



Fact Sheet: Principles for Managing a Business, For Women Entrepreneurs

Background

Business management can be defined as the influencing of activities and human resources to achieve the goals of a business¹. When managing a business, one requires a set of processes that help achieve satisfactory business performance. This includes processes such as planning, organization and forecasting.

Getting Started

To start a business, the would-be entrepreneur should have an idea of:

- what she is going to produce,
- whom she is going to produce for
- how she will produce
- the legal requirements of creating an enterprise,
- the skills needed for production e.g. production techniques, costing, pricing, etc. ²

All this is included in the essential document known as the business plan.

Key components of the business plan include³:

- *Executive summary* - this is an overview of the business to be started. It is an essential component of the business plan as many financial institutions, potential lenders and investors often make judgments about a business based on it.
- *Business opportunity description* - who the entrepreneur is, what they plan to sell or offer, why and to whom.
- *Marketing and sales strategy* – this section explains why the aspiring entrepreneur thinks people will buy what they want to sell and how the goods will be sold.
- *Management team and personnel* – credentials of the business owner and the people to be recruited to work with her.

- *Operations* – this includes business premises, production facilities, management information systems and IT infrastructure.
- *Financial forecasts* – predict the financial performance of the business e.g. cash flow, revenue and profits.

Production

Production is the backbone of the business.

To be able to succeed in producing the good or service, the entrepreneur also needs access to the following essential resources:

- Information- market and ,
- finance
- labour- both skilled and unskilled workers
- technology
- markets

For guidance in production it would be vital to develop a production plan. ***The production plan outlines:***

- The total amount of output/items that the manufacturing/production department is required to produce for each planned period.
- The output is usually expressed in terms of currency or other units of measurement (e.g. tons, litres, and kgs). This output would need to be produced at a rate that is line with the business plan.
- The inputs required for production e.g. materials, finance, technology and labour
- The **master production schedule** which schedules the items for production, according to promised delivery dates; to ensure that production is efficient. ⁴

In short small businesses need to have a production planning strategy to ensure that there are enough resources within the business to meet the demand and to develop the best plan to meet this demand.

Marketing

Marketing is an essential component of any business. For successful marketing the entrepreneur should:

- Understand the customer needs. The ability to satisfy customers' needs better than other competitors can help you build customer loyalty and increase sales.

- Develop a marketing strategy that is flexible to change since customer needs and the business environment are constantly changing. This would allow for a thorough assessment of the opportunities and threats that come with change and will ensure that the entrepreneur remains competitive.
- Develop a marketing strategy that reflects on strengths and weaknesses. The strategy should maximize on the entrepreneur's strengths and match them to customer needs
- Develop a marketing plan which will guide the implementation of the marketing strategy. A **marketing plan** outlines the following:
 1. Introduction and summary which briefly outlines the business objectives and goals as in the business plan.
 2. External and internal analysis for your marketing plan: this includes assessment of strengths, weaknesses, opportunities and threats as well as potential impact of **P**olitical and legal changes such as new regulations, **E**conomic factors such as interest rates, exchange rates, **S**ocial factors such as changing attitudes and lifestyles, **T**echnological factors such as new materials and growing use of the Internet.
 3. The business's marketing objectives: the objectives should be SMART (specific, measurable, achievable, realistic and time bound)
 4. The marketing strategy: one that understands customer needs and identifies target market and competitors.
 5. Marketing tactics: Often described as the 4Ps of marketing i.e. Product (what value the good/service offers to customer and how this can be suited to customer needs), Price (whether the good/service will be priced at low levels to beat competition or will be priced at same level at competitor prices), Place (distribution channels to be used for the good/service i.e. Internet, retail, wholesale e.t.c) and Promotion (how to reach potential and existing customers examples of which include advertising, telemarketing, direct mail, Internet marketing, promotions, and personal selling)
 6. Implementation of the marketing strategy: what needs to be done and by when (schedule), resources needed (salespeople, time) and cost of implementation. ⁵

Business Finances

For successful business management, you need to know about financial management. No matter how skilled you are at producing a product, or a service, or whether you are very good in marketing your goods, the money you earn requires that you

- Efficiently collect it,
- Keep track of it,
- Save it,
- Spend or invest it wisely.

Poor financial management is one of the leading reasons that businesses fail. It is crucial for business owners to apply sound financial principles personally understand the basic principles, use them on a daily basis, even though there are hired professionals such as accountants and bookkeepers.

Basic elements of financial management which small and medium business entrepreneurs need to know are:

- *Basic bookkeeping* which explains how to record daily transactions, work with your bookkeeper/accountant. If you are the entrepreneur cum bookkeeper/accountant you need to learn how to close the books and write financial statements. Examples of financial statements include profit and loss statement, balance sheet and cash flow statement.
- *Credit and collections* which discusses the advantages and disadvantages of receiving or offering credit. This concept tells an entrepreneur how they can more quickly and effectively collect the money your customers owe you.
- *Cash flow management* describes the professional way to manage cash flow in order to reduce the gap between cash outflows and inflows. Cash flow management helps entrepreneurs know how to invest the surplus/extra cash they might have.
- *Key purchases and projects* show entrepreneurs how to assess large investments in either assets, equipment or business facilities, by using financial tools used by accountants and other financial professionals.
- *Analyzing your current financial position* looks into some of the more sophisticated ways of examining financial statements and other aspects of the business. This would enable an entrepreneur to:

1. Identify trends in the business finances,

2. Spot problems before they become too big,
3. Compare the business to others in the same industry. ⁶

Monitoring and Evaluation

An important fact about running any process is the need to monitor progress and evaluate against the goals and objectives of that process. A business is no exception to this requirement. Periodic monitoring and evaluation is necessary to achieve any business goal (most common would be getting maximum profits). Monitoring and evaluation ensures that:

- Mistakes are identified and corrected. The business owner and team learn from the mistakes in order to avoid them in future.
- Performance of the business is measured against the goals and objectives set out in the business plan.

References

¹ CCH Business Owner's Toolkit. <http://www.toolkit.cch.com>

² www.businesslink.gov.uk

³ www.entrepreneur.com

⁴ Africa SME Toolkit. <http://africa.smetoolkit.org/index.jsp?locale=1>

⁵ www.entrepreneur.com

⁶ CCH Business Owner's Toolkit. <http://www.toolkit.cch.com>