

TRAINING MODULE SEVEN

Business Operating Principles

Managing your business well is very important for your business success. If this is not done the business may fail.

The following module provides a brief overview of the key principles involved in running a successful business, and introduces terms and descriptions that are important to comprehend and understand in establishing sound business practices.

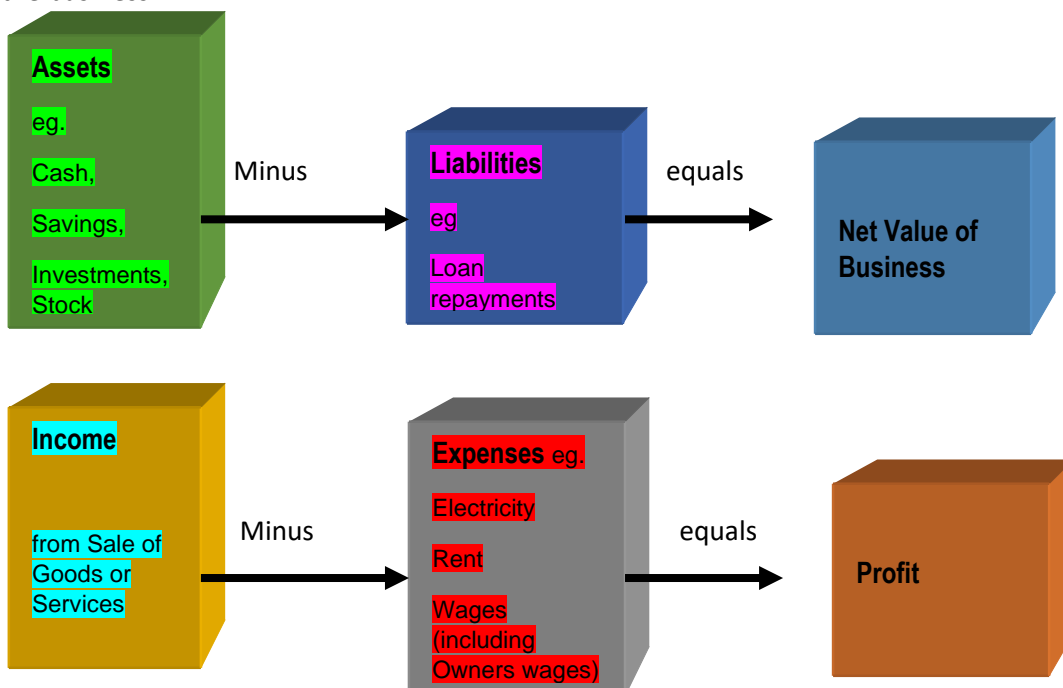
For a more in-depth presentation of these principles, we would also encourage you to view the Training Videos produced by Microlend Australia covering topics such as:

- Income generating businesses – how they should work
- Sample business scenarios
- Integrity – an essential part of doing business
- What is important in your life
- Marketing strategies

These resources can be accessed at <https://www.microlendaustralia.com.au/training-materials/>

Basic Principles of a Business

All businesses are made up of four parts, these being Assets, Liabilities, Income and Expenses. The main aim is to make the net value of the business grow. To do this you need a profit that you can reinvest back into the business.



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Points to remember:

- The business should be treated as a separate entity to the business owner! (Illustration: First pocket: Business money, second pocket: Personal money- NEVER EVER MIX BUSINESS MONEY WITH PERSONAL MONEY FOR USE). The inability to do this is probably the single largest factor as to why small businesses fail to grow or survive.
- The business needs to be profitable! The survival of the business is paramount for there to be an ongoing and sustainable benefit. Before you start, try and make sure that your projected income and expenditures are realistic and that the business can make a profit.
- Ideally, the cash flow of the business should be such that it is able to provide a satisfactory income to any employees (including the owner) as well as provide a return or profit on the capital invested. Some of the profit needs to be retained to expand the business and meet unforeseen expenses.
- Make sure that you have the necessary resources and skills to effectively run the business.
- Try and be fair to everyone. Avoid disreputable businesses, cronyism, discrimination, corruption & child labour.

Marketing Strategies

<i>Strategy</i>	<i>Things to consider</i>
Positioning – How you want customers to see your product/service	How is the product /service used? What are the products benefits? How does the product compare to rival products? How do prices compare?
Market segmentation - dividing the market up into groups of customers	Geographic e. g. location Demographic e. g. age, gender, socio economic, occupation, employment status Psychographic e. g behavioural
Product differentiation involves creating characteristics unique to the product to persuade consumers to purchase it rather than a rival product (Why is my product better than others?)	price, quality, ethical positions, appearance, colour, service quality, special features, loyalty rewards
Price – dependant on demand & supply and market forces	Can be set by market, cost and /or competition
Distribution – how to deliver the product in the most efficient way	Are you in the right location? Do you have ready transport access?

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Strategy	Things to consider
Packaging – the way a product is presented	Does the product look attractive? Does it look fresh? Is it unique? What makes it special?
Promotion	Advertising – brochures, signage, business displays, business cards Business appearance, personal selling – client lists, contact, appointments, sales Relationship marketing – using contacts and networks Sales promotions: publicity & public relations – opinion leaders, word of mouth Physical evidence
Referrals -singly the most effective way of guaranteeing a sale	Do you always ask for a referral? Have you incorporated into your sales material a request for referrals?
e-marketing: -the use of computers and internet to promote your products and services	collection of emails, Facebook, twitter, electronic newsletters Webpage
Branding	the name and/or logo connected with a product, letterheads, t-shirts other promotional material
Global marketing	finding exporters. Is your product of export quality?

Integrity

Integrity is the quality of possessing, and steadfastly adhering to, high moral principles or professional standard; the state of being sound or undamaged; the quality of always behaving according to the moral principles that you believe in, so that people respect and trust you being without any damage or mistakes. I trust we as a nation will maintain our integrity and influence.

Synonyms for Integrity

Truth, Honesty, Truthfulness, Honour, Reliability, Veracity, Uprightness, Trust, Respect, Compassion, Empathy, fairness

What does God think about integrity?

Psalm 25:21: May integrity and uprightness protect me, because my hope, Lord, is in you.

Job 2:3: Then the Lord said to Satan, "Have you considered my servant Job? There is no one on earth like him; he is blameless and upright, a man who fears God and shuns evil. And he still maintains his integrity, though you incited me against him to ruin him without any reason."

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IMPLEMENTATION CHECKLIST

<u>Step</u>	<u>Notes</u>	<u>Done</u>
<p>Read the definitions contained in this Module – highlight any that you require more information about:</p>		
<p>View the Videos on the Microlend Australia website</p> <ul style="list-style-type: none"> • Do training modules 1 to 7 • Check compliance issues eg business registration and licensing • Do you have the qualifications, education required? 		
<p>Develop your Business plan / Strategy for review</p> <ul style="list-style-type: none"> • Select a business that you would like to do • Write down the skillset you need for the business • List the resources you will need to start the enterprise • Model the business • Check if there is a ready market for your goods or services • Set up internet, banking 		