

Business Skills Workshop #1  
October 7, 2009 & November 11, 2009

# Business Skills Training Handbook



Livelihood Development via Agro-processing  
SFA2006 (GCP/RLA/167/EC)

# The Business Environment



**What is Business?** A business is a profit-seeking activity that provides goods and services that satisfy consumers' needs. The driving force behind most businesses is the prospect of earning a profit—what remains after all expenses have been deducted from business revenue. **Who is an Entrepreneur?** You are.

An entrepreneur is someone who accepts the risks and opportunities of creating, operating and growing a new business.

A small business owner is a person who independently owns a business that has relatively little impact in its market.

# Success or Failure?

## Failure

Many new businesses fail due to:

- Poor management.
- Neglect.
- Weak control systems.
- Inability to scan the business environment.
- Insufficient capital.



## Success

Reasons why new businesses succeed include:

- Hard work, drive, and dedication. Many small business owners spend 12 to 15 hours a day in the initial stages of their new business start up working to market, manage and promote their offerings.
- Market demand, and understanding what consumers want; Add value to your product for it to be accepted in the marketplace.
- Managerial competence - gaining the skills to understand the marketplace, understand the financials of the business and to effectively manage people along with the suppliers and consumers.

# What is...

## **Economics?**

Economics is the study of how a society uses its scarce resources to produce and distribute goods and services. The study of economic behavior among consumers, businesses, and industries who collectively determine the quantity of goods and services demanded and supplied at different prices is commonly referred to as microeconomics. By contrast, the study of a country's larger economic issues, such as how firms compete, the effect of government policies, and how an economy maintains and allocates its scarce resources, is commonly referred to as macroeconomics.

## **Management?**

The planning, organizing, leading, and controlling of resources. In the course of performing the four management functions managers play a number of roles that fall into three main categories:

Interpersonal roles: Managers perform and provide leadership to employees; build a network of relationships; and act as liaison to groups and individuals both inside and outside the company (such as suppliers, competitors, government agencies, and consumers).

Informational roles: Managers spend a fair amount of time gathering information by questioning people both inside and outside the organization. They also distribute information to employees, other managers, and outsiders.

Decisional roles: Managers use the information they gather to encourage innovation, to resolve unexpected problems, and to decide how organizational resources will be used to meet planned objectives.

## **Marketing?**

The planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational objectives. With respect to products, marketing involves all decisions related to determining a product's characteristics, price, production specifications, market-entry date, distribution, promotion, and sales. With respect to customers, marketing involves understanding customers' needs and their buying behavior, creating consumer awareness, providing customer service—which is everything a company does to satisfy its customers—and maintaining relationships with customers long after the sales transaction is complete.

## **Financial Management?**

Financial management involves making decisions about alternative sources and uses of funds, with the goal of maximizing a company's value. To achieve this goal, financial managers develop and implement a firm's financial plan; monitor a firm's cash flow and decide how to create or use excess funds; budget for current and future expenditures and for capital investments; raise capital to finance the enterprise for future growth; and interact with banks and capital markets.

## **Supply Chain Management?**

Through a process known as supply-chain management, many companies now integrate all of the facilities, functions, and activities involved in the production of goods and services going from suppliers to customers. The collection of suppliers and systems that provide all the various materials required to make a finished product is called the supply chain. The supply chain begins with the provider of raw materials and ends with the company that produces the finished product that is delivered to the final customer. The members of the

supply chain vary according to the nature of the operation and type of product but typically include suppliers, manufacturers, distributors, and retailers. Before a company can produce a single product, it must first create a supply chain. Managers need to identify which materials and other supplies they need, who can supply them, where they should be stored, and a host of other variables.



# What is Competitive Advantage?

## **Who are your Competitors?**

Managers begin the competitive analysis process by identifying existing and potential competitors. Next they determine the competencies, strengths, and weaknesses of their major competitors.

## **What are your Strengths?**

What do you do the best? Armed with competitive information, they look for ways to capitalize on a competitor's weaknesses or match or surpass their strengths to gain a competitive edge.

## **Gaining the Competitive edge**

A company can gain a competitive edge through at least one of three strategies:

**Differentiation:** A company using differentiation develops a level of service, a product image, unique product features, or innovation that distinguish its product from competitors' products.

**Cost leadership:** Businesses that pursue this strategy aim to become the low-cost leader in an industry by producing or selling products more efficiently and economically than competitors.

**Focus:** When using a focus strategy, companies concentrate on a specific regional market or consumer group, such as the Nestle or consumers of organic chocolate.

# My Action Plan



**My Strengths**



**My Opportunities**



**My Weaknesses**



**My Threats**

**My Strengths**

**My Opportunities**

**My Weaknesses**

**My Threats**

# Case Examples

## **Lin's cabbage world**

Lin is a farmer in the Birchgrove village in Grenada. She has 2 children. Her husband works as a store worker.

Lin tills 5 acres of banana land. For many years she has been harvesting bananas and has not made good profits.

Because of her very low profits from cultivating bananas, she thought about planting vegetables. But before she made a decision, Lin made a careful survey in the market of which types of vegetables are in demand and commands higher price. She went to several market places and found out that cabbage sells at a very high price and were in high demand.

She went to an agricultural technician from the Ministry of Agricultural and asked how cabbage is grown. Fortunately there was a workshop to be given on cabbage for 2 days. She attended the 2 day workshop and learned how to raise cabbage. Since the workshop was basically conducted through demonstration and field practicum, Lin learned how to plant, water, fertilize, weed and harvest cabbage. She also learned that on 5 acres of land, she will need \$2,000 for land preparation, fertilizers, chemicals, labor and other incidental expenses.

Lin has only \$1000. She went to her parents and requested for a loan of \$1000 at 2% interest per month. Then she went to the market place and secured the commitments from buyers for her cabbage produce. With a ready market for her cabbage, she started to grow cabbage in her land. She religiously followed what she had learned from the workshop at the Ministry of Agricultural. Lin recorded all her production expenses on cabbage production.

After 3 months, she started harvesting cabbage and selling them to her buyers. She also recorded all her sales. Her total sales amounted

to \$6,000. She made a profit of \$4,000. Out of the profit, she paid her loan of \$1,000 to her parents including the interest. All the rest of the profit, she reinvested in cabbage production by renting an additional 5 acres of land.

**Tasks**

1. Is Lin's business successful?
2. If so, what are the factors which contributed to her success?
3. What were her strenghts, weaknesses, opportunities and threats?

Business Stage	Strengths	Weaknesses	Opportunities	Threats
Planning				
Supply Chain Management				
Marketing				
Financial Management				
Management				

Business Stage	Strengths	Weaknesses	Opportunities	Threats
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Management				

## **Netty's Herb Tea Processing Project**

Ms. Netty is one of the active members of the women's group in the Victoria village, a farming community with rolling terrains located some 20 miles from the George's town. Like other households in the village, her husband is engaged in farming. She's 33 years old and takes care of the household work and their three children.

Since she joined the group she has been thinking how to help her husband generate additional income for the family. At first, upon discussion with other women members, she thought of a small scale furniture workshop. But the start-up capital required was \$50,000 and she could not afford such capital.

She finally decided on a herb-tea processing project. The raw materials (herb leaves) are readily available in the village since most farmers, including her husband, grow herbs in the village. Moreover, she learned from the sales-van traffickers who often visit their village looking for herbs, that processing herbs would earn her good income. She learned from them that if she sells in George's Town, she can make a gross profit of \$2 per lb and or even higher at \$20 if she sells in the U.S. Also, she has a younger sister who used to work in a herb-tea processing factory in the U.S. and she was confident she could learn the techniques required in such activity.

Encouraged by the potential of the project she obtained a loan from the women's group. In addition, she had some savings of her own and she was able to start the project in March 1993.

In dry season the herb crops produce the best quality tea leaves. Ms. Netty decided to process herb-tea only during this season For the whole season she was able to sell 56 lb. In selling at George's Town she later learned that there are different prices depending on the quality of dried tea and the appearance of the packaging. Nevertheless after investigating which among the three

supermarkets in George's Town offered the best price, she settled into one supermarket.

She however incurred losses when she tried to sell in the U.S. About 20 lbs was not paid for at all.

She personally took care of the project. Her husband and children assisted her in some of the activities of the project like preparing the stove and stirring the leaves on the pan. They could process 5 lbs of wet leaves per day. She had minimal expenses for the project. She bought about 50% of the wet tea requirements from the village. The rest of the wet herb-tea leaves, she obtained from their own harvest. She also had sufficient cooking gas which was already good for the whole season. She did not buy the needed pans as she had already two before the project and these were enough for the quantity she has been processing.

She was not able to keep records of the financial transactions but she is confident she was able to earn from her business. Although the income of the project is mixed with their other household income, she was sure that the whole net profit could be used to invest in another project, a furniture-manufacturing project. At the same time, she is planning to expand her herb-tea processing project for the whole year that is including during dry and rainy seasons. She also plans to hire workers so that she can process more.

### **Tasks**

1. Is Netty's business successful?
2. If so, what are the factors which contributed to her success?
3. What were her strengths, weaknesses, opportunities and threats?  
Analyze using the format of the Table on the next page.

Business Stage	Strengths	Weaknesses	Opportunities	Threats
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Supply Chain Management				
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