

Creating Family Prosperity:

WHERE THERE ARE NO JOBS™

❖ *Twelve workbook lessons to increase family income* ❖



BY STEPHEN W. GIBSON AND BETTE M. GIBSON
with Jeremi Brewer and Rebecca Brewer

Creating Family Prosperity:

WHERE THERE ARE NO JOBS™

Volume 5 Workbook to Increase Family Income

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INTRODUCTION

Soon after my wife and I began working on this workbook, I spoke to a professor of business about our new project. She asked two painful but important questions: “Why are you wasting your time? Isn’t there enough information out there about how to start a new business?”

I was taken back by her question. But as I thought about it over the next few days, it ended up being the driving motivation behind our approach to this workbook. The professor was right—the world doesn’t need yet another book on how to start a business. Bookstore shelves are crowded with books rehashing that subject. What the world *does* need is a workbook about change.

Creating Family Prosperity is not about starting a business; it is about empowering you, the reader, to end generational cycles of poverty. It is about enabling you to move your family toward prosperity—now and in the future. The business is just the vehicle for the powerful change that can come into your life as you embark on the journey of creating family prosperity.

This workbook can be used in a classroom setting or as an individual study guide. It is designed to be a companion learner—to help you teach yourself how to run a business. It is full of questions to answer, topics to ponder, and problems to solve. But the workbook is not the only teacher in this curriculum. If you start your business activities as you study this workbook (which we *strongly* encourage), you will learn in the most effective way possible: by reading and writing in the workbook and then applying what you learn in your own income-generating activity. Life in the world of business will be the true teacher.

We can assure you that while we haven’t been exactly where you are, we do know that these lessons contain the business laws that must be followed to have business success. These principles worked for us; therefore, we are confident they will work for you.

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LESSON 1:

WHY DO SOME PEOPLE SUFFER IN POVERTY WHILE OTHERS ENJOY PROSPERITY?

Consider these questions as you prepare for this lesson:

- Does it matter if my family is rich or poor?
- What has caused my family to be poor?
- What did my mother and father teach me about having money?
- What do the scriptures say about seeking for riches?
- What is the best way to move toward prosperity?
- Do I believe it is possible to break the chains of family poverty?
- When I move toward prosperity, does it cause someone else to move toward poverty?

Main ideas to learn

- Traditional views about money and prospering aren't always correct.
- God wants you to be successful, but He may not care if you are "rich" or not.
- Your actions and habits largely determine whether you live in poverty or prosperity.
- Righteousness and wickedness are not necessarily related to poverty or prosperity.
- The spiritual (heavenly and religious) and temporal (material, or having to do with life on earth) are inseparably connected.

New words

Culture: The values, attitudes, and beliefs of people in a group (such as a family, community, neighborhood, society, ethnic or religious group, or country).

Poverty: The conditions that prevent an individual or family from having fresh water, nutritious food, adequate health care, or educational opportunities. Poverty often stifles or limits individual temporal and spiritual growth. Living in poverty does not generally encourage individual movement toward economic development and material well-being.

Prosperity: The conditions of having adequate shelter, nutrition, fresh water, material goods, and education.

Income-generating activity (IGA): Any effort made to increase the amount of money a family has. It can be selling something, making and then selling something, or providing a service for payment. As an IGA becomes more organized, it can be called a business, but it isn't really a business when it is first started.

Poverty and prosperity are on opposite ends of the spectrum of how much money an individual or family has. Poverty is characterized by a general lack of necessities. Prosperity, on the other hand, is characterized by a general abundance. Clearly, most people, if given a choice, would prefer to live in prosperity rather than poverty.

Everyone *can* choose to live a prosperous life. With the training you will receive from the lessons in this book, you can decide to be prosperous and then make and follow a plan that will help you achieve your goal.

Think about the way you live each day. What aspects of your daily living might suggest that you are currently living in poverty?

Put an X next to each statement that applies to you and your family.

Poverty indicators

- _____ We eat only one or two meals a day.
- _____ We eat only one meal on Sundays so we have money to get to church.
- _____ Our children do not attend school because they do not have uniforms, books, and supplies.
- _____ No one in our family goes to a doctor when they are sick.
- _____ We have only enough money to buy over-the-counter medicines one pill at a time.
- _____ Our house is in a poor area of town where we often experience floods and fires.
- _____ We depend on relatives for money or food.
- _____ We have a hard time fulfilling a calling in the Church.
- _____ We buy our household goods, like laundry soap, in very small packages.
- _____ The job we have is temporary and does not meet our family's expenses.
- _____ Some children in our family do not have shoes to wear to church.
- _____ Our drinking water comes from a communal tap or from the river.
- _____ Our house has a dirt floor, and we cook our meals over an open fire.

Prosperity indicators

- _____ We are in charge of our lives, and we actively use our time to our benefit.
- _____ We set goals individually and as a family.
- _____ We have money so we can go to church as a family.
- _____ We don't let others keep us from making a better living.
- _____ We have enough income that we can serve freely in the Church.
- _____ We can take a bus or Jeepney, when needed.
- _____ We can buy medicine for ourselves and the children, if needed.
- _____ Our children are all in school.
- _____ We can buy some household goods in bulk, like oil, laundry soap, and some food.
- _____ We have fruits and vegetables in addition to our rice or main food.

What traditions, practices, or beliefs in your culture keep you and your family poor?

Can you think of anything your parents taught you that might make you think you should remain living in poverty?

Is there anything that might not be correct about those ideas or traditions of your parents, especially as they relate to lifting yourself out of poverty?

Can you still honor your mother and father but have different opinions than they have?

In the Book of Mormon, the Lord promises that people who keep the commandments will prosper. Ask someone who is financially successful and lives nearby if it is okay to be prosperous. You might also ask him/her why he/she thinks some people live in poverty and others are prosperous. Write down what you learn.

The Book of Mormon teaches us that after you have a hope in Christ, it is okay to seek riches for the right reasons.

Jacob 2:17-19

17 *Think of your brethren like unto yourselves, and be familiar with all and free with your substance, that they may be rich like unto you.*

18 *But before ye seek for riches, seek ye for the kingdom of God.*

19 *And after ye have obtained a hope in Christ ye shall obtain riches, if ye seek them; and ye will seek them for the intent to do good—to clothe the naked, and to feed the hungry, and to liberate the captive, and administer relief to the sick and the afflicted.*

Summarize the reasons why seeking riches can be good.

Do any of these reasons apply to your own situation? If so, explain.

The Doctrine and Covenants teaches that the Lord created the earth with enough abundance for everyone to share. In other words, no one must become poor in order for another to become more wealthy.

D&C 104:15-18

15 *And it is my purpose to provide for my saints, for all things are mine.*

16 *But it must needs be done in mine own way; and behold this is the way that I, the Lord, have decreed to provide for my saints, that the poor shall be exalted, in that the rich are made low.*

17 *For the earth is full, and there is enough and to spare; yea, I prepared all things, and have given unto the children of men to be agents unto themselves.*

18 *Therefore, if any man shall take of the abundance which I have made, and impart not his portion, according to the law of my gospel, unto the poor and the needy, he shall, with the wicked, lift up his eyes in hell, being in torment.*

There are important concepts taught in this scripture. Some people believe that there is a shortage of the good things of life. Thus, they think that in order for one person to prosper, others need to be made poor. Others believe only certain people deserve to prosper. Neither is a correct idea.

With the correct knowledge, motivation, and application, almost anyone can accumulate money and become prosperous. The key is to follow correct business principles and engage in income-generating activities (IGAs).

D&C 104:15-18 also teaches us that people should be agents unto themselves. In other words, we should actively but humbly pursue our portion of the abundance the Lord created. President Gordon B. Hinckley taught that “[t]he Lord does not want to see His people condemned to live in poverty. . . . He would have the faithful enjoy the good

things of the earth” (“The Perpetual Education Fund,” Ensign, May 2001, 53). To enjoy the “good things of the earth,” you must take control of your financial situation by improving your living conditions, getting out of poverty, and becoming prosperous. You can do those things by applying the principles you learn in this workbook.

There are plenty of money, resources, and the good things of life for everyone. You just need to do things that will result in your earning money. In these lessons, you will learn what IGAs you can start so you can earn money and receive your share of prosperity.

Please fill in a T for the true statements and F for the false statements that follow:

- ____ 1. Being poor means you are righteous.
- ____ 2. Being rich means you are righteous.
- ____ 3. Being poor means you are evil.
- ____ 4. Being rich means you are evil.
- ____ 5. Rich men are evil and will have trouble getting into heaven.
- ____ 6. Being poor guarantees happiness.
- ____ 7. Being rich guarantees happiness.
- ____ 8. There is no relationship between being happy or sad and being rich or poor.
- ____ 9. Evil men are sometimes poor.
- ____ 10. Evil men are sometimes rich.
- ____ 11. Good men are sometimes poor.
- ____ 12. Good men are sometimes rich.

If being rich or poor doesn’t make you good or bad, wouldn’t you prefer to live a prosperous and abundant life as promised in the scriptures?

As you study your answers to the true and false questions, what conclusions have you reached?

The Parable of the Talents

Please read the parable of the talents in Matthew 25:14-30 (emphasis added). Take careful notes about what happened to the three men. Think about how (and why) they were “agents unto themselves.”

Matthew 25:14-30

14 *For the kingdom of heaven is as a man travelling into a far country, who called his own servants, and delivered unto them his goods.*

15 *And unto one he gave five talents, to another two, and to another one; to every man*

according to his several ability; and straightway took his journey.

16 Then he that had received the five talents went and traded with the same, and made them other five talents.

17 And likewise he that had received two, he also gained other two.

18 But he that had received one went and digged in the earth, and hid his lord's money.

19 After a long time the lord of those servants cometh, and reckoneth with them.

20 And so he that had received five talents came and brought other five talents, saying, Lord, thou deliveredst unto me five talents: behold, I have gained beside them five talents more.

21 His lord said unto him, Well done, thou good and faithful servant: thou hast been faithful over a few things, I will make thee ruler over many things: enter thou into the joy of thy lord.

22 He also that had received two talents came and said, Lord, thou deliveredst unto me two talents: behold, I have gained two other talents beside them.

23 His lord said unto him, Well done, good and faithful servant; thou hast been faithful over a few things, I will make thee ruler over many things: enter thou into the joy of thy lord.

24 Then he which had received the one talent came and said, Lord, I knew thee that thou art an hard man, reaping where thou hast not sown, and gathering where thou hast not strawed:

25 And I was afraid, and went and hid thy talent in the earth: lo, there thou hast that is thine.

26 His lord answered and said unto him, Thou wicked and slothful servant, thou knewest that I reap where I sowed not, and gather where I have not strawed:

27 Thou oughtest therefore to have put my money to the exchangers, and then at my coming I should have received mine own with usury.

28 Take therefore the talent from him, and give it unto him which hath ten talents.

29 For unto every one that hath shall be given, and he shall have abundance: but from him that hath not shall be taken away even that which he hath.

30 And cast ye the unprofitable servant into outer darkness: there shall be weeping and gnashing of teeth.

Answer the following questions about the parable:

In verse 14, what did the man deliver to his servants or employees?

In verse 16, what IGA did the man do to increase the goods he was given?

How much time did it take to double the value of the goods that the man left with his employees?

In verse 30, the master calls the man who buried the goods an unprofitable servant. Was he an agent unto himself? What did he do wrong? What concept didn't he understand about becoming prosperous?

What two things happened to the unprofitable servant in the parable?

What two things did the men who doubled the value of their goods gain for their success?

In what two ways were the profitable servants rewarded for engaging in IGAs and increasing the value of the goods they were given?

This parable teaches us several principles worth studying.

1. You can increase your prosperity by trading (selling) what you have to get more.
2. The Lord, or master, is pleased when you do IGAs that result in a gain or profit.
3. People who don't increase what they have been given will have the original gifts taken away. This parable teaches that you must *press forward* and take an active role in changing your circumstances and becoming prosperous. Engaging in trade and IGAs are excellent ways to become prosperous.
4. True leaders are happy only with outcomes. In the parable, the three stewards were asked to report not on what they had done but on what they had achieved—the increase of wealth. (See *United for Zion* (2nd printing). Orem, Utah: Unitis Publication, 2000, 30.)

Quotes

For further reflection on this concept, please read the following quotes. Select your favorite quote as it applies to your own quest for prosperity, and explain why that quote is so important to you.

“It has always been a cardinal teaching with the Latter-day Saints that a religion which has not the power to save people temporally and make them prosperous and happy here, cannot be depended upon to save them spiritually, to exalt them in the life to come” (Joseph F. Smith, “The Truth about Mormonism.” *Out West* 23 (1905), 242).

“Throughout my life I have been blessed by the doctrine and teachings of the gospel of Jesus Christ. As taught in the scriptures and by the leaders and teachers of this Church, the gospel has been a light to my path and the impetus for my temporal and spiritual progress” (Dallin H. Oaks, “The Gospel in Our Lives,” *Ensign*, May 2002, 33).

“And it came to pass that they began to prosper by degrees in the land, and began to raise grain more abundantly, and flocks, and herds, that they did not suffer with hunger” (Mosiah 21:16).

“And now I, Mormon, would that ye should know that the people had multiplied, insomuch that they were spread upon all the face of the land, and that they had become exceedingly rich, because of their prosperity in Christ” (4 Nephi 1:23).

Final writing assignment

Based on what you've learned from this lesson, summarize your thoughts on what you need to do to provide a more prosperous life for yourself and your family. In your answer, be sure to discuss (1) what traditions of poverty you need to leave behind, (2) your understanding of God's desire for you to provide for your family, and (3) your understanding of how IGAs are the key to moving from poverty to prosperity.

Bottom line

Neither God nor his prophets wishes us to live in poverty. His Saints have been promised a prosperous and abundant life, but the blessing of prosperity is based upon obedience to proven business principles. You can help yourself live more abundantly if you are willing to break cultural and familial traditions of poverty and wisely pursue income-generating activities.

In preparation for the next lesson, list what you do each day between when you get up and when you go to bed. Use the worksheet on the following page to record your activities.

Things I must do today

Date _____

- _____
- _____
- _____
- _____
- _____
- _____
- _____

Circle the three most important things to do first.

Appointments

6:00	_____	1:00	_____
	_____		_____
7:00	_____	2:00	_____
	_____		_____
8:00	_____	3:00	_____
	_____		_____
9:00	_____	4:00	_____
	_____		_____
10:00	_____	5:00	_____
	_____		_____
11:00	_____	6:00	_____
	_____		_____
12:00	_____	7:00	_____
	_____		_____

Opportunities for tomorrow

- _____
- _____
- _____
- _____
- _____

LESSON 2:

WHAT PERSONAL HABITS MUST I DEVELOP TO BE PROSPEROUS?

Consider these questions as you prepare for this lesson:

- How do I spend my time each day?
- Do I keep my promises to my spouse? My children? God? Priesthood leaders?
- If I could change anything about how my family lives, what would it be?
- What is the biggest change I need to make in order to get beyond getting only enough money to buy food for today?
- Am I ready and willing to change my behavior in order to change the way my family lives?
- Where does the power to change come from? The government? The Church? The Lord? Within myself? Prayer? A combination of the above?

Main ideas to learn

- Everyone has 24 hours a day. Your daily actions and your use of time determine how prosperous your family can become.
- Fathers have a responsibility to provide the necessities of life and protection for their families.
- Now is the time to break your family free from the trap of poverty.
- The blessing of financial success comes through the establishment of good habits and obedience to specific business laws.

New word

Habit: An act repeated so often by an individual that it becomes automatic.

In Lesson 1, you identified family traditions and aspects of your culture that contribute to the poverty your family has lived in for generations. In this lesson, you will begin to think about how your daily habits are a reflection of your culture. In order to leave the culture of poverty behind, you must develop new habits that lead to prosperity.

Before you can begin to establish new habits, you must decide that you want to change. Do you, in fact, want to move from poverty into prosperity? Why?

Now that you have clearly explained your desire to escape poverty, you are ready to make changes in your life. However, you must first recognize that you have control over some things in life but not others. You can change only those things you can control.

What can you change about your life?

What can't you change?

Hopefully, you identified your family's level of prosperity as a thing that you *can* change. You can desire to be successful. You can choose to be successful. You can learn to be successful. In fact, if you are a parent—and particularly if you are a father—you have the responsibility to be successful in providing for your family.

In 1995, the Church published a formal statement entitled *The Family: A Proclamation to the World*. In that document, the First Presidency and Quorum of the Twelve Apostles explained, in very clear terms, that the family is the most important unit on earth and that all members of families have specific responsibilities that strengthen the family and help members progress toward their eternal reward. With regard to fathers' roles, the Brethren wrote, "By divine design, fathers are to preside over their families in love and righteousness and are responsible to provide the necessities of life and protection for their families" (*The Family: A Proclamation to the World*). With that responsibility in mind, fathers should not only work hard every day but also work wisely—in part, by learning and applying business principles that help them maximize the usefulness of their efforts.

As fathers maximize their efforts they may not all become rich, but as President Howard W. Hunter taught, "The Lord does not care whether you become rich or not, but he does want you to learn how to succeed and to become successful" (as told by Dane McBride in Ryan Lizza's article, *The Mission: Mitt Romney's Strategies for Success*. *The New Yorker*. October 29, 2007.)

Time management and success

Part of being successful is using your time wisely. Every person who has ever lived—no matter how rich or poor the person was—has shared a common gift: *time*. Everyone has the same amount of time: 24 hours in each day. Once you truly understand that gift, you can make better use of your time.

How do you think some prosperous people accomplish so much each day? What habits have they developed that enable them to get so much done?

At the end of Lesson 1, you were asked to list the things you do each day. Review your worksheet. Think about how you use your time compared with how prosperous people might use their time. List four things you think they might do differently than you.

- 1.
- 2.
- 3.
- 4.

Please compare your list from the end of Lesson 1 with these daily habits of successful people. These habits are the patterns of success; they make up the culture of success.

- They rise early and work long hours.
- They don't give up easily.
- They use a lot of helpers.
- They make lists of what they need to do each day and work on their lists based on what is most important.
- They set goals for things they really want to accomplish.

Which three of these practices seem most important and most urgent for you to adopt in your own life?

- 1.
- 2.
- 3.

Establishing new habits

Breaking bad habits and replacing them with good habits takes a lot of work, yet that change is possible. In his talk, “The Power to Change,” President James E. Faust taught that you can and must make such changes. He wrote, “Each one of us has been given the power to change his or her life. As part of the Lord’s great plan of happiness, we have individual agency to make decisions. We can decide to do better and to be better. In some ways all of us need to change” (James E. Faust, “The Power to Change,” *Ensign*, Nov 2007, 122–24).

It is one thing to make a temporary change in behavior, but truly another to make a new habit. Before you look at some desirable habits successful business owners have, let’s see how the dictionary defines a habit. A habit is *an act repeated so often by an individual that it becomes automatic*.

Abandoning old habits and creating better habits is one of the hardest things to do. It takes hard work and determination—and sometimes help from our Father in Heaven. But if you want to change how you live, the activities in this workbook can help you do it. As the saying goes, “If it is to be, it’s up to me.”

Here are some of the new habits you may need to develop to move out of poverty and into prosperity.

- Place a value on your time.
- Get up early and start working early.
- Establish a pattern of getting things done right the first time.
- Do things in the proper order.
- Make lists and work on the most important items first.
- Look beyond today.
- Track daily accomplishments and achievements.
- Don’t spend all the money you make each day.
- Keep promises to everyone.
- Engage in income-generating activities (IGAs) that will bring more money into the family.

Which of the personal habits listed above are you prepared to adopt so your family can move toward prosperity? Write down four new habits you need to establish. Explain what you think each new habit will help you accomplish each day.

- 1.
- 2.
- 3.
- 4.

Financial success and prosperity can be obtained only by establishing good personal habits that lead a person to be efficient and effective in his or her work. Just as the Lord said in D&C 130:20-21, “There is a law, irrevocably decreed in heaven before the foundations of this world, upon which all blessings are predicated—And when we obtain any blessing from God, it is by obedience to that law upon which it is predicated.” This principle applies to financial success just as much as it applies to spiritual blessings you seek from Heavenly Father. When you establish good habits, you will reap the respective blessings.

Are you prepared to promise that you will do what is necessary to move beyond surviving and start thriving? Can you keep this promise?

_____ YES. I will begin forming habits that will lead to success. _____ NO. I’m not ready yet.

You can break free from the chains of living in poverty that have held you and your family down. It won’t be easy, but you can do it. Establishing good habits—and practicing them daily—is one of the keys to prosperity.

Quotes

For further reflection on this concept, please read the following quotes. Select your favorite quote as it applies to your own desire to establish new habits that lead to prosperity, and explain why that quote is so important to you.

Vaclav Klaus, former Czechoslovakian economics minister after the fall of the Soviet Union, said “To succeed we need a clean break with the past. The competitive market is the way to produce wealth, and that’s where we’re going to focus” (Greenspan, Alan. *The Age of Turbulence: Adventures in a New World*. New York: Penguin Press, 2007, 134).

“We are accountable for how we use [our] time. ‘Thou shalt not idle away thy time’ (D&C 60:13), and ‘Cease to be idle’ (D&C 88:124), the Lord commanded the early missionaries and members” (Dallin H. Oaks, “Focus and Priorities,” *Ensign*, May 2001, 82).

“How we manage time matters so very much. . . . [W]ise time management is really the wise management of ourselves” (Spencer W. Kimball, “Jesus: The Perfect Leader,” *Ensign*, Aug 1979, 6).

“If I keep on doing what I have always done, I will keep on getting what I have always got” (Anonymous).

“To be what I am not, I must do what I do not” (Anonymous).

“If any would not work, neither should he eat” (2 Thessalonians 3:10).

Fieldwork

Go to at least one marketplace and, with a fresh outlook, make a list of possible IGAs you can do that will increase the money coming into your family. Use this space to write down your ideas from this field trip.

Final writing assignment

Based on what you've learned from this lesson, summarize your thoughts on what personal habits you need to develop in order to become more prosperous. In your answer, be sure to discuss (1) what bad habits you need to abandon, (2) what new habits you need to develop, and (3) what the result of practicing those good habits will be on your life, your family, and your business.

Bottom line

To permanently move out of poverty I must

1. Decide I want to get out of poverty
2. Learn what I need to know and do differently to get out of poverty
3. Consistently—every day for years—perform the business activities that are required for me to get out of poverty

LESSON 3:

WHY IS CREATING A JOB BETTER THAN GETTING A JOB?

Consider these questions as you prepare for this lesson:

- In the short run, which is more secure: working for myself or for someone else?
- In the long run, which is doing the most for my family: getting a job or creating a job?
- Why do so many people move to other cities or countries rather than get or start a job in the community where they were raised?
- In what way is working for myself by creating my own job better than getting a job?

Main ideas to learn

- Working for others is often more risky than working for yourself.
- In some areas, it is nearly impossible to get a good job if you don't have connections. But anyone can, with proper training, create his or her own job.
- As you create employment for yourself, you become master of your own economic destiny.

In Lesson 2, you learned that moving from poverty to prosperity will depend largely upon your willingness and ability to develop new habits that lead to success. In this lesson, we will discuss how creating a job is—in most cases—much more likely to produce prosperity than working as an employee for someone else.

Job options

Getting and keeping a job in a developing country can be quite a challenge. In some places, jobs are scarce. In other areas—especially rural areas—jobs are plentiful but they don't pay enough to provide for a family. In heavily populated urban areas, workers in their 30s and 40s are sometimes fired suddenly and replaced by young people who have more advanced skills and are willing to work for less money. In some countries, laws dictate that if a person stays on the job for more than six months, that person can't be fired. So companies get around the rule by firing employees before the probationary period expires. Clearly, getting a job is one thing; getting a well-paying job is another; and keeping a well-paying job is yet another.

For young citizens of many developing countries, from Haiti to Honduras and from the Philippines to Peru, there seem to be five employment options:

1. Get a job, often only a temporary one
2. Be a field laborer for very poor wages
3. Move to a metropolitan area or another country
4. Don't work; instead, live off family or those who send money home from working overseas
5. Create your own job

Unstable and temporary jobs, field-laborer jobs, and jobs that take people out of their hometowns and countries rarely pay enough to sustain life, much less provide for a prosperous life. Thus, they are clearly less than ideal options for employment and income generation. And choosing to not work is unacceptable for Latter-day Saints. Both the Old and New Testament teach that we are responsible to earn a living by the sweat of our brow. Also, Paul, in writing to Timothy, counseled the Saints to provide for their families, especially for those living in their own households. "But if any provide not for his own, and especially for those of his own house, he hath denied the faith, and is worse than an infidel" (1 Timothy 5:8).

For many, that leaves only one *acceptable* option—and it is certainly a new way of thinking: creating one's own job by starting a very small business. Creating your own job, which often leads to the establishment of a full-blown business and the creation of jobs for others, is definitely an opportunity worth pursuing. Starting an income-generating activity (IGA) can be a good way to earn a living, regardless of where you live.

Although creating a job for yourself requires you to take some risks, the likelihood of success and long-term prosperity in a self-made job are much higher than in a job where you are just an employee. Read through the following advantages and disadvantages of creating your own job.

Advantages of creating your own job:

1. You can work your own schedule.
2. As you create a job and then create a business with value, you are creating an asset to pass on to other family members.
3. You can eventually make a lot more money by owning your own business than by working for another person.
4. As you hire others and manage them wisely, they will also make money for you and your family.
5. You can't get fired when you're the boss.
6. There is generally no limit on your income.
7. You will probably be able to get along with the boss—you!
8. You can choose your co-workers.
9. You don't need a high level of education to create a job.
10. You can do things the way you want to do them.
11. As conditions change in your area, you will be able to change your direction to take advantage of new trends and opportunities.
12. You can choose to not work on Sunday.

Disadvantages of creating your own job:

1. You can go bankrupt.
2. You won't get paid unless you produce sales.
3. It is a lot harder to create a job than to occupy an available job.
4. When you work for someone else, you generally get paid for just showing up. When you work for yourself, you must work hard for your income.
5. When you create your own job, it is expensive, at first, to provide health benefits for yourself.
6. If you work for someone else, they produce the money to pay your salary. When you work for yourself, you are responsible for generating the money to cover your salary.
7. If you give people credit, some people won't pay.
8. If you have employees, they can steal from you.
9. Perishable products can spoil before they are sold.
10. You can't slack off and take it easy for a long time.

What other specific advantages would creating your own job and working for yourself have for you and your family? (For example, would it allow you to eventually spend more time with your children? Would it allow you to eventually help others in your ward learn to start their own business, thus strengthening the Kingdom? Would it allow you more flexibility with your time, once you have employees, so you could see your children play sports or perform in school activities?)

1.

2.

3.

4.

5.

Identify the reasons why you personally may need to start an IGA rather than keep looking for “the perfect job.” If your reason is not on the following list, write it in below the list. Put a checkmark next to all the reasons that apply to your desire to create your own IGA.

- ☐ Few jobs are available in my area.
- ☐ I know people who have created their own jobs and are now making a good living.
- ☐ I know that a small enterprise, if managed well, can be profitable.
- ☐ I already have a marketable skill or access to products or services. I could start an IGA easily.
- ☐ I can close my store on Sundays and observe the Sabbath.
- ☐ I can teach my children how to run a business.
- ☐
- ☐

Even with a clear understanding of why you should create your own IGA, actually going out and starting your IGA can be a scary thing. You will likely feel afraid about failing and be nervous about how to proceed. The key is to apply what you learn from these lessons and start small. You can minimize your risk and increase your odds of success by selling simple products or providing a simple service and then later expanding your IGA when you have more experience and more money.

The lessons in this workbook will give you tremendous confidence. From them you will learn how to create your own job. Once you learn correct business rules and techniques, master the skills, and adopt the behaviors, you can be successful in generating income through buy-and-sell activities. These new skills, when applied consistently, will help you and your family fight your way out of poverty and become prosperous.

Rule of thumb

Start small; think BIG. First create a job for yourself, then turn that job into a business, then create jobs for others. Prosperity comes by progressively mastering yourself, mastering a small business, mastering the skill of managing others, and then mastering an industry.

Fieldwork

Go out into the marketplace and find at least four people who are engaged in buy/sell activities. Talk with them about their experiences—their failures, successes, frustrations, etc. Do they think of their IGA as a permanent employment opportunity? Do they want to grow their business? Find out the advantages and disadvantages of doing business. Take notes.

Final writing assignment

Based on what you've learned from this lesson, summarize your thoughts on why creating a job for yourself will be good for your family. Write down the things you worry about and then try to address each fear, writing how you will overcome that particular fear.

Bottom line

The best economic solution for lifting your family out of poverty may well be found in creating a job for yourself in your own community.

LESSON 4:

HOW CAN I RECOGNIZE AND SEIZE A GOOD OPPORTUNITY?

Consider these questions as you prepare for this lesson:

- What does the word *business* mean?
- What is the difference between an idea and an opportunity worth pursuing?
- Do my neighbors have problems they would pay me to solve?
- What opportunities are uniquely available to me because of my location, skills, and interests?
What skills and resources do I need to have to “take advantage” of these opportunities?
What new resources do I need to gather to seize these opportunities?

Main ideas to learn

- There are four main types of businesses: retail, service, wholesale, and manufacturing.
- There are hundreds of ideas for income-generating activities (IGAs), but real opportunities are harder to come by. Separating good opportunities from average ideas requires research, planning, and testing.
- Opportunities solve problems for potential customers. The more pressing the problem, the more successful the provider of the solution can be.

New words

Business: Any formalized effort that increases an amount of money through the exchange of goods or services between two or more people or entities in order to make a profit.

Retailer: A business that buys from a wholesaler or manufacturer and sells directly to consumers.

Service business: A business that provides time, skills, or expertise in exchange for money.

Wholesaler: A business that purchases goods in bulk from a manufacturer and sells smaller quantities to retailers.

Manufacturer: A business that makes or produces a tangible product that is then sold to wholesalers or retailers.

Problem: A situation that is difficult to deal with or control.

Idea: A thought formed in a person’s mind.

Opportunity: A favorable combination of circumstances; a situation that would allow a person to make a profit by taking advantage of it.

One of the biggest challenges for people striving to get out of poverty by starting an income-generating activity (IGA) is deciding what to sell. Many just see what their neighbors are doing and do the same thing. Unfortunately, this seldom works; instead, it tends to flood the market with competitors who drive the prices down. So if it isn’t wise to sell what your neighbors sell, how do you find a good idea and how do you know which ideas are real opportunities to help you work your way out of poverty?

Let’s start by learning about the four basic types of businesses. Remember that a business is any formalized effort that increases an amount of money through the exchange of goods or services between two or more people or

entities. Businesses come in many shapes and sizes; they sell a million varieties of products and provide thousands of different services. But they generally fall into one of four categories:

- 1. Retail businesses sell products to people who actually use or consume the product. Most businesses fall into this category because they can be started with only a small amount of money and time.
- 2. Service businesses offer a service to a customer. An example is a babysitter who cares for young children.
- 3. Wholesale businesses sell products to retailers, who then sell them to end users.
- 4. Manufacturing businesses create products and sell them to wholesalers, retailers, and end users.

Keeping the four types of businesses in mind, start exploring ideas for your own IGA by listing every idea you can come up with for products you can sell or services you can offer. Please list them below.

1.

2.

3.

4.

5.
6.

7.

8.

9.

10.

Now review your list. Which products or services solve a pressing problem for people who live in your area? What problem does each of them solve?

<u>Product or service</u>	<u>Problem it solves</u>
1.	1.
2.	2.
3.	3.

Why must your product or service solve a problem for your customer? Because a customer will buy a product or service only if it meets one of his needs or solves one of his problems. And the bigger the need is for the item, the more likely the customer is to make the purchase, and the faster he will make the purchase. The ability to solve a problem is a major factor separating ideas from opportunities worth pursuing.

I (Stephen W. Gibson) had a very successful business selling the most in-demand product in the world: oxygen. People with lung problems need to purchase supplemental oxygen to breath better and avoid extreme headaches and the possibility of passing out. Because breathing is such an important need—arguably *the* most important need—and because I built a business around meeting that need, I had great success.

List what you think changes an idea into an opportunity worth pursuing.

- 1.
- 2.
- 3.
- 4.

Here are some possible factors:

- It solves a common but pressing problem. The more urgent the problem, the better.
- The solution to the problem is available at a price that the potential customer is willing and able to pay. (For example, the price is not so huge that a person would have to get approval from his or her spouse before purchasing the item.)
- There is not already a dominant company solving that problem in your market area.
- The decision by your customers to purchase the product/service is an easy one.
- There is enough profit to be made by you, the seller, that it is worth selling the product or offering the service.

Assignment

Keeping in mind the characteristics of good business opportunities, review your list of three product or service ideas that solve a problem for people in your local area (see the previous page). Choose one opportunity that you would like to research more. (Choosing an opportunity to research more does NOT mean that you are committing to turn that opportunity into an IGA. You will commit to an IGA at the end of this lesson. At this point, we just want you to choose an IGA that you are interested in researching further. It may turn into the IGA you start, or it may not.) Go back through this lesson and think carefully about how successful the opportunity could be. Be as specific as possible in your evaluation of the opportunity.

You may be feeling frustrated at this part of the workbook. You may be eager to just start making money and may not see the value of doing all this research. But in-depth planning is valuable. Napoleon Hill, author of *Think and Grow Rich*, explains why planning is so important. “One must realize that all who have accumulated great fortunes first did a certain amount of dreaming, hoping, wishing, desiring and *planning* before they acquired money” (Hill, Napoleon. 1960. *Think and Grow Rich*. Ballantine Books, p. 37; emphasis added).

Without planning and analyzing, would-be business owners waste a lot of time, money, energy, and enthusiasm chasing after ideas but never establishing a successful IGA. The key to being successful right from the beginning is to research, plan, and test a solid opportunity.

You see, there is never a shortage of ideas. In fact, there isn’t even a shortage of good ideas. The challenge lies in finding the right idea at the right time that is also the right opportunity for you based on your business experience. You can likely find a good business opportunity by changing the way you look at the world around you. You can train your mind to see opportunities. Many well-known products were created because someone found a new way to solve an old problem. For example, in the Philippines, the national postal service isn’t very reliable, so a man developed a company, called LBC, that delivers letters and packages. He started first in his own neighborhood and now delivers to hundreds of islands in that country. Another man in the Philippines saw the success of McDonalds, an American fast food franchise, so he started a company selling a Filipino-type hamburger patterned after McDonalds’ hamburgers. His business, Jolly-Bees, has been very successful.

Here are some small IGAs others have successfully started:

- Selling cold drinks, like lemonade
- Selling soft drinks
- Selling homemade soups and stews
- Selling pancakes
- Selling hot drinks
- Selling flip flops
- Selling homemade sandwiches
- Selling homemade cloths or rags
- Selling bottled water
- Selling used clothing

While these aren’t, perhaps, new and exciting opportunities that will make you prosperous very quickly, they are IGAs that can help you earn money, teach you important lessons about how a business operates, and give you valuable experience that you can build upon.

Many people want to start more sophisticated IGAs, such as Internet cafes or cell phone distributorships, that are very popular in developing countries. While these are viable business opportunities, they generally require so much start-up capital that they really aren’t opportunities worth pursuing until a person has a lot of business experience and capital (in that order). As you start your IGA, remember to start small and think big. (This workbook is designed to help you move quickly from a small IGA to a business. At the end of this lesson, you will identify the IGA you want to start. All of the other lessons in the workbook aim to help you grow your IGA quickly into the business you want it to become.)

Fieldwork

Go to a marketplace and see if you can now see the difference between ideas—and there will be a lot of them—and opportunities worth pursuing, based on research.

Make three lists during your marketplace visit.

1. List ideas that have little long-term potential. You’ll recognize these products as mere ideas by the fact that many, many people will be selling exactly the same items. (Selling fresh fruits, for example.) These ideas are not usually very good for the long run, but they will give you some business experience and might, therefore, be a good place to start.

2. List IGAs that seem more like opportunities than just ideas. Also write down why you think these businesses might be closer to opportunities rather than just ideas. (Selling baked goods or soft drinks from a bicycle in rural areas or remote sites, for example.)
3. List opportunities that might be right for you, based on considerations such as how much money you would need to begin the IGA, whether it solves a problem for the customer, how many similar IGAs you already see in the marketplace, how critically that product or service is needed, etc.

Be creative as you think about IGAs

Jonith, a bright young man, had a hard time deciding what IGA to start after he graduated from a microenterprise training program. As he was walking around his hometown one day, he passed by his old high school and stopped on a street corner to wait for some cars to pass by. He noticed several students asking a delivery service employee if the store in which she worked (which was located just across the street from their school) offered photocopying services. The employee told the students that the store didn't have any photocopiers and that, as far as she knew, no such service was available in the whole town.

Jonith recognized that the lack of photocopying services was a problem for these students. He wondered if he might have found a problem worth solving with an IGA. Jonith knew that someone from his church sold photocopiers, so Jonith decided he would ask this man how to get a machine.

He also asked the owner of the store across the street from the school if she would rent him a small, unused space inside the store. The owner granted him permission and said he would rent the space very cheaply since she wasn't using it. The only problem was that Jonith didn't have any money for rent. He asked the store owner if he could pay her at the end of the month. She agreed, so Jonith then asked his friend from church if he would loan him a copier to try out. Jonith promised he would purchase the copier if he could make any money in his new "business."

On the day the photocopier was delivered, Jonith realized that he didn't have any copier paper. So he asked the store owner if he could borrow 25 sheets of paper. She gave him a full ream of 500 sheets and said he could pay for the paper when he paid the rent. He also discovered that he needed an electric extension cord so he could plug the machine in. He borrowed that from another friend.

He then started promoting his services to students at the school in front of the store. Jonith attracted so much business the very first day that he earned enough money to pay the landlady for the ream of paper she had loaned him. Jonith continued to buy his supplies on credit, and by the end of the month, he had raised enough money to pay everyone the money he owed them and make his first payment to purchase the copier. He was also able to pay himself a small salary.

Today, he owns three copiers and has his own printing business. Most of his customers are students, but he also prints ID cards for the nearby school. He has recently expanded to commercial printing for the businesses in his town.

What are some of the things Jonith did to increase the odds that his IGA would result in success for him?

Final writing assignment

Based on what you've learned from this lesson, think seriously about the IGA you plan to start to help bring your family out of poverty. ***Now is the time to decide what IGA you will start.*** Once you have identified what you think will be a good opportunity, test it against the five characteristics of a good opportunity (see the bulleted list on page 21).

Do whatever research is necessary to find out everything you can about what you must do to be successful in the business you want to start. Find out how many other IGAs are currently doing something similar to what you want to do. Find out what start-up costs will be involved in your IGA, what suppliers you can use, how much you can charge for your products, etc. Once you have a well-researched and well-developed plan, talk with a trusted friend or mentor who is currently running a successful IGA. Ask for feedback about your proposed IGA; see if your mentor thinks you've found a real opportunity. Then write down exactly what your IGA will do—what you will sell, where you will sell it, etc. You will refer back to this statement several times in the following lessons.

Bottom line

Most business ideas are not worth pursuing. The best opportunities involve selling a simple solution for a pressing problem and offering it at a fair price that people are willing and able to pay.

LESSON 5:

WHAT MUST I KNOW TO MAKE MONEY IN BUSINESS?

Consider these questions as you prepare for this lesson:

- Why are some of my neighbors who run small businesses in their homes still poor?
- Why does my neighbor who makes small crafts never seem to sell them?
- What is the single largest reason that a business either makes money or doesn't?
- What are the most important things I need to do every day to make money in my business?

Main ideas to learn

- Business owners can make money in all stages of the GEM Model: gathering, enhancing, and marketing.
- The correct pricing of products is critical to every business' success. Good pricing will always include enough markup to create a good profit.

New words

Gathering: Collecting tools and raw materials for use in a business.

Enhancing: Increasing the value of the business' raw materials. This may involve sewing, carving, assembling, etc. It might also include taking the product to another location for selling.

Marketing: Everything you do to entice a customer to buy a product.

Markup: The difference between the cost of buying or making a product and the price for which you sell it to a customer.

In Lesson 4, you thought about real opportunities to start an income-generating activity (IGA) in your own neighborhood or marketplace. ***By this point in the workbook, you should have a well-researched opportunity in mind. You may have even begun operating your IGA!*** To further develop your plans to turn your IGA into a full-fledged business, you need to learn some foundational principles upon which you will build your business. Let's turn to the scriptures for reassurance and encouragement.

Success happens when certain activities are followed every day. These underlying principles are the same for every undertaking in life, whether large or small, simple or complicated.

D&C 64:33

33 *Be not weary in well-doing, for ye are laying the foundation of a great work.*

Write your feelings about this scripture and how it relates to your efforts to move from poverty to prosperity.

As you make small adjustments, progress is sometimes hard to see. Therefore, you must remember that small tasks often add up to very large, significant changes over long periods of time.

Becoming prosperous is a blessing. In order to understand how blessings from our Heavenly Father flow to us, please consider this often-quoted scripture:

D&C 130:20-21
20 *There is a law, irrevocably decreed in heaven before the foundations of this world, upon which all blessings are predicated—*
21 *And when we obtain any blessing from God, it is by obedience to that law upon which it is predicated.*

This scripture teaches a life lesson that goes beyond just spiritual behavior. It states that all blessings—including the blessing of prosperity—are based on obedience to laws. In other words, specific blessings are based on specific laws.

Draw a line connecting the law or principle on the left with its corresponding blessing on the right.

<u>Laws or principles</u>	<u>Blessing received</u>
Follow the Word of Wisdom	Be in charge of your finances
Hold regular family home evenings	Become a concert pianist
Brush your teeth daily	Gain eternal life
Hold family prayer daily	Become a wonderful soloist
Practice the piano	Have healthy teeth
Take voice lessons	Enjoy good health and a long life
Apply correct business rules	Be physically fit and healthy
Prepare and live on a budget	Have a prayerful family
Live righteously	Have children who get along with each other
Exercise regularly	Own a successful business venture

It seems obvious that practicing the piano every day will not eliminate tooth decay and that living righteously will not guarantee healthy teeth. But people often don't recognize that business success is not the result of luck or of living righteously, but rather it is the result of learning and applying correct business laws. Business laws of success, as found in this workbook, are the laws upon which the blessings of financial success are predicated.

How does D&C 130:20-21 apply to a business?

The GEM Model

The most basic process that every business owner must apply in order to make a profit is called the GEM Model. This model includes the three steps you must go through every time you want to sell and product or service: gathering, enhancing, and marketing.

Gathering. In the gathering process, you need to gather two kinds of items: *tools and equipment* to use in the business and *raw materials* that make the product you will sell. Tools are one-time expenses, but raw materials must

be purchased each time you plan to produce more of the product you sell. For example, a cookie baker would gather an oven, a rolling pin, spoons, mixing bowls, measuring cups, oven mitts, and cookie sheets (his tools) and flour, sugar, eggs, oil, salt, oats, raisins, and plastic bags and twist ties for wrapping the cooled cookies (his raw materials).

A word of caution about spending in the gathering stage: most of your investment in gathering should be in purchasing inventory or raw materials—very little should be spent on tools and equipment. Many new business owners think they need fancy equipment not only to create their products but also to look fancy and successful. But fancy equipment cannot make a business successful, just as a new coat of paint cannot make an old piece of wood new again. Resist the urge to spend money on unnecessary tools and equipment. Your money will be better spent purchasing or making products to sell at a profit.

Enhancing. During the enhancing stage, the raw materials are used to create the actual products you will sell to customers. To use the example of the baker, to enhance his raw materials, the baker mixes the ingredients to create cookie dough and then bakes the oatmeal-raisin cookies. To further enhance his product and make it as desirable as possible, he might put a special frosting on the cookie. This additional enhancement may enable him to sell the frosted cookie for more than he could sell a plain cookie. Thus, with a little creativity and effort but very little extra money, the baker has increased the amount of profit he can make on each sold cookie.

Marketing. Marketing is everything that is done in the business to entice a customer to buy the product. Marketing starts when you identify a customer's need and ends when a product or service that meets that need has been delivered to a satisfied customer. Marketing does not need to be fancy in order to be effective. For example, the baker could market his products by offering free samples of his cookies and/or wrapping the baked goods in an attractive way. As another example, the owner of a jewelry booth could wear a ring and necklace so that when people compliment her jewelry, she can tell them that she sells pieces just like it in her booth. These simple marketing techniques can pay off in increased sales and higher profit.

You can save money at each step in the GEM Model—not just by selling your products at a high price. You can increase profit by thinking of creative ways to pay less for products in the gathering stage and by saving money in your enhancing activities.

GEM Model application: Selling lemonade

The following exercise can help you understand these three phases. During summertime in the United States, it is common to see children selling lemonade to anyone that passes by. Imagine yourself as a child at a similar lemonade stand as you learn the steps of the GEM Model.

Gathering. List the tools and the raw materials you would need to gather in order to make the lemonade and start selling it.

(Your list of tools might include a table and chair, a poster board for a sign, a pitcher, a bowl, and a big spoon. These tools are a one-time expense. Your list of raw materials might include sugar, lemon juice, water, and ice. The raw materials are a recurring cost.)

Now list ways you could save money in the gathering stage.

(Perhaps you could get a parent or friend to loan you the tools and equipment—maybe someone has an extra spoon or table. You could negotiate with a local fruit vendor to buy the lemons at a reduced price. You could buy your sugar in bulk because it is a non-perishable food that won't spoil if it's not used immediately. You could make your own ice instead of buying it at a marked-up price.)

Enhancing. Once you have all the tools and raw materials, it's time to make the product you will sell—keeping in mind that you want to add as much value to the product as possible. How do you enhance your raw materials?

(You enhance the raw materials by making the lemonade. You make the lemonade by squeezing the lemons, adding sugar, stirring the lemonade, and pouring it over ice in a paper cup or glass.)

What can you do to add extra value to the product so that it will not only be more attractive to customers but also be different from what your competitors are selling?

(You could add further value to the lemonade by putting a fresh slice of lemon on the glass or adding a pretty drinking straw.)
Now list ways you could save money in the enhancing stage.

(Perhaps you could buy the straws in bulk; instead of throwing away the lemon peels, you could sell them to a nearby bakery that uses lemon zest in cookie recipes; you could borrow a juicer from your parents instead of squeezing the lemons by hand to ensure that you get as much juice from each fruit as possible.)

Marketing. Make a list of marketing activities for selling your lemonade.

(Think about location—you could put your booth on a corner or where the cars and people walking by can see the stand. You could make an attractive poster advertising your lemonade. Instead of sitting behind your booth, you could stand in front of it and stop people to ask if they are thirsty. When a person does buy a cup of lemonade, you could use good sales techniques to persuade them to buy more than one cup. It is all part of the marketing that takes place in selling lemonade.)

Now list ways you could save money in the marketing stage.

(Perhaps you could trade services/products with the printer to get your sign cheaply. You could sell your lemonade in a slightly larger cup than your competitors' cups so you could charge more for your lemonade. You could ask family members or friends to volunteer to hold the sign and walk around the marketplace directing people to your booth.)

Pricing

An important part of marketing your products is pricing them correctly. Why is the price you charge for your products so important to your money-making activity?

The reason you are engaged in a business activity is to make money for your family so you can gradually move them out of poverty and into prosperity. This will occur only if you can take some working capital, gather a product to sell, enhance those raw materials to increase their value, and market it to make a profit on it.

People will generally not buy your product unless it is priced competitively. If you price your product too high, people won't buy it. But if you price it too low, you will lose money on each sale. So choosing a selling price is an important decision.

There are many ways to decide what to charge. Sometimes the correct price can be found only by trial and error—by wisely choosing a price and then seeing how customers react to it. Three pricing methods are common.

1. You can charge “whatever the market will bear,” which means you can charge as much as the customer will pay—no less and no more. If you charge less than the maximum amount a customer will pay, then you are not making as much profit as you could. If you charge more than the customer will pay, you will be left with unsold merchandise and you will be out of business. With this method, you keep adjusting your price until you find the price at which you can sell your inventory the fastest, while still making enough profit to cover all your costs.
2. You can charge the customer twice the amount that you paid for the item. So, if you buy a banana for one peso, you might sell it for two pesos. This is a simple way to price your retail goods.
3. You can do market research by finding out what your competitors are charging for similar products. You then can match those prices or charge a little more and offer something extra to make it worth the increased price.

Perhaps a combination of all three methods is what you need to use. The most important thing is to find prices that you can make a good profit and sell a lot of product. In order to price your products well, you must understand the concept of *markup*. Markup is the difference between the cost of buying or making a product and the price at which you sell it to a customer.

Let's look at the concept of markup with a math example. Jose buys a box of 10 apples for a total of 10 pesos. That means that the cost of purchasing each apple is 1 peso. If he sells each apple for 1.5 pesos, he has a 50% markup—that is, he is selling the apple for 50% more than it cost him to get the apple. Markup in a business transaction should generally be between 30% and 70%. Ideally, it should be at least 50%.

Why does markup need to be so high? Because the markup must cover ALL of the costs associated with selling the apple (gathering, enhancing, and marketing). Most owners of small businesses think only of the costs to replace the item they have sold, plus a little money to live on until the next day. But there are hidden costs involved, too. The markup must cover the costs of gathering, enhancing, and marketing the product. It must also cover all *operating costs*—those costs that are incurred in the normal operations of a business, such as the owner's salary, rental for the booth or place in the market, and transportation costs to the supplier and back. The markup must also contribute to future costs of business, such as the costs of expanding the business, replacing equipment, and covering any other unexpected expenses such as product spoilage or stolen goods.

Practice thinking about pricing by completing the following three problems.

1. What is the cost of a cookie, if the total costs of materials are 0.60 pesos per cookie and the labor is 2.00 pesos per cookie. If you choose to simply charge at least twice what you paid for the materials and labor, what is the minimum you would charge a customer for two cookies?

2. Using the same method (pricing the item at twice what it costs to produce it), what should the retail price be for a pair of Arlene's socks? The total materials cost 0.60 pesos per pair, labor costs 2.00 pesos per pair and 1.50 pesos for other costs?

3. What should be the selling price of one shell necklace if the materials and labor needed per necklace would cost 1.80 pesos? You, as the owner, want the markup to be 50%.

(10.4 pesos; 8.2 pesos; 2.7 pesos)

Fieldwork

To help you better understand how to markup your product, visit a marketplace and try to calculate the markup for different products. Talk to the business owners about how much their supplies or products cost, record how much they sell the items for, and figure the percentage of their markup. If you know small-business owners, visit with them and discuss the pricing of their products or services. If you have begun your IGA (as you were instructed to do at the end of Lesson 4), figure out the markup of your products or services and decide if your markup is too high or too low.

Final writing assignment

Based on what you've learned from this lesson, summarize what the GEM Model is and why it can be a powerful tool in your business.

Bottom line

The first step to bringing more money home for your family is knowing what gathering, enhancing, and marketing activities you must do every day to provide maximum profit every day.

LESSON 6:

WHAT MUST I DO TO MAKE MONEY IN BUSINESS?

Consider these questions as you prepare for this lesson:

- How does a person earn money in business?
- What basic activities should I do again and again to make money?
- What can I do to reduce the chance of losing what little money I have?
- What can I buy on credit and sell for cash in my neighborhood?

Main ideas to learn

- Practice separate entities.
- Pay yourself a livable salary.
- Be nice later.
- Buy low; sell high.
- Use multiple suppliers.
- Turn your inventory often.
- Buy on credit; sell for cash.
- Don't eat your inventory.

New words

Entity: Anything that has a distinct, separate existence, such as a business.

Inventory: The merchandise that a business buys from a supplier or makes itself and then sells to customers.

Credit: A contractual agreement in which a business owner (borrower) receives something of value now (usually merchandise or services) and agrees to repay the lender at some later date. As you use credit, you are basically using other people's money to earn money.

By now, you should be operating your business and trying to apply the GEM Model to improve your profitability. But chances are that you still have a lot of questions. Do any of these questions sound familiar? Am I doing things right? Am I making as much money as I should or could? How long will it take to see improvement in my living conditions?

This lesson should answer all those questions and more. It will teach you about "rules of thumb" that you need to follow in order to have the blessing of economic success. These rules of thumb explain some of the most essential business principles that, when implemented, will help you establish a solid foundation for your business.

In Lesson 3, you learned the rule of thumb, Start small; think BIG. Write out what that rule of thumb means to you.

Study the following information about each rule of thumb. Think about each one and write down the actions you must take in order to bring your current business in line with the rule.

Practice separate entities

You must think of your business and your family as being totally separate from each other. This means that you must keep the money from the business separate from your personal money. No family members, neighbors,

friends, or employees should ever have access to your cash or your goods without paying for them. This is a difficult rule to enforce, but remember that in order for you to be what you want to be—prosperous—you must adopt new habits. Learn now to keep personal money and business money separate, and you will reap the rewards.

While recognizing the importance of practicing separate entities, please remember that at some point, you must start taking money out of the business for your personal use. (Think about it: If you never take any money from your business to help your family, then what good is it to build up money in the business?) But even when you start taking out money for your own use, you still don't want other people taking money or goods from the business. What are some guidelines—some do's and don'ts—that can guide your habits concerning taking money or goods from your business?

Do's	Don'ts
_____	_____
_____	_____
_____	_____

Compare these do's and don'ts with your answers above:

Do

- Do pay yourself a *livable salary* each week—enough to cover living expenses.
- Do live on a budget designed around the salary you pay yourself.
- Do occasionally (maybe once a month) take home a little extra treat for the family so they will feel that the time invested in the business is worth the sacrifice.
- Do involve your family in the creation of your long-term goal of getting out of poverty. Tell them why they can not take money and products away from the business.

Don't

- Don't let family members or customers take products without paying cash for them.
- Don't leave money unattended—doing so will tempt family members or others to take it.
- Don't take your entire profit home each day.

What changes must you make to ensure that your business and personal finances are more separate?

Pay yourself a livable salary

Clearly, the best way to take some money out of the business for personal use is to practice another rule of thumb: pay yourself a *livable salary*. Be smart when deciding how much money you should pay yourself each day or week. Talk with your spouse to determine what your needs are. During your first weeks in business, pay close attention to how much profit you make each day. Remember that some of that profit must stay in the business so it can grow, and some of that profit must be your salary so you can provide for your family. As you discipline yourself by taking the same amount of money each day or week, your family will also become disciplined to living on the same amount. Becoming disciplined is part of the change you must make if you are going to move out of poverty toward prosperity.

How much salary will you need from the business?

Is it better to pay your salary every day or just once a week?

What changes must you make to practice this law?

Be nice later

An important area in which you will need to learn discipline is in dealing with relatives and friends who, seeing your improved financial situation, begin asking you for money and handouts. It might be just a few pesos here and a small bag of food there, but it can lead to big problems in your business. Thus, you need to learn to be nice later. In other words, you need to learn to say no. You may need to explain to relatives and friends that you are trying hard to build your business so you can take better care of them later. Remember that if you will learn to say no to their small requests now, you can build your business and hopefully be able to give them much more—maybe even a job and their own chance at financial success—in the future.

What changes must you make to practice the law of being nice later?

Buy low; sell high

To make money in any business, you must sell something for more than you paid for it. The difference between the cost you pay for an item and the price you charge is the *markup*. The bigger the markup, the more money you will likely make. Two transactions are involved in every sale: (1) the purchasing of the product by the business owner and (2) the selling of the product to the customer. “Buy low; sell high” addresses both sides of the sales process. When you purchase raw materials at a low cost and then price your products well, the resulting cost savings and additional revenue go directly to the business’ bottom line and profitability.

One of the ways to make sure that you are making money is to shop around and negotiate during the gathering stage. Clarice, the owner of a small fruit stand, learned this lesson the hard way. She believed strongly in being loyal to her supplier, from whom she had purchased fruit for many years. However, one day, the supplier told Clarice that he had checked with several retail fruit stands and they were all charging more than he was, so he was increasing his prices to a retail level.

Clarice, wanting to be loyal, continued to buy from the supplier, even though he charged so much. Because she paid more for her inventory, she could not charge enough markup to stay in business. She went out of business.

Name three things Clarice could have done to continue to practice the rule of buying low and selling high.

- 1.
- 2.
- 3.

What changes must you make to practice the laws of buying low and selling high?

Use multiple suppliers

Each buy-and-sell business has inventory to sell—inventory that is either made by the business owner (or employees) or purchased from a supplier. All wise business owners search for multiple suppliers so they can bargain for low prices, take advantage of sales, and get the things they need when they need them.

If Clarice (from the previous story) had always used at least two suppliers, she would have been able to negotiate better pricing. It is unfortunate that she had to go out of business to learn this value principle. Loyalty to suppliers is one thing, but loyalty to your own business and the potential it has to help your family is much more important.

How can you use multiple suppliers in your business?

Turn your inventory often

Turning inventory often is a very powerful but often under-appreciated law that provides huge blessings for someone who understands the rule and practices it faithfully. The combination of buying low, selling high, and turning your inventory often can make a lot of money for someone who understands the power this combination brings.

Here is an example: If you buy a product for 100 pesos and sell it for 300 pesos, you have earned 200 pesos. If you do that twice a day, you have a profit of 400 pesos. What if you can do that five times in a day? You will make a 1,000-peso profit that day.

Figure out how much profit would you make if you worked six days and turned your inventory five times every day with the same rate of return as stated above.

(6,000 pesos)

Now figure out how much profit you would make in a week if you turned your inventory ten times a day with 200 pesos profit each time, and you did it six days a week. How much profit would you have at the end of the week?

(12,000 pesos)

This is why it is so important to clear out products that are not selling well and are taking up space on a shelf. If you can't sell a product, you can't receive money for that slow-moving product nor use that money to buy fast-moving products. So it costs you money to have something sit on your shelf for a long time. Turning your inventory often requires that you gather wisely, enhance wisely, and market wisely so that the goods keep turning over and over. It also means you must keep track of when you buy each item of inventory so you can identify fast-moving and slow-moving products.

What changes must you make to turn your inventory more often?

Buy on credit; sell for cash

Let's use an example to explain this concept. Let's say you have established a good business relationship with a supplier. You have paid cash for several products in the last few weeks, and you have become friends. Then let's

say you expect an especially busy sales weekend and you feel you can turn more inventory than you have money to purchase. In other words, you are sure you could sell more inventory if only you had more inventory. You ask your supplier to allow you to buy some inventory from him on credit, meaning you will receive the inventory today but not pay him until an agreed-upon future date. He lets you buy your merchandise on credit, and you sell it for cash. You are basically using his money (in the form of his merchandise) to make money for yourself. You have “bought” and sold the product and made your profit before you have had to pay for it.

This is a great technique for building a business: using other people’s money to your advantage. In order for it to work you must (1) find a supplier who trusts you enough to sell merchandise to you on credit, (2) keep your promise to the supplier who allowed you to buy on credit, and (3) sell *only* for cash. Otherwise, you won’t have the money to pay as promised.

Do you have a good enough relationship with any of your suppliers that you could begin buying on credit?

How could you approach this supplier with the idea of buying on credit? Write out a detailed plan.

Don’t eat your inventory

After graduation from the Academy for Creating Enterprise, Bryan Villegas asked to stay at the Academy and work there as a custodian so he could save part of his salary to launch a small barbeque business. He not only worked as a janitor, but he also sold small candies to the students who were enrolled in the Academy. He had learned many of the rules of thumb that are contained in this lesson; however, he would teach us a new rule of thumb that has become one of our most popular ones.

One day, as we were leaving the Academy, we saw Bryan with his cheeks all puffed up—he had a mouth full of something. It seems he had become discouraged because he had forgotten the importance of selling for cash, and some of the students were forgetting to pay him. To make himself feel better, he stuffed his mouth full of his own candy. When we asked what he was eating, he shamefully answered, “I am eating my inventory.”

The next morning I introduced our newest rule of thumb to our students: Don’t eat your inventory. Eating, giving away, or letting others “borrow” your inventory are all ways to lose money. They could cost you your business and your family’s future and prosperity.

Never let anyone take inventory without paying—not even you!

What changes must you make to practice this law?

Plan to discuss this rule with your family members? What approach will you take?

Let's review the rules of thumb that we have learned in this lesson. For each rule, list the blessing you and your business will receive for obedience to the law.

Law

Start small; think big

Practice separate entities

Pay yourself a livable salary

Be nice later

Buy low; sell high

Use multiple suppliers

Turn your inventory often

Buy on credit; sell for cash

Don't eat your inventory

Blessing

Which three of these rules of thumb do you think are the most important to your business?

- 1.
- 2.
- 3.

As you work in your business, review these rules of thumb often. They will help your business grow faster, become more stable, and be more profitable.

Final writing assignment

Based on what you've learned from this lesson, briefly define each rule of thumb you've learned and summarize why it is so important to apply these principles in your business.

Bottom line

The sooner you make the right business decisions, adopt the right practices, and consistently take appropriate actions, the sooner you will provide more money to help your family with the necessities of life.

LESSON 7:

HOW CAN I ATTRACT NEW CUSTOMERS AND GET EXISTING CUSTOMERS TO BUY MORE?

Consider these questions as you prepare for this lesson:

- Why do I frequently shop at my favorite stores? What makes them my favorites? Is it the price? Is it the service? Do they always have what I need?
- How do I get new customers to buy from me? How do I get existing customers to buy more?
- What does it mean to please the customer? Are customers always right?

Main ideas to learn

- Customers are attracted to businesses that meet their needs in a unique way and that cater to their wants. If you wisely differentiate your business and provide excellent customer service, you can win a customer for life.
- Customer satisfaction is crucial to growing a business. People will come back and buy more when their needs and wants are listened to and met.
- Using effective sale-closing techniques will increase the average amount of each sale you make.
- Repeat customers are some of the most valuable assets a business can have.

New words

Sale: A transaction that occurs when a customer gives a business money in exchange for a product or service that the business provides. Sales (and the money that comes into a business as a result) are the lifeblood of a business. Without sales, there is no business.

Differentiation: The act of making a business' product, sales stand, or store different from its competitors with the goal of meeting customers' needs and increasing sales.

Sale-closing techniques: Techniques used to wrap up a sale—to encourage a customer to buy a product. (Also referred to simply as *closing techniques*.)

Now that you are diligently working to apply the rules of thumb that you learned in Lesson 6 to your business, let's turn our attention to customers—the people who will ultimately keep you in business! In this lesson, you will learn how to attract customers, satisfy and retain customers, and increase your sales to your existing customers. To attract customers, you must differentiate your business and products—make them different from and better than your competitors. To satisfy and retain customers, you must provide excellent customer service and—especially in a small town or competitive market—develop a personal relationship with each customer. To increase your sales to existing customers (and to attract new customers, as well), you must learn to use effective sale-closing techniques.

Differentiating your business

The last time you walked through a major marketplace in a big city, do you remember seeing row upon row of booths selling the same fruit? Did you see table after table of the same necklaces? And rack after rack of the same key chains? If so, you have witnessed the need for differentiation—the need for businesses to make their products, booth, or store distinctly different from their competitors.

Taking time to differentiate will help you be successful because it will attract customers to your business. Differentiation is necessary in both what you sell and how you sell it. You can differentiate in many ways. Four types of differentiation you might begin with are (1) catering to an underserved part of a market, (2) repackaging your products, (3) choosing a unique location, or (4) selling your products in a unique way.

Catering to an underserved part of a market

In the Philippines, Coca Cola is a popular drink delivered to stores by big trucks. Jazz Cola, in an effort to differentiate itself, uses small delivery trucks and motor scooters that bring its drinks to remote neighborhoods and small towns by driving down small back roads that are unreachable by Coca Cola's large trucks.

Repackaging your product

Viv is a leader in the bottled-water market in the Philippines. It generally sells water in one-liter bottles. Absolute, a smaller bottled-water company, differentiates itself by selling water in 1.2-liter bottles. This repackaging enables it to charge more for its product.

Choosing a unique location

You can also make a product or service different by having an unusual location or no set location at all. You can find the best corner in the market, sell from a cart on your bicycle, or even sell your products door-to-door.

Selling your products in a unique way

Be creative in how you sell your products. You might try combining products and selling them as packages, providing a service to go with the product, or displaying your products differently from other competitors.

Think about stores or booths that you shop at frequently. Why do you shop there? In what ways are their stores, products, or services different from other similar businesses?

Customer service

Once you differentiate your business, you will hopefully have many customers. To entice those customers to buy something—and to return to the store frequently—you will need to work on customer service. The goal of customer service is to attract new customers and to get your current customers to buy more from you when they are at your booth or stand, or in your store.

Focusing on customers means that whenever you make a business decision, you have your customers' interests and needs in mind. Ask yourself, how will my customers feel about this decision? Will they like it? Does it help me better meet their needs? This customer focus is critical in a competitive marketplace.

Customer service can be measured in four categories. The examples can help you understand the categories.

1. Customer dissatisfaction – Customer orders a Coke and gets a Sprite.
2. Customer satisfaction – Customer orders a Coke and gets a Coke.
3. Customer surprise – Customer orders a Coke and gets a Coke and a glass full of ice.
4. Customer delight – Customer orders a Coke and gets a Coke, a glass full of ice, and a saucer of peanuts.

Good customer service is a simple but effective market strategy.

To get you thinking about how to handle customer service issues, take the quiz on the following page.

Customer Service Quiz

Please circle the response you think represents how to give excellent customer service so that the customer will keep coming back to you.

1. You are talking to your spouse at your food stand when a customer approaches. What do you do?
 - a. You finish your conversation and then ask the customer how you can help.
 - b. You ask your spouse to excuse you, and you help the customer.
 - c. You ask your customer to wait until you finish your conversation.
 - d. You pretend you can't see the customer.
2. A lady walks up to your stand with a piece of fruit in her hand. She says she bought it from you yesterday and that it's already spoiled. She wants her money back. You know your fruit stand was closed yesterday, so she couldn't possibly have bought it from you. What do you do?
 - a. Call her a cheat and refuse to give her the money because she didn't buy the fruit from you.
 - b. Let her exchange the spoiled fruit for a piece of fresh fruit of the same size.
 - c. Give her money back without question.
 - d. Suggest that she may be mistaken about where she bought the fruit because you were closed yesterday.
3. You usually close your business at 8:00 p.m., but business is slow today, so by 7:30 p.m. you have everything put away and locked up. At 7:35 p.m. a regular customer comes to your stand and wants to buy some merchandise. What do you do?
 - a. Ask him to come back tomorrow.
 - b. Tell him to come in but hurry because you want to get home.
 - c. Let him in but stand over him and help him with all the decisions he is making.
 - d. Ask him to come in and take as much time to shop as he needs.
4. You have a small food stand, and your policy is to not sell on credit. However, your cousin isn't doing well financially and has eaten your food free twice this week. You see him coming toward your stand. You know it is a bad business practice to give away your inventory. You even recently put up a sign that says "No Credit Sales." You have promised your spouse that you will not give away any more free food. What do you do?
 - a. Tell him that you can't give him anymore food until he pays for what he has already taken.
 - b. Give him some food, but don't tell your spouse.
 - c. Tell him you can sell him some food but you must charge what you have paid for it. If he has no money, send him away hungry.
 - d. You pay for one piece of food from your small salary and explain to him that you can't give away your inventory to anyone, including family.
5. Your son has a part in a school play, and you promised him that you would come see him perform tonight. In order to be on time, you need to leave the store within five minutes. A regular customer has been in the store for 25 minutes, trying to decide on which t-shirt to buy. What do you do?
 - a. Just wait till the customer is finished shopping, even if it means being late for the play.
 - b. Tell the customer that you need to leave now and tell her to hurry.
 - c. Explain to the customer your promise to your son. Ask politely if she would mind if you locked up, stating that you hope she understands.
 - d. Tell her your problem and ask which t-shirt she likes best. Offer it at a discount so she will hurry.

(Answers are on the last page of this lesson.)

What two points have you learned about customer service by taking this quiz?

Sales techniques

One way to increase revenues and, hopefully, profit from our business is to study effective sales techniques. Most owners of small businesses do very little to increase sales, especially the individual sales made to already-existing customers.

First of all, what is a *sale*? A sale is the transaction that occurs when a customer gives you money in exchange for a product or service you provide them. Sales (and the money that comes in to the business as a result of sales) are the life-blood of any business. Without sales, there is no business.

A wise person once said that “nothing happens in business until someone sells something.” As you think about that statement, write down in your own words what that quote means.

What happens to a business when it has very few sales?

When you are trying to make a sale, you must first enter into a conversation with the customer. You discuss what the customer is looking for by asking questions to uncover what the customer needs. By entering into a conversation, you can present your products in a way that will motivate the customer to buy them. A good salesperson asks and listens a lot more than she talks. She asks questions to pinpoint what the customer is looking for. Then she makes suggestions that encourage the customer to purchase the initial item of interest and perhaps a few more related items. A poor salesperson makes suggestions before she finds out what interests the customer.

Let’s practice analyzing a sales situation to see how a salesperson’s actions and words can influence a customer to make a purchase or increase the amount of his purchase. Pretend that you own a small fruit stand with about a dozen different kinds of fruit. A young mother walks by and picks up a bunch of bananas and looks at them. List five different questions you could ask the woman to start a conversation. Remember that you want to be friendly, but you also want to encourage a sale.

- 1.
- 2.
- 3.
- 4.
- 5.

Also list three suggestions you could make to the woman about the bananas and other fruits that you have.

- 1.
- 2.
- 3.

Were your questions and suggestions similar to these?

- Those are nice bananas aren't they?
- We got them in fresh this morning. Are they just the way you like them, or do you prefer greener bananas that can ripen on your kitchen counter? (Ask this question only if you have greener bananas to sell!)
- Do you have children who like bananas? My kids sure do!
- What other kinds of fruit do your children like?
- Let me show you some of our fresh mangos that just arrived this morning with the bananas. Do you like less ripe or riper mangoes? Would you like two or three mangos and, oh, did you also want the bananas?

A critical part of making a sale is the technique you use to encourage the customer to buy the product. Those techniques are called *sale-closing techniques* (also referred to simply as *closing techniques*). Here are four of the most common and effective closing techniques. After you understand them, practice them with your friends and relatives—and with your customers.

Alternate Choice Close

Using the alternate choice close, instead of asking yes-or-no questions that allow customers to say they don't want to purchase anything, you present two options and ask which one they would prefer. Regardless of which choice the customer makes, you will have made a sale. An example of this technique is asking, "Would you like mangos or oranges with your bananas?" Or "We can deliver the fish to you on Tuesday or Thursday. Which would be best for you?" Be alert for opportunities to use this type of sales close. Start using it and you will be pleased at the results.

Sharp Angle Close

The sharp angle close is conditional and usually starts with the word "if." For example, "If I can get the seedless grapes tomorrow at the price we discussed, how many pounds would you like me to order for you?" The power of this closing technique is that you, the salesperson, know what you have to do to make the sale. If you can perform a specific action, then the customer commits to buying something. The danger is that you must be willing and able to perform what you said you would; in this case, get the grapes. If you don't, you will lose the customer.

Puppy Dog Close

The concept behind the puppy dog close is that if you can get a customer to agree to a small initial commitment, the customer will eventually make a larger commitment—buy something from you. This closing technique gets its name from its best example—a puppy dog. Imagine a family going in a pet store "just to look." The salesperson sees the daughter looking at a puppy and says, "Would you like to hold this cute puppy for a minute?" and puts the dog in the arms of a small child who is thrilled to play with the dog. Of course, the child and the puppy become instant friends, and the child begins begging her father to buy the puppy. Eventually the dad gives in and buys the puppy. That's the puppy dog close at its best. Other examples of the puppy dog close are encouraging the customer to try on the hat, use the software, test drive the scooter, or taste the fruit. This simple close works much of the time.

Here is a more involved example of the puppy dog close. Let's say you run a fruit stand and receive a shipment of tasty cooking apples. You bake an apple cobbler dessert. You then give out a small sample to customers in your store. Your hope is that they love the dessert and will buy the apples. You could go even further by giving the recipe to everyone who buys some apples. This technique would likely increase sales.

Pending Event Close

The pending event close ties the sale of an item to a future event in such a way that it provides a sense of urgency that often motivates a customer to make a purchase quickly. For example, you could say, "I know you want to give this fruit basket to your wife for her birthday. I can guarantee it will be here with very fresh fruit the day before her birthday, but only if we place the order today." Or, "This fruit basket is one of our most popular; we might not have any left in stock if you wait until the end of the week."

Using these common techniques to close a sale will help you become a better salesperson and will likely increase both the number of sales you make each day and the average amount of each sale you make. To help you practice

identifying these four basic closing techniques, do the following activity. Match the scenario on the left with the correct closing technique on the right.

- | | |
|---|------------------------------------|
| 1. Salesperson says to the customer:
“Would you like the table delivered
on Wed., the 10 th or Fri., the 12 th ?” | Puppy dog |
| 2. Salesperson says to the customer:
“Feel free to ride the scooter around
the parking lot and see how it runs!” | Pending event and alternate choice |
| 3. Salesperson says to the customer:
“If I can have a red bicycle by
tomorrow afternoon, will you buy it?” | Sharp angle |
| 4. Salesperson says to the customer:
“The computer you want is on sale
for today only. Will you pay by cash
or installments?” | Sharp angle |
| 5. Salesperson says to the customer:
“Look at the beautiful, very fresh
mangoes that came in today! Come
have a taste. They are very sweet.” | Alternate choice |
| 6. Salesperson says to the customer:
“If I lower the price to five pesos per bunch,
will you buy both bunches of bananas?” | Puppy dog |

(Answers are on the last page of this lesson.)

As you use these closing techniques in order to encourage existing customers to buy more, you will want to track your progress. One very accurate way to see if your new sales skills are paying off is to record and review the amount of your *average sale*. This number represents the average amount of revenue generated by each sale. Because it is easier to encourage a customer to buy a little bit more than to find a new customer, focusing on increasing your average sale is a great way to grow your business.

You calculate your average sale by adding up the amount of revenue generated over a given period of time (e.g., a day, a week, a month) and then dividing that total by the number of sales for that same period of time. For example, if you sold 800 pesos worth of products last Tuesday and had 25 customers, your average sale would be 32 pesos (800 pesos/25 customers).

Practice calculating an average sale by completing the following problem.

Paula owns a shoe store where she sells tennis shoes, dress shoes, sandals, and accessories such as socks, shoe laces, foot deodorants, and toe rings. Last Friday, she made 10 sales. Her records show the following:

Sales for Friday, June 5				
Sale #	Time of sale	Items sold	Total sale	Customer
Sale 1	8:15 a.m.	white sandals with pink stones, blue toe ring	275 pesos	Joan Mindao
Sale 2	9:07 a.m.	men's tennis shoes and white 32" shoe laces	310 pesos	Kim Archuleta
Sale 3	10:45 a.m.	black shoe laces - 32"	25 pesos	David Remu
Sale 4	11:25 a.m.	pink flower toe ring	45 pesos	Jennifer Davo
Sale 5	12:03 p.m.	three pairs of black dress socks	60 pesos	Jose Aday
Sale 6	1:22 p.m.	foot deodorant spray, brown men's dress shoes	175 pesos	Armando Payot
Sale 7	3:50 p.m.	green sandals, brown sandals, foot deodorant spray	210 pesos	Mindy Malang
Sale 8	4:10 p.m.	brown shoe laces - 28", black toe ring	70 pesos	Sarah Menta
Sale 9	5:22 p.m.	black men's dress shoes	350 pesos	Peter Badar
Sale 10	5:47 p.m.	children's tennis shoes, 4-pack of white socks	250 pesos	Maria Ona

What is Paula's average sale?

(1770 pesos divided by 10 sales = average sale of 177 pesos per customer)

One final piece of advice that will help you get and keep loyal customers is to make sure you manage your inventory carefully so you will never run out of your best-selling items. Nothing turns away a customer faster than going to a store to buy a product and being told, "Sorry, we're out of stock." When you are out of stock, the customer walks out the door to find what they need somewhere else and seldom comes back to your business.

You must always remember that repeat customers are some of the most valuable assets your business can have. Make sure you do all you can to make and keep loyal repeat customers.

Fieldwork

Find a store or booth that sells a variety of small products. Plan to observe the store or booth three times in one week for an hour each time. Make your observations at the same time of day each time you go.

On the first day, count how many customers visit the store or booth and how many buy something. Use the following tally sheet.

Number of customers	
Number of customers who actually bought something	

On the second day, look at the signs around the store and copy down the advertised sales or promotions. Are there advertising signs on the street? Is there a banner promoting something? Are there flyers people take home? Do people come in with coupons of some sort? Ask the owner if he or she uses advertisements in the newspaper, radio, or T.V.

Also on the second day, make observations about the customers. Are they all near the same age? Gender? In the same class economically? Are both the customer and the salesperson happy at the end of their transactions? Is this business selling more than just the product or service? What is the intangible product? Is it convenience? Better health? Prestige? Hope? List your observations below.

On the third day, listen to the salesperson. Write down what he says when trying to make a sale. Is the salesperson friendly and helpful? Does the seller try to build a comfortable relationship with the buyer? Does the seller ask questions to be sure the buyer's needs are met? Is the salesperson good at presenting the product or service, and does he highlight the benefits? Does the salesperson make suggestions to the customer? What technique(s) does he use to close sales? Is there an effort to follow up or to invite repeat business?

After you have done all your observations, review your notes. What suggestions for improvement would you recommend, based on what you've learned in this lesson?

Final writing assignment

Based on what you've learned from this lesson, think about the product(s) you sell in your business and brainstorm ways to differentiate your products and business. Then summarize your thoughts on how important customer service is to the success of your business.

Bottom line

Attracting new customers, convincing them to become repeat customers, and persuading all customers to buy more from you are the secrets of building a successful business enterprise.

Answers to Customer Service quiz

1. b
2. b
3. d
4. c
5. c

Perhaps your answers are different from these. These are hard questions—especially the one about sending your relative away hungry. But which is worse, breaking a promise to your spouse or sending your cousin away hungry? Remember that if you'll do what is good for your business in the beginning, you'll be better able to help your cousin (perhaps by giving him a job) in the future. Remember, also, that the customer—even if he is your cousin—is *not* always right. In the end, you must stick with the principles you learn in this workbook to be successful in your business.

Answers to closing techniques matching activity

1. Alternate choice
2. Puppy dog
3. Sharp angle
4. Pending event and alternate choice
5. Puppy dog
6. Sharp angle

LESSON 8:

HOW DOES GOAL SETTING WORK IN MY PERSONAL LIFE AND BUSINESS?

Consider these questions as you prepare for this lesson:

- Why do most prosperous people believe in setting goals?
- What is the difference between a goal and a wish?
- Why do goals work? How do they work?
- Why does writing down goals make them more powerful?
- How will setting goals help me provide for more of my family's needs?

Main ideas to learn

- Goals should be developed in all parts of your business as well as in your personal, family, and spiritual life.
- Goals will help you reach higher, become stronger, achieve more, work faster, and become more prosperous.
- Goals must be specific, measurable, attainable, realistic, and tied to a deadline.
- The success rate of goals increases if the goals are written.
- Once goals are set and written down, they must be reviewed often.

New words

Goals: Specific objectives that a person wants to accomplish and toward which he or she works.

Heber J. Grant, the seventh president of The Church of Jesus Christ of Latter-day Saints, was a powerful prophet of the Lord. He is, perhaps, best known for his determination and achievement. One story recounts his determination in learning to improve his handwriting so he could reach the goal of becoming a bookkeeper for the Wells Fargo and Company bank. “[H]is penmanship was so poor that when two of his [friends] were looking at it one said to the other, ‘That writing looks like hen tracks.’ ‘No,’ said the other, ‘it looks as if lightning had struck an ink bottle.’ [These comments] touched Heber’s pride” (Hinckley, *Heber J. Grant*, p. 40). He decided he would practice until he could write better than his two friends. He later said that he used carloads of paper practicing writing. Eventually, because of his developed talent, he was called on to write “greeting cards, wedding cards, insurance policies, stock certificates, and legal documents” (Hinckley, *Heber J. Grant*, p. 40). (From “Lesson 22: Heber J. Grant—Man of Determination,” *The Presidents of the Church: Teacher’s Manual*, 105.)

Setting and working toward goals helped President Grant improve his penmanship, learn to play baseball, and acquire a talent for singing. His ability to identify a skill he wanted to develop, prepare a plan to pursue each skill, and act with determination to achieve his goals made him a successful and able person. Goals can do the same thing for you.

What exactly are goals?

Goals are specific objectives that a person wants to accomplish and toward which he or she works. Goals can be big (such as a goal to graduate from college) or small (such as a goal to read your scriptures each day this week). Goals are important because they help us improve continually. They serve as guiding stars that help us remember what we want to do and what we want to become.

Goal setting is a habit that sets successful people apart from others who struggle to find success. Successful men and women who actively pursue the “culture of success” use the powerful tool of goal setting in all aspects of their life.

Effective goals meet five criteria, remembered by the acronym *SMART*:

- S = specific
- M = measurable
- A = attainable
- R = realistic
- T = time-bound

Here are some examples of the difference between poor goals and SMART goals. As you read the two columns, notice how different they feel. The goals in the first column sound like nice wishes, but the goals in the second column pack the power to motivate.

Poor Goal

1. I want to go on a fun vacation.
2. I want to be more spiritual.
3. I want a bigger porch.

SMART Goal

1. I will take my family to Disneyland for one night at the end of August.
2. I will increase my spirituality by reading my scriptures daily and praying at least twice a day.
3. When I have saved 4000 pesos, I will buy wood to build a small porch onto my house.

Rewrite these three “wishes” to turn them into SMART goals.

Poor Goal

1. I want to make a lot of money.
2. I want to be a better Church member.
3. I want to help my family eat more nutritious meals.

SMART Goal

- 1.
- 2.
- 3.

List two new things you have learned about goal setting.

- 1.
- 2.

The power of written goals

During the 1950s, researchers at Yale University began a detailed, long-term study of hundreds of Yale graduates to see how goal setting would impact their lives. Twenty years later, when the researchers asked the graduates about their lives and their goal-setting habits, the results were astonishing. Eighty-six percent had no goals at all. Eleven percent had goals, but they were not written down anywhere. Only three percent had written goals. The 11 percent earned more money than all of the 86 percent. But the 3 percent who regularly wrote down their goals had earned more money than all of the other 97 percent *combined*. (See Robbins, Anthony. *Unlimited Power: The New Science of Personal Achievement*. New York: Robbins Research Institute, 1986.)

This study teaches that writing down your goals is very important. The process of actually writing goals on paper can help you make specific goals and place them firmly in your memory. This increases the chances that you will reach your goals. It also gives you a document that you can review often. Periodically reviewing goals is a big part of achieving goals.

At this point in the lesson, you should understand that goal setting is an important habit to develop in your personal life. It can also help you succeed in your work. In order to help you understand what goal setting can do for your business, review these selected verses from Lehi's dream in 1 Nephi 8:9-35. As you read, try to think of connections between your business and the symbols in Lehi's vision.

1 Nephi 8:9-35 (selected verses)

9 *And it came to pass after I had prayed unto the Lord I beheld a large and spacious field.*

10 *And it came to pass that I beheld a tree, whose fruit was desirable to make one happy.*

11 *And it came to pass that I did go forth and partake of the fruit thereof; and I beheld that it was most sweet, above all that I ever before tasted. Yea, and I beheld that the fruit thereof was white, to exceed all the whiteness that I had ever seen.*

12 *And as I partook of the fruit thereof it filled my soul with exceedingly great joy; wherefore, I began to be desirous that my family should partake of it also; for I knew that it was desirable above all other fruit.*

13 *And as I cast my eyes round about, that perhaps I might discover my family also, I beheld a river of water; and it ran along, and it was near the tree of which I was partaking the fruit.*

19 *And I beheld a rod of iron, and it extended along the bank of the river, and led to the tree by which I stood.*

20 *And I also beheld a strait and narrow path, which came along by the rod of iron, even to the tree by which I stood; and it also led by the head of the fountain, unto a large and spacious field, as if it had been a world.*

23 *And it came to pass that there arose a mist of darkness; yea, even an exceedingly great mist of darkness, insomuch that they who had commenced in the path did lose their way, that they wandered off and were lost.*

26 *And I also cast my eyes round about, and beheld, on the other side of the river of water, a great and spacious building; and it stood as it were in the air, high above the earth.*

27 *And it was filled with people, both old and young, both male and female; and their manner of dress was exceedingly fine; and they were in the attitude of mocking and pointing their fingers towards those who had come at and were partaking of the fruit.*

On the next page, labeled "The Vision of Business Success," draw a simple illustration of the dream so we can begin to make some comparisons between the dream and the path toward business success. Don't worry about how artistic the illustration is. Just draw the tree, the fruit, the path leading to the tree, the big and spacious building with people at the windows pointing and laughing, the mists of darkness, and the rod of iron leading along side the path.

The Vision of Business Success

Next, identify what the elements of the vision could represent in the business analogy. Remembering that your answers should be related to your business and moving yourself and your family out of poverty, answer the following questions.

What could the tree represent?

What could the fruit represent?

What could the path leading to the tree represent?

What could the big and spacious building and the people in the building represent?

What could the mists of darkness, the temptations along the way, represent?

What could the rod of iron represent?

Possible answers:

Tree: The tree could represent prosperity—the place where you want your family to be.

Fruit: The fruit of the tree could represent the necessities of life that you want your family to enjoy. It could be fresh water, healthy meals, needed medicines, better shelter from the rain and the heat, and books for the children.

Path: The path could represent your business, which will take you to the better life that you desire for your family—the prosperous and abundant life.

Big and spacious building and the people in the building: The building and the mocking people could represent people or negative parts of your culture that discourage you from trying to succeed in your business. Here is an illustrative story of how family members can stand in the way of business success. One lady had a rather successful business selling used clothing to her neighbors. She had already started her business when she was offered the opportunity to attend eight weeks of business training in a distant city. Her brother promised that while she was away, he would collect the money some of her clients owed her. He successfully collected the money, alright. But he spent it on drinking and other bad habits. When she returned from the training, all her working capital and many of her customers were gone. This woman's brother was certainly a "big and spacious building" to her.

A Russian joke tells the story of Ivan and Boris. Ivan, a peasant, is jealous of his neighbor Boris because Boris has a goat. A fairy comes along and offers Ivan a single wish. What does he wish for? That Boris's goat would drop dead. This story illustrates what is often referred to as the "crab mentality." That is, when one person in a group starts to rise above the others, everyone pulls her down instead of climbing out with her. Sometimes our neighbors and family members can be like crabs. That is why the people in the big and spacious building could represent certain unhelpful neighbors and family members. Their mocking remarks must be ignored if you are to proceed on to the success that you desire.

Mists of darkness: The mists of darkness could be temptations that distract you from your goals. They can be real things, such as expensive tools or vehicles; they can be vices; or they can be good, worthwhile activities that take you away from your business. Even good things, like helping your neighbors or serving in the Church, if pursued too much, can take you away from the business that leads to prosperity. A wise man once said that, for most of us, life’s dilemmas occur not because we are choosing between bad and good but because we are choosing between many good things.

Rod of iron: The rod can represent goals. Goals can help you stay on the path that leads to success and prosperity. You must hang onto your goals to get through the temptations and trials that will come while you are trying to establish your business. Goals help you ignore people who scoff at you or try to discourage you. They can even help you manage your time spent on good activities that take you away from your business.

With your new understanding of how goals can help you in your business, let’s revisit the concept of SMART goals. Here are some examples of poor business-related goals and corresponding SMART goals. Again, as you read the two columns, notice how different they feel. The goals in the first column sound like nice wishes, but the goals in the second column pack the power to motivate.

<u>Poor Goals</u>	<u>SMART Goals</u>
1. I want more sales.	1. I will generate 5000 pesos in sales by March 1 st .
2. I want more customers.	2. I will increase my customers from 12 to 20 by August 1 st .
3. I am going to market my business.	3. I will actively recruit one new client every working day this month.

Rewrite these three wishes to turn them into SMART goals.

<u>Poor Goals</u>	<u>SMART Goals</u>
1. I want to turn my inventory more often.	1.
2. I want my average sale to be higher.	2.
3. I want to find more suppliers.	3.

Short-term and long-term goals

You should have both short-term and long-term goals in order to guide your business activities. Long-term goals can help you see how your daily actions lead to the overall success of the business. Long-term goals are more strategic in nature and are not accomplished on a daily or weekly basis. Examples of long-term goals include increasing total sales by 10,000 pesos each month, or acquiring one new line of complementary products every four months.

Short-term goals guide the daily actions of the business and establish successful patterns that help the business in the long run. Such goals might include increasing the number of customers served each day or convincing each customer to purchase additional items every time he comes into the store. These goals must be tracked daily and weekly to gauge progress.

Write down some long-term SMART goals for your business. Then list some short-term goals that will help you reach each long-term goal.

Example:

Long-term goal: I will move my fruit stand to a better location by June 1st.

Short-term goals: I will spend four hours this weekend looking for at least two possible sites.

I will talk to three people this week to gather information that I need in order to make a decision.

Long-term goal:

Short-term goal:

Long-term goal:

Short-term goal:

Long-term goal:

Short-term goal:

Two final thoughts on goal setting

1. Some people set a large number of goals in a variety of areas and then work to accomplish all of them, sometimes finishing only a small percentage of their goals. Others set fewer goals and concentrate on finishing them all.

Which method appeals most to you?

2. Some people get so focused on accomplishing their goals that they forget that as conditions change, goals might also need to change. Please realize that even though goals should motivate and challenge you to be your best, they might need to be changed sometimes. This is especially true while running a business. When the unexpected happens, don't be afraid to revise your goals.

How has your thinking about goal setting been changed through this lesson?

In Lesson 2, you identified new personal habits that you wanted to develop. Hopefully you now see that goal setting is an important habit to adopt. Please learn to set long-term goals and then to set short-term goals on a *daily* basis to support those long-term goals. Nothing will help you get out of poverty more quickly.

What time each day do you think it is best to plan your day?

(Some time-management specialists think the end of each business day is the best time to make short-term goals for the following day.)

When will you set your written goals for tomorrow?

Quotes

For further reflection on this concept, please read the following quotes. Select your favorite quote, and explain why that quote is so important to your understanding of the importance of goal setting.

“Goals that aren’t written down are merely daydreams or idle wishes” (source unknown).

“Losers deal in generalities. Winners deal in specifics” (source unknown).

“If you don’t have a deadline, you don’t have a goal. You have a wish” (source unknown).

“Success is the progressive realization of worthwhile, predetermined personal goals” (Paul J. Meyer).

Final writing assignment

Find a quiet place where you can think clearly. Think about your own personal and business goals. Use the following two forms, entitled “My Personal Goals” and “My Business Goals,” to record both short-term and long-term goals. Be sure they meet the requirements of SMART goals.

Bottom line

Most people who are successful—in any part of their lives—have found success by regularly setting and achieving goals. As you continue to establish your business, you should set daily, weekly, monthly, and long-term goals to guide your work and help you evaluate your progress.

My Personal Goals

Here are some areas in which you might want to set personal goals.

	Short-term goals	Long-term goals
Spiritual goals		
Family/individual prayer		
Church calling goals		
Temple attendance		
Home teaching/Visiting teaching		
Church attendance		
Family goals		
Goals with my spouse		
Goals with my children		
Goals with my extended family		
Intellectual goals		
Books I want to read		
Classes I want to take		
People I want to learn from		
Social goals		
Financial goals		
Physical/health goals		

My Business Goals

Here are some areas in which you might want to set business goals.

	Short-term goals	Long-term goals
Gross revenues		
Daily sales		
Weekly sales		
Monthly sales		
Record keeping		
Expenses		
Sales		
Cash balances		
Production		
Cutting costs		
New purchases		
Suppliers		
Managing others		

LESSON 9:

HOW DO I MANAGE MY CASH AND MY INVENTORY?

Consider these questions as you prepare for this lesson:

- Why is cash so important to a business?
- Why must I manage my cash carefully?
- What is the relationship between inventory and cash?
- Why is keeping track of when I buy inventory and what I pay for it important?

Main ideas to learn

- Businesses cannot survive without cash.
- You never want to be without sufficient cash to cover your expenses and obligations. Keep enough cash on hand to make it from the purchase of inventory to when you can likely sell that inventory for cash (your sales cycle).
- Buy on credit; sell for cash.
- Maximize your cash by turning your inventory often and not giving credit.

New words

Cash: Money on hand. It is either a blessing or a curse. If you have it when you need it, it is a blessing; however, if you don't have it when you need it, you are in deep trouble.

Cash flow: A measure of a business' financial health. Equal to the cash that comes into a business minus the cash that goes out. This flow of cash can be slowed down or sped up based on your skills at purchasing wisely, managing credit, and turning your inventory.

Cash management: The science of timing your purchasing, collecting, bill paying, and inventory control. Managing your cash enables you to operate as effectively as possible so you can use your money to grow your business. Forecasting your cash needs is a necessary and smart way to grow your business smoothly.

Cash cycle: The period of time it takes for cash to be invested in the business, either as inventory or as an expense or asset and then returned back to the business from the customer after a sale is made or a service is provided.

Credit: A contractual agreement in which a business owner (borrower) receives something of value now (usually merchandise or services) and agrees to repay the lender at some later date. As you use credit, you are basically using other people's money to earn money.

Inventory: The merchandise that a business buys from a supplier or makes itself and then sells to customers. Inventory represents invested cash plus anticipated profit. The more inventory you can buy on credit and sell for cash with healthy profit margins, the more successful your business can be.

Sales cycle: The time from the purchase of a product to the sale of that product. The faster (or shorter) the sales cycle, with proper markup for a profit, the more money you will make.

Cash—money on hand—is the life blood of any business. Without blood, the body is dead. Without cash, the business is dead. It is just that simple. No matter how good the business is, how good the location may be, or how good the product or service is, without enough cash, the business will quickly die. Cash is king. Cash and credit are the only things a business can use to purchase supplies and equipment, buy inventory, and pay salaries. The sooner

you recognize the importance of cash in your business and start planning and managing its circulation, the less likely your business will be to die a premature death.

The two biggest causes of business failure are (1) lack of sufficient cash on hand when the venture is started and (2) poor cash management as the business grows. Clearly, managing cash is very important but not necessarily very easy to do. Good cash management includes tracking every peso as it comes into or out of the business, knowing how much cash is tied up in inventory, knowing how much money you owe suppliers, and knowing how much your customers owe you (which should be very little, if any at all, if you remember to always sell for cash).

Here is a list of eight reasons why having cash is important. Circle the four business reasons that you think are most important.

1. I can give it to my spouse for things my family needs.
2. It will come in handy when I need a bottle of water when it gets hot.
3. It will help the business pay salaries to my employees.
4. It may enable me to get better prices for inventory when I must pay cash.
5. I like hearing coins jingling in my pocket.
6. I can pay for business emergencies.
7. I can pay my suppliers on time so they will eventually give me better credit terms.
8. I can buy a new truck to haul my merchandise to my customers' homes.

(Reasons 3, 4, 6, and 7 are most important from a business standpoint. Reason 8 probably sounds very appealing, but remember that wise business owners spend as little as possible on tools and equipment—especially equipment that does little for the actual operation of the business.)

Key rules of thumb for cash management

In Lesson 6, you learned eight rules of thumb for business success. Several of them deal with cash and inventory management, but two are particularly important. In this lesson, we will review those two rules of thumb, explain one additional rule that is key to cash management (purchase in bulk), and then discuss two concepts that can help you manage your cash so that your business is never caught without enough money to meet its obligations.

Buy on credit; sell for cash

The principle of buying on credit is crucial to cash management. It is one of the best ways to stretch your cash and build your business. When you buy inventory on credit, you get the opportunity to immediately sell that inventory for cash—and you haven't even had to *pay* any cash for it.

Here's how it works. Suppose you own a jewelry booth. Each week, you buy 100 bracelets from a supplier for 5 pesos each. You sell them for 10 pesos. If you can convince your supplier to sell the bracelets to you on credit and promise to repay him in seven days, you can stretch your cash significantly. If, in a week's time, you sell 72 of the bracelets, you have basically collected 720 pesos in cash (72 bracelets x 10 pesos each) without having paid a single peso to your supplier. At the end of the seven days you would, of course, pay your supplier the 500 pesos you owe him (your weekly purchase of 100 bracelets x 5 pesos each) but wouldn't have to dip into your working capital to pay for the inventory; it would come from the 720 pesos you already collected by selling the inventory to your customers.

Each supplier will deal with credit differently, but most will allow at least limited credit terms when you are starting out. For example, some suppliers will let you buy merchandise on credit in the morning if you pay for the merchandise at the end of the day. In more established markets, suppliers might allow borrowers up to 60 days to pay for the products they buy on credit. Other suppliers might allow retailers to use post-dated checks. For example, a business owner might buy inventory on November 1 and write a check to the supplier on that same day, but date it January 1, thus getting to use the inventory for two months before the check is cashed.

Generally, the opportunity to buy on credit comes when the business owner (the borrower) has acted with integrity and established a relationship of trust with a supplier. That relationship is very valuable in business. Once you are granted the opportunity to buy on credit, do not abuse it. Meet your obligations every time. Honor the credit terms with exactness. Taking care of your relationships with creditors will help you manage your cash wisely and grow your business quickly.

The key to being able to make your payments when credit is due is always selling for cash. When you sell products to your customers but allow them to pay you later, you are actually allowing them to have not only the cash you paid for the product but also any possible profit that you may make from the sale. You are trusting that they will pay you—in time for you to repay your supplier. It is an unnecessary risk—one that you should not take.

Please explain in your own words three cash-management advantages to buying on credit and selling for cash.

- 1.
- 2.
- 3.

Turn your inventory often

In Lesson 6, you learned the importance of turning your inventory often. This concept is easy to understand if you are selling perishable items that will literally go to waste if they are not sold quickly. But why is turning your inventory important for non-perishable items as well? Let's say you own a very small convenience store. You have on your shelf eleven 7-oz cans of beans. Each can originally cost you 3 pesos, and you sell them for 6 pesos each. You purchased the cans three months ago but didn't sell a single can until yesterday, when you sold just one can. You now have ten cans of beans sitting on your shelf.

Is your business being hurt by your slow-moving inventory? Yes, absolutely. The canned beans are not going to rot while sitting on your shelf, but they represent an investment of cash that could be better used in fast-moving inventory (in other words, in products that are selling quickly). The ten cans remaining on your shelf cost a total of 30 pesos, so they represent 30 pesos that could be better invested in other products. They are hurting your cash flow. The main point here is that any amount of cash that is sitting in inventory is cash that is not making money for you. So you need to turn that inventory (the cans of beans) as rapidly as possible so you can convert it back into cash—even if you must sell it for less than you normally would.

List three options you have for turning your inventory of cans of beans so you can convert the beans back into cash.

- 1.
- 2.
- 3.

Why is it important, from a cash management perspective, to turn your inventory often?

One way you could convert your slow-moving cans of beans into cash is to attempt to sell them in bundles at a slight discount. If you put up a sign advertising “One can for 6 pesos OR two cans for 10 pesos” you might sell the cans quickly. If they do, in fact, sell at the “two cans for 10 pesos” price, you will then have discovered that your pricing could have been the reason why no one bought the beans at 6 pesos per can. In the future, you’ll know exactly what price to sell beans at so you get a quick turnover of your merchandise and, therefore, a quick turnover of your cash.

Remember, the reason you are in business is to make a profit. The faster you can speed up the process of buying merchandise, adding a markup, selling the merchandise for a profit, and then buying more merchandise, the more money you will make.

Purchase in bulk—and at a discount

One final way to increase cash flow is to negotiate discounts for bulk purchases. That means buying larger quantities at a lower per-unit price. This will work only if you have kept good records and know how fast a certain item will sell at a certain price. Don’t make the mistake of buying a slow-moving item in bulk!

Let’s go back to the example of the cans of beans that sold slowly when priced at 6 pesos per can but sold quickly when priced at “two cans for 10 pesos.” If you found, over a period of a few weeks, that your new pricing strategy worked—that you sold many cans of beans at the “two cans for 10 pesos” price—you could anticipate that future sales would be similar to previous sales. You would assume that you could buy many cans at a time from your supplier and still move the inventory quickly. And if you could get those large numbers of cans at a discounted bulk price, you could save money in your gathering stage and, therefore, increase your profits.

If you normally buy ten cans at a time for 3 pesos each, you could ask your supplier for 25 cans at a discount, perhaps 2.5 pesos each. It would be worth buying them in larger quantities (25 at a time, rather than 10 at a time) and selling them at a little less per can (two cans for 10 pesos, rather than one can for 6 pesos)—and you’d still be making a good profit on each can!

Sales cycle

Another important aspect of cash management is understanding the sales cycle of your business. Simply put, you should know approximately how much time will pass from the time you put the inventory on the shelf until the time you sell it for a profit, thus converting the inventory to cash again. You won’t know this during the first weeks or months of your business, but if you keep good records, you will eventually see a strong pattern emerge, indicating how long it takes to turn inventory back into cash. (Remember that each product moves through the sales cycle at its own speed.)

Different products have different sales cycles. The simpler the product, the shorter the sales cycle. Fruit stands usually “turn” their inventory very quickly. If they don’t turn it quickly, the fruit rots. So the period of time between purchasing the fruit from a wholesaler or supplier and selling it to a customer must be very short. Clothing retailers have longer sales cycles because their inventory will not go bad and does not meet as immediate a need as fruit vendors’ products do.

Here are five products. Indicate whether the sales cycle is short or long.

Fruit	short	long
Jewelry	short	long
Used bicycles	short	long
Houses	short	long
Fish	short	long

As you think through these different businesses, you should begin to understand why businesses that sell complicated or sophisticated products require more cash to pay for expenses—it is largely due to the fact that the sales cycles are so long. Identifying your own sales cycle is important to your cash management because you need to keep enough cash on hand to make it all the way through your sales cycle. If your cycle is short, you can keep a relatively small amount of cash on hand; if it is long, you need more cash on hand.

Tony’s cash flow and profitability

Tony is starting a small lawn-mowing service. He has signed up 11 customers, whose lawns he will mow twice a month (around the 8th and 23rd). Here is a summary of his projected revenues (cash received) and expenses (cash spent) each month.

Revenue	11 customers who will pay 70 pesos each per month
Expenses	
Salary	320 pesos (40 hours @ 8 pesos/hr)—split into two payments
Cell phone	30
Gas for truck and lawn mower	92 (46 pesos twice a month)
Accountant	48 (6 hours a month at 8 pesos an hour)
Buy business	50 (to pay former owners)
Loan payment	83 (to pay back loan for down payment on business)

Looking at these figures, how much cash does Tony’s business receive each month? _____

How much cash does the business spend each month? _____

How much profit does the business generate each month? _____

(Cash received = 770; Cash spent = 623; Profit = 147)

If we make the common mistake of thinking that because there is profit, there must be sufficient cash, we could be in trouble. Let’s see why profit doesn’t always indicate positive cash flow by examining Tony’s monthly revenues and expenses.

Because the owner of the business depends on the salary from the business to live, he pays himself a salary on the 1st day and 15th day of each month. He must buy gas for his lawn mower and truck twice a month so he can mow twice a month (usually around the 8th and 23rd of each month). The cell phone payment is due on the 21st day of each month. The loan repayment is due on the 2nd of each month. The payment to the previous business owners is due on the 25th of each month. He pays his accountant on the 30th of each month. He is paid by his customers on the 5th day of each month.

At the end of May—his first month in operation—Tony’s business has a balance of 92 pesos. With 92 pesos as the starting cash balance, use the information above to help fill in the details of Tony’s cash flow from June 1 through July 5. (The first line is done for you, as an example.)

Date	Expense or revenue details	Amount paid/received	Cash balance
			92 pesos
June 1	EXPENSE: Tony's salary	160 pesos	-68 pesos
June 2			
June 5			
June 8			
June 15			
June 21			
June 23			
June 25			
June 30			
July 1			
July 2			
July 5			

(See answers on the last page of this lesson.)

Based on your calculations above, does Tony have a positive cash flow? Why or why not?

(No, he does not have a positive cash flow. At the beginning of the month, he does not have enough cash to pay his salary and make his loan repayment. And again, at the beginning of the next month, he is 4 pesos short on his loan repayment.)

Because there is a net profit of 147 pesos but Tony has negative cash balances at two points during the month, we would say that this business is profitable but does not have positive cash flow.

You can learn several important cash-management principles from studying this example:

- Profit doesn't always mean positive cash flow. Tony had a monthly profit of 147 pesos but got into trouble at the beginning of each month because of poorly timed cash flow.
- Collecting every peso of revenue is extremely important. Sometimes, even one customer's failure to pay could result in cash flow problems. This should also remind you that selling on credit is not a good idea. Collect cash immediately for your goods or services, when possible.
- Buying on credit can save your cash flow. If Tony were able to use credit to buy his cell phone use and his gasoline, he could collect the cash from his customers before paying for those expenses.

List at least three ways Tony could solve his immediate cash flow problems.

- 1.
- 2.
- 3.

(Possible answers include getting two additional customers, changing the day on which he pays his salary, buying gas and cell phone plan on credit, and doing his bookkeeping himself so he doesn't have to pay an accountant.)

To summarize, remember that there are three rules to help you maintain enough cash:

1. Collect cash at the time of sale.
2. Delay paying bills as long as possible, while still keeping your promises to your suppliers.
3. Know your cash balance each and every day.

Final writing assignment

Based on what you've learned from this lesson, explain why cash is so important to a business and what you need to do to apply the principle of buying on credit in your own business.

Bottom line

As you learn to practice good cash management, your amount of working cash will go up . . . and so will your profits.

Answers to cash flow analysis of Tony's lawn-mowing business

Date	Expense or revenue details	Amount paid/received	Cash balance
			92 pesos
June 1	EXPENSE: Tony's salary	160 pesos	-68 pesos
June 2	EXPENSE: loan repayment	83 pesos	-151 pesos
June 5	REVENUE: payment for lawn service	770 pesos	619 pesos
June 8	EXPENSE: gas to mow lawns on 8 th	46 pesos	573 pesos
June 15	EXPENSE: Tony's salary	160 pesos	413 pesos
June 21	EXPENSE: cell phone payment	30 pesos	383 pesos
June 23	EXPENSE: gas to mow lawns on 23 rd	46 pesos	337 pesos
June 25	EXPENSE: pay previous owners	50 pesos	287 pesos
June 30	EXPENSE: pay accountant	48 pesos	239 pesos
July 1	EXPENSE: Tony's salary	160 pesos	79 pesos
July 2	EXPENSE: loan repayment	83 pesos	-4 pesos
July 5	REVENUE: payment for lawn service	770 pesos	766 pesos

LESSON 10:

WHAT RECORDS MUST I KEEP EACH DAY?

Consider these questions as you prepare for this lesson:

- What records must I keep in order to run a more successful and efficient business?
- How often should I make records?
- How often should I review my records to monitor my progress?
- At the end of each work day, to whom do I show accountability?
- How can keeping good records help my business grow?

Main ideas to learn

- Record keeping is vital to the success of every business. In business, successful record keeping is a two-part process of (1) making the records and (2) reviewing the records to see what you can learn from them.
- You should keep daily records on four areas of your business: inventory, sales, expenditures, and cash.

New words:

Record keeping: The act of writing down and reviewing things you want to remember. In business, you must keep records daily—especially in the key areas of inventory, sales, expenditures, and cash.

Tracking: A system of recording business-related information which, when reviewed, reveals trends specific to the business' progress or success.

Income statement: A financial record that summarizes the revenues and expenses of a business over a specific period of time. It shows the net profit or loss during that period of time.

In Lesson 9, you learned about managing your cash flow and inventory—two vital aspects of maintaining the long-term profitability of your business. In this lesson, you will learn how to create order in your business by keeping and reviewing records daily.

In Doctrine and Covenants 88:119, the Lord instructed the Saints about the importance of establishing order in their lives. He commanded, “Organize yourselves.” This counsel applies not only in all aspects of our private lives but also in all aspects of our business. We need to be as organized as possible so that we have a firm foundation upon which to build our business and find success.

The importance of record keeping

Record keeping is an important principle that goes hand in hand with being organized. Record keeping is a two-part process of (1) making the records and (2) reviewing the records to see what you can learn from them.

Keeping records

In addition to recording personal and family activities, you should keep daily records related to your business. Record keeping in your business allows you to see what you’ve done in the past and, therefore, helps you continue in your successes and eliminate your mistakes. It also creates a history that will, over time, reveal trends in various aspects of your business. For example, by recording your business actions daily, you might find that you sell more on Tuesday and Wednesday than you do on the other days of the week. Or you might see that you get more customers during the afternoon hours than in the morning. Or you might notice a substantial decrease in costs after you began working with a new supplier. All of these trends provide valuable information that can help you make

better decisions and run a more profitable business. And a profitable business helps you reach your ultimate goal of moving your family toward prosperity.

What changes might you make in the operation of your business if you learned that Tuesday and Wednesday are your strongest sales days?

Some business owners understand the importance of keeping records but think that the counsel applies only to large businesses or to complex businesses. This is simply not true. Every business can benefit from good records. Even if your business is small, written records are vital. You simply cannot remember every detail of what occurs in your business—especially after long periods of time. Your memory will surely fade as days and weeks pass, but ink never fades. Record keeping enables you to see, with no doubt at all, what has *truly* happened in your business each day.

What could prevent you from keeping records daily?

How can you deal with those obstacles and press forward with your record keeping?

What problems could occur if you fail to keep good records of your business activities?

Your process for keeping records will likely change over time. No matter what business you run or how big that business is, you—the owner—are always ultimately accountable for the quality of your records because you have the most invested in the business, both financially and emotionally. In the initial stages of your business, you will be the primary record keeper. As your business grows and you hire employees, you can turn over some of the record-keeping responsibilities to trusted employees. However, you still remain accountable for the quality of the records. Therefore, you must teach employees what records to keep and how to keep them so that your records will continue to be an accurate, meaningful resource for decision making in your business. (See Lesson 11 for an in-depth discussion on managing employees.)

As you delegate the record-keeping responsibilities to your employees, what are the two most important things you need to tell them about keeping records?

- 1.
- 2.

(*What* records to keep, and *how* you want the records to be kept.)

Reviewing records

Records do no good for anyone unless they are reviewed and analyzed frequently. Peace of mind comes from having detailed knowledge of what is going on in your business. Knowing what is written in your records protects you from making the same mistakes over and over. You should *study* your business records daily.

You should keep *daily* records on four specific aspects of your business. Having detailed information about these four areas will enable you to see the patterns and trends of your business. Pay close attention to each area as you read through this lesson. You might even want to post these four principles somewhere in your business and memorize them.

Keep records of your inventory

Each business has different inventory items. For example, if you run a plumbing business, your inventory will have PVC pipe, copper pipe, joints, glues, T pieces, L pieces, and so on. If you operate a paint store, you will stock gallons of paint, brushes, rollers, painter's tape, power sprayers, and so on. Every business has some kind of inventory.

With your inventory, it is very important that you record the following information:

1. The name of each specific item you buy
2. How many of each item you buy
3. The cost per item
4. The date you purchased the inventory

For example, pretend you sell cell phone accessories. This morning, you visited one of your suppliers and made a small purchase. Your records could indicate the following (though they certainly do not have to look like this):

Name of item	# of item purchased	Cost per item	Date of purchase
Pink Nokia phone (model #AG8279)	4	35 pesos	4 Dec 2008
Protective cover for pink Nokia phones	4	15 pesos	4 Dec 2008
Purple ear attachments	10	10 pesos	4 Dec 2008
Prepaid calling plan (5 hours)	50	25 pesos	4 Dec 2008

How do you know how much something costs, individually, if you buy it in a large quantity? For example, if you buy 100 pieces of PVC pipe for a total of 370 pesos, how much does each piece of PVC pipe cost?

(370 pesos divided by 100 pieces = 3.70 pesos per piece.)

To cement in your mind the importance of keeping track of your inventory, consider the following true short story of a plumber in Mexico City.

Jose is a plumber who started his own plumbing business six years ago. After a few months, his business began to run out of money, and he could not buy any more inventory. He started to look for some money. He needed either someone who could lend him some money or someone who could become his business partner by investing some money in the business in order to keep it running. He found Pepe, a very successful business man. Jose was excited that Pepe would consider investing in his business and joining his team.

The first time they met, Pepe asked Jose to have all of his inventory records ready, so that he could look over them. Jose was a bit shocked; he had never kept track of his inventory and wouldn't have a single sheet of paper to show Pepe. He didn't know what to do. He didn't even know where to begin. He tried counting and recording each item, but after 8 hours of trying to organize his inventory, he gave up.

When Pepe arrived, he saw the condition that the business was in and how unorganized Jose was. Pepe thanked Jose for the partnership invitation but declined to go any further in the business. He told Jose that he needed to be able to see how much money was being spent on different inventory items. In addition, he needed to be able to see what items were being sold, and when they were being sold—he even wanted to be able to see to who was buying the items. He wanted to see the receipts of purchases, and the records of sales. Jose, unfortunately, had none of these records. Jose had committed a serious mistake: he thought that since his business was small, he could remember everything that was happening in it. This was simply not the case, however, and Jose had a lot of cleaning up to do.

Shocked and motivated by Pepe's rebuke of his business operations, Jose spent the next three weeks counting and organizing his inventory. To his surprise, he had more than 3,000 nails, 2,000 screws, 30 pounds of unused glue, and *much* more! Jose began to realize that he had wasted money on too many items—like nails and screws—that he didn't even need! Jose learned some valuable lessons from this experience. First, he learned that he had a lot of money tied up in inventory that wasn't selling. Second, he learned that inventory records are vital. They help you use your cash and plan your purchasing wisely, and they keep you from spending money poorly. Third, he learned that though it's best to keep inventory records from the beginning, it's never too late to start.

Each business owner is different; so is each business owner's way of tracking inventory. There are many good ways to record inventory-related information. But remember that each system must include the four items discussed above.

Now it's your turn to apply this principle to your own business. Take 15 minutes to figure out what inventory-tracking system you will use in your business. Create a form (or forms) to help you track your inventory. Include the four necessary elements of inventory tracking in your form. Decide how often and at what time of the day or week you will count your inventory. If you have employees, decide who will be in charge of tracking inventory for your business.

Keep records of your sales

The second type of business transaction that must be monitored through record keeping is sales. Every time you sell an item to a customer, you need a written record of the event. That record should include the following information:

1. A description of the item
2. The date on which it was sold (and the time, if possible)
3. The sale price
4. Whether the purchase was made by cash, check, or credit (Remember to rarely sell on credit!)
5. The name of the customer

Think of a well-established business that you visit often, and answer the following questions.

When you make a purchase at that store, what do you receive from the cashier as a record?

Why is receiving a receipt important to customers?

(It gives them a record of the purchase. If they like the item and want more of it, they can look at the receipt and remember where they bought it. Also, if they want to exchange or return an item, they have proof of purchase.)

Why is giving a receipt important to the seller?

(It creates a record of the transaction for the seller. On the receipt is listed all the information the seller needs in order to record the details of the sale. The receipt itself can either be kept as the permanent record or transcribed into a book of all the receipt logs. Also, if the seller issues receipts for every sale, the seller can require that the receipt be presented if a customer wants to return or exchange an item. Furthermore, if you make a copy of the receipt, it can be part of your record keeping.)

When you look over a week's worth of receipts, what valuable information can you learn from the details you've recorded about every sale?

(You can see which items you sell most frequently, which items don't sell well, what days of the week are better for your business, etc.)

What advantage does this information give you as a business owner?

When you are able to look over a month's or year's worth of receipts, what valuable information can you learn from the details you've recorded about every sale?

(With a longer period of time, you can see selling patterns over time. For example, you might observe that sales are higher in the fall than in the summer, or that demand for Christmas items is highest during the first week of December. You can then plan to make your bulk buying accordingly so you don't run out of merchandise in your busiest sales seasons.)

Perhaps the most motivating part of tracking your sales is that you can compare what you paid for an item with what you sold that item for and calculate how much of a profit you made!

Now it's your turn to apply this principle (tracking your sales) to your own business. Take 15 minutes to figure out what sales-tracking system you will use in your business. Create a form (or forms) to help you track your sales. Include the five necessary elements of sales tracking in your form.

Also, create a template for the receipts you will issue to customers. How can you make sure that customers don't have to wait a long time while you fill out the receipt? If you have employees, decide who will be in charge of tracking sales for your business.

Keep records of your expenditures

There are always costs involved when it comes to running a business—you almost never get anything for free! From the business experience you are already gaining, you know that you have bills to pay, inventory to purchase, employees to pay, and much more. Expenditures happen every day, and they must be recorded.

Every time you spend money—on anything related to the business—you need a written record of the event. That record should include the following information:

1. A description of the item/service
2. The date on which you bought the item/received the service (and the time, if possible)
3. The purchase price
4. Whether the purchase was made by cash, check, or credit (buy on credit as often as possible)
5. The name of the business you purchased the item/service from

Thinking about your own business, please list all of your regular, recurring business expenses.

When you track your expenditures, you will be able to see your spending patterns from day to day, week to week, and month to month. Tracking your spending patterns and your expenditures will enable you judge whether you are spending wisely. Also, in case you need to return an item or dispute a charge (for example, if you are charged 40

pesos for something that should have been just 30 pesos), you'll need a written receipt as a proof of purchase or to clear up any discrepancies or misunderstandings.

Since receipts are clearly an important record of expenditures, you'll want to keep them safe. Think about the physical layout of your business. Where is a safe place for you to keep your records so that they are always protected?

When you receive a bill, you must remember that it should go in the same place each and every time. Running your own business requires a great deal of organization, and if you do not have a specific location for unpaid and for paid bills, you will likely lose track of your expenditures. It is extremely important that you place your *paid* bills in one location and your *unpaid* bills in a separate location. A good suggestion is to have a file for unpaid bills. Once they are paid, mark them as paid (and include the date of the payment) and then move it to a file for paid bills.

What type of system will you use in your business to file the expenditure records?

Now it's your turn to apply this principle to your own business. Take 15 minutes to figure out what expenditures-tracking system you will use in your business. Create a form (or forms) to help you track your expenditures. Include the five necessary elements of sales tracking in your form.

Keep records of your cash balance

Cash is the fourth and final item that you need to track daily. At the end of each business day, you should do the following:

1. Add up all the sales you've had for the day. Calculate how much money you should have received and put in your cash register, drawer, or bank account. Also, calculate how much money you have spent on inventory or bill paying. Figure out exactly how much cash should be left in the cash register or drawer.
2. Count the cash from your cash register or drawer.
3. Compare those two numbers. If they match, your cash is balanced. If they don't you need to find the missing money.
4. Put extra money into a safe deposit box or bank account. Never keep extra money lying around.

Why is counting your cash an important activity to do daily? What important information does daily tracking give you about your cash?

(By counting and recording your cash daily, you will be more aware of mistakes that may have been made in transactions, how much inventory you will be able to buy to replace inventory that has been sold, the sales needed for the next day, etc.)

Now it's your turn to apply this principle to your own business. Take 15 minutes to figure out what cash-tracking system you will use in your business. Create a form (or forms) to help you track your cash.

Income statement

There is one additional record that you should keep and review regularly—though not necessarily daily: the income statement. An income statement is a financial record that summarizes the revenues and expenses of a business over a specified period of time (usually a week, month, or year). The income statement shows the net profit (or loss) during that period of time.

The value of an income statement is that it provides a snapshot of how profitable the business was over a specific period of time. The information on the income statement answers the question, “How is my business doing?”

Every income statement needs three important identifiers at the top center of the statement. These pieces of information help business owners keep good records and compare multiple income statements to discover important trends within the business.

1. The name of the business
2. The label, “Income Statement”
3. The period of time covered by the statement (e.g., June 1, 20XX—June 30, 20XX)

The income statement has seven parts:

1. Revenue—the money generated from selling products and services.
2. Cost of goods sold—the direct cost of the product. For a retail business, the cost of goods sold is equivalent to the inventory at the beginning of the period, plus the goods purchased during the period, minus the remaining inventory at the end of the period.
3. Gross profit—total revenue minus total cost of goods sold.
4. Operating expenses—all costs incurred to operate the business on an ongoing basis. Examples include utilities, salaries for the owner and employees, advertising expenses, insurance, interest, business-related transportation costs, rent, etc.).
5. Profit before taxes—gross profit minus operating expenses. This is the profit before paying taxes but after all other costs have been paid.
6. Taxes—payment required by the government based on business profit.
7. Net profit or loss—a.k.a., “net income” or “the bottom line.” A business profit or loss after taxes have been paid.

You can use the sample income statement on the following page as a guide to help you create your own income statement template to use on a regular basis. Remember that you do not have to create an income statement daily, but you should create it frequently and review it frequently to assess the profitability of your business. After all, the whole purpose of being in business is to generate a profit every day.

Income Statement
ABC Company
June 1, 20XX—June 30, 20XX

Revenue	XXXX pesos
Less: Cost of goods sold	<u>- XXX pesos</u>
Gross profit	XXXX pesos
Less: Operating expenses	<u>- XXX pesos</u>
Profit before taxes	XXXX pesos
Less: Taxes	<u>- XX pesos</u>
Net Profit	XXXX pesos

Final writing assignment

From memory—without looking back at the lesson, list the four business indicators that you must keep records on each day.

- 1.
- 2.
- 3.
- 4.

Bottom line

In order to really understand your business—and thus be empowered to improve and grow your business—you must keep good records and review them regularly. Specifically, you must know what is going on in your inventory, sales, expenditures, and cash.

LESSON 11:

HOW DO I MANAGE MY BUSINESS FOR MAXIMUM GROWTH?

Consider these questions as you prepare for this lesson:

- What does managing employees entail?
- Who is going to train me to be a good manager?
- Is it wrong to hire my friends and family members as employees?
- It is okay to be friends with my employees rather than manage them?
- Can small businesses benefit from “systems”?

Main ideas to learn

- Once your business is large enough and busy enough, you will want to hire and manage employees to keep expanding your business.
- Systems define how your business runs and make your business efficient.
- Business owners who have employees should work *on* the business, not just *in* the business.
- Employees do tactical work; business owners do strategic work.

New words

Managing: Overseeing the work of employees; supervising others in an administrative capacity.

Mentor: A wise and trusted teacher; someone with a lot of business experience who is willing to teach you how to succeed with your business.

System: An orderly, step-by-step outline of what must be done in order to reach a defined goal.

Strategic work: Large-scale business activities aimed at guiding the long-term growth and operations of the business. Strategic work includes setting goals, evaluating new product lines or services, and expanding the business.

Tactical work: Small-scale, day-to-day business activities, such as balancing the books, greeting customers, keeping the store clean, and purchasing inventory.

As you keep accurate records (as you learned to do in Lesson 10) and make wise decisions based on those records, your business will likely grow significantly. Once it is fairly large, you will probably not have time to do all the many tasks required to operate it each day. Your customers might have to wait a long time for you to give them the attention they want. You might be so busy working with multiple suppliers and negotiating good credit terms that you won't have time to restock your shelves. You might begin falling behind on your records because you have so many customers and so little time to track your sales. You could feel so stressed and busy that you might wish you had never started the business, or you might wish you could tell your customers to go away so your business could remain small and simple. When these things happen, it is a sure sign that your business is growing and that you need to hire employees to work in your business.

Think about your own business. Are you experiencing any “growing pains”—frustrations like the ones mentioned above? If so, make a list of specific things that are frustrating you.

When they feel frustrated and over-worked, as you might, many business owners—especially those with brand new businesses or those who don't know much about running a business—immediately hire employees to help them out.

In some cases, employees really are needed; in others, they are not needed yet. Wise business owners evaluate all aspects of their business and their personal daily schedule to see if just managing their time better could be the solution to their frustrations. If better time management or better application of business principles is the solution, business owners should press on without hiring an employee. But if the “growing pains” they are experiencing are really due to the increasing size of the business, the owner should indeed hire and train an employee.

Look back at your list of frustrations. Are there enough conditions to indicate that you might need to hire an employee?

List the personal characteristics and skills you would look for in an employee.

Characteristics

Skills

A word of caution about hiring family members or friends: it isn’t always a good idea. Although we all love our family members and friends, they often are not good employees. For example, they may not like taking criticism and orders from you; they may not be skilled and qualified; they may not be dependable, hard-working, and trustworthy; and they may not be easy to fire because of their personal relationship with you, the boss.

With this word of caution in mind, do you have a family member or friend you still think would make a good employee? Write the person’s name here. Why do you think he or she would be a good employee? What might not make him or her a good employee?

Costs of poor hiring

Regardless of whom you decide to hire, you need to be aware of the importance of the hiring decision because hiring poorly can cost a lot—in terms of time, headaches, and money. Inexperienced or unwise managers often make common hiring mistakes: (1) they hire someone who is not qualified, (2) they hire someone whom they feel they cannot fire, (3) they hire someone who does not have personal integrity, and (4) they fail to properly train the employee they hire.

Hiring someone who is not able to do the work you need done has serious consequences: you will have to invest a lot of time in training the employee and correcting wrong behavior. So you not only lose the value of the employee’s time, but you also lose the value of your time—the time you must spend teaching and re-teaching the employee.

Firing employees is never fun. But when you have to fire someone who is close to you personally—for example, a friend or family member—it is especially painful. Avoid this sticky situation by hiring only employees whom you could fire without permanently damaging a friendship. Otherwise, you run the risk of either ruining a relationship (by firing the person) or ruining your business (by not firing them when their actions hurt the business).

Hiring someone who is dishonest or lazy has its own cost. That kind of employee might steal from you in several ways: he might steal inventory, he might steal time by not working as hard as you expect him to work, he might steal by coming to work late, etc. Clearly, the costs of hiring employees without integrity are high.

In your own words, explain why hiring the right person is so important. Why is hiring the wrong person a very costly mistake?

Training and managing employees

When you hire someone you will need to train and manage them. As a business owner, you likely have little experience managing and training others. This lesson is designed to help you learn what you need to know and do to begin the process of hiring and managing new employees.

Moses, a prophet from the Old Testament, was a powerful leader—one who was chosen to not only preach the gospel but also lead Israel from bondage. He once received counsel from his father-in-law, Joshua, about how to be a good manager. Please read the story of this advice in Exodus 18:13-26.

Exodus 18:13-26

13 *And it came to pass on the morrow, that Moses sat to judge the people: and the people stood by Moses from the morning unto the evening.*

14 *And when Moses' father in law saw all that he did to the people, he said, What is this thing that thou doest to the people? why sittest thou thyself alone, and all the people stand by thee from morning unto even?*

15 *And Moses said unto his father in law, Because the people come unto me to enquire of God:*

16 *When they have a matter, they come unto me; and I judge between one and another, and I do make them know the statutes of God, and his laws.*

17 *And Moses' father in law said unto him, The thing that thou doest is not good.*

18 *Thou wilt surely wear away, both thou, and this people that is with thee: for this thing is too heavy for thee; thou art not able to perform it thyself alone.*

19 *Hearken now unto my voice, I will give thee counsel, and God shall be with thee: Be thou for the people to God-ward, that thou mayest bring the causes unto God:*

20 *And thou shalt teach them ordinances and laws, and shalt shew them the way wherein they must walk, and the work that they must do.*

21 *Moreover thou shalt provide out of all the people able men, such as fear God, men of truth, hating covetousness; and place such over them, to be rulers of thousands, and rulers of hundreds, rulers of fifties, and rulers of tens:*

22 *And let them judge the people at all seasons: and it shall be, that every great matter they shall bring unto thee, but every small matter they shall judge: so shall it be easier for thyself, and they shall bear the burden with thee.*

23 *If thou shalt do this thing, and God command thee so, then thou shalt be able to endure, and all this people shall also go to their place in peace.*

24 *So Moses hearkened to the voice of his father in law, and did all that he had said.*

25 *And Moses chose able men out of all Israel, and made them heads over the people, rulers of thousands, rulers of hundreds, rulers of fifties, and rulers of tens.*

26 *And they judged the people at all seasons: the hard causes they brought unto Moses, but every small matter they judged themselves.*

The main piece of advice Moses' father-in-law gave him dealt with the organization of his people. He explained that if every person with a religious question came to the prophet for an answer, Moses would get tired from all the work that would be required and the people would grow tired of waiting so long to speak with Moses. So his father-in-law suggested that Moses appoint rulers who judge the small matters themselves and bring to Moses only those questions that they don't feel comfortable answering.

Let’s analyze this story from a business perspective. There are four main figures in the story: Moses, Moses’s father-in-law, judges, and the people. Who might these figures represent in a business? What are their roles in the successful management of an business? How would applying the father-in-law’s advice help each of these people?

<u>Character</u>	<u>Who in business?</u>	<u>Role/duties in business</u>	<u>Benefit of applying advice</u>
Moses			
Father-in-law			
Judges			
People			

(Moses = business owner; Father-in-law = mentor; Judges = employees; People = customers and suppliers)

What do these verses teach you about the kind of people you need to hire?

What do these verses teach you about the benefits of hiring others?

What do these verses teach you about the value of a mentor?

Moses (the business owner) couldn’t do it all by himself. He was wearing himself out. His father-in law, Joshua (the mentor) saw what was happening and counseled Moses to delegate and share the responsibility with others. These new leaders (employees) needed to be taught and trained and then given the authority to listen to the people (customers and suppliers). There are at least four ideas to be drawn from this Biblical story.

1. Hire able men and women.
2. Teach the principles they need to know to do the work.
3. Let the employees manage the small matters.
4. Let the business owner manage the large matters.

Moses was trained to hire and manage others by his mentor, Joshua, who taught him how to delegate and what kind of employee he should hire: one who is able, God-fearing, and honest. It is a good idea for you to look for employees who have those same characteristics.

Before we begin discussing characteristics of good managers, we want to emphasize the importance of finding a mentor who can teach you to be a successful business operator and, eventually, a good manager. First-time managers often make many mistakes in their dealings with their employees. You can minimize the number of mistakes you make—and the cost of those mistakes—if you will find an experienced manager or business owner and learn from that mentor’s experience.

Managing is basically the job of telling someone what tasks to perform, in what order, and in what way. It is formally defined as planning, controlling, and directing the activities of your employees to achieve or exceed your business objectives.

According to this definition, what are the three activities you must do as a manager?

- 1.
- 2.
- 3.

Why should you (the owner) be the one to plan, control, and direct the employees?

According to this definition, what do these three activities lead to?

If good management leads to met or exceeded objectives, it goes without saying that you must first have objectives, or goals (see Lesson 8). A famous saying teaches that *Losers deal in generalities. Winners deal in specifics*. If you want to be a winner in your business, you will need to have specific objectives or goals, and you will need to discuss those objectives with your employees. You must then assign them to do specific tasks that help you move toward your goals or objectives. You must also, as part of delegating and managing, check on the employees to ensure that they are correctly doing the tasks you have assigned.

What are some of the specific goals that you have for your business? (Remember the principles of SMART goals: they must be specific, measurable, attainable, realistic, and time-bound).

When will you teach your new employee your business goals?

How will you teach your business goals to your employee?

Mistakes business owners make with new employees

Business owners make many mistakes with their new employees. What do you think they are? List at least three.

Compare your answers with these mistakes. How many of these mistakes did you list?

1. They fail to hire the best person for the job. Instead they hire whoever is available.
2. They fail to train their employees. Sometimes the employer feels that training isn't necessary. Other times, the employer waits too long to hire someone and then is "too busy" to train the new employee.

3. They fail to explain company objectives. And then, for some strange reason, they get angry with the employees when they are not doing what the employer wants them to do.
4. They fail to praise the employees for the good things they do.
5. They do not take corrective action immediately with employees who do something wrong. Good employers train their employees well and reinforce that training by consistently and firmly correcting wrong behavior.
6. They hire too quickly and fire too slowly. As one employer told the authors, “My business has been hurt most by employees that I should have fired, but I was hesitant to fire them for one of many reasons.” Firing friends and relatives is most painful. That is one reason why you should be hesitant to hire friends and relatives.

Systems

Now that you know whom to hire and what mistakes are often made with employees, you need to learn about how systems can help you manage your employees in order to grow your business. In order for your business to be as successful as possible, you need a system, or a statement of “how we do things around here.”

A system is an orderly, step-by-step outline of what must be done in order to reach a defined goal. A system in a business is much like a recipe in cooking. Following the instructions step by step will ensure that every time the system runs, it produces a product or service that is exactly what the business owner wants it to be. Systems can make your growing business successful because regardless of who does the steps listed in the system—whether it be you or your employee—the result will be the same. Carefully designed systems create finished products that are perfectly predictable. In such a system, the skill of an employee or manager does not determine the success of the business. The system runs the business; the employees just follow the system.

We (the authors) have had dozens of experiences with businesses that won our loyalty because their systems worked well. We stay frequently at our favorite hotel because every afternoon at 4:30 p.m. the staff serves warm, delicious, fresh-baked cookies at the main registration desk. Their system automatically produces these cookies, day after day, exactly at 4:30 p.m. Believe it or not, the customers depend on getting those cookies. Many time their arrival at the hotel at exactly 4:30 p.m. We also see one particular hairdresser because she gives us a great scalp massage when she washes our hair. It happens every time we go.

You might think your business is too small to have systems. Regardless of how much you sell, every business can benefit from formalized systems. And—whether you realize it or not—you already have systems in place. You already have a daily routine of things you do in your business. You already have a pattern of how you like to do things. Thinking about your daily habits and routines in a step-by-step way can help you identify your systems and then improve them so that they can help you make more money.

Here are some examples of systems in other people’s small businesses. Do you have similar systems in place?

- Jose owns a fruit stand. He always arrives at his store or booth at 7:00 a.m. and immediately creates a chart to help him keep good records for the day. He then tidies up his fruit baskets, puts a reduced price on fruit that is getting too ripe, puts money in the cash register, and then opens for business at 7:30 a.m. That routine is part of Jose’s system.
- Mary owns a bakery. She has experimented with her pastry recipe for a few weeks and finally found just the right recipe. Now she makes her pastries exactly the same way every day. That recipe is part of Mary’s system.
- Sam sells sandwiches and prides himself on the delicious combination of flavors in his unique sandwiches. Every time he makes the “Sam’s Special Sandwich,” he follows the same pattern: he slices the bread, spreads the “special sauce,” and then layers the meat, cheese, tomato, cucumber, sprouts, and olives—in exactly that order. The order of the sandwich ingredients is part of Sam’s system.

The more specific and detailed the system, the better the business is run. And the better the business is run, the more it can grow and continue to make money for the owner. Consistency is difficult to achieve but very important as you build a business that can run on its own and repeat the same performance over and over. This is vital to increase profitability and customer satisfaction that is possible only through foolproof systems.

Writing down systems is a real challenge for many people, especially the business owner who already feels overworked and frustrated. However, this condition of feeling overworked is an indicator that you do really need a formal, written system in place.

Sometimes owners worry about establishing and writing down systems because they realize that once a good system is in place, the business can basically run without the owner. They fear that the system will make them powerless because they won't be needed all the time in the business. But that is exactly the point! Systems free business owners from having to do the detailed work of running the business day in and day out. They free up time for growing the business.

Sometimes owners worry that if they establish a written system and teach it to their employees, they will basically just be teaching their future competitors how to operate a successful business. This happens occasionally—when employees leave and set up a competing business—but not as often as one might think.

List five reasons why a wise business person should develop written systems for “how we do things around here.”

- 1.
- 2.
- 3.
- 4.
- 5.

What are some of the operations of a business that should have a written system established?

(Your own business will have more than this, but here are some possible systems: pricing, merchandise returns, ways to greet customers, reporting customer complaints, dealing with cash shortages, hiring procedures, displaying merchandise, cleaning up the store, opening procedures, closing procedures, detaining shoplifters, and reporting dishonest actions by fellow employees.)

Job descriptions

One of the systems that will start paying dividends almost immediately is writing a job description, or task list, for each position—including your own. You need to outline what positions exist in the company—in other words, what jobs must be done for the business to succeed. Anyone you hire must know whom he/she reports to and know exactly what he/she is to do.

All job descriptions should have three items: (1) a list of your goals for the business, (2) policy statements that summarize your expectations of how all employees must behave when at work, and (3) a detailed list of job duties specific to each employee's position. The business goals are obviously very specific to the business, and you should have already established those goals for your business (see your answers in Lesson 8). The policy statements could include minimum standards for all employees, such as being on time, interacting well with customers, dressing appropriately, and being aware of safety concerns. The detailed list of job duties is specific to each job and can be modified as circumstances change.

When you hire a new employee, you should immediately give the job description packet to the employee. Have the employee read the documents carefully and then sign and date the agreement. This document would then serve as a written contract verifying that the employee understands exactly what is required of him/her. Performance can then be compared with the commitments made as the employee learns his/her duties.

Let's practice writing a job description. Imagine that you are the owner of a small store that sells children's clothing. After eight months of hard work, you have more work than you can handle. You need to hire an employee to help customers making purchasing decisions and operate the cash register when customers make purchases. You have already written a contract explaining what standards the employee will need to meet (see the previous paragraphs). Now you need to write a list of job duties for this new position.

What would be a good job title for this position?

(Perhaps "Sales Clerk")

Make a detailed list of all the duties or tasks related to this job. Be as specific as possible. Remember that your employee can't read your mind and can be held accountable only for the specific duties you assign to him in the job description.

(Examples of a few job duties include:

- Help customers find clothing to purchase. Greet each customer with a smile, ask each customer how you can help, let customers browse when they want to, but stay close by to help when they have a question.
- Operate the cash register. Get the opening balance of money from the safe each morning, record all sales accurately, keep cash drawer organized, add up all sales at end of day, count money at end of day, compare money with sales records at end of day.
- When new shipments arrive, unload boxes and stack clothing neatly according to size and clothing type (for example, a stack of brown pants, a stack of yellow shirts, a stack of blue dresses, etc.).
- Wash your hands before returning to work after using the restroom or taking a break outside.)

Now let's apply this principle to your business. If your business has grown enough that you think an employee is needed, identify one job that needs to be filled immediately. What is the title for that job?

Make a detailed list of all the duties or tasks related to this new job you will create in your business. Again, be as specific as possible. Remember that your employee can't read your mind and can be held accountable only for the specific duties you assign to him in the job description.

Now you have a start for your "contract" between you and your new employee!

Fieldwork

Find a national or international franchise in your area. Maybe you have a McDonalds, a Subway, or a national bakery or barber shop chain. Visit the franchise during a slow time of the day. For example, avoid the lunch hour at a restaurant.

Go into the store and talk with the owner or manager. Tell him/her that you are trying to learn more about how systems work in a franchise or national chain and ask him/her to spend 15-20 minutes with you to explain what systems they have in their operation. (If they are too busy when you first approach them, ask when you can return and spend 15-20 minutes with them. Make an appointment and then be on time.)

After you talk with the owner or manager, spend a few minutes in the franchise observing the systems they have in place. Notice how the customers are greeted, what uniforms the employees wear, what signs or posted instructions of procedures the employees must follow.

Take careful notes so you will remember all that you see, hear, and learn. Record your notes here.

After leaving the franchise, review your notes and look for ideas you can apply to your own business systems. What policies, practices, or systems can enable your employees to “do it right, each and every time”?

Working *on* your business

Writing and implementing systems takes time. But investing in systems can have a wonderful effect on the profitability of a business. Systems are just one way in which business owners can work *on* their business, not just *in* their business.

What do you think it means to work *on* your business?

What is the difference between working *in* your business and working *on* your business?

Michael E. Gerber, author of *The E-Myth Revisited*, explains the difference in these words:

Think of your business as something apart from yourself, as a world of its own, as a product of your efforts, as a machine designed to fulfill a very specific need, as a mechanism for giving you more life, as a system of interconnecting parts . . . as something created to satisfy your customers' needs, as a place that acts distinctly different from all others places, as a solution to somebody else's problem. . . .

Go to work on your business rather than in it, and ask yourself the following questions:

- How can I get my business to work, but without me?
- How can I get my people to work, but without my constant interference?
- How can I systematize my business in such a way that it could be replicated?
- How can I own my business, and still be free of it?

. . . Most importantly, to successfully develop and grow your business you need a process . . . a method with which to run your business, in other words systems, processes and methods. The only way to create these systems is to work on your business not just in your business. (Gerber, Michael. *The E-Myth Revisited*. New York: HarperCollins, 1995. p. 109-110)

When a business is small and the owner is the only person working in and on the business, that person has to do all the work. The owner does everything from setting goals to buying inventory to sweeping the floors at the end of the day. But as a business grows, the work of the business needs to be divided into two kinds of work: *strategic* work, done by the owner, and *tactical* work, done by employees. *Strategic work* includes setting long-term and short-term goals, designing systems, and managing the work of the employees. The owner takes care of the big picture—what the business will be like in six months, a year, or even five years. *Tactical work*, done by employees, includes working with customers, running the cash register, purchasing from suppliers, pricing, and bill paying. Strategic work is what owners/managers do. Tactical work is what employees do.

Remember that if your business is small and you are the only employee, you will clearly have to do tactical work as well as strategic work. However, even when you are the only person working in the business, the more time you devote to working *on* your business, the sooner you will need to hire others to work *in* your business.

Final writing assignment

Based on what you've learned from this lesson, summarize your thoughts on why systems are important and why you must make time to work not only *in* your business but also *on* it.

Bottom line

In order to grow your business as much and as quickly as possible, you need to establish and follow detailed systems and train and manage your employees. Systems and good employees will give your business added power to push profits up quickly and grow into a wealth-producing vehicle to care for your family for generations to come.

LESSON 12:

HOW CAN MY BUSINESS BLESS MY FAMILY NOW AND IN THE FUTURE?

Consider these questions as you prepare for this lesson:

- Are the rewards of owning my own business worth the added stress and pressure that are part of my everyday life?
- How can I involve my family members in my business activities?
- What can I do to ensure that my temporal success will increase—not detract from—the spiritual stability of my family?
- How can I ensure that my family’s temporal success will continue for generations?

Main ideas to learn

- If you will work for three to five years like no one else will, you can live the rest of your life like no one else can.
- Your business must never replace your family as the most important thing in your life. The business is there to serve your family’s needs—not the other way around.
- Breaking the chains of family poverty by growing a business will bless generations. A stable business can become a family asset that can generate money for children, grandchildren, and great grandchildren.

As you reach the end of this workbook, let’s take a look back at the central question this curriculum addresses: How can I lift my family from poverty to prosperity? By now, you know the answer—learn some fundamental business principles, start an income-generating activity, and work on it until it becomes a full-fledged, successful business. No matter where you are on that path, we hope you feel like you have at least begun the journey toward an abundant life. Here are a few parting words of advice and encouragement.

Initial sacrifices lead to long-term prosperity

You are probably discovering for yourself that during the early months and years of your business, you must make many sacrifices. You may arrive at work in the early hours of the morning and leave late at night. You probably think about and work *in* your business all day and work *on* your business at night. At times you may think you are working very hard and not receiving much benefit. Stresses have likely accumulated in your life and in the lives of your family members. However, it is at this point in time that you must remember the saying, “If I work for three to five years like no one else will, then I can live the rest of my life like no one else can.”

Explain what you are willing to sacrifice now so that you can live the life that you want to live in the future.

Even though sacrificing some things is necessary, there are some things that you should *not* sacrifice in order to have a successful business. Your faith, family, and integrity should always come before your business—not only because they are the most important things in life but also because you can be a better business person with them than without them. Your faith in the Lord can give you strength to continue when times are difficult; your family can serve as a constant reminder of why you are in business to begin with; and your integrity should be so central to who you are and what you do that it can not be compromised. You must never trade what you want most in life for what you want now.

Explain what you are *not willing* to sacrifice for success in business.

Success story: Sacrifices pay off!

Peter Caro is a top graduate from the Academy for Creating Enterprise (in the Philippines). He came to the Academy shy and quiet, but his life experiences had prepared him for the hard work of growing several businesses.

Peter was born into a poor family. His father was very sick and couldn't work to support his family, so Peter learned how to work hard at the young age of seven. After serving a mission and marrying in the temple, he and his new wife moved into their first home—a renovated pigpen! They struggled each day to put food on the table. While visiting a family member one day, Peter saw a tricycle lying in the yard. He asked if he could borrow it to taxi people around the small city. They agreed, and he happily took it and began earning money. The income he gained from that small income-generating activity enabled him to get more education. He learned carpentry, welding, masonry, and plumbing. However, he and his wife still needed more money.

After having the opportunity to study business principles at the Academy for Creating Enterprise, Peter returned to his town a new man. He was offered the opportunity to operate a Cellular City franchise. He didn't have enough money to buy the franchise, so he started gathering money from friends and family members—with the promise to repay the money as quickly as he could.

The early months of Peter's business were difficult. He worked very long hours. His wife worked with him as his bookkeeper. During the day, they worked in the business; at night, they worked on the business. They worked while others slept. They fought to remain positive while others doubted their chances for success. But, finally, the sacrifices began to pay off.

Peter's single franchise, selling cell phones, became successful fairly quickly because of the long hours and hard work Peter put into it. He then expanded to cell phone accessories and calling plans. Once that franchise was successfully established with good systems and dependable employees, he opened a second franchise. After that one had expanded, he began branching out into other businesses: a print shop, an advertising agency, a travel agency, a water-purifying business, and a bag-making business. Altogether, the businesses now have more than 5 million pesos of operating capital!

Peter looks back on the hard work and sacrifice of the early years and, without reservation, says that they were worth it—that his current success could not have been possible had he not struggled so much at the beginning. He learned to work hard, solve problems, be creative, rely on his wife and on the Lord, take control of his life, and make his business profitable. He learned to keep doing the right things—even though they were often hard to do—until they became second-nature for him. He personified a saying from President Heber J. Grant: "That which we persist in doing becomes easier for us to do; not that the nature of the thing has changed, but that our power to do it is increased" (Conference Report, Apr. 1901, p. 63). The skills he developed while struggling to make that first franchise successful have given him a sense of confidence that could not have been developed any other way. The financial independence and stability he and his family now enjoy are the blessings that came from his sacrifices and faith.

What blessings are you already seeing as a result of your efforts to sacrifice?

Family and business

One rewarding benefit of owning and operating your own business is that you can include your family in your work. In the early stages of your business, you will spend a lot of time at your booth or store or office. With so much work to do and only 24 hours to do it in, you will need to be creative in your efforts to balance the various aspects of your life. You may find that involving your family in your business is an excellent way to spend quality time with your spouse and children while also devoting the necessary time to your business. (As a caution, remember that when making hiring decisions, you must be very careful to select employees based on their qualifications and skills—not on their familial ties to you. But when it comes to children and spouses, sometimes you can create an environment in which they “pitch in” and help build the family business without being formal employees and incurring undue risk.)

In *The Family: A Proclamation to the World*, Church leaders declared, “Successful marriages and families are established and maintained on principles of faith, prayer, repentance, forgiveness, respect, love, compassion, work, and wholesome recreational activities” (*Ensign*, Nov. 1995, 102; emphasis added). Working as a family brings family members closer together. It enables parents to teach children how to work hard, how to contribute to a family goal, and how to develop skills and build self-esteem.

What activities do you enjoy doing with your family? Why do you enjoy them?

Does your family work together often? What do you enjoy most about working with your family? What benefits do you see from working together?

Working side by side with your spouse and children can certainly help your business while also building family unity. For example, your children might enjoy sweeping the floors, washing the windows, taking out the trash, and running errands after hours. Your spouse might enjoy compiling your daily records into a more permanent book or helping create the products you sell.

What specific things might members of your family enjoy doing in your business? Would those activities allow you to spend more time with them?

Your business can become your family’s legacy

As you involve your family in your business, you can train your children to eventually take over the business, open their own franchise of your business, or specialize in certain aspects of your business like accounting or purchasing. Rudy, an Academy graduate, is doing just that with his son, Omar.

Not long ago, Rudy started a business selling industrial and household water filters. Rudy's teenaged son, Omar, was excited about his father's new business, so Rudy included his son in the business as much as possible. It was not uncommon to see them working together for several hours each day. Omar swept the floors, ran errands, and visited new customers with his father. Rudy wanted to teach Omar the joys of owning and managing a business.

Rudy had a very long-term outlook on his business. He worked hard every day, but his efforts were always applied to building his business into something that could last for generations. He viewed his business as the vehicle that would help him break out of poverty, something that he could leave to his children when he died, something his family could own and operate for decades to come. He wanted to eventually turn the business over to his son, so he included Omar as much as possible.

Rudy recalled how one day, after collecting payment for some water filters, he looked at his son and asked, "Do you think we could have ever earned that much money in a day if we were working for someone else?" Omar smiled and agreed that a "real job" never would have paid as much money.

Later that week, they visited a grocery store together on their way home from work. They walked from aisle to aisle, picking out the foods they needed without worrying about the price. They didn't spend money on frivolous items, but they got everything they needed—something they never would have been able to do before Rudy started his business.

Although Rudy's family had lived in poverty for generations, they are now living comfortably. They have a house and land, a car, and a business that makes a profit every week. And with hard work, diligent teaching, and a little bit of planning, Omar and his siblings will enjoy the same blessings when they have families of their own. And so will their children and their children's children . . .

What daily stresses have been eliminated because Rudy started his own business?

What important lessons has Rudy taught his son because he is working in the family business?

Final writing assignment: How can your business be a legacy for your family members?

You have now reached the end of this workbook. You may have started reading these lessons with a simple question: "How can I provide a better life for my family?" We hope that you better understand how establishing a profitable business can change your life. In fact, we hope your life is already changing because you are already applying these lessons in your very own business and seeing results.

As a way to help you review what you have learned about your business and personal goals, please write a letter to your children and grandchildren, explaining why you started your business and are working so hard on it. Focus

your attention on why you feel having a business is important. Also, discuss the blessings of prosperity and stability your business is starting to bring to your family. Make this a truly personal letter. Include personal ambitions, record your true feelings, and give concrete examples of how you expect your family's life to change—or how it already has changed. Explain what new habits you are developing in your life to prepare yourself for success. For example, you may want to explain the sacrifices you are making now (short-term) so that you may have success (long-term). You may want to explain the conditions of poverty that you come from so that future generations can understand how you have helped break the chains of poverty.

Bottom line

In order to become prosperous and better provide the necessities of life for your family, you will have to make many initial sacrifices. If you will remember to put the Lord, your family, and your integrity first, your other short-term sacrifices will eventually pay off and help your family prosper for generations to come.

GLOSSARY

- Business:** The process of exchanging goods or services between two or more people or entities in order to create a profit.
- Cash:** Money you have on hand or in the bank.
- Cash cycle:** The period of time it takes for cash to be invested in the business, either as inventory or as an expense or asset and then returned back to the business from the customer after a sale is made or a service is provided.
- Cash flow:** A measure of a business' financial health. Equal to the cash that comes into a business (revenues) minus the cash that goes out (expenses).
- Cash management:** The science of timing your purchasing, collecting, bill paying, and inventory control. Managing your cash enables you to operate as effectively as possible so you can use your money to grow your business.
- Closing techniques:** See *Sale-closing techniques*.
- Cost:** An expense; the amount of money, time, or energy spent on something.
- Credit:** A contractual agreement in which a business owner (borrower) receives something of value now (usually merchandise or services) and agrees to repay the lender at some later date. As you use credit, you are basically using other people's money to earn money.
- Culture:** The values, attitudes, and beliefs of people in a group (such as a family, community, neighborhood, society, ethnic or religious group, or country).
- Customer:** A person or business who buys goods and/or services from a business.
- Customer service:** The act of serving and keeping customers happy and loyal to one's business.
- Differentiation:** The act of making a business' product, sales stand, or store different from its competitors with the goal of meeting customers' needs and increasing sales.
- Employee:** A person hired to work for wages or salary.
- Enhancing:** Increasing the value of the business' raw materials. This may involve sewing, carving, assembling, etc. It might also include taking the product to another location for selling.
- Entity:** Anything that has a distinct, separate existence, such as a business.
- Expenditure:** See *Expense*.
- Expense:** Costs incurred during the course of doing business.
- Gathering:** Collecting tools and raw materials for use in a business.
- GEM Model:** Gather, Enhance, Market: the three steps every business goes through when it creates and introduces a product or service.

- Goals:** Specific objectives that a person wants to accomplish and toward which he or she works.
- Habit:** An act repeated so often by an individual that it becomes automatic.
- Idea:** A thought formed in a person's mind.
- Income statement:** A financial record that summarizes the revenue and expenses of a business over a specific period of time. It shows the net profit or loss during that period of time.
- Income-generating activity (IGA):** Any effort made to increase the amount of money a family has. As an IGA becomes more organized, it can be called a business, but it isn't really a business when it is first started.
- Inventory:** The merchandise that a business buys from a supplier or makes itself and then sells to customers.
- Managing:** Overseeing the work of employees; supervising others in an administrative capacity.
- Manufacturer:** A business that makes or produces a tangible product that is then sold to wholesalers or retailers.
- Market:** A group of people who share common characteristics and who are likely to be interested in buying a product or service.
- Marketing:** Everything you do to entice a customer to buy a product.
- Markup:** The difference between the cost of buying or making a product and the price for which you sell it to a customer.
- Mentor:** A wise and trusted teacher; someone with a lot of business experience who is willing to teach you how to succeed with your business.
- Operating cost:** A cost incurred in the normal operations of a business; also called "overhead." Ex: utilities, salaries, advertising insurance, interest, and rent.
- Opportunity:** A favorable combination of circumstances; a situation that would allow a person to make a profit by taking advantage of it.
- Partnership:** A legal joining of two or more people who co-own a business, usually dividing financial and legal responsibilities.
- Poverty:** The conditions that prevent an individual or family from having fresh water, nutritious food, adequate health care, or educational opportunities.
- Problem:** A situation that is difficult to deal with or control.
- Product:** Something that is made and sold on the market, hopefully for a profit.
- Profit:** The money remaining after expenses are subtracted from the revenue of a business, including the expenses of salaries and benefits for the owner and employees.
- Prosperity:** The conditions of having adequate shelter, nutrition, fresh water, material goods, and education.

- Receipt:** A written acknowledgement that goods or services have been received.
- Record keeping:** The act of writing down and reviewing things you want to remember. In business, you must keep records daily—especially in the key areas of inventory, sales, expenditures, and cash.
- Retailer:** A business that buys from a wholesaler or manufacturer and sells directly to consumers.
- Salary:** The amount of money a business owner or employee is paid regularly.
- Sale:** The transaction that occurs when a customer gives a business money in exchange for a product or service that the business provides.
- Sale-closing techniques:** Techniques used to wrap up a sale—to encourage a customer to buy a product. (Also referred to simply as *closing techniques*.)
- Sales cycle:** The time from the purchase of a product to the sale of that product. The faster (or shorter) the sales cycle, with proper markup for a profit, the more money you will make.
- Service business:** A business that provides time, skills, or expertise in exchange for money.
- Strategic work:** Large-scale business activities aimed at guiding the long-term growth and operations of the business. Ex: setting goals, evaluating new product lines or services, and expanding the business. Generally thought of working *on* the business, not just *in* the business. The business owner is always responsible for strategic work.
- Supplier:** A person or business that sells goods to other businesses.
- System:** An orderly, step-by-step outline of what must be done in order to reach a defined goal.
- Tactical work:** Small-scale, day-to-day business activities, such as balancing the books, greeting customers, keeping the store clean, and purchasing inventory. Once a business is large enough to need employees, tactical work should be done by employees, not by the owner.
- Tracking:** A system of recording business-related information which, when reviewed, reveals trends specific to the business' progress or success.
- Wholesaler:** A business that purchases goods in bulk from a manufacturer and sells smaller quantities to retailers.

Rules of Thumb for Business Success

By Stephen W. Gibson, The Academy for Creating Enterprise

1. **Sell What the Market Will Buy.** Solving a critical, recurring problem is the best way to create income.
2. **Practice Separate Entities.** Keep personal money and business money separate.
3. **Start Small; Think Big.** Learn the basics when your business is small and mistakes are less costly. Then grow.
4. **Be Nice Later.** Don't give your product or business capital away to friends and relatives.
5. **Keep Good Records.** Success comes from beating yesterday's sales and profit records.
6. **Pay Yourself a Salary.** A salary should cover living expenses so "stealing" from the business is not necessary.
7. **Buy Low; Sell High.** Bigger differences between purchase price and selling price mean greater potential profits.
8. **Don't Eat Your Inventory.** Consuming inventory or seed capital will quickly kill your business.
9. **Use Multiple Suppliers.** Negotiating with several suppliers for the best price is critical to profit.
10. **Buy on Credit; Sell for Cash.** Selling a product before you must pay for it increases cash flow.
11. **Purchase in Bulk.** Suppliers usually sell products for less if you purchase in volume.
12. **Use Suggestive Selling.** Suggest to each customer other items in your store that they might like or need.
13. **Increase Sales; Decrease Costs.** As the spread, or margin, between sales and costs grows, so do net profits.
14. **Turn Your Inventory Often.** Profit is made every time inventory is priced correctly and sold.
15. **Value Your Customers.** Success comes when customers keep coming back and buying more.
16. **Differentiate Your Business.** Give customers a reason to return. Be better, cheaper, faster, and more convenient.
17. **Hire Slow; Fire Fast.** Screen potential employees carefully. Terminate bad employees quickly.
18. **Inspect More; Assume Less.** Consistent performance comes from inspecting not from assuming or expecting.
19. **Have Written Agreements.** Agreements are essential with partners, suppliers, landlords, and employees.
20. **Work on Your Business 10 Hours a Day, 5½ Days a Week.** Anything less is a hobby.
21. **Practice Kaizen.** Kaizen means continual improvement. This is vital to income growth.
22. **Make A Profit Every Day.** If a workday goes by without making a profit, it's a loss.
23. **Work ON Your Business, Not Just IN Your Business.** Stand back, watch, and then fix the problems.
24. **Write Down Daily & Weekly Business Goals.** Aiming high will move your business forward faster.
25. **Focus, Focus, Focus.** A concentrated effort in just one business will pay huge returns.