

Entrepreneurship

For Rwanda Schools

Learner's Book Senior 3



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Foreword

Dear Student,

Rwanda Basic Education Board is honored to present to you Entrepreneurship book for Senior Three which serves as a guide to competence-based teaching and learning to ensure consistency and coherence in the learning of entrepreneurship subject. The Rwandan educational philosophy is to ensure that you achieve full potential at every level of education which will prepare you to be well integrated in society and exploit employment opportunities.

The government of Rwanda emphasizes the importance of aligning teaching and learning materials with the syllabus to facilitate your learning process. Many factors influence what you learn, how well you learn and the competences you acquire. Those factors include quality instructional materials available, assessment strategies for the learners among others. Special attention was paid to activities that facilitate learning process develop your ideas and make new discoveries during concrete activities carried out individually or with peers.

In competence-based curriculum, learning is considered as a process of active building and developing knowledge and meanings by the learner where concepts are mainly introduced by an activity, a situation or a scenario that helps the learner to construct knowledge, develop skills and acquire positive attitudes and values. For effective use of this textbook, your role is to:

- Work on given activities which lead to the development of skills
- Share relevant information with other learners through presentations, discussions, group work and other active learning techniques such as role play, case studies, investigation and research in the library, from the internet or from your community;
- Participate and take responsibility for your own learning;
- Draw conclusions based on the findings from the learning activities.

To facilitate you in doing activities, the content of this book is self-explanatory so that you can easily use it by yourself, acquire and assess your competences. The book is made of units whereby each unit comprises: the key unit competence, followed by the introductory activity before the development of entrepreneurship concepts that are connected to real world situation.

I wish to sincerely extend my appreciation to REB staff who organized the editing process of this textbook. Special gratitude also goes to lecturers, teachers, illustrators and designers who supported the exercise throughout. Any comment or contribution would be welcome to the improvement of this textbook for the next edition.

Dr. MBARUSHIMANA Nelson

Director General, REB

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**Joan Murungi,
Head of CTRLD**

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TOPIC AREA: ENTREPRENEURIAL CULTURE

SUB-TOPIC AREA: WORK IN SOCIO-ECONOMIC DEVELOPMENT

UNIT 1

Resources and their Usage



Key unit competence: To be able to manage resources properly.

Introductory Activity

People need money, materials, knowledge and other assets to function effectively.

If you want to start a business, there are various things you should have in place for your business to start and function properly.

At home, there are things you need for the home to function properly.

For your school to function properly, certain things must be present. This also applies to the community, and the country at large.

From the above, all the things needed by man for the home, school, business, community and country to function properly are what we call **resources**.

Questions

- (a) If you were appointed as the headteacher of the school, what do you think are the resources your school will need to function properly?
- (b) Your father has been invited for a one year training in London, he wants you to head the family when he is away. Prepare a list of resources you will need for the home to function properly.
- (c) Rwanda is a beautiful country, it is full of many resources. List the resources Rwanda needs to function effectively.
- (d) Categorise the resources you have mentioned in a,b and c into their types.

1.1: Meaning of Resources

Resources refers to all aids needed to perform a specific task.

ACTIVITY 1.1

In Senior 1 and 2, you looked at mobilising, proper allocation and exploitation of resources as among the main roles of an entrepreneur in entrepreneurship.

Using your knowledge on the roles of an entrepreneur, answer the following questions:

1. Who is an entrepreneur?
2. What do you understand by the term resources?
3. What is meant by mobilising resources?
4. Why do you think it is necessary to ensure proper allocation of resources?
5. List any four resources entrepreneurs mobilise.

ACTIVITY 1.2



For your school to operate properly, various resources are needed. Using your school as an enterprise, complete the table on page 3.

Resources and their usage

No.	Resource	Use of the resource
1.	Example: Computer	Example: Typing work and learning how to use a computer.
2.		
3.		
4.		
5.		

From activity 1.1 and 1.2, you can define a resource as stock of money, materials, staff, knowledge and other assets that can be drawn on by a person or organisation to function effectively.

The basic resources are **land, labour** and **capital**. Other resources include: **entrepreneurship, information, expertise, management, energy** and **time**.

All the resources mentioned above are required to carry out production.

Test skills acquired 1.1

Fill in the table below by stating the resources required to set up each enterprise with their corresponding usage.

Enterprise	Resources required	Use of the resource
Bakery		
Restaurant		
Hotel		

1.2: Types of Resources

ACTIVITY 1.3

- Referring to activity 1.2, classify the resources identified by filling in the table below according to the following types. You may add other resources not identified in activity 1.2.

No.	Type of resource			
1.	Financial	Raw materials	Human	Technological
2.				
3.				
4.				
5.				

- Briefly explain the types of resources identified in (1) above:

- | | |
|---------------|-------------------|
| (a) Financial | (b) Raw materials |
| (c) Human | (d) Information |
| (e) Time | (f) Technology |

From activity 1.3, you have grouped resources according to their types which include: financial, human, time, technological, raw materials and information resources.

These resources are explained in detail below:

1. Human resource

Human resources are people who use their skills to produce goods, provide services or run a business enterprise. For example, a teacher uses his/her professional skills to equip learners with knowledge and life skills required for survival in a school, community and country.

Other examples of human resources include; doctors, engineers, managers, drivers, pilots, carpenters, chefs and waiters in restaurants and many others.



Doctors at work



Carpenter at work



Teacher at work

Fig.1.1. Doctors, teachers and carpenters are examples of human resources. The doctors and teachers provide services while a carpenter produces goods.

Cross-cutting Issue: Gender Education

Both the entrepreneur and employees should perform their responsibilities, respect one another and should never be biased against sex or gender roles.

2. Financial resources

Financial resources refer to the money available to an enterprise for its successful starting and running. Before going into business, an entrepreneur needs to secure sufficient financial resources in order to be able to operate efficiently and sufficiently well.

Financial resources such as money are necessary to buy and acquire other resources such as land, labour, raw materials, machines, and so on.

Businesses generate financial resources through many activities such as:

- ☞ personal savings,
- ☞ sale of products and services,
- ☞ issuance of shares,
- ☞ loans from friends, relatives or financial institutions.



Loans from friends



Personal savings in the bank

Fig.1.2. Loans and personal savings are some of the ways one generates financial resources.

Cross-cutting Issue: Financial Education

Because financial resources are scarce, you need to properly manage them through developing a culture of planning, budgeting, saving and record keeping among others.

3. Technological resources

Technological resources are the systems, machines and tools required to effectively produce/ create products or provide services. These resources aid the production processes and service delivery in an enterprise. Examples of technology resources include: ATM machines, computers, tractors, generators, printers, scanners, and so on.



Bakery machinery used in bread making.



Tractor used in agriculture.

Fig.1.3. Machines used in producing goods. These are examples of technological resources.

4. Raw materials

Raw materials are the basic materials from which goods and products are made. Usually, raw materials are natural resources such as minerals (gold, copper, and tin); wood, water, and so on used in the production of goods and products. Raw materials are very necessary in an enterprise for without them, goods and products cannot be produced.



Sugar canes used in making sugar.



Coffee beans used in making coffee beverage.

Fig.1.4. Some of the raw materials used in making manufactured products.

Cross-cutting Issue: Environment and sustainability

All raw materials are got from the environment. Therefore it is all our responsibility to properly use these resources and protect the environment for its sustainability. For example cut one tree and plant four trees.

5. Information

Information resources are defined as the data and facts used by an entrepreneur to run an enterprise effectively. Information may include data on customers, suppliers, financial institutions, government regulatory bodies, workers and so on required by an entrepreneur for the successful running of an enterprise.

Point to consider

Because information is vital in the successful running of the business enterprise, you should search for information that is up to date and relevant and at the same time keep record of whatever takes place in your business for future reference.

6. Time

Time is an important resource for entrepreneurs. It determines quantity of production and the volume of human, financial and other resources required.

Proper coordination of all the resources over time helps an entrepreneur to create products and deliver services efficiently and effectively.

Test skills acquired 1.2

Your uncle wants to start a fruit processing business in your home area. He has come to you for some advice before starting the business. Using your knowledge of entrepreneurship, advise your uncle about:

1. The kind of resources he will need for his business (starting and operating).
2. Likely sources of those resources you have identified in (1) above.
3. Importance of proper utilisation of those resources.

1.3: Resources and their Importance

ACTIVITY 1.4

Fill in and complete the table below.

Resource	Importance in an enterprise	Contribution to socio-economic development
Financial		
Technological		

Human Resource			
Raw materials			
Information			
Time			

From activity 1.4, you must have derived the importance of resources which include:

- ☛ Ensures the continuation and survival of the business and its activities.
- ☛ Allows for improvement of products and services the business currently provides.
- ☛ Allows businesses to continue operating by generating new business ideas.
- ☛ Financial resources allow the acquisition of other resources such as land, materials, labour and machines necessary for the successful operating of the business.
- ☛ Raw materials make it possible for business to produce goods and products to satisfy the needs of their customers.
- ☛ Human resources provide labour and management skills needed to organise other resources in the business.
- ☛ Technological resources such as machines help in producing goods and providing services which lead to improved standards of living in the country.
- ☛ Resources like land provide space for setting up enterprises and performing of all other activities in the enterprise.

Cross-cutting Issue: Environment and Sustainability

Resources are scarce. Most resources are not renewable. Without resources, businesses cannot exist, and so do people. Therefore, we should properly utilise our resources.

- ❖ **Source of employment:** Resources are bases of employment to many people in Rwanda, for example, many people are employed in forests as forest rangers, tourist guides and lumber jacks; others are employed on lakes as fishermen and fishmongers; in quarries and mines as miners and so on.



Fishermen fishing



Forest rangers in Nyungwe forest

Fig.1.5. Resources are a source of employment to so many people in Rwanda, such as fishermen, forest rangers, miners and so on.

- ❖ **Source of income:** Resources are bases of income to the people involved in their exploitation, for example, women and men who work in stone quarries and mines earn income and this income helps in raising their standard of living.



Fig.1.6. Miners extracting gold in Rwanda. Many people are employed in the mining sector and earn income.

- ☞ **Aid in infrastructure development:** Resources are used in building infrastructures such as roads, schools, stadiums, and so on. For example, stones are mined from quarries and used as raw materials in road construction. This leads to development of infrastructure which improves the living conditions of people.
- ☞ **Source of government revenue:** Resources aid in the running of businesses which in turn pay taxes to the government. The government earns this revenue which it uses in developing infrastructures such as hospitals, roads, schools which are enjoyed by the general public thereby improving their standards of living.



Fig.1.7. Government earns revenue from resources and it uses that revenue to build infrastructures such as Amahoro National Stadium.

- ☞ **Source of foreign exchange:** Resources can be exported to neighbouring and far countries and Rwanda earns foreign currency. This foreign currency helps in strengthening the Rwandan currency against foreign currencies.

1.4: Effective Utilisation of Resources

ACTIVITY 1.5

Case study (At school)

Read the case study below and answer questions that follow.

AGACIRO S S is a community based school in Nyagatare district, Eastern Province. When the school started in 2013, it had all the necessary facilities for a conducive learning environment such as, enough desks in classrooms, tap water, good latrines, well-furnished dormitories for both girls and boys. The school was a model for other surrounding schools.

Uwamahoro happened to do her school practice from AGACIRO S.S and this is what she told me one day. "Learners leave the furniture out. When it rains, the furniture is soaked in water. Most of the furniture is broken because of poor handling; the library is almost empty as most of the books got lost and others are all torn with no covers."

Learners have to be forced to attend classes and night preps, and only get to revise their books when there is an exam something which greatly affects the academic standards of the school. When confronted about their behaviour, learners say that the school will buy new furniture and books; and that they also have a lot of time they will read in S.3 before the national examinations".

School resources before mishandling



School resources after mishandling



Questions

1. Identify the resources in the case study above.
2. Are the resources being utilised properly? Support your answer.
3. Suggest how best the learners can utilise the various resources at AGACIRO S.S.
4. What advice would you give to fellow learners about effective utilisation of resources in our community?

From activity 1.5, you realise that effective utilisation of resources means knowing what resources (supply of money, equipment, materials, time, employees, materials, and other assets) are needed in an enterprise, where they are needed and using them appropriately.

Effective utilisation of resources is about maximising the use of resources by an individual or an enterprise in order to function effectively, with minimum wastage. Therefore, effective utilisation of resources calls for use of the Earth's limited resources in a sustainable manner while preserving the environment.

Cross-cutting Issue: Environment and Sustainability

To waste, to destroy our natural resources, to skin and exhaust the land instead of using it so as to increase its usefulness will result in the exploitation and extinction of natural resources which we would have passed onto our children more developed. (Theodore Roosevelt)

Enterprises need to effectively manage their resources to ensure that an enterprise operates effectively as expected, customers are satisfied, and organisational targets are met.

Below are ways entrepreneurs can effectively utilise resources:

1. **Sustainable use of resources:** This refers to using resources in a way that they are not depleted or permanently damaged. It involves using resources indefinitely.
2. **Planning for resource utilisation:** This involves assigning available resources to various uses. It is the scheduling of activities and the resources required by those activities while taking into consideration both resource availability and the time.

Proper planning and preparation prevents poor performance. (Stephen Keague)

3. **Budgeting for activities:** This involves outlining what you will spend your money (financial resources) on and how that money (financial resources) will be acquired.

A budget is a plan to:

- Control your financial resources.
- Ensure you can continue to fund your current activities.
- Enables you to make confident financial decisions and meet your objectives.
- Ensures you to have enough money for your future activities.

A budget is telling your money where to go instead of wondering where it went. (Dove Ramsey)

4. **Saving (conservation of natural resources):** This is the wise use of the earth's resources by entrepreneurs. Conservation is the management, mainly for economic reasons, of such valuable natural resources as timber, fish, game, topsoil, pasture land, and minerals, and also to the preservation of forests, wildlife, and watershed areas.

5. **Proper human resource management:** This involves all systems devised for the proper management of people within an organisation. It involves proper staffing, employee compensation and benefits, and defining/designing work. Proper human resource management means maximising the productivity of an organisation by optimising the effectiveness of its employees.

Human resources coupled with an emphasis on technology and professionalism is the quality structure of organisation.

6. **Reduce:** This involves entrepreneurs reducing on the amount of resources required to produce a given product. We must reduce waste production at the source. This means reducing the quantity of waste during production, distribution, purchasing, use and elimination (which, by the way, you can avoid!).

First, before buying something, ask yourself if you really need it. If the answer is yes, and if possible, try to:

- Replace your consumption of disposable objects and products by reusable ones. For example;
 - Cloth napkins (washable) instead of paper napkins (disposable);
 - Cloth or strainer coffee filters (washable) instead of paper filter (disposable);
 - Eliminate throw-away razors, non-rechargeable batteries, etc.
- Buy used products;
- Buy recycled products;
- Buy products that aren't over-packaged;
- Buy recyclable products (products that can be recycled);
- Buy products that contain recycled materials.

7. **Reuse:** This is about extending the life or giving a second life to something (resource) that was previously considered as "garbage". Reuse involves using resources that were considered waste and useless.



Toilet paper rolls reused as artificial flower holders.



Coffee paper cups reused as pen holders.



Car tyres and bicycle tyres reused as flower pots.



Used yoghurt tins reused as flower pots.



Used soda bottles reused as decoration materials.



Used glass bottles reused as candle holders.

Fig.1.8. Used materials can be reused for various purposes.

Reuse helps reduce not only the content of garbage cans but also that of the recycling bin. “It’s simple, economic and available to all of us! All you need is to extend the life of a product by using it more than once or to be creative by giving it a second life”. Reusing resources helps to:

- Reduce your consumption (and therefore avoid unnecessary spending);
- Reduce your production of waste and the disposal of packaging materials;
- Preserve the environment, its resources and raw materials.

8. **Recycling:** Like reuse, recycling means recovering a resource and giving it a second life. While reusing a resource means using it without really modifying or altering it or favouring multi-purpose resources over single-use ones, recycling means bringing a resource back to a state of raw material.

For example, waste paper goes back to pulp and turned into new products such as toilet papers and paper trays; plastics are melted and formed into new products and so on. What was once considered waste becomes a resource, thus breaking with the linear extraction-production-consumption-destruction logic.



waste paper



recycled into

toilet papers



Fig.1.9. Some of the products that can be produced from recycled waste paper.

Recycling:

- Preserves our precious natural resources by minimising extraction activities such as lumbering and mining.
- Preserves huge amounts of water.
- Reduces energy demands during manufacturing.
- Bypasses air, water and soil contamination during mining and disposal (dumps, incinerators).
- Favours the conservation and protection of the environment and ecosystems.
- Reduces pollution (each 1,000 kg of recycled materials saves 2,800 kg greenhouse gases).

9. **Repair:** This involves fixing things (resources) that may be torn, broken or old, but if given a little time and energy, can be made useful again. For example,

- Sew old clothing or resole a shoe.
- Repair a watch rather than buying a new one.



Cobbler repairing old shoes.



Tailor sewing old clothes.

Fig.1.10. Old products can be repaired and used for a longer time.

Test skills acquired 1.3

- Using your home as an example, complete the table below by suggesting strategies of effective resource usage.

Strategy	How?
Reduce	E.g. Switching off lights when moving out of the room to reduce energy consumption.
Reuse	
Repair	
Recycle	

- Read and analyse the statement in column 1 and fill in the strategy that applies for effective resource usage in column 2.

Column 1 (Ways of effective resource usage)	Column 2 (Strategy)
Use blank side of used paper for drafting.	
Iron all your clothes once a week.	
Make a budget for all items you need.	
Making a list of all resources needed and when they will be needed.	
Use a waste polythene bag to light a charcoal stove.	
Burn all used plastics.	

Unit Summary

Resources

Resources are stock of money, materials, staff, knowledge and other assets that can be drawn on by a person or organisation to function effectively.

- ☞ **Financial resources:** These resources refer to the money available to a business for the successful starting and running of a business enterprise by an entrepreneur.
- ☞ **Human resource:** Are people who use their knowledge and skills to produce goods, provide services or run business enterprises.
- ☞ **Technological resources:** Technological resources basically refer to systems, machines and tools required to effectively produce or create products or provide services.
- ☞ **Raw materials:** These are the basic materials from which goods and products are made.
- ☞ **Information:** These resources are defined as the data and information used by an entrepreneur in an enterprise.
- ☞ **Time:** This is an important resource for entrepreneurs. It determines quantity of production and the volume of human, financial and other resources required.

Effective utilisation of resources

- ☞ **Efficiency-** being efficient- is concerned with how much it costs an organisation to produce goods and services with the resources it uses.
- ☞ **Effectiveness-** being effective - is concerned with the quality of the goods and services it produces with the resources it uses.
- ☞ **Sustainable use of resources:** This refers to using resources in a way that it is not depleted or permanently damaged.
- ☞ **Planning for resource utilisation:** This involves assigning available resources to various uses.
- ☞ **Budgeting for activities:** This involves outlining what you will spend your money (financial resources) on and how that money (financial resources) will be acquired.
- ☞ **Proper human resource management:** This involves all systems devised for the proper management of people within an organisation.
- ☞ **Saving (conservation of natural resources):** This is the wise use of the earth's resources by entrepreneurs.
- ☞ **Reduce:** This involves entrepreneurs reducing on the amount of resources required to produce a given product.

- ☞ **Reuse:** This is about extending the life or giving a second life to something (resource) that was previously considered as "garbage".
- ☞ **Recycling:** Like reuse, recycle means recovering a resource and giving it a second life after altering it.
- ☞ **Repair:** This involves fixing things (resources) that may be broken, but if given a little time and energy, can be made useful again.

Unit 1 Assessment

1. What do you understand by the term resources?
2. Identify various examples of resources used in your home, community and school.
3. Suggest your own strategies that you can adapt to effectively utilise resources in your home, community and school.

TOPIC AREA: ENTREPRENEURIAL CULTURE

SUB-TOPIC AREA: PERSONAL DEVELOPMENT AND CAREER OPPORTUNITY

UNIT 2

Career Opportunities



Key unit competence: To be able to make rational career choices.

Introductory Activity

Have you ever wondered how your school would be without teachers, bursars, accountants, headteachers, security guards or nurses?

What of a hospital with out doctors, nurses, lab technicians, surgeons and dentists? What of courts with out judges, lawyers, juries and advocates?

What of Rwanda without the president, ministers, police and the army?

Rwanda is comprised of people with various careers and these also belong to different career fields. **A career field** comprises people of different careers but operating in the same line of work. Take an example of doctors, surgeons, dentists, and lab technicians, all these belong to the same career field (medical field). It is important for one to choose a career in life.

Before one does this, he/she can obtain information regarding careers from various sources and also follow certain steps to choose a desired career.

Questions

- (a) Identify the career of some of your family members and describe the career field they belong to.
- (b) Show how their careers are useful to the community and Rwanda.

2.1: Meaning of Career, Opportunity and Career Opportunity

ACTIVITY 2.1

In Senior one and two, you looked at personal values, skills and characteristics, and setting personal goals. Using your knowledge from activities 1.1 and 1.2, answer the following questions:

1. What are personal values?
2. What are personal goals?
3. How can our personal values help one to set personal goals?

ACTIVITY 2.2

Referring to activity 2.1, visit the school library or internet and research on the meaning of the following terms:

1. career,
2. opportunity,
3. career opportunity.

A career is the type of work, job or profession that someone does for a long period of their life and in which they hope to gain advancement. It is often composed of the job held, titles earned and work accomplished over a long period of time. A career often requires special training and comes with some expectations of progress throughout the course of the individual's life.

An opportunity is an occasion or situation that makes it possible to do something that you want to do or have to do. It is the possibility of doing something.

A career opportunity is an occupation chosen as one's work for life. One usually undertakes a course to qualify for a career opportunity desired.

A career opportunity is sometimes known as a career option. Choosing a career opportunity should be done with a lot of care because the decisions you take will affect your life for many years. For an individual to make a choice of a career opportunity, it depends upon a number of factors such as family, academic preference and personal interests.



Army officers



Lawyers in court

Fig.2.1. Army officers and lawyers are some of the career options one can choose from.

Did you know?

The career you choose is most likely the job you will do for the rest of your life. You should therefore be careful when making a career choice.

2.2: Importance of Choosing Careers in Life

Referring to activity 2.1 and 2.2, you should choose a career in life due to the following reasons.

- ☞ **Develop professional goals:** Choosing a career path can help you set professional goals and develop a strategy for getting where you want to be. Choosing a career involves making an honest self-evaluation of your talents, abilities and interests. While elements of your path may change over time due to choice or circumstance, having an overall professional objective with which to guide yourself will help you make critical decisions with greater clarity.
- ☞ **Utilises your strength:** Choosing a career that uses your best skills prevents a situation where hard work only leads to frustration. What you're required to do in a job is not always what you're best at, even if you eventually succeed. Often, people know what they are good at but never utilise the opportunity to apply those skills. Selecting a job that you will enjoy doing ultimately lets you simply follow your interests in pursuing a career path.
- ☞ **Develops innovation:** Enterprises benefit when their people have a genuine interest in the field they work. In addition to day-to-day motivation, employees are more likely to see their work from a variety of perspectives and bring fresh ideas to the table. This is how innovation occurs. You also benefit from this tendency toward innovation in a career that you enjoy.
- ☞ **Leads to high performance standards:** Successful people are required to meet high performance standards. This pressure comes from employers, corporate culture and when you are an entrepreneur in the marketplace. The necessary time, energy and intellectual capital is easier to expend when you love the work you do. From the most basic gauge of job happiness, getting up in the morning to go to work because you love your job, to pushing yourself to go further in your career, remaining engaged is key to continued success.

Cross-cutting Issue: Standardisation culture

Individuals who choose a career according to their interest and talent usually perform to their best and offer high standard and good quality services to their clients. You are therefore advised to choose a career according to your interest and talent.

- ☞ Career choice will **help you find meaning in the job** you are doing and view

the job as a ‘calling’. This will help you enjoy your work and your life as well.

- ☞ **Acts as a motivation to remain committed.** During the early phases of a career, you develop fundamental skills and complete tasks that may seem divergent to your ultimate professional objective. Few people, however, can dive right into the meat of the career they feel they were born to do. So an in-depth understanding of what the career entails and the knowledge that your life’s work will ultimately be fulfilling, adds to your motivation to remain committed, even when the rewards seem distant.
- ☞ Career choice leads one to much greater heights in terms of happiness and success.
- ☞ Career choice helps one enhance the skills he/she has and also learn more skills as one grows in the job.
- ☞ Career choice provides one with a platform to make all the difference and also support the employer in developing the business.

Importance of choosing a career

- ✓ Develops professional goals.
- ✓ Utilises your strength
- ✓ Develops innovation
- ✓ Leads to high performance standards
- ✓ Motivation to remain committed
- ✓ Find meaning in a job
- ✓ Greater heights in terms of happiness
- ✓ Enhances skills
- ✓ Platform to make all the difference

Fig.2.2. Importance of choosing careers in life.

2.3: Fields of Career Opportunities

ACTIVITY 2.3

Give examples of careers one can take in each field by filling in the table below.

No	Security Field	Political Field	Law Field	Engineering Field	Commercial Field	Tourism Field
1.						
2.						
3.						
4.						
5.						

Facts: “We all go to school because we want to have a bright future. When we were young, our parents might have forced us to go to school. However, at the moment, we have seen the need of going to school. The main reason most learners go to school is because they want to have a good career in life.

There are very many careers in the world. The main fields include:

1. **Education field** for example; headteachers, teachers, school administrators, bursars and university lecturers.



Headmistress addressing learners.



Teacher in class

Fig.2.3. Teachers, lecturers, and school administrators belong to the education field.

2. **Medical field** for example; doctors, nurses, surgeons, pharmacists, gynaecologists, dermatologists, physicians and so on.



Doctor



Pharmacists

Fig.2.4. Doctors, pharmacists, dentists, surgeons and nurses belong to the medical field.

3. **Agricultural field** for example; livestock farmers, dairy farmers, crop growers, etc.



Dairy farmer



Crop grower

Fig.2.5. Diary farmers and crop growers belong to the agricultural field.

Cross-cutting Issue: Environment and Sustainability

Individuals involved in agro-forestry activities greatly contribute in protection and sustainability of the environment and its surroundings and at the same time making money.

4. **Engineering field** for example, electrical engineers, civil engineers, telecommunication engineers, mechanical engineers, land surveyors and so on.



Surveyor



Mechanical engineer

Fig.2.6. Civil engineers, surveyors, mechanical engineers, all belong to the engineering field.

5. **Political field** for example; presidents, vice presidents, mayors, ministers, members of parliament (senators), community leaders and so on.
6. **Construction field** for example; construction engineers and so on;
7. **Commercial and manufacturing field** for example; wholesalers, retailers, vehicle manufacturing, textile production, bakeries and confectioneries.



Textile production



Retailer

Fig.2.7. Some of the career opportunities in commercial and manufacturing field.

8. **Transport field** for example; freighters, cargo couriers, pilots, air hostesses, drivers, captains and so on.

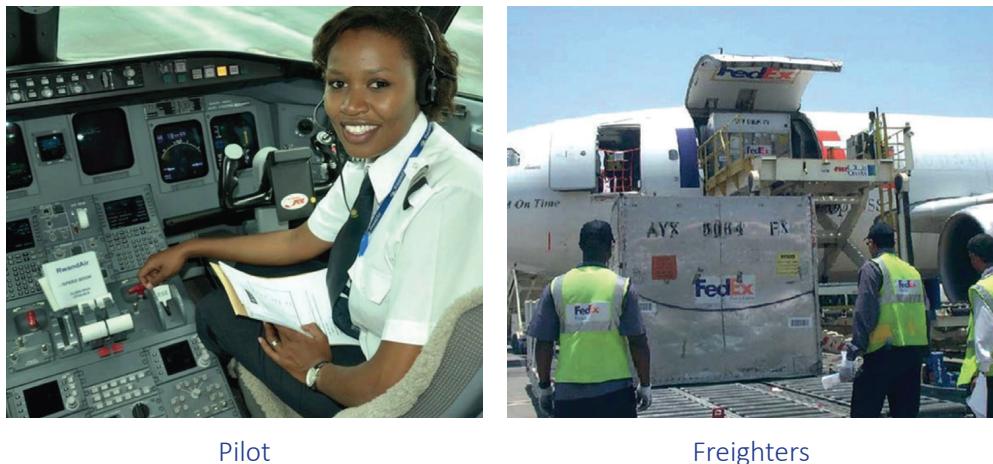


Fig.2.8. Some of the career opportunities in the transport field.

9. **Legal field** for example; lawyers, judges, juries and attorney generals.



Fig.2.9. Some of the career opportunities in the legal field.

10. **Finance field** for example; bankers, accountants, Chief Administrative Officers (CAO), money changers, finance consultants and so on.



Forex bureau cashier

Bank tellers at a Bank in Rwanda

Fig.2.10. Some of the career opportunities in the finance field.

Cross-cutting Issue: Financial education

*Financial activities are very important in the success and survival of the business.
It plays a very important part in a business to operate for a going concern.*

11. **Security field** for example; police, military and army, secrete service/intelligence, etc.



Military officers



Police officers

Fig.2.11. Some of the career opportunities in the security field.

Cross-cutting Issue: Peace and values

Security maintained in the country greatly leads to peaceful operations of the businesses in the country. This greatly leads to increased efficiency and productivity of such businesses leading to improved standards of living.

12. **Media field:** This involves people working as news readers, news anchors, television

and radio presenters, journalists and so on.



Journalist

Radio presenters

Fig.2.12. Some of the career opportunities in the media field.

Cross-cutting Issue: Gender education

Men and women should consider choosing a career that best suits their interest. This will greatly increase their performance and positively affect their lives.

13. **Hotel and tourism field** for example; barristers, waitresses, waiters, chefs, tourist guides, and so on.



Chefs



Waiter

Fig.2.13. Some of the career opportunities in the hotel and tourism field.

Fields of career opportunities

- ✓ Agricultural field
- ✓ Engineering field
- ✓ Commercial and manufacturing field
- ✓ Finance field
- ✓ Transport field
- ✓ Political field
- ✓ Construction field
- ✓ Security field
- ✓ Media field
- ✓ Legal field
- ✓ Hotel and tourism field

Fig.2.14. Fields of career opportunities.

Test skills acquired 2.1

1. Julienne is a lay person who needs to know the difference between a career and career opportunity. As a senior three learner who has just acquired knowledge about career opportunities, with clear examples, explain to Julienne the difference.
2. Read the sentences in the table below and indicate true or false.

Statement	True/False
(a) A journalist belongs to the education field.	
(b) A DJ belongs to the media field.	
(c) Teachers belong to the medical field.	
(d) Police officers belong to the political field.	
(e) Pilots belong to the air field.	
(f) A barrister and chef belong to the same field.	
(g) Accountants and bankers belong to the finance field.	
(h) Lawyers and teachers belong to the same field.	

3. For numbers 3 to 7, circle the wrong alternative. The following are importances of choosing a career in life except;

 - (a) Enhance skills
 - (b) Become a lawyer.
 - (c) Develop professional goals.
 - (d) Lead to high performance standards.

4. A career is sometimes known as;
 - (a) A good choice
 - (b) A profession
 - (c) An occupation
5. A career is composed of;
 - (a) work accomplished
 - (b) titles earned
 - (c) Good luck
 - (d) Job held
6. The following are examples of careers except;
 - (a) Teacher
 - (b) Medical
 - (c) Lawyer
 - (d) Journalist
7. The following are fields of career opportunities except;
 - (a) Finance
 - (b) Civil engineer
 - (c) Security
 - (d) Media

2.4: Sources of Career Information

ACTIVITY 2.4

Discuss various ways you got information about your school.
Present your findings to the class.

From activity 2.4, the sources of information about your school relates to sources of career information. You can get career information from the following sources:

1. **Parents, friends and relatives:** Families and friends can be extremely helpful in providing career information. While they may not always have the information needed, they may know other knowledgeable people and be able to put you in touch with them. These contacts can lead to an “information interview; which usually means talking to someone who can provide information about a career. This person should have the experience to describe how he or she trained for the job, received promotions, and the likes or dislikes of the job. Not only can the person advise what to do, he or she can advise what not to do.
2. **Professional societies, trade groups, and labour unions:** These groups have information on careers with which they are associated or which they actively represent. This information may cover training requirements, earnings, and

listings of local employers. These groups may train members or potential members themselves, or may be able to put you in contact with organisations or individuals who have been in that career for a long time.

3. **Personal skills, talent and passion:** The first places to start when looking for business ideas or opportunities is to look within you. Most people miss this greatest source of career information because of ignorance, laziness and self-doubts. If you are talented or having a proven track record in a specific field, then it is time to analyse that skill or talent. You can discover what you are good at what career to take by asking yourself the questions such as; what skills or talents do you possess?, what are your hobbies?, what are you passionate about?, do you possess a skill that people are willing to pay for?



Cristiano Ronaldo, a football player.



Rwandan pop star Knowless Butera.

Fig.2.15. It is because of personal skills, talent and passion that Cristiano Ronaldo and Knowless Butera have the careers they chose.

4. **Mass media:** This is a wonderful source of information, ideas and opportunities. Magazines, TV stations, Cable networks, radios, newspapers and internet sites are all examples of mass media. A careful look at the commercial advertisements in newspapers or magazines, you will discover information on careers, as well as the skills and education level required to join the desired career.

Point to consider

Also articles in the printed press or on the internet or documentaries on television may report changes in consumer needs or fashions hence being an important source of career information.

5. **Guidance and career counsellors:** Counsellors can help you make choices about which careers might suit you best. Counsellors can help you determine what occupations suit your skills by testing your aptitude for various types of work, and

determining your strengths and interests. Counsellors can help you evaluate your options and search for a job in your field or help you select a new field altogether.

They can also help you determine which educational or training institutions best fit your goals, and find ways to finance them. Some counsellors offer other services such as interview coaching, resume building, and help in filling out various forms.

Counsellors in secondary schools and post secondary institutions may arrange guest speakers of different career fields, field trips, or job fairs to equip you with detailed information about careers.

6. **Local libraries:** These can be an invaluable source of information since most areas have libraries they can be a convenient place to look for career information. Also, for those who do not otherwise have access to the Internet or e-mail, many libraries provide this access. Libraries may have information on careers locally and internationally; potential contacts within occupations or industries. Libraries frequently have subscriptions to various trade magazines that can provide information on occupations and industries. These sources often have references to organisations which can provide additional information about training and employment opportunities.
7. **Tertiary institutions** such as colleges, universities frequently have career centres with libraries of information on different careers, listings of related jobs, and alumni contacts in various professions. Career centres frequently employ career counsellors who generally provide their services only to their learners and alumni. Career centres can help you choose a career, build your resume, find internships and co-operations which can lead to full-time positions, and tailor your course selection or program to make you a more attractive job applicant.
8. **Exhibitions, expos and trade shows:** Another means to get career information is to attend exhibitions and trade fairs. These are usually advertised on the radio or in newspapers. By visiting such events regularly, you will not only find out new products and services, but you will as well meet sales representatives, wholesalers, distributors, manufacturers and franchisers. These are always excellent sources of career information.
9. **Listening to customer complaints:** Complaints and frustrations on the part of customers have led to prospective career opportunities. Whenever consumers complain badly or bitterly concerning a product or service then, you have the potential for a career opportunity. This will prompt you to acquire more skills at a career opportunity and also to provide better and competitive services or goods.
10. **Surveys:** You can carry out a survey online or offline. One can visit different people of different career fields and find out the advantages and disadvantages of each career field. This helps you to compare and make an informed decision on which career to undertake.

2.5: Steps Taken in Choosing a Career

ACTIVITY 2.5

There are various training opportunities of different learning areas in London. Write down the steps you will take to choose the best training opportunity for you.

Use that information to come up with steps taken in choosing a career.

Present your answers to the class.

From activity 2.5, the following are steps taken in choosing a career.

1. **Asses yourself:** This involves looking at your skills, values, interests, personality and analysing where your strengths and weaknesses lie. This is important both in choosing the right career and also for success in applications and interviews where you will find many questions which test whether you have been through this process. Begin by thinking about where you are now, where you want to be and how you're going to get there.
2. **Make a list of potential occupations:** You should have an idea of your career preferences and research the specific skills and qualifications required for the career. This requires a lot of research on the various careers for better decision making on the occupation of your interest.
3. **Explore the options** that interest you and ask yourself, how your skills and interests match up with the desired career. Here you ask yourself questions like, where are the gaps? What options do I have to gain these skills or qualify for the desired career? What skills do I need? Where is the work or how is the job market?
4. **Narrow down your list:** This is where you think about what suits you best at this point in time. You look at different aspects such as, your best work or training options, how they match with your skills, interests and values, do they fit with the current labour market, do they fit with your current situation and responsibilities, the advantages and disadvantages of each options, what will help and what will hinder you and finally what can you do about it?
5. **Set goals:** A career goal can be a specific job you want to do such as doctor or teacher. It can also be a particular field you want to work in, such as medicine or education. A career goal provides the means and the direction to accomplish your career, act as action-steps necessary to actualise your dreams and may also help you discover career possibilities you would not have thought of otherwise. There are several job possibilities with any chosen career. For instance, if you choose a medical career, you may want to be a scientist, nurse, doctor, dentist, surgeon, pharmacist, etc.
6. **Create a career plan:** This helps you to manage the direction you want your career to take, the job skills and knowledge you will need, and how you can get them.

Here, you plan the steps you need to take to put your plan into action. It involves using all you have learnt about your skills, interests and values together with the information you have gathered about the career you have chosen. A career plan will increase the likelihood of success.

7. **Obtain training:** This is the final stage of choosing a career. Individuals train so as to specialise in various areas under a specific field. Training in a specific career can be for a long term or a short term. Short-term training includes any class or program that lasts less than two years. All short-term training can help you get career information, find a job, get a promotion, or earn more money. Many programs lead to a certificate, which can give you a helpful edge in the job market and it enables one to be a professional.

Unit Summary

Meaning of a career, opportunity and career opportunity

- ☞ *A career is the type of work, job or profession that someone does for a long period of their life and in which they hope to gain advancement.*
- ☞ *An opportunity is an occasion or situation that makes it possible to do something that you want to do or have to do. It is the possibility of doing something.*
- ☞ *A career opportunity is an occupation chosen as one's work for life. One usually undertakes a course to qualify for the desired career opportunity.*

Importance of choosing careers in life

- ☞ *Develops professional goals.*
- ☞ *Utilises your strength.*
- ☞ *Develops innovation.*
- ☞ *Leads to high performance standards.*
- ☞ *Acts as a motivation to remain committed.*
- ☞ *Find meaning in the job.*
- ☞ *Leads one to much greater heights in terms of happiness and success.*
- ☞ *Helps one enhance the skills that you have and also help us in learning new skills as you grow in the job.*
- ☞ *Career choice provides one with a platform to make all the difference and also support the employer in developing the business.*

Fields of career opportunities

- ☞ *Education field*
- ☞ *Medical field*
- ☞ *Agricultural field*

TOPIC AREA: ENTREPRENEURIAL CULTURE

SUB-TOPIC AREA: PERSONAL DEVELOPMENT

UNIT 3

Communication Skills



Key unit competence: To be able to communicate effectively in life and business.

Introductory Activity

Have you ever spent a day without talking to or making a signal to someone? You talk to friends, family, neighbours and classmates. In class, you talk to your friends and class teacher. Your teacher teaches you and you respond by participating in his or her class.

At times, your teacher calls your parents to tell them about your progress in class. **Sending and receiving messages is vital in a home, school, community and country at large.** This is what we call communication. Every one is capable of communicating.

Did you know that the deaf and dumb communicate? This is very true. They communicate using sign language, a form of non verbal communication.

When the president of Rwanda wants to communicate to Rwanda, he uses the National TV, rallies, tweets/tweeter and radio stations to pass on his message. He sometimes delivers his message written in newspapers, magazines and any other written documents.

Businesses send and receive messages to and from their customers.

Before communicating, they consider certain factors to choose a mode of communication to suit the message to be communicated.

Question

If you have a message to pass on to Rwandans across the country, what are the various possible ways you can pass on the message?

3.1: Communication: Meaning of Communication

ACTIVITY 3.1

A. The following are extracts from the units you covered in Senior one and two.

Carefully read each of them and answer briefly the questions against each.

(i) Roles of an entrepreneur in entrepreneurship such as mobilising necessary resources.

Qn. How does an entrepreneur get people to work with?

.....

(ii) Accessing business finance such as grants, loans from banks, trade credits, etc.

Qn. What can an entrepreneur do to get business finances?

.....

(iii) Users of accounting information include internal users such as employees, shareholders, managers, etc.

Qn. How does the entrepreneur inform owners about the business affairs?

.....

(iv) Relationship between demand and supply.

Qn. How do buyers and sellers agree on the price of commodities in the market?

.....

(v) Rights and obligation of tax payers.

Qn. How do tax payers get to know their rights and obligations and the amount to pay?

.....

(vi) Source documents

Qn. How does an entrepreneur inform sellers about goods needed or how much to pay for goods?

.....

How does your school director inform you about the affairs of the school?

.....

B. From the above extracts, you realise that there is flow of information among different people or parties.

(a) How is the flow or movement of information among different parties called?

(b) How do you call the party that sends the information?

(c) How do you call the party that receives the information?

(d) What is the importance of communication to entrepreneurs?

It's nearly impossible to go through a day without of communicating. In communication, there is sending and receiving of information between two or more people.

The person sending the message is referred to as the **sender**, while the person receiving the information is called the **receiver**. The information conveyed can include facts, ideas, concepts, opinions, beliefs, attitudes, instructions, pictures and even emotions.

Communication is a process of exchanging information, ideas, thoughts, feelings and emotions through speech, signals, writing, or behaviour.

In the communication process, a **sender (encoder)** encodes a message and then using a **medium/channel** sends it to the **receiver (decoder)** who decodes the message and after processing information, sends back appropriate **feedback/reply** using a **medium/channel**.

Cross-cutting Issue: Peace and values

One needs to be very cautious when exchanging information, ideas, thoughts, feelings and or emotions such that any form of communication promotes positive values in the community one belongs to.

3.2: Types of Communication

ACTIVITY 3.2

Read the following statements on information flow and answer questions that follow.

- (a) There should be no smoking in the company.
- (b) The company accountant sends tax information to Rwanda Revenue Authority (RRA).
- (c) The manager writes a MEMO informing all workers in the company about new work changes.
- (d) The purchasing officer sends inquiry letters to potential suppliers.
- (e) The human resource manager puts an advert for vacant positions in the newspapers.
- (f) The finance manager sends an email to remind the production manager about the meeting to be held next week.
- (g) The head-teacher calls a staff meeting to discuss the learners' performance.
- (h) The head-teacher calls a parents' meeting to discuss the learners' performance.

Questions

1. Using a table, categorise the above statements on information according to where the information is moving, either within the company or out of the company.

Flow of information	
Within the company	Out of the company

2. Which type of communication involves flow of information within the company?
3. Which type of communication involves flow of information out of the company?
4. What are some of the channels through which information/communication can be done;
 - (a) within the organisation?
 - (b) out of the organisation?

From activity 3.2, you realise that there are two types of communication, **internal** and **external**. Internal and external communication are considered to be very important resources of business communication.

The two types can be further be classified into three forms; verbal, either oral or written, non-verbal communication and visual communication (Graphs, photos, etc). These three may take different form based on relationship between communicators, direction flow of information, means, methods and equipment used by communicators.

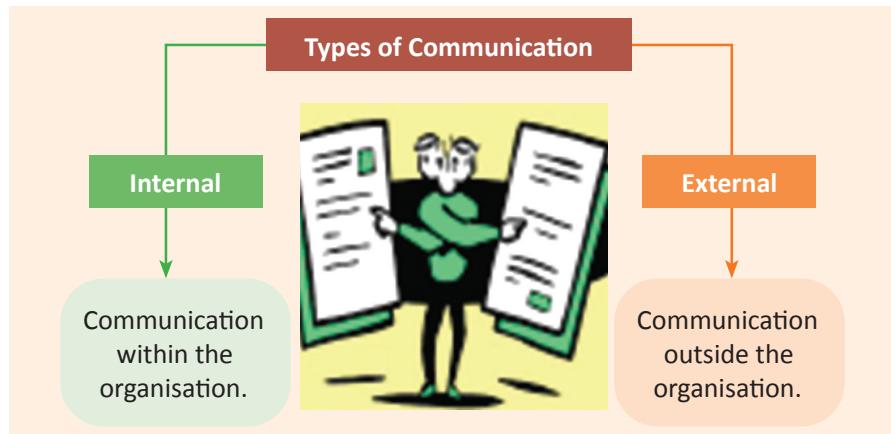


Fig.3.1. Types of communication (internal and external).

3.2.1: Internal Communication

Internal communication is the exchange of information and ideas within the organisation itself. It occurs when messages are sent between people working within the same enterprise (internal parties). For example, when the manager of the enterprise talks to the staff he or she is in charge of, or a report sent by a departmental manager to the managing director.

Messages can be exchanged via personal contacts, telephones, e-mails, intranet (the website accessible only by employees), staff meetings, and online tools for information exchange (Google Calendar, and Google Drive) and so on.

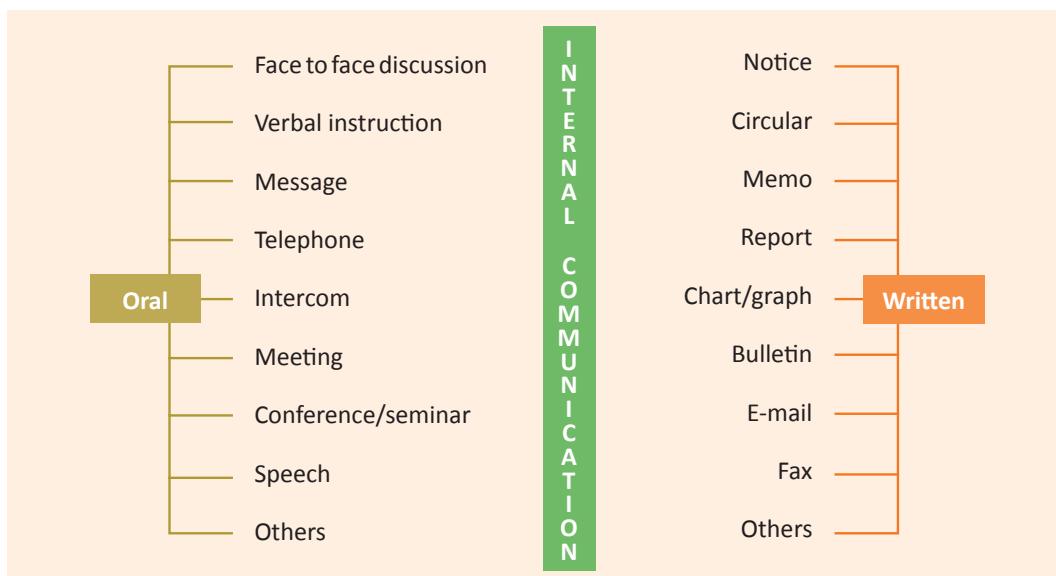


Fig.3.2. Internal communication.

Internal communication as a way of information exchange within the organisation can be **vertical** (junior to senior staff or senior to junior staff), **horizontal** (same level) and **diagonal**.

Internal upward communication helps employees in performing their work, developing a clear sense of organisation mission, identifying and promptly dealing with potential problems.

3. 2.2: External Communication

External communication is the exchange of information and ideas from the organisation to outside the organisation and vice versa. Under this type of communication, information flows between the organisation and external parties.

External parties of an organisation include: suppliers, debtors, government, competitors, creditors, financiers, shareholders and so on.

Examples of external messages include:

- ☞ Documents received from or sent to other organisations and individuals such as orders for goods, letters, invoices and financial statements.
- ☞ Advertising of goods or services provided by the organisation.
- ☞ Letters, circulars and other documents sent or received from the government.

While in internal communication information flow goes upwards, downwards, horizontally and diagonally within the organisational structure, in external communication, the information exchange goes both within the organisation and outside of it. Organisations communicate with the outside world on a daily basis. External communication can be **formal** or **informal**.

Special attention should be paid to formal communication in organisations regardless of how it is established - via a letter, e-mail, web, telephone or some other way. The efficient external communication is the first step in creating the appropriate image. Carefully created letters, reports, presentations or web pages, send the outside world an important message about the work and quality of the organisation.

3.3: Methods of Communication

ACTIVITY 3.3

- (a) Analyse the following pictures and do the activity by filling in the table.



- | | |
|-----|--------------------------------------|
| (a) | Method of communication: |
| (b) | Brief explanation:
.....
..... |
| (c) | Examples:
(i)
(ii) |



- (a) Method of communication:
- (b) Brief explanation:
.....
.....
- (c) Examples:
 - (i)
 - (ii)



- (a) Method of communication:
- (b) Brief explanation:
.....
.....
- (c) Examples:
 - (i)
 - (ii)



- (a) Method of communication:
- (b) Brief explanation:
.....
.....
- (c) Examples:
 - (i)
 - (ii)

- (b) Give two advantages and disadvantages of each method of communication identified in (a) above.

Method	Advantage	Disadvantage

Methods of communication include:

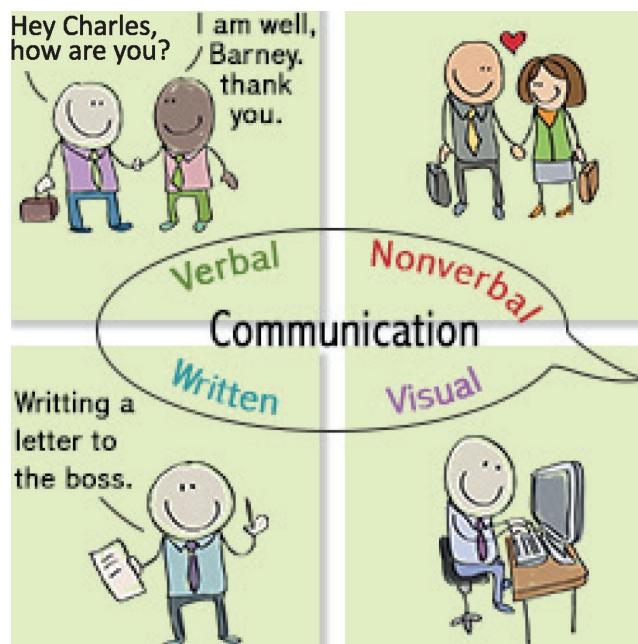


Fig.3.3. Methods of communication: verbal, nonverbal, written and visual.

3.3.1: Verbal (oral) Communication

ACTIVITY 3.4

Study the pictures below and answer the questions that follow.



Questions

1. Analyse the method of communication depicted in the pictures above.
2. Assess the advantages of the method of communication depicted in the pictures above.
3. Assess the disadvantages of the method of communication in the pictures above.

From activity 3.4, verbal communication is simply the sending and receiving of messages through a spoken language that is understood by both the sender and receiver of the message.

Examples of verbal communications include face-to-face talking, listening to a lecture or seminar, and listening to a television or radio program. In fact, if you are listening to this lesson, you are engaged in a verbal form of communication.

Advantages of Verbal (oral) Communication

Oral communication involves many advantages which include:

- ☞ **Time saving:** When action is required to be taken immediately, it is best to transmit a message via verbal/oral communication. In verbal communication, the sender releases the message immediately and the receiver gets the message instantly. Therefore, the message is passed on instantly and the feedback got on time thereby saving time of both the sender and the receiver.
- ☞ **Cost savings:** Cost is involved in any communication. If you are to pass on information within the organisation and you use verbal/oral communication, no cost is incurred. It does not need any paper, pen, stamp, computer, delivery charges and any other communication charges.
- ☞ **Immediate feedback:** The speaker can get immediate feedback on whether it is creating a favourable impression on the receiver or whether the receiver will protest or whether the receiver has clearly understood the meaning of the message or is feeling confused and s/he can mould and adjust his/her message accordingly.
- ☞ **More suitable:** Oral communication is more suitable for internal communication. The employees feel involved in the company affairs when the message is transmitted orally. The employees get an opportunity for immediate feedback and clarification.
- ☞ **Develops relationship:** Oral communication helps to promote friendly relations between the sender and the receiver because these parties directly speak to each other.
- ☞ **Flexibility:** By the demand of the situations, oral instructions can be changed easily and for these cases many formalities are not necessary. So, it is very much flexible and effective.
- ☞ **Easiness:** It is a very easy method of communication. It needs little preparation to send a message. No need of pens, pencils, papers and other writing equipment needed in written communication.
- ☞ **Correction of errors:** If any error is expressed at the time of oral communication, it is possible to rectify it immediately.
- ☞ **Maintaining secrecy:** Interested parties of oral communication can maintain the secrecy of messages easily.

Essentials of communication don'ts

- *Do not instantly react and speak something in anger.*
- *Do not use technical terms and terminologies not understood by many people.*
- *Do not speak too fast or too slow.*
- *Do not speak in noisy surroundings as you won't be heard.*
- *Do not assume that everybody understands you.*
- *While speaking, do not look distracted as you might as well distract your receiver.*
- *Do not interrupt the speaker.*
- *Do not interrupt the conclusion that you have understood everything.*

Fig.3.4. Essentials of communication don'ts.

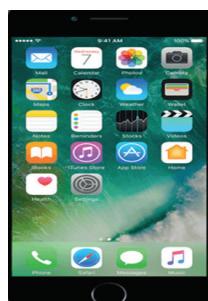
Disadvantages of Verbal Communication

In spite of the many advantages of verbal communication, it is associated with some disadvantages which are given below:

- ☞ **No record:** In oral communication, messages are difficult to record. So, it is impossible to preserve the message for future use.
- ☞ **Expensive:** It is an expensive media of communication. The technological devices that are used in this system are costly such as phones, computers, etc.



Land-line telephone



Mobile telephone



Television

Fig.3.5. Telephones and Televisions are expensive forms of verbal communication.

- ☞ **Inaccuracy:** There is a possibility of inaccurate messages to reach the intended destination. So, the reverse result of expected feedback may occur.
- ☞ **Limited use:** The scope of usage of oral communication is limited. It is not suitable for lengthy messages. It should be used for short messages.
- ☞ **Confused speech:** Sometimes the receiver fails to understand the meaning of a message due to habitual behaviour of the speaker.
- ☞ **No legal validity:** There isn't any legal validity of oral communication since oral messages are not taped and kept records of, so it can be denied easily if the situation goes against the speaker.

- ☞ **Defective:** Oral communication is inappropriate for the company's policy, procedure, programs, law and other important information.
- ☞ **Late decision:** It takes time to reach a decision. At the beginning stage, some time is wasted in the discussion of any personal matters. Some time is also wasted for irrelevant discussion. In this way decision making is delayed.
- ☞ **Distortion of the word:** There can be distortion of words and meaning if oral communication is passed onto a third party. This can lead to misinformation in an organisation and the main goals of communication may be failed. Look at the demonstration below:

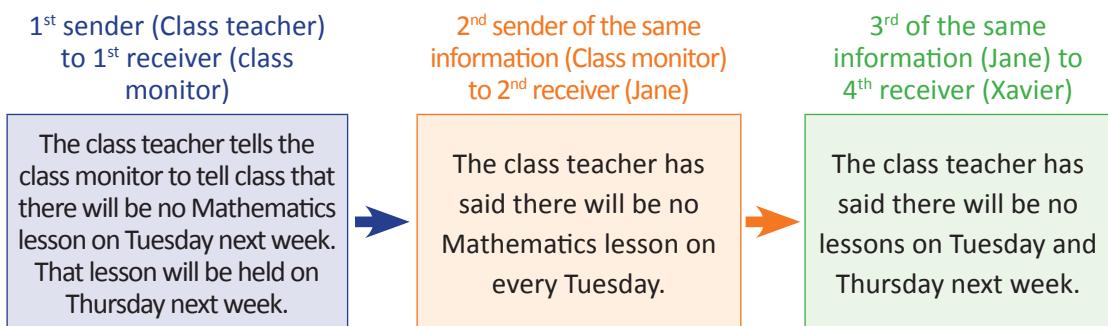


Fig.3.6. Verbal communication can easily be distorted like in the demonstrated example. By the time information reached the third receiver, it was already distorted with a different meaning from the original message of the class teacher.

- ☞ **Less important:** In oral communication, meaningless speech can mislead the main effects of the communication. But when the information comes out in written, we take it seriously.
- ☞ **Lack of secrecy:** In oral communication, important and secret information may be disclosed by any of the parties involved in the communication.
- ☞ **Creates misunderstanding:** The speaker often gives a message without having properly organised it earlier. It is possible that s/he may not be able to prepare her/himself properly to communicate with the receiver. As a result, misunderstandings may develop.

3.3.2: Non-verbal Communication

ACTIVITY 3.5

Study the pictures below and answer the questions that follow.



Questions

1. State the method of communication depicted in the pictures above.
2. Assess the advantages of the method of communication depicted in the pictures above.
3. Assess the disadvantages of the method of communication in the pictures above.

Non-verbal communication is the sending and receiving of **wordless messages**.

We can say that communication other than oral and written, such as **gesture, body language, posture, tone of voice or facial expressions**, is called non-verbal communication. Non-verbal communication is all about the body language of the speaker/sender and the receiver.

Advantages of Non-verbal Communication

There is a proverb “**actions speak louder than words**”. Research in communication suggests that many more feelings and intentions are sent and received non-verbally than verbally.

Non-verbal communication has multiple advantages or functions. These include:

- ❖ **Complementary:** Non-verbal communication complements verbal messages by adding to its meaning. You can pat someone you offended at the back as you apologise to him or her.
- ❖ **Substitution for oral communication:** Non-verbal message may substitute verbal messages especially if it is blocked by noise, interruption, long distance etc, for example, gestures-finger to lips to indicate need for silence, facial expressions- a nod instead of a yes.
- ❖ **Easily understood by illiterate people:** This type of communication uses gestures, facial expressions, eye contact, proximity, touching, etc., without using any spoken or written word. This makes it helpful for illiterate people.

- ☞ **Reduces wastage of time:** The message of non-verbal communication reaches the receiver very fast. For this reason, it reduces the wastage of valuable time of the communicator.
- ☞ **Quick expression of messages:** Non-verbal cues of communication like signs and symbols can also communicate some messages very quickly than written or oral messages.

Disadvantages or limitations of non-verbal communication

Despite of advantages of non-verbal communication, it is not free from its limitations or disadvantages which include:

- ☞ **Vague and imprecise:** Non-verbal communication is quite vague and imprecise since in this communication there is no use of words or language which expresses clear meaning to the receiver. No dictionary can accurately classify non-verbal communication. Their meaning varies not only by culture and context but by degree of intention.
- ☞ **Culture-bound:** Non-verbal communication is learnt in childhood, passed on to you by your parents and others with whom you associate. A few other gestures seem to be universal. Evidence suggests that humans of all cultures smile when happy and frown when unhappy. However, most non-verbal symbols seem to be even further disconnected from any "essential meaning" than verbal symbols.
- ☞ **Long conversations are not possible:** In non-verbal communication, long conversations and necessary explanations are not possible. No party can discuss the particular issues of the messages using signs and symbols.
- ☞ **Difficult to understand:** Non-verbal communication is difficult to understand and requires a lot of repetitions. Non-verbal communication uses gestures, facial expressions, eye contact, touch, etc., which might not be easily understood by some people or might have a different meaning to different cultures or nationalities.
- ☞ **Lack of formality:** Non-verbal communication does not follow any rules, formality or structure like other methods of communication. In most cases, people are unconsciously and habitually engaged in non-verbal communication by moving the various parts of the body.
- ☞ **Distortion of information:** Since it uses gestures, facial expressions, eye contact, touch, signs, sound, para-language, etc. for communicating with others, there is a great possibility in distortion of information in non-verbal communication.

3.3.3: Written Communication

ACTIVITY 3.6

Study the pictures below and answer the questions that follow.

Newspapers

Magazine

Questions

1. State the method of communication depicted in the pictures above.
2. Assess the advantages of the method of communication depicted in the pictures above.
3. Assess the disadvantages of the method of communication in the pictures above.

Written communication is the sending and receiving of messages by the use of symbols that are understood by both the sender and receiver of the message. The message in written communication is conveyed to the sender with the help of written words.

If you are reading this book, you are engaged in written communication. Letters, personal journals, e-mails, reports, articles, and memos are some of the forms of written communication.

Advantages of written communication

Advantages or importances of written communication include:

- ☞ **Easy presentation of complex matter:** Written communication is the best way to represent any complex matter easily and attractively.
- ☞ **Permanent record:** The documents of written communication act as a permanent record. When it is needed, information can be easily retrieved from the preserved documents. It can also be used for future reference.
- ☞ **Accurate presentation:** Through written documents, top executives can present the information more accurately and clearly to the relevant parties.
- ☞ **Less distortion:** It is not easy to distort written communication since once written, there is less possibility of distortion and alteration of the information. The records are permanent.
- ☞ **Not easily misinterpreted:** There are less chances of misinterpreting the information or messages under written communication. You read and interpret what you see in the written document.
- ☞ **Control tool:** Through written communication, an organisation can properly state out its rules and regulations to the company employees. In this way, written communication helps to control the organisation activities. Therefore, a written document can be used as a tool of control.
- ☞ **Easy to verify:** In the events of any misunderstandings, written information and messages that are preserved can easily be retrieved and used as evidence in solving such a misunderstanding. Parties involved in the misunderstanding can easily verify the preserved written communication.
- ☞ **Others:** Easily understood, used as a legal document, easily accepted, reduction of risks, creates confidence, circulates easily, wide access or coverage, etc.

Disadvantages of written communication

The limitations and disadvantages of written communication are discussed below:

- ☞ **Expensive:** Under written communication, paper, pen, ink, typewriter or computer and employees are needed. This makes it comparatively expensive.
- ☞ **Time consuming:** Written communication takes time to reach the receiver. The sender must first acquire a pen, paper, ink, computer to lay down the message and later send it through email or post office or personal delivery to the receiver. This process is tiresome and time consuming.
- ☞ **Doesn't favour illiterate people:** If the receiver of the message is illiterate, written communication is quite impossible to understand. It is basically appropriate for those who cannot read or write.

- ☞ **Lack of flexibility:** Written documents cannot be easily changed anytime you want. This makes it less flexible.
- ☞ **Delay in response:** It takes much time to get a response from the receiver; prompt response is not possible in case of written communication compared to oral communication.
- ☞ **Lack of direct relation:** Written communication does not establish a direct relationship between the sender and the receiver. The sender writes the message in any document such as letters, magazines, novels; sends it through a medium and the receiver gets in contact with only the sent document.

3.3.4: Visual communication

ACTIVITY 3.7

You have been presented by the following communication aids: photography, signs, symbols, maps, colours, posters, banners and designs.

Questions

1. To which method of communication do the above aids belong?
2. Assess the advantages of the method of communication mentioned in 1above.
3. Assess the disadvantages of the method of communication mentioned in 1above.

From activity 3.7, you realise communication involves visual display of information, whereby the message is understood or expressed with the help of visual aids.

For example, photography, signs, symbols, maps, colours, posters, banners and designs help the viewer understand the message visually. Movies and plays, television shows and video clips are all electronic form of visual communication.

Visual communication also involves the transfer of information in form of text which is received through an electronic medium such as a computer, phone, etc.; icons and emotions are a form of visual communication. When these icons are used in a public place, phone or computer, they instruct the user about their meaning and usage.

So, visual communication is a method of communication where ideas and information can be read or viewed through the means of visual aid.

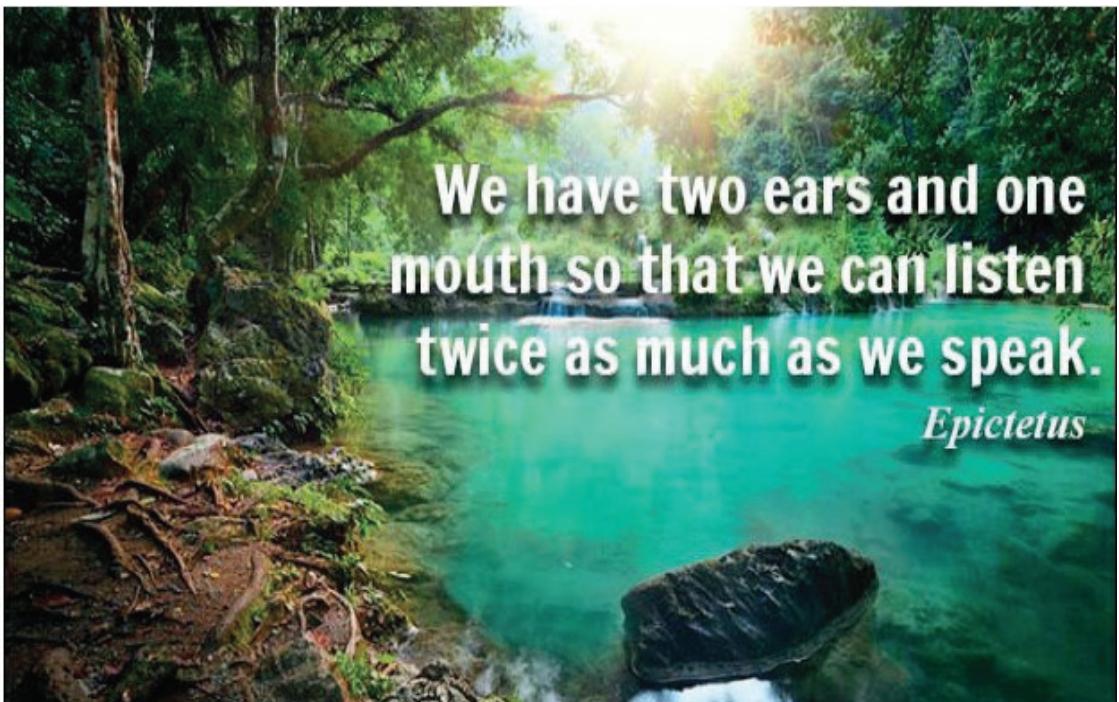


Fig.3.8. Visual communication.

Advantages of visual communication

Now days, most organisations are using visual techniques to present information. This is becoming very popular day by day.

Visual presentation is beneficial for many reasons. Some of them are:

- ❖ **Effective for illiterate receivers:** If the receivers are illiterate, visual communication is more effective to exchange information. They can easily understand the information that is presented visually.
- ❖ **Compliments oral communication:** Visual techniques compliment oral and written communication and makes them more meaningful if graphs, pictures, pie charts, maps and diagrams are used with it.
- ❖ **Easy explanation:** Everyone can easily explain the meaning portrayed in visual communication. Their easiness to plan and understand has made visual communication techniques more popular.
- ❖ **Simple presentation:** Complex information, data and figures can be easily presented and simplified by use of graphs, pictures, pie charts, maps and diagrams.
- ❖ **Prevents wastage of time:** Written and oral communication takes much time to exchange information while a big number of receivers can be communicated too at the same time through visual methods.
- ❖ **Helps in quick decision:** Visual communication helps to take quick decisions.

So, management prefers visual techniques to communicate with others.

- ☞ **Popular:** Visual communication is very popular because people do not like much speech and long explanations rather than a chart or a diagram. Messages communicated in this form tend to have a more lasting impact on the receiver.
- ☞ **Instant feedback:** Under visual communication, a feedback of the impact of the message can easily be observed in the reaction and behaviour of the receiver.
- ☞ **Permanent record:** Maps, charts, photographs and notices are permanent records and can be used for future reference.

Disadvantages of visual communication

There are some limitations of visual communication which include:

- ☞ **Not appropriate for blind people:** Difficult for blind people to understand the message/information since it requires eye sight.
- ☞ **Different interpretation of symbols:** The meanings of certain symbols and signs may not be known to all the audience. Different people may interpret the same symbols and signs differently. Thereby portraying a different message.
- ☞ **Costly:** Aides of visual communication are more costly than those of other methods of communication. Its costly to draw maps, charts and diagrams. That is why only large companies use this method of communication.
- ☞ **Complex presentation:** Sometimes visual presentation of information becomes complex and the receiver is not able to understand the meaning of the presentation. This is because it needs to be combined with other methods of communication to convey the actual message.
- ☞ **Wastage of time:** Sometimes visual techniques take much time to be interpreted and understood by the receiver. For example, a receiver may take time to interpret and understand information portrayed in a pie chart, map, etc.

Test skills acquired 3.1

Analyse the case studies below and answer questions that follow:

Case study 1

Three years ago, fifty employees of a large manufacturing enterprise formed a cooperative retail shop. They employed a shop manager to run the shop. The shop has been doing well for the last three years. However, this year, business has not been good and the manager is concerned about the situation. Sales have been very low and the profits are declining. The manager has decided to write to each member of the co-operative to inform them of the situation facing the shop. In the letter, she has asked for ideas on how to increase the sales. The members have also been asked to confirm whether they have received the letter and inform the manager how they individually intend to act on the matter.

Questions

1. Identify the following;
 - (a) the transmitter of the message.
 - (b) the medium used.
 - (c) the receiver of the message.
2. Give the reasons why the method of communication used above is not the most appropriate under the circumstances.
3. Identify the short-comings associated with the method of communication used above with regard to feedback required.
4. Identify the method of communicating the message that if it had been used would have been the most appropriate under the circumstances and give your reasons to support your answer.

You can have brilliant ideas, but if you cant get them across, your ideas wont get you anywhere.

Case study 2

The managing director of an electrical company has two messages to communicate to the employees. In the first message, he wishes to break the good news that the company has just won a tender worth billions of Rwandan francs for the supply of electrical components to a large local manufacturing firm.

In the second message, he would like to inform twenty members of staff that their services are no longer required due to the automation program that has enabled the company to install machines that are computerised and more efficient. Their services therefore have to be terminated. However, they will each receive a sum of money as compensation.

Questions

1. Identify the sender and the receiver of the message.
2. State the message to be communicated.
3. Identify the most suitable means to use, giving reasons for your choice.
4. Explain whether formal or informal method of communication would be most suitable and give reasons for your answer.

3.4: Factors Considered When Choosing Methods of Communication

ACTIVITY 3.8

1. Entrepreneurs and organisations employ a number of communication methods during their business operations. Identify and explain some of the factors which may influence entrepreneurs or organisations in choosing and using a given method of communication.
2. Read the statements on information flow and fill in the table with the right answer.

Statement	Method of communication	Factors to consider
(a) A manager wants to inform workers about a meeting to take place in 2-hours' time.		
(b) A manager informs workers about changes in the company rules and regulations.		
(c) A manager informs the gate keeper to open the gate.		
(d) A manager wants to inform colleagues in the same workroom to reduce the noise.		
(e) A manager wants to inform company suppliers in the USA about the products required.		
(f) A manager informs members of the public about job vacancies in the organisation.		

Communication is an important tool in all aspects of life. It ensures that a company runs its operations. Families are also able to stay connected to each other because of communication. There are times when face to face communication is not possible, and therefore people have to choose another effective method of communication to pass on messages.

The method chosen often has a great impact on the outcome of a situation especially if the message that is supposed to be relayed is of vital importance.

Technology has enabled people to have a variety of options in choosing the means of communication that is efficient for them. Below are some factors to consider when choosing an appropriate means of communication:

- ☞ **Speed and urgency:** The speed with which the information should be transmitted, received and action taken is important. Messages must be sent and received on time depending on their urgency. Urgent messages require speed and may be sent by telephone, fax, telex, telegram, e-mail or short message services (sms) on mobile phones. If the message is not so urgent, the ordinary postal mail or other services may be used.
- ☞ **Length of the message:** The length of the message to be transmitted will influence the choice of the means to use. For some means of communication, the longer the message, the more expensive it is to transmit. Such messages are best transmitted through slower means of transmission such as post office mail. Shorter messages may be sent through faster means such as mobile phones. If the message is long, it may also be best communicated verbally. Shorter messages are also best transmitted in writing.
- ☞ **Confidentiality:** Some messages are confidential, carrying secrets meant for the intended receiver only. Other messages may be carrying general information. Face to face conversation is best suited for confidential information. The appropriate means or method is one that will uphold the secrecy and confidential nature of the message.
- ☞ **Complexity:** Some information involves simple messages that can easily be understood by the receiver. Other messages may carry complex information such as technical subjects that are more complex to transmit. Some means of sending messages may not allow the sender to append his or her signature such as e-mail, telegram and telex messages. Therefore, depending on the degree of complexity of the message, an appropriate means will be used. Messages containing information of legal nature must use means that cannot change or distort the legal tone or implications of the message. In such cases the appropriate means should be used.
- ☞ **Availability of the means of communication:** Certain means of communication may be available to the sender while others may not be. The sender must check the means available and their suitability. The means available will also determine how the message should be prepared before it can be conveyed.

- ☛ **Cost of the means of communication:** The cost of sending a message is important. Most people would prefer the most efficient means that is cost effective.
- ☛ **Distance:** Information is a perishable commodity. If it takes too long before it is delivered, it may become worthless and inefficient. Distance refers to the geographical distance between the sender and the receiver. Some means such as e-mail, fax, telegrams and telephone are more suitable for long distances but are more expensive. Others such as letters and memos are suitable for short distances. Depending on the distance to send the message, an appropriate means should be selected.
- ☛ **Accuracy of the message:** The means used must be capable of carrying the exact message. Certain means of communication can distort the intended message. Means such as telephone and face to face could distort the message due to mispronunciation and other interferences. Written communication such as letters, memos, fax and e-mail are more suited to transmit messages accurately.
- ☛ **Reliability:** This refers to ensuring that the message will reach the intended receiver at the intended time, place and form. Face to face is most reliable. The receiver can ask questions and seek clarification. Other reliable means include the registered letter and mail delivered by courier services.
- ☛ **Record evidence:** Some means of communication provide a record of the message. Such a record is necessary for future reference and follow up to ensure that appropriate action is taken on the message. Such record remains as evidence of the communication. All written communication is suitable in this respect.
- ☛ **Impression:** Every message communicated is expected to create an impression or an impact to the receiver. Depending on the means used, the message could create the desired impression or an undesired impact. A message intended to create a sense of urgency would be conveyed by telegrams, telephones, fax or e-mail. A message intended to create a positive image in the receiver may be conveyed by the organisation using an appropriate means such as an official letter or a letter headed paper.
- ☛ **Security of the message:** This refers to the possibility of the message being intercepted and stolen or destroyed before reaching the intended receiver. The means that guarantees security of the message should be used.

3.5: Interpersonal Skills

ACTIVITY 3.9

Case study: At the Construction Site

Vincent is new on the job at a construction company. His job is to mix cement for a wall that will surround a market area. His supervisor told him that for every bag of cement he should mix in 5 bags of sand. Distracted by the noise around him, he didn't perceive the message accurately. Vincent did not know the right number of bags of sand to add to the cement. He feared he would lose his job if he asked the supervisor again.

So he did what he thought was right—10 bags of sand for every bag of cement. After the wall had been up a few days, it blew over during a storm.

Questions

1. What happened in the case study?
2. Why did this situation happen?
3. Has anything like this ever happened to you before? What caused it?
4. What strategies can you use for active, responsive listening?
5. Using the above information, define the term interpersonal skills.
6. Identify the interpersonal skills portrayed in the above extract.
7. Give reasons why one should possess interpersonal skills.

The word interpersonal comprises two words “**inter + person**”. This means the interaction between person to person. That is, communication among two or more people.

Interpersonal skills are life skills you use everyday to communicate and interact with other people both individually and in groups. Interpersonal skills are people skills.

In the business domain, interpersonal skills refer to an employee's ability to get along with others (colleagues and clients) while getting the job done. They are essential in attracting and retaining customers and therefore increasing sales. This is one way of ensuring customer care by a sales person.

Interpersonal skills include everything from communication and listening skills to attitude.

Interpersonal skills are a prerequisite for many positions in an organisation. People with good interpersonal skills are likely to be more productive than those with poor interpersonal skills in both their professional and personal lives. This is so because of the ability to project a positive attitude and look for solutions to problems.

Knowledge and skills needed for effective interpersonal communication

- Adequate knowledge of subject area.
- An understanding of one's own values and willingness to withhold judgment about the other people's values.
- Skills in verbal and nonverbal communication.
- Ability to show empathy and encourage others.
- Skills in asking questions and listening.
- Tolerance and patience
- Ability to paraphrase and summarize the concerns of individuals and the community.
- Ability to observe and interpret behaviour of other people.
- Ability to use language that other people understand.
- Skills to effectively use support materials.
- Confidence
- Flexibility

Fig.3.9. Knowledge and skills for interpersonal communication.

Examples of interpersonal skills include:

- ☒ **Verbal/oral skills** – what you say and how you say it.
- ☒ **Non-verbal communication** – what you communicate without words (body language and use of signals are some of the examples).
- ☒ **Listening skills** – how we interpret both the verbal and non-verbal messages communicated to us by others.
- ☒ **Writing skills** – how you present a message in written form.
- ☒ **Negotiation skills** – working with others to find a mutually agreeable outcomes.
- ☒ **Problem solving skills** – working with others to identify, define and solve problems.
- ☒ **Decision making skills** – exploring and analysing options to make sound decisions.
- ☒ **Assertiveness** – communicating our values, ideas, beliefs, opinions, needs and wants freely.
- ☒ Stress management skills, team building skills, self awareness skills, etc.

Why are interpersonal skills needed?

- ☒ To improve relationships amongst people.
- ☒ To improve the working environment.
- ☒ To improve leadership skills.
- ☒ To improve productivity.

- ☒ To improve company performance.
- ☒ To improve all round success.
- ☒ To improve liking by others.

3.5.1: Verbal/Oral Skills

From activity 3.9, verbal skills are strategies that can be used by a person when making a speech in order to draw the attention of the audience and make a greater positive impact on them. These enable the audience to have a better understanding of the speaker and encourages the listener to actively participate in the oral presentation.

Verbal skills include the following:

a. Giving and receiving instructions.

- ☒ The speaker may give the listeners instructions on how best they can follow his or her speech.
- ☒ Similarly, the speaker can seek instructions from the listeners on how best he or she should present the subject to the listeners for a better understanding.

b. Asking for clarifications.

- ☒ The speaker may allow the audience to participate in the speech by asking for clarifications of specific points or concepts for a better understanding.
- ☒ When used intelligently, the listeners feel more enriched and knowledgeable.

c. Being clear, brief and to the point.

A speaker is more effective and better understood when he or she;

- ☒ Uses simple language and short sentences.
- ☒ Is clear, brief and to the point.
- ☒ Pauses at calculated intervals to enable the slower audience to catch up with his or her pace.

d. Use of examples and illustrations.

The use of examples and illustrations helps the speaker to:

- ☒ Get to the point for better understanding.
- ☒ Assist the listener to get the concepts more clearly for a better understanding.
- ☒ Enable the listener to relate abstract concepts to concrete realities for a better understanding.

e. Use of summary conclusion.

At the end of the speech, the speaker should conclude with an executive summary of the speech. This enables the listeners to fill in the gaps in areas where he or she may have missed understanding during the speech.

3.5.3 Listening Skills

From activity 3.9, listening skills require you to listen twice as much as you speak. “You have two eyes and one mouth”: This means that you have to listen very attentively and understand correctly the message being communicated to you and take long or think twice before you speak. You can hear yet you have not listened.

To listen means to hear and perceive the message correctly and get the rightful meaning which aligns well with that of the sender.

Below are some of the effective listening skills and strategies:

- ❖ Use appropriate body language that show that you are listening (eye contact, sit upright, nod head, etc.).
- ❖ Listen to the speaker without interrupting.
- ❖ Repeat what the speaker has said to make sure you have understood correctly.
- ❖ Ask questions for clarification when you do not understand something.
- ❖ Avoid being distracted by noise, mobile phones (turn it off!). what other people are doing, etc.
- ❖ Avoid being distracted by the mannerisms, speaking style, clothing of the person speaking.
- ❖ Truly listen without thinking about how you are going to respond until the person has finished speaking.
- ❖ Be aware of your own attitude and avoid being judgemental.

Bad habits of poor listeners

- *Interrupting*
- *Jumping to conclusions*
- *Finishing others' sentences for them.*
- *Frequently (and often abruptly) changing the subject.*
- *Inattentive body language.*
- *Not responding to what others have said.*
- *Failing to ask questions and give feedback.*

3.5.3 Non-verbal skills

ACTIVITY 3.10

Non-verbal communication signals

1. List some of the ways that you can show that you are:
 - (a) Not comfortable with a situation or don't have confidence in what you are doing.
 - (b) Fully confident and comfortable in what you are doing.
2. Linking non-verbal communication with listening skills, explain the importance of non verbal communication and how it impacts on how you send and receive information, how you listen and how you feel about yourself.

Non-verbal body communication signals are intended to make an impact on the listener. They include signals such as nodding) clapping) rolling eyes and smiling.

These signals enhance the oral presentation of the speaker. They help to give emphasis and impact to the key words in the speech which then create an impact or impression to the listener. When intelligently used, these skills help to:

- ☒ Enhance the personality and command of the speaker.
- ☒ Enhance understanding of the listener.
- ☒ Influence the listener to respond to the intentions of the speaker. In case of a sales presentation, these body signs may influence the customer to buy a product.

In business, non-verbal communication signals are useful in customer care and satisfaction. They create the feeling of appreciation and being valued by the sales person. These signals include clapping, nodding of the head, rolling eyes, smiling) grinning) thumbs up sign, hand waving, beckoning and frowning.

Test skills acquired 3.2

Draw a table similar to the one given below. Make a list of at least 5 body signals that are often used by sales people to communicate with customers. After which, write down the interpretation and the impact or reaction expected from the customer.

Body signals, their interpretation and impact.

Body signals	Interpretation	Impact
E.g. Nodding	Sales person is attentive and listening to the customer	Customer feels encouraged to explain further.

3.5.2: Writing Skills

ACTIVITY 3.11

Identify any five documents used for communication in your school and show how they are used by filling in the table below:

School department	Document used	How it is used
Accounts department		
Headteacher's office		
Director of Studies		
Kitchen department		
Stores/purchasing		

ACTIVITY 3.12

Match the following workplace documents with their uses.

Workplace Document	Uses	
1. Business letters	A	Internal communication with co-workers that is typically sent by supervisors.
2. E-mail messages	B	A list of the main topics to be covered during a meeting, including actions from last meeting, main agenda items to discuss, any other business and date of next meeting.
3. Memos	C	Internal and external correspondence for a variety of things.
4. Reports	D	A written account of what went on and was discussed during a meeting.
5. Agenda	E	All written communications to external organisations or clients (could be for many reasons-request information, buy a service or product, thank you letter, complaint, provide information about your product or service).
6. Minutes	F	Provide factual information about a topic and often include recommendations based on what was experienced or observed. Examples include work done reports, internship reports, etc
7. Specification Document	G	Written document that describes the materials and workmanship as well as cost required to do a particular job.

ACTIVITY 3.13

Writing skills (Parts of workplace documents)

1. Research on the main parts of the different workplace documents (ex., date, sender's address, greeting, etc.) used in an organisation.
2. Practice writing the various documents following the main parts identified in (1) above.

Writing skills are very important in business communication. The most common and essential means of communication in a business enterprise is written communication.

Written documents in a business are collectively known as **business documents**.

For you to draft business documents that portray clarity and are easily understood by your audience, you need to have good writing skills. These include:

- ☒ Message that is clear, brief and to the point.
- ☒ Good grammar and sentence construction.
- ☒ Polite business like language.
- ☒ Simple and easy to understand language and vocabulary.
- ☒ Good discipline in writing such as ensuring correct spelling, proof reading documents before sending them and ensuring copies of documents sent out are filed.

Business Documents

The most commonly used business documents associated with written communication in an enterprise include: **standard letters, memos, reports, notices, e-mails, fax and advertisements**. Other enterprises may have many other communication documents depending on their size and nature of business they do.

The main business documents are explained below:

- a. **Standard letters:** These are also known as business letters or business correspondence. They are used in communicating business information. A business letter is a letter written in the course of conducting a business activity such as making an inquiry, making a purchase order or asking a customer to pay his or her debt. An official letter is any letter written on behalf of the business enterprise. Such a letter binds the business organisation to the information contained in the letter.

Business letters are preferred in business communication because:

- ☒ They can include diagrams and charts to reinforce the written information.
- ☒ They can be stored in files either in electronic form or physical form.
- ☒ They constitute a permanent record.
- ☒ They carry as much details as may be necessary.

A standard business letter contains the following parts:

- ☒ Date – use standard format for date, i.e, month/day/year format.
- ☒ Sender's address – include your company's address if not on the headed paper.
- ☒ Receiver's address – include the address of the party to whom you are writing the letter to.
- ☒ Salutation – use the colon at the end of the name.
- ☒ Body text – this includes why you are writing.

- ☒ Closing remarks – inform the receiver any other thing s/he needs to do.
 - ☒ Signature – sign off your letter using your signature.
 - ☒ Enclosure – use this if you have any enclosures.
- b. Memos (Memoranda):** A memo is a short form for the term memorandum. The plural of memorandum is memoranda. A memorandum is similar to an official letter. It is used to communicate information within the organisation. Thus, it is used in the organisation mainly to pass information to staff on various issues affecting the organisation such as;
- ☒ Informing staff about meetings and other general information.
 - ☒ Giving instructions to a specific employee in the organisation on a task he or she is expected to carry out.

An example of a memo

RWANDA CONSTRUCTION COMPANY LIMITED KIGALI

Date: 2nd June 2017

To: The Human Resource Manager. **From:** The Managing Director.

Subject: Recruitment of Chief Accountant.

I believe you have completed the short listing of candidates who are eligible for interview for the above position. Please take necessary action to organise for the interviews to be held on 22nd June 2017 from 8.00 am in the Board Room.

B.W Nyimana.

A standard memo should include the following parts:

- ☒ Company name.
- ☒ Date.
- ☒ To (the intended receiver).
- ☒ From (the sender).
- ☒ Subject - the main purpose of the memo.
- ☒ Body text - a brief explanation what the memo is about.
- ☒ Signature -the person writing the memo should sign off with his/her name.

- c. Reports:** These are documents containing detailed information concerning topical issues such as special topics of interest to the business. Such reports are usually generated from within the business enterprise. For example, a report may be made as a result of a specific challenge or problem affecting the business.

Such a report will give detailed information on the problem including;

- ☒ The nature of the problem or challenge investigated.
- ☒ The investigation made.
- ☒ Findings of the investigation.

- ☒ Recommendations made.
 - ☒ Conclusion of the report.
- d. **Advertisements:** This is the transmission of information informing the public about the existence of goods or services for sale through various means. In a business enterprise, advertisements are often transmitted through posters and billboards. Posters are large visual drawings or texts made with the aim of explaining or passing on an important message. It could be in form of cartoons or pictures. Posters are displayed in certain strategic places to remind the public about the goods or services being advertised. An example of a poster with advertising message is shown below:



A government advert



RwandaAir advert.

Fig.3.7. These adverts inform the public about the existence of the company's products or services offered.

- e. **Fax (Facsmile):** Fax involves the transmission of messages on paper through a fax or facsimile machine. This is made possible by the installation of a fax machine at both the sender's and the receiver's premises. The fax machines are connected to the telephone network. To transmit messages, the sender inserts the document containing the message through the sending machine. The sending machine scans a photo image of the message to the receiving machine through the telephone network. At the receiving machine, an image of the message is received similar to a photocopy of the document at the sending machine. Fax is used to transmit all kinds of messages including letters, maps, diagrams and photographs. This service is very fast, almost instant.
- f. **Notices:** These are usually single leaf sheets of paper containing some special information to be passed or shared to staff or a group of staff members for their attention and information. They are intended to create awareness among staff in the organisation.

The notice may usually be placed on a notice board strategically placed in the organisation for all to read. Such information may concern events or information for general interest. Notices may also be placed on walls, trees and any other suitable public places if the information contained is for public interest and consumption.

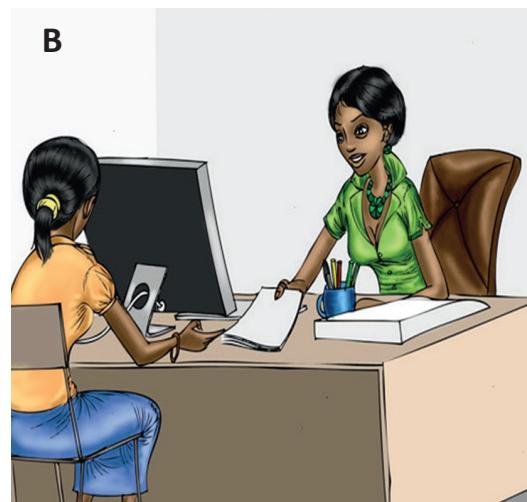
- g. E-Mails:** These are business letters made in an electronic format. They serve the same purpose as business letters. They have an advantage over the manual business letters as they are transmitted instantly. They are therefore very fast. They are now more popular than the standard letters.

3.6: Customer Care

3.6.1: Meaning of Customer Care

ACTIVITY 3.14

1. What do you understand by the term:
 - (a) customer?
 - (b) customer care?
2. Describe any two experiences of:
 - (a) good customer service. What made it good?
 - (b) bad customer service. What made it good?
3. Which of the two figures below **A** and **B** below displays:
 - (a) good customer service? Support your answer.
 - (b) bad customer service? Support your answer.



ACTIVITY 3.15

Communicating with Customers

Analyse the following extract and answer the questions that follow:

Umugwaneza is an office assistant at a certain organisation in Gasabo district. One day a customer called the office and Umugwaneza picked up the phone and “did not say her name or organisation, yawned and sounded bored”. She asked the customer “What do you want?”. The customer wanted to know if they sell a particular item. Umugwaneza was rude in her response. The customer hang up.

Questions

1. What happened in the extract?
2. Was this good customer service? Justify your answer.
3. What could Umugwaneza have done differently?
4. What are some of the things one should do while speaking on the phone to a customer?

A customer is a person or an organisation that buys goods or services from a business. The wish of every business is to have as many customers as possible buying as much goods or services as possible from the business. Often whether a customer will make repeated purchases from the business or not is influenced by the buying experience he or she gets during his or her encounter with the seller.

Businesses with a desire to influence customers to make repeated purchases make an effort to ensure that the customer's buying encounter is a memorable experience that will influence the customer to come again and thereby form the habit of buying from the same shop at all times. The activities that a seller does towards a customer to influence the customer to make repeated purchases or feel appreciated and valued by the seller are referred to as customer care.

Customer care can therefore be defined as the activities that a seller does to influence customers to make repeated purchases. Customer care is intended to ensure that the customer does not become dissatisfied with the seller's services. Good customer care results in many customers remaining loyal to the business resulting to increased sales and profit.

3.6.2: Levels of Customer Service

ACTIVITY 3.16

Exceptional Customer Service

Read and answer the following questions:

1. What is important to you when you go out to a restaurant?
2. What determines “exceptional service”?
3. How would you define the following terms:
 - (a) Poor service?
 - (b) Mediocre service?
 - (c) Exceptional service?
4. What can a restaurant/organisation do to provide exceptional service?

ACTIVITY 3.17

Resolving conflicts with customers and dealing with difficult situations.

1. How would you describe an angry customer?
2. What would you do if you were faced with an angry customer?
3. Read the following scenario and answer the questions that follow:

SANGWA canteen is located in your school. It sells refreshments and edibles to learners and teachers. One day, many customers (learners and teachers) were there for break and complaining about bad customer service, refreshment delays and poor refreshment quality. The customers were angry and called over Nadine, a canteen attendant, to explain what was happening. The problems were happening because the canteen attendant forgot to restock refreshments and there were no refreshments left in the fridge. One client ate sausages and refused to pay for them.

- (a) If you were Nadine what would you do to handle this problem with customers?
- (b) What should SANGWA canteen do to handle this situation and make sure that this problem will not happen again?

Business enterprises differ greatly in customer care activities they provide to their customers. Some business enterprises do not do much to influence customers to be attracted to the business while others invest a lot of money in ensuring good customer care.

Some have established customer care departments dedicated to ensuring that customers receive the best attention during their purchase encounter with the business.

Customer service is how you meet the needs of the people who use your services.

There are different levels of customer service:

- a. **Poor service:** those giving service do not seem to care, do not make effort to please customers (example: a server in a restaurant who does not bring the menu, does not tell you when food is not available, does not ask if you need anything).
- b. **Mediocre service:** The service provided is okay. Those providing service care about customers but might not be able to provide the customer with his needs. (Example: the waitress in the restaurant who is polite but cannot give information about the food).
- c. **Exceptional service:** The quality of service is always excellent, the customer always feels happy and well taken care of and recommends the service to other people. (Example: a server in a restaurant who shows up to the table with the menu, explains what is available, gives recommendations, explains why food is late...).

Exceptional Customer Service does the following:

- Anticipates the customer's needs,
- Tries to understand what the customer is thinking, and
- meets and exceeds the customer's highest expectations.

Basic Customer Needs

A customer needs to feel:

- Welcome
- Understood
- Important
- Comfortable

Meeting Basic Customer Needs - To make a customer feel:

Welcome:

- Be friendly to the customer.
- Greet the customer.
- Introduce yourself.
- Use a positive tone of voice while communicating with the customer.
- Smile/lighten up while communicating with the customer.

Understood:

- Listen carefully to the customer.
- Repeat or rephrase after the customer speaks to make things clearer.

Important:

- Refer to customer by name if you know his/her name.
- Show interest in the customer's needs.
- Ask open-ended questions to understand the customer's needs.
- Thank the customer buying company products or services.

Comfortable:

- Use open body language.
- Show concern.

Most customers (68%) stop doing business with a company due to rudeness or indifference. A business should always strive for exceptional service!

3.6.3: Customer Care Principles

The customer is boss! All products, goods and services must be designed to meet customer's needs. It is therefore the customer who dictates the design and nature of goods or services to be produced and provided. **Never argue with a customer.**

A customer is the only one who deserves the right of choice. Do not confront a customer. Confronting a customer is the act of threatening a customer.

Always be respectful and listen to the needs of the customer by doing the following:

- a. **Listen carefully:** Like any other relationship, a client's relationship is very important for work. The service provider should learn to listen very carefully. Listen not only to the words that the customers says, but also to the ideas they are trying to give.
- b. **Respond quickly:** Service providers should respond to the message of the customer very fast, this promotes a good relationship between the customer and the business. This also shows that the service provider respects the customers.

- c. **Be patient:** Expect the customer to be unfamiliar with the terminology. Expect the customer to not really understand what can, and cannot be done. Be patient when you explain what you are doing to the client.
- d. **Exercise courtesy:** The bottom line is that no one loses a customer because of being polite, respectful and thoughtful. Attend to all customers personally and show humour.
- e. **Be a team player:** A service provider has to think of her/himself as part of a team with the client, s/he has to naturally start to work towards meeting the customers' needs and desires.
- f. **Care about the customers and their projects:** This last principle gets to the heart of what customer service is all about. Your customer is more than just money. Customers can tell when you don't really care about them or their business and decide to abandon your business and look for a better option which can satisfy their needs and desires.

3.6.4: Importance of Customer Service

Good customer service will have the following positive effects:

- ☛ Attracts new customers through referrals and retains old ones.
- ☛ The business stands out and out performs its competitors.
- ☛ It makes the workplace more enjoyable to the employees and leads to a high employee productivity and retention.
- ☛ It shows your customers that they are important.
- ☛ Customers will enjoy visiting your business and will buy more.
- ☛ Customer service if done right will create word of mouth advertising.
- ☛ It is the cheapest form of positive advertising.

3.6.5: Costs of Poor Customer Service

Bad customer service will have the following negative effects:

- ☛ Bad reputation.
- ☛ Loss of confidence and trust.
- ☛ Ends positive relationships with existing and new customers.
- ☛ Bad reference for a career.
- ☛ Ends relationships between the business and its customers.
- ☛ A business may incur losses and decline in its sales and revenue as a result of poor customer service.
- ☛ Loss of contracts from other businesses and suppliers.

Note

Customers need exceptional services in return for their money paid. So when handling customers, consider the following:

- ☞ **Customer perceptions:** Perception is how one sees, hears or understands a situation. No two people see a situation exactly the same! A customer does NOT always think the way you do. S/he may therefore not see a situation the way you do. Always check to see what the customer is thinking. Never make assumptions!
- ☞ **Meeting and exceeding expectations:** Make sure you know your customer's attitudes, beliefs, ideas & feelings. Try to see things the way your customer does. This will help you meet & exceed his expectations.
- ☞ **Get feedback on the service you provided:** Find out from customers how they liked your service and what can be done to make it better.

Unit Summary

- ☞ **Communication** is a process of exchanging information, ideas, thoughts, feelings and emotions through speech, signals, writing, or behaviour.
- ☞ **In the communication process**, a sender (encoder) encodes a message and then using a medium/channel sends it to the receiver (decoder) who decodes the message and after processing information, sends back appropriate feedback/reply using an appropriate medium/channel.
- ☞ **Internal communication** is the exchange of information and ideas within the organisation itself. It occurs when messages are sent between people working within the same enterprise.
- ☞ **External communication** is the exchange of information from the organisation to the outside of the organisation. This is the type of communication where information flows from the organisation to the external parties outside the organisation.
- ☞ **Verbal communication** is simply sending a message through a spoken language that is understood by both the sender and receiver of the message.
- ☞ You can say that communication other than oral and written, such as gesture, body language, posture, tone of voice or facial expressions, is called **non-verbal communication**.
- ☞ **Written communication** is sending a message by the use of symbols that are understood by both the sender and receiver of the message.
- ☞ **Visual communication** is the form of communication which involves the visual display of information, wherein the message is understood or expressed with the help of visual aids.

Factors considered when choosing a method of communication:

- ☞ Speed and urgency
- ☞ Length of the message
- ☞ Confidentiality
- ☞ Complexity
- ☞ Availability of the means of communication.
- ☞ Cost of the means of communication Distance.
- ☞ Accuracy of the message
- ☞ Reliability
- ☞ Record evidence
- ☞ Impression
- ☞ Security of the message

Effective Listening Skills & Strategies

- ☞ Use appropriate body language to show you are listening (eye contact, sit upright, nod head, etc.).
- ☞ Listen to the speaker without interrupting.
- ☞ Repeat what the speaker has said to make sure you have understood correctly.
- ☞ Ask questions for clarification when you do not understand something.
- ☞ Avoid being distracted by noise, mobile phones (turn it off!), what other people are doing, etc.
- ☞ Avoid being distracted by the mannerisms, speaking style, clothing of the person speaking.
- ☞ Truly listen without thinking about how you are going to respond until the person has finished speaking.
- ☞ Be aware of your own attitude and avoid being judgemental.

Effective Speaking Skills & Strategies

- ☞ Be clear, brief, concise- to the point
- ☞ Use examples to get to the point
- ☞ Be polite/friendly
- ☞ Be honest
- ☞ Be respectful
- ☞ When you need to be direct,speak with respect.
- ☞ Speak with confidence but not arrogance.
- ☞ Be flexible- check the mood and attitudes of others and adjust accordingly.
- ☞ Be aware of body language-your own and that of others.

Recording a message

When taking messages over the phone, write down:

- ☞ the caller's name,
- ☞ the caller's telephone number, the date and time,
- ☞ what the caller needs,
- ☞ any additional information.

Make sure the message is accurate. Repeat information such as phone numbers, spelling of a name, or addresses back to the caller.

Resolving conflicts with upset/difficult customers

Conflict is disagreement between people.

Resolving conflict means finding a way to take care of the problem that everyone can agree to.

To **handle conflicts**, you may have to follow the steps listed below.

- ☞ Stay calm and listen.
- ☞ Deal with the person's feelings first. Ask questions.
- ☞ Give feedback. Summarise the problem.
- ☞ Deal with the problem.

Unit 3 Assessment

1. (a) Explain the meaning of communication.
(b) Distinguish between "external communication" and "internal communication".
(c) Explain the importance of communication in a business.
2. (a) What do you understand by the term customer care?
(b) As a business manager, what are the benefits of customer care to a business?
3. (a) How should a customer care service officer handle customer complaints?
(b) How can a customer care service official provide customer care to his/her customers?

TOPIC AREA: ENTREPRENEURIAL CULTURE

SUB-TOPIC AREA: CONCEPT OF BUSINESS ACTIVITIES

UNIT 4

Forms of Enterprises



Key unit competence: To be able to analyse different forms of enterprises.

Introductory Activity

Your school is an enterprise, so is the hospital you go to when you are sick. The poultry farm in your community is also an enterprise, so is the supermarket you buy foodstuff from. The hotel/restaurant is an enterprise so are the MTN, Airtel and Tigo telecommunication networks. The products (goods and services) we need to live a happy life or that are needed to produce other goods come from somewhere:

- ☞ food from the gardens or markets.
- ☞ clothes from factories or boutiques.
- ☞ hair cuts and treatment from saloons.
- ☞ moving from one place to another from transport agencies.

Questions

- 1 What do you think the term enterprise means?
- 2 Identify some of the enterprises around your community.
- 3 How would you classify the enterprises classified above?
- 4 Look at your pen, book, shoes, uniform, and bag. To which form of enterprise does each belong to?
- 5 Show how these enterprises contribute to socio-economic development of Rwanda.

4.1: Meaning of an Enterprise

ACTIVITY 4.1

In senior one and two, you looked at the concept of needs, wants, goods and services as well as markets. Using your background knowledge on those concepts, answer the following questions:

1. Look around you and categorise the needs and the wants. Of the two categories, which one would you live without? Support your answer.
2. In a market place, there are always goods and services, suggest some of the goods and services you know? Of the goods and services, which can you feel that you have consumed and which can you not feel? Support your answer.
3. You have been told to buy a service from the market. Explain to a lay man the meaning of market. Is a market always physical? Support your answer.
4. If you wanted to consume a good or service, who do you think would produce the good/service for you?
5. Murenzi wants to consume a financial service, where do you think he can find that service?
6. An enterprise is a business or company. Using the statement, describe an enterprise to a friend.
7. Referring to your community, suggest any two (2) examples of enterprises you know.

An enterprise is a business or company set with the aim of making profits.

An enterprise is basically set up to provide goods and services at a profit.

Enterprises can be classified according to sector of activities, size, legal status and lifespan.

4.1: Classification of Enterprises

ACTIVITY 4.2

1. Briefly explain the meaning of the types of enterprises below.
 - (a) Manufacturing enterprises.
 - (b) Agribusiness enterprises.
 - (c) Service enterprises.
 - (d) Trading enterprises
2. Give examples of enterprises explained above from your community and Rwanda at large by filling in the table below.

(a) Manufacturing enterprises	(b) Agribusiness enterprises	(c) Service enterprises	(d) Trading enterprises

Business enterprises are numerous and vary widely in the nature and types of goods or services provided. Their classification can therefore take many forms. The major bases upon which enterprises can be classified are by:

- ☒ Sector or activities
- ☒ Size
- ☒ Legal status and
- ☒ Life span

A: Classification of Enterprises According to Sector or Activities

Enterprises can be classified on the basis of the goods they produce or activities they do. On this basis, they can be classified as follows;

1. Agri-business Enterprises

Agri-business enterprises are business enterprises involved in the growing of crops and rearing of animals with the aim of making profits. Agri-business is basically carried out with the aim of producing food, meat, milk, eggs and wool for sale.

The term “agribusiness” is also used to describe businesses that are involved in the marketing of farm products, such as warehouses, wholesalers, processors, retailers and more.

There are different types of agri-businesses that are carried out in different parts of the country. These include:

- ☒ **Crop production:** This deals with the growing and selling of crops. Crops that may be grown for sale include: coffee, tea, cotton, tobacco, fruits and so on.



Coffee plucking



Tea growing

Fig.4.1. Examples of the crops grown under crop production in Rwanda.

Did you know?

Rwanda as a country earns some of its foreign exchange by growing and selling tea and coffee in other countries like Germany.

- ❖ **Livestock farming:** This is the rearing of animals for sale. Animals that are kept under livestock farming include: cattle for dairy or beef, goats, pigs, horses and sheep.



Cattle rearing



Piggery

Fig.4.2. Cattle and pigs are examples of animals under livestock farming in Rwanda.

- ❖ **Poultry farming:** This is the rearing of birds for sale. Birds reared under poultry farming include chicken, pigeons and ducks.



Chicken reared for egg production.



Chicken reared for meat production.

Fig.4.3. Poultry farming in Rwanda.

- ❖ **Horticulture:** This is the growing of vegetables such as cabbages, carrots, greens, and tomatoes for sale.



Fig.4.4. Cabbages and carrots are some of the vegetables grown in Rwanda.

- ❖ **Floriculture:** This is the growing of flowers for sale.



Flower picking



Flower sorting

Fig.4.5. Floriculture in Rwanda.

- ❖ **Apiculture:** This is the rearing of bees.



Bee keeping



Honey a product of bee rearing.

Fig.4.6. Bee rearing in Rwanda.

- ❖ **Aquaculture:** This is the rearing of fish.



Feeding fish



Harvesting fish from a pond.

Fig.4.7. Fish farming in Rwanda.

Cross-cutting Issue: Environment and sustainability

Agriculture involves a set of activities that transform the environment for the production of animals and plants for human use and thus agriculturalists have to be mindful and responsible of how they use the environment in order to conserve it for the current and future generations.

Test skills acquired 4.1

Give the examples of business enterprises in Rwanda involved in each of the agribusiness enterprises by filling in the table given below;

Crop production	Livestock rearing	Poultry farming	Horticulture	Floriculture	Apiculture

2. Manufacturing/Secondary enterprises

Manufacturing process raw materials into finished goods. They take raw materials from agri-business enterprises and process them into more refined/finished goods or services that can be used by the final consumer. The process of converting raw materials into finished products is known as manufacturing or processing.

Manufacturing enterprises can be categorised as:

- ❖ **Textile manufacturing:** These process clothing materials into finished clothes. Examples of textile manufacturing enterprises in Rwanda include UTEXRWA.



Workers at C&H garment factory.



UTEXRWA, a textile industry in Rwanda.

Fig.4.8. Textile manufacturing in Rwanda.

- ❖ **Beverage manufacturing:** These enterprises are involved in the production of alcohols and soft drinks. Examples include: BRALIRWA, SKOL, INYANGE, COCA-COLA, SULFO and so on.



Inside SKOL factory, Rwanda.



Bralirwa factory, Rwanda.

Fig.4.9. SKOL and Bralirwa are some of beverage manufacturing industries in Rwanda.

- ❖ **Agro-processing enterprises:** These process agricultural products into finished goods such as Agasha which processes fruits into juice, Akabanga, Sorwatom, Gashumba posho and so on.



Milling maize into flour.



Juice processing.

Fig.4.10. Maize milling and juice processing both belong to agroprocessing enterprises.

- ❖ **Extractive enterprises:** These involve the extraction of raw materials from the earth to be used by consumers. The extractive industry consists of any operations that remove metals, minerals and aggregates from the earth. Examples of extractive processes include: oil and gas extraction, mining, dredging and quarrying. Examples of extractive enterprises in Rwanda include Ruliba enterprises and Cemerwa.



Cement processing



Quarrying

Fig.4.11. Mining and quarrying belong to the extractive enterprises.

Point to consider

Trading enterprises deal in buying and selling of tangible goods while service enterprises deal in provision of intangible products.

3. Trading Enterprises

Trading enterprises are also known as commercial enterprises. They deal in the buying and selling of goods. These enterprises are also involved in distribution facilitates. Trading enterprises are of two types, that is; retail trading and wholesale trading enterprises.



Wholesale enterprise



Retail trading enterprise (supermarket).

Fig.4.12. Wholesale shops, retail shops and supermarkets are some of the trading enterprises in Rwanda.

4. Service Enterprises

Service enterprises are business organisations that provide intangible products or benefits that satisfy customer needs in exchange of an acceptable compensation.

A business that specialises in some form of service provision usually needs to have qualified staff members that are regularly available to provide services to the clients in time of need. Examples of services that may be rendered include; transport, warehousing, insurance, banking, beautification, communication and legal services.



Transport service



Beauty service

Fig.4.13. Transport and beautification belong to the service enterprise.

B: Classification of Enterprises According to Size

ACTIVITY 4.3

Visit your library or use the internet to research on the categories of enterprises according to size and fill in the table below:

Category	Meaning	Features	Examples
		1. 2. 3.	1. 2. 3.
		1. 2. 3.	1. 2. 3.
		1. 2. 3.	1. 2. 3.

1. Micro Business

Micro businesses are very small businesses which employ less than five people. Examples of micro businesses include: hawkers, kiosks, groceries, roadside vendors and so on.



Grocery



Kiosk

Fig.4.14. Groceries and kiosks are examples of micro business enterprises.

Features of micro businesses include:

- ☒ Mainly operate with very little capital as little as Frw 150,000 but a maximum of Frw 3,000,000.
- ☒ Mainly use very simple technology or simple methods of production.
- ☒ Mainly employ unskilled people.
- ☒ They depend on skills of their owners who may be assisted by family members.
- ☒ Usually operate without registration; just require a trading license from local authorities.
- ☒ Their sales are usually low in quantity and value because of limited capital.
- ☒ They don't own permanent premises; some rent premises, while others use temporary structures yet others are mobile.
- ☒ They normally serve a small number of clients, so their market is small.

2. Small Scale Business

Small scale businesses are businesses bigger than micro businesses. Examples include: retail shops, restaurants, bookshops, bakeries and maize mills.

Features of small scale businesses include:

- ☒ Their capital ranges between Frw 3,000,000 to Frw 50,000,000.
- ☒ Small Scale businesses mainly use simple technology and produce goods mostly for the local market.
- ☒ They normally employ between 2 to 20 people.
- ☒ Small Scale businesses are mainly started as sole proprietorships and others as partnerships.

- ☒ Their sales are relatively higher in quantity and value than micro businesses.
- ☒ They usually operate from fixed premises that are owned by the proprietor or rented from other people.



Bookshop



Restaurant

Fig.4.15. Bookshops and restaurants are examples of small scale enterprises.

3. Medium scale businesses

Medium scale businesses are bigger than small scale businesses. Examples include: big bakeries, milk processing plants, packaging businesses, coffee hulling factories and so on.

Features of medium scale businesses

- ☒ Medium scale businesses use capital of between Frw 50 million and Frw 500 million.
- ☒ They directly employ between 20 to 100 people some of whom are skilled in specific areas of the business.
- ☒ They are mainly registered as joint stock companies or operate as partnerships.
- ☒ Medium scale businesses mainly operate from large fixed premises usually owned by the business and fitted with electricity, water and telephone facilities.
- ☒ They basically use sophisticated machinery and equipment operated by skilled operators.
- ☒ Their output is usually high and they are able to produce for the local market and even export some surplus products.

4. Large-scale businesses

Large-scale businesses are business enterprises that require huge sums of capital to start operation. Examples include: banks, telecommunication companies, textiles, soft drinks manufacturers, cement factories and so on.

Features of large scale businesses

- ☞ Large scale businesses employ capital above Frw 500 million.
- ☞ They directly employ over 100 people some of whom are highly skilled personnel like managers, accountants, engineers, technicians,etc.
- ☞ They are registered as joint stock companies. Some are registered as joint ventures between private and government.
- ☞ They use a lot of equipment and sophisticated machinery;they use some of the latest production methods.
- ☞ Large-scale businesses produce goods and provide services on large scale for the local and foreign markets.



Fig.4.16. CIMERWA cement factory in Rwanda.

C: Classification of Enterprises According to Life Span

ACTIVITY 4.4

Visit your library or use the internet to research on the categories of enterprises according to life span and fill in the table below:

Category	Meaning	Features	Examples
		1. 2. 3.	1. 2. 3.
		1. 2. 3.	1. 2. 3.
		1. 2. 3.	1. 2. 3.

Enterprises can also be classified according to the length or period of time they are designed or intended to be in existence. Some businesses may be formed to last for a short time and come to an end. These are known as temporary business enterprises.

There are also businesses which are formed to last as long as it is practically possible. These are known as permanent business enterprises.

Temporary and permanent businesses are further explained below:

1. Temporary or short term businesses

Temporary or short term businesses are formed to provide goods or services for a short period of time, after which they are dissolved, ie. they cease to exist.

The period of time of their existence may be determined either by their owners or by the period they need to accomplish the task they are formed to do. For example;

- ❖ A school may wish to construct a new staff house and advertise inviting quotations from builders interested in undertaking the work. In response, two technical people; a mason and a carpenter may team together forming an enterprise where the mason builds the house while the carpenter carries out the furnishing of the house such as fixing doors, windows and wardrobes. At the end of the work when the house is complete, they are paid for the work and their relationship ends.
- ❖ Two students of a technical training institute coming from different parts in Rwanda may find themselves together in a hostel in Kigali, where they may have to stay for at least six months before they return back to their colleges to complete their courses. While in Kigali for the six months, they may agree to form a business enterprise and do business jointly for that period. At the end of the period, the enterprise will be dissolved as they return back to their colleges.

2. Permanent or long term businesses

Permanent or long term businesses are businesses formed to last for as long as possible. There is no intention to bring it to an end within a specific period nor is it imagined that the nature of activities the business is intended to do have a time limit. Such businesses are referred to as permanent or long term businesses.

Enterprises can exist temporarily or permanently depending on their purposes or what they are meant to serve. But sometimes businesses exist temporarily when they fail to stand competition from others end up closing.

D: Classification of Enterprises According to Ownership/Legal Status

ACTIVITY 4.5

Visit your library or use the internet to research on the categories of enterprises according to ownership or legal status and fill in the table below:

Category	Meaning	Features	Examples
		1. 2. 3. 4. 5.	1. 2. 3. 4. 5.
		1. 2. 3. 4. 5.	1. 2. 3. 4. 5.
		1. 2. 3. 4. 5.	1. 2. 3. 4. 5.

The ownership of a business enterprise also determines its legal status. Ownership of an enterprise refers to the individuals or organisations which have raised the money invested in the business with the intention of participation or share the profits made by the business.

Legal status refers to how the law treats the owners of the business. Although all business enterprises are governed by law, the degree of legal control over the enterprises varies with the type of ownership of the business.

There are four major forms of business ownership recognised by law. These are; sole proprietorships, partnerships, joint stock companies and co-operatives.

1. Sole Proprietorships

A sole proprietorship business is the simplest and most common form of business enterprises in Rwanda. It is formed, managed and owned by one person, and hence the term sole proprietor. It can also be referred to as a sole trader or sole proprietorship business.



Fig.4.17. A retail shop is an example of a sole proprietorship business. This business is formed, owned and managed by one person.

Features of a retail shop

- ❖ Sole proprietorships are formed, owned and managed by one person.
- ❖ The owner provides all the capital required.
- ❖ The owner is also fully responsible for all debts of the business. Where the business accumulated debts which the business cannot be able to meet from its financial resources, the owner will be required to pay the debts from his/her personal resources.
- ❖ The law does not distinguish the owner of the business from the business.
- ❖ The owner of the business has unlimited liability over all the debts of the business. Hence where the business is unable to pay its debts, the owner will be required to pay them.
- ❖ The owner may employ other people to assist in the business operations.
- ❖ All the profit of the business belongs to the owner. However, when the business makes losses, the owner bears them all.
- ❖ All business decisions are made by the owner who does not have to consult anyone else in decision making.
- ❖ Most sole proprietorships tend to remain small in size due to the limited access to financial resources.

Sole proprietorships are most common due to the few legal requirements and procedures involved in the formation and the small amount of initial capital required to set them

up. They are also easy to manage and control because of the few employees involved and limited government control, hence very flexible. However, this form of business enterprise is unlikely to continue in the event of the absence of the owner or upon his/her death.

2. Partnerships



Fig.4.18. A partnership comprises a minimum of two and a maximum of fifty people.

A partnership is a type of business enterprise formed by two or more people referred to as partners, with the intention of making profits.

There are two types of partnerships, namely;

- ❖ **Ordinary partnership:** This partnership is formed by a minimum of two to a maximum of twenty people.
- ❖ **Professional partnership:** This partnership is formed by professionals such as lawyers, accountants, doctors and architects. Such partnerships are limited to a maximum of fifty partners. Examples of partnerships include; Murenzi and Kayitesi company advocates, Rutayisire and Mutesi auditing firm, Kigali medical centre, and so on.

A partnership is formed by individuals who sit together and agree on certain terms and conditions which will govern the starting and managing of the business in mind.

The agreement may be in writing or verbal. Where the agreement is in writing, the written agreement is known as a **Deed of Partnership**. This agreement helps to guide the partners in all their operations in the business including the ratios of raising the capital, sharing of the duties and responsibilities and sharing the profits and losses of the business.

Where the agreement is not in writing, then the obligations and responsibilities of the partners are governed by the Partnership Act.

The partnership agreement also helps the partners in settling any misunderstandings that may arise in the course of their business operations.

Partnerships have the following features;

- ❖ They are formed and owned by a minimum of two and a maximum of twenty people in the case of ordinary partnerships and a maximum of fifty people for the case of professional partnerships.
- ❖ Partners raise business capital jointly. Hence they are likely to raise more capital than in the case of sole proprietorships.
- ❖ The law does not distinguish between the business and its owners.
- ❖ All partners have unlimited liability over the debts of the business. Where the business cannot pay its debts from its resources, all the partners will be required to meet the debts from their personal resources. Their private property can be sold to pay the debts of the business.
- ❖ Partners have duties and responsibilities in the operations and management of the business as guided by the Deed of Partnership.
- ❖ The action of one partner is binding to all other partners. Where it causes gain all partners benefit, but where it causes loss all partners suffer the loss.
- ❖ In law, each partner is an agent of the business and therefore can buy and sell on behalf of the business.
- ❖ The profit made by the business belongs to all the partners. It is shared in the proportion spelt out by the Deed of Partnership. Where there is no written partnership agreement, the sharing of the profit is based on the provisions of the Partnership Act. Where the partnership makes a loss, all the partners share the loss in the proportion spelt out, either by the agreement or the Partnership Act.
- ❖ All business decisions are made jointly by the partners through consultations, consensus or majority vote.

3. Joint Stock Companies

Joint stock companies are managed by board of directors. They are business enterprises formed by two or more people under the Company Act to carry out business activities with the aim of making profits. The capital of a limited company is divided into small units known as shares. Each share represents an equal amount of money.

For example, each share may equal Frw 20. Each individual wishing to be a member of the company is required to raise part of the capital of the company by buying the number of shares he or she can afford or as limited by the rules of the company.

Such shares are known as a stock. Thus, each member of the company has or owns a stock of shares in the company, hence the term joint stock company. Thus, the company is owned by various individuals jointly through the stock they have bought in the company.

Each individual owning shares in a limited company is also known as a shareholder. Shareholders are entitled to a share in the profits made by the company based on the number and type of shares each owns in the company.



Airtel Rwanda



Bralirwa Rwanda

Fig.4.19. Airtel and Bralirwa are examples of joint stock companies in Rwanda. They were formed under the companies Act.

Types of Joint Stock Companies

There are two types of joint stock companies. These are:

- a. **Private limited companies:** These are limited companies restricted by law to a minimum of two shareholders and a maximum of fifty shareholders. Their operations are strictly controlled by the shareholders.
- b. **Public limited companies:** These are limited companies where the law does not restrict the maximum number of shareholders. Thus, while the minimum number of shareholders in a public limited company is two, the law does not restrict the maximum number of shareholders. The maximum number of shareholders is determined by the number of shares available for sale. The shareholders of a public limited company do not have as much control as the shareholders of a private limited company over the operations of the company.

Features of Joint Stock Companies

Below are some of the features of joint stock companies:

- ❖ **Legal control:** The formation, registration and operations of joint stock companies are strictly controlled and regulated by law through the Companies Act.
- ❖ **Legal entity:** The law recognises a joint stock company as a legal entity and therefore distinctly separate from the shareholders of the company. The company is therefore treated as a person itself separate from its shareholders.

- ❖ **Limited liability:** Shareholders of a limited company are not expected to pay the debts of the business beyond the amount of capital they have raised in form of shares. This protects the shareholders from being held responsible for the debts of the business beyond the amount of capital they have raised in the company.
- ❖ **Raising capital in form of shares:** The capital of a joint stock company is raised through the sale of small units known as shares. Each share has a fixed value such as Frw 20. The capital is raised by selling these shares to individuals who wish to invest in the company. The individuals who buy shares in a company become its shareholders.
- ❖ **Managed by a board of directors:** The management and operations of a joint stock company is carried out by a board of directors. The shareholders appoint the board of directors who are a selected team of experts in management and operations of an organisation.
- ❖ **Sharing of profits among shareholders:** The profits made by a joint stock company are shared among the shareholders according to number and type of shares held by each shareholder. The shared profits are called dividends.
- ❖ **Perpetual existence:** The death or withdrawal of a shareholder does not affect the capital of the company neither does it affect its existence. The company will continue in its operations in spite of the withdrawal or death of a shareholder.
- ❖ **Annual general meeting:** It is required by law that every limited company should hold a meeting at least once a year to be attended by all shareholders during which the shareholders receive a report regarding performance of the company for the year, the recommendations of the board of directors and elect new board of directors. This meeting is known as an annual general meeting.
- ❖ **The use of the word “limited”:** The Companies Act requires each joint stock company to end its name with the word “limited” at the end to inform all individuals or organisations having dealings with the company that all shareholders of the company have limited liability.

4. Co-operatives

A co-operative also known as a co-operative society consists of a group of people with a common purpose who voluntarily come together, pooling their resources together in order to enjoy the economies of scale and improve their economic well-being.

Cooperatives operate on the concept that by pooling their resources together and carrying out business as one larger entity with a common goal, they will enjoy economies of scale and members will improve on their economic well-being.

This concept can be illustrated as follows: 50 students of a senior 3 class in a certain school are asked each to buy “Secondary Entrepreneurship for senior 3” a students’ text book which costs Frw 500 each.

- ☒ If they go to a bookshop individually, each of them would spend 500 Frw.
- ☒ If, however, they agree to contribute the money as a class and go to the same bookshop to buy the books at a discount, they would get a 20% discount on purchase of the books. Each student would save 100 Frw and hence each would need to contribute 400 Frw only for the same text book.



Fig.4.20. Umenege Sacco, this is an example of a cooperative in Rwanda.

Features of co-operatives

The following are the features of co-operative societies;

- ☒ **Recognition as legal entity:** In law, a co-operative society is recognised and treated as a legal entity distinctly separate from the members who form it.
- ☒ **Limited liability:** The members of a co-operative society have limited liability. Their liability towards the debts of the society extends only up to the capital they have raised to operate the co-operative. Their personal properties are affected in case of debts of the co-operative.
- ☒ **Sale of shares to members:** Co-operatives raise their capital through the sale of shares to those who wish to become members of the society. Each member is encouraged to buy as many shares as s/he can afford.
- ☒ **Voluntary membership:** Membership to a co-operative society is free and voluntary. Anyone who qualifies to be a member may voluntarily join the society and is also free to leave or withdraw membership from the society at any time.
- ☒ **Equal participation:** All members of a co-operative society have equal rights to participate in its affairs. Each member has only one vote irrespective of the number or type of shares s/he has in the society.

- ❖ **Democratic control and management:** Each member of a co-operative society has equal rights to take an active role in the control and management of the society. The operations of a co-operative are democratically managed.
- ❖ **Common bond:** All members of a given co-operative society have a common interest that brings them together. Such interest is known as a common bond. The most important objective of a co-operative society is to uplift the economic welfare of the members.
- ❖ **Profit sharing:** The profit made by a co-operative society is known as a surplus. It is shared among the members of the society on the basis of the member contribution to the society. i.e. the level of business a member has contributed towards the society.

In the business world, there are many enterprises that an individual can undertake in order to advance, prosper and attain wealth. Read more:

<http://www.businessdictionary.com/definition/enterprise.html>

4.1: The Role of Enterprises in Social-economic Development

ACTIVITY 4.6

Contribution of enterprises to the community

Referring to your community, describe the contribution of the following enterprises to community development by completing the table below:

Type of enterprise	Contribution to community development
Agribusiness	
Manufacturing	
Service Businesses	
Trading businesses	

Business enterprises play a major role in promoting economic development in the country. They benefit the country economically in the following ways:

- ☞ **Raising government revenue:** Business enterprises contribute towards government revenue through;
 - Business taxes they pay in order to operate their business. For example, business operating licenses.
 - Business registration fees paid upon registration of a business.
 - Taxes paid based on profits made by the business at the end of the year.
 - Taxes they collect on behalf of the government such as value added tax (VAT) and PAYE (pay as you earn) from employees.
- ☞ **Provide employment:** Most business enterprises employ workers to carry out the operations of the business who are paid for their services. Thus, they provide employment for many people. This has the effect of reducing the unemployment problem.
- ☞ **Other contributions to socio-economic development:** Business enterprises also contribute to the social and economic development of the country in the following ways:
 - Salaries and wages paid to workers are used by the workers to improve the economic welfare of their families. They are able to afford a better standard of living for their family members.
 - Some business enterprises also contribute towards the development of the socio-economic welfare of the people through corporate social responsibility programs such as construction of access roads, building of schools, health facilities and other social amenities. They also undertake effective distributions of goods and services ensuring that they reach all customers in every part of the country.

Cross-cutting Issue: environment and sustainability

Enterprises are very instrumental towards economic development of the Rwanda but as they operate and grow, owners or entrepreneurs must be responsible with the environment, for example, they ought to control air pollution and should have sewage systems that don't pour wastes in water bodies.

Unit Summary

- ☞ **An enterprise** can be a project or undertaking that is especially difficult, complicated, or risky or a unit of economic organisation or activity that produces given products or services.
- ☞ **Business enterprise** is the activity of providing goods and services involving financial, commercial and industrial aspects.

- ☞ **Enterprises** are classified according to their sector of activities, size, legal status and life span.
- ☞ **Agri-business enterprises** are business enterprises involved in the growing of crops and rearing of animals with the aim of making profits.
- ☞ **Manufacturing enterprises** are enterprises that process raw materials into finished goods. These enterprises take raw materials and process them into more refined goods or services that can be used by the final consumer known as finished products.
- ☞ **Trading enterprises** are enterprises that deal in the buying and selling of goods. They are sometimes known as commercial enterprises.
- ☞ **Service enterprises** are business organisations that provide intangible products or benefits that satisfy customer needs in exchange of an acceptable compensation.
- ☞ **Micro enterprises** are small businesses that employ a small number of employees. A micro enterprise will usually operate with fewer than 10 people and is started with a small amount of capital.
- ☞ **Small size enterprises** are enterprises that operate on a small scale. Some of the characteristics of small size enterprises include; require little capital to be started for instance capital of 50 million Frw, they use some basic and simple technology in their operations, they employ up to around 20 people and most of these may be family members.
- ☞ **Medium size enterprises** have some of the following features; they operate from well established and permanent premises. The premises are at times constructed according to the needs of the business. They require large capital to be operated, for example, capital of 500 million Frw.
- ☞ **Joint stock companies** are formed by two or more people under the Company Act to carry out business activities with the aim of making profits.
- ☞ **Partnerships** are business enterprises formed by two or more people referred to as partners, with the intention of making profits.
- ☞ **Cooperatives** consist of a group of people with a common purpose who voluntarily come together, pooling their resources together in order to enjoy the economies of scale and improve their economic well-being.
- ☞ **Sole proprietorships** are the simplest and most common form of business enterprises in Rwanda. They are formed, operated and owned by one person.

General contribution of enterprises to socio-economic development

- ☞ All enterprises pay taxes to the government which is used for socio-economic development.
- ☞ Source of food: Much of the food we feed on comes from the agri-business enterprises.
- ☞ Enterprises employ people and therefore are sources of income for the people they employ.
- ☞ Service enterprises promote human health through provision of health services, treatment of people and development of human drugs.
- ☞ Service enterprises such as schools are sources of knowledge through activities of teachers, journalists, broadcasters, libraries, internet web site builders and many others.

- ☞ Service enterprises provide security, law and order to the community through the activities of police officers, army, security guards, community leaders and government officials.
- ☞ Transport and communication enterprises enable people and goods to move from place to place and also for information to be transmitted from one place to another.
- ☞ Some enterprises especially agri-business and agro-forestry enterprises are important in the conservation and protection of the environment.
- ☞ Service enterprise are a source of leisure and entertainment such as sportsmen and sportswomen, musicians, actors, football players, film directors, cinema operators and many others.

Unit 4 Assessment

Case study: Different forms of enterprises

Read the case study below and answer the questions that follow:

Jean Paul Nyimana is a friend you have known for many years. He is a computer expert. He has been working for a large computer supplies company in Kigali for many years. The company supplies and services computers. Most people and organisations experiencing technical problems with their computers take them to the company where Jean Paul is assigned to service the computers. He is now well known by many people for his skills in handling technical problems relating to computer breakdowns.

He informs you that he has been thinking of starting a business enterprise dealing with servicing and maintenance of computers. He has saved money for this purpose, but the amount is not quite sufficient for the type of business he would like to start. However, the money is sufficient to start a small size business.

He also tells you that he has two uncles who are very rich. Both have a lot of money and have expressed their willingness to invest in the business enterprise with him.

Nyimana would like to get your advice on various options of the type of enterprise to invest in.

- (a) Advise him on the forms of enterprises he can choose citing examples.
- (b) Analyse the advantages of each form of enterprise.
- (c) Analyse the disadvantages of each form of enterprise.

TOPIC AREA: ENTREPRENEURIAL CULTURE

SUB-TOPIC AREA: CONCEPT OF BUSINESS ACTIVITIES

UNIT 5

Sectors of Production



Key unit competence: To be able to analyse the importance of various sectors of production in Rwanda's economy.

Introductory Activity

A life of a yoghurt (Ikivuguto)

Many people love yoghurt especially a very cold one. Basing on your love for yoghurt (ikivuguto):

Questions

- Describe the process involved in the production of the yoghurt to the stage you get it and consume it.
- Classify the process above into various sectors of production you know.
- How are the above identified sectors of production useful?



5.1: The Primary Sector of Production

ACTIVITY 5.1



In Senior one and two, you looked at work in the society, types of work and role of work in socio-economic development. Using your knowledge of work, answer the following questions:

1. Analyse and explain the activities taking place in pictures **A, B, C** and **D**.
2. Would you say that activities in pictures **A** to **D** belong to the primary sector? Why?
3. What do you think are the characteristics of the primary sector?
4. Assess the importance of the primary sector?

The primary sector of production involves the direct use of natural resources. It basically involves extraction of raw-materials from nature. In less developed economies, the primary sector comprises the biggest part of the economy.

The industries engaged in the extraction of natural resources include: agriculture, forestry, fishing, mining and quarrying and so on. The primary sector is usually most important in less-developed countries, and typically less important in industrialised countries.

Forms of Primary Sector of Production

The primary sector of production comprises the following forms of production: agricultural farming, fishing and fish breeding, livestock farming, mining and quarrying and lumbering.

5.1.1: Agricultural Farming

Agricultural farming refers to the practice of rearing animals and growing crops. It can be categorised with the following types of farming:

a. Subsistence farming

Subsistence farming refers to the growing of crops mainly for home consumption. Its production is neither intended for industries nor exported but largely consumed by the farmers themselves and the local population. This is the most common type of farming practiced by developing countries and Rwanda in particular. It remains the most popular type of agriculture today in Rwanda.



Irish potato growing



Banana growing

Fig.5.1. Irish potatoes and bananas are examples of crops grown under subsistence crop farming.

b. Cash crop farming (Commercial farming)

Cash crop farming refers to the growing of crops mainly for sale. The crops can be sold either locally within the country or exported (outside the country). For example, Rwanda exports coffee, tea, rice, potatoes and bananas to other countries.

Cash crop farming is usually done in either one of the following ways;

- ☒ **Intensive farming:** This is an agricultural production system characterised by a significant use of inputs. It aims at maximising production through the use of the factors of production such as land and agricultural materials.
- ☒ **Extensive farming:** This is an agricultural production system that does not maximise on the productivity of the factors of production like land. It is generally practised on large scale and is characterised by relatively weak per hectare productivity.

c. Plantation farming

Plantation farming is the growing of one type of crop using scientific methods (mechanisation and application of fertilisers, pesticides and herbicides) on a large scale. It can also be referred to as the growing of one crop on a large piece of land for sale.

The crops grown under plantation farming include: cotton, coffee, tea, cocoa, sugar canes, sisal, oil seeds, oil palms, rubber trees, and fruits.

Plantation farming is aimed at increasing production for domestic use and export. This type of farming is commonly practiced in tropical areas.



Tea plantation



Rice plantation

Fig.5.2. Tea and rice are examples of crops grown under plantation farming.

Common characteristics of plantation farming

- ❖ **Plantation estates are very large**, covering thousands of hectares and are normally run by huge foreign or local private companies.
- ❖ Most plantations in Africa were established by colonialists.
- ❖ **Plantations are labour intensive** in that they employ a large number of workers. In the case of labour strategies, workers are recruited from neighbouring countries, leading to the development of plural societies, that is, societies made up of different ethnic groups.
- ❖ **Plantations are also capital intensive**. Many plantations use a lot of money in their investments. They have their own factories for processing crops. They also have their own infrastructure. For example, light railway lines and roads for the transportation of harvested crops to the factory and the market.
- ❖ **Plantations usually specialise in the production of a single crop**. In other words, they practice what is known as monoculture. In a few cases, two or more different crops are grown.
- ❖ **Crops on plantations are normally intended or grown for export**. Only few countries have agro-based industries which process plantation products.
- ❖ Many plantations increase their output by buying local produce or by buying the same product from small scale farmers.
- ❖ Plantation management provides housing, food and medical facilities and at times elementary education to their employees within the plantation.

Advantages of plantation farming

- ❖ **Increased production (output):** Plantation farming utilises more acreage under cultivation, mechanises operations, controls pests and diseases and this leads to higher produce than any other farming system. As a result, plantation farmers increase production. Where they are engaged in food production, they help to increase the national stock of food products.
- ❖ **Provides raw materials to the manufacturing industry:** Plantation farming provides raw materials to feed local and international manufacturing industries. The cultivation of pineapples, oranges and mangoes in plantation farming serves as raw materials for the juice manufacturing industries. The production of cocoa and coffee also serve the confectionery industries.



Cotton a raw material for textile industries.



Pineapples,a raw material for juice making.

Fig.5.3. Cotton and pineapples are some of the raw materials used in the manufacturing industry.

- ❖ **Lower cost of production:** The operations carried out on plantations are cheaper in the long run. This is because the farmer employs more efficient methods of production such as ploughers, harrowers, planters, and harvesters. The farmer is able to control other variables like water supply through irrigation and is able to farm throughout the year, in some cases. This lowers the costs of production.
- ❖ **Leads to development of infrastructures:** Plantation farms that depend on electricity extend electricity to the community and also construct roads to aid the movement of goods and equipment. Schools and hospitals are also constructed to cater for the education and medical needs of the plantation employees and their children. This leads to the development of infrastructures in areas where plantations exist. In the end, the surrounding areas benefit from such infrastructure.
- ❖ **Stimulates urbanisation:** Where plantation farms exist, public facilities such as roads, railways, ports, towns, schools, hospitals and the supply of electricity and water also exit leading to urbanisation of such areas.

- ☛ **Eradication of pests and diseases:** Plantations are also able to undertake greater scientific research and this greatly leads to eradication of pests and diseases. For example, one large sugar company was able to employ a large research staff to produce a strain of sugar cane resistant to leaf-scald disease.
- ☛ **Lower prices of products:** Due to mass production under plantation farming, prices of such products are lowered in response to the forces of demand and supply.
- ☛ **Creates employment** as it requires many workers: In plantation farming, there is increased need for personnel to manage crop growing and researching. Some crop processing and manufacturing industries are set up to satisfy the demand for crops. Encourages local industries like agro-based processing industries.



People working on a coffee plantation.



People working on a sugar cane plantation.

Fig.5.4. Many people are employed on large plantations and earn income which they use to improve their standards of living.

- ☛ **Source of foreign income:** Plantation farming is a very high foreign income earner for many countries in the world. In Rwanda, the production of coffee, tea and other non-traditional agricultural export commodities earn Rwanda foreign income.

Disadvantages of plantation farming

- ☛ **Destruction of natural rain forest:** For plantation farming to be carried out, there must be large acreage of land. This leads to the destruction of natural rain forest of a country. Forests have to be cleared and turned into farmlands to cultivate cash crops. Once this happens and no conscious effort is made toward reforestation, the negative effects of deforestation set in.

- ☞ **Covers extensive piece of land:** To set up a plantation farm, you need a large piece of land which might not be readily available in some areas. Also existing plantation farms desire to increase their acreage under cultivation. This forces some plantation farmers to take up land which would have been used for other purposes such as animal rearing and settlement.
- ☞ **Difficult for new entrants to join:** The increased demand for more land for cultivation coupled with the size of land available for farming has resulted in the hiking of the price of the land. This makes it difficult for other people, especially young farmers to acquire cheap farm lands to enter plantation farming.
- ☞ **Some plantation crops are perishable:** Some crops cultivated under plantation farming like fruits and vegetables are perishable. So farmers need to acquire improved technology to preserve them if they are not sold in time.
- ☞ **Threat to the environment:** Plantation farmers use a lot of chemicals to control pests and diseases on their farms. Some of these chemicals have certain components that are harmful to the environment, animals and human survival. The operations of commercial farmers therefore poses a huge threat to the environment and subsequently to the human race.

Test skills acquired 5.1

1. Read and analyse the statements in the table below, thereafter state TRUE or FALSE.

Statement	TRUE or FALSE
The primary sector of production is the same as primary school.	
In the primary sector of production there is manufacturing.	
Rugema is a fisherman, he belongs to the primary sector.	
Our school belongs to the primary sector of production.	
Plantation farming is the growing of crops.	
Food crops are grown under plantation farming.	
Plantation belongs to the secondary sector of production.	
The primary sector provides raw materials to the secondary sector.	
Forestry plantation is one way of conserving our environment.	
Pisciculture is not carried out in Rwanda.	

2. Ndoli wants to engage in the primary sector, he specifically wants to practice agriculture. Tell him the different categories of agricultural farming.

d. Forestry plantation



Tree seedlings



Tree planting

Fig.5.5. Tree seedlings scheduled for planting on a large scale.

Forestry plantation is the science of planting and caring for forests and the growing and management of timber. It can also be defined as the cultivation and long-term management of trees on marginal agricultural land. Plantations are generally even aged, planted and managed in rows, consist of a single species (sometimes two or three) and cover a large enough area to provide a suitable return on investment.

Cross-cutting Issue: Environment and Sustainability

Forests are a key component of the life-support system in view of both the products and services they provide. This is particularly so in Rwanda where forests protect watersheds, thus making agriculture viable, and meet the energy needs of the bulk population. Therefore, natural resources ought to be protected since they support agricultural activities.

Forestry plantation needs to be relatively low-maintenance, provide a productive land-use and have the potential to supplement farm income, benefit the overall environmental stability of the property and fit in with the primary production enterprise or with the lifestyle objectives of the farm.

Did you know?

A forest is not simply an accumulation of trees, but is itself a society, a community of trees that mutually influence each other, thus giving rise to a whole series of new phenomena that are not the properties of trees alone.

Advantages of Forestry Plantation

- ☒ Forestry contributes to food security, nutrition and livelihoods in several ways, including as a direct source of food, fuel, employment and cash income.
- ☒ Forests are fundamental to the survival of forest-dwellers. They are also important providers of ecosystem services including;
 - Maintaining or restoring soil fertility.
 - Protecting watersheds and water courses.
- ☒ For most of the year, herders in arid and semi-arid lands depend on trees as a source of fodder for their livestock.
- ☒ Controls soil erosion and its processes.
- ☒ Act as shade and shelter for livestock and man.
- ☒ Act as windbreaks.
- ☒ Timber production.
- ☒ Increased capital value of lands.
- ☒ Soil protection and production.
- ☒ Aesthetic improvements – the appearance of trees in the landscape, landscaping, screening.
- ☒ Water table and salinity reduction.
- ☒ A long-term, low management-input land use.
- ☒ Conservation outcomes such as native biodiversity and wildlife corridors
- ☒ Long-term economic and environmental security.

5.1.2: Fishing and Fish Breeding (Pisciculture)

ACTIVITY 5.2

Use the library or internet to research on the following and thereafter present your answers to the class for a discussion.

1. Fishing
2. Fish breeding
3. Artisan breeding and industrial fishing
4. Livestock farming.
5. Traditional rearing and modern rearing
6. Bee keeping

From activity 5.2, Fishing is the catching of aquatic animals from water bodies such as oceans, ponds, lakes, and seas. It is practiced by fishermen for leisure or as a profession.

There are various fishing techniques and machinery used depending on the species being caught, the environment and the technology used in fishing.

Fishing is also an occupation of catching fish for a living.

Types of fishing

There are different types of professional fishing which include:

1. **Pisciculture:** This refers to the rearing of fish in controlled conditions. This type of fish husbandry is practiced in areas that are partially or entirely enclosed in concrete or plastic pools, lobster pots or giant cages. This is an intensive method of fish production. The youngfish (fingerlings) are obtained from other pools where fish eggs are hatched. They are then fed with granules and harvested once they have attained the desired size.



Fig.5.6. Pisciculture is the rearing of fish in controlled conditions,such as ponds.

2. **The artisan or inshore (small scale):** This is the most common type of fishing and it is practiced by many people. It uses small sized ships equivalent to 6 to 25 metres, usually with 2 to 5 crew members per ship. The crew members take several hours over a number of days to carry out the fishing exercise.



Fig.5.7. The artisan or inshore (small scale).

- 3. The industrial or deep sea (large scale) fishing:** Under this type of fishing, fish and other aquatic animals are caught on a large scale. It is mainly carried out using trawlers of 30-50 metres for a period of 10-15 days (mainly on continental plateau and coastal areas) in seas like Mediterranean Sea. Fish is mainly processed at the coast.



Fig.5.8. Ship fishing for commercial purposes.

5.1.3: Livestock Farming

ACTIVITY 5.3

Use the library or internet to research on the following and thereafter present your answers to the class for a discussion.

1. What are the various forms of livestock farming?
2. Discuss the importance of livestock farming carried out in your community.

From activity 5.5, livestock farming is the rearing of animals for food and for other human uses. Livestock farming animals are reared for sale to earn profits. The word

'Livestock' applies primarily to cattle or dairy cows, chickens, goats, pigs, horses and sheep. Today, even animals like donkeys, mules, rabbits and insects such as bees are being raised as part of livestock farming. Livestock farming (animal husbandry) entails activities that aim at multiplying the domestic animals which are reared.

Livestock farming is classified in the following ways:-

1. **Modern rearing:** This is a practice where the farmer aims at increasing the productivity of animals. This is done by shortening the gestation period of the animal and by reducing the influence of the surrounding environment that may negatively affect production. In addition, the farmer keeps the animals in enclosed structures where they are provided with food and water. This type of animal husbandry is also characterised by significant use of mechanisation (technology).

2. **Traditional/intensive rearing:** This refers to the rearing of cattle or other animals like goats, sheep, and poultry with little or no use of practices that improve breeds or increase productivity. Traditional cattle keeping on a large scale is largely practiced in the Eastern part of Rwanda in the districts of Karangazi and Nyagatare.



Cattle rearing



Goat rearing

Fig.5.9. Cattle and goats are examples of animals reared in Rwanda under traditional farming.

3. **Apiculture (Bee keeping):** This is the rearing of bees aimed at producing beehive products such as honey and wax. The bee keepers have to provide bees with shelter and take care of their environment then harvest the beehive products.
4. **Piggery:** This refers to the rearing of pigs for commercial purposes. Pig farming has grown in Rwanda and people have realised that it has the highest returns.



Bee keeping activity.



Pig rearing for pork.

Fig.5.10. Bee keeping and piggery belong to livestock farming.

5.1.4: Mining and Quarrying

ACTIVITY 5.4

Use the library or internet to research on the following and thereafter present your answers to the class for discussion.

1. Mining
2. Quarrying
3. The importance of the primary sector.

Mining refers to the act of extracting ore or minerals from the earth's surface. It involves the act of digging underground to extract minerals such as copper, cobalt, gold, silver, zinc, lead, diamond and other valuable minerals.

The extraction of sand and gravel is also part of the mining activities.

Quarrying refers to the extraction of stones and other materials from rocks. These can be used for construction of buildings, roads and so on.



Fig.5.11. Mining of gold in Rwanda. Mining falls under the primary sector.

5.1.5 Lumbering

Lumbering is the cutting down of trees for timber.

Timber is mainly used for construction of houses, making furniture and decoration. You can plant trees in large numbers and :make lumbering a trade. In this case, lumbering becomes the trade of cutting or preparing or selling timber.

Importance of the Primary Sector to the Economy of Rwanda

- ☞ The primary sector provides employment opportunities for many people.
- ☞ As people carry out agricultural activities, they earn income which they use to acquire necessities.
- ☞ It is a source of food for human consumption. The primary sector is a source of food to the people hence improves peoples' standards of living.
- ☞ It is a source of income for the state. Government collects taxes from the primary sector activities such as agriculture, lumbering, fishing and mining.
- ☞ It is a source of medicine. Forestry plantations contain various trees which are used as medicine and so on.
- ☞ It offers raw materials for other industries. Manufactured industries use inputs from the primary sector such as milk, sugarcanes, maize, beans and so on.
- ☞ Leads to development of infrastructure such as roads, hospitals, schools, entertainment centres in the economy. The infrastructure is meant to connect the primary to the secondary sector.
- ☞ Widens the tax base: People who are employed under the primary sector pay the government taxes such as VAT and PAYE. Also the businesses in the primary sector pay taxes to the government thereby increasing government revenue.

5.2: The Secondary Sector of Production

ACTIVITY 5.5

1. What do you understand by the term secondary sector?
2. With specific examples, mention the various types of industries in Rwanda.
3. Discuss various raw materials used in production of various products in Rwanda
4. Outline the different products that are produced by the different industries in Rwanda.
5. What is the importance of the various types of industries to;
 - (a) the community?
 - (b) the country?

The secondary sector of production involves the transformation of raw materials (natural resources) into finished products ready for consumption. This sector adds value to the raw materials from the primary sector. This is the manufacturing and assembly process.

The secondary sector is concerned with using raw materials from the primary sectors, for example, iron and coke to produce finished goods such as cars, sugar canes used in the production of sugar, cocoa beans and coffee beans used in the production of beverages.

These manufactured goods are then sold in the tertiary sector.

Forms of Secondary Sector

There are four forms of the secondary sector, i.e, agro-pastoral, agro-food processing, handicraft and manufacturing industry.

a. Agro-pastoral industry

The agro-pastoral industry involves the transformation of animal raw materials into semi or finished food products. Examples of raw materials from animals used in the agro-pastoral industry include: milk, meat, hides and skins, horns and many others. These raw materials undergo transformation before brought to the market. Examples of agro-pastoral industries in Rwanda include: Inyange industry and Nyirangarama industry.



Ghee and fresh cream



Sausage processing

Fig.5.12. Ghee and cream are processed from milk and sausages are processed from animal meat. These all belong to the agro-pastoral industry.

b. Agro-food processing industry

Agro-food processing industries transform agricultural products into finished food products. The raw materials used in the agro-food processing industries are plants and fruits. These raw materials undergo processing before brought to the market for consumption.



Fruit juice



Milling maize into flour.



Milling cassava into flour.

Fig.5.13. Passion fruits, maize and cassava are some of the plants processed into various products under the agro-food processing industry.

For example, cassava is processed into cassava flour, maize is processed into maize flour, packed and distributed on the market, fruits are processed into juice ready for consumption.

Agro-pastoral and agro-food processing include: the meat industry, the fish industry, the fruits and vegetables industry, the fatty crops industry (which produces oil and margarine), the dairy industry (which produces ghee, yoghurt, cheese and all other milk products), the breweries (that produce alcoholic and non-alcoholic drinks) and so on.

c. The handicraft industry

The handicraft industry is where production or manufacturing is done manually and there is no use of automated machines. This mainly involves making a piece of work by hand. A craftsman is a person who is involved in manual work and does not use automated machines. The craftsman uses traditional techniques to make various items. The craftsman is assisted by family members or apprentices who are on training. Examples include: the basketry, pottery and carving industry. A craftsman creates and innovates various things.



Basket making



Pottery

Fig.5.14. Pottery and basketry belong to the handicraft industry.

d. Manufacturing industry

The manufacturing industry transforms/processes raw materials from the primary sector into finished products. Manufacturing industries include: chemical industries, metal fabrication, wood, publishing industries, rubber and plastic industries and so on.

Examples of products from the manufacturing industries include: furniture, paper, leather, machines, tobacco, textiles, tiles, soda, beers, whiskeys and so on.

UTEXRWA and INYANGE are examples of manufacturing industries in Rwanda.



Inyange mineral water bottling



Textile production in UTEXRWA

Fig.5.15. Inyange and UTEXRWA belong to the manufacturing industry.

Importance of the Secondary Sector to the Economy of Rwanda

- ❖ Many people are employed in the secondary sector.
- ❖ Acts as source of income to the state. The secondary sector provides the highest source of revenue to the government through direct and indirect taxes.
- ❖ Offers market for agricultural products. The secondary sector buys inputs from agricultural products which are used in the production of finished products.
- ❖ It provides consumer and capital goods. The secondary sector provides both consumer goods (finished products ready for consumption) and capital goods (which are used in the production of other goods).
- ❖ Participate in community development programs.
- ❖ The secondary sector produces goods that are consumed by the society. This improves on the quality of life of the population.
- ❖ Increases a country's foreign income. Some manufacturing enterprises produce for both local and international market. This greatly contributes towards the foreign income the country earns thereby improving balance of payments of a country.

5.3: The Tertiary Sector

ACTIVITY 5.6

1. Identify the various types of enterprises in the tertiary sector that you know in your Country.
2. Outline the importance of the tertiary sector in your country.

The tertiary sector involves the provision of services to consumers and businesses. Services provided by the tertiary sector include: education, medicare, communication, transportation, entertainment, banking and insurance, financial and warehousing services.

Employees in the tertiary sector include: pilots, lawyers, chefs, doctors, teachers, accountants, judges. and so on. The tertiary sector makes up 80% of the labour force today.

The tertiary sector is one of the three types of industries in a developed economy. the other two being the primary and the secondary sector. As an economy becomes more developed, it shifts its focus from primary to secondary and tertiary sectors.

Note: The tertiary sector is split into two main categories. The first is made up of companies in the business of making profits, such as those in the financial industry. The second comprises the nonprofit segment, which includes services such as state education.

Examples of tertiary industries include: telecommunication companies, hospitality/tourism industry, transportation, education, warehousing, mass media, healthcare/hospitals, information technology, waste disposal, consultancy, gambling, trade, real estate, and so on.

Below is the detailed explanation of the forms of the tertiary sector.

a. Communication

Communication is composed of telecom and postal services which are considered as important components of the service sector.

Telecommunication is the fastest mode of communication developed in the country. Telecommunication services include the telephone services, telexservices, telegrams, fax services, internet and broad band services. and radio and television services.

Rwanda telecom service has proved to be an international success story as the sector has been witnessing commendable growth over the past few years. Examples of enterprises in the communication services in Rwanda include: Mtn, Tigo, Airtel and Safaricom.



Rwanda National Post Office



Telecom companies in Rwanda

Fig.5.16. Some of the companies under communication.

b. Transportation

Transportation refers to the carrying of commodities or people for a fee from one place to another. A person may transport goods for him/herself or for someone else at a fee. Transportation in Rwanda is carried out under four modes, i.e, road, railway, air and water.

Road transport is the most important mode of transport in Rwanda as it covers every corner of the country. Examples of transport companies in Rwanda include; Volcano, Horizon agencies, Fidelity, RwandaAir, Ritco, Jaguar, Trinity, and so on.



Ritco buses



RwandAir

Fig.5.17. RwandAir and Ritco are examples of companies that provide the transportation service in Rwanda.

c. Banking and insurance

A bank is a financial company that collects individuals' and organisations' savings, keeps them as deposits and gives loans and other services to its customers.

Insurance is a service that involves giving a defined compensation to a person, an association or an enterprise in case an unexpected risk takes place.



Fig.5.18. Tellers offering a banking service to customers at Cogebank, Rwanda.

d. Warehousing

A warehouse is a store for goods and merchandise.

The act of depositing goods and merchandise in a warehouse is called warehousing. Warehousing is a service provided by a warehouse owner to help traders keep their goods safe until they reach their final destinations.

Warehousing services are considered as an integral part of both inbound and outbound logistics, as goods produced have to be stored in different geographical locations of the country before shipping and dispatch as per demand and order flows received from different destinations. In Rwanda, the most important component of warehousing is agricultural storage for agri-produce, food-grains, fertilisers, manures and so on.

Other components of warehousing include: industrial warehousing for industrial goods, import cargo and excisable cargo; inland container depots (ICDs) or container freight stations (CFSs) for facilitating import and export trade; and also special warehouses for cold and temperature-controlled storage. Warehousing services in Rwanda are in Magerwa—Gikondo.



Fig.5.19. Inside a warehouse. Warehousing is one of the tertiary services in Rwanda.

Importance of the Tertiary Sector

The tertiary sector is important in the following ways:

- ❖ **Supports the manufacturing sector:** In addition to the continuing growth of the service sector, the role of services in the manufacturing sector has been increasing. With increasing automation and the use of computers in the design of a product and its manufacturing process, technical and professional staffs have a greater role in the actual production of the product than unskilled workers. Thus, in the factory of the future, the production process may be guided by design engineers, computer operators, and production planners.

- ❖ **Improves labour productivity:** The tertiary sector greatly contributes towards improved labour productivity. Better technology has enhanced improved labour productivity leading to a higher output of agricultural and manufactured goods with less labour. This has increased incomes of workers which they spend on services and also spare labour to be able to work in the more labour intensive tertiary sector.
- ❖ **Provision of employment:** The service sector employs more than two thirds of the working population and contributes more than 60 per cent to the gross national product. For the first time in history, investment per office worker now exceeds investment per factory worker. With the continuing trend towards a service economy, a greater proportion of future operations managers will be employed by the tertiary sector.



Air hostesses employed by RwandAir.



Chef employed in a restaurant.

Fig.5.20. Examples of people employed by the tertiary sector.

- ❖ **Leads to improved standards of living:** A growing service sector is a sign of increased standards of living in that it enables consumers to enjoy more leisure based service activities, such as tourism, sport and entertainment.
- ❖ **Improvement in quality of life:** The tertiary sector has contributed a lot towards human development in our country. The tertiary sector has rendered valuable services such as, health, education, information technology and information technology enabled services, skill development, tourism, sports, cultural services which are largely responsible for human empowerment.
- ❖ **Development of infrastructure:** The tertiary sector plays an important role in developing, expanding and management of infrastructure with a special emphasis on development of transportation and communication services. In a developing country like Rwanda, the importance of development of infrastructural facilities is quite high.

- ❖ **Development of social services:** The tertiary sector also plays an important role in the development and expansion of social services such as sports, cultural services and so on. Sports promotes physical fitness and develops human personality which also played an important role in national identity, community and international bonding.
- ❖ **Preserves and promotes culture:** Cultural activities or services include recreation, entertainment, radio and TV broadcasting besides other related cultural services. To meet the objective of preserving and promoting all forms of art and culture, a variety of activities are being undertaken by the government of Rwanda.
- ❖ **Facilitates trade:** The tertiary sector plays an important role in raising the volume of exports in the country. With services like advertising, warehousing, transportation and banking which act as aids to trade facilitate the exchange and delivery of goods from the place of manufacture to the customers' premises. This is mainly through transport.

Test skills acquired 5.2

1. Read the paragraph extract below and answer the questions that follow:

Mr. Kamuhanda is a qualified senior doctor at King Faysal Hospital and an entrepreneur who involves himself in a wide variety of activities that generate income for him.

He grows a variety of crops such as maize, bananas, cassava, onions; rears fish, chicken, cattle and pigs. He processes the maize that he grows into maize flour (posho), packs it in sacks, brands it and transports it to the market for sale using his delivery van that he rents out to a firm which pays him a monthly rental incomes of 300,000 Frw.

Using the case study above, classify the identified activities into their respective sectors of production, that is;

No.	Sector	Activities
1.	Primary	
2.	Secondary	
3.	Tertiary	

2. Referring to (1) above, give other examples of activities that fall under the mentioned sectors of production by filling in the table below.

No.	Primary Sector	Secondary Sector	Tertiary Sector

Unit Summary

Sectors of production are: primary, secondary and tertiary sector.

Primary sector is that sector of an economy which makes direct use of natural resources.

Importance of the primary sector to the economy of Rwanda

- ☞ Provides employment opportunities to the people of Rwanda.
- ☞ Source of food for human consumption. Source of income for the state.
- ☞ It is a source of medicine.
- ☞ It offers raw materials for other industries.
- ☞ Leads to development of infrastructure in the economy
- ☞ Widens the tax base.

Secondary Sector is that sector of the economy which transforms resources from their natural form into finished products.

Forms of secondary sector

- ☞ The handicraft industry.
- ☞ Agro-pastoral industry
- ☞ Agro-food processing
- ☞ Manufacturing industry.

Importance of the secondary sector to the economy of Rwanda

- ☞ Offers employment opportunities.
- ☞ Acts as a source of income to the state.
- ☞ Offers market for agricultural products.
- ☞ It provides consumer and capital goods.
- ☞ Participates in community development programs.
- ☞ Produces goods that are consumed by the society.
- ☞ Increases a country's foreign exchange.

The tertiary sector involves the provision of services to consumers and businesses.

Examples of services

- ☞ Transportation
- ☞ Banking and insurance
- ☞ Warehousing
- ☞ Communication Services

Importance of the Tertiary Sector

- Provides employment to the population of Rwanda. Leads to improved standards of living.
 - Supports the manufacturing sector.
 - Improves labour productivity.
 - Improves quality of life.
 - Development of infrastructure.
 - Development of social services.
 - Facilitates trade.

Unit 5 Assessment

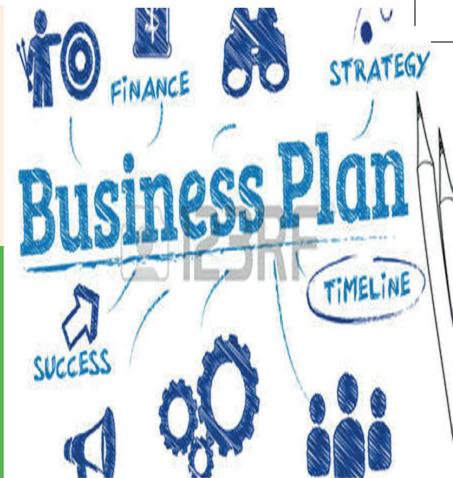
1. (a) What do you understand by the term primary sector.
(b) Explain the various examples of activities in the primary sector. (c) What is the importance of the primary sector?
 2. (a) What do you understand by the term secondary sector?
(b) Explain the various examples of activities in the secondary sector. (c) What is the importance of the secondary sector?
 3. (a) What do you understand by the term tertiary sector?
(b) Explain the various examples of activities in the tertiary sector
(c) What is the importance of the tertiary sector?
 4. Identify the different business enterprises under the different sectors of production.

TOPIC AREA: BUSINESS ACTIVITY

SUB-TOPIC AREA: TAXATION CUSTOMS

UNIT 6

Customs Procedures



Key unit competence: To be able to examine the role of Rwandan customs procedures.

Introductory Activity

Some of the products we use in everyday life are not produced within Rwanda. Some are imported from other countries. Not all goods produced in Rwanda are consumed within Rwanda. Some are exported to other countries.

Questions

1. Describe the process involved in the:
 - (a) buying of goods from countries outside Rwanda.
 - (b) selling of goods to countries outside Rwanda.
2. How do we call the process of:
 - (a) buying of goods from countries outside Rwanda?
 - (b) selling of goods to countries outside Rwanda?
3. Mention the agents involved the process.
4. Mention the documents used in the process.
5. Why do customs exist in Rwanda?

6.1: Meaning of Customs and Customs Declaration, types of customs declarations

ACTIVITY 6.1

Using your knowledge of Senior one and two about sources of finance and taxes in Rwanda, answer the following questions:

1. What is taxation, tax, tax avoidance and tax evasion?
2. How are taxes collected in Rwanda?
3. Why is it important for individuals and businesses to pay taxes?
4. Which government agencies are in charge of collecting taxes?

ACTIVITY 6.2

Research activity

Visit your library or use the internet and research on the following:

1. Customs
2. Customs declaration
3. Types of customs declaration
 - (a) Export and import
 - (b) Temporary importation
 - (c) Warehousing
 - (d) Transit

From activity 6.1 and 6.2, **customs** is a government agency entrusted with enforcement of laws and regulation to collect and protect import-revenues and to regulate and document the flow of goods in and out of the country. ([BusinessDictionary.com](https://www.businessdictionary.com))

Fig.6.1. Trucks loaded with goods waiting for customs to clear their merchandise and okay their entry into Rwanda.





Fig.6.2. [Visitors clearing at the customs office at Kigali International airport.](#)

Customs declaration is an official document that lists and gives details of goods that are being imported or exported. Imported goods must be accompanied by a customs declaration form. It's a form declaring the nature and value of goods, and so on, for customs purposes. (Collins English Dictionary)

Cross-cutting issue: Financial education

One should manage his/her financial resources properly as well as paying the right taxes to government to avoid the harsh hand of the law and also enable government plan effectively for its people in terms of developing infrastructure and providing basic needs.

6.1.1 : Types of Customs Declaration/Customs Entry

Customs declaration is a form that is required by most countries when a citizen or a visitor or goods are entering that nation's borders, called import.

The purpose of the import form is to declare what goods are being brought into the nation, as some countries may have import quotas (limits), customs excise taxes, or bans from entry on some goods or quantities of goods.

The form is also used to calculate any applicable tariffs or duties.

The entry/duty form states the customs classification number, country of origin, description, quantity, CIF value of the goods, and the estimated amount of duty to be paid.

If upon examination by customs officer the entry is verified as a correct or 'perfect entry, the goods in question are released (on payment of duty and other charges, if any) to the importer, or are allowed to be exported.

Main types of customs entry are:

- ☞ **Consumption entry:** for goods to be offered for consumption in the importing country.
- ☞ **Formal entry:** that is required to be covered by an entry bond because its aggregate value exceeds a certain amount.
- ☞ **Informal entry:** That is not required to be covered under an entry bond because its value is less than a certain amount.
- ☞ **In-transit entry:** for the movement of goods from the port of unloading to the port of destination, under a customs bond.
- ☞ **Mail entry:** For goods entering through post office or courier service and below a certain value.
- ☞ **Person baggage entry:** For goods imported as personal baggage.
- ☞ **Transportation and exportation entry:** For goods passing through a country en-route to another country.
- ☞ **Warehouse entry:** For the goods stored in a bonded warehouse.

Point to consider

"Taxes are the price we pay for civilisation." More specifically, taxes are the price we pay for Rwanda we love". In order for our government to run its activities swiftly and also provide social amenities to the public.

6.2: Role of Customs Procedures

ACTIVITY 6.3

Research activity

Use the library or internet, or resources from RRA and make research on the following:

1. Customs procedures
2. Customs declaration
3. Declaration documents
4. Stakeholders in customs declarations
5. Role of customs declarations

Point to consider

Taxes put out fires, keep our streets safe, provide our children with education, provide our families with health care, ensure our food and water are safe, create legal safeguards for businesses and employees, provide parks - in other wards, provide us benefits every hour of the day, every day of the year. You are therefore, advised to declare all your goods in order for you to be levied the right tax. This also ensures ethics in business.

The role of customs procedures include:

- ☞ **To ensure observance of laws:** Laws on taxes, quality standards of goods and services imported or exported are observed by customs authorities.
- ☞ **Trade compliance and facilitation:** Customs procedures also facilitate smooth running of trade activities through regulating prices and quantity of exports and imports.
- ☞ **To protect economic interests:** Customs procedures also protect economic interests of an economy through regulating what should be imported and exported depending on the prevailing conditions.
- ☞ **To protect the rights and interests of citizens and businesses:** This can be done through discouraging imports so as to protect local businesses from foreign competition and encourage exports.
- ☞ **To ensure observance of revenue collection:** Taxes are collected on imports and exports from borders of a country by customs authorities.

6.3: Necessary Documents for the Declaration of Goods at Customs

ACTIVITY 6.4

Research activity

In customs declaration, there are various documents used.

1. Identify some of the documents used.
2. Suggest the use of each document identified in 1 above. Present your findings to the teacher for evaluation.

From activity 6.4, there are several documents used in customs declaration. These include: transaction invoice, transport document, import licence, packing list, certificate of origin, certificate of analysis, goods arrival notice, bill of landing, certificate of fumigation, goods exit note, goods invoice, importation permit, payment receipt, phytosanitary certificate, transport invoice and warehouse handling fees invoice.

These documents are further explained below with their uses.

Transport invoice

A transport invoice is a non-negotiable commercial document issued by a seller to a buyer. The transport invoice identifies the following:

- ☞ Both the trading parties,
- ☞ Lists, describes, and quantifies the items sold,
- ☞ Shows the date of shipment and mode of transport,
- ☞ Prices and discounts (if any),
- ☞ And delivery and payment terms.

Fig.6.3. A transport invoice is a non-negotiable commercial document issued by a seller to a buyer.

Transport document

A transport document shows information about cargo that is being transported. Transport documents lie at the heart of international trade transactions.

These documents are issued by the shipping line, airline, international trucking company, railroad, freight forwarder or logistics company.

To the shipping company and freight forwarder, transport documents provide an accounting record of the transaction, instructions on where and how to ship the goods and a statement giving instructions for handling the shipment.

There is a type of transport document for each mode of transport: (CMR for road transport, Bill of Lading for shipping, etc.). Goods carried in multimodal transport units (mainly containers) use a document called FIATA multimodal Bill of Lading (FBL).

Below are the main transport documents explained in detail what they are used for?, who prepares them? and to whom they are addressed?

- a. **CMR (Contrat de Transport International de Marchandises par Route):** The CMR transport document is an international consignment note used by drivers, operators and forwarders alike that govern the responsibilities and liabilities of the parties to a contract for the carriage of goods by road internationally.

The carrier usually completes the form, but the sender (exporter) is responsible for the accuracy of the information and must sign the form when the goods are collected. The consignee will also sign the form on delivery, which is essential for the carrier to be able to confirm the delivery of the goods and to justify the payment for its services.

The CMR transport document is not a document of title and is, therefore, non negotiable. This document is prepared by the exporter and the freight forwarder and is addressed to the importer and the carrier.

- b. **Air waybill:** This is a transport document used for air freight. An Air waybill (AWB) is a non-negotiable transport document covering transport of cargo from airport to airport. The Air waybill must name a consignee (who can be the buyer), and it should not be required to be issued "to order" and/or "to be endorsed" as it is not a title of property of the merchandise. Since it is not negotiable, and it does not evidence title to the goods, in order to maintain some control of goods not paid for by cash in advance, sellers often consign air shipments to their sales agents or freight forwarders' agents in the buyer's country. The Air waybill is not a negotiable document. It indicates only acceptance of goods for carriage. This document is prepared by the IATA Transport Agent or the airline itself and is addressed to the exporter, the airline and the importer.

- c. **Bill of Lading:** This is a transport document for sea freight. A Bill of Lading (B/L) is issued by the agent of a carrier to a shipper, signed by the captain, agent, or owner of a vessel. A bill of lading shows the following:

- ❖ Written evidence regarding receipt of the goods (cargo),
- ❖ The conditions on which transportation is made (contract of carriage),
- ❖ And the engagement to deliver goods at the prescribed port of destination to the lawful holder of the bill of lading.

A Bill of Lading is both a receipt for merchandise and a contract to deliver it as freight. There are a number of different types of bills of lading and a number of regulations that relate to them as a group of transport documents.

Since this is a negotiable instrument, the Bill of Lading may be endorsed and transferred to a third party while the goods are in transit.

MULTI-MODAL TRANSPORT DOCUMENT / BILL OF LADING				FBLDMBA0917/00594
Consignor / Shipper TECHNO PHARMCHEM 1022, MODERN INDUSTRIAL ESTATE BAHADURGARH - 124507 HARYANA INDIA		MTD / B/L No. : Shipment Ref. No. : <i>(Handwritten)</i> FREIGHTBRIDGE LOGISTICS PVT. LTD. <i>"An Endeavour to connect ends"</i> C-707, 7th Floor, Neelkanth Business Park, Vidyavihar (W), Mumbai - 400 086, India Tel : 91-22-6722 6722 Fax : 91-22-6722 6721 Email : info@fblindia.in Website : www.fblindia.in CIN No.: U63000MH2004PTC149802 Reg. No. MTO / DGS / 473 / OCT / 2017		
Consignee (or order) RWANDA EDUCATION BOARD P.O BOX 3817, KIGALI - RWANDA TEL. +250 255121482				
Notify Address MUZUNGU GODFREY, NEW PREFERENCE HARBOUR HOUSE 5TH FLOOR MOI AVENUE-MOMBASA KENYA TEL. +256706592161				
Vessel / Voyage No. UNI FLORIDA / 1719	Port of Loading NHAVA SHEVA	For Delivery Agent VELU GLOBAL LOGISTICS PVT. LTD. (MOMBASA) P.O.BOX 42443-80100 TSS TOWERS, 10TH FLOOR, NUKUMRAH ROAD, MOMBASSA KENYA Tel : +254 412319123		
Port of Discharge MOMBASA	Place of Delivery MOMBASA	Place & Date of acceptance ICD/PPG/DELHI Tel. Fax:	Route / Place of transhipment (if any)	SECOND ORIGINAL
Date of Period of Delivery		Mode Means of Transport		
Container No.(s)	Marks & Number	Number of Packages, kind of packages, general description of goods		Gross Weight
		09 [NINE WOODEN PALLETS CONTAINING 124 CB CARTONS] CONTAINING :		GROSS WT: 8.015 2,103.000 CBM KGS
		" LABORATORY REAGENTS & SUPPLIES FOR EDUCATIONAL & RESEARCH PURPOSES		NET WT: 1,610.000 KGS
09 [NINE WOODEN PALLETS CONTAINING 124 CB CARTONS]		INV NO : TPC/1718/E/014 SB NO : 8334838 IEC NO : 0588164925		
09 WOODEN PALLETS NOS : 01 To 09		FREIGHT PREPAID & ORIGIN INC PREPAID LCL/LCL-CFS/CFS, SAID TO WEIGH/ SAID TO CONTAIN DESTINATION CHARGES TO CONSIGNEE ACCOUNT		
NOTIFY PARTY 2: ====== GOODWILL LAB SUPPLIES LTD, P.O BOX 4647 KIGALI - RWANDA TEL: +250 788356249				
ORIGINAL				
Freight Amount	Freight payable at DELHI	Number of Original B/L / MTD(s) 3 (THREE)	Place and Date of Issue DELHI 06-SEP-2017	
Taken in charge in apparently good condition herein at the place of receipt for transport and delivery as mentioned above, unless otherwise stated. The MTO in accordance with the provisions contained in the MTD undertakes to perform or to procure the performance of the multimodal transport from the place at which the goods are taken in charge, to the place designated for delivery and assumes responsibility for such transport. One of the MTD(s) must be surrendered, duly endorsed in exchange for the goods. In witness whereof the original MTD all of this tenor and date have been signed in the number indicated below one of which being accomplished the other(s) to be void.				
<ul style="list-style-type: none"> • By accepting this Bill of Lading shipper accepts and abide by all terms, conditions clauses printed and stamped on the face or reverse side of this Bill of Lading. • By accepting this Bill of Lading, the shipper accepts his responsibility towards the carrier for payment of freight (in case of freight collect shipments), Accrued Government, resthipment or disposal costs (as the case may be) if the consignee fails to take delivery of the cargo within 90 days from the date the cargo reached destination. • For freight prepaid Bill of Lading, delivery of Cargo is subject to realisation of freight cheque. Demurrage / Detention charges at Port of destination Payable by consignee as per lines tariff. • The carrier reserves the right to repack the goods if the same are not in seaworthy packing. The packing condition will be certified by the local bonded warehouse or competent survey or, and the shipper by virtue of accepting this Bill of Lading accepts the liability towards the cost for the same. • For shipments where inland trucking is involved it is mandatory on consignee to custom clear the shipment at port of discharge. • In case of any discrepancy found in declared weight & volume the carrier reserve the right to hold the shipment & recover all charges as per the revised weight & volume whichever is high from shipper or consignee. 				
For FREIGHTBRIDGE LOGISTICS PVT. LTD. <i>(Handwritten Signature)</i> As Carrier (Authorised Signatory)				
Weight and measurement of container not to be included (TERMS CONTINUED ON BACK HEREOF)				

104691

Fig.6.4. Bill of Lading, a transport document for sea freight.

Goods invoice

A goods invoice is a document sent by a seller to a buyer specifying the amount and cost of goods that have been provided by a seller.

A goods invoice indicates what must be paid by the buyer according to the payment terms of the seller. Payment terms usually specify the period of time that a buyer has to send payment to the seller for the goods and/or services that they have purchased.

An invoice provides a detailed account of the goods and a set of other information that can vary a bit depending on the requirements in the country the invoice is issued and the type of goods being sold. The goods invoice has the description, quantity, selling price, freight, insurance, and packing cost. The delivery terms and payment are also listed.

Usually, an invoice will include the following points of information in order to be considered a legal invoice:

- ☒ The word 'Invoice'
- ☒ A unique reference number: the invoice number.
- ☒ The date the product was sent or delivered (or the date the service was rendered).
- ☒ The date the invoice was sent.
- ☒ The contact information and name of the seller.
- ☒ The name and contact details of the buyer.
- ☒ The terms of payment (that explain the means of payment, when the sum should be received, any cash discount details for early payment, late payment fees, and so on).
- ☒ A line detailing the product/service.
- ☒ The cost per unit of the product (if this applies).
- ☒ The total amount that is owed.

Uses of invoices

The following are some of the uses of invoices:

- ☒ Invoices are used to request payment from buyers,
- ☒ Keep track of sales,
- ☒ Help control inventory,
- ☒ And facilitate delivery of goods and services.

Invoices are also used to track expected future revenues and to manage customer relationships by offering favourable payment options, such as extended time periods for payment or discounts for early payment or cash payment.

COMMERCIAL INVOICE						
Date		Invoice No				
Exporter Address City/State/ZIP Code Country Phone/Fax Contact Person		Consignee Address City/State/ZIP Code Country Phone/Fax Contact Person				
Tax ID No (EIN)	Total Gross Weight	Transportation	Tax ID No (EIN)	Terms of Sale:		
Other	Total # of Pieces	AWB/BL#	Currency			
Commodity Description	HS	Country of Manufacture	Qty	UOM	Unit Price	Total Amount
These commodities, technologies, or softwares were exported from the United States in accordance with export administration regulations. Diversion contrary to United States law prohibited. We certify that this commercial invoice is true and correct.			Subtotal			
			Freight Cost			
			Insurance Cost			
			Total Invoice Value			
			I/we hereby certify that the information on this invoice is true and correct and that the contents of this shipment are as stated above.			
Name	Signature			Date		

Fig.6.5. A goods invoice is from a seller to a buyer showing the amount and cost of goods that have been provided by a seller.

Packing list

The packing list is a more detailed version of the commercial invoice but without price information. It shows the quantity of each good in the shipment.

PACKING LIST			
Exporter Techno Pharmchem 1022, Modern Industrial Estate, Bahadurgarh – 124507, Haryana (India)		Invoice No. & Date TPC/17-18/E/014 DATED 28.08.2017	
		Buyer's Ref. No. & Date 01/05/REB/2017-2018/NO	
		NOTIFY PARTY 1: MUZUNGU GODFREY, NEW PREFERENCE HORBOUR HOUSE 5TH FLOOR MOI AVENUE-MOMBASA KENYA TEL. +256706592161 NOTIFY PARTY 2: GOODWILL LAB SUPPLIES LTD, P.O BOX 4647 KIGALI – RWANDA TEL: +250 788356249	
		Country of Origin of Goods INDIA	Country of Final Destination RWANDA
Consignee RWANDA EDUCATION BOARD P.O BOX 3817, KIGALI – RWANDA TEL. +250 255121482			
Pre Carriage by: SEA		Place of receipt by Pre-carrier ICD PPG New Delhi	
Vessel/Flight No. UNI FLORIDA /1719		Port of Loading NHAVA SHEVA, INDIA	
Port of Discharge MOMBASA		Final Destination MOMBASA	
Marks & No. No. & Kind of Pkgs Container No. Case No. 1-18. Sodium Hydrogen Carbonate (Each Box Contains 25 x 500gm)		Description of Goods 450 x 500gm 450 x 500gm 225 x 500gm 10 x 500gm 10 x 500gm 5 x 500gm 450 x 500gm 400 x 500gm	
		Quantity NETT.WT. 12.5 Kg GROSS WT.16.5 Kg 43x43x19cms	
		Remarks (per case) NETT.WT. 12.5 Kg GROSS WT.16.5 Kg 43x43x19cms	
		NETT.WT. 12.5 Kg GROSS WT.16.5 Kg 43x43x19cms	
		NETT.WT. 12.5 Kg GROSS WT.16.5 Kg 43x43x19cms	
		NETT.WT. 12.5 Kg GROSS WT.16.5 Kg 43x43x19cms	
		NETT.WT. 25 Kg GROSS WT.28.5 Kg 32x32x28cms	
		Signature & Date For Techno Pharmchem  <i>Manjhi</i> Auth. Signatory	

Fig.6.6. The packing list shows the goods in a consignment with their respective quantities. No price indicated.

A packing list must include the following:

- ☒ Invoice number,
- ☒ Quantity and description of the goods,
- ☒ The weight of the goods,
- ☒ Number of packages,
- ☒ And shipping marks and numbers.

A copy of the packing list is often attached to the shipment itself and another copy is sent directly to the consignee to assist in checking the shipment when received.

Although not required for all transactions, it is required by some countries and some buyers. A packing list is prepared by the exporter and addressed to the importer, the carrier and the import customs clearance.

Certificate of fumigation

The **certificate of fumigation** also referred to as a '**pest control certificate**' is the proof that wooden packing materials used in international sea freight shipping such as wooden pallets and crates have been fumigated or sterilised prior to international shipment

The certificate of fumigation usually contains details such as purpose of treatment, the articles in question, temperature range used, chemicals and concentration used, and so on.

The certificate of fumigation as an international sea freight shipping document is NOT a mandatory international shipping export document. However, it assists in quick clearance of an international sea-freight shipment upon the arrival to the destination.

The certificate of fumigation should be completed by a certified vendor prior to international shipment and be submitted to an international sea freight carriers shipping facility in the country of origin of the international shipment.

If not completed and fully documented at the country of origin, then the fumigation may be done at the destination upon arrival of international sea freight shipment to the country of destination; OR for international shipments with transshipments at a time of transshipment, such as at a time when cargo will be reloaded from one container/vessel to another in order to be shipped to the final destination.

If a fumigation certificate in international sea freight shipping is required but not presented or incomplete, then additional costs related to fumigation of the international sea freight shipment may occur upon arrival of the international shipment to the destination.

Non-compliance will result in wooden packing materials and wooden pallets being destroyed by the destination country port authorities at consignee's cost and may result in delayed customs clearance. Shippers/consignees will bear the cost of the fumigation and/or delayed customs clearance due to this non-compliance on the international shipping procedures related to international shipping of sea freight containing wooden packing materials. A fumigation certificate can be obtained by international shipper from a local fumigation company.

Certificate of Origin

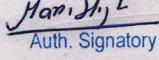
1. Goods consigned from (Exporter's business name, address, country)			<p style="text-align: right;">Reference No. 1134797</p> <p>CERTIFICATE OF ORIGIN (NON PREFERENTIAL) (Combined Declaration and Certificate)</p> <p>Issued in India</p>  <p>DELHI CHAMBER OF COMMERCE ESTD. 1950 49, RANI JHANSI ROAD, NEW DELHI-110055 PH. : 23616421, 23515828, 23518994, 23610397 FAX : 91-11-23628847, 23622815 E-Mail : dccnd@nda.vsnl.net.in Website : www.delhichamber.com</p>		
2. Goods consigned to (Consignee's name, address, country)					
RWANDA EDUCATION BOARD P.O.BOX 3817 , KIGALI - RWANDA					
3. Means of transport and route (as far as known)			4. For official use		
By RAIL/ROAD : ICD PPG NEW DELHI TO NHAVA SHEVA By SEA : NHAVA SHEVA PORT TO MOMBASA , KENYA					
5. Item No.	6. Marks and number of packages	7. Number and Kind of packages, Description of goods	8. Origin criteria	9. Gross weight or other Quantity	10. Number and date of invoices
1	9 WOODEN PALLETS CONTAINING 124 CARTONS	"LABORATORY REAGENTS & SUPPLIES FOR EDUCATIONAL & RESEARCH PURPOSES" AS PER INVOICE NO. : TPC/17-18/E/014 DATED 28.08.2017	INDIA	2103 KG GROSS WT 1610 KG NETT WT	AS PER INVOICE TPC/17-18/ E/014 DT. 28.08.2017
11. Certification It is hereby certified on the basis of control carried out, that the declaration by the exporter is correct.			12. Declaration by the exporter The undersigned hereby declares that the above details and statements are correct; that all the goods were produced in India and that they comply with the origin requirements for exports to RWANDA New Delhi 08.09.2017 (Importing country) For Techno Pharmchem  Place, Date & Signature and stamp of authorised signatory		
 (ASHOK KUMAR VYAS Asstt. Secretary)					
DELHI CHAMBER OF COMMERCE NEW DELHI, INDIA					

Fig.6.7. A certificate of origin shows that the goods in a particular shipment have been wholly obtained, produced, manufactured or processed in a particular country.

A “**Certificate of Origin**” is also called a “**Form A**”. It certifies a shipment’s country of origin. The Certificate of origin is commonly issued by a trade promotion office, or a chamber of commerce in the exporting country. This document is filled in by the exporter and certified by a recognised issuing body, confirming that the goods in a particular export shipment have been produced, manufactured or processed in a particular country.

A certificate of origin is often required by customs authorities of a country as part of the entry process. Such certificates are usually through an official organisation in the country of origin such as the local chamber of commerce or a consular office.

The goods description must coincide with that provided in the commercial invoice and in the packing list (number, goods description, name of the consignor and of the consignee, trademarks, etc). If the certificate of origin is not shown, the import customs may, if it deems it necessary, accept the dispatching of goods. In this case, the corresponding tariff would be applied to third countries (non preferential origin), without any tariff discount.

Phytosanitary certificate

Phytosanitary certificate is a certificate stating that a specific crop was inspected a predetermined number of times and a specified disease was not found.

An inspection certificate issued by a competent governmental authority to show that a particular shipment has been treated to be free from harmful pests and plant diseases.

The phytosanitary certificate must be issued before the customs clearance for export and import. It is granted for a period of sixty days covering the usual deadlines for shipping and international freight.

Phytosanitary certificates are issued for the following commodities:

- ☒ Plants, bulbs and tubers, or seeds for propagation, fruits and vegetables, cut flowers and branches, grain, and growing medium.
- ☒ Plant products that have been processed where such products, by their nature or that of their processing, have a potential for introducing regulated pests (e.g. wood, cotton).
- ☒ Other regulated articles where phytosanitary measures are technically justified (e.g. empty containers, vehicles, and organisms).

Importing countries should not require phytosanitary certificates for plant products that have been processed in such a way that they have no potential for introducing regulated pests, or for other articles that do not require phytosanitary measures.

Delivery Note

TMKL TRANSMAX KENYA LIMITED
FOR ALL YOUR CLEARING & FORWARDING AGENT. IMPORT & EXPORT. TRANSPORT. WAREHOUSING SEA AND AIR FREIGHT SOLUTION

DELIVERY NOTE **1036**

DATE 07/10/17

REF NO. TMX

CONSIGNEE RWANDA EDUCATION BOARD

BD X 2817

KIGALI, RWANDA.

VESSEL CENTAUR ETA 01/10/17

NO.OF PKGS	MARKS	DESCRIPTION OF GOODS	CBM	GWT
<u>1/20</u>	<u>TGHU 3457898</u>	<u>STC LABORATORY EQUIPMENT</u>	<u>40</u>	<u>9</u>

Empty, container to be returned to MAKITA

Truck No. KBQ 2121/207628

Date of loading 07/10/17

Consigned by WAJIRE VICTOR Signature shir Date 07/10/17

Carrier : I/We accept to transport the goods detailed above to the mentioned destination in the same condition received

Name of the transporter RIGHT WAY Loading clerk VICTOR

Condition of the container while loading OK

Driver's details:

Name MUSIIMI MWIKI Driver's ID/D/L/P/P NO. 20974665

Driver's Telephone number 0720052945 MR&D

Consignee:- We/I Have received all the goods detailed above in good order. Remarks if any

Name Kashima GROUP LTD Date 07/10/17 Time After

Signature & rubber stamp

All goods are carried/ handled and stored at owners risk and the company will not be liable in any way whatsoever for any negligence on its servants or agents

Consignee to retain white copy
Transporter to retain yellow copy
Invoicing green copy
Office copy pink

Fig.6.8. A Delivery Note is one of the transport documents accompanying the shipment of goods that list the description and quantity of goods delivered.

A delivery note accompanies the shipment of goods listing the description and quantity of goods delivered. A copy of the delivery note, signed by the buyer or consignee is returned to the seller or consignor as proof of delivery.

Delivery notes have a dual function for the exporter:

- ☒ Justify the removal of the products from its store and proof credit delivery to the importer and therefore, it is important that the importer signs the copy provided by the carrier. For the importer, delivery notes serve to verify that the goods received match those listed on the purchase order or contract.
- ☒ a. For the carrier, a delivery note is used as a proof of delivery of the goods.

Payment receipt

A payment receipt is a simple document that shows that payment was received in exchange for goods or services. For example, a receipt can be something as simple as what an individual gets after making a purchase at the grocery store.

Businesses also use payment receipts for product delivery or independent contractors, among others, to ensure that both parties have proof that the goods or services were rendered.

Some businesses combine a receipt with an invoice, and will just make a notation on the bottom of the existing document that payment was made; this can make filing slightly easier.

The purpose of this receipt in any situation is to verify that the correct amount was charged for the correct products or services.

A receipt shows the following:

- ☒ the name and address of the store,
- ☒ the date of purchase,
- ☒ and a description of the item.
- ☒ It will also include the price paid and any taxes that were added in,
- ☒ as well as the method of payment, such as cash, a check or credit card.

Anyone being given a receipt after a purchase should quickly check to make sure that the amounts shown are correct; this is especially true if a credit card was used for the purchase, where a mistaken charge could be a big problem.

Receipts are used by buyers or customers to prove they paid for an item, especially in return situations in which goods are faulty or defective.

Point to consider

Past generations paid taxes for what we have today - schools, hospitals, courts of law, roads, public transport, parks, etc. Our taxes today allow us to pass along those benefits to future generations - our children, grandchildren and great grandchildren.

Certificate of Analysis



CERTIFICATE OF ANALYSIS

Name of the Sample : Sucrose AR
Batch No. : 220433
Date of Mfg. : Dec 2016
Date of Exp. : Nov 2021
Register No. : 2016-17
Qty of Sample : 500gm
Date of Analysis : Dec 2016

S.No	Test Parameters	Observed Values	Standard Values
1.	Description	Passes	Colorless crystals or White Crystalline powder
2.	Water insoluble matter	0.0024%	Max.0.003%
3.	Loss on drying	0.028%	Max.0.05%
4.	Sulphated ash	0.003%	Max.0.005%
5.	Chloride	0.0005%	Max.0.0005%
6.	Nitrogen compounds	0.002%	Max.0.002%
7.	Sulphate	0.0012%	Max.0.002%
8.	Reducing sugars	0.008%	Max.0.01%

Chief Chemist

The above material complies with the in house technical specifications of Techno Pharmchem
 This report do not relieve the customer from examining the product upon receipt.
 This is a computer generated document, hence no signature required.

Fig.6.9. Certificate of analysis confirms that specific goods have undergone specified testing with specified results and adhere to product specifications and standards of production.

Certificate of analysis is a document issued by a quality assurance entity confirming that specific goods have undergone testing with specified results and adhere to product specifications and standards of production of certain products such as food products and drugs.

In international trade, a certificate of analysis is usually the result of an agreement between the seller and the buyer, or a requirement of one of their governments. The certificate of analysis is mostly used for food products, wines and spirits, chemicals and pharmaceuticals.

Sometimes, as in the case of wine exports, there are countries that require it at the import customs. This certificate can be issued by a certification authority.

Goods arrival notice

A goods arrival notice is a document sent by a carrier or agent to the consignee to inform about the arrival of the shipment and number of packages, description of goods, their weight, and collection charges (if any). It is also called an arrival notice.

Warehouse handling invoice

Warehouse handling invoice is a written document given by a warehouseman for items received for storage in his or her warehouse, which serves as evidence of title to the stored goods.

The general rule is that warehouse receipts need not be in any particular form. They must, however, contain the following information:

- ❖ The location of the warehouse and the place where the goods are stored;
- ❖ The date when the invoice was issued;
- ❖ The consecutive number of the invoices;
- ❖ Terms indicating whether the goods are to be delivered to the bearer of the receipt, to a particular individual, or to a particular individual on his or her order;
- ❖ The storage rate or handling charges;
- ❖ Statement describing the goods or the manner in which they are packed;
- ❖ The signature of the warehouseman or his/her agent;
- ❖ The amount of advance payment made, if any;
- ❖ And any other terms that do not impair the warehouseman's duty.

In situations where a warehouse handling invoice does not contain these provisions, the warehouseman can be held liable in damages to anyone who sustains financial injury because of the omission.

Assessment notice

This is a document issued by a taxing authority specifying the assessed value of a property.

Rwanda Revenue Authority
Customs Services Department



Assessment Notice

Customs office: 21KA - Kigali-Aeroport

Declaration reference

Model	Customs reference	Declarant reference	Assessment reference	Packages
IM 4	16/10/2017 C 11393	2017 ANALYTICALBALANC	17/10/2017 L 18487	57

Declarant

101711684

NEW PREFERENCE CLEARING COMPANY LTD
GIKONDO MAGERWA

Consignee

103321710

GOODWILL LAB SUPPLIES LTD
KIGALI CITY, GASABO, REMERA

Global taxes

Tax code	Tax description	Tax code
PRF	Computer Processing Fee	3,000
	Total Global taxes	3,000

Item taxes

Tax code	Tax description	Tax value
C02	Customs duty non petroleum products	0
V02	Value Added Tax non petroleum prods	0
W01	Withholding tax	515,614
QIF	Quality Inspection Fees	13,444
	Total Item taxes	529,058

80

Receveur des Douanes

Not Specified

Tax code	Tax description	Tax value
QIF	Quality Inspection Fees	13,444.00
W01	Withholding tax	515,614.00

Total 80

529,058.00



003661056408000

83

Redevance Informatique

Not Specified

Tax code	Tax description	Tax value
PRF	Computer Processing Fee	3,000.00

Total 83

3,000.00



003661056408300

Total assessed amount for the declaration

532,058

Office stamp

Signature

Fig.6.10. assessment notice.

Importation Permit or License

An import license is a document issued by a national government authorising the importation of certain goods into its territory. Import licenses are considered to be non-tariff barriers.

to trade when used as a way to discriminate against another country's goods in order to protect a domestic industry from foreign competition. Each license specifies the volume of imports allowed, and the total volume allowed should not exceed the quota.

Government may put certain restrictions on what is imported as well as the amount of imported goods and services. For example, if a business wishes to import agricultural products such as vegetables, then the government may be concerned about the impact of such importations of the local market and thus impose a restriction.

Import licenses are put in place because of the following reasons:

- ☒ To restrict outflow of foreign currency and improve a country's balance of payments position;
- ☒ To control entry of dangerous items such as explosives, firearms, and certain substances;
- ☒ To protect the domestic industry from foreign competition.

MINISITERI
Y'UBUHINZI
N'UBWOROZI

REPUBLIC OF RWANDA



MINISTRY OF AGRICULTURE AND
ANIMAL RESOURCES

OFFICE OF AGRICULTURE AND
LIVESTOCK INSPECTION AND
CERTIFICATION SERVICES

Kigali, 05/09/2017
N°026

YARALIMITED
P.O.Box 3390 KIGALI

Dear Sir/Madam,

RE: Importation permit for NPK 17-17-17

Reference made to your application dated 05/09/2017 concerning the import permit for NPK 17-17-17 for commercial purpose.

I have the honour to inform you that you are allowed to import 5,000,000 kgs (100,000 bags) of NPK 17-17-17 from Tanzania but originated from Norway if the following conditions are fulfilled:

These NPK 17-17-17 must be accompanied by a certificates of quality analysis signed and stamped given by the Manufacturer mentioning the type, quantity and batch number of NPK 17-17-17 imported and testifying that they have at least 3/4 of shelf life from manufacture date and they are currently being used for agriculture production in general. They must be also accompanied by a certificate of conformity given by the competent authority of exporting Country.

They must be inspected by the office of agriculture and livestock inspectorate services on arrival.

Best regards,

UWUMUKIZA Beatrice

Director General



This permit is for single entry

Fig.6.11. Importation permit. A document issued by a national government authorising the importation of certain goods into its territory.

6.4: The Process of Clearing through Customs

ACTIVITY 6.5

Research activity

Using the library, internet or resources from RRA, make research on the process of clearing through customs.

Did you know?

Taxes and duties ensure that Rwanda can build and maintain the necessary infrastructure -education, health care and transportation systems - to attract investment and businesses, and thrive in a competitive global economy.

The different steps of clearing through customs are:

1. **Obtain notice of arrival of the goods (avis d'arrivee)**

Requirements

- ☒ Customs declaration number.
- ☒ Physical presence of the clearing agent.

2. **Submit goods arrival notice for verification from Rwanda Standards Board.**

Requirements for all

- ☒ Goods arrival notice (avis d,arrivee) (original).
- ☒ Goods invoice (original).
- ☒ Packing list (original).

Requirements for foods and cosmetics

- ☒ Certificate of analysis (original) obtained from where goods originated.

Requirements for agricultural products such as seeds and fertilisers

- ☒ Certificate of phytosanitary (original) obtained from where goods originated.
- ☒ Certificate of analysis (original) obtained from where goods originated.
- ☒ Importation permit from Rwanda Agriculture Board (RAB) (original) obtained from RADA.

Requirements for used clothes

- ☒ Certificate of fumigation (original) obtained from where goods originated.

Requirements for medical products

- ☒ Licenseofimportation (original) obtainedfrom the ministry of health (Rwanda).

Requirements for chemicals and lubricants

- ☒ Certificate of analysis (original).

Requirements for livestock

- ☒ Livestock certificate (original).
- ☒ Certificate of analysis (original).

3. Obtain manifest

Requirements

- ☒ Notice of arrival (avis d'arrivee) (original).
- ☒ TI (original).

4. Submit import document to the clearing agent for tax calculation

Requirements

- ☒ Goods invoice (original).
- ☒ Copy of goods invoice with RRA stamp. RRA stamp is obtained at the point of entry in the country.
- ☒ Transport invoice (original).
- ☒ Bill of lading (original + simple) copy should have RRA stamp obtained at the point of entry in Rwanda or Airway bill (original).
- ☒ Packing list (original + Simple) copy should have RRA stamp obtained at the point of entry in Rwanda.
- ☒ TI obtained from RRA at the point of entry in Rwanda.
- ☒ Goods arrival notice with RBS stamp (original + simple copy). Costs
 - Cost detail
 - 50,000 Frw for clearing agent handling fees
 - 9,000 Frw for VAT
 - Payment methods: cash, check

5. Pay import tax

Requirements

- ☒ Assessment notice
- ☒ Costs
 - Payment methods: cash or cheque.
 - Import tax include; import duty, Value Added Tax (VAT), withholding tax and consumption tax.
 - VAT and withholding taxes are fixed at 18% and 5% respectively.

- Customs duty vary according to the origin of the goods. Goods from the East African community are exempted from this tax and some other COMESA countries pay a reduced price.
- The clearing agencies have a system where by goods are assigned different codes and once this code is entered in the system and the country of origin of the goods, taxes are calculated automatically.
- Large importers who had been previously paying taxes well may be exempted from withholding taxes.

6. Obtain an invoice for warehouse handling fees

Requirements

- ☒ Notice of arrival (avis d'arrivee) (original).
- ☒ Time frame
 - Waiting time in queue: Max. 10mn.
 - Attention at counter: Max. 5mn.

7. Pay warehouse fees for goods handling

Requirements

- ☒ Warehouse handling fees invoice (original).
- ☒ Costs: Warehouse handling fees are set by MAGERWA management. The fees depend on the quantity of the goods and the time spent in the warehouse. Within 7 days, each kilogram is charged 10Frw per day. From 7 days and above, an extra 1Frw is charged per kilogram/day. VAT (18%) and parking fees is added on the total cost.

8. Obtain goods exit note

Requirements

- ☒ Warehouse handling fees invoice (simple copy).
- ☒ Tax declaration form (original).
- ☒ Payment receipt (MAGERWA) (original).

Did you know?

Taxes make the marketplace work - by maintaining a regulated business environment to protect property rights, enforce fair practices and protect consumers and investors.

6.5: Stakeholders Involved in Customs

ACTIVITY 6.6

Research activity

Use the library or Rwanda Revenue Authority website to make research on all the stakeholders (agencies/people) involved in customs.

Stakeholders involved in customs and their roles are explained below:

a. Rwanda Revenue Authority (RRA)

Rwanda Revenue Authority is concerned with the assessment and collecting taxes on imported and exported commodities at ca1.11tom.s.

Rwanda Revenue Authority plays a very important role in raising government revenue through imposing and collecting taxes from both imported and exported commodities.

Rwanda Revenue Authority also regulates the economic activities in favour of economic interests of an economy through its activities of imposing and collection of taxes.

For this case, Rwanda Revenue Authority is a body which is responsible for assessing and collecting taxes from imports and exports in Rwanda.



Fig.6.12. Rwanda Revenue Authority, one of the stakeholders involved in customs.

b. Bureau of Standards

Bureau of Standards is concerned with the quality of commodities being imported or exported. The standards of a commodity are characteristics of a product and different prescription concerning the same products such as size, name, labelling colour and so on.

To be authorised to sell on the Rwanda territory, the manufacturer has to bring proof that his product is standard from Rwanda Standards Board.

Therefore, Rwanda Standards Board plays the following roles:

- ❖ Provides reference documents containing solutions to technical and commercial problems concerning products, goods and services which rise often in the relationship between economic, scientific, technical and social partners.
- ❖ Improves the quality of products. This promotes competition which leads to the consumption of quality products at a relatively lower price.

In Rwanda, it is the **Rwanda Standards Board (RSB)** that deals with control of quality, state and condition of commodities which are imported or exported. To achieve this, Rwanda Standards Board has been well equipped with modern laboratories.

c. Clearing and forwarding agency

The clearing and forwarding agency is a body which is concerned with controlling and imposing taxes on commodities that cross borders of a country. Clearing and forwarding agencies play a very important role in the statistical analysis of the nature, the origin and the value of products that are received from foreign countries.

d. Warehousing agency and security bodies

The warehousing agency is concerned with imported commodities.

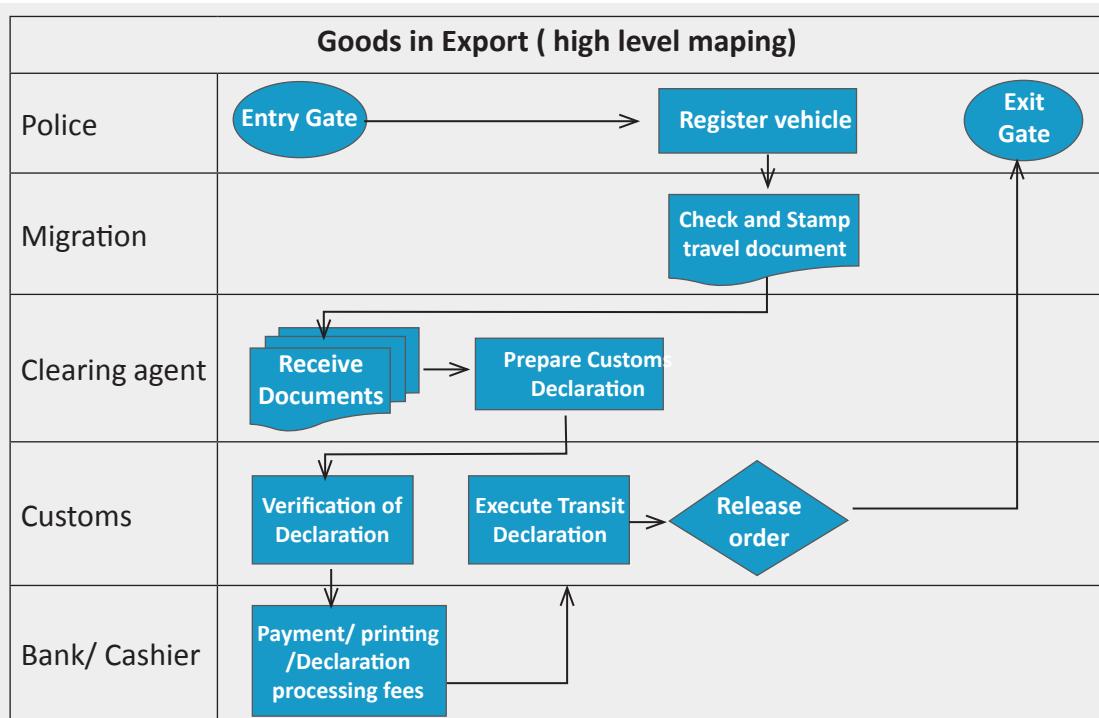
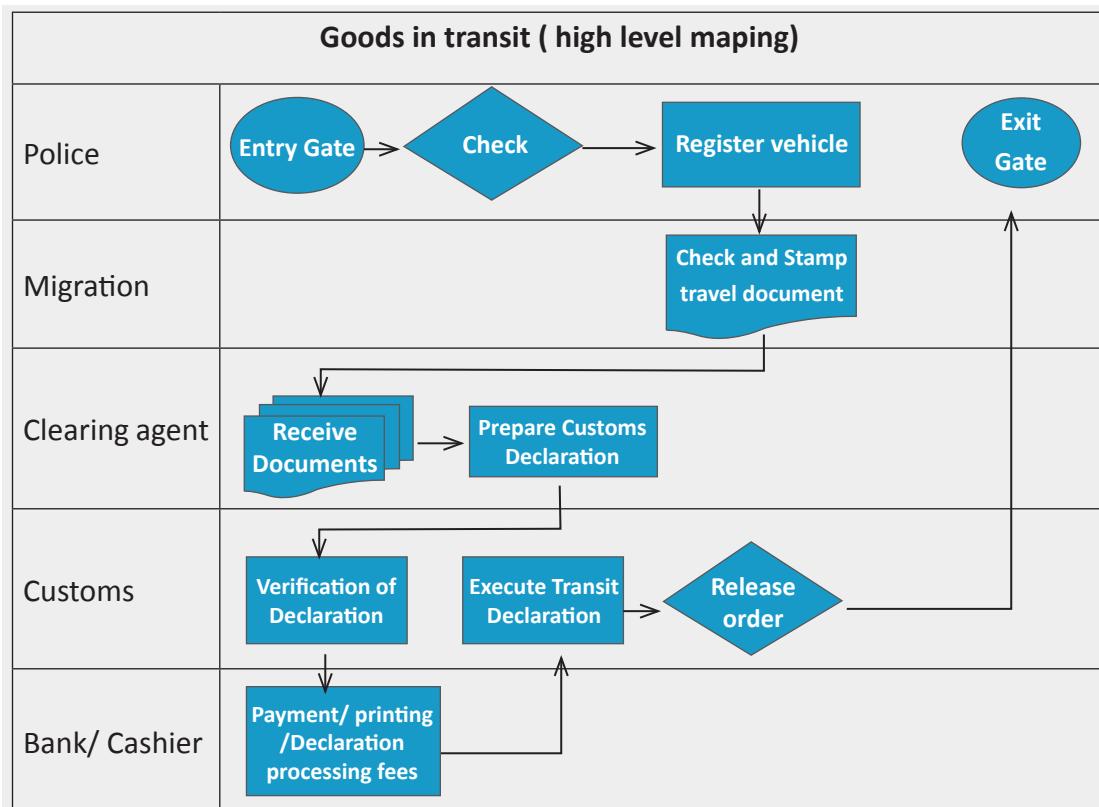
Imported commodities are stored in warehouses on a temporary basis without being subjected to import duties and taxes. Warehousing is concerned with storage facilities and protection of commodities that are waiting to be consumed or used.

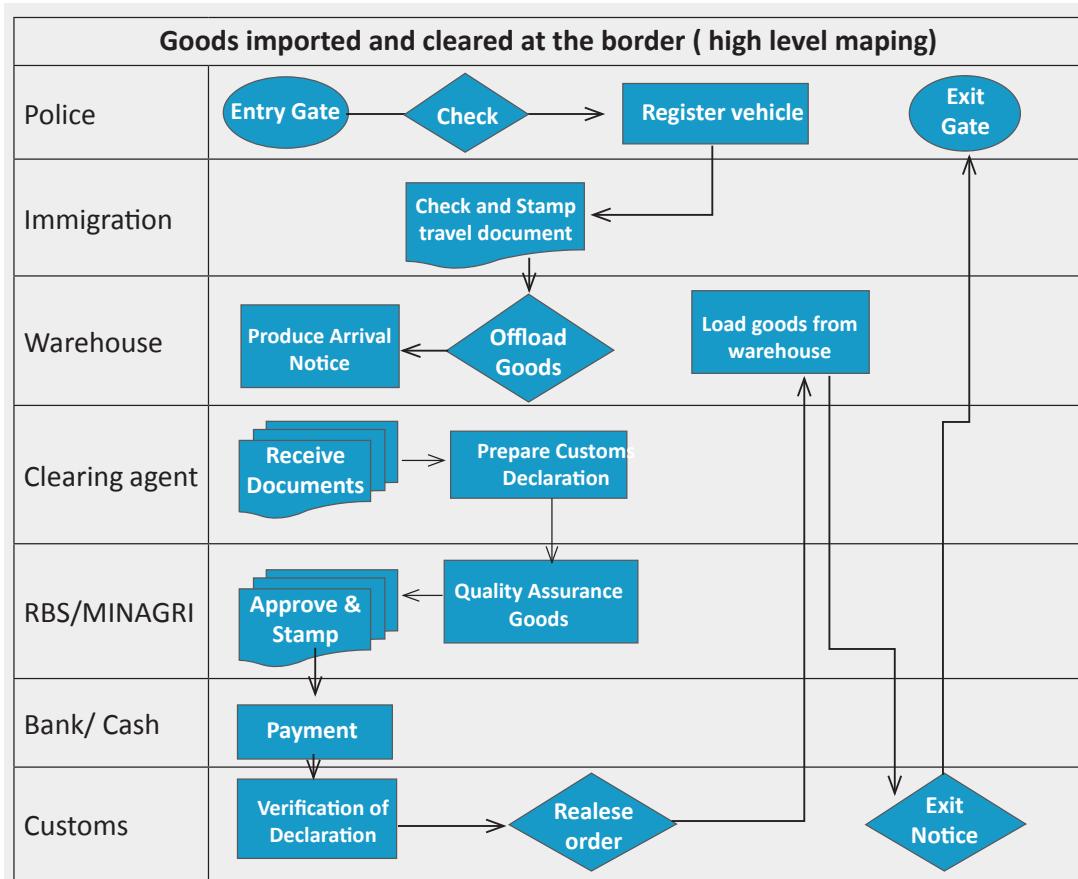
Therefore, warehousing agency plays the following roles:

- ❖ Protect imported commodities against theft and bad climate conditions.
- ❖ Prepare in advance against price fluctuations, for example, if after a particular season, certain products are in abundance, one must keep them to wait a stronger demand at a good price.
- ❖ Goods can be stored and repacked again for transporting to the importers premises.

Process of Handling Goods with the Stakeholders involved

The process of handling goods with the stakeholder is shown below.





Point to consider

Taxes allow citizens, residents and businesses to do things together that we could never do on our own, for example, construction of roads, building of hospitals, schools ad so on. In other words, taxes allow us to be Rwandans in the way we live, work and play.

Unit Summary

Customs: Government agency entrusted with enforcement of laws and regulations to collect and protect import-revenues, and to regulate and document the flow of goods in and out of the country.

Customs declaration: An official document that lists and gives details of goods that are being imported or exported: Imported goods must be accompanied by a customs declaration form.

Types of Customs declaration/Customs entry

- ☞ **Consumption entry:** for goods to be offered for sale (consumption) in the importing country.
- ☞ **Formal entry:** that is required to be covered by an entry bond because its aggregate value exceeds a certain amount.

- ☞ **Informal entry:** that is not required to be covered under an entry bond because its value is less than a certain amount.
- ☞ **In-transit entry:** for the movement of goods from the port of unloading to the port of destination, under a customs bond.
- ☞ **Mail entry:** for goods entering through post office or courier service and below a certain value.
- ☞ **Person baggage entry:** for goods brought imported as personal baggage.
- ☞ **Transportation and exportation entry:** for goods passing through a country en route to another country.
- ☞ **Warehouse entry:** for the goods stored in a bonded warehouse.

Roles of customs procedures

- ☞ To ensure observance of laws.
- ☞ Trade compliance and facilitation.
- ☞ To protect economic interests.
- ☞ To protect the rights and interest of citizens and businesses.

The process of clearing through customs

- ☞ Obtain notice of arrival of the goods (avis d'arrivee).
- ☞ Submit goods arrival notice for verification by Rwanda Standards Board.
- ☞ Obtain manifest.
- ☞ Submit import document to the clearing agent for tax calculation.
- ☞ Pay import tax.
- ☞ Obtain an invoice for warehouse handling fees.
- ☞ Pay warehouse fees for goods handling.
- ☞ Obtain goods exit note.

Stakeholder involved in customs declaration

- ☞ Rwanda Revenue Authority (RRA).
- ☞ Rwanda Standards Board (RSB).
- ☞ Clearing and forwarding agencies.
- ☞ Warehousing agencies and security bodies.

Unit 6 Assessment

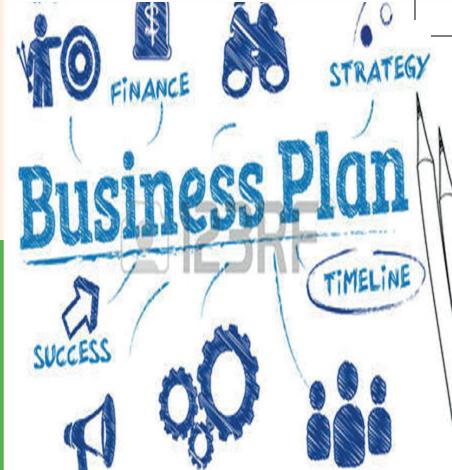
1. Identify and explain the types of customs declarations in various customs points in Rwanda.
2. With examples, explain the role of customs procedures towards the economic development of Rwanda.

TOPIC AREA: BUSINESS GROWTH AND ETHICS

SUB-TOPIC AREA: BUSINESS GROWTH

UNIT 7

Developing a Business Plan



Key unit competence: To be able to develop a business plan for a project.

Introductory Activity

- 1 “Not planning is planning to fail”, while “a ship without a compass has no direction”. Before going for a journey, you need to plan for the journey.
 - (a) Mention some of the things you will include in your journey plan.
 - (b) Why is it important to plan for the journey in advance?
- 2 Before investing money, an entrepreneur has to define what the business is or what it intends to be over time. Clarifying the purpose and direction of your business allows you to understand what needs to be done for forward movement.

By putting statistics, facts, figures and detailed plans in writing, a new business has a better chance of attracting investors to provide the capital needed for getting started, attract partners, secure supplier accounts and attract executive level employees into the new venture, and regularly to ensure the business is on course with meeting goals, sales targets or operational milestones. In this unit, you look at how a business plan assists business growth and be able to write your own business plan.

- (a) How do you relate planning for a journey to planning for a business? Why is it important?
- (b) What would you include in your business plan?

7.1: Meaning of a Plan, a Business and a Business Plan

ACTIVITY 7.1

1. Imagine your 5.3 results are out and you performed very well being the best in your school. Your parents tell you they will support you to celebrate the success. Write down all the activities you will do for you to have a successful party.
2. Imagine you want to start a small business in your community after school. List what you will do for you to start and operate your business successfully.
3. From the two paragraphs above: how do we call the process involved in writing or listing down the activities for a successful party or business?
4. What do you think is:
 - (a) a plan?
 - (b) planning?
 - (c) a business plan?
 - (d) business planning?

As illustrated in activity 7.1, for one to perform a task well there is need to plan.

A plan is an idea of how an activity or project should be carried out. A plan describes the objectives, goals and procedure of carrying out the activity or project. For a plan to be understood and followed easily in carrying out the activity, it should be made in writing.

A plan can therefore be defined as a written document describing the objectives, aims and procedure of carrying out an activity or project.

A business is any activity carried out with the intention of making an economic gain or profit. A business involves the supply of goods or services to others for a profit. Thus, some businesses offer goods while others offer services for a profit.

A business plan can be described as an idea of how a business will be carried out. In most cases, this idea is described in detail in form of a written document.

A business plan can also be described as a written document describing in details the objectives, goals and procedures of implementing or carrying out a business.

A business plan is designed to guide the implementation of a business.

A Business plan helps you to:

- ☒ **Decide** if you should start your business or not,
- ☒ **Organise** your ideas so that you will start and run your business in the best way,
- ☒ **Present** your business idea to a lending institution such as a bank to get a business loan.

7.2: Purpose of a Business Plan

ACTIVITY 7.2

From activity 7.1, why do you think it is important to plan as an individual and for the business? Present your findings to the class.

The purpose of a business plan include:



Fig.7.1. The purpose of a business plan.

- ☛ A good business plan attracts investors and funders into your business as investors always want to know what the business is, how it will operate and how the money will be used.
- ☛ Bankers want assurance of orderly repayment of loans and the business plan will show how you will raise revenue and pay back borrowed money.
- ☛ By preparing a business plan and outlining each aspect of the business, you can determine if your idea is actually viable. This helps you avoid spending and investing in a venture that has not been well thought through.
- ☛ A business plan provides an overview of all aspects of the business. You will be able to explain the key questions of who, what, where, when, and why of the business operations, costs, and projected profitability.

- ☛ A business plan helps the entrepreneur to set up milestones and targets and also to evaluate the performance of the business.
- ☛ Researching, analysing and writing about the market not only provides you with an overview for the business plan, but gives you greater insight into the overall market.
- ☛ A business plan helps an entrepreneur to secure additional funding or loans through demonstrating past successes and illustrating the company's growth plan.
- ☛ Preparing a business plan will force the entrepreneur to analyse more critically his/her financial position, prospects and determine what resources are needed for the business.
- ☛ A good business plan will help the entrepreneur attract partners and high calibre employees to the business because it clearly indicates the future of the business.
- ☛ It helps the entrepreneur to devise contingency plans, that is, it helps the entrepreneur to see how and where to make changes if, and when necessary.

7.3: Users of a Business Plan

ACTIVITY 7.3

If you are an entrepreneur; explain how preparing a business plan will benefit the following:

- {a) Yourself
- {b) Financiers
- {c) Your workers
- {d) The government

From activity 7.3, the users of a business plan are:

Entrepreneur

- ☛ A business plan guides the entrepreneur to plan for the business by providing a timetable of activities to be done by the business which helps an entrepreneur to mobilise and coordinate resources.
- ☛ It defines the goals and objectives of the business which helps the entrepreneur to constantly monitor the progress of the business by comparing what is being done with objectives laid down.
- ☛ The business plan helps an entrepreneur to identify the sources of funding for the business.
- ☛ A business plan encourages the entrepreneur to focus on planned activities and avoids focusing on unplanned activities and expenditures.
- ☛ It helps the entrepreneur to plan for future expansion of the business.

- ❖ It lays down the marketing strategies that are very crucial in promoting sales.
- ❖ It sets production targets which help the entrepreneur to know the specific resources necessary to achieve the set targets.
- ❖ A well made business plan helps the entrepreneur to get financiers and investors to finance and buy shares respectively.
- ❖ It helps the entrepreneur to decide whether or not to continue with the business identified.
- ❖ A good business plan can be used by the entrepreneur as a strategy for motivating employees.
- ❖ A business plan forms a basis for sound decision making by the entrepreneur.

Financiers

- ❖ It helps financiers to decide whether or not to extend credit or a loan to the business.
- ❖ A business plan will help investors decide whether to invest in the business or not.
- ❖ Usually the financial institutions are also interested in the business, for example, they want to know if the business will generate sufficient cash with which it can repay the loan.

Employees

- ❖ A business plan helps employees to know their expected performance targets and the resources they will have in order to meet the set targets.
- ❖ It provides employees with information about where the business is going and their role in it.
- ❖ It also shows them the future of the business and therefore their prospects for continued employment.
- ❖ A business plan helps employees to know the vision and mission and know where the business is headed to. This gives them focus and guidance.
- ❖ A business plan determines the tasks and responsibilities of each of the workers and this leads to reduced work related conflicts.

The government

- ❖ It helps the government to assess the viability of a business to determine specific incentives like subsidies, tax exemptions and credit guarantees that the government may offer.
- ❖ It helps the government to plan for infrastructure and other services that it may want to set up.
- ❖ It may guide the government in guaranteeing loans from international organisations like International Monetary Fund (IMF) and World Bank required by the entrepreneur.

7.4: Elements of a Business Plan

ACTIVITY 7.4

From activity 7.1 and 7.2 of preparing for your party and business, what elements or parts would make up your business plan?

A business plan covers all the important aspects to be considered before starting a business.

It is a guide for you to follow so that you do not overlook important elements when preparing for your new business. The elements also called components of a business plan are the major sections that should be covered in the business plan.

These are:

Elements of a Business Plan

- ✓ Executive summary
- ✓ Business description
- ✓ Mission statement, goals and objectives
- ✓ Production plan
- ✓ Marketing plan
- ✓ Management plan
- ✓ Financial plan
- ✓ Action plan

Fig.7.2. Elements/components of a business plan.

The elements of a business plan are further explained below:

1. Executive Summary

ACTIVITY 7.5

Get a business of your choice and write up the:

- (a) executive summary
- (b) general description of the business
- (c) Vision, mission, goal and objectives

An executive summary is a brief overview of the entire business plan in one or two pages.

It is the basis upon which people decide to pursue your idea or not.

It is written last because it is a summary of all the other sections. This means that you pick the most important parts of all the other sections to make the executive summary.

The executive summary highlights the following:

- a. A brief description of the business.
- b. Description of the market in terms of size and growth potential.
- c. Marketing strategies.
- d. Key personnel in the business.
- e. Key strength and opportunities of the business.
- f. Historical and forecasted financial data like profits, revenues, and so on.
- g. Funds required for the business and how the required funds will be used.
- h. What investors will get from the business.

The executive summary is always very short not exceeding one or two pages. For a small business, the executive summary should be one page.

2. General Description of the Business

This section helps the reader to get a general view and understanding of the nature of business you are planning to operate.

This section summarises the following:

- a. Name of the business.
- b. Location of the business.
- c. Contact address of the business (telephone, email, fax, and so on).
- d. Legal form of the business.
- e. Services/goods to be supplied or produced (needs of the market it will seek to fulfil).
- f. Uniqueness of the business from existing businesses. What makes the business different from the others?
- g. SWOT analysis of the business
 - ↗ Strengths of the business (advantages your business has over other businesses).
 - ↗ Weaknesses of the business (limitations of your business in relation to its competitors).
 - ↗ Opportunities of the business (benefits to the business outside its operations)
 - ↗ Threats to the business (negatives to the business outside its operations).

3. Vision, Mission, Goals and Objectives

a. Vision

Vision is where you see your self in a specified period of time. What will your business will have become in five years? The vision statement describes a business basing on best outcomes.

The vision statement should motivate and inspire you to work towards achieving your goal. It should therefore be short and inspirational.

Look at the vision statement below:

'The number one provider of quality medication to the next generation of Rwanda':

b. Mission Statement

A mission statement differs from the vision statement. It explains why your business exists, that is, what it does and what it hopes to achieve in the future.

Look at the mission statement below:

'To provide high quality health services for private and general patients in Rwanda.'

c. Goals and Objectives

Goals are the targets that you want the business to achieve in the medium and long term period. The goals must be based on the mission statement of the businesses.

Objectives are the specific targets that a business man sets. Objectives enable one to move into the direction of achieving the set goals and mission.

An entrepreneur can develop several goals from his/her mission and also several objectives from each goal. Examples of business goals may include;

- ☒ To increase patients turn up by 40% annually for the next 5 years.
- ☒ To maximise profits by 15% annually for the next 5 years.

4. Production Plan

The production plan describes how production will be carried out in the business, the goods or services that will be produced in the business.

In your production plan, you should show the following:

- ☒ **Location of the business.** Show the intended physical location of the proposed business premises, and reasons to justify the desired location for your business. Do not forget to show a brief status of the cost whether rented, leased or own **premises and the costs associated with it.**
- ☒ **Quality control.** Describe how quality will be controlled to avoid defects and poor quality products released on the market.
- ☒ **Brief explanation of the production process and plant layout.**
- ☒ **Equipment and machinery** to be used in the business: You should show the type, nature and capacity of equipment and machinery required. Do not forget to indicate the possible sources of these equipment and their cost.
- ☒ **Production planning.** Describe the stages of production from start to finished product.
- ☒ **The production staff:** Describe the kind of staff required in the production process, the skills they should possess, their availability and how much they should be paid.
- ☒ **The required raw materials and their sources.**

- ☞ **Production utilities required.** Describe the utilities the business will require such as electricity, water, telephone and so on. Show their suppliers and costs.
- ☞ **Required inputs and raw materials.** You should show the raw materials your business needs, their sources, amount required, re-order level, costs and how they will be transported to the business premises.
- ☞ **Quality management.** Explain how quality management will be ensured in the production process. Will you employ quality controllers? Will the production process go through quality certification by international certification organisations?
- ☞ **Packaging.** Describe how the products will be packaged, the required technology to package and so on.
- ☞ **Technical skills required to produce and manage the equipment.** Is there need to hire experts to run the equipment? Do you need to train your staff to be able to use the equipment properly? What costs are involved in retraining workers?
- ☞ **Training needs and costs:** Indicate if you will need to train the workers and the costs involved.
- ☞ **Labour and safety requirements** and how they will be implemented at the production premises.
- ☞ **Backup plan.** Do you have technical backup for your machinery in case of breakdown during the peak production process?
- ☞ **Expected output.** Depending on the machinery and equipment, what is the expected output per period of time? Will this output fully make use of the machinery or the machines will operate at less than full capacity? If the business will be producing different kinds of products, indicate what quantity of each product will be produced.

5. Marketing Plan

ACTIVITY 7.6

Prepare a marketing plan for the business you have chosen from activity 7.5.

When you think of a business, you have to plan in detail how you are going to market your products or services. Marketing is everything you do to find out who your customers are and what they need and want, the price they are willing to offer for a service or product.

The marketing plan describes the general marketing strategy of the business. The marketing plan should be based on correct and researched information. It shows the plans and arrangements made on how to price, promote and distribute the products so as to attract and retain customers. You must do a good market survey to be able to prepare a good marketing plan.

In your marketing plan, you are required to write down:

- ☞ **Business idea:** Businesses in any economic sector are based on an idea. For example, identify needs, who are the customers, type of products or services to satisfy the needs, how to reach the customers and so on).
- ☞ **Marketing objective:** The marketing section should clearly indicate the objectives to be achieved. For example, to achieve a specified market share within the first year.
- ☞ **Market research:** Starting from your business idea you must now learn more about your customers and competitors through market research. From experience and from developing your business idea you know quite a lot about your market. But the more you know the better it is so you probably need to find out more from other sources.

Here are some examples of how you can find out more about your customers and competitors:

- Talk to potential customers, ask them, for example:
 - What products or services they want to buy?
 - What quality they expect from those products or services?
 - What they think about your competitors?
 - Study your competitors' businesses. Find out:
 - What type of products or services they provide?
 - What prices they charge?
 - How they attract customers to buy?
 - Ask suppliers and business friends:
 - What they think about your business idea?
 - What they think about your competitor's products or services?
 - Description of the market, for example, geographical area, town, type of customers, size of total market, description of competitors, market share for the new business, etc.).
- ☞ **Marketing plan of a product:** Detailed description of the product or product range or service.

Product/service	(1)	(2)
Denomination		
Specification (e.g. size, colour, quality)		
Packaging		
After sales services		

☞ Marketing plan price

Product/service	(1)	(2)
How much are customers willing to pay?	Highest	Highest
	Average	Average
	Lowest	Lowest
Competitors' price	Highest	Highest
	Average	Average
	Lowest	Lowest
My price		
Reasons for setting my price.		
Margin for discount?	Yes (?.....%) No	Yes (?.....%) No

☞ Marketing plan place

- Location of the business.
- Description of the planned location for the business.
- Reason for choosing this location.
- Reaching the customers by selling to
 - Individual
 - Retailers
 - Wholesalers
 - Others
- Reason for choosing this way of distribution.

☞ Marketing Plan Promotion

- Start-up promotion.
- Description of the planned actions to inform customers about the opening of the new business (e.g. printed information, brochures, posters, newspaper articles, radio advertisements, opening ceremony and so on).
- Also, make inquiries about the costs for the different types of promotion.
- ☞ Business trends and opportunities in the industry that the entrepreneur is planning to make use of.
- ☞ Current market size and expected growth of the market for the products.
- ☞ Current market prices for the product and similar products.
- ☞ Competitors and their current market share.
- ☞ Expected market share. This can grow with time.
- ☞ Target market and market segments.
- ☞ Number of people to be hired for marketing, how they will be hired and motivated.
- ☞ Distribution channels that will be used. Describe the methods that will be used to make sales and distribute the product or service. Will the company use

its own sales force, independent sales representatives, or distributors? Discuss the margins to be given to retailers, wholesalers, and salesmen.

- ❖ How the product will be advertised and promoted. The methods of promotion to be used. The schedule and cost for advertising and promotion should be presented.
- ❖ Pricing strategies to be used. How the price will be determined. The price must be right to penetrate the market, maintain a market position, and produce profits. Discuss prices to be charged for your product or service, and compare your pricing policy with that of your major competitors and explain why the price is set at that level.
- ❖ Marketing budget. An outline of the major marketing activities and their cost can also be placed here. Each marketing activity is budgeted for and a general total obtained.
- ❖ Expected sales quantity and expected growth of sales during the year. You can use a graph to show these expected trends.
- ❖ Market share of your competitors. Use SWOT analysis to know your strengths, weaknesses, opportunities and threats.

6. Organisation Plan

ACTIVITY 7.7

Prepare an organisation plan for the business you have chose from activity 7.5.

The organisation plan shows how the business will be organised.

An organisational plan contains the following:

- ❖ State the legal structure of the business. Whether it will be managed as a partnership or limited liability company.
- ❖ State the size and composition of a Board of Directors. Identify the proposed board members and include a short statement about each member's background. This should show how relevant they are to the business.
- ❖ The people in the organisation. Present the key management roles in the business and the individuals who will fill each position. State the current or past jobs that the key personnel of the business have worked in before.
- ❖ Describe the exact duties and responsibilities of every manager. For each individual, include a brief statement of career highlights that focuses on his or her ability to perform the assigned role.
- ❖ Explain how the business will be managed. Use an organisation chart to explain the organisation structure.
- ❖ Which people will supervise or manage other people?



Fig.7.3. A sample planned organisation chart.

- ☞ Tasks and responsibilities of each worker.

Position	Tasks, responsibilities and qualifications
1. Chief Executive Officer	
2. General Manager	
3. Accountant	
4. Sales manager	
5. Production manager	
6. Stores manager	
7. Accounts assistant	
8. Assistant production manager	
9. Assistant Stores Manager	
10. Cashier	
11. Production executives	

- ☞ Skills and experience required of each worker.
- ☞ Staff costs (salary and any other cost attached to each employee).

Position	Salary	NSSF	PAVE	Total staff cost
1. Chief Executive Officer				
2. General Manager				
3. Accountant				
4. Sales manager				
5. Production manager				
6. Stores manager				
7. Accounts assistant				
8. Production executives				

- ❖ Motivation of workers. State the salary that is to be paid to each employee.
- ❖ Management budget. Include an outline of the management budget. This should show category of employees, number, salary or wage per employee per month and the yearly estimate. This depends on the nature of the business because different businesses have different categories of employees.
- ❖ If there are external consultants, advisors and helpers, they should be indicated and their payments explained.
- ❖ Organisational business premises. The way the business premises will be organised. How offices and work stations will be arranged.

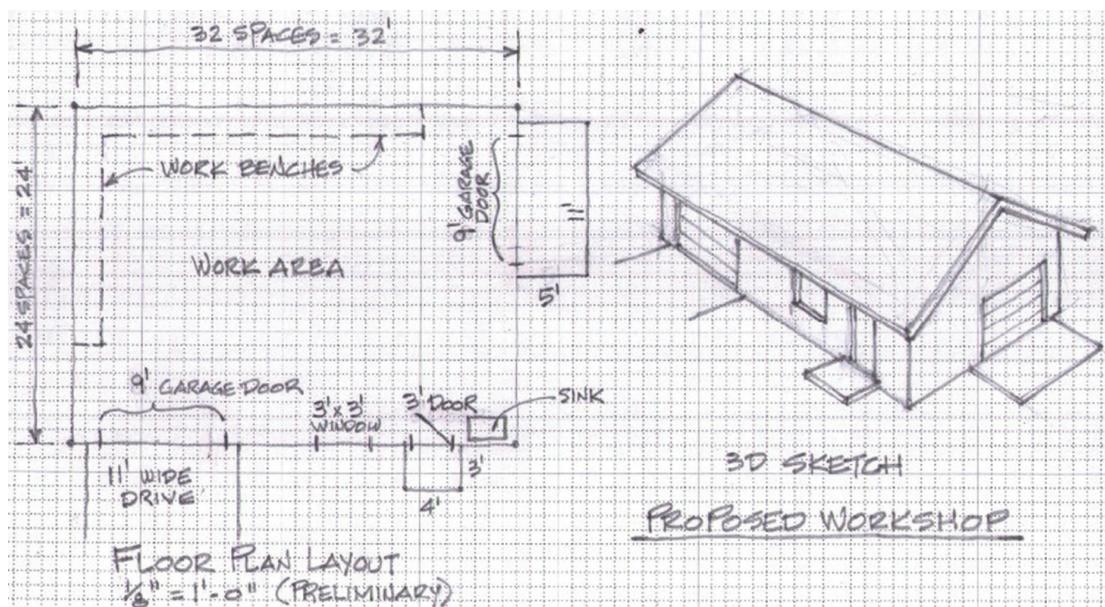


Fig.7.4. A sample of a planned organisation premises.

7. Financial Plan

The financial plan is one of the most important sections of a business plan. It shows if the business will make profit, how much profit it will make and when it will make it. Most users of a business plan are interested in knowing that.

The financial plan shows the revenues and expenditures of the business.

The financial plan section of the business plan covers all financial necessities and projections of the business. It shows what the business expects to spend (expenditures/ payments) and what it expects to earn (incomes/ revenues).

The financial plan should contain the following:

- a. **Start up budget:** Start up capital is the amount of money you need to start your business. You need money for equipment, materials, rent, wages, salaries and so on.

Estimation of start-up capital	Amount
Investment	
Land	
Building	
Equipment	
Miscellaneous	
Total investment	
Working capital	
Months of staff costs	
Months of operational costs	
Total working capital	
Total start up capital	

Possible sources of funding include: own savings, partners, family, friends, money lenders, credit co-operatives, government schemes and bank loans.

Type	Source	Conditions (duration/interest)	Amount
Equity capital	% own savings		
	% partner		
Loan 1	% family		
	% friends		
	% money lender		
Loan 2	% credit co-operative		
	% government scheme		
	% bank loan		
Total funding			

Information about funding sources

Loan 1

- ☒ Name and address of creditor or credit institution.
- ☒ Credit agreement.

%under discussion % finalised %money available on (date)

Loan 2

- ☒ Name and address of creditor or credit institution.
- ☒ Credit agreement.

% under discussion % finalised % money available on (date)

- b. Business operation and costs:** To be able to set your prices and make financial plans, you need to calculate the costs of your products or services.

- c. **Monthly sales plan:** You should know the monthly sales of all products, product range or services.

Month		1	2	3	4	5	6	7	8	9	10	11	12
Product 1		Price											
		Quantity											
		Turnover											
Product 2		Price											
		Quantity											
		Turnover											
Product n		Price											
		Quantity											
		Turnover											
All products	Turnover												

- d. **Monthly operational cost plan:** Planning is based on the monthly sale plan.

Month		1	2	3	4	5	6	7	8	9	10	11	12
Product 1		Quantity											
Materials		All costs											
Product 2		Quantity											
Materials		All costs											
Product n		Quantity											
		All costs											
Materials		Total costs											
+ staff		Total costs											
+ others		Total costs											
= operation		Total costs											
+ capital cost		Interest											
-		Depreciation											
=		Total cost											

e. Cash Flow Statement

The cash flow statement shows how finances come in and out of the business. Using the cash statement, you can project and foresee shortages in time and find solutions so that your business does not get a cash crisis.

Under cash flows, we have the cash revenues (incomes/cash in) and cash payments (expenditures/cash out). These are further explained below:

- ☞ **Cash revenues:** This is a list all of the expected cash in (incomes) for each month in your financial year. Revenues differ from business to business. Take a case of a hospital, revenues may include: treatment of dental payments, children, maternity, surgeries, optical, outpatient departments and so on.
- ☞ **Cash payments:** This is a list of cash out (expenditures) for each month in a financial year. This includes all expenditures the business may encounter such as rent, electricity bills, salaries and wages, professional services and advertising.

For you to get the total cash flows, you get the total cash in (revenue/incomes) and subtract total cash out (payments/expenditures). The balance is your total cash flows.

If your total payments are higher than total incomes in other-wards you get a negative number after reconciliation, it means that you don't have enough cash flow to run the business in that particular month. In other words, your working capital is not adequate. You are receiving less money than you need for your operations. You need more start up capital.

Look at the cash flows of ABC general hospital.

ABC General Hospital
PROJECTED CASH FLOW STATEMENT (Jan- June 2017)

	Jan	Feb	Mar	April	May	June
Revenues	Frw	Frw	Frw	Frw	Frw	Frw
Balance from previous month	100,000	120,000	140,000	160,000	180,000	400,000
Rent from hospital building	400,000	400,000	400,000	400,000	400,000	400,000
Dental patients	800,000	600,000	700,000	400,000	500,000	900,000
Maternity wing	880,000	670,000	750,000	480,000	590,000	990,000
Children's wing	800,000	900,000	800,000	600,000	780,000	990,900
ENT ward	300,000	400,000	550,000	680,000	790,000	980,000
Out patients department	900,000	980,000	984,000	934,000	845,000	990,000
Total revenue	4,180,000	4,070,000	4,324,000	4,065,000	4,085,000	5,650,000
Expenses						
Purchase of hospital supplies	300,000	500,000	600,000	250,000	450,000	600,000
Salaries	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Repair and maintenance	200,000	100,000	50,000	120,000	80,000	100,000
Electricity and water	100,000	90,000	120,000	100,000	90,000	100,000
Transport	100,000	80,000	110,000	100,000	180,000	100,000
Trainings and workshops	700,000	50,000	100,000	200,000	130,000	100,000
Total expenses	3,400,000	2,820,000	2,980,000	2,770,000	2,930,000	3,100,000
Net cash flow (Revenues-expenses)	780,000	1,250,000	1,344,000	1,295,000	1,155,000	2,550,000

Cross-cutting Issue: Financial education

One needs to plan carefully for the finances of the business right from the source to how the money/funds will be used for the success of the business.

8. Action Plan

ACTIVITY 7.8

Prepare an action plan for the business you have chosen from activity 7.5.

An action plan shows all the activities to be undertaken, the time each activity will take to be completed, the materials and labour force needed to complete the activity.

You should carefully lay out your action plan. Maintain the sequence of steps and actions to be undertaken so as to achieve business goals.

When you prepare an action plan, it helps in the following ways:

- ☞ An action plan helps you to organise your thoughts and to structure them in a logical and effective manner.
- ☞ It also avoids doing things twice and makes the best use of your time.
- ☞ An action plan helps you to control and monitor your progress at any point.
- ☞ You can know whether you are on track or deviating from your original plan.
- ☞ It guides you in fulfilling the plans and in the end achieve results.
- ☞ You can use the action plan as a timetable that is followed to implement plans.
- ☞ It helps co-ordinate resources of the business so that the right resources are available and used for the right activity at the right time.
- ☞ By using an action plan, you can identify road blocks in advance and take appropriate steps to overcome them.
- ☞ With an action plan, you can easily locate sources of information and resources needed for the business.
- ☞ You can use an action plan to track progress of your planned activities.

When implementing a business plan, you undertake different activities each taking a defined time. For you to properly control and monitor the sequence of all these activities, you need to use a Gantt chart.

A Gantt chart shows all planned activities and their expected time span. For example, a new publishing firm to be set up:

1. Activity A, buying of premises and equipment done from January to June.
2. Activity B advertising and recruitment of staff taking place from June to August.
3. Activity C development of reading materials taking place from September to November.
4. Activity D printing of reading materials taking place from October to December.
5. Activity E distribution of reading materials to different schools, taking place from December to February of 2018.

On the Gantt chart, activities should be presented in a logical order, that is, the first activity presented first. For example, buying of premises, should come first before advertising and recruitment of employees because the time for buying of premises is before that of recruitment.

Activities that use the same resources or done by the same people should not be planned to be done at the same time. For example, if a business uses designers to develop reading materials and at the same time printing, then printing should not be planned to occur at

the same time with development of reading materials because they both require designers. Some activities can be carried out at the same time. This is possible if the activities do not need the same resources or are not supervised by the same man power.

Activity	Time line												
	J	F	M	A	M	J	J	A	s	O	N	D	J
Buying of premises													
Advertising and recruitment													
Development of reading material													
Printing of reading materials													
Distribution of reading materials													

Fig.7.5. A sample action plan.

Unit Summary

- ☞ **Plan:** this is a written document describing the objectives, aims and procedures of carrying out an activity or project.
- ☞ **Business:** this is any activity carried out with the intention of making an economic gain or profit.
- ☞ **Business plan:** this is a written document describing in details the objectives, goals and procedures of implementing or carrying out a business.
- ☞ **A Business plan helps you to:**
 - decide if you should start your business or not.
 - organise your ideas so that you will start and run your business in the best way.
 - present your business idea to a lending institution such as a bank to get a loan for your business.
- ☞ **Purpose of a business plan**
 - A good business plan is important to attract investors and funders into your business.
 - Bankers want assurance of orderly repayment of loans and the business plan will show how you will raise revenue and pay back borrowed money.
 - A business plan helps you avoid spending and investing in a venture that has not been well thought of.
 - A business plan helps explain the key questions of who, what, where, when, and why of the business operations, costs, and projected profitability.
 - A business plan helps the entrepreneur to set up milestones and targets and also to evaluate the performance of the business.
 - Researching, analysing and writing about the market not only provides you with an overview for the business plan, but gives you greater insight into the overall market.
 - A business plan can help an entrepreneur to secure additional funding or loans thorough demonstrating your past successes and illustrating the company's growth plan.
 - Preparing a business plan will force the entrepreneur to analyse more critically his/her financial position and prospects and determine what resources are needed for the business.
 - A good business plan will help the entrepreneur attract partners and high calibre employees to the business because it clearly indicates the future of the business.
 - It helps the entrepreneur to devise contingency plans, that is, it helps the entrepreneur to see how and where to make changes if, and when necessary.

- ☞ **The Executive summary:** this is a brief outline of the company's purpose and goals.
- ☞ **A start-up plan** is basically the list of everything that must happen to get the business up and running from the initial idea to scouting locations to securing vendors to getting licenses to stocking the shelves to opening the doors to marketing and advertising to managing growth and so on.
- ☞ **The marketing plan:** this elaborates how you are going to market your products or services.
- ☞ **Market research:** Starting from your business idea you must now learn more about your customers and competitors through market research.
- ☞ **Start-up capital** is the amount of money you need to start your business.
- ☞ **An action plan** is like an agenda, where you write down what you plan to do by when and how.

Unit 7 Assessment

Analyse the case study of Busonga Paper Tech which developed a business idea in waste paper recycling and processing of stationery.

BUSONGA PAPER TECH- Adapted by Royal Business Consult Trust, Harare Zimbabwe; International Labour Organization

Brief Background

Waste management in the city of Monasa had deteriorated in 2004. The local authorities were running out of space and resources to manage waste. In some parts of the city waste was remaining uncollected for many months. This was creating a health hazard for the local community who themselves were not sure of how to dispose off waste or recycle it.

In realisation of the plight in the city of Monasa, a local environmental organisation called Health Care started training the local households on the management of waste including some of the ways to reuse waste material that is recyclable. Busonga village community decided to register a Trust called Busonga Environment Trust.

The Trust was encouraging the community to be part of the clean-up including planting trees around to rehabilitate the surroundings. However, after encouraging the community to clean up and collect litter; there was a problem of how to dispose off the litter.

This motivated a group of six men and women to form a Community Based Enterprise to recycle waste. Considering the different types of recyclable waste that was available in the local households and the local industrial site, which included: paper, plastic, bone and cloth, the group chose to focus on paper.

Help Busonga Environment develop a business plan by:

1. Preparing a brief description of the waste being recycled.
2. Preparing a marketing plan.
3. Designing the legal form of business.
4. Identifying and assigning tasks.
5. Preparing a costing plan for the products and services.
6. Calculating the required start-up capital.
7. Preparing a financial plan.
8. Preparing the action plan.

TOPIC AREA: BUSINESS GROWTH AND ETHICS

SUB-TOPIC AREA: BUSINESS GROWTH

UNIT 8

Effects of Business Activities on the Environment



Key unit competence: To be able to practice business activities that are environmentally friendly.

Introductory Activity

The place where you work can affect the environment either positively or negatively to a very large degree. How eco-friendly you are or your employer is when it comes to using energy to heat and cool the building, to bring products into it, and to remove waste from it has a major impact on your community and the planet.

Consider this: Many buildings are built from materials that do not come from renewable sources. Office buildings have a huge appetite for electricity to power lighting, air conditioning, computers, printers, and photocopiers. Equipment may be left on 24 hours a day, seven days a week—even when no one is working. Offices consume vast amounts of paper. Even with more offices recycling paper, a large amount of paper waste still goes to landfill sites or incinerators.

In addition to paper, offices produce a lot of other waste, including equipment (especially computers), because companies regularly upgrade their equipment to stay competitive.

Electronics such as photocopiers and computers can end up in landfills, where they do not break down and, even worse, can leach harmful chemicals into the ground and water.

Rush-hour traffic jams in towns and cities are full of people trying to get to work—wasting time and polluting the atmosphere.

Questions

- 1 What activities are mentioned in the case study that affect the environment?
- 2 How can these effects in the case study be reduced?

8.1: Meaning and Components of the Environment

ACTIVITY 8.1

Based on your everyday experiences and knowledge from previous classes, answer the following questions:

1. What do you understand by the term environment?
2. List any 5 things in the environment.
3. What do you think is business environment?
4. Mention any 3 things that may be in a business environment.

Now days the word environment is often being used by almost all people around us, on television and in newspapers. Everyone is speaking about the protection and preservation of environment. The term environment has been derived from a Latin word “Environia” means to surround. It refers to both abiotic (physical or non-living) and biotic (living) environment. The word environment means surroundings, in which organisms live.

Environment is the sum total of conditions that surrounds us at a given point of time and space. It is comprised of the interacting systems of physical, biological and cultural elements which are interlinked both individually and collectively. Environment is the total sum of conditions in which an organism has to survive or maintain its life process. It influences the growth and development of living forms.

Business environment is the total sum of all external and internal factors that influence a business. Business environment is the combination of internal and external factors that influence a company's operating situation. The business environment can include factors such as: clients and suppliers; its competitors and owners; improvements in technology; laws and government activities; market, social and economic trends.

Cross-cutting Issue: Environment and sustainability

All raw-materials are got from the environment. Therefore, it is our responsibility to properly use these resources and protect the environment for its sustainability. For example, cut one and plant four trees in your community.

8.2: Components of the Environment

ACTIVITY 8.2

Make research in your school library or on the internet about:

1. Atmosphere
2. Hydrosphere
3. Lithosphere
4. Biosphere

The environment is defined as the whole physical and biological system surrounding man and other organisms along with various factors influencing them. The factors are soil, air, water, light, temperature etc. These are called **Abiotic factors**.

Besides the abiotic factors, the environment is very much influenced by **biotic factors** which include all forms of life like plants, animals, microorganisms etc.

Scientists describe the environment in terms of spheres as explained below:

- a. **Atmosphere (gas)**: The atmosphere is a mixture of nitrogen (78%), oxygen (21%), and other gases (1%) that surround the Earth. Air is the main physical component which provides oxygen for respiration. All living things including plants & animals require oxygen for their existence.
- b. **Hydrosphere (liquid)**: The hydrosphere is the liquid water component of the Earth. It includes oceans, seas, lakes, ponds, rivers and streams. The hydrosphere covers about 70% of the surface of the Earth and is the home for many plants and animals.
- c. **Lithosphere (solid)**: The lithosphere is the solid outer section of the Earth which includes Earth's crust (the "skin" of rock on the outer layer of planet Earth), as well as the underlying cool, dense, and rigid upper part of the upper mantle.
- d. **Biosphere**: The biosphere is made up of the parts of Earth where life exists. The biosphere extends from the deepest root systems of trees, to the dark environment of ocean trenches, to lush rain forests and high mountaintops. Soil is the most important for all living beings to create their habitat. It is the soil in which plants grow and man constructs houses to live in.

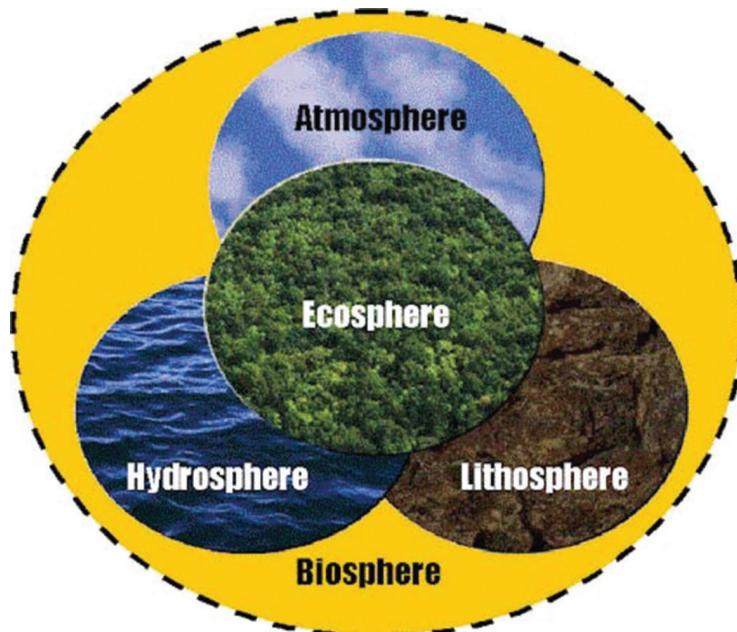


Fig.8.1. Components of the environment.

ACTIVITY 8.3

- 1 Make a research in your school library or on the internet about:
 - (a) Internal business environment.
 - (b) External business environment.
- 2 Give any 3 examples of the components of internal and external business environment.

A business establishes, grows or operates and dies in an environment. It exchanges resources in the environment. It collects inputs, that is, human resources, money, materials, machines etc. and provides output, that is, goods and services in the environment.

Environment means all surroundings. The business environment defines as a force that affect on organisational performance. It provides opportunities and threats.

Internal Environment

Internal environment is defined as all the forces or conditions that are available within an environment that affect the business operations. It comprises all controllable factors in the businesses. These factors include:

- a. **Employees.** These are workers hired by the business. It is the major internal factor. It works inside the business. It can be controlled by the business.



Fig.8.2. Employees are a part of the internal environment of an enterprise.

- c. **Shareholders:** These are people who contribute capital to start a business. They play the major role in formation of objectives, policies, strategies of the organisation as well as their implementation.

- b. **Organisation structure:** It is located inside the organisation. This is the arrangement of various facilities, pattern of relationships among the various departments, responsibility, authority and communication is the organisation structure.
- c. **Organisation culture:** The sets of values that help the members to understand what an organisation stand for, how it does work, what it considers, cultural values of business forces of business and so on. It helps in direction of activities.

Cross-cutting Issue: Environment and Sustainability

To waste, to destroy, our natural resources, to skin and exhaust the land instead of using it so as to increase its usefulness will result in extinction of resources which we would pass to the next generation improved and developed.

External Environment (PEST)

External environment is defined as all the forces and conditions that cannot be controlled by the business. The external environment is located outside the business.

It affects the organisation's performance. It comprises all uncontrollable factors in the business. These include:

- a. **Political or legal environment.** The rules and regulations determined by the government. Businesses must fulfil demands of the government. There should be non-violation of rules and regulation of government. Businesses should avoid unfair trade and should provide essential information to the government.
- b. **Economic environment.** It indicates the condition of an economy in which businesses operate. It includes national income, production, inflation, savings, investment, price, government activities. Business people must have constant watch on this factor.
- c. **Social environment.** Businesses must have a good environment in which they can be established and operate neatly.
- d. **Technological environment.** It defines the methods available for converting resources into products or services. It transforms inputs into outputs. Inputs mean material, capital, man and machines. It helps to change the level of job, skill, product and so on. There can be innovation, development of scientific techniques which encourage mass production and distribution.

8.3: Business Activities that Positively affect the Environment

ACTIVITY 8.4

1. Identify activities done by any business in your community.
2. Describe how those activities positively affect the environment.

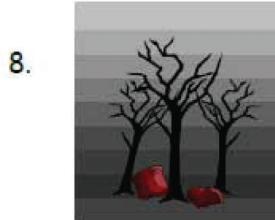
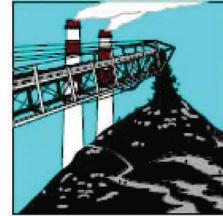
Business activities that positively affect the environment include:

- ☛ **Reuse, reduce, recycle** activities that reduce wastage and other activities that would affect the environment negatively.

Answer the questions using: should shouldn't

For example: What should we recycle?

We should recycle paper.



recycle glass	dump rubbish	pollute and throw litter
pollute the air	pick up rubbish	pollute water
throw rubbish in the bin	use and burn coal	recycle

Cross-cutting issues: Environment and sustainability

Lower your shades or close your curtains on hot days to keep the house cool and reduce the use of electric fans or air-conditioning.

- ☞ **Afforestation:** This involves planting trees which helps regenerate the environment.



Fig.8.4. President Kagame (L) and First Lady Jeanette Kagame plant trees during the Umuganda monthly service. President Kagame told Ndera residents that trees and forests are important and urged Ndera residents to protect all the trees that were planted.

Source: The New Times November, 01, 2015.

- ☞ **Proper Waste management:** This is the collection, transportation and disposal of garbage, sewage and other waste products.
- ☞ **Social responsibility:** “Umuganda”literally translated as ‘coming together with a common purpose to achieve an outcome’.Most business are involved in communal work that protect the environment.
- ☞ **Horticulture and floriculture:** This involves planting of crops especially flowers which beautify the environment.
- ☞ **Building of terraces** in hilly or mountainous terrain to decrease both erosion and surface runoff thereby protecting the environment.
- ☞ **Replacing non-decomposable materials** with decomposable ones such as polyethene bags with paper bags. Paper bags can easily decompose in soil thereby protecting the environment.

Cross-cutting issues: Environment and sustainability

Save water: some simple steps can go a long way in saving water like turning off the tap when you are brushing your teeth or shaving. Try to collect the water used to wash vegetables and salads to water your house plants.

8.4: Business Activities that Negatively affect the Environment

ACTIVITY 8.5

1. Identify activities done by any business in your community.
2. Describe how those activities negatively affect the environment.

The business one owns can carry out activities that affect the environment negatively. How are the business activities eco-friendly when it comes to the environment and its natural resources? You may be surprised by some specific examples of ways the working world damages the environment:

Business activities that negatively affect the environment include:

- ☞ **Charcoal burning:** This is done to get charcoal for sale. This business activity leads to deforestation (the cutting down of trees). The trees are burnt and in this process fumes are emitted in the atmosphere leading to air pollution.
- ☞ **Construction:** Businesses clear land to construct business buildings. In this process, they cut down trees and at the same time degrade the soil.
- ☞ **Swamp reclamation:** This is the clearing of swamps for various purposes such as settlement, farming and so on. Swamp reclamation leads to the destruction of the ecological cycle and wildlife habitants.
- ☞ **Industrialisation:** This activity leads to the emission of poisonous fumes into the atmosphere (air pollution). It also leads to land pollution when waste products of business activities are deposited on land. Water pollution can also occur.



Fig.8.5. Industrialisation activities lead to waste disposal which contaminates the environment.

- ❖ **Agriculture:** This is the growing of crops and rearing of animals. Poor methods of farming such as overgrazing and over cropping lead to soil degradation.
- ❖ **Bricklaying:** This is the modelling of bricks from soil and clay for sale. This activity leads to soil degradation.
- ❖ **Fishing:** This is the extraction of animals from water bodies for sale and consumption. Bad fishing methods lead to the fishing of young fish and extinction of certain fish species from water bodies.
- ❖ **Mining:** This is the extraction of minerals from the soil. Mining leads soil degradation, soil erosion and displacement of people.
- ❖ **Lumbering:** This the cutting of trees for commercial purposes. As trees are cut down, the soil is left bare and this can lead to soil erosion and reduced rain.



Fig.8.6. Lumbering is the cutting down of trees for commercial purposes such as deriving furniture or sell for firewood. Lumbering leads to the destroying of vegetation cover leaving land susceptible to soil erosion.

- ❖ **Packaging:** Most businesses have packaging materials for their goods such as plastic bottles, polythene bags, glass and so on. These packaging products are non biodegradable and are harmful to the soil.

8.5: Positive and Negative Effects of Business Activities on the Environment

ACTIVITY 8.6

1. Identify activities done by any business in your community.
2. Describe the positive effects of these activities on the environment.

Positive effects of business activities on the environment include:

- ❖ Saves on cutting down forests for fuel.
- ❖ Reduction on carbon emissions which depletes the ozone layer.

- ☒ Reduction on soil fertility loss and leaching of minerals.
- ☒ Reduces water loss from the soil.
- ☒ More forest cover which improves the air we breath in.
- ☒ Reduction on desertification and leads to more rain.
- ☒ Makes environment appealing and more beautiful.
- ☒ Increased vegetation cover which improves the quality of air.
- ☒ Improved drinking water quality, household sewage connection, and improved hygiene practices.
- ☒ Results into taxes which the government earns as revenue to set up social amenities such as schools, hospitals, roads and provide security to the country.
- ☒ Results into production of goods that satisfy people's needs thereby improving the society's well-being.
- ☒ Creation of employment opportunities for the people thereby improving their standards of living.
- ☒ Corporate social responsibility activities such as sponsoring sports activities, planting of trees, building of schools and hospitals which help the community.
- ☒ Business activities promote infrastructural development in the society such as road construction, schools, houses for people thus contributing to the development of the society.

Negative Effects of Business Activities on the Environment

ACTIVITY 8.7

1. Identify activities done by any business in your community.
2. Describe the negative effects of these activities on the environment.

Negative effects of business activities on the environment include:

- ☒ **Soil degradation:** This refers to the destruction of soil fertility, soil nutrients composition (organic and inorganic) resulting from overgrazing, over cultivation, deforestation, mining and quarrying and contamination from disposal of harmful waste products (industrial wasted oils and chemicals).
- ☒ **Industrialisation:** Although industrialisation is important for the economic growth and development of a society, it is also harmful to the environment. Amongst other things, industrial processes cause climate change, water, air and soil pollution; health issues, extinction of species, and so on.



Fig.8.7. Industries emit fumes that cause air pollution in the atmosphere.

- ❖ **Deforestation:** Some business use trees in their operations for production of goods and services, e.g. carpentry workshops, construction, businesses and household's clear large tracts of forests to make farms, roads and railways.



Fig.8.8. A deforested area, businesses that require timber, more land for expansion and so on lead to the cutting down of trees leaving the land bare.

- ☛ **Heating and air conditioning systems** pump greenhouse gas emissions from offices into the atmosphere and use up vast amounts of electricity.
- ☛ **Waste disposal:** Offices produce a lot of waste including equipment which end up in landfills, where they don't breakdown and, even worse, can leach harmful chemicals into the growth and water.
- ☛ **Depletion of resources:** Businesses use a lot of natural resources in their operations. For example, manufacturing businesses deplete minerals, lumbering depletes forest resources, fishing depletes the water resources and mining and quarrying destroys and degrades land.
- ☛ **Pollution:** Businesses emits a lot of carbon dioxide, smoke, ozone depleting gases, dust sulphur-dioxide and so on which is dangerous for animal and plant respiration.
- ☛ **Displacement of people:** The establishment of businesses displaces people which affects the balancing of the ecosystem causing over population in given places and hence affecting natural environment
- ☛ **Rush-hour traffic jams** in towns and cities are full of people trying to get to work-wasting time and polluting the atmosphere.
- ☛ **Vibration:** This is the result of movement and running of heavy industrial machines. These vibrations produced greatly weaken buildings leading to collapse of such affected building.

Human Impact has caused:

- Pollution - Land; Air and Water which includes Freshwater Creeks and Rivers, Seas and Oceans.
- Deforestation and Destruction of Habitats
- Endangerment and Extinction of Flora and Fauna Species
- Introduction of Invasive and Parasitic Fauna and Flora Species to new areas
- Increased Desertification of Land - this often occurs because, when humans try to increase fertile land in one area, they must divert needed resources from another area
- Altering Natural Waterways which can increase the risk of Flooding
- Interfering with the Natural Fire Cycles of an area (one cause of increased bushfire problems in Australia)
- Overuse of Natural Resources, resulting in depletion of some of these resources Climate Change and the Development of Extreme Weather Conditions: scientists continue to debate how much humans actually contribute to climate change and/or global warming, but there is evidence that our activities do contribute in some part Rising Sea Levels
- Increased Erosion of Land as a result of Mining or Agricultural Activities
- Mining Activities not only can destroy the vegetation of the area, but can contribute to instability in the earth's crust.
- Oil Spill from Ships

8.6: Measures to Reduce Negative effects of Business Activities on the Natural Environment

ACTIVITY 8.8

From the negative effects of the business activities on the environment identified previously, suggest measures to reduce them.

Measures to reduce negative effects of business activities on the natural environment include:

1. Following environment laws

Environmental laws and regulations are wide and varied, but essentially businesses have to make sure that they:

- ☒ Store and treat waste safely and securely.
- ☒ Protect employees and the environment from air pollution.
- ☒ Don't produce excessive noise, smoke, fumes & other forms of pollution.
- ☒ Comply with rules for storage and use of hazardous substances and waste whilst complying with these regulations and laws inevitably imposes additional costs on many businesses. It is possible to identify some advantages that arise for the environmentally-conscious business. These include:
 - Lower raw material costs & waste disposal charges.
 - Longer life of assets which are recycled or repaired.
 - Trading opportunities with organisations that will only use environmentally friendly suppliers.
 - Improved customer goodwill.

Cross-cutting issues: Environment and sustainability

Switch off computer monitors, printers and other equipment at the end of each day. Though in standby mode, they're still using power - and that adds to global warming. Always turn off your office light and computer monitor when you go out for lunch or to a meeting.

Cross-cutting issues: Environment and sustainability

Put waste to work in your garden, sweep the fallen leaves and flowers into flowerbeds or under shrubs. This will increase soil fertility and also reduce the need for frequent watering.

2. Awareness

- ☒ Understand the main local and global environmental issues, including climate change, pollution, water scarcity, unsustainable consumption and waste, and their relevance to an organisation.
- ☒ Identify the main environmental risks faced by an organisation and what an organisation's strategy should be in relation to those risks.

- ☒ Identify an organisation's environmental impacts through the entire value chain, and how an organisation can achieve cost savings by addressing environmental impacts and market differentiation by developing environmentally sensitive products and services.
- ☒ Know when to consult experts for technical expertise on environmental management.
- ☒ Keep informed regarding and where appropriate, contribute to, the latest debate and thinking on environmental issues, and the role of business generally in relation to the environment.
- ☒ Understand the statutory and legal requirements around the environment and ensure compliance.

Environment protection

- ***Environmental protection*** is a practice of protecting the environment, on individual, organizational or governmental levels, for the benefit of the natural environment and (or) humans.
- Protection of the environment is needed due to various human activities.

3. Advocacy and Advice

- ☒ Encourage concern for the environment within an organisation and with key stakeholders outside an organisation.
- ☒ Develop a compelling narrative that promotes internal understanding of an organisation's environmental impacts and the role of business in the environment. Share this narrative with key external stakeholders.
- ☒ Advocate opportunities for reducing negative environmental impact and enhancing positive environmental impact.
- ☒ Encourage senior management to take a strong stand on environmental issues.
- ☒ Provide coherent, accurate, and objective advice on environmental issues and persuade others of its applicability to the business.

4. Sustainable business

A sustainable business is a business that has no negative overall impact on the environment. A business that aims to be sustainable gets involved in a range of activities designed to “minimise” their net effect on the environment. These are activities include:

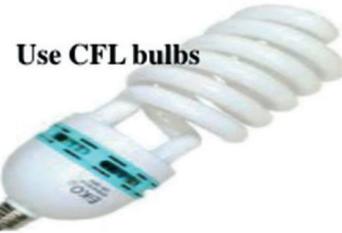
- ☒ Using packaging materials that can be reused or recycled.
- ☒ Minimising or eliminating the use of hazardous chemicals and processes that produce harmful by-products.
- ☒ Working with suppliers to assess and improve their sustainability or switching to more sustainable suppliers.
- ☒ Using more energy-efficient equipment or using renewable sources of energy.
- ☒ Collaborating with other businesses that can use waste (or supply by-products that can be used as raw materials).
- ☒ Eliminating unnecessary activities - e.g. replacing some business travel with conference calls instead.

Cross-cutting issues: Environment and sustainability

Organic and environmentally friendly fertilisers and pesticides should be the ones to be used. Organic gardening reduces pollution and is better for wildlife.

Save Electricity - Turn off your devices:

When you do not use a house device, turn it off. For example, if you don't watch TV, turn it off. Turn off the light when you leave a room (even if you intend to return.) It's an easy habit to take up which will help you save a lot of money and energy.



Compact fluorescent light bulbs are expensive but they can save energy and last much longer. Your electricity bill would be reduced if you use CFL.

5. Strategy and setting objectives to protect environment

- ☒ Identify opportunities for reducing negative environmental impacts and enhancing positive environmental impacts.
- ☒ Develop and pursue adoption of strategies for delivering positive environmental impacts.

Objective

- Providing for the **protection** and **improvement** of the environment
- Preventing environmental **pollution** in all its forms
- To tackle specific environmental problems that are peculiar to different parts of the country.

6. Stakeholders

- ☛ Identify and build strong relationships with relevant environmental stakeholders.
- ☛ Consider the views of stakeholders, understand their main concerns, and their impact on the business and engage in constructive dialogue on environmental issues.
- ☛ Identify opportunities for collaboration with external organisations on addressing environmental impacts.

7. Communication

- ☛ Develop effective metrics to assess the impacts of environmental initiatives.
- ☛ Communicate the results of environmental initiatives internally and externally using the most appropriate and effective media.

Unit Summary

Environment is the composition of the interacting systems of physical, biological and cultural elements which are interlinked both individually and collectively.

Business environment is the total sum of all external and internal factors that influence a business.

Components of Environment

- ☛ **Atmosphere(gas):** The atmosphere is a mixture of nitrogen (78%), oxygen (21%), and other gases (1%) that surrounds the Earth.
- ☛ **Hydrosphere (liquid):** The hydrosphere is the liquid water component of the Earth. It includes the oceans, seas, lakes, ponds, rivers and streams.
- ☛ **Lithosphere (solid):** The lithosphere is the solid outer section of the Earth which includes Earth's crust as well as the underlying cool, dense, and rigid upper part of the upper mantle.
- ☛ **Biosphere:** The biosphere is made up of the parts of Earth where life exists.

Components of the Business environment

(a) Internal environment

It is defined as all the forces or conditions that are available within an environment that affect an organisation and business.

- ☞ **Employees:** These are people hired by the business. It works inside the business. It can be controlled by the business.
- ☞ **Shareholders:** These are people who contribute capital to start the business. They play the major role in formation of objectives, policies, strategies of the organisation as well as their implementation.
- ☞ **Organisation structure:** It is located inside the organisation. The arrangement of various facilities, pattern of relationships among the various departments, responsibility authority and communication is the organisation structure.
- ☞ **Organisation culture:** The sets of values that help the members to understand what an organisation stands for, how it does work, what it considers, cultural values of business forces of business and so on.

(b) External environment (PEST)

All the forces and conditions that cannot be controlled by the business is called external environment.

- ☞ **Economic environment:** It indicates the condition of an economy in which the business operates.
- ☞ **Political or legal environment:** It is defined as rules and regulations determined by the government.
- ☞ **Social environment:** Businesses must have good social cultural environment where a business can be established neatly. Businesses also help in employment opportunities generation.
- ☞ **Technological environment:** It defines about the methods available for converting resources into products or services.

Business activities that positively affect the environment

- ☞ **Afforestation:** This involves planting trees which regenerate the environment. Proper waste management: This is the collection, transportation and disposal of garbage, sewage and other waste products.
- ☞ “**Umuganda**” is literally translated as ‘coming together with a common purpose to achieve an outcome’. Most businesses are involved in communal work that protects the environment.
- ☞ **Horticulture and floriculture:** Involves the planting of crops especially flowers which beautify the environment.
- ☞ **Building of terraces:** These are applied in hilly or mountainous terrain to decrease both erosion and surface runoff thereby protecting the environment.
- ☞ **Replacing non-decomposable materials** with decomposable ones such as replacing polyethene bags with paper bags which protects the environment.
- ☞ **Reuse, reduce, recycle** activities that reduce wastage and other activities that would affect negatively the environment.

Business activities that negatively affect the environment

- ☞ **Industrialisation**, while it is important for economic growth and development of a society, it is also be harmful to the environment.
- ☞ **Heating and air conditioning systems** pump greenhouse gas emissions from offices into the atmosphere and use up vast amounts of electricity.
- ☞ **Pollution**, businesses emit a lot of carbon dioxide, smoke, ozone depleting gases, dust Sulphur-dioxide, etc. which is dangerous for animals and plant respiration.
- ☞ **Deforestation**, some businesses use trees in their operations for production of goods and services.
- ☞ **Soil degradation**, this refers to the destruction of soil fertility, soil nutrients composition (organic and inorganic) and the soil.
- ☞ **Offices** release a lot of waste which can leach harmful chemicals into the ground and water.
- ☞ **Depletion of resources**, businesses use a lot of natural resources in their operations.
- ☞ **Displacement of people** which affects the balance of the ecosystem causing over population in given places and hence affecting the natural environment.
- ☞ **Rush-hour traffic jams** in towns and cities leads to wasting time and pollution of the atmosphere.
- ☞ **Vibration**, this is a result of movement and running of heavy industrial machines. These vibrations produced greatly weaken buildings leading to collapse of such affected buildings.

Positive effects of business activities on the environment

- ☞ Increases the renewable energy share of the energy mix. Also offers a major opportunity for reducing greenhouse gas emissions as well as creating employment.
- ☞ Improved drinking water quality, household sewage connection and improved hygiene practices.
- ☞ Results into taxes which the government to set up schools, hospitals, roads and provide security to the country which benefits the society.
- ☞ Results into production of products that satisfy people's needs especially which improves the society's well-being.
- ☞ They lead to creation of employment opportunities for the people which improve their standards of living.
- ☞ Corporate social responsibility activities such as sponsoring sports activities, planting trees, building schools and hospitals which help the community.
- ☞ Business activities promote infrastructural development in the society such as road construction, schools, houses for people thus contributing to the development of the society.

Negative effects of business activities on the environment

- ☞ Amongst other things industrial processes can cause climate change, pollution to air, water and soil; health issues, extinction of species, and more.
- ☞ Pollutants from business activities harm public health and damages the environment.

- ☞ Untreated wastewater causes environmental problems including: pollution of ground water reservoirs, damage of transport and waste water treatment systems.
- ☞ Leakage from the fuel and energy industries can cause land contamination which affects agricultural activities.
- ☞ Hazardous materials cause damage to human health, environment and property.
- ☞ Production of non-approved pesticides damages the environment and results in the poisoning of living things and environmental pollution.
- ☞ Products that contain asbestos (friable or cement) can cause human illness such as lung disease.
- ☞ Frequent or prolonged exposure to loud noises can cause damage to a person's physical and mental health.

Measures to reduce negative effects of business activities on the natural environment

- ☞ Following environment laws
- ☞ Sustainable business
- ☞ Awareness
- ☞ Advocacy and advice
- ☞ Compliance
- ☞ Strategy
- ☞ Stakeholders
- ☞ Communication

Unit 8 Assessment

Read the case study below and answer questions that follow.

But It's Just a Bottle of Water

By: Lindsey May, Jessica Kotke, and Charles R. Bomar, Department of Biology, University of Wisconsin-Stout.

On the way to school, Sally and her mother picked up consumables for her to use at school. Sally's mother insisted on getting bottled water for her daughter because of her strong belief that bottled water was safer and cleaner than tap water. Back at the dormitory, however, Sally's new roommate, Jane, argued against this with facts she had learned in class.

"Did you know that while tap water is frequently tested to maintain public health and safety, bottled water has no guidelines for testing? The Rwanda Standards Board can't regulate all the water that is bottled and sold within the country, which accounts for most of bottled water."

Sally was taken aback by her new room-mate's comments on the first day that they met. "Ummmm, OK, but it can't be that bad," she said. Sally's mother, on the other hand, admired Jane's enthusiasm and passion for the environment, and her knowledge of bottled water.

"So, what you're saying is that you want to pay a lot more for untested sealed water in bottles that are horrible for the environment, especially since people don't recycle?" said Jane.

"Water bottles are convenient ... anyway, I recycle ... sometimes," said Sally.

Jane was shocked to hear that her new roommate didn't recycle often. What kind of person was she? "Do you know what happens to the unrecycled water bottles?!" she asked.

Feeling momentarily brilliant, Sally said, "They go into landfills, of course."

"Yes, landfills that are filling quickly," snapped Jane. "We don't have room for water bottles that could be recycled. When water bottles are thrown in trash, not only do they fill landfills, but they also increase air pollution and destroy our ozone layer. When they are burned with the regular trash, toxic fumes are emitted that are harmful to our health, and these include greenhouse gasses that are harmful to the environment."

"Okay, okay, you made your point; I'll recycle my water bottles ALL the time," said Sally.

"But you still won't stop drinking bottled water! Do you know where the water comes from? A lot of companies get their water from aquifers, many of which are running low. Water bottle companies do bulk water exports, extracting groundwater at unsustainable rates. And did you know that once an aquifer is emptied or polluted, they are almost impossible to restore? Soon we will have some major water shortages."

Sally was frustrated, already arguing with her roommate, but she realised that Jane made a good point, and was impressed with her knowledge. But she still wondered why we didn't hear about these effects if they were so horrible and what could they do about it anyway.

Two weeks later Sally's mother was in the Super market back in her hometown and reached for a case of bottled water. She hesitated and thought "should I really be buying this water if its so bad for the environment?"

Questions

1. Should Sally's mother buy the bottled water? Support your answer.
2. How can you make society aware of the environmental problems associated with bottled water?
3. What will be the future impact on the environment if we continue to use bottled water like we do today?
4. As an entrepreneur to be, identify any three ways you can help solve the environmental problems caused by water bottles.

TOPIC AREA: BUSINESS GROWTH AND ETHICS

SUB-TOPIC AREA: BUSINESS GROWTH

UNIT 9

Business Ethics



Key unit competence: To be able to behave ethically in life and business.

Introductory Activity

Ethics concern an individual's moral judgements about right and wrong. The decision to behave ethically is a moral one; employees must decide what they think is the right course of action. This may involve rejecting the route that would lead to the biggest short-term profit. Ethical behaviour and corporate social responsibility can bring significant benefits to a business. For example, they may:

- ☞ Attract customers to the firm's products, which means boosting sales and profits.
- ☞ Make employees want to stay with the business, reduce labour turnover and therefore increase productivity.
- ☞ Attract more employees wanting to work for the business, reduce recruitment costs and enable the company to get the most talented employees.
- ☞ Attract investors and keep the company's share price high, thereby protecting the business from takeover.

Businesses not following any kind of ethical code or carrying out their social responsibility leads to wider consequences. Unethical behaviour may damage a firm's reputation and make it less appealing to stakeholders. This means that profits could fall as a result.

The natural world can be affected by a lack of business ethics. For example, a business which does not show care for where it disposes its waste products.

Questions

- 1 What are the benefits of ethical behaviour in a business?
- 2 What are the costs of unethical behaviour in a business.

9.1: Meaning of Ethics and Business Ethics

ACTIVITY 9.1

Based on your everyday experiences, describe any 3 of the acceptable ways or behaviours in the following places:

- (a) at home
- (b) in a business
- (c) at school

ACTIVITY 9.2

From activity 9.1.

- (a) How do we call the acceptable behaviours in the above places?
- (b) From S.1 and 2, mention any 3 acceptable behaviours of an entrepreneur.
- (c) What do you understand by ethics and business ethics?

Ethics are moral principles that govern a person's behaviour or the way an activity is conducted. Ethics are a system of moral principles and a branch of philosophy which defines what is good for individuals and society. Ethics investigate the questions "What is the best way for people to live?" and "What actions are right or wrong in particular circumstances?"

In practice, ethics seek to resolve questions of human morality by defining concepts such as good and evil, right and wrong, virtue and vice, justice and crime.

Business ethics refer to a set of moral rules that govern how businesses operate, how business decisions are made and how people are treated. In case of professions such as lawyers, media, medical personnel, they should operate within the legal boundaries by observing the professional code of conduct.

Business ethics guide the way a business behaves and ensures that a certain required level of trust exists between consumers and various forms of market participants with businesses. For example, a manager must give the same consideration to the family members and small individual investors. Such practices ensure that the public receives fair treatment.

Cross-cutting issues: Peace and values

Ethics promote harmonious and peaceful relations with each other; e.g. teacher learner relationship, learner to learner relationship. Therefore, each and every body must observe ethics.

9.2: Factors Influencing Ethical Behaviours

ACTIVITY 9.3

For a business to operate successfully, there are some acceptable behaviours it should observe in its operations. What do you think are the factors that influence ethical behaviours?

There are many factors that influence ethical behaviours among people as well as in business organisations. These factors are categorised into three as discussed below:

- ❖ **Laws:** Laws and a person abiding by them influence ethical behaviour. Fear of prosecution and punishment is a great deterrent and as such, many do not break the law. In the United States, ethical behaviour is defined by law, such as not stealing or not causing property damage. The level of punishment is roughly tied to the level of crime. A person knows that, for example, if he is caught shoplifting, he could go to jail. This deters him from shoplifting.
- ❖ **Family background:** Family refers to a group of people related by blood or marriage. Family influence is the strongest influence in our lives when we grow up. Our parents' characteristics, the behaviour of our siblings, our family's socio-economic status, their education, the place they lived in will shape the children's most vulnerable time. The earliest time people learn ethics from society is through their interactions with family.

Parents, siblings and other family members are parts of society and the way they interact with a child can have a profound influence on the child's ethical standpoint. For example, in a loving family in which sharing and caring for others is emphasised, a child may learn compassion and develop an ethical standard that involves giving and caring for fellow humans.

In a neglectful family setting, the same child might begin to develop an ethical framework in which everyone is out for himself, and learn that it is best to take what you can get in any way possible, because nothing will be given to you.



Nuclear family



Extended family

Fig.9.1. Family is the strongest influence on ethics in society.

- ❖ **Management style of the organisation's leaders:** Is it a mild-mannered group of managers who operate on group consensus or do they have an authoritarian style of leadership that demands rigorous adherence to company rules and ethical standards? If the latter, then there's a greater chance of a stronger ethical environment up and down the organisational ladder.
- ❖ **Culture:** This refers to the outlook, attitudes, values, goals, and practices shared by a group, organisation, or society. Culture reflects the moral values and ethical norms governing how people should behave and interact with others. Local customs can define the ethical behaviour of those living within that culture. What is considered normal in one culture can be completely unnatural in another; what is ethical in one culture can be unethical in another.
- ❖ **Situational factors:** People may display different ethics in different areas of work in certain situations because they may see no way out. For example, a manager may record fictitious sales in order to cover losses within his area of responsibility. Individuals may exhibit different ethics in workplaces because they feel it is inevitable to display such behaviours.
- ❖ **Religion:** This refers to the belief in a supernatural power or powers regarded as creating and governing the universe. Those who tend to report being spiritual, religious or both tend to behave pretty well. Research supports the view that spiritual and religious practices (such as, meditation, church sponsored social justice ministries, religious service attendance) have certain physical, mental, community health and ethical benefits.



People praying in church



People praying at the mosque

Fig.9.2. People of different religions praying.

- ❖ **Social pressures:** Social forces and pressures have considerable influence on ethics in business. If a company supplies sub-standard products and gets involved in unethical conducts, the consumers will become indifferent towards the company. Such refusals shall exert pressure on the company to act honestly and adhere strictly to business ethics. Sometimes, society itself may turn against such a company.

9.3: Business Ethics Practices towards Different Stakeholders

ACTIVITY 9.4

Businesses have different stakeholders with whom they retain a good relationship with. These stakeholders play a vital role in the efficient running of the business.

Whom do you think are the stakeholders that a business should exercise ethical behaviours to?

Business ethics go beyond just a moral code of right and wrong. It attempts to reconcile what companies must do legally versus maintaining a competitive advantage over other businesses. Firms display business ethics in several ways. Unethical behaviour by comparison, may damage a firm's reputation and make it less appealing to stakeholders.

Profits also could fall as a result. Business ethical practices should be applied towards different participants in business as discussed below:

9.3.1: Business Ethics towards Customers

ACTIVITY 9.5

"A customer is king." Without customers, a business is as good as dead. A business exists to serve customers' needs as it gains profits in return. It therefore needs to attract and retain its customers by practicing acceptable behaviours towards them.

What do you think a business should do in order to attract new and retain its old customers?

A customer is an individual or business that purchases goods or services produced by a business. Attracting customers is the primary goal of businesses, because it is the customer who creates demand for goods and services.

There are many moral issues in the business world relevant to customers. In particular, businesses have moral duties to customers and some actions taken in business are morally preferable that have an impact on customers.

One of the benefits of maintaining high ethical standards is increased customer satisfaction which retains customers and can lead to valuable word-of-mouth endorsements of the business to other potential customers.



Fig.9.3. A customer buying goods. Customers are the primary goal for the business.

Ethical practices that every business should practice towards customers include:

- ☞ **Provision of high quality products:** When a product is purchased, customers are not usually just buying an unknown objects. They are usually buying an item of sufficient quality that performs a certain expected function. Every business has a duty to provide consumers with whatever they pay for and products should be of good quality.

Cross-cutting Issue: Standardisation culture

Ethics in customer dealings is doing the right thing every time and in everything. Therefore, businesses should sell products that fulfil quality requirements and display that they follow strict guidelines of ethics in customer dealings.

- ☞ **Use of right measures and weights:** Product safety is an ethical obligation. Consumers lack the means of checking or verifying the accuracy of measures and weights. It is therefore ethical for every business to provide goods of correct weight and measures to their customers.



Fig.9.4. Weighing scales. Using the right measures and weights ensures ethics towards customers.

- ☞ **Being honest to customers** as far as prices, quantities and quality of the products are concerned. Honesty and transparency in financial transactions and accounting procedures. Complete accuracy of all transactions and accurate book-keeping are a must for customers and other stakeholders to trust the company.
- ☞ **Keeping promises** made to customers at the time of making a sale. Businesses must strive to maintain the integrity of customer service at all times and at all costs. Each customer interaction and experience must be an over-delivery of the promises made to customers. This after sales service integrity is a major building block to form solid and long term relationship with customers.
- ☞ **No misleading advertisements:** In an effort to out-do one another and sell more of the goods, businesses often give misleading information about their products to persuade consumers to buy them. It is ethical for businesses to give correct information about the products to the customers.



Fig.9.5. A sample advert. These persuade customers in buying products. So, they should depict the rightful information.

- ☞ **No overcharging customers:** Most customers are likely to be overcharged because of their inability to evaluate the prices of goods in relation to the costs involved in production. Therefore, it is the business' duty to charge the appropriate prices to the customers.

*Point to consider
When your customers' needs change,
change to meet those needs.*

- ☞ **Giving rightful information:** Promotions and advertisements of products and services must be true to the actual offering. Exaggerations and overselling tactics ultimately cause customers to have no trust in such a business. In other words, businesses should advertise without giving wrong information or exaggerating.

Point to consider

Ethics in customer dealings is not only about external customers but is also being completely open with internal customers and shareholders as well.

9.3.2: Business Ethics towards Employees

ACTIVITY 9.6

The human resource (employees) are very important in the success of the business. When employees are happy, they work hard and the business thrives competitively in the market. What ways do you think a business can keep a smooth relationship with its employees?

An employee is anyone who has agreed to be employed, under a contract of service, to work for some form of payment. This can include wages, salary or commission. Like any other participant in the business, employees play a great role in running of businesses and need to be treated with lots of respect and humanity. This can be achieved through:

- ☞ **Giving employees a timely and fair pay.** Depending on the size of the business and level of performance, the employer should pay his/her employee the agreed amount if the employee arrives for work and can work.
- ☞ **Treating employee fairly and with respect.** It is the company's obligation to see that individual managers do not abuse their power or mistreat their subordinates. Kill-the-messenger behaviour at any management level is improper, as is any active or passive encouragement of dishonest reporting. Employees should feel free to raise ethical or other issues without fear of retaliation.

Cross-cutting Issue: Peace and values

Both the employee and employer have responsibilities and duties towards each other to ensure that the bond is successful and ethically sound. This will greatly enhance a peaceful work environment which increases employee performance.

- ☞ **Providing training and development** to employees to improve on their skills. This greatly shows that you attach value to your employees and that you look forward towards working with them on a going concern.



Fig.9.6. Employees at a training session. Employees need constant training to improve on their skills and perform better at work.

- ❖ **Maintaining openness between the employer and employees:** In order to have happy employees, they should not feel intimidated by management. Instead, they should be empowered to report problems and issues. Openness helps to quickly address issues and in turn, makes employees feel that their ideas and opinions are valuable.
- ❖ **Providing employees with job security:** Employers should not lay off employees unless it is absolutely necessary. Employers should value their employees, not just as a means for work to be completed, but as a long-term investment.
- ❖ **Ensuring good welfare of employees:** It is not a question only of fair pay and good working conditions, there should be a real and enduring concern for the well-being of employees. While the welfare of the company and other co-workers must remain the dominant consideration, an ethical employer is willing to make decisions and implement policies in a manner that demonstrates a genuine concern, even when there are associated costs which impact profitability.
- ❖ **Giving assistance to employees** when need arises for example, listening to worker's problems, showing that you are with them in times of happiness and sorrow. This helps in creating an environment that is so conducive for workers and their employers.
- ❖ **Providing employees with good working conditions:** Employers should pay their employees a good wage, offers health benefits, and excellent working conditions. This greatly improves on the employment relationship between the employer and the employee.

- ❖ **Creation of a healthy and safe working environment:** Employers have to protect the health of its workers and make sound business decisions that will keep employees safe. Employers have moral responsibilities towards their employees.



Fig.9.7. The working environment should be safe for employees. Employees should wear safety gear according to the kind of job performed.

- ❖ **Avoiding discrimination at the work place.** Employers should have a policy of equality for all in the workplace, with no discrimination on the basis of race, religion, nationality, age, gender, marital status, sexual orientation, disability, union membership or political affiliation. This helps the employees to see themselves as the same and equal.

Cross-cutting Issue: Gender

Employers should treat workers equally. Not looking at their gender, age, tribe background because their output does not differ in anyway. Equal treatment of workers greatly leads to high output.

9.3.3: Business Ethics towards Suppliers

ACTIVITY 9.7

There is no business that can operate efficiently without suppliers. Each business should have suppliers to rely on its business supplies.

How do you think a business can maintain its good relations with its suppliers?



Fig.9.8. Workers offloading products from a truck for a supplier.

A supplier, also called a vendor or a manufacturer is a person or company that provides goods and/or services to other companies as one of the contributors to the development process on the way to the ultimate customer. Suppliers like any other participant in business, need to be treated well by the business owners.

Some of the ethical behaviours towards suppliers include:

- ☒ Businesses should pay for goods and services purchased from suppliers. By doing this, suppliers are powered to supply more goods and services in time hence avoiding shortages in the market.
- ☒ Businesses should offer proper advisory services to suppliers about the market trends. This will enable the suppliers to supply what is really required in the market at the right time.
- ☒ Businesses should carry out market research for suppliers.'This will lead to sales promotion of supplier's products hence increased sales volume.
- ☒ Businesses should pay for the goods and services bought on credit in time.
- ☒ Businesses should not hoard any supplier's product but should sell the products from the suppliers firm only.

9.3.4: Business Ethics towards Government

ACTIVITY 9.8

The government regulates all business activities in the country. It is responsible for the conduct of each business in its jurisdiction and at the same time the businesses have to observe the regulations set by the government.

What do you think a business should do in order to relate well with the government?

The government constitutes of the political and legal environment in which business operates. The government plays a very important role in controlling and providing an environment in which business activities can thrive. Therefore, businesses should promote ethical behaviours as they carry out their activities. Businesses operate under the laws stated by the government. In the due course of carrying out its activities, it should operate in line with the behaviours required by the government as stated below.

- ☛ Paying taxes and other dues as imposed by the government.
- ☛ Observing the law of the country. In other words, businesses should comply with the laws and regulations set by the government.
- ☛ Meet production standards as far as quality is concerned.
- ☛ Maintaining standards of health, safety and hygiene regulations established by the government.
- ☛ Maintaining discipline and order when carrying out business.
- ☛ Following the procedures required by law when starting businesses.
- ☛ Complying with the environmental regulations established by the government.

9.3.5: Business Ethics towards Shareholders

ACTIVITY 9.9

1. How would you define a shareholder?
2. Write down one thing a shareholder does in a business.
3. How would a business keep a good relationship with its shareholders?

Present your findings to the class.

A **shareholder** refers to a person, company or other institutions that own at least one share of a company's stock. Shareholders are company owners. They have a right to its profits if the company performs well, but that comes with the potential to lose if the company performs poorly. A shareholder may also be referred to as a "stockholder":

Every business should treat its shareholders well and according to the laws laid down. The ethical conduct that businesses should practice towards its shareholders are mentioned below:

- ☒ The business should pay dividends to the shareholders whenever a profit is made and also inform the shareholders in case a loss is made.
- ☒ The business should provide information to the shareholders about the performance of the business. This helps them to know the amount of profits made by the business and appropriate action to be taken.
- ☒ The business should give shareholders the right to vote out and replace incompetent directors with new ones capable to perform the job better.
- ☒ Listening to the shareholders complaints or views that need to be addressed by the management.

9.3.6: Business Ethics towards the Community



Fig.9.9. Business giving support to the community. Contribution to the Nyakasti project is a part of BRALIRWA Corporate Social Responsibility and the support of government policy to eradicate Nyakatsi in Rwanda.

ACTIVITY 9.10

A community supports a business by providing it with labour and income by buying its products or services. Write some of the acceptable behaviours a business can portray to the community in order to maintain a positive relationship with it.

The community constitutes the social and cultural environments in which a business operates. It is made up of people who are the inhabitants of the area or region in which a business operates. The cultural environment of a community consists of the system of values, beliefs, attitudes, ideas, customs, manners and rituals of the people.

All those must be protected by any business that is carried out in that community. Some of the ethical behaviours of businesses to the community include:

- ☞ Conserving and preserving the environment to avoid environmental degradation.
- ☞ Providing employment opportunities to the local population.
- ☞ Providing goods and services that are in line with the culture and norms of the society.
- ☞ Contribute towards community development through development of infra-structure.
- ☞ Providing societal needs.
- ☞ Protecting peoples' health.
- ☞ Respecting customs and beliefs.
- ☞ Creating employment opportunities for the people in the community.

9.4: Importance of Ethics in Business

ACTIVITY 9.11

You have discovered the different stake holders in business and ways a business practices business ethics towards its different stakeholders. With that knowledge, justify the importance of ethics in business.

As we have discussed earlier, business ethics refer to the moral principles or rules of fair play in business activities. Business ethics can also be defined as the moral principles and values that govern and control the activities of business organisations to ensure fair play in business. The observation of business ethics is important in business because they:

- ☞ **Increase employee productivity.** Employees make better decisions in less time with business ethics as a guiding principle; this increases productivity and overall employee morale. When employees complete work in a way that is based on honesty and integrity, the whole organisation benefits. Employees who work for a corporation that demands a high standard of business ethics in all facets of operations are more likely to perform their job duties at a higher level and are also more inclined to stay loyal to that organisation.

- ☛ **Attract customers to business products** thereby boosting sales and profits to make employees want to work and stay with the business, reduce labour turnover and therefore increase productivity. This reduces recruitment costs and enables the company to get the most talented employees.



Fig.9.10. A cashier attending to customers with a smile and care. This retains old customers and attracts new customers to the business.

- ☛ Attract investors and keep the company's share price high, thereby protecting the business from takeover.
- ☛ **Develop investor, customer and employee loyalty:** Companies perceived by their employees as having a high level of honesty and integrity are more profitable than companies with a low level of honesty and integrity. Ethical climates in organisations provide platform for: efficiency, productivity and profitability. Business ethics are important because they help to develop customer and employee loyalty and engagement and contribute overall to a company's viability.
- ☛ **Lead to customer satisfaction.** Consumers respond positively to socially concerned businesses. Being good can be extremely profitable. Customer satisfaction dictates business success. A strong organisational ethical climate places customers' interests first. Research shows a strong relationship between ethical behaviour and customer satisfaction leads to expansion of the market. Business ethics towards customers attracts new customers, retains old customers and creates trust in the business by the customers.

- ☞ **Contributes to employee commitment:** Employees are willing to make personal sacrifices for the organisation. The more dedication on the part of the company, the greater the employee dedication. Concerns of the employees include: a safe working environment competitive salaries and benefit packages and fulfilment of contractual obligations.
- ☞ **Increases positive public image:** With consistent ethical behaviour comes increasingly positive public image, and there are few other considerations as important to potential investors and current shareholders. To retain a positive image,. businesses must be committed to operating on an ethical foundation as it relates to treatment of employees, respect to the surrounding environment and fair market practices in terms of price and consumer treatment.



Fig.9.11. The representative of Private Sector Federation (PSF) awarded (Kigali Independent University) ULK for its remarkable contribution to the country's development.(Source: The NewTimes)

- ☞ **Help a business win a competitive advantage:** An integrity approach to business can yield strengthened competitiveness by facilitating the delivery of quality products in an honest and reliable way. This approach can enhance work life by making the work place more fun and challenging. It can improve relationships with stakeholders and can instil a more positive mindset that fosters creativity and innovations among the stakeholders. The purpose of ethics is to enhance our lives and our relationships both inside and outside of the organisation.

- ❖ **Reduces risks:** A company which sets out to work within its own ethical guidelines is also less at risk of being fined for poor behaviour, and less likely to find themselves in breach of one of a large number of laws concerning required behaviour.

Cross-cutting Issue: Environment

Businesses that practice ethics in caring out their activities work towards protection of the environment through proper disposal of wastes, avoiding pollution by constructing long chimneys and developing dust control measures.

- ❖ **Increases business profits:** Businesses guided by ethics and values are profitable in the long run, though in the short run they may seem to lose money. Tata group, one of the largest business conglomerates in India was seen on the verge of decline at the beginning of 1990's, which soon turned out to be otherwise.
- ❖ **Help in protection of the environment:** The natural world can be affected by lack of business ethics. For example, a business which does not show care for where it disposes its waste products, or fails to take a long-term view when buying up land for development, is damaging the world in which every human being lives, and damaging the future prospects of all companies.



Fig.9.12. Vision City supports children in tree planting campaign. Eng. Ruhamya (R) joins children in a tree-planting exercise in Kigali. (Source The NewTimes).

9.5: Business Costs of Unethical Behaviour

ACTIVITY 9.12

You are now conversant with business ethics towards the different stakeholders of the business. Use that knowledge to answer the questions below;

1. How would you define unethical behaviour?
2. Compose a list of unethical behaviours that might be carried out by a business.
3. What do you think are the negative effects that may arise to a business as a result of not implementing acceptable behaviours in their day to day activities?

From activity 9.12, business unethical behaviour refers to the lack of moral principles or rules of fair play in business activities. Some of the unethical behaviours by businesses include:

- ☒ Dumping pollutants into the water supply rather than cleaning up the pollute area properly.
- ☒ Releasing toxins into the air in levels above what is permitted by the Environmental Protection Agency.
- ☒ Coercing an injured worker not to report a work related injury to workers' compensation by threatening him with the loss of a job or benefits.
- ☒ Refusing to give an employee a final pay check for hours worked after the employee leaves the company.
- ☒ Not paying an employee for all of the hours worked.
- ☒ Incorrectly classifying an employee as an independent contractor and not as an employee in order to reduce payroll taxes and avoid purchasing unemployment and workers' compensation insurance.
- ☒ Engaging in price fixing to force smaller competitors out of business.
- ☒ Using bait and switch or false advertising tactics to lure customers in or convince them to buy a product.
- ☒ Refusing to honour a warranty claim on a defective product.

Unethical behaviour might be as simple as using business property and time for personal benefit to inside trading and financial fraud.

Many businesses sadly make it part of their operational policy to cut corners, accept and give kick-backs in order to get juicy contracts and maximise profits.

In today's business environment, the line between right and wrong is fade. Workers with high moral standards are helpless against unethical behaviour they notice in their colleagues, and to make it worse, many unethical conducts go unpunished because of legal insignificance.

Some of the business costs of unethical behaviour include;

- ☞ **Leads to emotional and health problems of employees:** An employee working for an employer or company with unethical, deceptive, and dishonest conduct will be directly affected physically and mentally, and may even come down with emotional and health related problems because of it. Workers involved in unethical practices are almost always directly or indirectly held accountable for their actions.
Even though they may not be found guilty by any court of law, the physiological impact of immoral acts leads to intense mental and physical stress. When a company is found guilty of financial improprieties, the workers undergo a series of questions from investigators and if they are found to be involved, they may be blacklisted or their professional license revoked.
Many workers involved in immoral behaviour may not know the source of anxiety or other health issues, but the human conscience has a strong effect on our physical and mental stability.
- ☞ **Litigation:** Stealing or abetting thieves could land you into a serious court case, and also stain the reputation of those who buy from you innocently. One must always weigh the consequences before thinking of getting involved in any form of unethical business practices. The consequences are usually high and they far outweigh the advantages of such involvement. Businesses that act unethically in ways that break the law may face large fines and other penalties.
- ☞ **Poor employee performance:** A lack of ethics within a company affects the way employees do their job. People can decide that because leaders can break the rules, they can too. This can lead them to damage the company. They may also become discouraged or not see the need to work hard in an unethical environment.
- ☞ **Poor company credibility:** When a company is unethical, it affects its reputation. Not only will the leaders and company lose respect from employees, they will lose credibility with the general public as well. This can result in reduced sales, lost customers, and significant financial harm.
- ☞ **Harm sales of goods,** as customers may boycott goods produced by a company known for unethical behaviour.
- ☞ **Leads to a drop-in stock price:** Investors will be unwilling to buy shares from companies known to transact business dishonestly. Investing in dishonest firms will result in poor returns.
- ☞ **Builds a work atmosphere of malice and mistrust:** Workers tend to go further down the drain when they are surrounded with people who practice unethical behaviour. This will lead to lower productivity, promote conflict, and subsequently cripple the company.

- ☞ **Leads to monetary loss:** Business customers could suffer monetary loss as a result of the company's insincerity to them. When a customer buys a refurbished machine from you and takes it to run the business as a new machine, the machine is bound to break down sooner or later. When this happens, it would cost him monetary losses; it would also cost money and time to get a new machine to replace it.
- ☞ **Leads to loss of lives:** Selling fake consumables or drugs to a client could result in loss of lives because of the toxic effects those drugs may have on ones health in the short term or in the long run.
- ☞ **There is increased risk of doing business** and the possibility of bankruptcy and severe damage of the company brand and image.

In conclusion, the time to avoid these most significant risks and costs of unethical behaviour is before it occurs, not after. And one way to do that is for each organisation and each individual to commit to fostering an environment where ethics are recognised and honoured, rewarded and demonstrated in everything each of us does each day.

Unit Summary

Ethics are moral principles that govern a person's behaviour or the conducting of an activity.

Business ethics refer to a set of moral rules that govern how businesses operate, how business decisions are made and how people are treated.

Factors influencing Ethical Behaviours

- ☞ Laws
- ☞ Management style of the organisation's leaders.
- ☞ Religion.
- ☞ Culture
- ☞ Social pressures:
- ☞ Situational factors.
- ☞ Family background.

Business Ethical Practices

Business ethics towards customers

- ☞ Provision of quality products.
- ☞ Use of right measures and weights.
- ☞ No overcharging of customers.
- ☞ No misleading advertisements to customers.
- ☞ Being honest to customers.
- ☞ Keeping promises
- ☞ Giving rightful information.

Business ethics towards employees

- ☞ Giving employees a timely and fair pay.
- ☞ Providing training and development.
- ☞ Creation of a healthy and safe working environment.
- ☞ Giving assistance to employees.
- ☞ Treating employee fairly and with respect.
- ☞ Ensuring a good welfare of employees.
- ☞ Providing employees with good working conditions.
- ☞ Providing employees with job security.
- ☞ Maintaining openness between the employer and employees.
- ☞ Avoiding discrimination at the work place.

Business ethics towards suppliers

- ☞ Pay for goods and services purchased.
- ☞ Offer proper advisory services.
- ☞ Carry out market research for suppliers.
- ☞ Pay for the goods and services bought on credit in time.
- ☞ No hoarding any of the supplier's products.

Business ethics towards government

- ☞ Paying taxes and other dues as imposed by the government.
- ☞ Observing law of the country.
- ☞ Meet production standards as far as quality is concerned.
- ☞ Maintaining standards of health, safety and hygiene regulation.
- ☞ Maintaining discipline and order when carrying out business.
- ☞ Following the procedures required by law when starting businesses.
- ☞ Complying with the environmental regulations established by the government.

Business ethics towards shareholders

- ☞ Pay dividends to the shareholders.
- ☞ Provide information to the shareholders
- ☞ Giving shareholders the right to vote.
- ☞ Listening to the shareholder's complaints.

Business ethics towards the community

- ☞ Providing employment opportunities to members of the local community
- ☞ Providing goods and services that are in line with the culture and norms of the society.
- ☞ Contribute towards community development through development of infra-structure.
- ☞ Providing society's needs for instance helping the needy. Protecting peoples' health.
- ☞ Respecting customs and beliefs.
- ☞ Preserving the environment.
- ☞ Creating employment opportunities for local population.

Importance of business ethics to businesses

- ☞ Increase employee productivity.
- ☞ Attract customers to business products.
- ☞ Increases positive public image.
- ☞ Develop investor, customer and employee loyalty.
- ☞ Lead to customer satisfaction.
- ☞ Help a business win a competitive advantage.
- ☞ Contribute to employee commitment.
- ☞ Reduces risks.
- ☞ Help in protection of the environment:
- ☞ Increases business profits:

Costs of unethical behaviour to businesses

- ☞ Leads to emotional and health problems of employees.
- ☞ Litigation.
- ☞ Poor employee performance.
- ☞ Poor company credibility.
- ☞ Harm sales of goods.
- ☞ Lead to a drop-in stock price.
- ☞ Builds a work atmosphere of malice and mistrust.
- ☞ Leads to monetary loss.
- ☞ Leads to loss of lives.
- ☞ Increased risk of doing business.

Unit 9 Assessment

1. What do you understand by the term business ethics?
2. Identify the factors that influence ethical behaviours in a business enterprise.
3. What are the various business ethics that a business has to practice towards its;
 - (a) Customers
 - (b) Employees
 - (c) Government
 - (d) Community
 - (e) Suppliers

4. Read the following case study and answer the questions that follow:

Ritah and Dominic are neighbors in Gicumbi Market, they all sell electronics. Ritah wake up early, cleans and never cheats customers even when the customers pay more she reminds them and give back balance and also takes time to explain the products to customers.

Due to these qualities Ritah has, she become more famous, increases stock and opened branches. Her neighbor Dominique is rude, cheats customers, doesn't keep promises, the shop is almost out of stock and there are no more customers coming to the shop.

Questions:

- i. Explain why Ritah's business is doing better than Dominique's
- ii. How can Dominique improve his business so as to compete favorably with Ritah's?
Advice Domique
- iii. As an Entrepreneur suggest ways in which ethics empower the business to perform much more better.
- iv. Identify the costs of unethical behaviour

TOPIC AREA: BUSINESS GROWTH AND ETHICS

SUB-TOPIC AREA: STANDARDISATION

UNIT 10

Quality Management and Certification



Key unit competence: To be able to explain quality management and certification.

Introductory Activity

Quality of a product can be measured in terms of performance, reliability and durability. Customers would return to your organisation only if they were satisfied with your products and services. Make sure the end-user is happy with your product.

Remember, a customer would be happy and satisfied only when your product meets his expectations and fulfills his needs.

In this competitive world, everyone tries his/her best in their work and want their products or services to be of great quality.

Every business requires continuous review of procedures and strategies to be in market with a good name. One needs to maintain the standard and quality of the work done. Quality management systems certification helps organisations to meet this goal without any difficulty.

Under this unit, we shall look at certification, quality control, quality assurance, quality management and its importance and requirements of quality certification.

Questions

- 1 What is the importance of quality control in a business?
- 2 Which body in Rwanda is in charge of standards and quality control?

10.1: Meaning of Certification, Quality Control, Quality Assurance and Quality Management

ACTIVITY 10.1

In Senior one and two, we looked at the basic concepts of standardisation, metrology and quality testing. Using your knowledge on those basic concepts, answer the following questions:

1. What do you understand by the terms: standards, metrology, quality testing, and accurate measurement?
2. Briefly explain the steps/procedures followed at home to ensure quality when preparing and serving food.
3. What do you understand by:
 - (a) quality?
 - (b) quality control?
 - (c) quality assurance?
 - (d) quality management?
 - (e) Certification?

From activity 10.1 and 10.2, you must have derived the meaning of- certification, quality control, quality assurance and quality management.

Your definitions must be similar to the ones below:

1. **Certification:** This is the formal procedure by which an accredited or authorised person or agency assesses and verifies (and attests in writing by issuing a certificate) the attributes, characteristics, quality, qualification, or status of individuals or organisations, goods or services, procedures or processes, or events or situations, in accordance with established requirements or standards.
2. **Quality control (QC):** This is a procedure or set of procedures intended to ensure that a manufactured product or performed service adheres to a defined set of quality criteria or meets the requirements of the client or customer.
3. **Quality assurance:** This is the maintenance of a desired level of quality in a service or product, especially by means of attention to every stage of the process of delivery or production. Quality assurance (QA) is a way of preventing mistakes or defects in manufactured products and avoiding problems when delivering solutions or services to customers; which ISO 9000 defines as “part of quality management focused on providing confidence that quality requirements will be fulfilled”:
4. **Quality management:** A quality management system (QMS) is a formalised system that documents processes, procedures, and responsibilities for achieving quality policies and objectives. A QMS helps coordinate and direct an organisation’s activities to meet customer and regulatory requirements and improve its effectiveness and efficiency on a continuous basis. ISO 9001:2015, the international standard specifying requirements for quality management systems, is the most prominent approach to quality management systems.

3.2: The History of Quality Management

ACTIVITY 10.2

Casestudy(adaptedfrom(<http://qualitymanagementsystem.com/total-quality-management/the-history-of-quality-management/>)

Read the following extract and answer the questions that follows

The history of quality management can be traced all the way back to The Middle Ages. Work completed by journeymen and apprentices were evaluated and inspected by the skilled worker to ensure that quality standards were met in all aspects of the finished product, ensuring satisfaction of the buyer. And while the history of quality management has gone through a number of changes since that time, the end goal is still the same.

It was during the 1920's when quality management systems, as we know them today, started to surface. While the focus of quality management was still on the end product, it was the first time that statistical theory was applied to product quality control.

Product quality control was determined through inspections. This involved measuring, examining and testing the products, processes and services against specific requirements to ensure that each element adhered to set standards and guidelines.

This algorithm worked for quite some time. Over time, however, businesses began to grow and expand. More and more products were manufactured throughout the day.

Companies started to experience difficulties in following through with quality control standards. It became evident that there was a great need for change and development. Change and development were brought forth during the 1940's by industry leaders and experts like Deming, Dodge, Juran and Roming. This would be the beginning of Total Quality Management as we know it today.

Inspections were now carried out by production personnel. They were responsible for inspections during specific production intervals. This would change the focus from simply inspecting the end product to actually preventing end product problems through early detection on the production line.

It was also during the 1940's that Japan caught wind of Total Quality Management. At that time, Japanese products were considered poor quality imitations.

Hearing about the success of quality management in the west, Japan employed the assistance of quality management experts like Deming and Juran. Little did the Western culture know at that time, Japan would soon push the envelope and set new standards in TQM.

During the first international quality management conference in 1969, Feigenbaum would first use the phrase Total Quality Management. Feigenbaum, however, would not meet the depth of understanding of the term that Japanese attendee and speaker, Ishikawa would. Ishikawa would indicate during the conference that TQM should apply to all employees within the organisation- from the workers to the head management.

The Western culture would soon catch up, however. By the 1980's, the Western culture would take notice of Japan's success and start to set and adhere to higher Total Quality Management guidelines. At this time, however, it was unclear as to what exactly TQM involved. The U.S. Government would soon be responsible for making those guidelines and standards clear with their development of the Malcolm Baldrige Award; an award that could be won by businesses that exhibited quality management excellence. Other countries, like Europe, would follow in the United States' footsteps and develop similar awards.

Today, companies all over the globe compete for the hundreds of Excellence Awards now given. The purpose of quality management, however, still remains the same as it has, all through history-to ensure that customers receive an excellent, quality product.

Questions

1. When was the concept of quality management introduced?
2. Why was the worker of journeymen and apprentices evaluated and inspected?
3. How was product quality control determined in the 1920s?
4. Describe the changes to Total quality management that happened in 1940's
5. Which countries were instrumental in developing TQM?
6. What has been and still the overall goal of quality management?

The History of Quality Management dates as far back as 1800. All countries even Rwanda follow international quality standards to develop their own.

Below is an international history of quality management:

Quality Control

Phase 1: Operator Quality Control Period (up to 1900)

- ☞ Work done by one person or a small group.
- ☞ Limited production volume.
- ☞ Worker felt a sense of accomplishment and quality of the product was controlled by one person; the operator.

Phase 2: Foreman Quality Control Period (1900 to 1920) Industrial revolution;

- ☞ Concept of mass production based on specialisation of labour. An individual was not responsible for the production of the entire product but rather for only a portion of it. Those performing similar operations were grouped together.
- ☞ A supervisor that directed that operation now had the task of ensuring that quality was achieved. Foreman or supervisor controlled the quality of the product.

Phase 3: Inspection Quality Control Period (1920 to 1940)

- ☞ Products and processes became more complicated.
- ☞ Production volume increased. It became impossible for the foreman or supervisor to keep a close watch on individual operations.
- ☞ Inspectors were designated to check the quality of a product after certain operations. Standards were set and inspectors compared the quality of the produced item with those standards.
- ☞ If there was a difference between a standard and the product, deficient items were separated from those that met the standard. Those items were reworked if feasible or discarded.
- ☞ The foundations of statistical aspects of quality control were being developed in this period.
- ☞ In 1924: Walter A. Shewhart (from Bell Telephone Laboratories) proposed using statistical charts to control the variables of a product (control charts or sometimes referred to as shewhart control charts).
- ☞ Late 1920's: H.F. Dodge and H.G.Romig (from Bell Telephone Lab's) did work in the areas of acceptance sampling plans. In 1930's the was application of acceptance sampling plan in industry Shewhart continued his efforts to promote statistical quality control (SQC) to industry.
- ☞ A joint committee for the Department of Statistical Applications in Engineering and Manufacturing was created in 1929 with the sponsorship of the American Society for Testing Materials (ASTM), the American Statistical Association (ASA), and the Institute of Mathematical Statistics (IMS).
- ☞ J. Scanlon introduced the Scanlon plan which deals with improvement of the overall quality of work life. In 1938: U.S instituted the Food, Drug and Cosmetic Act procedure and practices in the areas of processing, manufacturing and packaging.

Phase 4: Statistical Quality Control Phase (1940-1960)

- ☞ During world war II production requirements escalated. Principles of sampling plans gained acceptance since 100% inspection was often not feasible.
- ☞ In 1946: American Society for Quality Control (ASQC) was established. In 1950: Military developed a set of inspection plans for attributes called MIL-STD-105A. These plans underwent several modifications, becoming MIL-STD-105B, MIL-STD-105C, MILSTD-105D, MIL-STD-105E.
- ☞ In 1957: A set of sampling plans for variables called MILSTD-414 was by the military. Even though the fundamental principles of quality control had been developed in the United States, industry didn't adopt them, but other countries did. This caused the industry downfall in USA.

- ❖ Japan Totally destroyed in world war II adopted the new philosophy. In 1950: W Edwards Deming visited Japan and lectured on new ideas: “Statistical Quality Control” (SQC) Japanese engineers and managers understood the importance of SQC as a means of gaining a competitive edge in the world market. In 1954: J.M. Juran visited Japan and explained the strategic role that management plays in the achievement of a quality program.
- ❖ In USA developments in the area of sampling plans were taking place. In 1958: Department of defense developed the Inspection and Quality Control Handbook H107 which dealt with single level continuous sampling procedures and tables for inspection by attributes. This book was revised in 1959 (in a way to cover multilevel continuous sampling procedures and topics in life testing and reliability) as “Inspection and Quality Control Handbook HI08”:

Phase 5: Total Quality Control Phase (1960's)

- ❖ Involvement of several departments and management personnel in the quality control phase.

Phase 6: Total Quality Control Organisation-wide Phase (1970's)

- ❖ This phase involved the participation of everyone in the company; operator to the first level supervisor, manager, vice president, and even the chief executive officer. Quality was associated with every individual in the company. This notion continued in the 1980's as Total Quality System.

Phase 7: Total Quality Control System Phase (1980's)

- ❖ A quality system was agreed on companywide and plant-wide operating work structure, documented in effective, integrated technical and managerial procedures. It was for guiding the coordinated actions of the people, the machines and the information of the company and plant in the best and most practical ways to assure customer quality satisfaction and economical cost of quality.
- ❖ Japan dominated the world market in the 1980's because they systematically developed a business environment in which all personnel in a company were immersed in a total quality culture.
- ❖ The methods had originated in the United States but adopted by Japan in the 1950's (starting from 1950's) US industry did not accept these methods at that time. The importance of training and statistical quality control was recognized after the success of the Japanese industry (1980's).

Quality assurance

The development of Quality Assurance dates back to the aftermath of the first world war and the high death rate through accidents during munitions manufacture.

Techniques developed in the UK and in the States sprang to prominence in the 1950's with the birth of Japanese manufacturing skills.

The purpose of the concept was to manufacture the product or produce the service "Right First Time" and to maintain the cost of quality within budgets when substantial manufacturing cost savings can be achieved.

Dr W. Edwards Deming, an American statistical academic became the 'father' of the quality movement when he was invited to 'invigorate the Japanese manufacturing sector in the early 1950:He was also renowned for his famous 14 principles which are stated below:

- ☞ Seek constancy of purpose for continual improvement of products and service.
- ☞ Adopt the new philosophy created in Japan.
- ☞ Eliminate the need for mass inspection.
- ☞ End the practice of awarding business solely on the basis of price.
- ☞ Improve constantly and forever every processes for planning, production, and service.
- ☞ Institute modern methods of training on the job for all.
- ☞ Adopt and institute leadership aimed at helping people do better on their jobs.
- ☞ Encourage effective two-way communication.
- ☞ Break down barriers between departments and staff.
- ☞ Eliminate the use of slogans without providing methods.
- ☞ Eliminate work standards that prescribe quotas - substitute aids and helpful leadership.
- ☞ Remove the barriers that rob workers and management of their right to pride of workmanship.
- ☞ Institute a vigorous program of education, and encourage self improvement for everyone.
- ☞ Clearly define top management's permanent commitment to ever improving quality and productivity.

Qualitymanagement

Quality management is recent but very important for an organisation. Advanced civilizations that supported the arts and crafts allowed clients to choose goods meeting higher quality standards rather than normal goods. In societies where arts and crafts are the responsibility of master craftsmen or artists, these masters would lead their studios and train and supervise others.

The importance of craftsmen diminished as mass production and repetitive work practices were instituted. The aim was to produce large numbers of the same goods.

The first proponent in the US for this approach was Eli Whitney who proposed (interchangeable) parts manufacture for muskets, hence producing the identical components and creating a musket assembly line.

The next step forward was promoted by several people including Frederick Winslow Taylor, a mechanical engineer who sought to improve industrial efficiency. He is sometimes called “the father of scientific management.” He was one of the intellectual leaders of the Efficiency Movement and part of his approach laid a further foundation for quality management, including aspects like standardisation and adopting improved practices.

Evolution of Quality Management in Rwanda

ACTIVITY 10.3

Background of quality management in Rwanda

Research on the background of quality management in Rwanda and answer the following questions:

1. What is Certification?
2. What is quality control?
3. What is quality assurance?
4. What is quality management?
5. How is quality management implemented in Rwanda?

Rwanda followed the international quality management and control standards to develop her own standards. Quality management and control in Rwanda has undergone a series of evolution to set up standards to be followed in the country. Up to now, Rwanda is still developing new standards to govern certain products before they are released in the Rwandan Market.

The body responsible for quality management and control in Rwanda is Rwanda Standards Board (RSB). The Rwanda Standards Board (RSB) is a public National Standards Body established by the Government of Rwanda, whose mandate is to develop and publish National Standards, carry out research in the areas of standardisation, and to disseminate information on standards, technical regulations related to standards and conformity assessment, metrology for the setting up of measurement standards, among others.

The Board was created from the old Rwanda Standards Board (RBS) after decoupling regulatory and non-regulatory functions and upgrading of Units into Divisions. The intention was to have an institution that can respond to the changing business landscape in Rwanda and beyond. RSB is now a service provider while the standards enforcement functions, inspections and legal metrology verifications, have moved to an independent Body.

The Organisational Structure of Rwanda Standards Board therefore comprises four Divisions:

1. National Standards Division.
2. National Quality Testing Laboratories.
3. National Metrology Services.
4. National Certification Division.

Rwanda Standards Board is committed to providing standardisation, conformity assessment and metrology services that improve competitiveness of Rwanda products and services within the region and internationally.

3.3: Certification

ACTIVITY 10.4

Research activity

Research in the school library or the internet on www.rsb.gov.rw/rbs/main-nav/certification/product-certification.html and find the meaning of the following:

1. Certification
2. Registration.
3. Certification body.
4. Certification schemes.
5. Product certification
6. System certification.
7. Personnel certification.
8. Certification mark.
9. Certification test report.

ACTIVITY 10.5

Research activity

Visit your school library or use the internet on www.rsb.gov.rwt/rbs/main-nav/certification/product-certification.html or using available finished products and make a research on the following:

1. Examples of certification bodies in Rwanda.
2. Examples of personnel certification marks.
3. Examples of product certification marks.
4. Examples of system certification marks.
5. International and Rwandan certification marks.

From activity 10.5 and 10.6, we have learnt that certification is the provision by an independent body of written assurance (a certificate) that the product, service or system in question meets specific requirements. Certification is also known as third party conformity assessment.

It is a formal procedure by which an accredited or authorised person or agency assesses and verifies (and attests in writing by issuing a certificate) the attributes, characteristics, quality, qualification, or status of individual's or organisation's goods or services, procedures or processes or events or situations in accordance with established requirements or standards.

Registration

To gain ISO 9000 registration, a company must meet certain standards for quality assurance in its operations, as certified by a third-party registration agency. The quality assurance system, not the product or service itself, achieves the registration.

When a company obtains an ISO 9000 registration certificate, it means that the company has a system in place to ensure that any product or service it puts on the market will consistently meet international standards of quality.



Fig.3.1. A sample certificate of registration. Once you are issued this certificate, it is evidence that you met the standards of quality assurance.

Certification body

A certification body is any recognisable agency that grants permission to an individual or organisation and controls, monitors and assesses an individual's or organisation's information technology and business systems.

In Rwanda, Rwanda Standard Board (RSB) is the only body in charge of certification.



RSB logo



Testing laboratory of RSB in Kicukiro District.

Other bodies just regulate or accredit products and services in their respective areas such as;

- ❖ Rwanda Education Board (REB), confirms all certificates of learners who have completed primary level, lower secondary and upper secondary level in Rwanda,
- ❖ Higher Education Council (HEC); accredits institutions of higher learning and ensures that they adhere to the set principals.
- ❖ Rwanda Development Board (RDB);
- ❖ The Institute of Certified Public Accountants of Rwanda (iCPAR); International standards organisation (ISO); and many others.

Certification Schemes

Certification schemes are elaborate and systematic plans of action or mechanisms for establishing market preference for sustainable goods. They verify that an organisation has achieved a certain standard, whereas a standard itself can be set independently without the added validation of an independent third party.

Example: In the palm oil sector, two certification schemes currently dominate: the **Roundtable on Sustainable Palm Oil (RSPO)** and the **International Sustainability and Carbon Certification (ISCC)** system. The RSPO is the main certification standard for the use of palm oil and its fractions in food and chemicals. It uses a multi-stakeholder, business-to-business model to encourage the adoption of sustainable practices by members (particularly producers) and promotes the uptake of certified sustainable palm oil internationally.



RSPO logo



ISCC logo

Fig.3.2. The current certification schemes in palm oil sector.

The ISCC is based on the European Union's Renewable Energy Directive (RED) and German sustainability ordinances (BioNachV) and is the predominant certification scheme for palm oil used as a feedstock for biofuels. It includes a rigorous carbon accounting mechanism, which documents energy inputs and greenhouse gas outputs to ensure that biofuels are truly sustainable.

Product Certification

Product certification is an attestation following assessment that; attributes, characteristics, quality or status of goods, are in accordance with established standards.

The scope covers foods and beverages, construction materials, cosmetics, paper based products and other industrial products. Most product certification bodies are accredited to International Standards Organisation (ISO).

Certified products in Rwanda are given a Standardisation Mark (S-Mark), to be displayed on the product. When you check, for example on bottles or products of Nyange industry, Nil industry and others in Rwanda, you find a logo or an S-Mark on many product labels.



International Standardisation mark Rwanda Standardisation mark Uganda Standardisation mark



Tanzania Standardisation mark



Kenya Standardisation mark



CE Marking | ISO Certification
www.eurotechworld.net

EU Standardisation mark

Benefits of Product Certification

ACTIVITY 10.6

Benefits and process of Product Certification

1. Describe the benefits of product certification in business.
2. Research in the school library or using Internet on the process of product certification.

Benefits of Product Certification include:

- ❖ The mark is a powerful marketing tool for all manufacturers especially exporters. This eliminates the need for products to be re-tested all the time;
- ❖ Displaying the mark gives a product real point-of-sale differentiation resulting in more sales and greater revenue.
- ❖ The mark provides credibility when negotiating any contract especially government contracts as reflected in Rwandan regulation, exports and tender submissions.
- ❖ There is an improvement in complaints' handling. This cuts costs and increases customer satisfaction.
- ❖ The certification scheme results in consistent quality of products as it involves operating in a defined manner.

Product Certification Process

1. Filling-in an application form.
2. Certification fee payment.
3. Conduct audit of the production line and take samples.
4. Product sampling and testing.

5. Submission of audit report to client.
6. Closure of corrective actions (if any).
7. Certification decision by independent committee.
8. Issuance of certificate of conformity.
9. Surveillance audit.
10. Market surveillance.
11. Re-certification (after 2 years).

Note that the time frame mainly depends on client's readiness.

System Certification

System certification is an attestation following assessment that; attributes, characteristics, quality or status of organisations, services, procedures or processes are in accordance with established standards. A system will involve a group of independent but interrelated elements comprising a unified whole. The system can be machines, customers' system, production processes, decision making process and many others.

Certifying quality management systems and processes improves the ability of an organisation's operations to meet customer requirements and expectations. System certifications requires an organisation to comply with the standards of ISO 9001:2008 that enable continuous improvement of organisation's quality management systems (QMS) and processes.

Principles and Process of System Certification

ACTIVITY 10.7

Research on the following:

1. Quality management systems principles.
2. The process of systems certification.

ISO 9001:2008 mandated with continuous improvement of Quality Management Systems and certification is based on eight quality management principles:

- Customer focus
- Leadership
- Involvement of people
- Process approach
- System approach
- Continual improvement
- Fact-based decision making, and
- Mutually beneficial supplier relationships

A valid ISO 9001:certificate indicates that an organisation follows internationally recognised quality management principles.

The scope covers:



ISO 9001: Quality Management Systems

ISO 9001 is the international standard that specifies requirements for a quality management system (QMS).

Organisations use the standard to demonstrate the ability to consistently provide products and services that meet customer and regulatory requirements.



ISO 14001: Environmental Management system

ISO 14001:2015 specifies the requirements for an environmental management system that an organisation can use to enhance its environmental performance. ISO 14001:2015 is intended for use by an organization seeking to manage its environmental responsibilities in a systematic manner that contributes to the environmental pillar of sustainability.

ISO 14001:2015 helps an organization achieve the intended outcomes of its environmental management system, which provide value for the environment, the organization itself and interested parties. Consistent with the organization's environmental policy, the intended outcomes of an environmental management system include:

- Enhancement of environmental performance;
- Fulfilment of compliance obligations;
- Achievement of environmental objectives.

ISO 14001:2015 is applicable to any organization, regardless of size, type and nature, and applies to the environmental aspects of its activities, products and services that the organization determines it can either control or influence considering a life cycle perspective. ISO 14001:2015 does not state specific environmental performance criteria.

ISO 14001:2015 can be used in whole or in part to systematically improve environmental management. Claims of conformity to ISO 14001:2015, however, are not acceptable unless all its requirements are incorporated into an organization's environmental management system and fulfilled without exclusion.



ISO 22000: Food Management System

Food safety management is bigger than HACCP. This covers the whole food process from machinery, products, plantation up to the production of the entire food handling.

It ensures that food is safe at the time of human consumption.

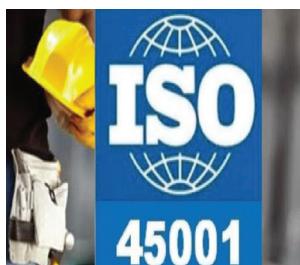


RS 184: HACCP System

Hazard analysis and critical control points (HACCP) looks at specific food chain (such as control the source of food contamination through out the entire chain from inception to production of food).

HACCP is a system which identifies, evaluates and controls hazards which are significant for food safety.

It is an effective tool to prevent adverse health effects (biological, chemical and physical hazards) due to food contamination. HACCP is exclusively meant for companies preparing or producing food or medicines.



ISO 45001: (OHSAS) Occupational health and safety management systems

The issue of work-related injuries and diseases is significant and growing, both for the employers and the economy.

To combat this problem, ISO is developing a new standard named ISO 45001 (Occupational health and safety management systems Requirements) that will help organisations reduce this burden globally by providing a framework to improve employee safety, reduce workplace risks and create better, safer working conditions.

The standard will take into account other International Standards in this area such as OHSAS 18001, the International Labour Organization's ILO-OSH Guidelines, various national standards and the ILO's international labour standards and conventions. The standard is targeted to be published by February of 2018.

Who is it for?

ISO 45001 is intended for use by any organization, regardless of its size or the nature of its work, and can be integrated into other health and safety programmes such as worker wellness and well-being. It can assist an organization to fulfil its legal requirements.



ISO/IEC 27001: Information Security Management System

ISO 27001 specifies an Information Security Management System (ISMS), a suite of activities concerning the management of information risks (called 'information security risks' in the standard).

The ISMS is an overarching management framework through which the organization identifies, analyses and addresses its information risks. The ISMS ensures that the security arrangements are fine-tuned to keep pace with changes to the security threats, vulnerabilities and business impacts.

The standard covers all types of organizations (e.g. commercial enterprises, government agencies, non-profits), all sizes (from micro-businesses to huge multinationals), and all industries or markets (e.g. retail, banking, defence, healthcare, education and government).

Organic farming certification

Organic Certification is the procedure for verifying that the products conform to certain standards. In case of Organic Products, it is primarily the acknowledgment that the products have been produced according to the applicable Organic Standards. Basically all the major organic markets of the world like India, European Union, USA, and Japan have developed their own Organic Standards.

- ☞ Lab test report for all the items we sell for % of organic content is to be made available.
- ☞ A food labelled 100% Organic means that 100% of the substances, ingredients, processing aids, food additives are certified organic. Most often these foods are fresh certified organic fruits and vegetables, or products with very few ingredients (all of which are certified organic.)
- ☞ Organic means that 95-100% of the ingredients are organic. All Horizon Organic products are labelled this way.
- ☞ Only food items with either of the above terms can use the ORGANIC seal. Food labelled Made with Organic Ingredients contain 70-94% organic ingredients, and cannot use the ORGANIC seal.

System Certification Process

- ☒ Filling-in application form.
- ☒ Certification fee payment.
- ☒ Stage 1 audit (desk audit & on site visit).
- ☒ Stage 2 audit (full audit).
- ☒ Submission of audit report to client.
- ☒ Closure of corrective actions (if any).
- ☒ Certification decision by independent committee.
- ☒ Issuance of certificate of conformity.
- ☒ Surveillance audit.
- ☒ Re-certification (after 3 years).

Note that the time frame mainly depends on client's readiness.

Benefits of Standards

ACTIVITY 10.8

Research on the benefits of standards to:

- {a) Consumers
- {b) Business {SMEs}
- {c) The government

Standards have become such integral components of our economic, social and legal systems that they are frequently taken for granted and their crucial role in a modern society is often not recognised.

The RSB Standards Division has unconquerable experience in its core function, namely, the development of national standards and maximizing the benefits of international standards through adoptions, which enhances the competitiveness of the Rwandan industry and advance international trade. In Rwanda, our standards enhance competitiveness and provide the basis for consumer protection, health and safety.

☒ Benefits to consumers

- Standards ensure that consumers are protected from hazards to their health and safety.
- Standards promote and protect economic interests of consumers.
- Standards ensure that consumers have easier access to and greater choice in goods and services.
- Standards ensure improved quality and reliability.

- Standards ensure better operation and compatibility between products and services.
- Standards ensure the availability of effective consumer redress.

Benefits to SMEs

- Standards lower installation and start-up costs.
- Standards inspire added trust in your business.
- Standards assist business to meet mandatory regulations.
- Standards ensure improved quality and reliability.
- Standards create a competitive advantage by improving the quality of your goods and services.
- Standards open new markets by assuring new customers that you meet their quality requirements.
- Standards attract new customers.
- Standards reduce cost in the way you do business.

Benefits to government

- Standards benefit the Rwandan Government by complementing regulations and promoting international trade.
- Standards reduce technical barriers to international trade, thus positioning Rwanda industries to compete in the world economy.
- Standards are used to regulate and monitor industry so as to prevent adverse business practices.
- Standards help make laws consistent.
- Standards offer an alternative to regulation, with less red tape and business costs, while still ensuring that products and services are safe and healthy.

Personnel certification

ACTIVITY 10.9

Using your school library, internet or resourceful personnel research on the:

1. Meaning of personnel certification.
2. Examples of personnel certification bodies in Rwanda.

A Personnel certification body is an organisation that awards credentials to individuals meeting specific competence requirements relating to a profession, an occupation, a job or a portion of a job. A personnel certification body develops criteria against which an individual needs to demonstrate competencies and ensures that these criteria are held by applicants before certifying them.

Most personnel certification bodies offer professional certification if an individual meets requirement such as a minimum number of years of related working experience, minimum education level and having passed a certification exam or equivalent. Many personnel certification bodies are accredited by accrediting bodies to the ISO/IEC 17024 standard, which was designed to harmonize the personnel certification process worldwide. Most are not.

Accreditation means having gone through a validation process or assessment from a national accreditation body such as the Certified Public Accountants (CPA), The Institute of Certified Public Accountants of Rwanda (iCPAR) for accountants, certified engineers.



Fig.3.3. (iCPAR) is one of the accreditation bodies in Rwanda.

Certification Marks

ACTIVITY 10.10

Using your school library, internet or resourceful personnel research on the:

1. Meaning of certification mark.
2. Standardisation mark.
3. Examples of international and Rwandan certification marks.

A certification mark is a symbol used to identify goods and/or services that meet certain standards or specifications.

These standards or specifications include: quality, accuracy, place of origin, raw materials, mode of manufacture of goods or performance of services, other specified properties

A certification mark is a sign certifying that the goods or services in respect of which it is used are of a particular origin, material, mode of manufacture, quality, accuracy, performance, or other characteristics.

This differs from a standard trade mark registration whose function is to distinguish the goods or services that originate from a single party.

The owner of a certification mark exercises control over the use of the mark and ensures the standards have been met. Because the sole purpose of a certification mark is to indicate that certain standards have been met, use of the certification mark is by others.

A certification mark means a sign capable of;

- ☒ being represented graphically; and
- ☒ distinguishing in the course of trade,
- ☒ goods certified by any person in respect of origin, material, mode of manufacture, quality, accuracy, or other characteristic from goods not so certified; or
- ☒ services certified by any person in respect of quality, accuracy, performance, or other characteristic from services not so certified.

Look at the sample certification marks below:



Fig.3.4. Sample international Certification Marks with respective countries

A certification mark denotes independent certification by its owner that the goods and services in relation to which it is used possess certain defined characteristics. A certification mark may be registered in the name of the person who certifies the goods or services.

The owner of a registered certification mark has the same rights as those attached to a standard trade mark registration, including the exclusive right to use, and allow other persons to use, the certification trade mark. However, as the certification of goods or services must be undertaken by an independent organisation, the owner of the certification mark cannot trade in the goods or services concerned.

National Quality Testing Laboratories

ACTIVITY 10.11

Research activity

Using your school library, internet or resourceful personnel research on the:

1. National Quality Testing laboratories.
2. Test Services offered to clients.
3. Purpose of testing.
4. Test report
5. Importance of certification and quality management.

The National Quality Testing Laboratories (NQTL) is one of the five divisions that constitute Rwanda Standards Board. National Quality Testing Laboratories are equipped with High tech equipment and are managed in accordance to International standard ISO/IEC 17025 (General requirements for the competence of testing and calibration laboratories).

The laboratories are committed to use trained competent personnel to ensure reliable and timely delivery of Test results.

The primary function of the testing services is to provide tests in areas of Material Engineering, polymers and leather, electronic and Textiles, Chemistry, Food and Microbiology.

The test services are offered to a wide range of clientele that include, but are not limited to:

- Products manufacturers,
- Exporters,
- Non-governmental Organisations,
- Government institutions,
- Research institutions,
- Authorized Quality Inspectors who implement Standards.

The tests on products are carried out against national standards, International standards, specific Government regulation and other client specifications.

The purposes for testing are varied and may include:

- ☒ The valuing of goods for purposes of trade,
- ☒ Checking for conformity to standards,
- ☒ Part of investigation on product complaints,
- ☒ Checking for composition and or strength of materials,
- ☒ Confirming absence/presence of banned ingredients or unwanted substance,
- ☒ Safety tests.

In assuring the Quality of test results National Quality Testing Laboratories have Quality control program where internal quality control tests are conducted such as replicates, use of CRMS, re-testing of tested sample and also external Quality control is done through participation in proficiency tests in order to have assurance of the good performance and capabilities of equipment and its analytical staff.

National Quality Testing Laboratories under ISO 17025 provides the customer/ representative reasonable access to the relevant areas of the laboratory for the witnessing of test (s) performed for the customer, the customers are also free to give the feedback pertaining services offered. Complaints from customers are handled with care and records maintained.

For different services please find attached the forms to be used.

After testing a product, a test report is produced.

Test report

A test report is the end result of certification. It shows the current status of a product after being tested. It is a document that records data obtained from an experiment of evaluation in an organized manner, describes the environmental or operating conditions, and shows the comparison of test results with test objectives.

A test report shows the short summary of the original test mandate, what is being tested within the project, and how it is to be performed, the timeline and so on.

For example, Inyange water can be tested to find out whether it has adhered to all the product stated standards. A test report shows;

- ☒ The areas you have passed.
- ☒ Areas you have failed that need improvement.

Michigan Department of Transportation 5620 (02/14)	Allen, Jared			
AWS D1.1	SMAW 3G, 4G Pass			
Certification Expires	1/31/2014			
WELDER CERTIFICATION TEST REPORT				
TO BE COMPLETED BY CERTIFIED WELDING INSPECTOR				
WELDER IDENTIFICATION				
NAME (Last, First)	Allen, Jared			
WELDER ID #	B1234-1			
IDENTIFYING MARKS	B1234-3G-4G			
SAMPLE INFORMATION				
WELDING PROCESS	SMAW			
WELDING POSITION(S)	3G, 4G			
MATERIAL TYPE	Steel			
BASE METAL (ASTM/GR)	A709			
PLATE THICKNESS (inches)	1"			
ELECTRODE SPECIFICATION	E7018			
ELECTRODE CLASSIFICATION	Lincoln			
ELECTRODE DIAMETER	1/8"			
MACHINE NAME	Lincoln X25			
CLEANING METHOD	Wire Brush, Chipping Hammer			
WELDING INFORMATION				
ATMOSPHERIC TEMP (F)	75			
PREHEAT TEMP (F)	75			
CURRENT/POLARITY	DCEP			
AMPERAGE	220.5			
VOLTAGE	32.5			
TRAVEL SPEED (IPM)	6			
FILLET SIZE	5/16"			
INTERPASS TEMP (F)	250			
NUMBER OF PASSES	5			
TESTING INFORMATION				
POSITION	SPECIMEN #	BEND TEST	RESULTS	REMARKS
3G	1	Side Bend	Pass	None
3G	2	Side Bend	Pass	None
4G	1	Side Bend	Pass	None
4G	2	Side Bend	Pass	None
OBSERVER	Randy Moss	TEST SPECIFICATION	AWS D1.1	
TESTING AGENCY	XYZ Testing Co.	FINAL TEST RESULTS	Pass	
TESTING DATE	1/4/2014	EXPIRATION DATE	1/31/2014	
REMARKS	None.			
		Signed:	AWS-CWI, XYZ Testing Company	
cc: ABC Construction MDOT Structural Fabrication Unit (MDOT-StructuralFabrication@michigan.gov) XYZ Testing Co.				

Fig.3.5. Sample test report.

3.4: Importance of Quality Management and Certification

From activity 10.11, we derive the following importances of quality management and certification:

- ☞ Helps organisations to make continuous review of procedures and strategies to be in the market with a good name. Following the rules, will make sure that they have a good turnaround in their business and make the most profit out of it.
- ☞ Builds more clientele as it builds confidence in both the customers and new project leaders to emerge with you.
- ☞ Helps organisation in carrying out internal audits. Auditors and employees follow rules of quality management systems which play an important role in a company's term as long as it's active.
- ☞ Maintaining quality and standards in products and services. Regular review and implementation of better methods, practices and policies helps to ensure quality.
- ☞ It increases customer's loyalty and trust.
- ☞ It also increases the efficiency of workers in the organisation.
- ☞ Quality management is essential for customer satisfaction which eventually leads to customer loyalty.
- ☞ Quality management ensures superior high quality products and services by eliminating defects and incorporating continuous changes and improvements in the system.
- ☞ Quality management ensures that you deliver products as per promises made to the customers through various modes of promotions.
- ☞ Quality management tools help an organisation to design and create a product which the customer actually wants and desires.

Unit Summary

- ☞ **Certification:** Formal procedure by which an accredited or authorized person or agency assesses and verifies (and attests in writing by issuing a certificate) the attributes, characteristics, quality, qualification, or status of individuals or organisations, goods or services, procedures or processes, or events or situations, in accordance with established requirements or standards.
- ☞ **Quality control (QC):** Quality control (QC) is a procedure or set of procedures intended to ensure that a manufactured product or performed service adheres to a defined set of quality criteria or meets the requirements of the client or customer

- ☞ **Quality assurance:** Quality assurance (QA) is a way of preventing mistakes or defects in manufactured products and avoiding problems when delivering solutions or services to customers; which ISO 9000 defines as “part of quality management focused on providing confidence that quality requirements will be fulfilled”.
- ☞ **Quality management:** A quality management system (QMS) is a formalized system that documents processes, procedures, and responsibilities for achieving quality policies and objectives. A QMS helps coordinate and direct an organisation’s activities to meet customer and regulatory requirements and improve its effectiveness and efficiency on a continuous basis.
- ☞ **Rwanda Standards Board (RSB):** The Rwanda Standards Board (RSB) is a public National Standards Body established by the Government of Rwanda, whose mandate is to develop and publish National Standards, carry out research in the areas of standardization, and to disseminate information on standards, technical regulations related to standards and conformity assessment, metrology for the setting up of measurement standards, among others.
- ☞ **Certification body:** A certification body is any recognizable agency that grants permission to an individual or organisation and controls, monitors and assesses an individual’s or organisation’s information technology and business systems.
- ☞ **Certification schemes:** Certification schemes are elaborate and systematic plans of action or mechanisms for establishing market preference for sustainable goods. They verify that an organisation has achieved a certain standard, whereas a standard itself can be set independently without the added validation of an independent third party.
- ☞ **Certification mark:** A certification mark is a form of trademark used to identify goods and/or services that meet certain standards or specifications. These standards or specifications include: quality, accuracy, place of origin, raw materials, mode of manufacture of goods or performance of services, other specified properties.
- ☞ **Product Certification:** The product Certification is an attestation following assessment that; attributes, characteristics, quality, or status of goods, are in accordance with established standards. The scope covers foods and beverages, construction materials, cosmetics, paper based products and other industrial products.

Benefit of Product Certification

- ☞ The Mark is a powerful marketing tool for all manufacturers especially exporters. This eliminates the need for products to be re-tested all the time;
- ☞ Displaying the mark gives a product real point-of-sale differentiation resulting in more sales and greater revenue;

- ☞ The Mark provides credibility when negotiating any contract especially government contracts as reflected in Rwandan regulation, exports and tender submissions;
- ☞ There is an improvement in complaints' handling this cuts costs and increases customer satisfaction;
- ☞ The certification scheme results in consistent quality of products as it involves operating in a defined manner.

Product Certification Process

- ☞ Filling-in application form
- ☞ Certification fee payment
- ☞ To conduct audit of the production line and take samples
- ☞ Product sampling and testing
- ☞ Submission of audit report to client
- ☞ Closure of corrective actions (if any)
- ☞ Certification decision by independent committee
- ☞ Issuance of certificate of conformity
- ☞ Surveillance audit
- ☞ Market surveillance
- ☞ Re-certification (after 2 years)

System Certification Process

- ☞ Filling-in application form
- ☞ Certification fee payment
- ☞ Stage 1 audit (desk audit & on site visit)
- ☞ Stage 2 audit (full audit)
- ☞ Submission of audit report to client
- ☞ Closure of corrective actions (if any)
- ☞ Certification decision by independent committee
- ☞ Issuance of certificate of conformity

Quality management principles

- ☞ Customer focus
- ☞ Leadership
- ☞ Involvement of people

- ❖ Process approach
- ❖ System approach
- ❖ Continual improvement
- ❖ Fact-based decision making, and
- ❖ Mutually beneficial supplier relationships

Benefits of Standards

Benefits to consumers

- ❖ Standards ensure that consumers are protected from hazards to their health and safety.
- ❖ Standards promote and protect economic interests of consumers.
- ❖ Standards ensure that consumers have easier access to and greater choice in goods and services.
- ❖ Standards ensure improved quality and reliability.
- ❖ Standards ensure better operation and compatibility between products and services.
- ❖ Standards ensure the availability of effective consumer redress.

Benefits to SMEs

- ❖ Standards lower installation and start-up costs.
- ❖ Standards inspire added trust in your business.
- ❖ Standards assist business to meet mandatory regulations.
- ❖ Standards ensure improved quality and reliability.
- ❖ Standards create a competitive advantage by improving the quality of your goods and services.
- ❖ Standards open new markets by assuring new customers that you meet their quality requirements.
- ❖ Standards attract new customers.
- ❖ Standards reduce cost in the way you do business.

Benefits to government

- ❖ Standards benefit the Rwandan Government by complementing regulations and promoting international trade.
- ❖ Standards reduce technical barriers to international trade, thus positioning Rwanda industries to compete in the world economy.
- ❖ Standards are used to regulate and monitor industry so as to prevent adverse business practices.
- ❖ Standards help make laws consistent.
- ❖ Standards offer an alternative to regulation, with less red tape and business costs, while still ensuring that products and services are safe and healthy.

Importance of quality management and certification

- ☞ Helps organisations to make continuous review of procedures and strategies to be in the market with a good name. Following the rules, will make sure that they have a good turnaround in their business and make the most profit out of it.
- ☞ Builds more clientele as it builds confidence in both the customers and new project leaders to emerge with you.
- ☞ Helps organisation in carrying out internal audits. Auditors and employees follow rules of quality management systems which play an important role in a company's term as long as it's active.
- ☞ Maintaining quality and standards in products and services. Regular review and implementation of better methods, practices and policies helps to ensure quality.
- ☞ It increases customer's loyalty and trust
- ☞ It also increases the efficiency of workers in the organisation.

Unit 10 Assessment

1. What do you understand by:
 - (a) Quality?
 - (b) Quality control?
 - (c) Quality management?
 - (d) Certification?
 - (e) Quality assurance?
2. Why should Rwanda Standards Board enforce quality management and certification in Rwanda?

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