

# **Financial Management For Future Entrepreneur**

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## **Part 1. Start Your Business**

This section describes the steps to represent starting a business or business from scratch, assuming the reader has never done business or owned a business at all.

# **Chapter 1. Know What You Have Now**

## **1.1. Review What You Have Now**

Many people are confused about where to start a business. A strong desire to start a business is accompanied by confusion about where to start.

If you experience something like this, you should sit down for a moment. Clear your mind, Calm down, take a deep breath, and exhale.

No need to go far ahead and start everything off perfectly. Understand we're just getting started. Understand all the required processes. Can dream as high as you want. However, don't forget to come back to reality.

Understand the reality of the moment. Understand what you want to achieve. Understand your biggest dreams that you really want to fulfill. But don't forget today. Don't forget the moment and don't forget what you already have now.

Be patient, calm your mind. Inhale and exhale. Please close your eyes, imagine, feel, express within yourself that you will achieve it. Think and imagine what you really want to manifest. Believe that you can make it happen. But, be patient....

Everything needs a process. Return to your current position without forgetting your big dreams. But believe you can achieve it.

Are you still closed at this time?

Suppose you want to close your eyes and feel happy by feeling your big dreams come true and manifest until they feel genuine. Close your eyes, think, believe, and feel as if your dream is real. Keep doing this until you feel delighted and get new energy to be ready to start.

Please do it again until you get a new spirit to start. Take your breath. Open your eyes. And look around you.

Take a piece of paper. Write down what your dream is and when you want to achieve it. Believe you can achieve it.

Write down all your dreams. Then come back to reality. Look around you. What do you have now?

Don't focus on what is lacking but focus on what is already there.

Write down what you have right now that might support you. Maybe yourself with your smart brain and your creativity. Maybe your best friend. Maybe your parents or your brothers and sisters.

Focus on what you have now. Now, imagine when you lost them, what you felt. Understand that the most valuable person in your life is leaving.

Feel the pain, feel the pain, feel all the pain you felt when those you loved left. Suppose you feel sad if you feel angry. Close your eyes. Imagine what you want to do for them. Imagine how you would feel when you made them happy.

If you feel better, that is the basic capital in the business, which is to feel what you feel and feel for what might happen to other people.

The most valuable asset that cannot be lost from yourself is yourself. Now respect yourself, imagine your dreams, write down what is great, and cool about you.

Could you write it down on a piece of paper? Write down what you already have that might help achieve your dreams. Maybe your old guitar. Or your old computer, or your dad's legacy shoes.

Appreciate what is now. Then you will be able to appreciate what you get afterward.

Understand what you have now. Understand what supports you to achieve your dreams in the future that you already have now. Write, feel, appreciate, accept, and be prepared to get strength from whatever you already have and consider valuable. Never judge something from material nominal but appreciate anything that might help you achieve your dreams.

There are no rich and poor there are only different conditions. When you feel you have no money or go bankrupt. Calm down; it is not attached to you forever. You're not poor just in a cash-strapped situation.

Likewise, when you have a lot of money or possessions. Relax, don't feel great just yet. You're not rich just in the situation of having lots of possessions.

Rich and poor are only perspectives. There are only humans in different situations. So that wealth and property do not affect you.

When you are in a shortage of money, understand and accept that you are in a situation shortage of money. You have to plan anything to achieve your dreams with your current condition, which means that every minute ahead is your chance to make things better.

Likewise, when you are at a large profit, a lot of money and wealth. Be patient first, don't be careless because everyone can be in a different position. Understand that you have been in a sufficient condition in wealth. So, take control of your assets, manage your assets well, and invest them carefully. Because every minute or even second in the future of your present is an opportunity for you to make yourself better, and if you let your guard down, it can threaten you to lose what you have now.

Understand what you have now. Understand your current situation, accept respect, and be prepared to change for the better because every second in the future from your

present is your opportunity as well as your threat in realizing your dreams. Understand, accept, and write.

## **1.2. Do you have a team or work with your self?**

Return to self-understanding in the previous section. A fundamental question. Do you have someone you can trust as teamwork that can support you?

Get to know your friends. However, if you don't have friends, it doesn't matter. You have yourself as your friend. If you don't have friends you can trust as partners, it's fine. You can make yourself your partner because you are human.

Building teamwork can develop quickly, but it has weaknesses, namely differences of opinion and good communication are needed to build a team. However, if you have enough social capital to direct your friends as solid teamwork, you can count on them to help you achieve your dreams. However, if you don't have people you can trust in your business. You can start with yourself and build a business starting with you.

### **What Is Social Capital?**

The term social refers to the positive interactions of human interactions (Sakhi, 2020). Positive results may be tangible or intangible and can include useful information, innovative ideas, and future opportunities.

Social capital can describe the contribution to organizational success that can protect personal

relationships and networks, both inside and outside the organization. It can also be used to describe personal relationships within the company that help build trust and respect among employees, leading to improved company performance.

### **Understanding Social Capital**

Social capital allows a group of people to work together effectively to achieve a common goal or goal. It allows communities or organizations, such as corporations or non-profits, to function together through shared beliefs and identities, norms, values, and interrelationships. Put, social capital benefits society as a whole through social relationships. Thus, the study of how social capital works or fails to work includes the social sciences.

Social capital can describe civic and social responsibility or how community members work together to live harmoniously and together. When used in this context, the definition is purely social without any financial implications.

But the term can have different meanings depending on how it is applied, including in business terms.

In fact, social capital is no longer narrow and local. This concept is usually used to describe relationships that help contribute to business success.

Social capital is arguably as valuable as financial or human capital. Networks, the use of the internet are prime examples of how social capital works in a

business sense. It allows professionals to form social and often global relationships in many variations.

### **Types of Social Capital**

Researchers look at two main forms of social capital. Bonding refers to social capital created in groups with common interests and goals. Environmental associations are a good example of how bonding works. On the other hand, bridging is the creation of cross-group social capital. When bridging is successful, individuals in two groups find common interests and goals and work together to achieve them. The environmental association associated with the local police department is an example of how bridging works.

The internet has revolutionized social capital, effectively creating an infinite number of social connections suitable for every occasion. For example, Airbnb, Uber, and eBay users can use social capital to make choices based on past user reviews.

The same people contribute to social capital by leaving their reviews later. Companies that own websites use reviews as an essential component of their quality control program.

Social networking sites like Facebook strengthen bonds based on personal interests, such as hobbies, past experiences, hometown sharing, or previous companies.

Social media is also a major social capital source for small business owners who can present their products

and services online as effectively, if cheaper, than large companies.

### **Side Effects of Social Capital**

Many people believe that any organization's success, whether it is society as a whole or a particular group, depends on the available level of social capital. This is why social capital is always associated with positive change. But that's not always true. Although there are distinct advantages to social capital, it can be used for manipulative or destructive purposes.

Dangerous groups, such as gangs and drug cartels, often use social capital to strengthen bonds within the group and recruit new members. Likewise, a group of corporate executives may collude to manipulate and market prices to drive out competition. The emergence of such groups can reduce the social capital of a neighborhood or city as a whole. Residents and businesses are suffering, and potential customers avoid the area.

For those of you who feel alone and have no friends

It doesn't matter if you are alone and prefer to be alone. A loner like you must have advantages that others don't know.

Loners tend to prefer to create their own world and make other people happy in their own way. There's nothing wrong with being alone and more comfortable being alone.

Use your solitude as your strength to focus more on completing what you pioneered. Everyone is different; some are popular; some are happy to be alone. So there is nothing wrong with no one who is trusted and alone.

As long as you feel comfortable, you have ample opportunity with the internet. Many hackers prefer to be alone and achieve what they dream of, and it is not always related to something harmful.

You can focus on doing what you want to do. And you can focus on what you want to develop. Whoever you are, no matter how quiet your world is. I'm here to tell you that you are valuable.

Apart from social capital, there are other, no less valuable assets that you can maximize for your success. There is an intellectual capital that enables you to create many things with your world. But learn to be warm and not to be cold. Open a little of your heart to learn to understand other people and learn to understand the needs of others. Your job is to create something valuable and useful for others regardless of your field. You will also find that you are precious beyond what you know from yourself in the first place.

### **What is Intellectual Capital?**

Intellectual property is the value of knowledge, skills, business training, or company or organization proprietary information, or any proprietary information that can provide a competitive advantage (Moore, 2017). Intellectual capital is considered an asset and can broadly

be defined as collecting all information resources a company has that can be used to drive profits, acquire new customers, create new products, or increase business. It is the sum of employee skills, organizational processes, and other intangibles that contribute to company profits.

Some subsets of intellectual capital include human capital, information capital, brand awareness, and instructional capital.

### **Understanding Intellectual Capital**

Intellectual capital is a business asset, although measuring it is a very subjective task.

The assets for this company are not recorded on the balance sheet as "intellectual capital"; conversely, to the extent possible, it is integrated into intellectual property (as part of the intangible and goodwill on the balance sheet), which in itself is difficult to measure.

Companies spend a lot of time and resources developing management skills and training their employees in specific areas of the business to add to the 'mental capacity' of, in a sense, their companies. Capital that is used to increase intellectual capital provides benefits for the company, although it is difficult to measure, contributing to business value over the years.

Various methods exist for measuring intellectual capital, but no consistency or uniform standards are accepted in the industry. For example, the Balanced Scorecard

measures four-employee perspectives as part of an effort to measure intellectual capital. The perspectives are finance, customers, internal processes, and organizational capacity.

On the other hand, the Danish company Skandia considers the transformation of human capital into structural capital as the mission of intellectual capital. The company has designed house-like structures with financial focus as roof, customer focus and process roof as walls, and development and renewable focus for sustainability as a platform for measuring intellectual capital.

Due to the cryptic and distinctive nature of intellectual capital, it is also referred to as an intangible and environmental asset.

For those of you who feel alone and feel you don't have friends. Be patient; you can focus on developing your intellectual capital and making yourself your best friend.

### **1.3. Look Out Side**

After you understand yourself, after you understand your environment and your friends (or other people around you), look outside the circle of your life. There are many opportunities to collaborate with what you have inside of you. For those of you who are loners in the room. You can look out of your computer screen through your internet access. Or go to your cafe and access the internet.

Look for opportunities out there. Loners tend to be more active and online-focused.

For those of you who are talented with your friends. Develop your social capital. Understand who your supporters are and go forward with your friends to become a solid team. Look beyond your surroundings and your circle of life; there are plenty of opportunities out there. You are a traveler and conqueror of the streets. Loners can maximize their intellectual capital, and social activists can maximize their social and emotional capital.

Everyone is unique. Before doing business, your main task is to understand yourself, the people closest to you, and your environment. Suppose you understand all that make your choice. Starting from yourself with everything you have today or fighting with your friends as a solid team.

## **Chapter 2. Every Think Have Risk**

### **2.1. Know Your Business Risk**

Risks and opportunity costs must follow every decision taken. Whatever we decide in life, there are risks and opportunities behind it all.

No human being is capable of being in different places at the same time. This means that we will lose the opportunity to do something else every time we choose to do something. Likewise, business decisions are always followed by the opportunity cost and the risk behind it.

#### **What is Opportunity Cost?**

Opportunity cost represents the potential profit that an individual, investor, or business loses when choosing one alternative. The idea of opportunity cost is a major concept in economics.

Since, by definition, opportunity costs are invisible, they can easily be ignored if not careful. Understanding potential missed opportunities by choosing one investment over another allows for better decision making.

While financial reports do not show opportunity costs, business owners often use the concept to make smart decisions when they have many choices beforehand. Congestion, for example, is often caused by opportunity costs.

## Opportunity Cost Formulas and Calculations

Opportunity Cost = FO - CO

Where:

FO = Return to the previous best option

CO = Returns the selected option

The formula for calculating opportunity cost is simply the difference between the expected results of each option. Let's say you have option A: invest in the stock market with the hope of getting a return on your capital. On the other hand, Option B is: reinvesting your money back into the business, expecting newer equipment to increase production efficiency, leading to lower operating costs and higher profit margins.

Assume your expected return on investment in the stock market is 12 percent over the next year, and your company expects equipment upgrades to generate a 10 percent return over the same period. The opportunity cost of choosing equipment on the stock market is (12% - 10%), equal to two percentage points. In other words, by investing in the business, you will lose the opportunity to get higher profits.

The calculation of opportunity cost can be applied to the world of business and everyday life. So, whatever you will decide and what business you will run, understand that you will lose the opportunity to do other things and/or lose other businesses when you decide to run a business.

Opportunity cost analysis also plays an important role in determining the capital structure of a business.

Companies incur costs in issuing debt and equity capital to compensate lenders and shareholders for investment risk, but each also carries an opportunity cost. Funds used to make loan payments, for example, cannot be invested in stocks or bonds, which offer potential investment income.

### **Comparing Investments**

When assessing the potential profitability of various investments, businesses look for the option that is likely to yield the greatest return. Often, they can determine this by looking at the expected rate of return for the investment vehicle. However, businesses must also consider the opportunity cost of each option.

Assume that, with a certain amount of money to invest, the business must choose between investing the funds in securities or using them to purchase new equipment. No matter which option a business chooses, the potential benefits provided by not investing in other options are opportunity costs. Indeed, it could not be helped.

### **Opportunity Costs and Sunk Cost**

The difference between opportunity cost and the sunk cost is the difference between money that has been spent in the past and the potential future return on investment because that capital was invested elsewhere. Buying 1,000 shares of company A for \$ 10 per share, for

example, represents a sunk cost of \$ 10,000. This is the amount of money paid to invest, and getting that money back requires liquidating the shares at or above the purchase price. But opportunity cost asks where the \$ 10,000 could be better spent.

From an accounting perspective, the sunk cost can also refer to the initial outlay of buying expensive equipment, which may be amortized over time, but sinks in the sense that you won't get it back.

Opportunity cost describes the return that a person could get if he invested his money in another instrument.

As an investor who has put money into an investment, you may come across other investments that promise bigger returns. The opportunity cost of holding underperforming assets can increase where the rational investment option is to sell and invest in more promising investments.

### **Risk vs. Opportunity Costs**

In economics, risk describes the likelihood that actual and projected returns on investment are different and that investors lose some principal.

Opportunity cost relates to the likelihood that the return on investment chosen is lower than the return on investment lost. The main difference is that risk compares the actual performance of an investment with the same investment's projected performance. In contrast, opportunity cost compares the actual performance of an

investment with different investments' actual performance.

However, one can consider the opportunity cost when deciding between the two risk profiles. If investment A is risky but has an ROI of 25% while investment B is much riskier but only has a 5% ROI, even though investment A may be successful, it may not. And if that fails, the opportunity cost of using option B will stand out.

## **2.2. Plan Your Strategy**

After understanding the opportunity costs and risks in every business decision, there are opportunities and hopes for growth and development. We cannot remain silent where staying alone is also at risk and missed opportunities for something potentially profitable in the form of time.

Whatever we do, there are opportunities and risks behind it; even though we are just silent, it still costs, namely lost opportunities for the seconds we spend silent. Therefore we need a strategy.

In this book, we discuss business strategies that you might apply in building a business in a business context. Don't forget that every decision you make in your daily life contains opportunity costs, risks, and opportunities to make your life better, including the decision to open your own business and do nothing. Because not doing anything is a decision too.

To build a business strategy, of course, you must know and understand business strategies and types of business strategies in general. After understanding it, you can formulate your own business strategy according to the business that you best understand, understand, and want.

Different businesses have different goals and take different routes to meet those goals. These routes are the business strategy of everyone's businesses.

While it is easy to understand the definition of a business strategy, it can sometimes be a daunting task to form and execute a successful strategy.

### **What is a Business Strategy?**

Business strategy can be defined as the amalgamation of all decisions taken, and actions were taken by a business to achieve business goals and secure a competitive position.

It is the business's backbone because it is a road map that leads to the desired destination. Any mistake on this roadmap can result in a business getting lost in the crowd of competitors.

At this stage, it is important to clarify some important aspects. The strategy is not just a calculated path, but often a philosophical choice of how the world works.

Usually, it takes years and, sometimes, decades for a strategy to be implemented. And once it becomes feasible. However, remember again that everything

needs a process. Plan your business strategy after understanding what a business strategy is and apply it in your life and your business. Don't pursue perfection; the most important thing is, maximize what you can and do.

A business goal without a strategy is just a dream. It is nothing less than a bet if you enter the market without a well-planned strategy.

With increasing competition, the importance of business strategy has become clear, and there has been a huge increase in the types of business strategies used by businesses. Here are five reasons why a strategy is needed for your business.

1. Strategy is part of business planning. Without it, it only makes your business easy to be defeated by your competitors or destroyed in the middle of the road. Business strategy is part of the business plan. While a business plan sets goals and objectives, strategy provides you with a way to meet those goals. This is a plan to get where you want to be.

2. Everyone must have weaknesses and strengths, including you. Nobody is perfect. Often, you find out about your true strengths and weaknesses when formulating a strategy. Apart from that, it also helps you take advantage of what you are good at and use it to cover up your weaknesses (or eliminate them).

1. Everyone has limitations. Both limited cash capital, limited human resources, limited raw materials, and certainly everyone has the same time limit, namely 24

hours a day. No one has more than or less than 24 hours a day. Time is the fairest resource in the world because the time owned in one day, one hour, even one minute is the same. Because everyone has limitations, including you, you need the effectiveness and efficiency of what you have, be it money, time, or human resources. When every step is planned, every resource is allocated, and everyone knows what to do, the business activity becomes more efficient and effective automatically.

2. Everyone is unique and has different advantages. The business strategy focuses on harnessing business strengths and using them as competitive advantages to position brands uniquely. This gives an identity to the business and makes it unique in the eyes of the customer.

3. You need to control yourself, your life, and your business. It also decides the path to follow and the provisional goals to be achieved. This makes it easy to control activity and see if it goes according to plan.

### **General business strategy types**

The type of business strategy used will depend on the short-term and long-term goals to be achieved, the target market, the industry, and the company's competition. This strategy's success will depend on whether the company can attract above the industry's profit margins and become the market leader. For that, understand yourself, the people around you, including your competitors and your environment. In general, business

strategies are divided into three types, namely cost leadership, differentiation, and focus strategies.

### **1. Cost Leadership Strategies:**

A strategy whereby a company prices its products at the lowest possible cost to penetrate and/or maintain its leadership position in the market is the Cost Leadership Strategy.

The appeal of this strategy to consumers is cost-conscious people. In other words, the price-sensitive customer class is the target segment of the company, and all business activities are planned accordingly, from raw material procurement to distribution and marketing. This type of Business strategy is used by top companies like Walmart and Amazon, which sell products on the promise of low costs.

Thinking from a corporate point of view, suppose a company wants to manufacture cheap cell phones. Here, the means and aim of this will be to keep costs low so that the final product is priced appropriately while keeping profit margins uninterrupted. One way to achieve this is by reducing operating costs, which will reduce production costs while maintaining profits; another way is to achieve economies of scale, where the company will mass produce using assets excessively, and the third way is to maintain control over the value chain such as purchasing bulk to reduce procurement costs.

To reduce operating costs, you need to standardize products and achieve an optimal output. This reduces overhead costs and spreads fixed costs throughout production.

High use of assets is another way companies maintain a high volume of output while using their assets on a large scale to achieve greater output.

The massive use of assets will cause fixed costs to spread throughout the product, reducing unit costs, and achieving Economies of Scale. For many industries, this is the means and outcome of achieving low production costs and, in turn, achieving cost differentiation.

To maintain control over the value chain, the company must achieve control over all functional groups such as procurement, finance, inventory, etc. Procurement of large quantities from known vendors or unique access to raw materials, achieving high-efficiency inventory management, Just-in-time Purchasing will be some of the ways to achieve this.

Large companies and market leaders can take advantage of a cost leadership strategy but not with small or medium-sized startups. The risk in implementing this strategy is customer retention. If a competitor launches a product at a lower price, customer retention will likely be canceled. Also, increasing costs and economic fluctuations can seriously affect a company. Also, fixing product prices below the industry average while maintaining quality cannot be done by every company.

## **2. Differentiation Strategy:**

When a product is distinguished by its unique features or unique selling point (USP) to compete and win effectively, it is a differentiation strategy. Differentiate your product or service, whatever it costs, and offer it to customers at a higher price (usually a niche market). This is the type of business strategy used by Apple, which promises different products to its customers.

This strategy is just the opposite of the Cost Strategy, where here, the target audience is far from price sensitive. Instead, they are quality conscious or quality-focused, and they don't mind paying extra if it's something unique they get.

In the case of differentiation, the initial costs are well above the industry average because of the unique offerings, including patents, IPR, and fewer competitors. Hence, the pricing is at a premium.

Unlike the Cost Leadership Strategy, customer loyalty is very high in differentiation, as is the profit level, which forms an advantage. It also involves high unit costs of production but can easily be recovered from above-average product prices. Unlike Cost leadership, many organizations can follow this strategy with their unique offering.

The point of differentiation is employee politeness, availability, expertise, and location in terms of service. Although almost identical, products and services can be

distinguished from promotions and advertisements. However, the advertisement for this particular product must be unique and interesting.

### **3. Focus Strategies**

As the name suggests, this strategy is only applied to a certain small market audience (niche market) with specific needs. The target market has unique needs, and fulfilling these needs is the focus of the company. It is up to the company to charge the premium or keep it below average for this product. Usually, companies that implement this strategy will choose target markets with low or no competitors and achieve a competitive advantage. It is one of the strongest Types of Business Strategies as it has a definite demand in the market. This strategy should target market segments that are less prone to substitution or where competition is weakest for above-average returns on investment.

Types of Business Strategy Focus are divided into two parts, namely a Focused Cost Strategy and a Focused Differentiation strategy.

1. In the focus of costs, prices are tailored to specific needs to serve a certain group of people. This does not mean the price is lower; on the contrary, the price may be higher.

2. In the case of a Focused differentiation strategy, the competing company, based on uniqueness and targeting narrow mark, follows a focused differentiation strategy.

These companies focus on the specific needs of their customers and serve only them.

The choice of strategy and its implementation is crucial for a business firm because it will help the company achieve sustainable competitive advantage and assist in long and short-term business decisions. Also, important decisions such as marketing, budgeting, sales forecasts, and business expansion are based on the choice and implementation of strategies.

To understand yourself, understand the people around you, understand your environment, and plan your strategy.

### **2.3. Do Not Forget Back Door and Exit Plan**

An exit plan is necessary to secure a business owner's financial future, but many don't think of creating one until they're ready to go.

All good business planning documents have a clear business exit plan that outlines the most likely exit strategies from day one.

It may seem strange to develop a business exit plan this quickly, in anticipation of the day you will leave your business, but potential investors want to know your long-term plans. Your exit plan must be clear in your mind because it will determine how you operate the company.

Establishing an exit strategy is usually not the first thing entrepreneurs think about when starting a business. However, having a solid plan helps ensure a successful financial future when it comes time to leave.

### **What Is a Business Exit Strategy?**

A business exit strategy is an entrepreneur's strategic plan to sell his ownership to investors or other companies. An exit strategy provides the business owner with a way to reduce or liquidate their stake in the business and, if the business is successful, generate large profits. If the business is not successful, an exit strategy (or "exit plan") allows the entrepreneur to limit losses. An exit strategy can also be used by investors, such as venture capitalists to plan cash withdrawals from investments.

Simply put, an exit plan is a plan on how to leave the business under certain conditions to save the owner's assets, including the assets of the founder and financier under certain conditions, such as bankruptcy or a business deadline from the beginning or other reasonable reasons.

### **Understand the Business Exit Strategy**

Ideally, an entrepreneur will develop an exit strategy in their initial business plan before going into business. The choice of exit plan can influence business development decisions. Common types of exit strategies include initial public offerings (IPO), strategic acquisitions, and management purchases (MBO).

The exit strategy the entrepreneur chooses depends on many factors, such as how much control or involvement (if any) they want to keep in the business, whether they want the company to run the same way after their departure, or whether they're willing to see it shift, provided they paid well to sign.

For example, a strategic acquisition would relieve the founder of their own responsibilities and mean the founder relinquished control. IPOs are often seen as the holy grail of exit strategies as they often bring the highest prestige and yields. On the other hand, bankruptcy is seen as the least desirable way of going out of business.

A key aspect of an exit strategy is the business's valuation, and several specialists can help business owners (and buyers) examine the company's finances to determine fair value. There is also a transition manager whose role is to assist salespeople with their business exit strategy.

Different business exit strategies also offer different levels of liquidity to business owners. Selling holdings through strategic acquisitions, for example, can offer the greatest amount of liquidity in the shortest time frame, depending on how the acquisition is structured. The attractiveness of a given exit strategy will depend on market conditions; for example, an IPO may not be the best exit strategy during a recession, and management

purchases may not be attractive to buyers when interest rates are high.

The best type of exit strategy also depends on the type and size of the business. A partner in a medical office might make a profit by selling to one of the other existing partners. In contrast, the ideal single owner exit strategy might make as much money as possible, then close the business. If the company has multiple founders, or if there are substantial shareholders other than the founders, these other parties' interests must also be taken into account in the selection of an exit strategy.

## **Chapter 3. Business and Risk Scenario**

### **3.1. Imagine Before You Do a Business**

Before understanding what business risk is, we start by understanding what business is.

By understanding what business is, you can understand what steps you can take and imagine what your business will look like in the future.

So, before starting a business, make sure you have a clear understanding of what is meant by business, as well as any business-related activities. That includes knowing the laws or business laws, both nationally and locally.

This knowledge will help you avoid penalties and fines, which can paralyze or end your business as soon as it starts. This information will also help you develop a solid business plan for a successful start in the market.

Business generally refers to organizations that seek to profit by providing goods or services in exchange for payment. However, a business doesn't need to make a profit to be considered a business. The pursuit of profit, in itself, turns the organization into a business. Most businesses register with the government in some capacity. Individuals who run businesses on their own behalf may not need to register their business with the government. Still, they may lose tax and credit deductions, such as small business deductions, that individuals cannot claim.

Some freelancers, hobbyists, and people with side gigs may be surprised to learn that they are actually involved in the business and need to declare their business income, according to how their government defines the business.

### **What is Business?**

A business is any entity that seeks profit from an activity (Raabe, et al., 2016).

Business is a broad term, but this for-profit activity generally includes providing the goods or services that people want or need. Businesses may suffer losses, but that doesn't stop them from being businesses. From the point of view of defining a business, what matters is that the entity seeks to profit from what it does.

Profits do not have to refer to cash payments strictly. It can refer to other securities, such as stocks and cryptocurrencies, or refer to the bartering-style trading of one good or service for another.

Business is defined as an organization or business entity engaged in commercial, industrial, or professional activities. A business can be a non-profit entity or a non-profit organization that operates to fulfill a charitable mission or social cause (Girard, et al., 2015).

The term "business" also refers to individuals' organized efforts and activities to produce and sell goods and services for a profit. The business scale ranges from a sole proprietorship to international companies. Several

theoretical pathways are involved with understanding business administration, including organizational behavior, organizational theory, and strategic management.

### **Understanding Business**

Generally, business starts with a business concept (idea) and a name. Depending on the business's nature, extensive market research may be required to determine whether turning an idea into a business is feasible and provides value to consumers. A business name can be one of the most valuable assets of a company; careful consideration must be given when choosing it. Businesses operating under a fictitious name must be registered with the state.

Businesses most often form after developing a business plan, which is a formal document that details the business's goals and objectives and its strategy for how it will achieve its goals and objectives. A business plan is almost essential when borrowing capital to start operations.

It is also important to determine the legal structure of the business. Depending on the type of business, it may be necessary to obtain a license, comply with registration requirements, and obtain a legally operating license. In many countries, companies are considered legal entities, meaning they can own property, owe loans, and be sued in court.

### **Type of Business**

There are many types of business models, and businesses usually operate in more than one area simultaneously. However, to generalize business categories, in general, there are three, namely:

1. Services, such as restaurants
2. Manufacturing, such as industrial plants
3. Retail, such as a clothing store

Beyond the types of products or services provided, businesses can also be classified based on their size and legal structure.

### **Business Structure**

Many businesses organize themselves around a hierarchy or bureaucracy, where positions in a company have defined roles and responsibilities. The most common structures include individuals, partnerships, corporations, and limited liability companies.

#### **1. Individual.**

Individual ownership is a business that is owned and operated by a person. There is no legal separation between business and owner; Business tax and legal obligations belong to the owner.

#### **2. Partnerships.**

A partnership is a business relationship between two or more people who join forces to run a business. Each partner contributes resources and money to the business and shares the profits and losses of the business. Joint gains and losses are recorded on each partner's tax return.

#### **3. Corporation.**

A corporation is a business in which a group of people acts together as a unit; Most commonly, company owners are shareholders who exchange considerations for the company's common stock. Entering a business frees the owner from financial obligations from business obligations; However, the company has tax rules that are not favorable for business owners.

### **Understanding Business Risks**

Business risk is the exposure that a company or organization has to factors that will reduce its profits or cause it to fail (Bejinariu, 2020). Anything that threatens a company's ability to achieve its financial goals is considered a business risk.

Many factors can converge to create business risk. Sometimes it is the leadership of top management of the company that creates a situation where the business could be at greater risk. However, sometimes the causes of risk are outside the company. Therefore, the company cannot fully protect itself from risk. However, there are ways to mitigate the overall risk associated with operating a business; most companies achieve this by adopting a risk management strategy.

When a company experiences a high level of business risk, it can interfere with its ability to provide adequate returns to investors and stakeholders. For example, the CEO of a company may make certain decisions that affect its profits. The CEO may not accurately anticipate certain future events that cause the business to suffer losses or failures.

Business risk is affected by several different factors, including:

- Consumer preference, demand, and sales volume
- Price per unit and input cost
- Competition
- Overall economic climate
- Government regulations

A company with a higher amount of business risk may decide to adopt a capital structure with a lower debt ratio to ensure that it can meet its financial obligations at all times. With a low debt ratio, when revenue falls, the company may not pay its debts (and this can lead to bankruptcy). On the other hand, when revenue increases, companies with low debt ratios experience greater profits and can meet their obligations.

To calculate risk, the analyst uses four simple ratios: contribution margin, operating leverage effect, financial leverage effect, and total leverage effect. For more complex calculations, the analyst can enter statistical methods. Business risk usually occurs in four ways: strategic risk, compliance risk, operational risk, and reputation risk.

Business risk refers to the threat to a company's ability to achieve its financial goals. In business, risk means that the company or organization's plans may not be as originally planned or may not meet their targets or achieve their goals.

This risk cannot always be blamed on the company owner because the risk can be influenced by various external factors, which can be an increase in the price of raw materials for production, increased competition, or changes or additions to existing government regulations.

Risk is inherent in every environment and business. They cannot be avoided and, therefore, must be handled directly to minimize their impact. The first step in risk management is to identify risks to produce a risk management strategy.

### **How to Identify Business Risks**

Running a business carries many types of risks. Some of these potential hazards can destroy a business, while others can cause serious damage that costs money and time to repair. Regardless of the risks implied in running a business, CEOs and risk management officers can anticipate and prepare regardless of their business size. Here are some steps to identify business risks.

#### **1. Analyze the sources that could trigger the problem**

It is important to identify and analyze the sources that could be causing the problem. Risk triggers can be internal or external.

If risks become a reality, a well-prepared business can minimize the impact on revenue, lost time and productivity, and customers' negative impact. For startups and established businesses, the ability to identify risks is an essential part of strategic business planning. Risks are identified in several ways. Strategies for

identifying these risks rely on a comprehensive analysis of the firm's specific business activities. Most organizations face preventable, strategic, and external threats that can be managed through acceptance, transfer, reduction, or elimination. Below are the main types of risks that companies face:

### **Physical Risks**

Building risk is the most common type of physical risk. Think about a fire or explosion. To manage to build risks and risks for employees.

### **Location Risk**

Among the location hazards that face businesses are nearby fires, damage from hurricanes, floods, hurricanes or tornadoes, earthquakes, and other natural disasters. Employees must be familiar with the entry and exit of the environment on all sides of the business premises. People must store enough fuel in their vehicles to get in and out of the area. Liability or property and accident insurance are often used to transfer financial costs from location risk to third parties or business insurance companies.

### **Human Risk**

Abuse of alcohol and drugs is a major risk for personnel in the workplace. If necessary, employees who have experienced alcohol or drug abuse should be urged to seek care, counseling, and rehabilitation. Some insurance policies may provide partial coverage for medical expenses.

Protection against embezzlement, theft, and fraud can be difficult, but it is common in the workplace.

A system of multiple signature requirements for checks, invoicing, and debt verification can help prevent fraud and fraud.

Strict accounting procedures can spot embezzlement or fraud. A thorough background check before hiring personnel can reveal an applicant's past offenses. While this may not be a reason to refuse to hire applicants, it will help the human resources department avoid placing the new employee in a critical position where the employee is open to temptation. Illness or injury among the workforce is a potential problem. To prevent loss of productivity, assign and train backup personnel to handle employees' important work when they are absent due to health-related issues.

### **Technology Risk**

Power outages are perhaps the most common technological risk. The auxiliary gas power plant is a reliable backup system to provide electricity for lighting and other functions. The manufacturing plant uses several large auxiliary generators to keep the plant operating until utility power is restored.

The computer may remain active and running on a high-performance spare battery. Power spikes can occur during lightning storms (or randomly), so organizations should equip business-critical systems with surge protection devices to avoid document loss and

equipment damage. Create offline and online data backup systems to protect important documents. Although telephone and communication failures are relatively rare, risk managers may consider providing company cell phones for emergency use to personnel whose telephone or internet use is important to their business.

### **Risk Strategies**

Strategic risk is not desirable. Financial institutions, such as banks or credit unions, take strategic risks when making loans to consumers. At the same time, pharmaceutical companies are faced with strategic risks by researching and developing new drugs. Each of the risks associated with this strategy is inherent in the organization's business objectives. When structured efficiently, strategic risk acceptance can create very profitable operations.

Companies exposed to strategic risk can substantially reduce the potential negative consequences by creating and maintaining the infrastructure that supports high-risk projects. A system designed to control financial hardship that occurs when a venture is at risk of failure often includes diversification of current projects, healthy cash flow, the ability to afford new projects affordably, and a comprehensive process for reviewing and analyzing the return on future investment of a potential venture.

#### **1. Act now**

Managers must not wait for potential problems to become real problems before they start doing something.

When a problem is considered a threat, company executives must immediately address the problem by drawing up an action plan if the risk is truly a concern facing the company.

## **2. Involve employees**

Identifying risks is not the responsibility of managers and top-level officials. Management must involve its employees in identifying the risks they see in their respective departments and training them to handle those risks at their level.

## **3. List industry-specific risks**

By looking into the industry in which the company operates, managers will identify possible risks that the business may face. If the same risk occurs for other companies in the same industry, there is a possibility that it will also happen to your company. Therefore, business people must be prepared with a list of solutions or steps to overcome these risks.

## **4. Make a note of the risks**

Sometimes, the same risks arise over and over again. By recording all the risks the company has experienced since its inception, management will periodically review events in the past to detect patterns that can better prepare the company for future risks.

Understanding the business and the risks means trying to understand and imagine what kind of business you want to build. Close your eyes and imagine and simulate in

your mind. After that, find out anything related to the business that you will develop.

### **3.2. Business Research**

Before starting a business and planning it carefully, it is necessary to do business research or observe the business that will be carried out from the market side, operations and cash flow estimation, and the human labor required.

#### **What Is Business Research?**

When running a business, many decisions must be made, such as opening new branches, developing new products, and recruiting employees. Or starting a new business.

Business owners can use research to make wise and informed decisions. When people talk about business research, generally, they refer to business marketing research that helps identify specific areas to spend money on development and advertising.

Business research is the process of obtaining detailed information from all areas of a business and using that information to maximize sales and business profits (Eriksson & Kovalainen, 2015). Such studies help companies determine which products/services are most profitable or in demand. In simple words, it can be said to be the acquisition of information or knowledge for professional or commercial purposes to determine business opportunities and objectives.

Business research can be done for anything. When people talk about business research, it means asking research questions to find out where money can be spent

to increase sales, profits, or market share. Such research is essential for making wise and informed decisions.

Business research helps make smart, informed decisions and identifies key areas for investing money.

### **Why is business research important?**

Business research helps businesses understand their customers' buying patterns, preferences, and hardpoints, gaining deeper insights into competitors, current market trends, and demographics.

Using effective strategies to understand market demand and supply, businesses can always stay ahead of the competition. Using business research can reduce costs and design solutions aimed at market demands and target audiences.

Fewer chances of failure with business research because it provides an overview of the target customer and the right time to launch the product. With a deep understanding of brand value, businesses can continue to innovate to meet customer needs. This is important for growing market share and revenue.

SWOT analysis in business research is essential for making the right decisions and making a huge success.

Research is the building block of any business. This acts as a catalyst for growth in the market. So, never underestimate market research value and use its benefits to give your business an extra edge.

## **Business research: Types and methodology**

In conducting business research, several tools and methods help establish the market for business products and services, including research methods. Business research is needed before starting a business to make sure the business can run well.

Researchers use various research methods to gather relevant data so that business firms can make wiser decisions. There are two main types of methods for conducting business research: qualitative and quantitative.

Business research is part of the business intelligence process. Usually done to determine whether a company can succeed in new territory, understand their competitors, or choose a product marketing approach. This research can be conducted using qualitative research methods or quantitative research methods.

### **Quantitative research methods**

Quantitative research takes all the ideas and opinions you have come across in qualitative research and tries to measure the findings by generating statistics or other numerical data. It's about having the number of buyers, not just the quality.

Quantitative research methods are research methods that deal with numbers. It is a systematic empirical investigation using statistical, mathematical, or computational techniques. These methods usually begin

with data collection and then proceed to statistical analysis using a variety of methods. The following are some of the research methods used to conduct business research.

### **Survey research**

Survey research is one of the most widely used methods of collecting data, especially for conducting business research.

Surveys involve various survey questions that are asked to the audience through various types such as online polls, online surveys, questionnaires, etc. Today, most big companies use this method to collect data, understand the market, and make the right business decisions.

Different types of surveys such as cross-sectional surveys which are required to collect data from a set of audiences at a specific point in time, or longitudinal surveys which are required to collect data from a set of audiences across various time durations to understand changes in respondent behavior are used to conduct survey research.

With advances in technology, surveys can now be sent online via email or social media.

### **Correlational research**

Correlational research is carried out to understand the relationship between two entities and the impact of each entity on the other entity. By using mathematical

analysis methods, correlational research allows researchers to connect two or more variables. Such research can help understand patterns, relationships, trends, etc.

Manipulation of one variable is possible to get the desired result as well. In general, conclusions cannot be drawn based solely on correlational research.

### **Comparative-Causal Research**

Causal-comparative research is a method that is based on comparisons. It is used to deduce cause-and-effect relationships between variables.

It is sometimes also known as quasi-experimental research, which involves establishing an independent variable and analyzing its effect on the dependent variable. In such research, manipulation is not carried out; however, changes are observed in variables or groups under the influence of the same changes.

Drawing conclusions through such research is a little tricky because the independent and dependent variables will always exist in a group; therefore, all other parameters should be considered before concluding the study.

### **Experimental research**

Experimental research is based on attempts to prove a theory. Such research may be useful in business research because it can let a production company know its consumer behavior characteristics, which can generate

more income. In this method, an experiment is carried out to observe and then analyze its behavior when certain parameters influence it.

### **Online research/literature research**

Literature research is one of the oldest methods available. This research is very economical, and a lot of information can be gathered using such research.

Online research or literature research involves gathering information from existing documents and studies in libraries, annual reports, etc. Today, with advances in technology, such research has become simpler and accessible to everyone. An individual can directly conduct online research for required information, which will provide him with in-depth information about the topic or organization.

Such research is mostly used by marketing and salespeople in the business sector to understand their markets or customers. The research was conducted using available information from various sources.

However, care must be taken to validate the source from which the information will be collected.

### **Qualitative Research Methods**

Qualitative business research is a type of exploratory research. Businesses use it to gain insight into the reasons, opinions, and motivations for why something is done.

Qualitative research can help uncover trends in finding the most suitable buyers for a business's products and services.

Qualitative research is a critical method in business research. Qualitative research involves obtaining data through open conversational communication tools.

Such research allows the researcher to understand what the audience is thinking and why he thinks about it. In such research, in-depth information can be gathered from subjects depending on their responses. There are various types of qualitative research methods such as interviews, focus groups, ethnographic research, content analysis, case study research, which are widely used.

Such a method is critical in business research because it enables the researcher to understand consumers. What motivates consumers to buy and what will not lead to higher sales are the main goals of any business.

Below are some of the methods that are widely used in the world today by most businesses.

### **Interview**

Interviews are somewhat similar to surveys in that sometimes the interviews may use the same questions. The difference is that respondents can answer these open-ended questions at length.

The direction of the conversation or the question being asked can be changed depending on the subject's response. Such a method usually provides the researcher

with detailed information about the perspective or opinion of the subject.

### **Focus Group**

Focus groups are groups of individuals specially selected to understand their opinions and behavior. Usually, a small group of selected groups, keeping in mind the parameters for their target market audience to discuss a particular product or service.

Such a method allows a researcher with a larger sample than interviews or case studies during conversational communication. Nowadays, focus groups can be sent out online surveys to collect data and answer why and how. Such a method is essential for testing new concepts or products before they are launched on the market.

### **Ethnographic research**

Ethnographic research is one of the most challenging studies, but it can provide definite results. Such research is rarely used because it is time-consuming and can be expensive too.

This involves the researcher adapting to the natural environment and observing his target audience to gather data. Such methods are generally used to understand the culture, challenges, or other matters in that particular setting.

### **Case study research**

Case study research is one of the most important research in business. It is also used as marketing collateral by most businesses to get more clients.

Case study research is conducted to assess customer satisfaction, document challenges, and company solutions. Using these conclusions is made to demonstrate the benefits that customers enjoy for choosing their specific company.

Such research is widely used in other fields such as education, social sciences, and the like. Case studies are provided by businesses to new clients to demonstrate their capabilities, and therefore such research plays an important role in the business sector.

### **Profiling/researching website visitors**

Website interception surveys or website visitor profiling/research have emerged and are quite helpful in the business sector.

This research is an innovative approach to gathering immediate feedback from your website visitors using surveys.

Lately, a lot of business generation takes place online. Therefore it is important to understand your website visitors as they are your potential customers. Gathering feedback is essential for any business because without understanding the customer, no business can be successful. Companies must maintain customer satisfaction and strive to make them loyal customers to stay on top.

Website interception surveys are online surveys that allow you to target visitors to understand their intentions and gather feedback to evaluate customers' online experiences. Information such as visitor intentions, the path of behavior, and overall website satisfaction may be collected using this.

Depending on what information a company is looking for, various forms of website tapping surveys may gather responses. Some of the popular ones are Pop-ups, also known as Modal boxes, and on-page surveys.

### **The Importance of Business Research**

Business research is one of the most effective ways to understand customers, markets, and competitors. Such research helps companies to understand market demand and supply. Using such research will help businesses reduce costs and create solutions or products targeted for demand in the right market and audience.

In-house business research can enable senior management to build effective teams or train or mentor when needed. Business research allows the company to track its competitors and gives you the edge to stay ahead of them.

Failure can be avoided by researching because it can give researchers an idea of whether it is right to launch the product/solution and the right audience. This will help understand the brand value and measure customer satisfaction, which is essential for innovating and

meeting customer demands. This will help the company increase its revenue and market share. Business research also helps recruit ideal candidates for various roles in the company. By conducting this research, companies can perform a SWOT analysis, namely understanding the strengths, weaknesses, opportunities, and threats. With the help of this information, wise decisions can be made to ensure business success.

Business research is the first step that every business owner takes to establish his business, survive, or excel in the marketplace. The main reason why such research is so important is that it helps businesses grow in revenue, market share, and brand value.

### **3.3. Business feasibility study**

A business contains both a profit opportunity and a risk of loss. Businesses also need capital. Not only capital, money but also time, energy, and so on. Every business that is run has an opportunity cost of not being able to run other businesses simultaneously. Thus, wise decisions are needed to get maximum benefits and run a proper business.

A business feasibility study is needed to make the best decision in choosing an existing business opportunity.

#### **What is a Feasibility Study?**

A feasibility study is an analysis that considers all relevant project factors, including economic, technical, legal, and scheduling considerations, to ensure the

likelihood of successful project completion. Project managers use a feasibility study to differentiate the pros and cons of running a project before investing a lot of time and money into it.

A feasibility study can also provide important information to company management that can prevent a company from blindly entering a risky business. As the name suggests, a feasibility study is designed to reveal whether a project/plan is feasible. This is an assessment of the practicality of the proposed project/plan.

The feasibility study is part of the initial design phase of any project/plan. This is done to objectively uncover the strengths and weaknesses of the proposed project or existing business. It can help identify and assess opportunities and threats in the natural environment, the resources required for the project, and prospects for success. It was done to find answers to the following questions:

Does the company have the necessary resources and technology?

Will the company receive a sufficiently high return on investment?

Before entering a business, it is necessary to understand and understand it to minimize business risks and failures.

## **Chapter 4. Plan Your Business**

### **4.1. Business Internal and External Factor**

Business, as it is done in our world today, is dynamic. Several factors influence business. These factors can be internal business factors. These factors can also come from outside the business.

These internal and external factors shape the business environment and the factors that affect the business. Internal factors that affect the business are employees, leadership, suppliers, mission statement, and organizational culture. These are the factors that the business can control.

External factors that influence business include technology, government and policies, economic strength and elements, socio-cultural factors, and international factors. These are factors over which a business has no control.

Internal and external factors have a huge influence on the success or failure of a business. Business owners cannot control external factors, but they must anticipate and adapt to these factors to keep their organization on track. However, business owners and leaders do have a significant influence on internal factors that affect the business. How they handle these internal factors will have a huge impact on the future of their company.

#### **4.1.1. Internal Factors Affecting Business**

What are the internal factors of a company? Internal factors are simply factors that can be controlled by the manager of a business or organization. Here are some internal business factors that need to be considered in controlling a business.

### **1. Leadership**

Leadership refers to the people in your organization who make all the important decisions regarding financing, budgeting, sales, marketing, and people. Companies with strong leadership have a clear vision for the future, a plan for achieving their goals, and a measurable way to measure success. They have also developed a management structure that allows employees to feel empowered while meeting production and sales goals. Weak leadership is like a rudderless ship that is in danger of sinking. Leaders who do not have a strong vision and cannot manage their team well will have difficulty achieving their goals.

### **2. Employees**

Strong business features motivated workers who understand management's expectations and are provided with the tools, training, support, and encouragement to meet those expectations and exceed them. It is not enough for leaders to hire quality employees because every good company does the same.

For a company to consistently produce high yields, managers must ensure that they constantly communicate with employees. Any problem or dissatisfaction will be

dealt with immediately. When employees feel valued, they will go the extra mile to maintain high organizational standards.

Employee refers to the general workforce of an organization or business. They are the people (Male and Female) involved in the production.

They affect business in more than one way. Employees must be treated fairly and with respect because any ill-treatment of employees can affect the business. One of the ways employees express their dissatisfaction is through industrial strikes. And when this happens, it can affect business production.

### **3. Mission Statement**

Do your employees understand why your company exists? In other words, has management communicated your business mission statement, which is the fundamental reason you make certain products and offer certain services? Determining the 'why' of the company rather than the 'what' of the company is key to providing motivation and support to employees who influence how hard they work and how much they believe in what they do.

### **4. Organizational Culture**

Every organization has a culture. Organizational culture can be good or bad. Good or bad in the sense of how it affects the achievement of business goals and objectives. Organizational culture influences business because it contributes greatly to the achievement of business goals.

#### **4.1.2. External Factors Affecting Business**

Many factors outside the company or organization affect the business and cannot be controlled directly.

##### **1. Competitor**

Competitors refer to those who are in the same line of business.

Unless you come across something unique, other companies in your industry are selling what you sell. That means you have to be aware of your competitors and what they are doing in the market and use that information to differentiate yourself in as many ways as possible. While you can't control what your competitors do, you can find areas of weakness in their marketing and use them to your advantage.

##### **2. Customer**

Customer tastes and desires are constantly changing. It is the responsibility and business goal to meet the changing demands and tastes of customers.

This means that customer satisfaction is essential to business success, and any business that fails to satisfy customers will immediately go out of business.

Customers are unpredictable and unpredictable, and when you feel like you've earned their loyalty, they move on to the next big thing. You can't control customer behavior, but you can study it and learn how to adapt to changes that can impact your sales. When customers indicate that they want something you don't

offer, you may want to listen and start offering what they're asking for before your competition does.

### **3. Suppliers**

Suppliers provide resources for business production activities. Suppliers influence the business because, as a source of raw materials for production, when they fail to supply the business with the resources needed for production, it affects its production and service to its customers.

### **4. Economy**

Business owners cannot control the economy, but they must respond to indicators that tend to go up or down and adjust their own operations accordingly. For example, if the economist forecasts a recession, it might be time to tighten the budget, eliminate some projects, and stay in a containment pattern until things improve. However, when the economy is growing, and interest rates are low, it is easier for you to get low-interest loans to help grow your business.

The economic conditions that prevail over time affect the business. Economic forces and the elements that can influence the business are supply and demand and availability and cost of capital. During times of economic recession, businesses do not fare well as low consumer spending goes into recession.

### **5. Technology**

Technology is essential for a business because it determines how well a business does its production and its marketing efforts.

The development of new technologies can drastically affect the industry as well as create new ones. Through business, technology to produce goods and services. Technology is constantly changing, and businesses should try to keep up with the latest trends and technological developments to avoid obsolescence with the use and applications of outdated technology.

## **6. Government and Policy**

Government activities affect business. Government priorities in certain areas of the economy affect business.

Through government intervention through its agencies, businesses are affected. Interest rates and capital markets too, and other government mechanisms and institutions influence business.

## **7. Economic Strengths and Elements**

The economic conditions that prevail over time affect the business. Economic forces and the elements that can influence the business are supply and demand and the availability and cost of capital. During times of economic recession, businesses do not fare well as low consumer spending goes into recession.

## **8. Socio-Cultural Factors**

Socio-cultural factors that affect a business are the demand, taste, and preference for certain goods and services at a certain time by consumers.

Socio-cultural factors are related to the values and customs adopted by each society. Certain foods and drinks are not consumed in public in certain societies, which affects such business in that society.

A business must pay close attention to socio-cultural factors that can affect the business's society.

## **9. International Factors**

The world today is a global community. This means that events in one country can have a serious impact on another because of modern transportation and communication methods. Import and export costs also affect business.

## **4.2. SWOT Matric**

How are products measured in a competitive market? The SWOT matrix and the resulting analysis can help get a clear picture of the organization's position.

SWOT stands for Strengths, Weaknesses, Opportunities, and Threats. These four factors make up the SWOT MATRIX.

The SWOT matrix is an illustration of four. The top line lists the strengths and weaknesses of the product or organization being considered. This list is based on your

current view. Lists under bold headers are common areas to consider when assessing internal displays. This includes things like:

- Product Capability
- Company competence
- Market Position
- Key source
- Strong Processor Quality
- Main Partnership

SWOT refers to S-Strengths, W- Weaknesses, O-Opportunities, and T-Threats.

SWOT analysis can measure organizational competencies and identify opportunities that will be taken by business management in the future.

SWOT is a way of assessing the current situation of a company, products, or even competitors. Armed with this analysis, we can formulate a strategy for moving forward.

Using SWOT, the organization can get a complete picture of what is faced internally and externally, including the positives and negatives of the current situation.

The organization conducts a SWOT Analysis to identify various factors that can affect performance. In other words, SWOT is used to improve the current state.

The internal aspect is researched by looking at the internal factor strength and weaknesses of the skills and employee products. Opportunities and Threats are examined to reveal external factors facing the business, such as competitors or the economic situation. Here's the SWOT form

Strengths	Weaknesses
Opportunities	Threats

In SWOT, the current internal conditions can be mapped. What are the weaknesses and strengths of the organization can be written in the Strengths column for organizational strengths and the Weaknesses column for organizational weaknesses?

For external factors, it can be entered in the Opportunities column for organizational opportunities and the Threats column for external factors that threaten the organization.

The bottom part of the SWOT Matrix deals with Opportunities and Threats. These elements of concern are outside your company. They cover trends or events that could affect your company's future situation.

Opportunity refers to the factors that can positively affect your product or company. Threats are forces that can harm the situation. The analysis focuses on changing situations that can be affected by:

- Movement in the Market
- Competition
- Technology
- Process
- Source
- Your Business Partner

The following is the SWOT Matrix form to describe the organization's position and strategy in facing opportunities and threats from external factors that are detected with the strengths and weaknesses of internal factors.

	Strengths (S)	Weaknesses(W)
Opportunities (O)	S O	W O
Threats (T)	S T	WT

Remember that the top tier (Strengths and Weaknesses) concerns products and companies in a competitive landscape—the lower levels, Opportunities and Threats related to trends and situations in the market outside the company.

### **4.3. Canvas Model**

Have a new business idea but don't know how to make it happen? Looking to improve your existing business model? Overwhelmed with writing a business plan? There's a one-page technique that can provide the solution you're looking for, and that's a business model canvas.

Whatever you are thinking of doing, you will need some business plan. And the type of plan you will need will depend on your goals, the type of activity you are planning, and what level of detail you need to convey to stakeholders.

In this tutorial, you'll find an explanation of the business model canvas, along with steps on how to create one all business model canvas templates.

The Canvas Model describes how companies create, deliver, and capture value. Everyone has a unique way of looking at the business model. There is an increasing need for a uniform template for defining and discussing business models during this discussion. This template applies to new and old businesses across industries.

#### **What is a Business Model Canvas**

The business model canvas is a plan that describes how a business is. Canvas Model It describes who the customer base is and how to provide value to them, and the associated financing details. And the business model

canvas allows defining these various components on a single page.

The business model canvas is a strategic management tool that allows you to visualize and assess a business idea or concept. The canvas model is a one-page document containing nine boxes representing the fundamental elements of a business.

The business model canvas trumps the traditional, multi-page business plan by offering an easier way to understand the different core elements.

The right side of the canvas focuses on the customer or the market (external factors that you don't control). In contrast, the left side of the canvas focuses on business (mostly internal factors under your control). You get a value proposition that represents the exchange of value between your business and your customer in the middle.

The Business Model Canvas is a one-page summary of the high-level strategic detail you need to develop, maintain and market your business. The canvas template is divided into nine boxes which help you focus on the most important elements of your business or product.

### **Why You Need a Canvas Business Model**

The Canvas Model provides a brief overview of the business model and lacks unnecessary detail compared to a traditional business plan.

The visual nature of the business model canvas makes it easier for anyone to refer to and understand.

It's easier to edit and can be easily shared with employees and stakeholders.

Large companies and startups can use a business model canvas with only a few employees.

It explains how the various aspects of a business are related to one another.

You can use the Business Canvas Model template to guide a brainstorming session in defining your business model effectively.

### **How to Create a Canvas Business Model**

There are nine building blocks in the business model canvas, and they are the customer value proposition, customer segments, channels, customer relationships, revenue streams, key resources, key partners, key activities, and cost structure.

As you fill out the business model canvas, you'll brainstorm and research each of these elements. The data you collect can be placed in any relevant section of the canvas. So have your business model canvas ready when you start training. Here's the canvas model template

KP	KA	VP	CR	CS
	KR		C	
CS			RS	

The Business Model Canvas contains the following categories to help answer important questions about businesses:

Value proposition (VP): What value does your product or service provider to customers?

Key partners (KP): Who are your suppliers and partners?

Key activity (KA): What do you need to do for this business model to work?

Key resources (KR): Who or what most important assets do you need for this model to work?

Customer relationship (CR): How is your relationship with customers and prospects?

Customer segment (CS): Who will buy your product?

Channels (C): How will you reach your selected customer segment?

Cost Structure (CS): How much will it cost you to operate your business model?

Revenue Streams (RS): How will you generate revenue from each customer segment?

This document is designed to be a visual representation of what is managed to make or maintain a successful business. This allows the organization to quickly how the business should work based on the information held.

Business Model Canvas to quickly become a reliable document when testing theories and assumptions.

The Business Model Canvas categorizes internal processes and activities into 9 separate categories, each representing the building blocks of creating a product or

service. These categories represent the four main aspects of a business; customers, offering, infrastructure, and financial feasibility. These nine categories are listed and below.

### **1. Customers Customers**

The total customer pie is divided into segments based on how the organization's products or services meet specific needs for that segment. The customer segment is an important part of an organization's business model. This is key to ensuring that product features align with segment factors and needs.

To perform effective customer segmentation, companies must first get to know their customers, both through their current and future needs.

The organization must then list its customers by priority, including a list of potential future customers. Finally, the company must do a thorough job of its customers by understanding their weaknesses and exploring other types of customers that might be more profitable if they focused on them.

The various customer segments are as follows;

**Mass Market:** An organization that chooses this type of customer segment provides itself with a lot of potential customers because it feels that its products are relevant to the general population. A potential product for such an organization is Flour.

**Specialized Markets:** This customer segment is based on particular needs and the unique nature of its clients.

**Segmented:** Organizations changing the segmented approach create further segmentation in their main customer segments based on slight variations in customer demographics and, consequently, their needs.

**Diversification:** Organizations with Diversified Market Segments are flexible in iteration or services of their products or services, customizing them to suit the needs of segments with different needs or natures.

**Multi-Sided Platform / Market:** Segments of this type serve related customers, i.e. sites that require a large group of active bloggers to attract advertisers. And those who want advertisers to create cash flow. Hence, only by attracting both segments will the blog site have a successful business model.

## **2. Value Position**

An organization's value proposition is the combination of products and services it provides to its customers. Osterwalder argued that this offering had to be unique and easily distinguishable from the competition. Value propositions can be divided into two categories:

**Quantitative:** this emphasizes the price or efficiency of a product or service

**Qualitative:** this value proposition is tugging at the experience and results of the product and use, generate.

The value proposition provides value through several attributes such as achievement, performance, "getting the job done", status, design, novelty, price, cost and risk, accessibility and usefulness.

When creating your product's value proposition, the first question an entrepreneur should ask is, what problem is the solving through the product or service he offers. Then we need to see how the product, service or overall experience can be improved so that it provides greater value than the competition. Lastly, it is essential to identify the core values that your business provides.

One way to identify this value is for the owner to determine what he or she wants the customer to remember their interactions with the company.

### **3. Channels**

The media an organization uses to deliver its value proposition to its customer segments are known as channels. There are a variety of channel options available to organizations, and selection is based on the fastest, most efficient channel with the least amount of investment required. There are two basic types of channels; Company-owned channels such as storefronts or Partner Channels such as Distributors. Companies can choose one or use a combination of the two.

For an entrepreneur, the first step in dealing with channels is identifying customer channels. The points of contact with customers can be limited or vary depending on the company's strategy. Then he needs to evaluate the

strength of the channel by doing a SWOT analysis of the channel. Finally, companies can identify and build new customer channels.

#### **4. Customer Relations**

An organization must choose the type of relationship it will have with its customer segment to create financial success and sustainability. Customer Relations can be categorized as follows;

**Personal Assistance:** In this kind of relationship, the company interacts with the customer directly through an employee who gives a human touch by helping the customer pre-sales, during the sale and can even provide after-sales service.

**Special Personal Assistance:** This type of relationship is characterized by a very close interaction between the customer and the company through dedicated representatives who are given a group of clients and are personally responsible for the entire experience the customer has with the company.

**Self-Service:** Self-Service places the responsibility of the customer experience on the tools the company provides for the customer to serve himself.

**Automated Service:** This is a customized self-service relationship where the historical preferences of the customer are taken into account to enhance the overall experience.

**Community:** In today's electronic era, creating a client community allows organizations to communicate with them directly. This allows for a better client experience as the community allows clients to share their experiences and generate the same challenges and solutions.

**Co-creation:** The customer has a direct influence in the form of a company's products or services.

For an entrepreneur, the priority is to identify the type of relationship he has with customers. Then customer value must be evaluated about the frequency with which it is spent on the company's products and services. Loyal customers are a relationship that a company should be investing in as they will generate steady income throughout the year.

## **5. Revenue Stream**

Revenue stream is a company's methodology for getting its customer segments to buy its products or services. An income stream can be created in the following ways;

**Asset Sales:** the company sells ownership rights to the goods to the customer.

**Usage Fee:** the company charges the customer a fee for the use of its product or service.

**Subscription Fees:** the company invoices customers for regular and consistent use of its products or services.

Lending / Leasing / Renting: customers pay to get exclusive access to products for a certain period of time.

Licensing: the company charges a fee for the use of its intellectual property.

Intermediary Fees: companies or individuals acting as intermediaries between two parties charge an intermediary fee for their services.

Advertising: a company charges other people a fee to advertise their products using their medium.

When setting up a revenue stream, it is important to know that the effective price for the product and/or service will be obtained through the elimination process. The different iterations of prices should be listed and evaluated. Ultimately, it's important to take advertising breaks to reflect on the possible paths open to you as a business.

## **6. Key Resources**

It is a fundamental organizational asset in how it delivers value to its customers. Resources can be categorized as human, financial, physical, and intellectual.

For an entrepreneur, it's important to start by listing your resources. This gives you a clear picture of what end product or service your company needs to create for its customers and which resources it can spend, resulting in cost savings for your company. Once a final list of resources is available, the company can decide how much to invest in these key resources to run a sustainable business.

## **7. Key Activities**

Activities that are key to generating the company's value proposition. Entrepreneurs should start by listing the main activities that are relevant to their business. This activity is the most important process that needs to occur for a business model to be effective. The main activities will coincide with the income stream. It is important to evaluate which activities are key by adding or removing some and evaluating their impact.

## **8. Key Partnerships**

To create an efficient and efficient operation and reduce the risks associated with any business model, organizations form partnerships with high-quality suppliers. A key partnership is a network of suppliers and partners who complement each other to create their value proposition. Partnerships can be categorized as follows;

Strategic alliances between competitors (also known as competitions), Joint ventures and The relationship between buyers and suppliers. An entrepreneur should start by identifying his key partners, followed by planning future partnerships. This can be done by evaluating the partnership relationship to assess which characteristics of the relationship need to be improved and what kind of partnership is needed in the future.

## **9. Cost Structure**

It determines the costs of running the business according to a specific model. Businesses can be cost-driven, that is, focused on minimizing investment into the business,

or driven by value, that is, focused on providing maximum value to customers.

Following are some of the features of common fee structures;

**Fixed Costs:** costs that stay the same over a period of time

**Variable Costs:** as the name suggests, these costs vary according to the variation in production

**Economies of scale:** costs decrease as production increases

**Economies of Scope:** costs are lowered by investing in businesses related to the core product.

The first step for an entrepreneur is to identify all costs associated with the business, obviously. A realistic understanding of business costs is one of the hallmarks of a good business model. After identification, it is important to list all expenses on a canvas, visually display, and then make a plan for each expense. Some costs can be lowered through certain steps, while others may go up if you decide that investing in a certain part will bring you future returns.

## **Part 2. Let's Make A Choice**

In this section, readers are asked to choose the option of starting a business independently and starting with yourself or building a team of start-ups

## **Chapter 5. Who are you ?**

### **5.1. Know Your Self, Extrovert or Introvert**

Most of us think of being introverted or extroverted as simple as falling into one of two boxes. Would you rather stay at home or go out with friends? Would you rather be the center of attention or as away from the spotlight as you can?

But the truth is, your personality is not so black and white. There are no pure types in psychology. Even though extroversion is only one part of our personality, it is still a huge part of how we think and act. And how extroverted or introverted we are can influence everything from our social outlook to our relationships to our careers. Here's what you need to know about the two polar ends of the continuum and determine where you fall.

One factor at the heart of many personality assessments is whether you are introverted or extroverted. You may have a predisposition about where you lie on the spectrum (depending on how friendly or shy you are) but how do you know for sure?

As it turns out, the extrovert versus introvert question is quite complex. It is more than just if you are perceived as more quiet or talkative. And for understanding introversion vs. extroversion can help us better understand ourselves and others. Here's a more in-depth

explanation of how to know who we are and why it matters.

Although everyone is different, trying to understand the difference between introverted and extroverted tendencies can be a useful tool for understanding yourself and those around you better. And having more self-awareness can help when things feel uncomfortable and aren't going well in life.

Knowing our tendencies can help us find a better balance when we feel unfocused. The same is true when conflicts arise in relationships. What it means to be an introvert  
People on the introverted end of the spectrum sometimes get a bad rap.

It is often said that they:

- shy or socially awkward
- lack of strong interpersonal skills
- Don't be a good leader

But this characteristic really has nothing to do with introversion, which means their energy comes from within rather than from the people and things around them.

You may be an introvert if:

- You enjoy spending time alone
- You prefer quality time with one or two people to spending time with a larger group of friends
- You need time alone to rest and recharge after a busy work day or period of activity

- You can get lost in your thoughts easily and it takes time to process and think about a lot of things.

#### General introvert

- Able to spend time in solitude
- Does not like to be the center of attention.
- Appreciate close one on one relationships
- Think before you speak / don't say much
- Need alone time to recharge and reflect
- Prefer to work in a quiet and independent environment
- Focus deeply and think about specific interests.
- Can be seen as quiet

In fact, apart from still having great relationships, introverts can also be very successful in their careers. The only difference is, they tend to gravitate more towards roles that have an element of solitude, such as accounting, engineering, writing, or driving long-distance trucks.

In general, introverts are less likely to initiate conversations with people they don't know well or even with people they do know well.

This could relate to preferences for internal dialogue and reflection. But a dislike of conflict can also play a role.

Introverts often have a higher sensitivity to negative feedback. If they worry that someone will criticize them or look at them from a bad perspective, they will not be interested in putting themselves in any situation that leads to the outcome.

If they join in the debate or discussion, they are more likely to share their ideas in writing, anonymously, or both. Responding in writing allows them to think about what they want to say first, which may feel most comfortable.

People on the more closed end of the spectrum often spend a lot of time in their heads. Their friends and loved ones may say they are always in their own world or something similar.

But that world is where they do their best work. They may think of challenges or use their imagination to brainstorm new ideas.

Sharing those thoughts and feelings aloud may not be easy for them, but it may seem perfectly natural to write, illustrate, or tune them to music.

An introverted, socializing can drain their energy reserves, so they prefer to listen and absorb what is going on around them.

When at work, among friends, or in other social settings, they usually sit comfortably in the back.

The myth that introverts are socially shy or anxious stems from a natural tendency to observe discreetly.

Sure, they might avoid small talk, preferring to let crowd noise overwhelm them, or feel better when they can ignore everyone with headphones.

But they also listen to and weigh ideas carefully, and when asked for their opinion, they often have quality ideas to contribute.

An introvert doesn't necessarily mean avoiding people, but they may not have a large social network. Instead, they are more likely to share their available social energy with a few close friends.

Even though they don't make friends easily and feel like they don't need to expand their circle, they really value people with whom they are comfortable.

What does it mean to be more extroverted?

People who tend to be near the extrovert tip draw energy from the outside world: the people, places, and things around them.

Being a more extroverted person means developing the energy of the people and things around them.

You may be an extrovert if:

- You prefer to spend time with other people and don't like to be alone.
- You love crowds, parties and other gatherings with lots of new people.

- You are sociable, talkative and like to be the centre of attention.

#### Common extrovert

- Have a large social network
- Enjoy being the centre of attention
- Tends to think hard
- Make decisions fast
- Get energy by being around other people.
- Friendly, enthusiastic and positive
- Develop in an open, team-oriented work setting

Extroverts tend to feel most comfortable when working with other people, whether it's a work project, planning a party with friends, or schoolwork.

They can organize the group, keep it running smoothly, or even jump in as the leader.

No matter how they participate, they are more likely to feel excited to do their best work when it involves active collaboration with others.

They're not afraid to take a chance on something they've never done before, even if it's a little risky? Maybe they find it easy to change plans or adapt to new situations.

Extroverts tend to take action rather than brood. Once they decide to do something, they usually do it without worrying too much about what might happen.

They may not spend a lot of time weighing all potential outcomes, and people may even describe them as impulsive.

Extroverts often find it easier to understand and solve problems when they can talk about them, restate them in their own words, or seek input from others.

Extroverted people usually have little or no difficulty expressing thoughts, feelings, and opinions. This can range from minor preferences, such as foods that you don't like, to deeper emotions, including romantic feelings.

Extroverts recharge their best in the company of others. You may move from one social setting to another, like to have people around you most of the time and avoid spending time alone whenever possible.

Extroverts are generally known for being very outgoing. If you fall on this end of the spectrum, you might:

- have many friends
- nice to meet new people
- feel easy to have heart-to-heart conversations with strangers or people you don't really know

Can you be introverted and extroverted?

You don't have to identify as an introvert or extrovert. There are so many middle ground here too where we now see people describing themselves as

extrovert-introvert. It's okay to be in the middle here and not feel that you fall into a different category.

For example, if you are an extrovert-introvert, you may feel that you are mostly introverted, but you don't always prefer to be alone or in small groups, and you can feel energized when you are around the right—the crowd at the right time.

Perhaps the combination of traits from the two lists best fits a person's personality. For example, they may spend a little time thinking about a risky decision, but then take firm action without looking back.

It doesn't matter; you are an introvert or an extrovert or a combination of both. The most important thing is that you can understand who you are and how you are. Because every human being has their own strengths and potentials, find your potential, appreciate it and develop it.

## **5.2. Know your friends, digital friends or real friends**

Friends in need are friends. This adage has been around forever. We all know that everyone we hang out with is not true friends. However, sometimes it can get really complicated when we ourselves are not sure who we consider our friend.

Friendship should be easy to understand. There is someone in life that they talk to regularly, share their feelings with, and they return the favour. However, it's

tough these days to figure out who are friends and who aren't. Sometimes, those who we think are friends, end up stabbing us in the back. Conversely, some friendships can come from the most unlikely of people.

Friendship is one of those concepts that we think will get easier with age, but sometimes seem to get more and more complex. Let's first look at the definition of a friend.

A friend is someone other than family or a very close lover (Sow & Friedman, 2020). Friends can share kindness, sympathy, empathy, compassion, the same interests, the same trust, loyalty and fun with them. They can be in person or online.

There are several degrees of friendship. Some friends are relaxed, They might share some interest with us, and We might talk sometimes, but we are not as deep as we can be, and that's how friendship is. Other friends may be closer.

We spent time whenever we could, and we've been through it all. We may have had a childhood with them and have had our ups and downs, but they are still your best friends.

Friends can go away for a long time without speaking, but once they start talking again, it feels like no time has passed.

Then there is the social media definition of friends, where friends have accounts linked together on social media, but maybe we are not talking at all. We shouldn't confuse social media 'friends' with real-life friends.

Think about it. If we have 500 friends on Facebook, can you see yourself becoming deep friends with all 500 friends? Probably not. They are just numbers on social media. When it comes to friendship, less is better. Many of those Facebook friends should just be called acquaintances, but they have nothing in common. "I met someone on Facebook today," doesn't seem right.

What's the difference between friends and acquaintances? Acquaintances are people we talk to sometimes, but the bond of friendship is absent. Maybe it would be if we both talked more, but most likely, the person was a nice and kind person to talk to on occasion, but the bonding didn't happen. They won't be the people we talk to when things go wrong. They will not be the ones to whom we spend a lot of time with us. Maybe they are friends of friends we tolerate whenever they are around.

Look at social media, as well as the people you know in real life. How many of them do you think are friends? How many are just acquaintances? Perhaps the biggest problem with friendship today is mixing the two. Chances are, only a handful of people in our lives are worthy of being our friends, while others are actually acquaintances.

### **Sign of a Good Friend**

Here are some ways to know if our friends are good.

### **1. Always there**

Good friends will always be there for us, no matter what our situation. They won't run away because we lose money or because we move further away. Friends know that life presents many trials, and they will endure those trials to the end.

### **2. Listening and Keeping Secrets**

A good friend is someone we can share our secrets with, and we know they won't gossip. When we say, "promised not to tell anyone," they're not going to tell anyone.

### **3. Feel Good With Them**

A good friend will be the person we like to spend time with, and no matter how often we hang out with him, it always seems like it ends too soon.

### **4. We Empathize With Them**

When something bad happens to our friend, we also feel bad, even though we are not directly affected. Friendship requires empathy to succeed. A friendship where friends ignore each other's feelings is not a good friendship.

Long-term friendships won't be perfect. There may be fights and times when our friends and we don't want to talk to each other. But a good friend knows it's a part of life, and they're willing to bury their anger and try to be friends again.

Most fights aren't an excuse to end a friendship. Good friends can forgive each other, not hold back the past against their friends, learn from their mistakes, and move on.

### **Signs of a Bad Friend**

If we have ever questioned our friendship with someone, think about what they did. Here are some signs our friendship with someone isn't great.

#### **User**

Some so-called friends only want us when they need something, whether it's a ride, money, or other necessities.

They become comfortable companions when we have the advantage offered, and once we have no advantage offered, there is no place for us for it.

Could you not take it wrong? Friends have to help each other. The keyword is each other. If the assistance is one-sided, this may be a sign that we are being used.

#### **People Who Cannot Take Criticism**

As friends, we have to help each other. And one of the ways we have to help someone is sometimes giving them a pill that's hard to swallow.

Good friends will remember the criticism, while bad friends may become aggressive and may take us out of

their lives when we say something they don't want to hear.

### **People Who Cannot Tolerate Differences**

Friends hang out because of their similarities. Few friends have ever bonded over their differences. Thus, we will have several differences, be it hobbies, views on life, and other reasons. If our friends always bother us for what we believe and even stop talking to us because of those differences, they are not very good friends.

### **Unfriendly**

Unfriendly friends are difficult to make friends with because they often have reasons to avoid us. There's a big difference between having real reasons for cancelling plans and always making excuses.

If we are the people who always make plans and they are the ones who never hang out with us even though they always say how much they miss us, they may not be great friends.

Some friends may experience social anxiety and find it difficult to make plans. It must be situational.

### **Forced**

On the other hand, if we have obligations like work, school, or family, and our friends get angry every time we have to say no, this could be a sign of a bad friendship.

A good friend knows that life, especially adult life, is busy, and sometimes the two of us can't see each other. Be patient, and wait for a good opportunity to hang out.

Many friends may have one or two problematic tendencies, but that may be a sign that we should separate if those tendencies are frequent.

Look at our friends, see who are friends, acquaintances, and who might be bad friends.

Understand who your friends are because one of the invaluable capital in business is social capital.

### **5.3. Know your environment, blue ocean or red ocean**

The environment is something we are very familiar with. They make up our environment and influence our ability to live on earth. The air we breathe, the water that covers most of the Earth's surface, the plants and animals around us, and much more.

The dimensions of the business environment mean all factors, strengths, and institutions that directly or indirectly affect business transactions (Gandhi, 2020).

The business environment is the total external and internal factors that affect the business.

What aspects are there within or outside the business field that affect its operations substantially? For example, a person consuming a product or service is outside the

business. They significantly affect business operations. Why? It's because they decide to buy or not to buy from a company that affects the success of the business.

Changes in the business environment affect the business positively or negatively. Therefore, we must always know the business environment in which we operate.

We can do this by conducting surveys and critically observing business trends. Also, you can ask questions and visit places where you can get useful information about the business environment in which you operate.

The General Environment is the most important dimension of the business environment because entrepreneurs cannot influence or change the components of the environment in general. Instead, he must change his plans and policies by the changes taking place in the general environment. In business, we must recognize the environment from various perspectives such as the economic, social, political and technological developments and competition.

The Economic Environment consists of the Gross Domestic Product, the level of Income at the national level and the per capita level, the level of profit income, the Level of Productivity and Employment, Industry, government monetary and fiscal policy, etc.

Economic, environmental factors have a direct and direct impact on entrepreneurs, so businesses must scan the economic environment and take timely action to deal

with it. The economic environment can be a constraint and can offer opportunities for entrepreneurs. Some Aspects of the Economic Environment:

1. Role of the Private and Public Sector
2. Growth rate of GDP, GNP, and Income Per Capita
3. Savings and Investment Rates
4. Trade Balance
5. Balance of Payments
6. Transportation and Communication Systems
7. Money Supply in the Economy
8. International Debt

The Social Environment consists of the customs and traditions of the community in which the business is located. This includes the standard of living, tastes, preferences and educational levels of people living in the communities in which the business exists.

Entrepreneurs cannot ignore the social-environmental component because this component may not have a direct impact on the business. However, in the long run, the social environment has a big influence on business.

The political environment is all factors related to government affairs such as the type of government in power, the attitude of the government towards different groups of people, changes in policies implemented by different governments, etc. The political environment has a direct and large influence on business transactions, so business people must carefully scan this environment.

The legal environment is the law, and various laws and regulations passed in parliament. Entrepreneurs must not ignore laws and regulations because they must conduct their business transactions within the framework of the legal environment.

The technological environment refers to changes that occur in production methods, use of new equipment and machines to improve product quality. The entrepreneur must closely monitor technological changes in his industry because he must implement these changes to remain competitive.

Understand your surroundings. Identify external factors in the business that you will run, understand and adapt.

## **Chapter 6. Market First or Product First**

### **6.1. You Able to Choice When You Know Your Self**

When you understand who you are and what you are like. You can choose the best for you, including business matters. In starting a business, there are basic choices that you must choose, namely starting from the demand side or starting from the supply side.

If you start from the demand side, you can find out what the people around you or your potential customers need. After that, you have what they need.

If you choose from the supply side, understand yourself. What can you produce after that, look for people who need your product?

You can only choose when you know yourself, know the people around you and know your environment.

The most profitable business conditions are when supply and demand are met thoroughly and in balance at optimal prices (Ma, 2020).

Supply and demand are valuable concepts in both business and the economy, in their own right. However, combine the two (as supply and demand, or The Law of Supply and Demand). Put, "supply and demand" is an economic theory that describes the interactions between sellers and buyers of resources. Supply and demand

affect the price and volume of goods traded in the market.

Supply and demand are some of the most fundamental principles of microeconomics, the branch of economics that studies how single-factor and individual decisions are made. (In contrast, macroeconomics is the study of how the economy works as a whole.)

It is important to understand the roles of both players, consumers and producers in the supply and demand of a business. Consumers are buyers of goods and services. They can be individuals or business units from sole proprietorships to large companies. Manufacturers, as the name suggests, produce and sell goods and services.

Supply and demand are one of the most important concepts in economics. They drive the prices of goods and services in a market economy, as well as salary levels.

- Demand represents how much of a product or service people want.
- Supply represents how much (quantity) of goods or services the market can provide or offer.

The quantity of the product that people want to buy at a price is the "quantity demanded". The relationship between demand and price is called the demand relationship.

Supply and demand is an economic model which states that the supply and demand for goods determine the price at which an item is sold. When the supply of a good equals its demand (known as economic equilibrium), it reaches a stable price that both buyers and sellers can agree on.

If the supply of a good is higher than demand, then the price will fall (the various sellers have to compete with each other by offering a lower price, which in turn creates more demand), until supply and demand equalize. When the supply of goods is greater than demand, it is called a surplus.

If the demand for a good is greater than the supply, the opposite happens. Suppliers will increase their prices to get more profit with the products they already have until supply and demand reach equilibrium at the peak price. When the demand for a good is greater than the supply, it is called a shortage.

The supply and demand for goods and services depend on several factors, but the most important is the price.

Manufacturers want to make as much money as possible from what they sell. Finding the right balance for pricing is called market equilibrium.

Economists have designed models to describe how different markets work. But one of the most important concepts is a perfectly competitive market.

In perfect competition, there is the same number of suppliers and consumers of a product. As a result, prices for goods and services do not change, and new producers can enter at any time.

In perfect competition, the market price of a good or service is one where there is no excess supply and no excess demand.

### The Four Laws of Supply and Demand

After you understand the basic terminology, you can begin to understand the four basic laws of supply and demand, which are as follows:

1. The increasing demand for supply remains unchanged, which leads to a higher equilibrium price and a higher quantity.

Why? Consumers are willing to pay more, directing producers to produce more so they can earn more money.

2. The decrease in demand for supply remains unchanged, leading to a lower equilibrium price and a lower quantity. Why? If consumers don't buy, producers lower their prices to move the product. They will not produce more goods and services that they do not sell.

3. An increasing shift in supply when demand remains unchanged leads to a lower equilibrium price and a higher quantity.

Why? When goods or services are abundant and easy to obtain, consumers will shop at the lowest price and still do not drain the excess supply.

4. A decreasing shift in supply when demand remains unchanged leads to a higher equilibrium price and a lower quantity.

Why? When the supply of goods and services is running low, ordinary consumers buy, they will pay higher prices to make them available.

By understanding supply and demand you can create a business strategy and have a basic business feasibility study as well as understand where you started product first or from the supply side or market firms or the demand side.

## **6.2. See Inside or See Outside**

In running our business, we never come from internal and external factors. And we can focus on anticipating and adapting to external factors, or we can focus on strengthening ourselves on the internal and preparing for all the possibilities that may occur. Another option is to combine the two.

In terms of strengthening internals (See inside), you can use a balanced scorecard to understand and measure the company's internal performance so that you are ready to face all the possibilities that may occur from any

changes in external factors. And, to see out the side or focus on external factors does not mean that we ignore internal factors. Instead, we focus on understanding external factors to formulate strategies for anticipating and adapting to changes in external factors by maximizing opportunities and minimizing threats or anticipating threats. This can use the SWOT Matrix, which was explained in Chapter 4.

### **Balance Score Card**

The balanced score card is a strategic management performance metric used to identify and improve various internal business functions and the external results they produce. A balanced scorecard is used to measure and provide feedback to the organization. Data collection is essential for providing quantitative results because managers and executives collect and interpret information and use it to make better decisions for organizations.

The Balanced Score card model reinforces good behaviour in organizations by isolating four separate areas that need to be analyzed. These four areas, also called the legs, involve learning and growth, business processes, customers, and finance.

The balanced scorecard is used to achieve goals, measurements, initiatives, and objectives resulting from the four main functions of this business. Companies can easily identify factors hindering business performance and outline the strategic changes that the scorecard tracks in the future.

The balanced scorecard can provide information about the company as a whole when looking at company goals. Organizations can use the Balanced Scorecard model to implement strategy mapping to see where value is added within an organization. The company also uses a balanced scorecard to develop strategic initiatives and strategic objectives.

### **Characteristics of the Balanced Scorecard Model**

Information is collected and analyzed from four aspects of the business:

1. Learning and growth are analyzed through investigation of training and knowledge resources. This first section deals with how well information is captured and how effectively employees use that information to turn it into a competitive advantage over the industry.
2. Business processes are evaluated by investigating how well the product was produced. Operations management is analyzed to track any gaps, delays, bottlenecks, shortages, or waste.
3. Customer perspective is collected to measure customer satisfaction with the quality, price, and availability of products or services. Customers provide feedback about their satisfaction with current products.
4. Financial data, such as sales, expenses, and income, are used to understand financial performance. These

financial metrics can include dollar amounts, financial ratios, budget variances, or revenue targets.

These four legs cover the vision and strategy of the organization and require active management to analyze the collected data. Therefore, the Balanced Scorecard is often referred to as a management tool rather than a measurement tool.

## **Chapter 7. Every Business Start from money or from human**

### **7.1. Money First or Human First**

In business, there are two main production factors, namely human and non-human (money). Humans are a production factor that runs a business and money is used to buy non-human capital goods such as machine, equipment, raw materials, land and buildings and salaries as a form of compensation for human hard work to the company.

To understand these two main factors. It is important to understand the Cobb-Douglas production function. Economist Paul Douglas developed the Cobb-Douglas function and mathematician Charles Cobb; the Cobb-Douglas production function is usually used in macroeconomic and microeconomic models because it has several convenient and realistic properties.

The Cobb-Douglas production function is based on the empirical study of the American manufacturing industry by Paul H. Douglas and C.W. Cobb. It is a level one linear homogeneous production function that takes into account two inputs, labour and capital, for the entire output of the manufacturing industry. In economics, the production function is an equation that describes the relationship between input and output, or what is used to make a particular product. The Cobb-Douglas production function is a special standard equation used

to describe how two or more outputs are produced. . input into the production process, with capital and labour being the typical inputs described.

The equation for the Cobb-Douglas production formula is as follows:

$$Q = f(k, l)$$

where k represents capital, l represents labour input, and Q is the production function.

From this function, to make a product, both services and goods, two components are needed, namely humans and money. This means it can start with money first or humans first. This is related to the condition of the entrepreneur when he started a business.

When the condition has sufficient money, it is necessary to prepare investment security and careful planning according to the money owned then looking for human resources (money first then people look for). However, when you don't have enough money, all you can do is create a mature business concept and plan, be aware of what is currently available, form a team and then look for investors to join the business (people first look for capital).

## **7.2. You Are Your Best Employee**

The best people in the business are the founders and owners of the business. Informing a team, you can start from yourself by building a business independently and

building a good system before recruiting colleagues or employees.

### **How to Build a Team**

Building a successful work team can be difficult and challenging because it brings together opinions, values, past work experience, upbringing, previous team experience, work goals, and skills in communication and team building. However, teamwork and collaboration can be taught and developed. Here are tips for building a team:

### **Understand the Purpose of Team Building**

Before building a team, it is important to understand the goals of the team. In general, a team is a group of interdependent employees who gather around a specific task, project or goal including building a new business.

A team with clear goals organizes different people with different goals and plans into a unified whole. When successful, it channels team members' energies for the good of the organization as a whole. To achieve this level of success with a team, you must identify your short-term and long-term goals. Besides, the skills needed to achieve these goals form the basis for identifying the right people to recruit as a team.

### **Empowering Teams According to Organizational Needs**

One of the fundamental needs in an environment that encourages teamwork and collaboration is empowered employees. They act independently and require minimal direction. Managers in organizations say they want employee empowerment, but they act in ways that undermine employees' ability to act.

Based on the individual's current skills and abilities, tailor training to ensure they understand how to succeed in their current roles in the company. Then, continue to offer development tools, classes, training, and additional assignments to build on their experience and shape their competencies for future roles.

Make sure the team in the organization becomes trained and developed people who are increasingly trained to give responsibility to them. Give supervision and trust the more trusting them, the more confident they will be in their abilities. Empower them to make decisions and to handle the responsibilities of their roles.

### **Build a comfortable working relationship**

Have you ever wondered why some teams are effective, and others don't work for team life? Effective teams have found the heart of the dynamics and relationships of interpersonal communication.

They are clear about the goals of the team and each other's roles in the team. Furthermore, team members have found a way to assess how they are performing as a team constantly, and they frequently check progress and

relationships. Comfort in a working relationship is needed in a team.

### **Communication**

Another important factor in team success is effective communication. Emphasize communication techniques that will help you build teamwork and friendships with your co-workers.

This technique focuses on effective interpersonal behaviour that builds teams. If all team members practice the secrets of the great communicator, then a supportive teamwork environment is guaranteed.

### **Build healthy productive habits**

In the normal process of working with each other, team members develop certain ways of interacting and getting work done. They fall into habits and patterns around behaviours such as meeting commitments, meeting deadlines, planning next steps, and making decisions.

Some of these habits and patterns serve the team well, and some of them undermine the team's success. Given that team culture and norms will shape in a planned or unplanned manner, lead and ask the team to determine what types of rules and guidelines are best suited for their efforts.

### **7.3. No Money No Cry, All Is Well**

Starting a small business is an exciting time. However, consider that not all of the initial funding has to come from you, the business owner, or through a regular bank

loan. There are ways to ease the financial burden of small entrepreneurs, either through investors who only get money when the company makes a profit or loans with low-interest rates.

When starting a business and having insufficient money, it does not mean that the business cannot work. The business can be run in stages, from the small businesses that are the most capable of being covered, after which they can start looking for investors.

A good business concept is not enough to get investors who are willing to invest their funds in the company.

Business existence is needed first to convince investors in the form of a business that runs even though it is small and can provide a sale value to investors, both potential future profits and market growth.

Small business investors can be individuals who specialize in early-stage corporate financing. Compared to the big checks that venture capital firms hand out, they provide a relatively smaller amount of capital.

When we try to figure out how to find investors, you will quickly discover that most investors often specialize in a certain type of business. That might mean a business in a certain industry, a certain business model, or something else like funding an underrepresented founder.

Investing is not done out of the kindness of a person, after all, investment. The individual who wrote the check

is looking for a refund, so they'll expect something in return. Generally, that's equity. So, small business investors understand that when they put their money into an early-stage business, they are making what is likely to be a bet several years. But they usually expect some solution so they can make money too.

Many investors are former entrepreneurs themselves who can provide business owners with an informed perspective. However, as early-stage individuals writing relatively smaller checks, they will be less involved in our day-to-day operations. However, they will make a great channel for a larger network and resources in the future.

When we seek funding from small business investors, there are a few important definitions we should know.

### **Angel Funding vs Seed Funding**

When you are figuring out how to find investors, you may be asked if you are only looking for a single small business investor, or if you are scaling a full seed spin.

To kickstart their growth with investors, some new businesses will take funding from only one or two angel investors, but previously raised a whole round of seeds (those that came before your Series A). That gives you a deep relationship with your investors, and also allows you to retain a large portion of the equity. Angel investors also rarely take board seats.

That said, many companies will scale up seed rounds of various sizes in which angel investors will participate. Make sure you know where you fell, and whether or not you hope to get involved with an angel investor startup fund.

Due to the limited scale of small businesses and entrepreneurs, accessing the funds needed for expansion is often a challenge because there are no funding options such as stocks. While most investors prefer to invest in an established business, some invest in small start-ups. Angel investors and seed funding are small business investment options. The key difference between angel and seed funding is that while angel funding provides monetary and business development skills for startups, seed funding investors are primarily interested in equity stocks.

### **What is Angel Funding**

Angel funding is an investment made by angel investors. Angel investors are a group of investors who invest in entrepreneurs and small-scale startup businesses.

Angel investors are also referred to as private investors or informal investors. These investors are generally high-income individuals who have the funds they want to lend and business expertise that can assist entrepreneurs and startups with decision-making.

These investors are typically former employees who have held senior management positions in prominent organizations or successful entrepreneurs. Their main

goal is to gain financial benefits from investing in new businesses with high growth potential.

### **Characteristics of Angel Funding**

The types of businesses different angel investors are willing to invest in can vary. For example, if a particular business angel investor is a former senior person in a technology-based organization, they are likely to be interested in investing in a startup of a similar scale. Furthermore, selecting a business proposal that is coherent with one's own experience allows the investor to contribute with operational expertise and financial expertise, which are common characteristics of business angels.

Angels make high-risk investments because of the success or failure of future entrepreneurs, and the startup business they invest in is unknown.

The possible risk is also about the fact that these newbies have minimal experience in running a business. Thus, if the new business fails to achieve the desired results, the angels may lose their fully invested funds. Thus, angels require a higher return because the risk involved is greater. Generally, an average return of 20% -30% might be expected by angels. Sometimes angels can acquire an equity stake in a company.

Angel investors can contribute with one investment or multiple investments to help a startup stabilize itself as a capable business operation. They continue to fund startups until the business is stable enough and capable

of carrying out a successful operation. If the business does not perform as expected in a certain period of time, the investor may decide to withdraw from the business. This is referred to as the exit route.

### **What is Seed Funding?**

Initial funding, also known as startup capital, refers to investing in an initial business by acquiring an equity interest or convertible debt. Equity shares are equal to one unit of ownership in the business, and investors in the initial funding become shareholders of the business and can influence business decisions. Convertible debt may be converted into equity in the future.

#### Characteristics of Seed Financing

Business founders can invite family members, friends, and other acquaintances to invest in the startup business. Unlike angel investors, start-up investors do not have the advanced skills to advise on business operations.

Further upfront funding is not limited to startup businesses but can be used as a source of funding for existing businesses. Many established companies use seed money to gain access to finance.

### **Equity vs Convertible Note vs SAFE Note**

You may be familiar with the idea that you may have to give up equity when looking for ways to find investors. But the convertible note idea might be on the table too, which is a little more nuanced.

Conversion notes are a common type of short-term debt in early-stage business financing. With convertible banknotes, you will receive funds. However, instead of paying back the interest on your principal, your investors will get equity for an unpaid loan balance based on the business's future valuation. This is a good setup for many new businesses in the early and early stages that need cash but are not necessarily in a place where they are ready to give the company a valuation.

An alternative to convertible banknotes is the SAFE banknote, which means "a simple agreement for future equity." Unlike convertible notes, these are not debt but are converted into equity. Usually shorter.

Many people invest on their own, but some prefer to work in groups.

Why? First, no matter how much money or time you have, investing is expensive and risky, so it's cheaper and less risky to do it with other people; furthermore, it takes less time when one person in the group performs gruelling due diligence for everyone.

There are many differences in group angel investing, which you can (and should) find out if you are looking for ways to find investors from syndicates. The most important thing you need to know for now is that you can find small business investors from one person, or group, who are most often led by a lead investor.

## **Where to Find Investors for Small Businesses**

Need to find investors to start or improve your business? There is more than one way to approach fundraising and to get noticed by those with capital; you need to move to the next level.

No matter how great your product or business idea is, how lean you can operate, and how much you've grown, more capital and financial leverage will almost certainly be a necessity. Even the best-funded and hugely successful billion-dollar startups have been involved in more fundraising rounds than ever before.

When you want to start raising a company or starting a company, consider the following alternative ways to find the investors you need

### **Trusted Introductions**

First and foremost, nothing can replace the support of someone small business investors trust. Find out if your business has someone in orbit, you can contact and introduce to your business who also has direct relationships with investors or a network of investors. Your finances tell a story, of course, but there is little better than direct connection and support.

### **Strategic Networking**

Likewise, think of other ways to backchannel to individuals or groups of investors with networks you already join or can easily be a part of.

Your alumni network is a great place to start looking for well-known investors, angel groups or syndicates, or connections with other people who can offer you advice on finding investors.

You may also want to see industry trade organizations, your local chamber of commerce. While it may seem strange to focus hyper-locally, some of your best and most unique connections can be made at the local level when you are not competing for the same funding as any other new business in the big cities.

### **Online Investment Platform**

Many online platforms allow accredited investors to basically shop for opportunities to support new businesses, allowing small business funding to come your way.

Some of these platforms include the Angel Investment Network, and AngelList. Depending on the place you choose to pursue connections, you could work with an individual or perhaps work with a syndicate or group of investors.

### **Friends and Family**

Maybe you feel uncomfortable asking friends or family for loans, but you can offer to turn them into investors in your business. If you are comfortable having

stakeholders you know at the friend or family level, this may be a good choice for you.

The big bonus here is that they might think in your best interests and want you to be successful with your new business. Make sure you have them sign the investor agreement and go over it all with a lawyer to formalize the process, ensuring there is no room for future disagreements or disputes. You must offer them your business plan just as you would any potential investor.

#### **7.4. Human Capital Vs Money Capital**

The business has two key factors, namely human or human capital and money or money capital.

Human capital plays an important role in increasing the productivity and output of an organization. Capital acts as a catalyst to increase productivity in the organization. Likewise, humans who act as employees without organizational employees will not run well (Nyberg & Moliterno, 2019).

Human capital as a useful resource to maintain a competitive advantage. Strategic action requires a set of physical, financial, human or organizational resources. Thus, competitive advantage is determined by its ability to acquire and maintain resources.

Human capital is one of the important capitals for a company because it is a source of innovation and strategic renewal, process re-engineering, and a source of dreams for the company. One of the elements that can

create a positive market perception for the company is the personal skills possessed by employees so that the company can outperform competition and sales.

Money acts as a medium of exchange and means of payment to create non-human factors of production and compensation for human labour.

Human capital is in the form of skills, knowledge, and experiences possessed by individuals (or populations) in terms of value or cost to the organization or community.

Individuals who have certain skills, character attributes, knowledge and experience, and that are very valuable to companies and colleagues in the organization.

The more skills a person has, the higher the human resources of that person. The more useful knowledge you have, the higher your human resources will be

Notice here not talking about human value, but human capital. These are two very separate concepts. Human capital refers more to what other people will pay for aspects of the work or work; skills can be sold to those who need and make money.

Human values are very different because people have intrinsic value regardless of what they can sell.

On the other hand, financial capital is the sum of all physical assets minus debt which is called net worth.

Both human capital and financial capital or money are both needed in business and are two things that cannot be separated in the production process. Human capital without financial capital support will be less than optimal because investing in human capital, such as procuring work equipment also requires money. Likewise, financial capital without human capital support will stop because no one or human is running a business.

### **Part 3. Let's Make First Project**

In this section, the reader is given insight into starting a project-based business because every business must have a project (Business Activity). And measure the project or business performance

## **Chapter 8. Find Key Resource**

### **8.1. Fund Finding**

In business, there are three types of sources of funds, namely from investor capital, retained earnings and debt.

In this discussion, financial capital or money capital is called capital.

#### **What is Capital?**

Capital is the term for financial assets, such as funds held in savings accounts and/or funds obtained from special financing sources. Capital can also be associated with the capital assets of companies that require large amounts of capital to finance or develop.

Capital can be held through financial assets or obtained from debt or equity financing. Businesses will typically focus on three types of business capital: working capital, equity capital, and debt capital. In general, working capital is a core part of running a business and financing capital-intensive assets.

Capital assets are business assets that are found on the current or long-term balance sheet. Capital assets can include cash, cash equivalents, and marketable securities as well as manufacturing equipment, production facilities and storage facilities.

From an economic perspective of financial capital, capital is an important part of running a business and growing the economy. The company has a capital

structure which includes debt capital, equity capital and working capital for daily expenses. Individuals hold capital and capital assets as part of their net worth. How individuals and companies finance their working capital and invest the capital they earn is critical to growth and return on investment.

Capital is usually in the form of cash or liquid assets held or obtained for expenditure. In financial economics, this term can be expanded to include the capital assets of a company. In general, capital can be a measure of wealth as well as a resource that provides for increased wealth through direct investment or investment in capital projects.

Capital is used to provide a sustainable production of goods and services to create profits. Companies use capital to invest in all kinds of things to create value for the company. The expansion of labour and buildings can be two areas in which capital is often allocated. By investing through the use of capital, businesses, or individuals direct their money towards investments that earn a higher return than the cost of capital.

The economic definition of financial capital can be analyzed by economists to understand how capital in the economy affects economic growth. Economists look at several capital metrics, including personal income and personal consumption from the Department of Commerce's Personal Income and Expenditure reports as well as an investment fund in the quarterly Gross Domestic Product report. Usually, business capital and

financial capital are viewed from the perspective of the company's capital structure.

### **Business Capital Structure**

Businesses need a large amount of capital to operate and create profitable returns. Balance sheet analysis is very important for review and assessment of business capital. Separation of assets, liabilities and equity, the company's balance sheet provides a metric analysis of the capital structure. Payable financing provides cash capital assets that must be paid back through scheduled liabilities. Equity financing provides cash capital which is also reported in the equity section of the balance sheet with the expected return for the investing shareholders.

Debt capital usually comes with lower relative rates of return in addition to strict repayment terms. Some of the key metrics for analyzing business capital include the weighted average cost of capital, debt to equity, equity debt, and return on equity.

### **Type of Capital**

Here are the top four types of capital in general:

#### **Debt Capital**

A business can raise capital by assuming debt. Debt capital can be obtained through private or government sources. Sources of capital can include friends, family, financial institutions, online lenders, credit card companies, insurance companies, and government loan programs.

Individuals and companies usually need to have an active credit history of acquiring debt capital. Debt capital requires regular repayments with interest. Interest will vary depending on the type of capital raised and the borrower's credit history.

### **Equity Capital**

Equity capital can come in several forms. Usually, a distinction is made between private equity, public equity, and real estate equity. Private and public equity will usually be arranged in the form of shares. An increase in public equity capital occurs when a company registers on public market exchange and receives equity capital from shareholders. Private equity is not raised on the public market. Private equity usually comes from a specific investor or owner.

### **Working Capital**

Working capital is one of the most liquid company capital assets available to meet day-to-day obligations. This is calculated regularly through the following two assessments:

Current Assets - Current Liabilities

Accounts Receivable + Inventory - Accounts Payable

Working capital measures a company's short-term liquidity - more specifically, its ability to cover debts, trade payables and other liabilities that are due within one year.

## **Trading Capital**

Trading capital can be held by individuals or companies that trade large amounts of it daily. Trading capital refers to the amount of money allocated to buy and sell various products.

Investors can try to increase their trading capital using various trading optimization methods. This method tries to make the best possible use of capital by determining the ideal percentage of funds to invest in each trade. In particular, to be successful, traders need to determine the optimal cash reserves required for their investment strategy.

In general, there are three ways of obtaining capital, namely through debt or applying for loans to banks or non-banks, applying for capital to investors or capitalizing with the money that is already owned and holding operating profits to be used as capital returns.

## **8.2. Talent Finding or Hire Your Self First**

Today's job market is very competitive. There are many job vacancies every day, but the question is, how many attract potential candidates?

Recruiters often have a hard time finding and hiring the ideal job candidate. The right approach to hiring the best talent is a necessity today.

A strong and well-planned recruitment strategy can help an organization stand out from this competition.

Recruiting the best talent requires a combination of creativity and persistence. Technology makes it easier than ever to publish job posts to a wide audience but to truly connect with qualified candidates and drive excitement about the role. Companies must find ways to stand out from other companies.

Finding the best people who can adapt to the organizational culture and contribute to the organization is both a challenge and an opportunity. Once found, keeping the best person is easy if you do the right thing right. The ideas provided will assist the organization in successful employee recruitment. These specific actions will help the organization recruit and retain all of the employee talent the organization needs.

To start building a business, you can start by hiring yourself. Or build a team of pioneers who can help businesses with pioneering conditions. But how to get the best talent in the required field of work certainly requires the best strategy to get the best talent. A strong recruitment strategy can help attract the best talent.

The market is full of talent, and a wrong move can release a good fit.

Building a strong, well-planned employer branding strategy can help stand out from this competition.

The best talent recruiting niche is to make a difference and ensure long-term career growth candidates. Here's a team recruiting strategy.

### **1. Treat candidates like customers**

Whether it's a telephone screening or an in-person interview, a candidate's first impression of the company is critical. It is important to make them feel like an organization that is excited to get to know them as they are considered for the role. One of the best recruiting techniques is to treat interviewees the same way to treat them like customers.

Respect their time. Whether it's a phone call, video conference or in-person meeting, always make sure to show up on time. If it's too late, notify the candidate as early as possible.

Be friendly. When a candidate comes for an on-site interview, ask if they would like a drink and indicate where they can find a toilet. Make them feel welcome and comfortable.

Make yourself available. Provide contact information for potential candidates to contact with questions and concerns during the hiring process.

### **2. Use social media**

Social media is a fantastic recruiting tool. Social hiring allows companies to share job posts with the entire network and encourages two-way conversation. Even if the people they reach are not interested in recruiting,

they probably know someone who is a good fit. Besides, sharing photos and videos from company events, workplaces, and/or daily office life that align with the employer's branding provides prospective applicants with a glimpse of the company culture.

### **3. Implement an employee referral program**

Great people usually familiarize themselves with other highly skilled professionals. While many employees may already share an open role with qualified contacts in their network, a well-developed employee referral program can encourage more employees to refer to the best talent they know. Consider incentivizing referrals with bonuses and contests so that they can create excitement around the program.

### **4. Create a compelling job description**

Writing an attention-grabbing and thorough job description is one of the most important parts of the hiring process. Here are a few tips to consider:

Make the title as specific as possible. The more accurate the title, the more effective it is in attracting the most highly qualified and interested job seekers. Open with a captivating summary. Provide an overview that makes job seekers excited about the role and the company.

Include what's important. Write down core responsibilities, hard and soft skills, day-to-day activities, and explain how they fit into the organization.

### **5. Take advantage of sponsored jobs to stand out**

One of the best ways to ensure your job posting continues to stand out is through sponsored jobs. These paid listings appear more frequently in relevant search results, and they will not return to search results over time, such as free job listings, which can lead to more high-quality applicants.

### **6. Check resumes posted online**

Indeed Resume houses millions of resumes from job seekers in almost all industries and locations. Employers can quickly find candidates by entering a job title or skill set and city, state, or zip code. It can narrow down the results based on criteria such as years of experience, level of education, and more. It can also set up Resume Alerts to receive daily emails with links to new resumes that match the criteria for the position you wish to fill.

### **7. Consider previous candidates**

When hiring for a position, there are often several talented candidates who are not cut because of time or other external factors. When hiring for a similar position, consider revisiting previous applicants' resumes. Since the last talks, these candidates are familiar with the company and may have acquired new skills and experiences.

### **8. Claim Your Company Page**

Job seekers often take the time to research employee reviews, salary data, benefits, and more before applying for jobs.

### **9. Attend industry-related meetings**

While job fairs can help find qualified candidates, non-hiring special events are also a great opportunity to meet motivated industry professionals looking to network and get ahead in their fields. For example, if you want to hire a software engineer, find a local group, meeting, or association that focuses on software development and attend local meetings. The most passionate professionals will stand out immediately.

### **10. Involve peers in the interview process**

Sometimes the best person to interview for candidates is someone who is already working in the same or a similar role. These employees already know what it takes to excel in the position and can verify whether the candidate has the skills and experience needed to do a good job. Current employees can also accurately describe their day-to-day experiences and help candidates better understand what they can expect when hired.

### **8.3. Place Finding**

Every business needs a place to operate even though it is digital-based—the minimal place to work. In determining a business location, of course, it is adjusted to business needs.

If you have thought about starting a business for a long time, the chances are that you already know what your business location will be like. That's fine, but it's not enough. Choosing the right location is more than just

finding a place that looks closest to what you can imagine.

It's about being where customers will see it, about being in a competitive location, about staying within budget, and about meeting the law.

### **What is the best location to start a business?**

Location can play a major role in the momentum a startup enjoys, how easy it is to attract funding, and how much you enjoy travelling and actually making a profit. Use these nine things to choose the optimal location for setting up and launching the business you are starting.

#### **1) Know Your Business Goals & Needs**

While you would love to start in a garage or co-working space, it's wise to anticipate what you will really need to scale and scale your business over the coming months and years. You can always move or branch out, but you need a strong start to get there.

What's your big vision? How much money will you need to raise to get there and from whom?

Who else do you need to help with on your trip? How much influence do closeness and overhead have on your ability to survive and thrive?

#### **2) Where a business Can Be Able**

One place is much more expensive than others. That applies not only to the direct costs of running a business but also to overheads and everyday living.

You may have to keep an eye on office expenses and lots of lunch and coffee meetings. You will probably work and sleep better in a real apartment than outside your car. Even though staying hungry can give you a lot of motivation.

### **3) Where You Can Find Talent**

If you're planning on having a really fast-growing startup, you need a team. More founders are choosing remote and distributed teams around the world. Many get technical assistance abroad in countries such as Spain while maintaining headquarters in the US.

Don't splurge and all the frivolity that goes with it if you don't have to.

If you feel you need an internal team, you should start or relocate your business to find or bring the talent.

Every penny can matter in the early days of a startup. Either get into business or get wasted. Even if other factors force you to more expensive goals, look for ways to be creative.

### **4) Where You Can Talk to Customers**

After surveying the many well-known investors and founders who have come up with enormous solutions, it's clear that talking to customers is one of the most important things an entrepreneur can do.

It is essential in those first days to find a product that fits the market. It's important to keep getting direct user feedback. Investors want to see that data too.

### **5) Where You Are Inspired & Supported**

Don't neglect this essential ingredient in launching and growing a startup. There will be many difficult days. It is okay. The big days make it more than worth it.

Dark days won't bother you too much if you have a good support system. You can enjoy more good days if you are in a very entrepreneurial environment. One that is innovative and gets it.

Take a look at the top startup accelerators, and you'll find one of their common threads is gathering founders. Bringing together founding classes at various startups, as well as connecting previous graduates with newcomers. This also often results in great introductions with investors.

### **6) Where You Can Be Most Productive**

Ideas are cheap. Execution is what makes the difference.

While many may move to New York or San Francisco to immerse themselves in an inspiring startup ecosystem, productivity still rules.

Suppose you can be more productive and get more done each day to grow your business from your couch. If you really can get more done in the coworking space than with all the clutter at home, get out there and do it.

Ultimately, you need to find your sweet spot and get more done than the competition.

### **7) Where You Can Meet Investors**

Few cities offer much better networking opportunities. In some cities, there are greater opportunities to meet investors at gyms, coffee shops, and happy hours than others. You can experience a dozen weeks, during which other cities may keep on arriving.

After you dive into the fundraising process, you'll need to build a relationship with investors every month. You should hold regular meetings to promote and undergo the due diligence process.

Having to fly and drive that much can consume a lot of time and capital. Do a full calculation and see what still makes the most sense.

### **8) Where Investors Want To Put Their Money**

Silicon Valley is not just about a high concentration of VC and funds; it also attracts a lot of international VC money. Just like NYC. Then there are cities like Bangalore, India and London where investors get a lot of money from outside.

### **9) Where Taxes and Liabilities are Low**

Selling your company for \$ 1 billion sounds good. Though it's only as good as how much you can save. This is especially true if you reduce ownership through fundraising.

Look for an investor-friendly, business-friendly city where taxes are low, and you can save more income and capital gains.

## **8.4. Equipment and Machine Finding**

The right equipment can increase processes, productivity, capacity to innovate and profits.

But to get these returns from large capital investment, we need an investment plan that meets both short and long term needs. Will not only save time and resources, but it will also avoid costly quick fixes. These tips will help make the right equipment purchase.

### **1. Assess the realities of your business**

It's important to understand your goals.

Do you want to increase productivity?

Will this new equipment make you more successful in the market?

Will it help you stay ahead of your competition?

Can you increase production instead of buying new equipment and still get better performance?

Make sure to have answers to these questions before buying. Avoid being influenced by aggressive marketing campaigns that make unrealistic claims.

### **2. Get an external point of view**

Depending on the scale of the investment, it may be useful to work with an external consultant who can

ensure to get the most out of the purchase by helping to assess the company's needs.

The most common practice is to perform a cost-benefit analysis, which helps to justify purchases and determine the pros and cons.

If you are in manufacturing, you can use the asset utilization ratio, which measures an organization's ability to get optimal results from its equipment and other assets. The premise is that more efficient equipment will produce better results.

### **3. Investing in technology that is more efficient according to the needs of the organization**

A key driver of productivity growth is the capacity to predict and prevent downtime and optimize equipment effectiveness and maintenance.

The cost savings come from:

- real-time production monitoring and quality control to reduce waste and rework,
- predictive maintenance to prevent costly repairs and unplanned downtime,
- higher automation from saving labour costs and increasing the yield of using 3-D printers to achieve faster prototyping,
- reduce engineering costs and speed up marketing time.
- Meanwhile, quality improvement comes from technologies such as real-time quality control.

#### **4. Create a technology roadmap**

Instead of making a separate purchase, look at the overall needs of the business and plan for the long term. This is where a technology roadmap can help.

A technology roadmap is a planning tool that aligns business objectives with long and short term technology solutions. This will help understand current technology systems, establish technology development priorities, and provide a timeline for the adoption of new systems.

The first part of building a road map is getting a clear picture of what is being done and mapping out the business process.

A process is a series of activities or operations that must occur in a certain order to create value for customers in the form of a product or service (Kossiakoff, et al., 2020). Technology has the potential to streamline the process.

#### **5. Find a supplier**

The internet provides access to a variety of specialized equipment companies, so take the time to explore. Check out newsletters targeting specific industries, and attend trade shows where you can get hands-on time to meet equipment suppliers. Also, contact industry associations for more information.

Don't let price guide your supplier decisions.

Also, consider aspects such as after-sales service and supplier reputation, and get referrals. If we are a loyal

customer, we can ask for a better warranty or an extended customer service package.

## **6. Always remember training**

Too often, employers don't consider the time, money, and resources it takes to train employees on new equipment. We want to avoid a decrease in productivity that occurs when employees take too much time adapting to new technologies or processes. If the equipment is new or has new features, we can assume that employees will face a learning curve. It's important to tackle the problem by ensuring that we have the funds to cover the resulting downtime. We must block out time to train employees and still ensure that our operations run to capacity.

## **7. Decide whether to buy or lease equipment**

Purchasing allows us to own equipment as soon as the transaction is complete. The company amortizes costs over the life of the equipment. It is possible to get financing for more than the purchase price. For example, offering up to 100% financing for purchase costs and possibly additional financing to cover installation, training and transportation costs.

Lease or lease options may be suitable for equipment that is rapidly becoming obsolete or needed for a specific project. Renting can make lower payments than if the company bought the equipment. However, don't own the equipment and wait until the contract ends to buy it. The price paid at the end of the contract may be lower than the initial purchase price, but because it also makes payments, this option may be more expensive in the long

run than others. Depending on the lease structure, payments may be included as part of operating costs.

### **8. Think safety first**

A healthy and safe work environment makes employees and companies more productive, and this rule applies to the purchase of equipment and technology.

Suppliers are responsible for selling equipment that can be used safely but is responsible for ensuring that employees follow safety rules.

### **9. Keep it green**

When buying equipment or technology, make sure it's energy-efficient. You will not only save money but also contribute to the health of the planet. Research the environmental impact of new equipment and find out how to dispose of existing equipment to minimize its impact on the environment.

## **8.5. Materials Finding**

Finding a supplier for any manufacturing business is part of developing a strong supply chain strategy. An effective supply chain strategy starts with assessing customer needs and includes planning, inventory management, supplier identification, cost analysis, transportation, overall supply and demand, product availability, and use of a computerized management system.

Supply chain management can be a complex system because many businesses and processes are usually

involved. Most producers identify a major supplier to use but may also have two or three backup suppliers. Supply chain strategy documentation can help small businesses stay competitive.

One of the problems faced by many small businesses is the size of the orders requested by suppliers. The minimum order quantity may be too large for a small business's manufacturing needs.

Buying too many ties up cash and makes the business less profitable. Possible strategies for dealing with this problem include estimating annual supply requirements and negotiating multiple delivery times or partnering with other small businesses that require the same materials and creating joint orders.

Pricing is also a problem. Suppliers provide lag prices for larger order quantities, which reduces production costs. Many small business owners are at a disadvantage because of these increased costs. In some areas, small producers will create a purchasing consortium in which several businesses achieve lower costs by working together.

## **Chapter 9. Cash and Cost**

### **9.1. The Budget Process**

Budgeting is a tactical implementation of a business plan (Prendergast, 2018). To achieve the objectives in a business strategic plan, an organization needs a detailed descriptive road map of the business plan that establishes measures and performance indicators. Then, you can make changes along the way to ensure that the desired goals can be achieved.

Budgeting is the process by which future income and expenses are decided to streamline the expense process. Budgeting is done to track expenses and income. It serves as a monitoring and control method for managing business finances. It starts with deciding financial goals that fit the budget to be made. Other important activities in the budgeting process include things such as forecasting, monitoring, controlling and evaluating financial objectives.

The budgeting process is essential for every business entity. Without the right budget, a business can never keep track of how much has been earned and how much has been spent. A budget serves as a great guide by which a business can keep an eye on its revenue stream and can identify potential hazards in advance. Furthermore, the budget acts as a valuable tool for controlling how a business spends. A budget ensures that all money is spent in the right direction and that financial goals are achieved.

Estimating and matching expenses to (real or anticipated) income is important because it helps small business owners determine whether they have enough money to fund operations, grow their business, and generate income for themselves. Without a budget or plan, the business runs the risk of spending more money than it takes, or conversely, not spending enough to grow the business and compete.

## **9.2. Cash Flow**

Cash flow is the money that goes in and out of your business in a month (Dover & Mariwalla, 2020). A cash flow statement shows how the company spends its money (cash outflow) and where the company receives its money (cash inflows). The cash flow statement includes all cash inflows that the company received from current operations and external investment sources, as well as all cash outflows that paid for the business and investing activities during a given quarter.

For some businesses, such as restaurants and some retailers, cash is cash. Businesses take cash from customers and sometimes pay their bills in cash. Cash businesses have a particular problem tracking cash flow, especially since they may not track income unless there are invoices or other documents.

Think of 'cash flow' as a picture of a business checking account over time. If more money is coming in than is going out, then we are in a "positive cash flow" situation

and have enough cash to pay the bills. If more cash is coming out than coming in, then you are in danger of being overdrawn, and you will need to find money to cover your needs.

Lack of cash is one of the biggest reasons small businesses fail. Insufficient cash reserves are the main reason startups don't succeed. It's called running out of money, and it's going to close down the business sooner than anything else.

Dealing with cash flow problems is most difficult when starting a business. Has a lot of expenses, and the money goes out fast. And there may be no sales or paying customers. The business will need some other temporary source of cash flow, such as a temporary line of credit, to move forward and move into a positive cash flow situation.

The first six months of business are critical times for cash flow. If the business doesn't have enough cash to bring in right now, the chances of success are not good. Suppliers often don't give credit to new businesses, and customers may want to pay on credit, giving "money troubles" to deal with.

### **9.3. Business Performance Measurement**

To measure business performance, it is necessary to track relevant business metrics, also known as key performance indicators, which display measurable value and show the progress of business goals. Measuring

performance is an essential part of monitoring the growth and progress of any business. This requires measuring the actual performance of the business against its intended purpose. Checking business performance regularly will protect the business from financial or organizational problems. This assists the business in lowering process costs and increasing mission productivity and effectiveness.

Business performance measurement refers to the management and analytical processes used by organizational management to assess the performance of the organization to achieve the objectives set by organizational management. Business performance management is also known as company performance management.

Managing business performance is not a one-time activity and is an ordinary job to assess performance and ensure that the company is working towards achieving its goals. Business Process Management has three main activities, namely goal selection, consolidation of measurement information, and manager intervention to improve future goals. The three activities are sequential, but they run simultaneously according to organizational goals.

There are several tools available with managers, and they need to choose the right tool to keep in mind the goals or objectives of the organization. Some of the tools used for the same are Balanced Scorecard, Benchmarking, Enterprise risk management, etc. Constant changes in

market conditions mean it's important to keep track of and review your business goals and performance to stay competitive.

### **Setting Goals**

What do you want to achieve? An example of a goal might be acquiring new customers, increasing customer satisfaction, and generating a high volume of traffic to the website. With goals, it makes it easy for management to measure business performance against predefined goals.

Here's an example of a business goal:

- Increase sales
- Better customer service
- Increase the profit margin
- Improve production efficiency
- Capture a bigger market share

From the goal, determine the critical success factors. These determining factors are measured or used as the basis for measuring business performance.

### **Key Performance Indicators**

Key performance indicators are standard ratios that provide insight into your business performance. Examples include income generated per employee or financial statements. These performance indicators help you measure performance against the goals you have identified.

Setting the key performance indicators will vary between businesses. It's important to choose key performance

indicators that are meaningful to your business, that is measurable and deliver results to achieve your goals.

### **Business Metrics**

Business metrics are measurable measures that track and assess the status of a particular business process. Depending on your business and goals, you may want to focus on specific metrics. These include marketing metrics, sales metrics, accounting and financial metrics, and online metrics.

These metrics keep business owners, employees, investors, and customers informed and know how the company is performing.

### **Measuring Key Performance Indicators**

Choose a few key business goals, develop related key performance indicators, and focus on tracking and gathering relevant data.

Setting key performance indicators serves to measure business success in achieving targets. The measurement results show how effectively the business is achieving its main goals. Key performance indicators can span across industries, departments or individual tasks.

After setting the key performance indicators, develop strategies to achieve them and evaluate the progress of the business, and ultimately have a historical record of business performance.

## Measuring Key Performance Indicators for Financial and Non-Financial.

Reviewing financial performance can help examine business goals and plan effectively to improve business.

When conducting a business financial review, you can start by assessing the business cash flow, working capital, cost basis and growth. Other major financial ratios are efficiency ratios, sales growth, liquidity ratios and financial leverage.

The target of most businesses is to increase profits. The main metrics for assessing profitability are:

- Operating limit
- Gross profit margin
- Net profit margin
- Return of capital

## Measuring Customer Loyalty and Retention

The more you know about what the customer needs, the easier it will be to handle an increasing number of customers. To capture customer feedback, you can use sales data, complaint forms, questionnaires, and social media.

Gathering feedback from customers helps identify where improvements can be made to your product or service.

## Employee Performance Measurement

Evaluating employee performance from a financial perspective can be an invaluable management tool. The

most commonly used metrics for assessing employee performance are sales per employee, contributions per employee and earnings per employee.

### **Competitor Analysis**

Competitor information that is useful to a business depends on the type of business and the market in which it operates. The main questions to ask are who are the competitors in the business, what do they offer, how do they price their products and services, what are their competitive advantages.

Useful for doing a SWOT (strengths, weaknesses, opportunities and threats) to find out more about what your competitors are saying about themselves and what others are saying about them.

Having a process to monitor and measure business performance regularly can help business owners identify best practices and develop strategies to drive business growth.

Benchmarks are a useful way of comparing businesses that have been doing with those of competitors in the same sector. It is important to note that the ultimate goal and market position will influence the particular comparisons that are to be made.

By understanding and measuring performance, we can understand the performance of a running business and how its prospects are.

Businesses must continue to innovate to continue to survive and grow. Business measurement is one way to understand business activities and determine the basis of business strategies that will be carried out in the future.

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