

Business Skills Workshop #4  
Wednesday, February 10, 2010 & February 17, 2010

# Business Skills Training Handbook



Livelihood Development via Agro-Processing  
SFA2006 (GCP/RLA/167/EC) Location: Grenada

# Management Basics



**What is Management?** Management—the process of getting things done effectively and efficiently, through and with other people. Efficiency is concerned with minimizing resource costs in the completion of activities. Effectiveness is concerned with getting activities successfully completed—that is, goal attainment. Managers direct the activities of others in an organization. Management refers to the process of getting activities completed efficiently with and through other people.

The process represents the primary activities of planning, organizing, leading, and controlling. The four primary processes of management

are **planning** (setting goals), **organizing** (determining how to achieve the goals), **leading** (motivating employees), and **controlling** (monitoring activities).

### **What are the functions of a good Manager?**

**Planning** includes defining an organization's goals, establishing an overall strategy for achieving those goals, and developing a comprehensive ranking of plans to integrate and coordinate activities.

**Why?** Setting goals creates a proper focus.

**Organizing**—determining what tasks are to be done, who is to do them, how the tasks are to be grouped, who reports to whom, and where decisions are to be made.

**Why?** Organization ensures that the goals are completed.

**Leading** involves motivating employees, directing the activities of others, selecting the most effective communication channel, or resolving conflicts among members. Directing and coordinating people is the leading component of management.

**Why?** Makes sure that conflict is managed.

### **Controlling.**

To ensure that things are going as they should, a manager must monitor the organization's performance. Actual performance must be compared with the previously set goals. The monitoring, comparing, and correcting is the controlling process.

**Why?** Any significant shortfalls must be addressed.

# Planning

## What is planning?

It encompasses defining the organization's objectives or goals, establishing an overall strategy, and developing a comprehensive hierarchy of plans to integrate and coordinate. It is concerned with ends (what is to be done) and with means (how it is to be done). Planning can be further defined in terms of whether it is informal or formal. In informal planning, very little, if anything, is written down. In formal planning, specific objectives are written down and made available to organization members.



## Why plan?

Managers should engage in planning for at least four reasons. Planning provides direction. It reduces the impact of change. Planning minimizes waste and redundancy. It sets the standards to facilitate control. Planning establishes coordinated effort.

Understanding where the organization is going and what must be contributed to reach the objectives, helps members to coordinate their activities and fosters teamwork.

### **A lack of planning equals...**

A lack of planning can cause various organizational members or their units to work against one another.



### **What planning can do for you:**

Planning reduces uncertainty. It clarifies the consequences of actions. It is precisely what is needed when managing in a messy environment. Planning also reduces overlapping and wasteful activities. Finally, planning establishes objectives or standards that facilitate control.

### **Does planning improve business performance?**

There are generally higher profits, higher return on assets with a formal planning process. The quality of the process and appropriate implementation of the plans probably contribute more to high performance than does the extent of planning. Finally, in those organizations in which formal planning did not lead to higher performance, the environment was typically the culprit. Government regulations and similar environmental constraints leave managers with fewer viable alternatives.

### **Types of plans:**

Breadth—strategic versus tactical.

Time frame—long term versus short.

Specificity—directional versus specific.

Frequency of use—single use versus standing.

## **How Do Strategic and Tactical Planning Differ?**

**Strategic plans** apply to the entire organization, establish the organization's overall objectives, and seek to position the organization in terms of its environment. These plans drive the organization's efforts to achieve its goals. They serve as a basis for forming the tactical plans.

**Tactical plans** (operational plans) specify the details of how to achieve the overall objectives.

**Strategic and tactical plans differ in three primary ways.**

### **Time frame**

Tactical plans tend to cover shorter periods of time.  
Strategic plans tend to cover five years or more.

### **Scope**

They also cover a broader area and deal less with specifics.

### **Whether they include a known set of organizational objectives.**

Strategic plans include the formulation of objectives. Tactical plans assume the existence of objectives. Tactical plans describe how those objectives will be attained.

## **In What Time Frame Do Plans Exist?**

Short term covers less than one year. Any time frame beyond five years is classified as long term. The difference between short- and long-term plans is important given the length of future commitments and the degree of variability organizations face:

🕒 Plans should extend far enough to see through those commitments that are made today.

🎯 The greater the uncertainty, the more plans should be of the short-term variety.

🎯 Shorter-term plans allow for more flexibility.

### **What Is the Difference Between Specific and Directional Plans?**

It appears intuitively correct that specific plans are always preferable to directional, or loosely guided, plans.

Specific plans have clearly defined objectives. Specific plans are not without drawbacks. They require clarity and a predictability that often does not exist.

When uncertainty is high, and management must maintain flexibility in order to respond to unexpected changes, directional plans may be preferable.

Directional plans, on the other hand, identify general guidelines. They provide focus but do not lock managers into specific objectives or specific courses of action.

A specific plan might aim to cut costs by 10 percent and increase revenues by 8 percent in the next six months.

A directional plan might aim at improving company profits between 6 and 12 percent during the next six months.

### **How Do Single-Use and Standing Plans Differ?**

A single-use plan is used to meet the need of a particular or unique situation.

Example, when Sears purchased Lands' End, top managers used single-use plans to guide the acquisition, and “fold in” the activities from Lands' End operations.

Standing plans are ongoing, providing guidance for repeatedly performed actions.

Example, the standing “Election” plan in Grenada. The dates have changed, but the process works in the same way election after election.

# Decision Making

## What is decision making?

Decision-making is typically described as “choosing among alternatives to solve a problem.” Problem identification is subjective. The manager who mistakenly solves the wrong problem perfectly is likely to perform just as poorly as the manager who fails to identify the right problem and does nothing.



## The Process:

Decision making is an eight-step process: (1) identify a problem, (2) identify decision criteria, (3) allocate weights to the criteria, (4) develop alternatives, (5) analyze alternatives, (6) select an alternative, (7) implement the alternative, and (8) evaluate decision effectiveness.

## The Process in detail:

The decision-making process begins with the identification of a problem (Step 1), a discrepancy between an existing and a desired state of affairs. Problem identification is subjective. The manager who mistakenly solves the wrong problem perfectly is likely to perform just as poorly as the manager who fails to identify the right problem and does nothing.



### **How do managers become aware that they have a discrepancy?**

Managers compare their current state of affairs and some standard.

- 🎯 Past performance.
- 🎯 Previously set goals.
- 🎯 Performance of some other unit within the organization or in other organizations.

### **What Is Relevant in the Decision-Making Process?**

Once a problem is identified, the decision criteria must be identified (Step 2). Every decision maker has criteria—explicitly stated or not—that guide his/her decision. What is not identified is as important as what is. If a decision maker does not identify a particular factor, it is treated as irrelevant.

### **How Does the Decision Maker Weight the Criteria?**

It is necessary to allocate weights to the items listed in Step 2 in order to give them their relative priority in the decision (Step 3). A simple approach, give the most important criterion a weight of ten and then assign weights to the rest against that standard.

Then the decision maker lists the alternatives that could succeed in resolving the problem (Step 4). No attempt is made to appraise these alternatives, only to list them.

Once identified, the decision maker must critically analyze each alternative (Step 5). Each alternative is evaluated by appraising it against the criteria and weights established in Steps 2 and 3.

Notice that the weighting of the criteria has changed the ranking of alternatives in our example.

### **What Determines the Best Choice?**

The critical act of choosing the best alternative from among those listed and assessed (Step 6).

### **What Is Decision Implementation?**

The decision may still fail if it is not implemented properly (Step 7). Decision implementation includes conveying the decision to those affected and getting their commitment to it. The people who must carry out a decision are most likely to enthusiastically endorse the outcome if they participate in the decision-making process.

### **What is the Last Step in the Decision Process?**

The last step (Step 8) appraises the result of the decision to see whether it has corrected the problem. Did the alternative chosen in Step 6 and implemented in Step 7 accomplish the desired result?

### **Why is Creativity Important in Decision Making?**

The rational decision maker needs creativity—the ability to produce novel and useful ideas. Different from what’s been done before and appropriate to the problem or opportunity presented. Creativity allows the decision maker to appraise and understand the problem more fully, including “seeing” problems other can’t see. Creativity’s most obvious value is in helping the decision maker identify all viable alternatives.

## **DECISION-MAKING STYLES**

Every decision maker brings a unique set of personal characteristics to his or her problem-solving efforts.

## **Decision-Making Styles**

The basic premise is that individuals differ along two dimensions. The first is the way they think. Some decision makers are logical and rational, processing information sequentially.

Some individuals who think creatively and use their intuition, see matters from a big picture perspective. The second dimension focuses on individuals' tolerance for ambiguity. Some have a high need for consistency and order and seek to minimize ambiguity. Others tolerate high levels of uncertainty, processing many thoughts at the same time.

When we diagram these two dimensions, four decision-making styles are formed. The four decision-making styles are the **directive style** (characterized by low tolerance for ambiguity and a rational way of thinking), the **analytic style** (characterized by high tolerance for ambiguity combined with a rational way of thinking), the **conceptual style** (characterized by a very broad outlook and a tendency to look at many alternatives), and the **behavioral style** (characterized by intuitive thinking and a low tolerance for uncertainty).

### **The directive style.**

Represents a decision-making style characterized by low tolerance for ambiguity and a rational way of thinking. These individuals are logical and efficient and typically make fast decisions that focus on the short term.

### **The analytic style.**

Characterized by high tolerance for ambiguity combined with a rational way of thinking. These individuals prefer complete information before making a decision, typically carefully considering many alternatives.

**The conceptual style.**

Tends to be very broad in outlook and typically will look at many alternatives. Tends to focus on the long run and look for creative solutions.

**The behavioral style.**

Reflects an individual who thinks intuitively but has a low tolerance for uncertainty. These decision makers work well with others, are open to suggestions, and are concerned about the individuals who work for them.

Most managers possess characteristics of more than one style.

**Groups/Teams and Decision Making:**

Groups offer certain advantages—more complete information, more alternatives, increased acceptance of a solution, and greater legitimacy. On the other hand, groups are time consuming, can be dominated by a minority, create pressures to conform, and cloud responsibility.

Three ways of improving group decision making are brainstorming (utilizing an idea-generating process that specifically encourages any and all alternatives while withholding any criticism of those alternatives), the nominal group technique (a technique that restricts discussion during the decision-making process), and electronic meetings (the most recent approach to group decision making, which blends the nominal group technique with sophisticated computer technology).

# Case Examples

## **Miss Meena's Starch Production**

Miss Meena wants to start her own business. She thinks about processing potatoes into starch. In September she wants to buy an electric grinder at \$600; three basins at \$50 each; and three sieves at \$30 each. In October she plans to buy 500 lbs of potatoes at \$0.4 per lb. After processing she will sell the starch within the same month. In November and December she plans to do the same.

Since she only needs the grinder for one week a month, she agreed to rent her grinder to her neighbour, who will pay \$50 rent at the end of each month.

Miss Meena's fixed assets can be used for 10 years, except for the sieves, they need to be replaced every 3 years.

Miss Meena has only \$350 in savings of her own, and needs to borrow \$800 from the credit union to be able to realize her plan. She will borrow the money in September and plans to repay the full amount on January 1. The duration of the loan is 4 months. The credit union charges 2% interest per month.

To improve the quality of the starch Miss Meena will use a chemical. To process the 500 lbs of potatoes, 0.5 lb of the chemical will be enough. This chemical is only sold by the lb, at \$30 per lbs; so she has to buy 1 lb in September.

Miss Meena thinks she can produce a total of 150 lbs of starch out of 500 lbs of potatoes. She will sell this to the local macaroni factory.

The factory's price depends on the quality. Miss Meena thinks she can sell 80 lbs of the highest quality at a price of \$3/lbs; 40 lbs of medium quality at \$2/lbs and 30 lbs of low quality which sells at \$1/lbs. Each time she sells, a total of \$80 of other expenses, such as for transportation are made.

Miss Meena invited you to come and review her preliminary business plan with her. She wants to know whether this is a good business and wants your advice on how to proceed.

# 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.

# Case Examples

## **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.