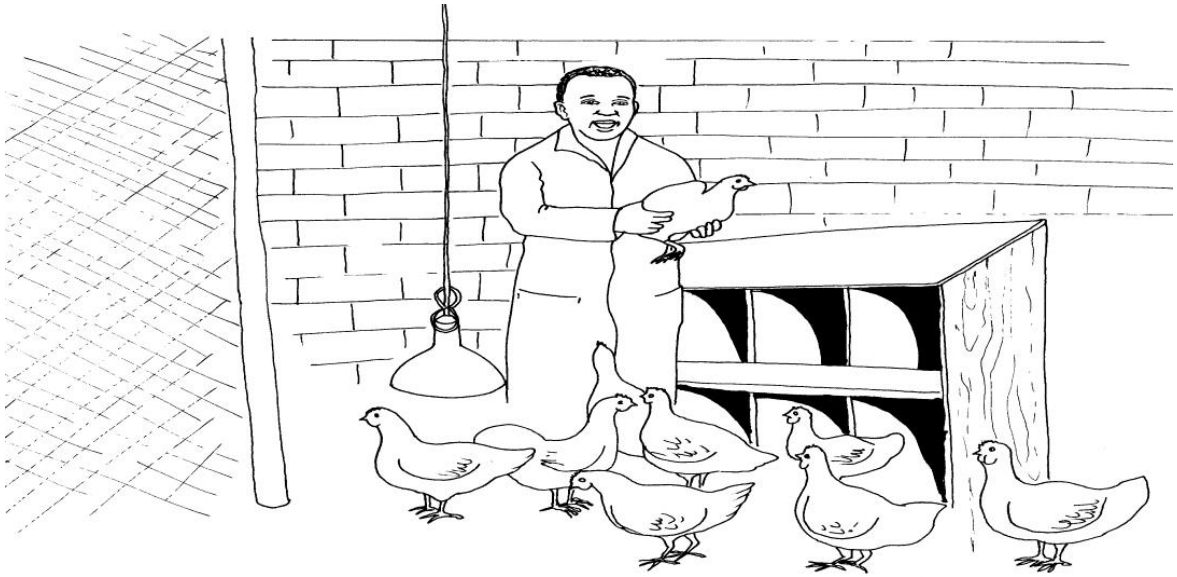
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UNIT 2
INCOME GENERATING ACTIVITIES



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Introduction

- Education institutions have a variety of needs that require resources. The funding from the government and the parents is inadequate to meet all these needs.
- Education managers are expected to come up with innovative ways of raising revenue to supplement what is received by the school'
- In this unit, we shall look at income generating activities as a way of supplementing funding.
- We shall look at the process of identifying and managing income generating activities.
- We shall also look at entrepreneurship and how to market the products from the projects.



Expected Learning Outcomes

Upon completion of this unit you will be able to:

a) Explain the concept of entrepreneurship

b) Describe the business environment

c) Apply the skills required to start an income generating project

d) Apply the skills required to undertake marketing and production



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Introduction to entrepreneurship

Who is an entrepreneur?

- An entrepreneur is the person who sees an opportunity in the market and gathers his or her resources to create and grow a business venture to meet the identified needs.
- Entrepreneurs create new businesses in the face of risk and uncertainty for achieving profit and growth opportunities and assemble the necessary resources to capitalize on those opportunities.
- They are seen to be risk-taking individuals who take actions to pursue opportunities and situations which others may fail to recognize or may view as problems or threats.
- They mainly exercises responsible control (directing the work of others) and secure the owners of productive services against uncertainty and fluctuations in their incomes.
- Below is an illustration of the difference between those who have a managerial mindset and those that have an entrepreneurial mindset:



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	Managerial Mindset	Entrepreneurial Mindset
Decision-making assumptions	The past is the best predictor of the future. Most business decisions can be quantified.	A new idea or an insight from a unique likely to provide the best estimate of trends.
Values	The best decisions are those based on quantitative analyses. Rigorous analyses are highly valued for making critical decisions.	New insights and real-world experienc highly valued than results based on
Beliefs	Law of large numbers: Chaos and uncertainty can be resolved by systematically analyzing the right data.	Law of small numbers: A single incide isolated incidents quickly become pr making decisions regarding future tr Decisions need to be made quickly.
Approach to problems	Problems represent an unfortunate turn of events that threatens financial projections. Problems must be resolved with substantiated analyses.	Problems represent an opportunity to d changes and possibly new business



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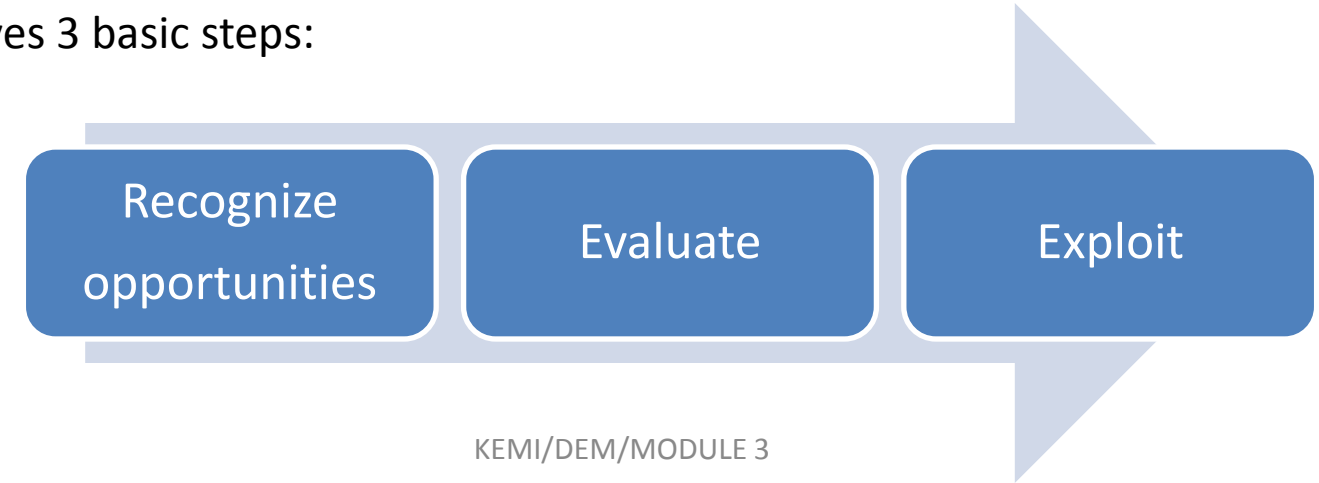
- It is therefore possible for education managers to be entrepreneurs.
- Pause for a moment and consider the number of education managers who subsidize government funds with funds from income generating projects.
- By engaging in these projects they can be viewed as entrepreneurs because they have seen an opportunity in the market and are managing business ventures to meet the identified needs.



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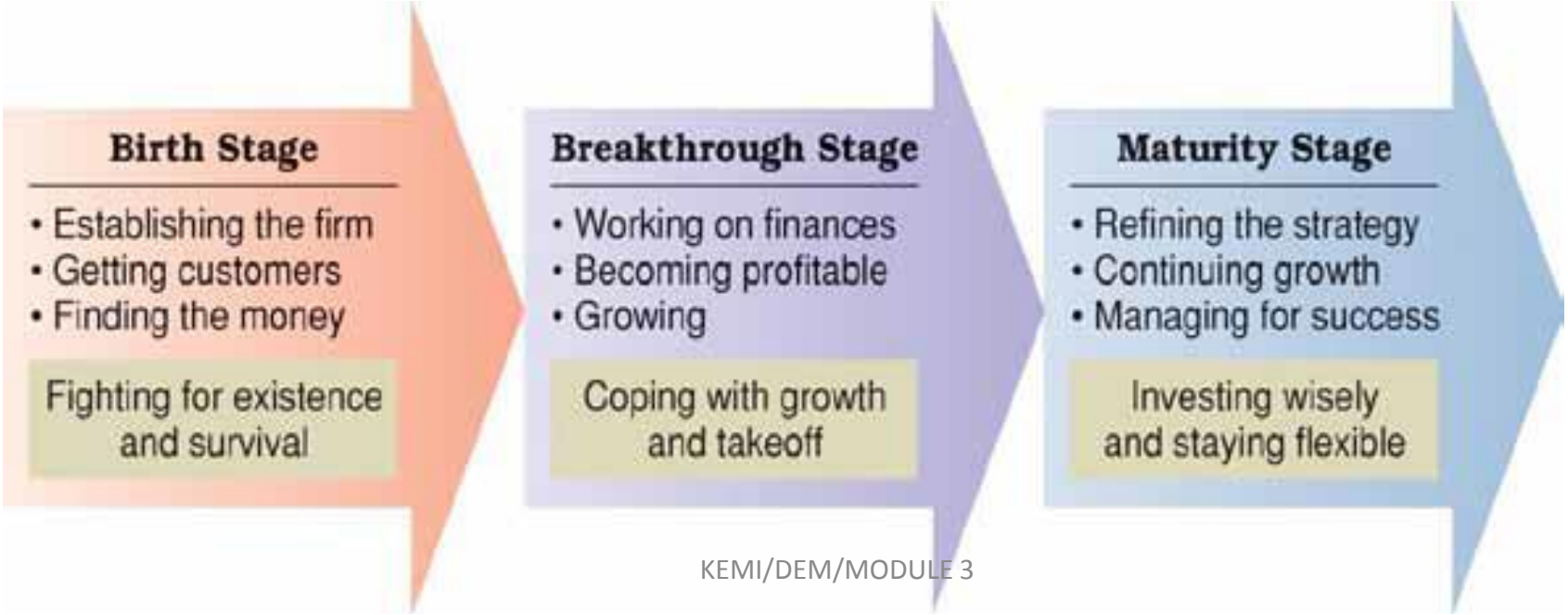
What is entrepreneurship:

- Entrepreneurship is the act of being an entrepreneur.
- It is an activity that involves the discovery, evaluation and exploitation of opportunities to introduce new goods and services.
- It is the ability to identify business opportunities, which can be transformed into successful businesses through creative and innovative processes.
- It is being in business, and growing and developing a business.
- It involves 3 basic steps:



Life cycle of entrepreneurial firms

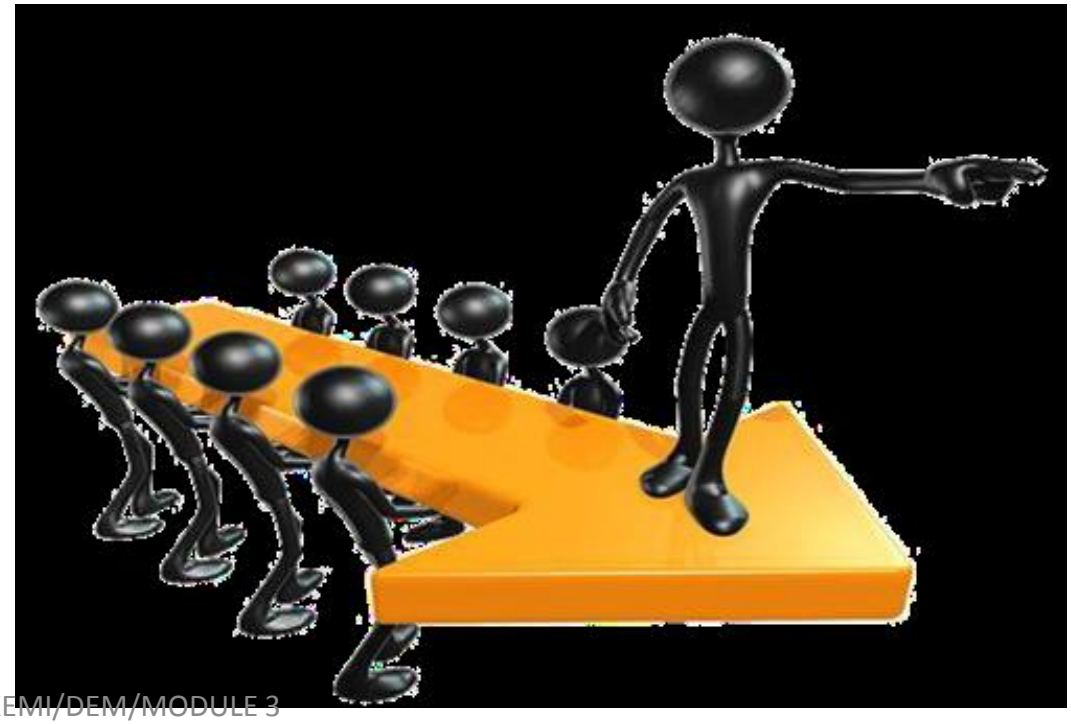
- There are three stages in the life cycle of an income generating project.
- This includes the birth stage, breakthrough stage and the maturity stage.
- These stages are illustrated below:



What are the qualities of successful entrepreneurs?

The following are distinctive traits and qualities entrepreneurs need to run and operate a successful business:

- Persistent
- Creative
- Responsible
- Inquisitive
- Goal-oriented
- Independent
- Self-demanding
- Self-confident
- Risk-taking
- Restless
- Action-oriented
- Enthusiastic



Do you have the potential to be a successful entrepreneur?

- Everyone has the potential to become an entrepreneur.
- But, if you do not feel you have the potential, and you have the desire, you can strengthen your characteristics and skills if you:
  - Read articles and books about entrepreneurs.
  - Read about individuals who overcame obstacles to achieve success.
  - Watch films about business people who are achievement-oriented.





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Benefits of Entrepreneurship

In general, these benefits include:

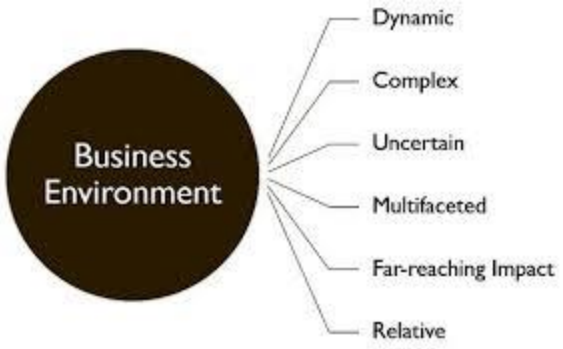
- I**ncrease in employment opportunities:** Entrepreneurship creates employment opportunities.
- **Creation of more industries:** Entrepreneurship leads to the development of more industries, especially in rural areas or regions where there are very few economic activities.
- **Income generation and fewer social problems:** Entrepreneurship leads to increased income levels hence increased tax collection and reduction of social problems such as crime.
- **Higher productivity and economic growth:** Entrepreneurship stimulates higher production and encourages the use of local materials to produce finished goods for domestic consumption as well as for export.
- **Increase in exports and less dependence on imports:** Entrepreneurship leads to the development of new markets. If we produce more, we can export products that are not sold locally

Business environment

- The business environment will have a significant impact on your income generating project.
- It is important that you understand your business environment. In this section we will look at what a business environment is and the components of the business environment.

What is a business environment?

- The business environment refers to anything that surrounds a business organization such as customers or other organizations which affect the business in one way or another.
- In other words, all the factors that may affect an entrepreneur‘s business decisions, business operations and customers‘ consumption habits.



Components of a business environment:

Business environment consists of two interrelated sub-environments:

i. Internal environment:

- These are the conditions and forces within an organization.
- They consist of all the factors that are within an organization which impart strengths or cause weaknesses of strategic nature.
- The components of the internal environment include:
  - Human resources
  - Company image and brand equity
  - Physical assets and facilities
  - Research and development
  - Technological capabilities
  - Marketing resources
  - Financial resources





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ii. External environment:

- This is everything outside an organization's boundaries that might affect it.
- This includes all factors outside the organization which provide opportunities or pose threats to the organization.
- The components of the external environment include:
  - **Economic dimensions:** the overall health and vitality of the economic system in which the organization operates.
  - **Technical dimensions:** the methods available for converting resources into products or services.
  - **Socio-cultural dimensions:** the customs, values, and demographics of the society in which the organization functions.
  - **Political-Legal dimension:** the government regulation of business and the general relationship between business and government.
  - **International dimension:** the extent to which an organization is involved in or affected by business in other countries.



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Starting an income generating project

- From your experience as an education manager, you may have noticed income generating projects are being increasingly used to supplement government education funds in education institutions.

Business ideas

- **What are the sources of business ideas?** If you want to start a business and have no idea, you need not worry. Business ideas can be generated from any one of the following sources within the business environment:
  - **Consumers:** Using formal and informal means monitor potential ideas and needs from consumers.
  - **Existing products and services:** Analyze ways to improve offerings that may result in a new product or service.
  - **Distribution channels:** Members that distribute your products or services can help suggest and market new products.
  - **Government:** New product ideas can come in response to government regulations.
  - **Research and development:** Business ideas may emerge from research undertaken.

What are the methods of generating business ideas?

- You can use any of the following methods to generate business ideas:
  - Focus groups
  - Brainstorming
  - Problem analysis
  - Problem solving





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Determining if your business idea is viable

- How can you determine whether your business idea is feasible or realistic.

i. Return on Investment (ROI):

- You need to calculate your Return on Investment (ROI).
- You need to determine the investment that you will make i.e. what it costs to make and market a product.
- You then need to identify the percentage return you want from the investment.
- The profitable objective involves pricing products to obtain a certain % return on investment.
- Your goal might be 20% ROI.



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ii. Market research:

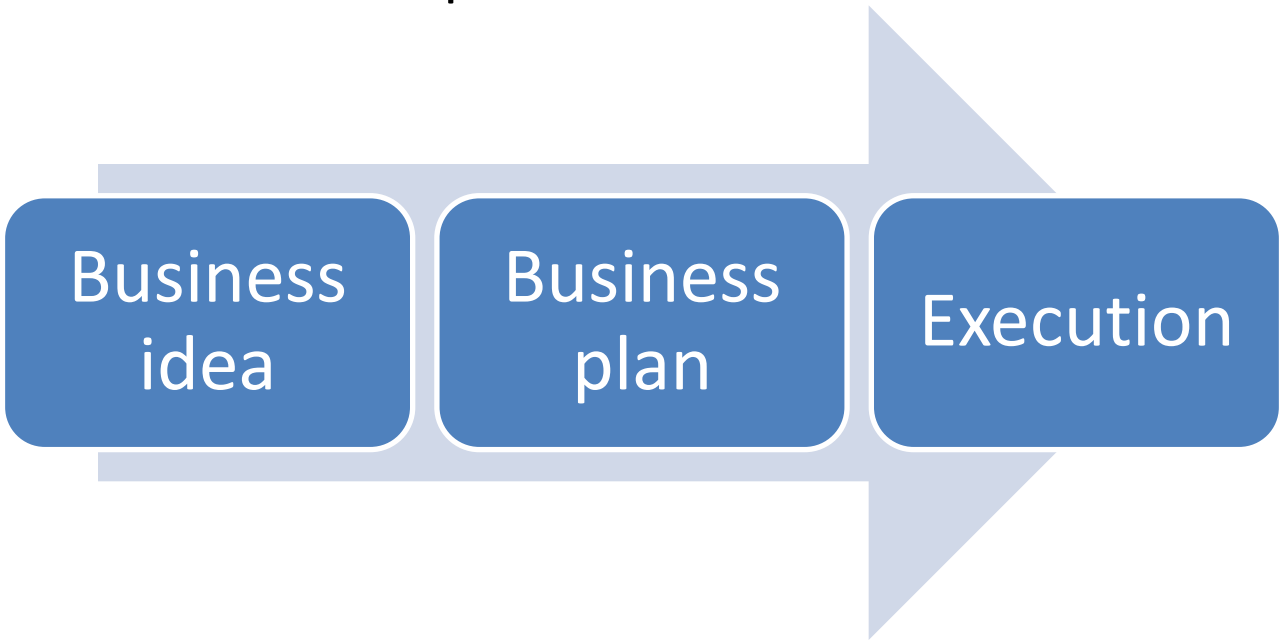
- To identify viable business opportunities in the market that you aim to serve, you need to do market research.
- Market research is the process of collecting and analyzing data relating to the demand for a good or a service in a specific market.
- It is also the systematic and objective process of generating information for aid in making marketing decisions.
- Marketing information is used to not only identify marketing opportunities but also solve marketing problems, implement marketing plans, and monitor marketing performance.



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Turning your business idea into a business plan

- When you have identified the business idea you then need to turn it into a business plan.





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What is a business plan?

- A business plan is the written document that provides all the details of the proposed business, what you want to achieve with it and how you will do that.
- It should describe current status, expected needs, and projected results of the new business.
- The business plan is the entrepreneur‘s roadmap for a successful enterprise.
- Every business should have a plan.

Objectives of a business plan:

- A business plan has the following objectives:
  - It identifies the nature and context of the business opportunity.
  - It explains how the entrepreneur will develop this opportunity.
  - It identifies the factors that will most likely determine whether the venture will be successful.
  - It serves as a tool for raising financial capital.



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Benefits a business plan :

- The time, effort, research, and discipline needed to put together a formal business plan force the entrepreneur to view the venture critically and objectively.
- The competitive, economic, and financial analysis included in the business plan subject the entrepreneur to close scrutiny of his or her assumptions about the venture‘s success.
- Since all aspects of the business venture must be addressed in the plan, the entrepreneur develops and examines operating strategies and expected results for outside evaluators.
- The business plan quantifies objectives, providing measurable benchmarks for comparing forecasts with actual results.
- The completed business plan provides the entrepreneur with a communication tool for outside financial sources as well as an operational tool for guiding the venture towards success.

How to develop a business plan

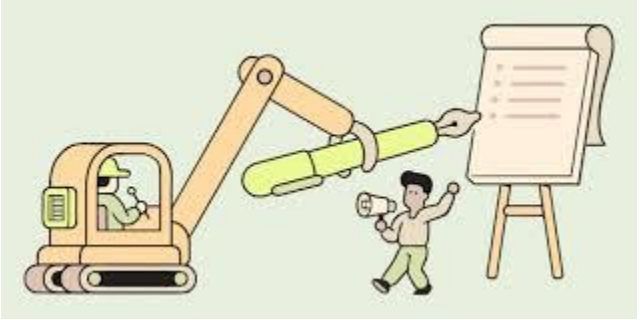
Step 1. Introduction: Briefly introduce your institution.

Step 2. Problem: State the problem or need in the market that provides a basis for your institution‘s product or service.

Step 3. Solution: Clearly and briefly describe your business product or service that will address the problem.

Step 4. Market, Customers: Indicate the management and staff and include your customers, partnerships established; and market size, growth, trends and maturity etc.

Step 5. Competitive landscape: Describe the competitions including the specific strengths, weaknesses, and opportunities related to competition. Also describe how your product, technology or service differentiates itself from the competition and your competitive advantage.





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Step 6. Business and Revenue Models: Describe the business and revenue model, the overall business strategy, marketing Plan etc.

Step 7. Management Team: Describe your team and its credentials.

Step 8. Financial Projections Funding: Provide 3-5 year financial projections for the project.

Step 9. Timeline: Provide a timeline that indicates the key milestones of the project.

Step 10. Summary: Include what you want your audience to remember about your business project.



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Marketing and production

- **Marketing concepts**

i. **Selling:** Traditionally marketing was seen as making a sale. Selling brings the product to the consumer, and is part of marketing.

ii. **Marketing**: The new view of marketing is satisfying the customer. Marketing is thus the process in which we profitably satisfy customers by providing goods and services, which the customer demanded. It is an organizational function and a set of processes for creating, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders.

iii. **Marketing orientation:** An organization that has a market orientation focuses its efforts on continuously collecting information about customers‘ needs, sharing this information across departments, and using it to create customer value.



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iv. **Market:** This refers to all people with both the desire and ability to buy a specific product. An organization can't satisfy the needs of all consumers, so it must focus on one or more subgroups, which are its target market. Therefore, the target Market is one or more subgroups that your business can satisfy.

v. **Market segmentation:** This involves subdividing a market into clear subsets of customers with similar needs. It is often used in choosing a target market.

vi. **Customer value:** This is the unique combination of benefits received by targeted buyers that includes quality, price, convenience, on-time delivery, and both before-sale and after-sale service.



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Marketing philosophies

- To guide you through the marketing process, there are key issues that you need to focus on.
- These include production, sales, marketing and societal factors

Orientation	**Activities**
Production.	Focus on internal efficiency of the business
Sales	Focus on aggressive sales techniques; high sales result in high profits.
Marketing	Focus on satisfying customer needs and wants while meeting objectives.
Societal	Focus on satisfying customer needs and wants while enhancing individual and societal well-being.

Marketing mix

- Marketing mix is the term used to describe the combination of various elements which constitute the core of a firm‘s marketing system.
- These elements include product, price, place, promotion and positioning, commonly referred to as the 5Ps.

i. **Product** - anything offered by a business to satisfy the customer’s needs or wants.

ii. **Price** - this is the monetary value of a Product

iii. **Place** - strategically placing a product within the reach of the customer

iv. **Promotion** - enable your customers know about your product, like it, and buy it

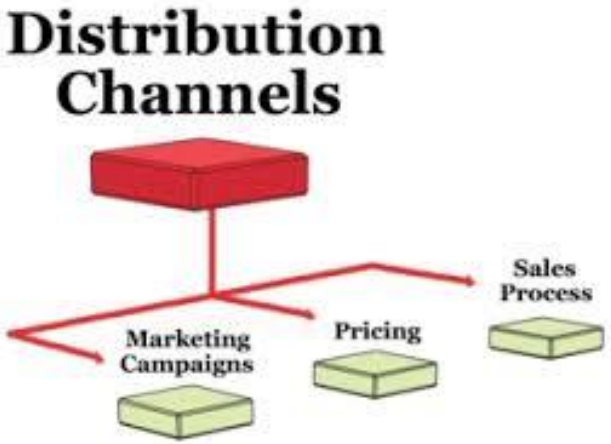
v. **Positioning** - positioning of a product in the mind of a customer



Market research

- Your market research will help you understand your customer base or your potential customer base.
- It is the first thing that an entrepreneur must do, and it should be a continuous activity.
- It is the process through which information is collected and analysed on the basis of which marketing opportunities and problems may be identified.
- It is carried out to reach a decision whether or not to start, maintain or expand an enterprise.





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Channels of distribution

- As an entrepreneur you will be expected to engage in distribution of your goods/services. Below is a description of a channel of distribution, types of distribution channels and channels of distribution.

What is a channel of distribution?

- This refers to the arrangement through which goods move from the producer to the final user/consumer.
- Every entrepreneur requires a channel that he/she can use to distribute his/her products/services to the right customers at the right time and cost.
- It consists of all middlemen/women who participate in the distribution of products and serve as a link between the manufacturer and the consumer.

Types of distribution channels:

- There are 2 different ways through which an entrepreneur can distribute products/services:

i. Direct distribution: When the producer sells goods or services directly to the customer, with no intermediaries.

ii. Indirect distribution: Involving one or more intermediaries. Intermediaries are businesses involved in sales transactions that move products from the manufacturer to the final user.





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Channels of distribution:

- There are several channels through which an entrepreneur can distribute products/services:
  - Manufacturer directly to consumer
  - Manufacturer to retailer to consumer
  - Manufacturer to wholesaler to retailer to consumer
  - Manufacturer to agents to wholesaler to retailer to consumer
  - Manufacturer to agents to retailer to consumer

Marketing plan

- A marketing plan is central to any business.
- It is through a marketing plan that you can outline your marketing efforts.
- A marketing plan does not need to be long or expensive to put together.
- If it is carefully researched, thoughtfully considered, and evaluated, it will help your firm achieve its goals.
- A good marketing plan includes these 10 elements:

1. Describe your business
2. Conduct a situation analysis using a SWOT analysis.
3. Define your customer
4. Strategize your market entry
5. Forecast your sales or demand measurement
6. Define your marketing budget
7. Integrate your marketing communication
8. Identify sales channels
9. Track marketing activities
10. Evaluate your progress



Value addition and product development

- This is the process of improving the value of a commodity through processing by changing its form, increasing its shelf life or better presentation like packaging.
- Adding value to an otherwise standard product or service can provide viable entrepreneurial opportunities.
- For example, adding value to traditional dairy farming can be done by using specialised technology to produce butter, skimmed milk, ice cream and yoghurt from milk.





Salama school has a leading food and beverage business on its farm. Its product mix includes soy products, coffee creamers, dips and dressing, pickles, sauce, ice cream, yogurt, sour cream and cottage cheese. Its fresh milk and cream product line includes regular and flavoured milks, lactose-free milk, and buttermilk.

i. Discuss the marketing strategy of the school in the context of value addition and product development.



- In this unit, we have looked at the concept of incoming generating activities and how schools can earn more revenue to supplement government grants and fees paid by parents.
- We have examined how one can become an entrepreneur and the business environment.
- We have also looked at the what needs to be done to ensure that business ideas become viable and how to effectively market the products.
- We hope can now start successful income generating activities in your school.