and productive. There are two types of remuneration namely non-monetary (a compliment, more responsibilities, credits) and monetary (compensation, bonuses etc.).

10. Scalar chain; this is basically the hierarchy in an organization. The principle states that there should be a clear line in the area of authority. This can be seen as type of management structure. Each employee can contact a manager or a superior in an emergency situation without challenging the hierarchy.

11. Subordination of Individual Interest; there are different kinds of interest in an organization. In order for an organization to function well, Fayol indicated that personal interests are subordinate to the interests of the organization. The main focus is on the organizational objectives and not on those of the individual.

12. Stability of tenure; this principle represents deployment and managing of personnel and this should be in balance with the service that is provided from the organization. Management strives to minimize employee turnover and to have the right staff in the right place. Focus areas such as frequent change of position and sufficient development must be managed well.

13. Unity of Command; This means that an individual employee should receive orders from one manager and that the employee is answerable to that manager. If tasks and related responsibilities are given to the employee by more than one manager, this may lead to confusion which may lead to possible conflicts for employees. This principle essentially brings about accountability.

14. Unity of direction; this principle is all about focus and unity. All employees deliver the same activities that can be linked to the same objectives. All activities must be carried out by one group that forms a team. These activities must be described in a plan of action. The manager is responsible for this plan and he/she monitors the progress of the defined and planned activities.

What is Information System?

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As you can see, these definitions focus on two different ways of describing information systems: the *components* that make up an information system and the *role* that those components play in an organization. Let‗s take a look at each of these.

There are several tasks that have to be accomplished as part of physical distribution, List and explain

Location of Warehouses; One important consideration in this context is the nature of the product being sold. If the product is a household item, such as tea, soap, or toothpaste, the retail outlets will be at the bottom of the distribution channel. A manufacturer of capital equipment on the other hand, can have only one centralised warehouse for the main product, but has to maintain a number of service centres to stock spare parts.

Mode and Method of Transportation; There are several key decisional points in this context which for long were considered the heart of distribution management. These are:

a. Which mode of transportation would be optimal?

b. Which method of distribution would be optimal?

Inventory Decisions; Inventory holding costs are always on the increase due to all round increase in prices as well as cost of capital. As a result, very careful attention has to be paid to how much inventory should be maintained, of what items and where. Many of these decisions have to be taken, keeping in view the broader corporate objective of service reliability, i.e. the capacity of the firm to deliver on time.

Using External Distribution Agencies; Much of what has been discussed above refers to firms which want to distribute products on their own. However, a firm may decide that because of resource constraints or lack of in-house expertise, it would like to concentrate on production and leave the task of distribution to an outside agency such as Independent Marketers in Nigeria. Whether to contract out distribution or not, is a major decision and would require an in-depth analysis of the relative costs and benefits, both tangible and intangible, of the alternative courses of action.

. Comment briefly on the following:

i) ***Monopoly***

ii) ***Oligopoly***

iii) ***Monopolistic competition***

Under a **monopoly**, a single producer has complete control of the entire supply of a certain product. Railways and telephones are examples of monopoly. The main features of a monopoly are (i) there is only one seller of a particular good or service and (ii) rivalry from the producers of substitutes is so remote that it is almost insignificant. As a result, the monopolist is in a position to set the price himself. Thus, he is in the position of a price setter.

However, even in the case of a monopolist, there are limits to the extent to which he can increase his prices. Much depends on the elasticity of demand for the product. This, in turn, depends on the extent of availability of substitutes for the products. And in most cases, there is rather an infinite series of closely competing substitutes. Even railways and telephone organisations must take into account potential competition by alternative services – railways may be substituted by motor transport and telephone calls by telegrams. The closer the substitute and greater the elasticity of the demand for a monopolist‘s product, the less he can raise his price without frightening away his customers.

Oligopoly is a market situation characterized by a few sellers, each having an appreciable share in the total output of the commodity. The automobile, cement, tyre, infant food, dry batter, tractor, cigarette, aluminum and razor blade industries provide examples of oligopolies. In each of these industries, each seller knows his competitors individually in each market. Each oligopolistic realizes that any change in his price and advertising policy may lead rivals to change their policies. Hence, an individual firm must consider the possible reactions of the other firms to its own policies. In such cases, there is a strong tendency towards close collaboration in policy determination in regard to both production and prices. Thus, oligopolists follow the philosophy of ‗live and let live‘. Oligopolistic industries are usually characterized by what is known as price leadership – a situation where firms fix their price in a manner dependent upon the price charged by one of the firms in the industry, called the price leader. The price leader has lower costs and adequate financial resources, a substantial share of the market and a reputation for sound pricing decisions. Price leaders with the strongest position in the market may often increase their prices with the hope that competitors will follow suit. Price followers may delay raising their prices in the hope of snatching a part of the market share away from the leader.

Monopolistic competition is a market situation, in which there are many sellers of a particular product, but the product of each seller is in some way differentiated in the minds of consumers from the product of every other seller. None of the sellers is in a position to control a major part of the total supply of the commodity, but every seller so differentiates his/her portion of the supply from the portions sold by others, that buyers hesitate to shift their purchases from his/her product to that of another in response to price differences. At times, one manufacturer may differentiate his/her own products. For example, a blade manufacturer may manufacture more than 25 **brands** of blades. This differentiation of products by each manufacturer by giving it a brand name gives him some amount of monopoly if he is able to create goodwill for his products and he may therefore be able to charge higher prices to some extent. Still, his product will have to compete with

similar products of other manufacturers, which puts a limit on his pricing discretion. If he charges too high a price, consumers may shift their loyalty to other competing suppliers. You can find it out yourself by going to the market, to see that a large number of consumer goods like toothpaste, soap, cigarettes; radios, etc. are subject to a large degree of product differentiation as a means of attracting customers. As long as a consumer has an impression that a particular product brand is different and superior to others, he/she will be willing to pay more for that brand than for any other brand of the same commodity.

The marketing environment consists of three components, also called sub-environments. Highlight these variables and comment on the variables in the micro-environment.

These variables in the micro-environment are discussed below:

a. **The Product;** Managing the product entails planning and developing the right products and/or services to be marketed by the company‘s executives. Guidelines are needed for changing existing products, adding new ones, and taking other actions that affect the assortment of products carried. Branding, packaging and various other product features need to be considered as well.

b. Price; Determining the right base price for its (company‘s) products is one of the crucial micro-variable factors to be considered by the enterprise. Also, establishing policies concerning discounts, freight payments, and many other price related variables form part of the management responsibility to ensure that the enterprise objectives are attained.

c. Promotion; Promotion entails those weapons used to inform and persuade the markets, regarding a company‘s products. These include advertising, personal selling, publicity and sales promotion.

d. Distribution/Place; This is the management of the marketing intermediaries for the distribution of the company‘s products. Management‘s responsibility is to select and manage the trade channels through which the products will reach the right target markets at the right time and to develop a distribution system for physical handling and transporting of these goods. Note, the management or marketing executives can manipulate these variables to meet their company‘s objectives. For example, the product features can be changed, prices can be increased or reduced depending on the market situation, the most appropriate promotional media can be chosen, etc

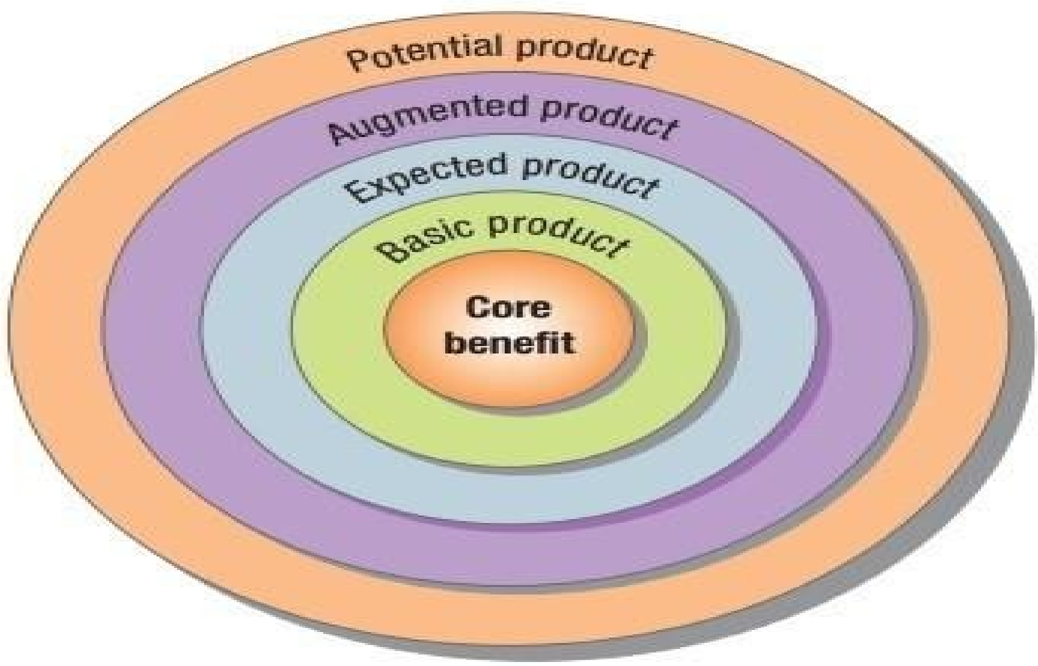
How do you understand the terms Liquidity Ratios?

Liquidity Ratios

Liquidity ratios asses a business‘s liquidity, i.e. its ability to convert its assets to cash and pay off its obligations without any significant difficulty (i.e. delay or loss of value). Liquidity ratios are particularly useful for suppliers, employees, banks, etc. Important liquidity ratios are:

- Current ratio
- Quick ratio (also called acid-test ratio)
- Cash ratio
- Cash conversion cycle

With the aid of appropriate diagram, discuss fully your understanding of product levels.



Every salesperson must become accomplished at performing the selling steps. What steps are we talking about here?

A salesperson must become accomplished at performing the selling steps.

These steps are:

a. Preparation

b. Prospecting

c. Pre-approach

d. Approach

e. Sales representation

f. Handing objections

g. Closing the sale

h. Post-sale follow-up

Define the concept of Strategic management. What area does its address in small business

Strategic management is defined as the set of decisions and actions taken in formulation and implementation of strategies designed to achieve objectives of an organisation. It involves attention to no less than nine areas as shown below.

i. Determining the mission of the company including broad statement about its purpose, philosophy, and goals.

ii. Developing a company profile that reflects internal conditions and capabilities.

iii. Assessment of the company‘s external environment, in terms of competitive and general contextual factors.

iv. Analysis of possible options uncovered in the matching of the company's profile with the external environment.

v. Identifying the desired options uncovered when possibilities are considered in the light of the company mission.

vi. Strategic choice of a set of long-term objectives and the strategies needed to achieve the desired options.

vii. Development of annual objectives and short-term strategies combined with long-term objectives and grand strategies.

viii. Implementing strategic choice decisions based on budgeted resource allocations and emphasizing the matching of tasks, people, strategies, technologies, and reward systems.

ix. Review and evaluation of the success of the strategic process as a basis for control and as an input for future decision making.