

Short-Course

Solar PV System Installation and Maintenance

NTQF Level II

Learning Guide -29

Unit of Competence	Developing Business Practice
Module Title	Developing Business Practice
LG Code	EIS PIM2 M15 0120 LO2 LG-29
TTLM Code	EIS PIM2 TTLM 0120v1

LO.2 Plan for the establishment of business operation-29

LO.2 Plan for the establishment of business operation

Instruction Sheet	Learning Guide -29
-------------------	--------------------

This learning guide is developed to provide you the necessary information regarding the following **content coverage** and topics –

- Determining and documenting organizational structure and operations
- Developing and documenting procedures
- Securing financial backing
- Business legal and regulatory requirements
- Determining human and physical resources
- Recruitment and procurement strategies

This guide will also assist you to attain the learning outcome stated in the cover page. Specifically, upon completion of this Learning Guide, you will be able to –

- Determine and document organizational structure and operations
- Develop and document procedures to guide operations.
- Secure finances for business operation.
- Identify and compile business legal and regulatory requirements.
- Determine the human and physical resources required to commence business operation.
- Develop recruitment and procurement strategies.

Learning Instructions:

1. Read the specific objectives of this Learning Guide.
2. Follow the instructions described below 3 to 4.
3. Read the information written in the information “Sheet 1, Sheet 2, Sheet 3, Sheet 4, Sheet 5 , and Sheet 6” in page 42 ,45, 48,50,52, and 54 respectively.
4. Accomplish the “Self-check 1, Self-check t 2, Self-check 3 , Self-check 4, Self-check 5 and Self-check 6” in page 44, 47,49,51,53, and 58 respectively

Information Sheet-1	Determining and documenting organizational structure and operations
---------------------	---

1 Determining and documenting organizational structure and operations

1.1 Concept of organization and organizational structure

- **Organization** is a formally constituted group of people who have identified tasks and who work together to achieve a specific purpose defined by the organization.
- **Organizational structure** refers to the way in which a group of people is formed, its lines of communication and its means for channelling authority and making decisions.

1.2 Organizational chart

- **Organizational chart:** Is a picture of an organization to show the organizational structure.
- **An organization chart** can help in identifying roles and expectations.

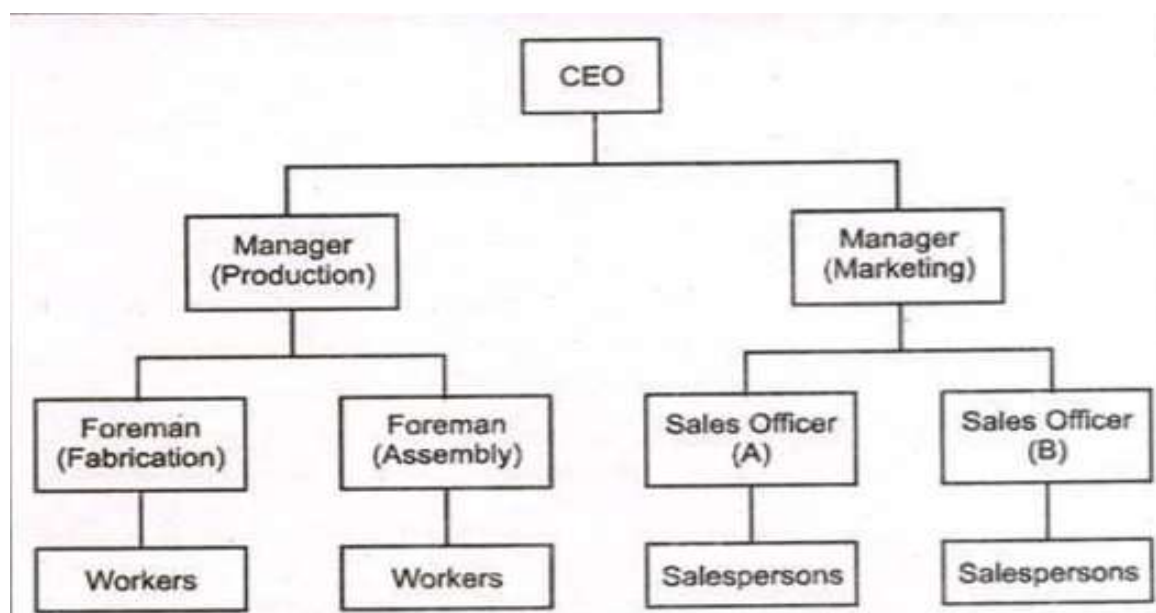


Figure 1: Example of an organizational structure

1.3 Types of organizational charts

- **Simple structure** (an organizational structure with low departmentalization, wide spans of control, authority centralized in a single person, and little formalization)
- **Functional structure** (A functional structure is an organizational structure that groups similar or related occupational specialties together)
- **Divisional structure** (an organizational structure that consists of separate business units or divisions)

Self-Check -1

Written Test

Directions: Answer all the questions listed below.

1. The composition of organizational chart include people and their functions
 - A. True
 - B. False
2. Organizational structure and organizational chart are the same
 - A. True
 - B. False

Short Answer Questions

1. Mention the types of organizational charts (3 Points)
2. Write at least two benefits of an organizational chart

Note: Satisfactory rating - 7 points

Unsatisfactory - below 7 points

You can ask you teacher for the copy of the correct answers.



2 Developing and documenting procedures

2.1 Business operational procedures

- A **Standard Operating Procedure (SOP)** is a set of written instructions that document a routine or repetitive activity followed by an organization.
- The term “**SOP**” may not always be appropriate and terms such as protocols, instructions, worksheets, and laboratory **operating** procedures may also be used
- An SOP is a procedure specific to your operation that describes the activities necessary to complete tasks in accordance with industry regulations, provincial laws or even just your own standards for running your business.
- Any document that is a “how to” falls into the category of procedures. In a manufacturing environment, the most obvious example of an SOP is the step by step production line procedures used to make products as well train staff.

2.2 How to prepare an operational procedure for a business

- Developing an SOP is about systemizing all of your processes and documenting them
- Below is a listing of just a few typical SOPs, which you will want to consider writing for your own small business.

2.2.1 Production/Operations

- production line steps
- equipment maintenance, inspection procedures
- new employee training

2.2.2 Finance and Administration

- accounts receivable – billing and collections process
- accounts payable process – maximizing cash flow while meeting all payment deadlines

2.2.3 Marketing, Sales and Customer Service

- approval of external communications: press releases, social media, advert, etc.
- preparation of sales quotes
- service delivery process, including response times
- warranty, guarantee, refund/exchange policies
- acknowledgment/resolution of complaints, customer comments and suggestions

2.2.4 Employing Staff

- job descriptions
- employee orientation and training
- corrective action and discipline
- performance reviews
- use of Internet and social media for business purposes

2.3 Benefits of operational procedure of a business

One of the specific measurable outcomes of an operating procedure manual is productivity improvements, and as a business owner, you need to be highly productive to succeed.

The common five benefits of a standard operating procedure include

- Reduced learning curve/training time /for new employees
- Ensured business continuity
- Standardized processes
- Delegating tasks becomes easier (because of having short job description for each employee)
- Ensure that your clients are getting the best possible experience with you



Self-Check -2	Written Test
---------------	--------------

Directions: Answer all the questions listed below.

1. What does a standard operational procedures (SOP) describes?
 - A. People (employees)
 - B. Necessary Activities performed
 - C. Organizational chart
 - D. Responsibilities

2. A standard operational procedures (SOP) is a document that answer the question “how to” of a business operation
 - A. True
 - B. False

Note: Satisfactory rating - 2 points **Unsatisfactory - below 2 points**

You can ask you teacher for the copy of the correct answers.

3 Securing financial backing

3.1 What is finance?

- Finance may be defined as the art and science of managing money.
- Finance also is referred as the provision of money at the time when it is needed.
- Finance function is the procurement of funds and their effective utilization in business **concerns**.

3.2 Sources of finance for business operation

There are two primary sources of financing to establish a business. These are:

- Owner's equity (It is the money the owner puts into the business)
- Borrowing from lending institutions (like banks and microfinance institutions)

3.3 Places to secure finances

- **Micro finance institutions:** financial associations that help people start their own small business by providing loans which will be difficult to get from the main banking system.
- **Government Banks:** banks owned by the state or federal government
- **Private Banks:** banks: that are owned by individuals or by an individual
- **Saving and credit associations:** associations that are formed by group of people working in the same organizations for the purpose of money saving and loan for these people

Self-Check -3

Written Test

Directions: Say true or false for the following question

1. Finance may be defined as the art and science of managing money.
2. Government Banks bank owned by the state or federal government
3. Private Banks are owned by individuals or by an individual

Note: Satisfactory rating - 2points

Unsatisfactory - below 1 point

You can ask you teacher for the copy of the correct answers.

Name: _____

Date: _____

4 Business legal and regulatory requirements

4.1 Legal and regulatory requirements of a business

- Depending on the type of business you manage, there could be many regulations and legal obligations you must comply with in order to operate the company such as tax laws, material handling laws, and employment laws.
- Most businesses either have attorneys on staff or retain firms to handle issues surrounding the law.
- Whether you are establishing a business organization, protecting proprietary information, shipping products across state lines, or managing employees, certain business laws affect all companies.

4.1.1 Examples of legal and regulatory requirements of a business

The following areas cover companies in most industries:

- tax laws;
- environmental laws;
- consumer protection laws;
- employment and labour laws;
- antitrust/fair competition laws;
- license and permitting laws;
- contract laws;
- intellectual property laws;
- financial regulation laws;



Self-Check -4

Written Test

Directions: Say true or false for the following question

1. Most businesses either have attorneys on staff or retain firms to handle issues surrounding the law.
2. Depending on the type of business you manage, there could be many regulations such as tax laws, material handling laws, and employment laws.

Note: Satisfactory rating - 2 points

Unsatisfactory - below 1 points

You can ask you teacher for the copy of the correct answers.

5 Determining human and physical resources

5.1 Human resources requirements of a business

- The human resource requirements of a business refer the individuals who are going to fill the positions that inevitably become vacant because of employees retirement, resignation or promotion.
- It also refers to individuals who are going to fill the new positions created as a result of business expansion.



Figure 2: New employees being given orientation

5.2 Physical resources requirements of a business

These are resources the business needs to be able to operate and carry out its work except the human resources.

The followings are the common physical resources of a business

- Buildings and facilities
- Materials and waste
- Plant and machinery
- Equipment including IT
- Emergency provision
- Insurance
- Security



Self-Check -5

Written Test

Directions: chose the best answer for the following questions.

1. Physical resources used by a business does not include one of the followings
 - A. Buildings
 - B. Equipment's
 - C. Copy right
 - D. Machinery
2. The followings are the common physical resources of a business
 - A. Buildings and facilities
 - B. Plant and machinery
 - C. Copy right
 - D. A & b

Note: Satisfactory rating - 2 points

Unsatisfactory - below 1 points

You can ask you teacher for the copy of the correct answers.

6 Recruitment and procurement strategies

6.1 Meaning of recruitment

According to Edwin B. Flippo, "Recruitment is the process of searching the candidates for employment and stimulating them to apply for jobs in the organization"

Meaning:

- Recruitment is the activity that links the employers and the job seekers.
- A process of finding and attracting capable applicants for employment

Recruitment is a process of finding and attracting capable applicants for employment. The process begins when new recruits are sought and ends when their applications are submitted. The result is a pool of applications from which new employees are selected. It is the process to discover sources of manpower to meet the requirement of staffing and to employ effective measures for attracting that manpower in adequate numbers to facilitate effective selection of an efficient working force.

- **Recruitment** is described as "the set of activities and processes used to legally obtain a sufficient number of qualified people at the right place and time so that the people and the organization can select each other in their own best short and long term interests".
- The **recruitment** process provides the organization with a pool of potentially qualified job candidates from which the right selection can be made to fill vacancies.

6.1.1 Recruiting Sources

- **The Internal Search**

Many large organizations attempt to develop their own entry-level employees for higher positions. These promotions can occur through an internal search of current employees who have bid for the job, been identified through the organization's human resource management system, or even been referred by a fellow employee.

- **Employee Referrals and Recommendations**

External Searches

- Advertisements
- Employment Agencies
- Public and state agencies
- Private agencies
- Management Consulting Firms
- Schools, Colleges, and Universities
- Job Fairs
- Professional Organizations

6.1.2 Recruitment strategies

- A Recruitment strategy is a means to conduct recruitment process.
- A recruiting strategy is formal plan of action involving an organization's attempts to successfully identify, recruit, and hire high-quality candidates for the purpose of filling its open positions
- The answers to the following questions form the foundation for the preparation of a Recruitment strategy
 - What is the desired outcome?
 - What [recruiting tools](#) and resources do I have at my disposal?
 - Which of my personal experiences will help guide me?
 - How will the experiences of other people help guide me?
 - What research can I conduct that can help guide me?
 - What criteria will I use to track the effectiveness of my strategy?
 - How will my analysis allow me to improve the effectiveness of my strategy?
- In addition to the above questions, the following issues should be considered during the preparation of a recruitment strategy
 - Identification of the stage(s) of the recruitment process being addressed
 - Identification of all of the variables involved in that stage, including the people involved
 - The timeframe involved
 - The expectations for all parties concerned during the stage
 - How those expectations are communicated
 - How all parties are held accountable for those expectations
 - What happens if and when expectations are not met



Figure 3: recruitment process undertaken in office

6.2 IMPORTANCE OF RECRUITMENT

- Attract and encourage more and more candidates to apply in the organisation.
- Create a talent pool of candidates to enable the selection of best candidates for the organisation.
- Recruitment is the process which links the employers with the employees.
- Increase the pool of job candidates at minimum cost.
- Help to increase the success rate of selection process.

6.3 Meaning of procurement

- **Procurement** is the business management function that ensures identification, sourcing, access and management of the external resources that an organization needs or may need to fulfil its objectives.
 - **Procurement** covers the complete range of events from the identification of a need for a good or service through to its disposal / removal.
- There are two terms which seem similar to **procurement** but have a slight difference; these are **acquisition and purchasing**
- **Acquisition** is a part of **Procurement** which denotes buying or obtaining something
- **Purchasing** is also acquiring something but unlike acquiring it introduce payment

6.3.1 Procurement strategies

- A procurement strategy plan is one of the most important documents or plan examples that your business should have.
- A procurement strategy document helps in ensuring the efficiency of using resources and acquiring new items that can benefit the business and its operations in the best way possible.
- Here are some of the reasons why it is important for your business to conduct procurement planning and procurement strategy development:

Employee Selection is the process of putting right men on right job. It is a procedure of matching organizational requirements with the skills and qualifications of people. Effective selection can be done only when there is effective matching. By selecting best candidate for the required job, the organization will get quality performance of employees. Moreover, organization will face less of absenteeism and employee turnover problems. By selecting right candidate for the required job, organization will also save time and money. Proper screening of candidates takes place during selection procedure. All the potential candidates who apply for the given job are tested. But selection must be differentiated from recruitment, though these are two phases of employment process. Recruitment is considered to be a positive process as it motivates more of candidates to apply for the job. It creates a pool of applicants. It is just sourcing of data. While selection is a negative process as the inappropriate candidates are rejected here. Recruitment precedes selection in staffing process. Selection involves choosing the best candidate with best abilities, skills and knowledge for the required job.

The **Employee selection Process** takes place in following order-

Preliminary Interviews- It is used to eliminate those candidates who do not meet the minimum eligibility criteria laid down by the organization. The skills, academic and family background, competencies and interests of the candidate are examined during preliminary interview. Preliminary interviews are less formalized and planned than the

final interviews. The candidates are given a brief up about the company and the job profile; and it is also examined how much the candidate knows about the company. Preliminary interviews are also called screening interviews.

1. **Application blanks-** The candidates who clear the preliminary interview are required to fill application blank. It contains data record of the candidates such as details about age, qualifications, reason for leaving previous job, experience, etc.
2. **Written Tests-** Various written tests conducted during selection procedure are aptitude test, intelligence test, reasoning test, personality test, etc. These tests are used to objectively assess the potential candidate. They should not be biased.
3. **Employment Interviews-** It is a one to one interaction between the interviewer and the potential candidate. It is used to find whether the candidate is best suited for the required job or not. But such interviews consume time and money both. Moreover the competencies of the candidate cannot be judged. Such interviews may be biased at times. Such interviews should be conducted properly. No distractions should be there in room. There should be an honest communication between candidate and interviewer.
4. **Medical examination-** Medical tests are conducted to ensure physical fitness of the potential employee. It will decrease chances of employee absenteeism.

Self-Check -6

Written Test

Directions: Answer all the questions listed below.

1. Procurement is a part of purchase activity
 - A. True
 - B. False
2. Purchase is acquisition of goods/services with payment
 - A. True
 - B. False

Note: Satisfactory rating - 6 points

Unsatisfactory - below 6 points

You can ask your teacher for the copy of the correct answers.

Name: _____

Date: _____

List of Reference Materials

1. The Basics of Business Finance: John McMillan, England
2. Business finance a practical guide: Small Business Development Corporation, government of western australia
Small Business Development Corporation Level 2, 140 William Street, Perth WA 6000, Australia.
3. Factors Influencing Loan Repayment Default in Micro-Finance Institutions: *The Experience of Imenti North District, Kenya* Munene, H. Nguta Guyo, S. Huka Meru University of Science and Technology Kenya
4. Management and Entrepreneurship: New Age International (P) Limited, Publishers
5. 4835/24, Ansari Road, Daryaganj, New Delhi – 110002, India.

6. Review Of Microfinance Industry In Ethiopia: Regulatory Framework And Performance Association of Ethiopian Microfinance Institutions, P.O.Box 338 Code 1110 Addis Ababa Ethiopia.
7. Short Study on Microfinance Jennefer Sebstad Sida 2003 Department for Africa, Addis Ababa, Ethiopia.
8. Montana, P. and Charnov, B. *Management: A Streamlined Course for Students and Business People*. (Hauppauge, New York: Barron's Business Review Series, 1993), pp. 155-169.
9. Procurement and Contract Strategies: Construction Clients' Board endorsement of NEC3 April 2013 Cabinet Office UK.
10. A Guide to the Development of Procurement Strategies for the Scottish College Sector: December 2010, Scotland.
11. Procurement strategy for financial year 2018/19, University of Glasgow, Scotland.
12. Margaret A. Richardson: Recruitment Strategies, 2003, Government of the Republic of Trinidad and Tobago.
13. British Business Bank: Corporate finance faculty © ICAEW 2014 The business finance guide, England.

14. WEB ADDRESSES (PUTTING LINKS)

1. www.mcmillantech.co.uk.
2. www.newagepublishers.com
3. <http://www.edu/research>
4. <http://www.utoledo.edu>
5. http://buzzle.com/chapters/business-andfinance_occupation-and-employment-issue
6. www.asa.org.uk