Your Business Management Manual
PREFACE

This manual is prepared for both veterans and civilians who either want to start their own businesses, or, who want to expand and improve their businesses.

This is a very important aspect of business development and requires careful undertaking by both the trainer and trainee.

This manual was developed in collaboration with a number of VOCA volunteers, partners and organizations.

These include:

Organizations and Partners

- Soroti Catholic Diocese Integrated Development Organization (SOCADIDO)
- Soroti District Association of NGOs Network (SODANN)
- Uganda Veterans Assistance Board (UVAB)
- World Learning Inc.
- Vision TERUDO (Teso Rural Development Organisation)
- World Vision, Soroti Project office.

Volunteers

- Mr. Dave Hammond
- Prof. Surrendra Singh
- Mr. Clair Hein
- Ms Donna Kerner

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CHAPTER ONE.

MANAGEMENT RESPONSIBILITIES AND FUNCTIONS
MANAGEMENT RESPONSIBILITIES AND FUNCTIONS

When you begin to run a business as an individual or as a group, you will need to know how to manage it. Inside this chapter, you will learn what management is and what you will need to do to manage a business well.

WATATU BUSINESS GROUP

WHAT IS A MANAGER?

In any business, there is a person or a group of people, who see that things get done. These people are called managers.

A number of titles can be used to refer to managers. They can be called manager's, chairman's, supervisor's or coordinator's.

The chairman of Watatu, a veteran's business group, is Mr. Mulungi. The business is called Watatu Business Group.

A manager is involved in all business tasks. He may not do the actual activity that the task involves, but he is responsible to see that the activity is well done and successfully completed.

A good manager should have these skills:

- He should be technically knowledgeable about the business and its goods and services.
- He should be good at managing both money and people.
- He should be a good communicator.
• He should be an effective motivator.
• He should be able to identify resources and use them well.
• He should know how to maintain good relations with other businesses.

EXERCISE.

How strong or how weak is the manager of your business in the above mentioned skills?

______________________________________________________________________

______________________________________________________________________

______________________________________________________________________

RESPONSIBILITY OF A MANAGER

Managers develop goals and plans for their businesses. They direct their businesses to reach these goals and carry out plans. To do this, a manager needs to be able to visualize the future needs of his customers, have good leadership abilities, and to be creative.

Leadership is coordination of activities and delegation of responsibilities in the business. This requires monitoring and controlling the business so that one is able to make maximum progress and profits.

A manager needs to be creative so he can use limited resources in the best way possible. To do this, a manager will need to make good decisions on questions like;

• What product or service to provide.
• Where to locate the business.
• What to do when customers change their needs and wants.

"I managed my business well and now I have achieved my goal."
Otim is a manager with a successful business.

Good management requires having good plans for your business, providing good leadership to your workers and making sure that your business is running properly.

Good management is also customer-driven because in business it said "The customer is king". This means that you should provide customers the goods and services that they need, you should put your business where customers want it to be, so that it is easy for them to reach. You should also treat customers the way they want to be treated, and the business should be run in the best way possible.

TIME MANAGEMENT

Managers need to use their time effectively and plan their use of time so that their objectives are achieved. Usually, a manager always has more to do than the time available.

Here are some hints to help manage time more effectively:

- List the specific goals to be accomplished.
- Be motivated not to waste time.
- Set a time frame within which you want to accomplish a task.
- Make notes to yourself about jobs to be done, so that your mind can be clear to think about important matters rather than maintain a mental list. Keep a pencil and paper by your bed at night. If you wake up you can make a note of your thoughts, and then get back to sleep and not worry about forgetting the item.
- Do only the things you have to do and delegate to others the work they can do.
- When on telephone be courteous but brief; take only enough time to get the task done.
- Organize meetings to minimize time.
- Have a filing system to keep all your papers organized so that you know where to find them without having to look through stacks of paper.

Exercise

List five things you can do to manage your time better?

____________________________________________________________________
____________________________________________________________________

List five things your staff can do to improve their time management.

____________________________________________________________________
____________________________________________________________________
WHAT IS MANAGEMENT?
Management is running a business efficiently by combining resources, people and ideas to achieve the goals of the business.

To efficiently organize and combine resources for the business, a manager will need to properly use resources. This will include human, financial and physical resources.

In doing this a manager will need to separate tasks, plan properly and review performance.

The functions of a manager are:

- Planning: Making plans for the future of the business.
- Organizing: Developing ways to carry out the plans.
- Directing: Directing the business to implement the plans.
- Controlling: Monitoring the progress of the business.

We will now discuss each of the four functions of management in detail.

THE FOUR FUNCTIONS OF MANAGEMENT.

1. PLANNING:

   Planning is the act of determining what is to be done and where, how and when it is to be done. It involves thinking and working out what to do in your business before something happens. This ensures that your business continues to improve.

   You will need to plan your product, stock, market, finances and so on.

   Determine what your business is going to do within a given time period. You can then plan the activities needed to achieve those goals. Good planning requires that the manager considers carefully each activity which takes place in the business.

   "I plan all the activities of my business"
Planning involves the following aspects of a business;

- Setting goals
- Marketing
- Labor
- Work plans
- Finances
- Resources
- Goods and services

2. ORGANIZING.

Organizing is the way activities, people and resources are related to each other.

Once a business has developed a plan, it should be translated into reality. This requires organizing activities, people and resources. This can be done by drawing up a work plan.

Organization involves:

- Developing and keeping an up-to-date work plan.
- Recognizing the strengths of your workers and using those strengths.
- Recognizing the weaknesses of your workers and helping them with those weaknesses.
- Recognizing your own strengths and weaknesses

(Please refer to "Your Business Plan Handbook" for notes on how to draw up a work plan.)

3. DIRECTING.

Directing brings together the three functions of planning, organizing and controlling.
In directing a business, it is important to use the right people to do the activities. This requires good communication with the workers and motivating for them.

As the business becomes larger, it is not possible for one person to do all the activities. This therefore requires delegation of activity.

Directing therefore involves:

- Using the right people to perform activities.
- Communicating properly so that everybody knows what they are supposed to do.
- Delegating work to others.
- Motivating workers so that they are always ready to work hard.

4. CONTROLLING

Controlling is the continuous process of monitoring and guiding the activities of the business.

This ensures that the right activities are taking place, the right results are being achieved and implemented.

Controlling therefore involves:

- Checking how activities are performed.
- Checking results.
- Carrying out necessary improvements.
MAKING WISE DECISIONS

CHAPTER TWO.

MAKING WISE DECISIONS

One of the most important tasks of a manager is to make wise decisions about issues concerning the business. This chapter contains some suggestions to help you make them.

Set Clear Business Goals

If you are to make wise decisions, you need to set clear business goals. Clear goals provide management with useful guidelines to make decisions. Because goals provide the guidelines for decisions in the business you should take time to regularly review the goals so that you are sure that your business is moving in the right direction.

Realistic goals are very important management tools. When goals are clearly stated and can realistically be achieved, then everyone in the business knows the purpose of their work, and can make decisions and take action achieve to those goals. But if the stated goals are different than the actual goals, then people in the business may be confused. For example, many business men may say that their goal is to maximize profit, when their goal may actually be to obtain a given share of the market or to provide a particular good or service. So in your business, be sure to be clear about your actual goals, and then state them clearly so that everyone knows what they are.
What does your business want to accomplish in the next:

Six months:
______________________________________________________________________
______________________________________________________________________
______________________________________________________________________

One year:
______________________________________________________________________
______________________________________________________________________
______________________________________________________________________

Three years:
______________________________________________________________________
______________________________________________________________________
______________________________________________________________________

SET YOUR BUSINESS GOALS.
If you are to carry out your planning, organizing, controlling and directing in your business effectively, you need clear business goals.

These goals will provide management with useful guidelines to make decisions. Because goals provide the guidelines for decisions in the business, you should take time to regularly review so that you are sure that your business is moving in the right direction.

Realistic goals are very important management tools.

What are the goals of your business?
______________________________________________________________________
______________________________________________________________________
______________________________________________________________________
DECISION-MAKING TECHNIQUES
Running a business in the best way possible will require good decision making, so that the business can achieve its goals. You will therefore need to choose the right decision-making technique.

Business men set policies to help them make decisions. For business groups, the way they make their decisions is important. The by-laws of a group or the rules of a business should indicate the method of decision making. There are several points to consider:

Decisions can be classified by the kind of issues to be decided, and by the person or group who is best qualified to make the decisions.

Issues that require decisions:

- Overall policy
- Major questions affecting the business, like whether to borrow money or construct a building
- Urgent questions, requiring fast action
- Questions relating to management issues like planning, hiring and sacking employees, making contracts, or borrowing money
- A question that requires special expertise
- A question which arises in the course of performing a particular task
- Purchasing supplies
- Purchasing replacement parts or repairing a machine which has broken

Person to Make the Decision

- Owners of the business or members of the group
- Officers, such as Chairman, Secretary or Treasurer
- Manager
- Expert or external consultant
- Line worker, who knows the best way to solve the particular problem

Given the different issues and persons involved in decision making, we will look at different ways in which decisions can be made.

Decision by authority or expert
Some decisions need to be made by the officers of the group or managers of the business. Other decisions should involve all the members of the business, the officers, staff, management and labor. Still, other decisions should be delegated to others doing the day-to-day work.

"Many times I make my own decisions."
Decisions that must be made by the officers or manager of the business, include those where it will take too long to consult everyone in the group for their opinion on a matter and a decision that needs to be rendered quickly. An example, is a decision to seek a part, or order supplies when a special deal is offered. Another type of decision is one requiring expert knowledge. The person to make this decision may be an officer or manager who has the required knowledge, but it could also be a shop foreman or even a line worker, who is best qualified to make the decision. Occasionally, the members of the group will not be able to agree on a decision. In that case, it may be best for the officers to make the decision.

**Decisions by consensus**

“We are all involved in decision making.”

Using consensus, group members reach their decisions through a cooperative team effort. It means that there is general agreement, though not always perfect agreement about the decision of the group. Perfect consensus means that everyone in the group agrees what the decision should be. It is often not possible to get perfect agreement.

Consensus decision-making takes a lot of time and energy. Arriving at a decision by consensus places the emphasis on resolving differences and arriving at the best
possible solution for the group. To achieve consensus, the group should explore as many views as possible, and give everyone the opportunity to be heard. The communication in the group should be so open that members of the group feel they have had a fair chance to influence the decision. Members are more likely to understand the decision and be more willing to support it if the issue has been thoroughly discussed and everyone has had a chance to participate.

“You are all free to give your opinion.”

The Chairman of Pamoja allows everybody to participate in decision-making so that decisions can be made by consensus.

It is important that each member be allowed to state their opinion even if it is in opposition to the views of the others. The expression of differences of opinion within the group is a way of gathering additional information. It helps to clarify and sharpen the issues under discussion and forces the group to seek the best alternatives.

Often during discussion, members of the group may see that a compromise is necessary to serve the good of the group. The discussion should proceed in such a manner that a person can change their mind on an issue as new information is brought out into the open. A person should not feel that they must continue to defend their original idea.

Sometimes differences of opinion are held very strongly, and cannot be resolved through discussion. One way to deal with this, is to delay the final decision until the group can design a solution acceptable to all parties.

Sometimes the group puts heavy pressure on a person with differing views to conform to the wishes of the rest of the group. It is unwise for the group to do this, and the person should resist it. It is important that all persons think critically about the issue to be resolved rather than submit to the pressure of the group.
The steps in the consensus decision-making process are:

- Define the problem.
- Brainstorm all possible alternatives without judging them. At this stage, there are no bad ideas.
- Review all the alternatives. Consolidate alternatives that are similar.
  Prioritize the alternatives, in accordance with which best resolves the issue, in the judgement of the entire group.
- Make the decision by consensus, obtaining everyone's approval.
  Implement the decision. Assign responsibility for particular actions to specific people.
- Evaluate the results of the decision.

Decisions by voting.

"Mr. Chairman. Let us vote so that we get the best decision."

In decision by voting or majority rule, people vote and the decision that receives the most votes, wins. Your group could choose to go with a simple majority the most votes win, or they could choose to require a "super-majority" - a margin of more than 50% such as a two-thirds or a three-fourths majority in order for a decision to win. Unlike with consensus, when a decision is made by voting, all member's views are not necessarily reflected in the final choice.

It has a number of disadvantages:

- Sometimes the minority of members who do not win are unhappy with the results.
- Sometimes the more outspoken members of the group dominate the group, and their views get more attention than the views of quieter people, even though the ideas of the quieter people are good.
- The outspoken people persuade a majority to go along with them, but because the views of the quieter people were not considered, the decision is not as wise as it might have been. These are drawbacks to majority rule and they can lead to group division or frustration.
However, an important advantage of majority rule is that it is a quick and effective way to reach a decision. Unlike the consensus method, it is not necessary to discuss the issue for long, nor to compromise to satisfy everyone in the group. If the group takes time to discuss an issue thoroughly before calling for a vote and carefully considers the views of the minority, majority vote often results in a satisfactory decision.

**Decision-making by Delegation,**

*Because you are the expert, you make the decision.*

Modern management practices call for delegating as many decisions as possible to the person most knowledgeable about the work. That is usually the person doing the work. The worker usually knows how to improve the efficiency of the way he or she is doing the work. If the worker can analyze his or her work critically and can make decisions, there is usually no reason for the manager to be involved in the decision.

Some people find decision-making a simple process, while others find it more difficult. Some decisions are simple while others are more complex. Some are unimportant and some are critical to the success of the business. A smart manager is one who knows which decisions are necessary for him to make, and spends his time working on them. He delegates less important decisions to other people. The smart manager trains those who work for him to make decisions.

**QUESTIONS TO ASK WHEN MAKING A DECISION**

There is no one best decision-making technique. Different situations require different ways to make decisions. Sometimes decisions need to be made by the manager, yet other situations may call for involving the appropriate team members.

*If you want to make a decision you need to ask yourself certain questions.*
Answering the following questions may help you choose the most appropriate decision-making technique for a given issue.

1. What is the issue the group is dealing with?
2. If your group does not make a decision about this issue, what might happen?
3. Is a decision about this issue necessary?
   If no, the issue will take care of itself, go on to something else. If yes, the issue requires discussion, so continue with the next questions.
4. Is it important to hear as many views as possible regarding the issue? Why or why not?
5. Is it important for all group members to agree with the decision that is reached regarding this issue? Why or why not?
6. Are there quiet people in the group who may be unlikely to voice their opinions? How can you get them to speak up?
7. Are there more outspoken people in the group who may try to dominate the discussion, or pressure people into supporting their interests? How can you get them to listen to other's ideas?
8. What consequences might result from a poor decision regarding this issue?
9. How soon must a decision be reached on this issue?

Steps to making wise decisions

The following steps can help you make better decisions more easily.

- Identify the problem that requires a decision.
- List possible solutions to the problems.
- Think about each of the solutions and analyze them for their effectiveness in solving the problem.
- Select the best solution.
- Take action to implement the decision.
- Evaluate the results of the decision to see if it was the best one.

1. Identify the problem

If you are to make a correct decision you need to know the exact problem you are facing in your business. Frequently the things that appear to be the problem are only symptoms of a deeper cause. Be sure to think carefully about the problem, and try to identify the real underlying problem.

A) As the basis for an exercise in making decisions, identify a problem you are currently facing in your business.
2. **List alternative solutions to the problem.**

Here you look at all the possible solutions to the problem you are facing. Simply make a list of all the ways in which your problem may be solved. Every possible solution should be written down. Be creative. Do not judge the ideas as they arise. At this stage, there are no bad ideas. The reason for this is that even an idea which isn't a good solution in itself may have some good components, or it may stimulate another person to think of something helpful.

A) List alternative solutions to your problem.

___________________________________________________________________
___________________________________________________________________
___________________________________________________________________
___________________________________________________________________

3. **Analyze the alternative solutions.**

After listing the alternative solutions to your problem, analyze them to see which of them will be the best for your business. When doing this consider your ability to implement a solution. Do you have the money and other resources necessary to implement the solution?

A) Of all the alternative solutions considered, list the three alternative solutions that are the best.

___________________________________________________________________
___________________________________________________________________
___________________________________________________________________

B) For each, explain why they belong to the best three alternatives.

___________________________________________________________________
___________________________________________________________________
4. Select the best solution, of the three best alternatives considered above.

Considering your business goals and the resources you have, decide which of the three solutions is the best.

A) Which is the best solution to your problem?

B) Explain why it is the best of the three final alternatives.

5. Take action to implement the decision.

After you have decided on the best solution, you need to act on it. To do this, you must determine:

- What is going to be done.
- Who is going to do it.
- When they are going to do it.

With respect to the decision you made about your business problem:

A) What are you going to do?

B) Who is going to do it?

C) When are they going to do it?
6. Evaluate the action taken.

You will need to follow up on the action you take so that you ensure that the solution is being properly implemented. You must also evaluate the action to determine whether it has solved the problem in the best way.

A) Write a brief plan of action to implement the solution you came up with to solve your business problem.
BUSINESS STRUCTURE AND ORGANIZATION

CHAPTER THREE.

BUSINESS STRUCTURE AND ORGANIZATION.

If a business is to run efficiently and perform well, it should have an organizational structure.

The term "organizational structure" describes the way the business is organized to accomplish its work that is the parts of the business which perform different tasks and the individuals and groups who are responsible for seeing that the work is well done.

The organization should be structured so that it does what you want, how you want it done and when you want it done.

A sound organizational structure should focus on the following key elements:

- The needs of the customer
- The goals of the business
- Ranking tasks in the order they are performed and combining them in appropriate jobs

The following general principles will help you create a successful organizational structure:

- Keep the organizational structure as simple as possible,
- Give priority to important tasks,
- Keep working groups small,
- Do not use too many people. Use the minimum number of staff that is sufficient to do the job,
- Involve even those at the lowest level in decision-making.

With a good business structure, everyone working in the business will know:
• What decisions they can make,
• What decisions they cannot make,
• Their duties,
• Their responsibilities.

WAYS TO ORGANIZE A BUSINESS

There are several different ways in which you can organize the handling of work in a business. The method chosen varies from business to business and is dependent on the characteristics of the business, like size, number of employees, number and kinds of activities. Each of the ways has advantages and disadvantages.

The different ways of organizing a business are:

1. Organization by Activity

The business is organized on different tasks which must be done to achieve its goals. The tasks are grouped by basic activity, and are structured so that the work is done in the most efficient way possible. Activities which are similar will tend to be located near each other, and activities which support other activities will be near those they support.

People are responsible for specific tasks or activities. This structure tends to create an efficient business. Because everyone has a clear responsibility, people will be motivated to do well, and if a problem arises you will know the people responsible for that activity and therefore address that accordingly. All businesses are organized in this way to a greater or lesser extent, even those which also adopt some of the other ways.

2. Organization by product.
This method of organization is used where the business is producing more than one product.

In this approach, different departments are set up in the business according to the different products being produced.

For example, an agricultural enterprise producing maize, beans, cotton and bananas on a large scale, will be organized around each crop.

The advantage of this system is that the activities which are especially necessary to produce a particular crop efficiently, can be grouped together and people's duties can be concentrated on just one crop.

3. Organization by geographical location

This method of organization like a retail shop requires a very simple business structure with a manager who may not be the owner of the business. The manager may then work with full-time and, or, part-time staff. The number of full-time or part-time staff will be dependent on what the business requires.
This is what the structure may look like;

**Owner/Manager**

**Full Time Staff**

**Part Time Staff**

**Structure for an Agricultural Business**

An agricultural business can have an owner who employs a general manager. The general manager should have the ability to coordinate and develop people and other resources for the good of the business. The general manager can also have an assistant to help him with duties in the business. The business may be divided into departments to handle different aspects of the business, such as purchasing equipment and materials, field operations, office and the retail store. Each department can be headed by a department manager who is supervised by the general manager.

**Owner**

**Manager**

**Assistant Manager**

**Department Manager**

**Department Manager**

**Department Manager**

**Department Manager**

**How to Organize Tasks and Jobs in a Business**

Each worker in the business must understand their role for them to be able to perform at their best. For this to happen, the manager must clearly define the different tasks and jobs in the business, and organize them in the most efficient way.

The following steps will show how this can be done.

**Step 1**

**Define the tasks to be performed in the business.**

A "task", is a specific function performed, as part of a larger activity. A "job" is the collection of tasks done to accomplish some part of the business work. A job is normally done by a particular worker, or group of workers although one worker can have more than one job.
To organize the work of the business, the manager should clearly identify the different
tasks to be done to perform the business activities. These tasks must then be combined
into a job. The job then becomes the responsibility of a particular worker.

Consider one of the basic activities of your business. List the tasks in the order in which
they are performed that need to be carried out to accomplish this activity. One task
should lead to another.

______________________________________________________________________  
______________________________________________________________________  
______________________________________________________________________  
______________________________________________________________________  

STEP 2

**Group the tasks into jobs**

When you look at the different tasks in your business, you will realize that some tasks
can be combined into one job to be performed by one person or a group of people.
When combining tasks, you should allow room for responsibility, achievement and
growth by workers.

Group the tasks you listed above into jobs.

______________________________________________________________________  
______________________________________________________________________  
______________________________________________________________________  

How many people will perform each of the jobs?

______________________________________________________________________  
______________________________________________________________________  

Defining jobs in this way ensures that each task is carried out and that each job is
meaningful.
However for workers to be enthusiastic about their jobs, a manager needs to take genuine interest in their wellbeing and recognize their hard work and performance. This requires openness, honesty, interest and trust.

**To achieve this, a manager should:**

- Provide each worker with the tools and equipment to perform each job.
- Give clear instructions to each worker on how to perform a job and what needs to be done on the job.
- Give supervisors enough authority to make decisions and instruct workers on their jobs.
- Show each worker how their job meets the goals of the business.
- Use the skills, knowledge and experience of each worker.
- Satisfy the personal needs of each worker which relate to the job.
- Describe the skills training and experience necessary to handle each job.
- Write out the rules of the business that workers need to obey, showing them what happens, if the rules are broken.
- Allow regular, day-to-day, two-way communication between the managers and the workers. The boss must listen to opinions of the workers and the workers must listen to the boss, so that they all work as a team.

**INTERVIEWING PROSPECTIVE WORKERS**

After identifying the jobs in your business you may need to hire and interview workers to fill those jobs. Here are some useful questions to ask a potential worker in an employment interview:

- Why do you want to work for this business?
- What type of position are you most interested in?
- What do you see as your future career?
- Do you like to work with people? How do you react to people who are not friendly to you in the business?
- What are your best qualities, and your worst qualities?
- What are you good at, and what are your weaknesses?
- In your past work experience, what has given you the most satisfaction?
- In your past work experiences, what has been the most frustrating to you?

Alternatively to workers you may use family members to fill the jobs in your business. You will therefore need to consider a number of factors relating to using your family in your business.
YOUR FAMILY AND YOUR BUSINESS

As you organize your business, consider how you will use family members in the business. Using family members has some important advantages to the business, but it also creates some serious potential problems. Family members must be used wisely if the business is to be successful.

Most small businesses are family businesses, owned and managed by members of the same family. Frequently they are started by one person who involves other members of the family as the business grows.

As more members of the family become involved in the business, it is important that you remain focused on the reasons why the business was started. To do this, keep in mind that your reasons for starting the business may have been to:

- Make money
- Earn a living
- Be self-employed
- Use resources which are available and not being used
- Use capital which is available and not being used
- Look after yourself in old age.

This is especially important to remember, so that you do not mix personal or family affairs with business affairs. The two must be separate, so that the business remains focused and is able to yield profits.

ADVANTAGE OF USING FAMILY MEMBERS IN BUSINESS

There are advantages to using family members in a business.

- **Strong Personal Commitment**
  Family members are more likely to be strongly committed to the business, and to work harder, even to the extent of sacrificing personal interests. For example, they may be willing to work late hours.
A family member working late into the night

- **Loyalty**
  Family members are more likely to be loyal to the business. They feel that the business belongs to them.

- **Honesty**
  Family members are also more likely to be honest.

- **Free Inputs into the business**
  Family members are likely to contribute things of value freely to the business, such as money, equipment, land, buildings or publicity. They will tell other people about the business because they want it to grow.

  “My mother has started a restaurant please come over.”

**DISADVANTAGES OF USING FAMILY MEMBERS IN BUSINESS**

- **Personal consumption of business money and goods**
  Family members are likely to feel free to spend business money and use products out of the business stock. This can harm the business. It can deprive the business of the stock it needs to sell. It can take money which the business needs to meet its obligations. It can also deprive the business of money which should be reinvested so the business can grow and prosper.
Mr. Otim's child taking business stock for family use.

- **Favoritism and Nepotism**
  Business owners tend to treat family members more favorably than non-family members when it comes to hiring, promotions and benefits. This happens even when the non-family member has better skills. This harms the business, which ends up working with people who are less skilled than other people who are available. Non-family employees will then feel disfavored and disadvantaged, causing them to lose their enthusiasm and commitment and to the business.

- **Conflict**

There may be conflicts between members of the family, or between family and non-family employees. Sometimes family members think they should have special treatment compared to non-family members in business decisions. It is wise to treat family and
non-family employees of the business in the same manner so that there is no special treatment for anyone for their salary, promotion, training received, work assignment, or authority.

**HOW TO DEAL WITH THE PROBLEMS OF A FAMILY BUSINESS**

Here are some suggestions for dealing with family members in a business in order to reduce the chance of problems developing that will harm the business.

1. **Have clear rules and guidelines.**
   To deal with the disadvantages of a family working in business, it will be necessary to have clear rules and guidelines on how the business will run. Be sure to:
   - Write down the rules and guidelines
   - Discuss the rules and guidelines
   - Apply the rules and guidelines consistently and fairly

2. **Separate personal money from business money**

   *This is very important because personal money,* is private and belongs to a person. They can do what they want with it. They can buy a shirt, a dress or household items, as they feel best, while *business money,* by contrast belongs to the business. It should only be spent for business purposes, following the rules and guidelines of the business, and with the permission of the appropriate manager.

   To effectively separate personal money, from business money, the managers must:
   - Make and follow a budget
   - Decide how money will be collected and spent in the business.
   - Record all money coming in and going out of the business.
   - Keep a cash box in the business
   - Pay all family workers a salary
   - Pay the owner a salary
   - Use only personal money for all non-business expenses
   - Always ensure that the business has enough money to meet its current obligations, to provide for future needs, and to reinvest for growth.

3. **Use the best qualified person for a job**

   The business must use the best qualified person for a job, regardless of whether that person is a family member or not. This will ensure that the person who is doing a job has the skills and experience to do it well. It will also preserve the respect and loyalty of all employees and reduce conflict, for all will know that hiring, promotions and other benefits go to persons based on merit, not favoritism.
CHAPTER FOUR

DIRECTING YOUR BUSINESS
Directing a business is concerned with people relationships in the business. People are important because they actually turn the plans and goals of the business into reality. Unhappy and unmotivated people can make even the best business plans and goals fail. In fact, it is then said that a business can only be as good as the people who run it. If a business is well directed, the people who work there will be happy and productive, and the business will prosper and grow.

Directing is all about influencing people so that they will be happy and productive. For people to be productive they need to be motivated. Motivating people is one of the important duties of a successful manager.

**HOW TO MOTIVATE YOUR WORKERS**

Motivating a worker requires that the manager take into account the unique circumstances of each one. For this reason, he must handle each situation separately. But there are some general guidelines that a manager can use to motivate workers in a business:

**MOTIVATIONAL GUIDELINES.**

- Workers should clearly understand the goals of the business, the product or service the business provides and the customer needs the product or service meets.
- Workers should clearly know how the goals of the business will be accomplished.
- Workers should receive regular reports about business activities and how the goals of the business are being accomplished.
- Workers should understand and accept the goals of the business.
- Workers should understand how their work contributes to achieving the business goals.
- The tasks to be accomplished by each worker should be clearly defined.
- Each worker must have the tools and equipment they need to do their job well.
- Management should reward workers for their efforts and give them feedback on how well they are doing;
- Workers should be paid well.

**WATATU BUSINESS GROUP**

“*Well done, you are all doing good work.*”
People are motivated when a person who is significant to them, their boss a valued co-worker, praises them for doing good work, or for having a good idea. As a manager, you will be able to better motivate your staff when you know them and know their personal and career goals and expectations.

Encouraging workers to set higher performance goals tells them that you have confidence in them to do better. As a manager you will be able to better motivate your staff when you know them and know their personal and career goals and expectations. Challenge them individually or as a team to set higher goals for production and customer service. Give them feedback about their performance levels, so they know whether or not they are reaching their goals. Research shows that people often live up to the level of performance that others expect of them.

Delegate work and decisions to workers whenever possible. This shows them that you have confidence in their ability.

“We must all work as a team.”

Encourage your staff to work together as a team and to set the goals for their work. This will build individual commitment and individuals on the team will be motivated to perform better. If one of the workers is failing to perform at levels the team expects them to encourage them to perform at higher levels. This can relieve the manager of the unpleasant task of always watching for slack behavior among the workers.

To be most effective, each member of the team must clearly understand and agree to the tasks they are to accomplish. They must be given the resources with which to do their work. Give them timely feedback on their performance levels so that they can make adjustments.

To provide your staff with training will help them to improve their performance, control costs and reduce waste. If your staff feel that you care for them and are satisfied with their jobs, they are more likely to continue to work for you. It is costly to have to hire and train new workers.
Give your staff training to help them improve their performance, control costs and reduce waste.

**Conflict Management**

Conflict is likely to take place when individuals work together. Once you have employed people in your business, conflicts may arise. When they do, you will need to know how to manage it. Conflicts arise between people when:

- Events touch the lives of individuals in important ways, as when they are seen as a threat to something we value highly or block an important goal we want to achieve.
- Events affect the life of one person differently than another,
- An event involves a territorial threat, such as when job boundaries are not clear or your business is trying to do the job of my business.
- The event implies one is not competent or reflects on one's reputation.
- Misunderstandings arise because people do not communicate well.
- A critical or judgmental statement may cause another person to feel defensive.

**How can you tell if conflict is present?**
There are many signs that indicate conflict, including:

- Visible hostility
- One person consistently obstructs, delays or sabotages the efforts of another
- One person is unnecessarily aggressive toward another
- A worker is often tired, uninterested or dissatisfied with his job, or withdraws from participation.

The real problem with conflict is not that it exists, but that it disrupts productive work. Conflict can have positive results. It may encourage us to re-examine our situation and change to meet the needs of the group or business. Conflict also helps to define issues and brings problems into the open so that they can be analyzed and solved. Conflict, when resolved, can increase group unity. Conflict can help bring about creative insights and high quality decisions.

**Strategies to Resolve Conflict**

Some useful strategies to deal with conflict include:
• Withdrawal,
• Force
• Accommodation
• Compromise
• Confrontation and integration

Each style may be appropriate depending upon the situation and the parties involved.

Withdrawal

The strategy of withdrawal is to back away from the conflict. People avoid it. They act as if it did not exist. This has the advantage of allowing one's anger to cool down, but it may lead to even more intensified hostility, because the underlying issues are not being addressed. Often with this strategy, the relationship suffers as well. To avoid dealing with the issues, people sometimes become so polite that it appears they are not bothered when they are actually very troubled. If that is the case, they are not a cohesive group, and they are not dealing with problems that need to be resolved if they are to be productive.

Force

The strategy of force means to use a position of power to force a resolution of the conflict, at least for the time being. This is the least cooperative of the strategies. The aim is to attain goals without regard to personal relationships. Often this strategy only postpones the real battle until later. In this case, a group may self-destruct or it may revert into being a false group noted for its artificial politeness.

Accommodation

Accommodation aims to preserve harmony in relationships without regard to one's personal goals. Accommodation means to give in to the adversary's desires. It is placing another's need above your own. Those who choose this style often believe that conflict cannot be discussed without damaging the relationship. But because accommodation does not address your concerns, they may arise again later, and so the real grounds of the conflict have not been resolved.

Compromise

Compromise means to find a middle ground which partly satisfies all parties, and which all recognize as a fair resolution of competing concerns. When all parties are strongly committed, and no one party dominates, then compromising is probably the strategy of choice. All parties sacrifice part of their goals to find agreement for the common good, both will get partially satisfying results, and the relationship is moderately fostered.
Confrontation and Integration

With this strategy, the underlying issues are confronted, and integrated into other aspects of the relationship. Confronting (not attacking), collaboration and integration can be useful as an assertive, yet cooperative approach when one feels strong commitment to one's own goals and to one's relationships with others, and so one is strongly committed to finding a solution to the conflict. It is a style that takes more time and energy. But it will frequently meet most needs of the parties. It requires openness and trust, because one party can take advantage of another if there is an imbalance in power. This is generally regarded as the problem solving strategy that is most likely to reach a win-win solution, that is, where all parties will win.

Tips on Solving Conflict

- Acknowledge that conflict exists.
- Be aware of which strategy you tend to use instinctively.
- Choose a strategy that is appropriate to the circumstances.
- Analyze the situation carefully, and answer these questions.
  - What is the issue? Is it the problem or a symptom of another, perhaps more obscure, problem?
  - Is your reaction to the situation also a problem? Separate your feelings about the problem from the problem itself. Deal first with your emotions about the problem before you analyze the problem itself; acknowledge your feelings, talk about them, understand them, accept them. Work to eliminate prejudices, quick judgements, fixed expectations, trying to ‘fix’ someone else or control others.
- Who is involved? Who will gain and who will suffer?

Exercise

Consider your business. Identify an existing conflict, or if there is no actual conflict, imagine a possible one. As to that conflict:

A) Identify the persons involved, and note the other important circumstances.

__________________________________________________________________
__________________________________________________________________

B) Select an appropriate conflict resolution strategy. Explain why this strategy is appropriate.

__________________________________________________________________
__________________________________________________________________
“Tomorrow I must carry my umbrella to work.”

Forecasting is an important aspect of business planning. It tells you what you can expect to happen in the future, so that you can plan ahead accordingly.
In real life, you need to know what is likely to happen in the future. That is why you listen to the weather forecast, so that you can plan to carry an umbrella if it will rain.

In business forecasting you predict what you think your sales, costs, profit and cash flow are going to be in the future so that your business will not run into trouble.

Forecasting makes decision-making in the business easier because you are able to see where you will be going. For example, if you forecast that customers will not buy so much of a particular commodity, you will not stock a lot of that commodity so that you do not lose money.

You also forecast by asking customers what goods and services they want and how much they are willing to pay for them before you supply what they want.

**BUDGETING.**

A budget is management's plan of revenues and expenditures for a future period of time.

The process of developing a budget is called **budgeting**. With budgeting, management will experience less waste and will be more precise in directing the business.

**Types of Budgets**

There are three types of budgets,

1. Projected income statement
2. Cash flow plan
3. Capital expenditure budget.

For a discussion of the Projected income Statement and Cash Flow Plan please refer to “Your Business Plan Handbook”.

**Capital Expenditure Budget**

The capital expenditure budget shows how money projected for expenditure on capital items such as equipment and buildings is to be allocated among different activities in the business. The activities are listed together with the estimated cost of the activity.

These activities can include;

- Maintenance of existing machinery and equipment
- Expansion of existing machinery and equipment
- Activities in the day to day running of the business
When the time for which the budget was made has passed, compare what was projected to happen with what actually happened. To do this, you should compare your estimates with the balance sheet and the profit and loss statement.

**FINANCIAL PERFORMANCE AND CONTROL.**

The controlling function ensures that the business uses its resources in the manner described in the business plan. To do this, management will require timely and thorough information so that it will be able to find out if any part of the business is not operating in the way that it should.

The records that a business keeps are the primary source of management information. These records include the record book, stock control records and any other records kept by the business.

A business needs to have good financial records so that it can be managed well.

The records should show;

- What money has come into the business during a given period and how the money has gone out of the business during the same period. This can be done by using a cash book. This information is then summarized in the income Statement, which shows whether the business has made a profit or loss.

- What money and other assets your business owns, and what debts it owes. To do this, a business will need to use a balance sheet.