

# Unit 29: Managing and Running a Small Business

**Unit code** F/618/5115

**Unit level** 5

**Credit value** 15

---

## Introduction

Every year new start-up businesses begin trading, but only two-thirds will survive into their third year of trading and just half will remain after five years. For most businesses, it is not a lack of customers or poor-quality products or services that are responsible for their failure but simply a lack of cash and business acumen. It is important to have a basic knowledge of managing a business and an overall understanding of the services offered to customers in order to survive.

This unit will give students a practical understanding of the key aspects of running a small business or social enterprise. Students will learn about the activities involved in running a small business, including developing good relationships with customers, planning and allocating operational resources, forecasting and budgeting, interpreting financial statements, being an employer, dealing with legislation and regulation, and how to put a business plan together.

Students will develop an understanding of how all the different aspects of running a business interrelate so as to achieve success and develop an appreciation of the benefits and importance of organisation and planning.

## **Learning Outcomes**

By the end of this unit a student will be able to:

- LO1 Explore how a small business or social enterprise plans and allocates resources to achieve objectives
- LO2 Evaluate the customer relationship management process for a small business or social enterprise
- LO3 Develop a cash flow forecast and break-even analysis for a small business or social enterprise
- LO4 Discuss the financial statements, regulation and legislation that apply to a small business or social enterprise.

## Essential Content

### LO1 Explore how a small business or social enterprise plans and allocates resources to achieve objectives

*Planning resources – premises and equipment, people and skills:*

Planning of activities in a business, to include capacity utilisation and management, identifying resources and skills needed to develop appropriate job specifications.

*Being an employer:*

Organisation structures applicable to the business purpose and stage of organisation growth.

Establishing an appropriate organisational culture.

People management, including recruitment and retention, performance management and team building.

Use of outsourcing, networks and external advisers.

Understanding key aspects of employment legislation relevant to a small business, e.g. equality and diversity.

*The business plan:*

Effective articulation of the vision, goals and objectives.

Key components of a business plan.

The key components of a business plan needed when securing an overdraft or bank loan.

Project management techniques, including use of Gantt charts and critical path analysis.

## LO2 **Evaluate the customer relationship management process for a small business or social enterprise**

### *Building customer relationships:*

Customer value, acquiring and retaining customers.

Developing effective channels for customer communications and customer care programmes.

Digital channels and platforms for effective customer relationships, e.g. mobile devices, social media platforms, online chat and forums for real time responses, online testimonials and ratings.

Value of customer experience mapping and touch point analysis.

### *Customer relationship management and transnational sales:*

Benefits of transnational sales.

Dealing with transnational customers.

Preparing to sell and source transnationally, application of the stage model of internationalisation.

The process of exporting and key considerations.

## LO3 **Develop a cash flow forecast and break-even analysis for a small business or social enterprise**

### *Sources of finance for start-up and small businesses or social enterprise:*

Different sources of finance available, e.g. personal savings, equity finance or loans from family and friends, bank loans and overdrafts, leasing and hire purchase, invoice factoring, business angels, crowd funding.

### *Cash flow forecast and break-even analysis:*

The cash flow statement and why it is needed for business.

The three activities (operating, investing and financing) sections of the cash flow statement.

Tracing cash from beginning, projected inflows, projected outflows and ending.

Detailed itemised monthly cash flow forecasting, showing fixed and variable costs set against income.

Calculating break-even point and analysis.

'What-if' sensitivity analysis.

**LO4 Discuss the financial statements, regulation and legislation that apply to a small business or social enterprise.**

*Financial statements for a small business or social enterprise:*

The key financial statements required for a small business and how to interpret them.

The difference between profit and cash, and the vital importance of cash flow for a small business/social enterprise.

The elements of working capital and how to manage cash flow effectively.

*Legal and regulatory issues:*

The legal and regulatory issues applicable to a small business or social enterprise in the country in which it is registered.

Legal requirements for record keeping, tax and employment, health and safety, insurance, data protection and cybersecurity measures.

Examples of regulatory issues that may apply to different business types, different products or services and different localities, such as environmental and waste regulations, professional practice guidelines, local planning restrictions.

The potential sources of information to determine applicable regulation.

## Learning Outcomes and Assessment Criteria

Pass	Merit	Distinction
<b>LO1</b> Explore how a small business or social enterprise plans and allocates resources to achieve objectives		<b>D1</b> Critically analyse the application of appropriate resources to demonstrate links between resource allocation and achievement of business objectives.
<b>P1</b> Discuss the main considerations that a small business or social enterprise needs to address when planning and allocating resources to achieve business objectives.	<b>M1</b> Analyse the importance of planning and allocating appropriate resources to achieve business objectives.	
<b>LO2</b> Evaluate the customer relationship management process for a small business or social enterprise		<b>D2</b> Provide recommendations for overcoming challenges in the customer relationship management process and enhancing the customer experience.
<b>P2</b> Evaluate the effectiveness of a customer relationship management process for a small business or social enterprise in reaching, retaining and supporting customers.	<b>M2</b> Critically evaluate the elements of the customer relationship management process in relation to achieving business objectives for national and transnational sales.	
<b>LO3</b> Develop a cash flow forecast and break-even analysis for a small business or social enterprise		<b>D3</b> Provide a cash flow forecast and break-even analysis that measure financial health and profitability to predict future cash flow and budgeting.
<b>P3</b> Produce a cash flow forecast and break-even analysis for a small business or social enterprise, covering projected income and expenses.	<b>M3</b> Provide a detailed cash flow forecast and break-even analysis that determine the break-even point for profit.	
<b>LO4</b> Discuss the financial statements, regulation and legislation that apply to a small business or social enterprise.		<b>D4</b> Critically evaluate key financial statements, legislation and regulations, taking future developments and changes into account.
<b>P4</b> Examine key financial statements, legislation and regulations that have implications for small businesses or social enterprises.	<b>M4</b> Evaluate how key financial statements, legislation and regulations have implications for small business or social enterprise.	

## Recommended Resources

### Textbooks

BLANCHARD, K., ONCKEN, W. and BURROWS, H. (2015) *The One Minute Manager Meets the Monkey*. London: Harper Collins.

BURNS, P. (2016). *Entrepreneurship and Small Business: Start-up, Growth and Maturity*. 4th Ed. Basingstoke: Palgrave Macmillan.

BURNS, P. (2018) *New Venture Creation: A Framework for Entrepreneurial Start-ups*. 2nd Ed. Basingstoke: Palgrave Macmillan.

RIDLEY-DUFF, R. and BULL, M. (2019) *Understanding Social Enterprise: Theory and Practice*. Sage Publications Ltd.

### Websites

<a href="http://www.entrepreneur.com">www.entrepreneur.com</a>	Entrepreneur (General reference)
<a href="http://www.entrepreneurhandbook.co.uk">www.entrepreneurhandbook.co.uk</a>	Entrepreneur Handbook (General reference)
<a href="http://www.forbes.com">www.forbes.com</a>	Forbes Small Business Entrepreneurs (Articles)
<a href="http://www.isbe.org.uk">www.isbe.org.uk</a>	The Institute for Small Business and Entrepreneurship (General reference)

### Links

This unit links to the following related units:

*Unit 9: Entrepreneurial Ventures*

*Unit 16: Managing the Customer Experience*

*Unit 27: Identifying Entrepreneurial Opportunities*

*Unit 28: Launching a New Venture*

*Unit 53: Planning for Growth*