

Unit 11: Small Business Management; a Strategic Overview

Level: 7

Unit type: Optional

Guided learning hours: 45

Credit value: 20

Unit introduction

Learners will first explore the concept of entrepreneurship and how this supports small business success, with a focus on ethics, integrity and social responsibility. They will also examine ways an entrepreneur could establish a new business venture and the different factors they need to consider.

Without adequate and sustainable financial input, small businesses will rarely succeed. Learners will be introduced to the options for raising finance, which entrepreneurs must consider, as well as the challenges faced by entrepreneurs when trying to secure business start-up funding. Learners will also look at the need for effective financial management to make sure that the business will grow.

Learners will gain an understanding of the value of customers to a small business, how and why the customer (as the key stakeholder) should be the focus when developing the product and/or service, and how pricing strategies help to increase revenue and attract and keep customers.

Learners will also examine how the small business entrepreneur can develop and grow a business by being an effective leader, managing the business's resources effectively, including the management of risk - a key factor in small business development and growth.

Having developed an understanding of key issues that relate to small business management, learners will produce a business plan and present this plan to relevant stakeholders.

Learning outcomes and assessment criteria

To pass this unit, the learner needs to meet all the learning outcomes for the unit. The assessment criteria determine the standard required to achieve the unit.

Learning outcomes		Assessment criteria	
A	Understand the role of entrepreneurship in establishing a small business	A.1	Discuss the fundamental concepts relating to entrepreneurship
		A.2	Critically discuss the concepts of integrity, ethics and social responsibility in the context of entrepreneurship
		A.3	Critically evaluate ways in which an entrepreneur could establish and grow a small business
B	Understand how small businesses are funded for creation and growth	B.1	Evaluate current sources of finance for a new small business
		B.2	Assess the challenges presented to entrepreneurs when trying to secure start-up funding
		B.3	Evaluate the importance of effective financial management to small business success
C	Understand the importance of the customer to a small business	C.1	Critically discuss the value of building customer relationships to a small business
		C.2	Critically examine the relationship between product and/or service development and customers
		C.3	Critically discuss pricing as a strategy to attract customers
D	Understand how small businesses manage growth	D.1	Critically discuss leadership and management in relation to small business development
		D.2	Evaluate how to manage the resources of small businesses
		D.3	Evaluate how to manage the operations of small businesses
		D.4	Evaluate ways in which to manage risks that could affect small businesses
E	Be able to produce an effective business plan for a small business	E.1	Critically examine why a small business needs a business plan
		E.2	Carry out a feasibility study for a new product and/or service
		E.3	Develop an appropriate business plan for a small business
		E.4	Present an organised business plan to stakeholders

Unit content

Learning outcome A: Understand the role of entrepreneurship in establishing a small business

- *Fundamental concepts relating to entrepreneurship:* benefits and challenges of free enterprise, taking the long view, entrepreneurial qualities, competitive edge, entrepreneurial legacy, motivation, innovation versus invention, creativity.
- *The concepts of integrity, ethics and social responsibility:* challenges and benefits of acting with integrity, foundations of integrity, ethical decision making, ethical organisational cultures, social responsibility as a continual trend, social responsibility and the triple bottom line, the natural environment, green ventures.
- *Ways in which an entrepreneur could establish a small business:* innovative thinking, the business environment, broad based strategies, fixed strategies, franchising, family business, buyouts, buying an existing business, joint venture.

Learning outcome B: Understand how small businesses are funded for creation and growth

- *Current sources of finances:* debt finance or equity finance or both, banks, venture capitalists, share issue, savings, family, business angels, asset-based lenders, crowd funding, government grants and loans.
- *Challenges when trying to secure start-up funding:* age of business, adequate cashflow, interest rates, dividend rates, payback periods, economic conditions, type of product/service, levels of market demand, strength of business plan.
- *Financial management:* forecasting cashflow and profitability, setting budgets, pricing strategies, taxation, VAT, return on capital employed (ROCE), return on investment (ROI), creditor and debtor management, the balance sheet, profit and loss statements, fixed and variable costs.

Learning outcome C: Understand the importance of the customer to a small business

- *The value of building customer relationships:* customer relationship management (CRM), technology and CRM, customer service, customers as decision-makers, physiological and psychological influences on customers.
- *The relationship between product and/or service development and customers:* the 'to grow or not to grow' question, product life cycle, the total product and/or service strategy, the supply chain, legal considerations.
- *Pricing as a strategy:* pricing systems, setting a price, pricing as part of the marketing mix, penetration pricing, price skimming, service pricing, variable pricing, offering credit and the credit process, discounts and incentives, above the line and below the line promotions.

Learning outcome D: Understand how small businesses manage growth

- *Leadership and management:* leadership qualities, the entrepreneurial leader, leadership styles, ethical leadership, the professional manager, management processes, managerial responsibilities e.g. planning, controlling and delegation, personal time management, external management support.
- *Small business resources:* human resources (recruitment, selection, training and development), remuneration, incentives, asset management, tangible and non-tangible assets, technological resources, customers as advocates, finance (working capital, accounts receivable, accounts payable), suppliers as partners.
- *Small business operations:* the legal structure, business contracts, patents and intellectual property, the operations process, inventory management, quality management (e.g. TCM, six sigma, ISO 9001), purchasing strategies, lean and agile operations, production to distribution chain, location and facilities.
- *Risk management:* why and how to manage risk, personal risk, property risks, liability risks, brand/image risks, process of risk management, insuring against risk, strategic risks.

Learning outcome E: Be able to produce an effective business plan for a small business

- *Reasons for a business plan:* provide direction, raising capital, an operations guide, provide market insights (e.g. trends, competitor activity and pricing), develop a business model.
- *Conducting a feasibility study;* environmental scanning (e.g. PESTLE, SWOT), product/service feasibility, market and industry feasibility, financial feasibility.
- *Developing a business plan:* a plan should include executive summary, mission, vision, aims of the business, description of the business, opportunity analysis, marketing research and strategy, management team, critical risks, operationalising the plan, financial analysis and projections, exit strategy.
- *Presenting a business plan to stakeholders:* stakeholder mapping and analysis, determining impact and influence of stakeholders, stakeholder communications, face-to-face (e.g. formal presentation), written communication (e.g. formal written plan), using a presentation to support a written plan.

Essential information for assessors

Essential resources

There are no specialist resources needed for this unit.

Suggested assessment approach

This section must be read in conjunction with *Section 6: Assessment*.

This unit is assessed internally by the centre and externally verified by Pearson.

The table below shows the suggested approach to assessments.

When preparing the assessment for this unit, the learner should be given an Assignment brief designed by the tutor. This brief should be set in a specific organisational context, it should draw on learning from the unit, and be designed in a way that enables learners to meet all the assessment criteria.

Learning outcome	Suggested assessment approach
A Understand the role of entrepreneurship in establishing a small business	A management report of approximately 3000 words to include a reference list. The reference list is not included in the word count.
B Understand how small businesses are funded for creation and growth	
C Understand the importance of the customer to a small business	
D Understand how small businesses manage growth	
E Be able to produce an effective business plan for a small business	A business plan of no more than 1000 words to include a reference list (if appropriate). The reference list is not included in the word count. Plus, a presentation of 15 minutes duration supported by appropriate documents.

Assessment requirements

Learning outcome A

This learning outcome requires learners to engage with seminal and current literature where the focus is entrepreneurship, entrepreneurial qualities and ways in which a small business could be established. It is expected that learners will engage with research that has a more local bias, perhaps researching the role of local support groups such as a chamber of commerce. Learners need to be able to critique arguments and premises identified in the literature and research if they are to fully appreciate the principles of entrepreneurship. Learners could use this learning outcome to begin developing the strategies that will be included in the business plan (see learning outcome E).

Learning outcome B

Learners will need to understand the financial aspects of establishing and running a small business. Through this learning outcome, learners will need to determine which sources of finance are relevant to different types of small business and consider the challenges a small business will be presented with when seeking business finance. One key aspect of managing a small business is a good understanding of finance. Whilst learners will not be required to produce all types of financial statements, a cash flow forecast and break-even analysis will be required to support the business plan (see learning outcome E). It is, however, very important that the wider financial aspects of managing a small business are explored.

Learning outcome C

Reaching a target market is vital if a small business is to succeed. This fundamental principle forms the basis for this learning outcome. The learning outcome requires learners to view customers as assets where they can help inform the development of a product and/or service and inform a small business's approach to pricing. Learners need to be able to critique arguments and premises identified in the literature and research if they are to fully appreciate the concepts relating to this learning outcome.

Learning outcome D

To achieve this learning outcome, learners need to consider, from a critical perspective, the role leadership and management plays in running a small business. It is expected that learners will focus on leadership styles and attributes with an entrepreneurial bias. Learners are likely to focus on the acquisition of resources at a local level given that the unit focuses on small businesses. Similarly, consideration of operational matters is likely to be informed by national policies, practices and legislation. Whilst the concept of risk should be explored more widely, again it is likely learners will focus on risks at a local/national level.

Learning outcome E

This learning outcome draws together all learning that has taken place in the previous learning outcomes by applying a learner's knowledge and understanding, alongside their ability to produce a business plan for a small business. The business could be one that will come into existence or one which already trades. However, it is not necessary for either of these instances to be in place providing the concepts, principles and approaches are employed in developing a realistic plan.