# Business and Entrepreneurship – Finance, Staffing and training

# 1 of 28 - Welcome

Welcome to this session on finance, staffing and training.

In this session we will be covering:

* Financial considerations when starting a business
* Sources of start-up finance
* How to hire the right people
* Staff training and plans

# 2 of 28 - Start-up costs – part 1

Before starting any new business, the entrepreneur must have a firm grasp of start-up finance and where it will come from. There will be many factors to consider before they embark on their plan. They need to work out how much money they will need to take their project forward and the source of that money.

Watch the following video about startup cost categories:

<https://www.youtube.com/watch?v=6y-FqmKkNJE>

If you were to start up a house cleaning business, how much money do you think you would need for the **first 3 months**? Look around on the internet to see how much these things cost and how much you think you might need for 3 months of supplies.

(could be downloadable interactive PDF?)

* Vacuum cleaner:
* Brushes:
* Bin bags:
* Cloths:
* Dusters:
* Cleaning materials; bleach, sprays etc:
* Uniform/protective clothing:
* Rubber gloves:
* Advertising:
* Van:
* Laptop and accessories:
* Stationery:

# 3 of 28 – Start-up costs – part 2

You will realise from looking at the previous example,

It is not easy to work out how much money a business venture will require initially. Even if the entrepreneur spends a lot of time deciding on initial start-up finance, they can often get it wrong.

It is essential that the entrepreneur does an initial calculation, they can always amend it if things change.

The entrepreneur should research these costs, there is a lot of information available to help.

# 4 of 28 – Start-up costs – 6 categories

Costs for business startup can be split into six categories:

**Cost of sales**:  Product inventory, raw materials, manufacturing equipment, shipping, packaging, shipping insurance, warehousing

**Professional fees**:  Set up a legal structure for your business (e.g. LLC, corporation), trademarks, copyrights, patents, drafting partnership and non-disclosure agreements, lawyer fees for ongoing consultation, retaining an accountant

**Technology costs:** Computer hardware, computer software, printers, mobile phones, website development and maintenance, high-speed internet access, servers, security measures, IT consulting

**Administrative costs:** Various types of business insurance, office supplies, licenses and permits, express shipping and postage, product packaging, parking, rent, utilities, phones, copier, fax machine, desks, chairs, filing cabinets – anything else you need to have on a daily basis to operate a business

**Sales and marketing costs:** Printing of stationery, marketing materials, advertising, public relations, event or trade show attendance or sponsorship, trade association or chamber of commerce membership fees, travel and entertainment for client meetings, mailing or lead lists

**Wages and benefits**:  Employee salaries, payroll taxes, benefits, workers compensation

To see an example of start-up cost spreadsheet, open up the attached spreadsheet. (see doc start up costing sheet)

# 5 of 28 – Assets

You have worked out how much you need to start your business, but where do you get the money? How do you finance a new business?

There are 7 ways which we will look at financing:

1. Your assets
2. Angel investors
3. Friends & family
4. Credit cards
5. Bank loans
6. Social lending
7. Grants

**Your Assets**

Around 70% of start-up financing comes directly from the pocket of the business owner. You might sell items that you don't need or auction your grandmother’s jewellery and antiques. You could sell your car or downsize to a smaller home.

If you are a homeowner, you might borrow from the bank, using your house as collateral. This does come with risk if you fall behind on payments, the bank could take your home.

**Angel Investors**

* Angel investors are successful businesspeople who finance new businesses that they think have high growth potential.
* The money from an angel investor is not a loan. It's an **equity investment**. An equity investment buys the investor a share in the ownership of the company. If you accept money from an angel investor, you're also giving up partial control of your new business. An angel investor will ask for at least a 10% stake in your business but could go as high as 50% for a riskier start-up.
* Think about the Dragon’s Den program, these are angel investors.
* As it is not a loan, you have no monthly payments, but you will have to give up a portion of your profits.

**Friends & Family**

* If you ask family and friends for money, make sure it's a loan, not an equity investment.
* If you allow friends and family to own a legal stake in your business, then it can be difficult. Legally, you'll have to run every major business decision by them first and they can sue if you don't consider their opinion.
* A loan from a family member tends to be cheaper than traditional loans. However, make sure you get everything in writing. It will make both sides feel more secure and rule out any potential legal problems later.

**Credit Cards**

* Credit cards can be a good source of capital, they are simple to arrange and manage. However, they can carry very high interest rates. To make the most of interest free credit cards, you need to remain on top of terms and conditions to avoid paying interest or late payment charges.

**Bank Loans**

* Bank loans are a very traditional way to finance a small business venture but can be very difficult to get. Banks are looking to supply big loans to maximise their cash flow. Most banks require a completed, accurate business plan along with all of the relevant application paperwork.
* There are different types of bank loans and you need to research the best one to fit your business needs.

**Social Lending (crowd funding)**

* Using the Internet to apply for a loan from an individual, has become popular; social lending. There are dedicated social lending web sites where individuals can apply for loans from other individuals. The two parties set their terms and the web site acts as the intermediary.

 **Grants**

* A grant is a sum of money given to an individual or business for a specific project or purpose. They tend to be supplied by the government.
* A grant usually covers only part of the total costs involved. However, as long as you keep to any conditions attached to the grant, you will not have to repay it or give up shares in your business.
* Grants may be linked to business activity or a specific industry sector. Some grants are linked to geographic areas, such as those in need of economic regeneration.

# 6 of 28 – Question 1

Drag and drop
Can you match these investment types to their descriptions?

**Angel investors** are successful businesspeople who finance new businesses that they think have high growth potential.

**Bank loans** they are a very traditional way to finance a business venture but can be very difficult to get.

**Social Lending (Crowdfunding)** - using the Internet to apply for a loan from an individual, has become popular; social lending.

**Grants** a sum of money given to an individual or business for a specific project or purpose. They tend to be supplied by the government.

**Credit cards** can be a good source of finance, they are simple to arrange and manage. However, they can carry very high interest rates.

# 7 of 28 – Question 2

Choose the correct answers

Which of these are included in the 6 categories for business start-up costs?

1. Administrative costs
2. Wages and benefits
3. Lunch costs for staff
4. Professional fees
5. Technology costs

The correct answer is a,b,d,c: administrative costs, wages and benefits, professional fees and technology costs. The other 2 not stated are cost of sales and sales and marketing costs.

# 8 of 28 – Recruitment

As an entrepreneur, you have a great business idea and many skills that can be used to run that business.

However, entrepreneurs often need to employ staff with expertise that they don’t have themselves.

You understand what your business needs, but how do you go about securing the best staff to assist you in your business venture?

Do you employ friends and family, or do you search methodically for employees with the best skill set to fit your plan?

This session will guide you through things you could consider, you may not feel ready to recruit staff yet, but this will give you a valuable insight into the process and things to think about.

# 9 of 28 – Job Analysis

First of all, and when you reach this stage, you need to look at what your business needs in terms of staffing. You need to understand your own work skills and what areas of the business you need others to step in and assist. You need to look at the business and tasks required objectively and work out the tasks that need done and then decide on the skills needed to carry out those tasks.

**JOB ANALYSIS** is the process of collecting, analysing and setting out information about the job under specific headings.

1. Firstly, make an initial list of the tasks that are required to run your business.
2. Decide the ones which you will carry out by yourself.
3. That should leave other job roles that you will then have to fill.
4. You would then need to go through the process of putting more detail around each of the job roles that you have identified.

The tasks that make up the job should be listed, and a determination made concerning the skills, personality characteristics, educational background and training necessary for successfully performing the job.

You should now have a comprehensive list of requirements of the job.

# 10 of 28 – Advertising a job

Once you have a list of the requirements of the job, you will need to look for potential candidates, who will be suitable for that job. You will need to advertise the position/s that you need to fill.

Think about how organisations advertise jobs. Where might they do this? Click to reveal

* Recruitment agencies
* Job centres
* Advertising – local/national press; professional, specialist or technical journals.
* Media – local radio; television; the Internet.
* Word of mouth (personal recommendations)
* Networking
* Head-hunters
* Waiting lists or speculative queries
* Open Days
* Liaison with schools/colleges

# 11 of 28 – Selection

You have advertised the job and have asked potential candidates to contact you using one of the following methods:

* Resume or CV
* Application Form
* References
* Online questionnaire

You need to decide on the best method of response from candidates.

* Which will give you the most information?
* Which will save you time while analysing?
* Which allows you to compare candidates?
* Which will best assist you in choosing the best candidate for the role?

You should now have a list of candidates that you would like to interview for the position.

# 12 of 28 – Interview – face to face

Doing a face to face interview with a potential candidate has many advantages. The candidate or interviewee might feel comfortable in face to face interviews and speak more openly and give more information in terms of open-ended questions. Face to face interviews may provide a relaxing, less formal environment for the candidate so they may feel less self-conscious.

The interviewer has the opportunity to obtain detailed information about the candidate’s feelings, perceptions and opinions. They can also ask more detailed questions and clarify ambiguities and press for full answers or follow up on incomplete answers.  The interviewer may also use precise wording and tailor it to each candidate and clarify certain questions as requested by each candidate.

Information in a face to face interview is detailed and systematic. The interviewer has the opportunity to observe the candidate’s facial expressions and body language which in turn will give the interviewer a clearer indication of the candidate’s true feelings. and thus, can pass a clearer and stronger judgement of the candidate as they are face to face and thus present real time advantages.

The use of these social cues, such as voice, intonation, body language, facial expressions, can give the interviewer a lot of information that can be added to the verbal answers given by the candidate. There is also no significant time delay between question and answer; the interviewer and interviewee can directly react on what the other says or does.

# 13 of 28 – Interview - tests

TYPES OF TEST

* Ability and/or aptitude – how well you perform?
* Intelligence – measuring intelligence
* Personality – will you fit in?
* Psychological – measuring feelings?
* Psychometric – measures ability and personality

The principle behind personality tests is that it is possible to quantify personality characteristics by asking about feelings, thoughts and behaviour. Personality has a significant role to play in deciding whether the candidate has the enthusiasm and motivation that the employer is looking for and whether they are going to fit in to the organization, in terms of personality, attitude and general work style.

Personality tests can be applied in a straightforward way at the early stages of selection to screen-out candidates who are likely to be unsuitable for the job.

# 14 of 28 – Question 3

Drag and drop to complete the paragraph about face to face interviews.

The interviewer has the **opportunity** to obtain detailed information about the candidate’s feelings, perceptions and **opinions**. They can also ask more detailed **questions** and clarify ambiguities and press for full answers or follow up on **incomplete** answers.  The interviewer may also use **precise** wording and **tailor** it to each candidate and clarify certain questions as requested by each candidate.

# 15 of 28 – Training

You have interviewed the candidates and decided on the best person for the role. When they start with the organisation, they may need some training to ensure they are equipped to carry out the role.

Training involves guiding or teaching someone to do something by providing them with a planned programme of exercises or activities. Training develops the skills and knowledge of employees to help them to do their jobs better and prepare them for more demanding jobs in the future.

Training should be a rewarding process. If employees can do their jobs well, they will feel more confident in their abilities and enjoy their work more this leads to better job satisfaction. Training helps those being trained and the organisation they work for.

The right development and education, at the right time, provides big payoffs for the employer in increased productivity, knowledge, loyalty, and contribution.

# 16 of 28 – Benefits of training

|  |  |
| --- | --- |
| BENEFITS FOR STAFF  | BENEFITS FOR THE BUSINESS |
| Enhanced career progression following training | Flexibility of operations - due to variety of staff skills |
| More able to do the job and gain greater job satisfaction | Efficiency - as skilled staff will be more productive and therefore cheaper |
| Improved morale from increased productivity across the organisation | Competitiveness - due to flexibility and efficiency’s lower costs |
| Increased enthusiasm and motivation | Improved employee satisfaction - which improves output |
| Sense of being valued and invested in by their employer  | Better public image - which can win customers and good staff |
| Greater confidence |  |

# 17 of 28 – Staffing and finance

A mistake that a lot of organisations make initially is to take on lots of staff, as they think this is what their business needs.

If they take the time to work out the staffing levels required and where those staff should be allocated, it will cut down on time and money in the longer term. They need to come up with a human resource plan that will sustain them through start up, product/service launch and maintenance of their business.

They need to look at the areas that need staff and what type of skills and abilities that those staff need to make the business a success.

# 18 of 28 – Staffing and finance - example

For example:

You have just opened a small café and are trying to decide how many staff you will need. You opening hours are: Sunday – Thursday: 11 am till 7 pm Friday and Saturday: 11 am till 11 pm What type of information would you need to consider when making staffing decisions?

Click to reveal some thoughts.

* Type of food being sold.
* Do I need a qualified chef or someone with food preparation skills?
* Skills of the staff.
* Friday and Saturday are long shifts, would I need to split this into 2 shorter shifts on each day?
* When will be the busiest times for the café?
* How will I cover staff breaks?
* Will I be available to help at every shift?
* If I am hiring staff, should they have other skills like:
* Telephone skills
* Computer skills
* Stock ordering skills

This is obviously a very simplified example compared to employing staff for a large organisation. However, the same principles still apply, the owner/management team need to work out how many staff they will need, based on the requirements of the business.

And as we have already covered, once staff have been recruited, it is the duty of the organisation to provide training to the staff.

# 19 of 28 – Staff planning

Many businesses will at some point require additional staff. This could be for a number of different reasons. One example is a sole trader who has experienced an increase in demand and can no longer deal with the workload on their own.

Good planning in relation to employing staff can help avoid employment problems further down the line if it is done correctly. It is important to try to anticipate employment needs not just for next week or month, but for next year and if possible, for still further ahead. The number of staff needed by a business at any one time may fluctuate for a number of different reasons.

For example (click to reveal):

Employment needs vary throughout the year, for example, a travel company will be subject to peaks in demand at certain times in the year such as during the summer or a retail company will require more staff over the Christmas period

Demand can vary over a weekly or even daily period. For instance, a shop may find that it needs more staff on a Saturday or over the lunch period

A business has just received an order for more products, for example, a factory has been asked to produce more bottled water and requires more staff in order to do this

# 20 of 28 – Poor planning

Poor planning in relation to staffing can lead to a number of problems for the business. For this reason, a business should take proper time to forecast its staffing requirements.

The costs of overstaffing are often substantial, particularly to a small firm. A business will end up paying wages it does not have too plus staff may become bored and lack motivation if there is not enough work to keep them busy

Not enough employees to meet demand can mean lost sales opportunities and revenue. Staff may also feel over-worked and stressed which could result in increased sickness absence.

Understaffing can also lead to poor levels of customer service if staff feel stretched and over worked

# 21 of 28 – Workforce planning

The process of ensuring a business has the right number of people with the right skills in the right place at the right time is known as **workforce planning.** This process ensures that a business is able to meet its short and long-term objectives.

Once the decision has been made to employ staff, as we have already covered, it is important to do this correctly.

For some organisations, employing people may seem a straightforward activity of recruiting them and then setting them to work. However quite often insufficient time and resources is given to the recruitment process.

If handled badly, employing people can cost the employer time, money or lost profitability as a result of:

* recruiting employees who are unsuitable
* providing inadequate training
* low morale and motivation
* high absence levels and turnover of employees
* ineffective management and supervision

# 22 of 28 – Working practices

Most modern businesses will now offer a number of different working practices. This can help keep staff motivated, more productive, reduce staffing costs and help employees achieve a better work-life balance.

|  |  |
| --- | --- |
| Job Share | Where a full time job can be shared by two or more people. Employees have the same rate of pay and are entitled to the same contractual benefits. |
| Flexi Time | Employees vary their start and finish time so long as they complete a minimum amount of hours per month. Employees must be present during Core Times, such as early morning, or lunch times  |
| Teleworking | This allows employees to work away from the office but using ICT to keep in contact. Best for employees who are always on the move, such as a travelling salesperson  |
| Full Time | Employees are required to work a set number of hours per day or week. Traditionally 0900 hours till 1700 hours, 5 days per week.   |
| Hot Desking | A number of desks are setup and shared between employees. Employees do not have their own desk, but instead they use any desk available. This saves the organisation space.  |
| Part Time | This is working less than full time hours; times are arranged between the employer and employee. For example, working 3 days out of the 5  |
| Homeworking | This is where employees work from home using ICT. However, this can be very isolated, where there is a lack of social contact with workmates.  |

# 23 of 28 – Paying staff

Pay is probably the most important part of the relationship between an organisation and its employees for a number of different reasons:

* it is a major part of most firms’ costs
* it is a major factor in attracting and retaining employees
* it can affect how employees work
* it can lead to conflict between employers and employees.

When employing new staff, an organisation must decide what to pay its staff. What factors might they need to take into account? Click to reveal

* What the business can afford
* What pay rates are going to attract suitable candidates
* What pay rates have been agreed between the organisation and employee representatives / trade unions
* What rates will retain employees – pay rates need to be competitive so employees don’t leave in search of better wages
* What businesses have to legally pay staff – this includes national minimum wage rates and living wage rates

# 24 of 28 – Staff training

Training new and existing staff can make employees more effective by improving their performance.

Induction training will help new recruits fit into the organisation quickly and easily. It helps new employees to understand:

* What is the job and how does it fit into the rest of the organisation?
* New recruits should be introduced to other employees where appropriate.
* What are the terms and conditions of employment and in particular how, when and where do employees get paid?
* Who will be ‘in charge’? The new recruit’s immediate boss should always be involved in the induction process.
* What are the company rules? In particular, new recruits need to know the rules on safety and whether there are any special hazards.
* Where are the cloakrooms, toilets, canteen, staff room etc.

# 25 of 28 – Question 4

Drag and drop to match the definition to the types of working practice:

Flexi Time

Employees vary their start and finish time so long as they complete a minimum amount of hours per month. Employees must be present during Core Times, such as early morning, or lunch times

Teleworking

This allows employees to work away from the office but using ICT to keep in contact. Best for employees who are always on the move, such as a travelling salesperson

Full Time

Employees are required to work a set number of hours per day or week. Traditionally 0900 hours till 1700 hours, 5 days per week.

Hot Desking

A number of desks are setup and shared between employees. Employees do not have their own desk, but instead they use any desk available. This saves the organisation space.

Part Time

This is working less than full time hours; times are arranged between the employer and employee. For example, working 3 days out of the 5

Homeworking

This is where employees work from home using ICT. However, this can be very isolated, where there is a lack of social contact with workmates.

#  26 of 28 – Question 5

Decide if you think the statement is true or false:

Good planning in relation to employing staff can help avoid employment problems further down the line if it is done correctly

1. True
2. False

The correct answer is a: True

# 27 of 28 – Question 6

Select the correct answers

Which of the following are contained within a job description?

1. The job title
2. To whom the job holder is responsible
3. A description of the roles and responsibilities
4. The minimum qualification requirements
5. Essential skills required

The correct answer is a,b,c: the job title, to whom the job holder is responsible, and a description of the roles and responsibilities. The minimum qualification requirements and essential skills would be included within the person specification.

# 28 of 28 – End

Well done. You have completed this session on finance, staffing and training.

In this session we have covered:

* Financial considerations when starting a business
* Sources of start-up finance
* How to hire the right people
* Staff training and plans

If you have any questions about the topics covered, please make a note and discuss these further with your tutor.