UNIT 4:

Monitoring and Managing Small Businesses

Monitoring and Evaluation of Business - Preventing Sickness and Business Units - Effective Management of small Business - Franchising - Definition - Agreement – Merits and Demerits of Franchising - Venture capital as a source of funds for projects.

1. Monitoring

Definition:
Monitoring is the continuous process of collecting and reviewing information about business activities to ensure they are progressing according to the plan.

Simple definition:

Monitoring is the regular tracking of business activities and performance to ensure that work is being completed as planned.

2. Evaluation

Definition:
Evaluation is the systematic assessment of business results and outcomes to determine whether objectives have been achieved and to identify lessons for future improvement.

Simple definition:

Evaluation is the process of measuring the success of a business by assessing whether it has achieved its goals and identifying ways to improve future performance.

Difference between Monitoring and Evaluation

Monitoring	**Evaluation**
Ongoing and continuous process	Conducted at specific intervals (mid-term or end of a project)
Focuses on activities and progress	Focuses on results, outcomes, and impact
Answers: "Are we doing things as planned?"	Answers: "Did we achieve our objectives?"
Helps identify problems early	Measures overall success and effectiveness
Supports day-to-day management	Supports strategic decision-making and future planning

Major Monitoring Techniques in Business

Technique	**Purpose**	**Example**
Key Performance Indicators (KPIs)	Measure progress toward business goals using specific performance indicators.	Monthly sales growth, customer retention rate
Balanced Scorecard	Monitor performance from financial,	Tracking financial and

(BSC)	customer, internal process, and learning perspectives.	customer performance together
Budget Monitoring	Compare actual income and expenses with the planned budget.	Monthly budget variance report
Performance Dashboards	Provide real-time visualization of business performance.	Sales and inventory dashboard
Variance Analysis	Compare actual performance with planned targets to identify deviations.	Actual sales vs. sales target

Major Evaluation Techniques in Business

Technique	Purpose	Example
Cost–Benefit Analysis (CBA)	Assess whether the benefits of a project outweigh its costs.	Evaluating a new business investment
Return on Investment (ROI) Analysis	Measure the profitability of an investment.	ROI from a digital marketing campaign
Benchmarking	Compare business performance with competitors or industry standards.	Comparing customer service with market leaders
SWOT Analysis	Evaluate strengths, weaknesses, opportunities, and threats to support strategic decisions.	Strategic business review
Financial Ratio Analysis	Assess the financial health and performance of the business.	Profit margin, current ratio, return on assets

PREVENTING SME S BUSINESS SICKNESS

Table 1. Definition of SMEs' Business Sickness

Aspect	Definition
Business Sickness	A condition in which an SME experiences declining operational, financial, and market performance, reducing its ability to survive and grow.
Financial Perspective	Continuous cash flow shortages, declining profitability, increasing debt, and inability to meet financial obligations.
Operational Perspective	Poor production efficiency, ineffective resource utilization, declining product or service quality, and operational disruptions.
Marketing Perspective	Loss of customers, declining sales, weak competitive position, and inability to respond to market changes.
Strategic Perspective	Failure to adapt to environmental changes, technological advancements, customer preferences, and competitive pressures.
Organizational Perspective	Weak leadership, poor employee performance, lack of innovation, ineffective communication, and inadequate decision-making.
Overall Definition	Business sickness is an early warning stage before business failure where multiple organizational weaknesses reduce sustainability, competitiveness, and long-term survival.

Table 2. Major Reasons for SMEs' Business Sickness

Category	Common Reasons	Impact on SME
Financial Factors	Poor cash flow management, excessive debt, lack of working capital	Liquidity problems and bankruptcy risk
Management Factors	Weak leadership, poor planning, lack of managerial skills	Poor business decisions and slow growth
Marketing Factors	Weak branding, poor customer service, ineffective promotion	Declining sales and customer loss
Operational Factors	Low productivity, inefficient processes, poor inventory control	Increased operating costs
Human Resource Factors	Unskilled employees, high staff turnover, lack of training	Reduced productivity and service quality
Technology Factors	Limited digital adoption, outdated equipment	Reduced competitiveness and innovation
External Environment	Economic recession, inflation, policy changes, market competition	Reduced profitability and market share
Innovation Factors	Resistance to change and limited product development	Business stagnation
Customer Factors	Poor understanding of customer needs and low customer satisfaction	Customer switching and revenue decline
Governance Factors	Weak internal controls, poor record keeping, lack of compliance	Legal and financial risks

Table 3. Methods for Preventing SMEs' Business Sickness

Prevention Method	Description	Expected Outcome
Financial Planning	Prepare budgets, monitor cash flow, maintain emergency funds	Improved financial stability
Strategic Planning	Set clear business goals and regularly review business strategies	Sustainable business growth
Digital Transformation	Adopt digital technologies, e-commerce, and business management software	Higher efficiency and competitiveness
Innovation	Develop new products, services, and business models	Increased market opportunities
Customer Relationship Management	Improve customer service, collect feedback, build customer loyalty	Higher customer retention
Marketing Improvement	Use digital marketing, branding, and market research	Increased sales and market share
Employee Development	Continuous training, motivation, and performance evaluation	Improved productivity
Risk Management	Identify business risks and develop contingency plans	Greater business resilience
Cost Control	Monitor expenses and eliminate unnecessary costs	Higher profitability
Performance	Use Key Performance Indicators	Early detection of business

Monitoring	(KPIs) and regular business reviews	problems
Corporate Governance	Maintain proper records, transparency, and regulatory compliance	Better decision-making and stakeholder trust
Networking and Partnerships	Collaborate with suppliers, financial institutions, business associations, and government agencies	Improved access to finance, knowledge, and new markets

The Government of Tanzania has introduced several programmes to prevent SME business failure, improve competitiveness, and promote sustainable growth.

Programme	Implementing Agency	Purpose	Key Services
Small Industries Development Organization (SIDO)	Ministry of Industry and Trade	Develop and strengthen MSMEs	Entrepreneurship training, incubation, technology transfer, business advisory, industrial clusters, market access, and finance facilitation. (portal.sido.go.tz)
MUVI (Rural MSME Development Programme)	SIDO & IFAD	Promote rural entrepreneurship and value chains	Business development services, market linkages, value-chain development, entrepreneurship training, and technology support. (portal.sido.go.tz)
National Entrepreneurship Development Fund (NEDF)	SIDO	Improve access to finance	Affordable loans for start-ups and existing SMEs, entrepreneurship support, and business mentoring. (portal.sido.go.tz)
Regional Revolving Fund (RRF)	SIDO	Support regional SMEs	Working capital loans, business development services, and enterprise growth support. (portal.sido.go.tz)
SIDO Credit Guarantee Scheme	SIDO & CRDB Bank Plc	Increase SME access to bank loans	Credit guarantees, reduced collateral requirements, and financing for growth-oriented SMEs. (portal.sido.go.tz)
SELF Microfinance Fund	Ministry of Finance	Expand financial inclusion	Low-interest business loans, working capital, equipment financing, and financial literacy. (self.go.tz)
Inclusive Finance for Growth of Women and Youth	Financial Sector Deepening Trust	Support women- and youth-led enterprises	Grants, venture capital, technical assistance, digital finance, mentorship, and

MSMEs			business development. (fsdt.or.tz)
Youth Investor Training Programme	President's Office – Planning and Investment	Develop export-oriented youth enterprises	Entrepreneurship training, export readiness, access to technology, market linkages, and mentorship. (ippmedia.co.tz)

How these programmes help prevent SME business sickness

Business Challenge	Government Support
Lack of finance	NEDF, RRF, SELF Microfinance Fund, Credit Guarantee Scheme
Poor management skills	SIDO entrepreneurship and business management training
Limited technology	SIDO technology development and industrial incubation
Weak market access	MUVI value-chain development, trade fairs, export promotion
Low innovation	Business incubation, entrepreneurship support, technology transfer
Poor competitiveness	Cluster development, quality improvement, advisory services
Youth and women exclusion	Women and Youth MSME Finance Programme, Youth Investor Training Programme

These initiatives collectively address the major causes of SME business sickness by improving **access to finance, managerial capability, technology adoption, innovation, market access, entrepreneurship skills, and business resilience**, thereby supporting sustainable SME growth in Tanzania. (portal.sido.go.tz)

BUSINESS UNITS

Definition

A **business unit** is a distinct division, department, or functional area within an organization that is responsible for carrying out specific business activities and contributing to the achievement of the organization's overall objectives.

Simple Definition:

A business unit is a separate part of a business that performs specific functions or activities to help the organization achieve its goals.

Major Business Units

Business Unit	Description	Main Responsibilities	Example Activities
1. Marketing Unit	Promotes the company's products or services and identifies customer needs.	Market research, advertising, branding, customer relationship management, sales promotion.	Conducting advertising campaigns, market surveys, and product promotions.
2. Finance Unit	Manages the organization's	Budgeting, accounting, financial	Preparing financial statements,

	financial resources and ensures financial stability.	reporting, investment planning, cash flow management.	managing budgets, and processing payments.
3. Human Resource (HR) Unit	Manages employees and supports workforce development.	Recruitment, training, performance appraisal, compensation, employee relations.	Hiring staff, conducting training programs, and managing employee benefits.
4. Operations/Production Unit	Produces goods or delivers services efficiently and effectively.	Production planning, quality control, inventory management, process improvement.	Manufacturing products, managing service delivery, and monitoring quality.
5. Procurement (Purchasing) Unit	Acquires goods and services needed for business operations.	Supplier selection, purchasing, contract negotiation, inventory replenishment.	Buying raw materials, office supplies, and equipment.

Importance of Business Units

- Promote specialization and efficiency.
- Improve coordination and communication within the organization.
- Enhance productivity through division of responsibilities.
- Support effective decision-making.
- Help organizations achieve strategic goals.
- Improve customer satisfaction by ensuring quality products and services.
- Facilitate better resource allocation and performance management.

Conclusion

Business units are essential components of an organization, each performing specialized functions that contribute to overall business success. By coordinating activities across **marketing, finance, human resources, operations, and procurement**, organizations can improve efficiency, competitiveness, and long-term sustainability.

Effective Management of Small Business

Definition

Effective management of a small business is the process of planning, organizing, leading, and controlling business resources and activities to achieve business goals efficiently and profitably.

Simple Definition:

Effective management of a small business is the proper use of people, money, materials, and time to achieve business objectives and ensure business growth.

Major Principles of Effective Management of a Small Business

Principle	Description	Example
1. Planning	Setting business goals and deciding how to achieve them.	Preparing a business plan and sales targets.
2. Organizing	Arranging resources, tasks, and responsibilities efficiently.	Assigning employees to different duties.
3. Financial Management	Managing income, expenses, budgets, and cash flow effectively.	Keeping accurate financial records and controlling costs.
4. Marketing Management	Promoting products or services to attract and retain customers.	Advertising through social media and offering discounts.
5. Human Resource Management	Recruiting, training, motivating, and supervising employees.	Training workers to improve customer service.
6. Customer Relationship Management	Building strong relationships with customers by providing quality products and services.	Responding to customer complaints promptly.
7. Inventory Management	Managing stock levels to avoid shortages or excess inventory.	Ordering goods before stock runs out.
8. Leadership and Communication	Guiding employees and maintaining effective communication within the business.	Holding regular staff meetings and providing clear instructions.
9. Monitoring and Evaluation	Tracking business performance and making improvements when necessary.	Reviewing monthly sales and profits to improve performance.
10. Risk Management	Identifying and reducing business risks that may affect operations.	Purchasing business insurance and preparing emergency plans.

Importance of Effective Management of a Small Business

- Helps achieve business goals and objectives.
- Improves productivity and operational efficiency.
- Ensures effective use of resources.
- Increases customer satisfaction and loyalty.
- Enhances employee motivation and performance.
- Improves profitability and financial stability.
- Supports business growth and long-term sustainability.
- Enables better decision-making and problem-solving.

Challenges to Effective Management of Small Businesses

- Limited financial resources.
- Lack of skilled employees.

- High competition.
- Poor record keeping.
- Inadequate marketing strategies.
- Changing customer preferences.
- Economic uncertainty.
- Limited access to technology.

Conclusion

Effective management is essential for the success and sustainability of a small business. Through **planning, organizing, financial management, marketing, human resource management, customer relationship management, inventory control, leadership, monitoring and evaluation, and risk management**, small businesses can improve efficiency, increase profitability, satisfy customers, and achieve long-term growth.

Franchising

Definition

Franchising is a business arrangement in which one party (the **franchisor**) grants another party (the **franchisee**) the right to use its business name, trademark, products, services, and operating system in exchange for a fee and ongoing royalties.

Simple Definition:

Franchising is a business system where a business owner allows another person to operate a business using its brand name, products, and business methods for an agreed payment.

Franchising Agreement

Definition

A **franchising agreement** is a **legal contract** between the franchisor and the franchisee that outlines the rights, responsibilities, terms, and conditions governing the franchise relationship.

Main Contents of a Franchising Agreement

Component	Description
Parties to the Agreement	Names of the franchisor and franchisee.
Franchise Rights	Permission to use the brand name, trademark, and business system.
Franchise Fees	Initial franchise fee and ongoing royalty payments.
Duration of Agreement	Length of the franchise contract.
Territory	Area where the franchisee is allowed to operate.
Training and Support	Assistance provided by the franchisor.
Quality Standards	Rules for maintaining product and service quality.
Marketing Responsibilities	Advertising and promotional obligations.
Renewal and Termination	Conditions for renewing or ending the agreement.

Dispute Resolution	Procedures for resolving disagreements.

Merits (Advantages) of Franchising

Merit	**Explanation**
Established Brand Name	Franchisees benefit from a well-known and trusted brand.
Lower Business Risk	Proven business models reduce the likelihood of failure.
Training and Support	Franchisors provide training, operational guidance, and technical support.
Easier Marketing	National or regional advertising helps attract customers.
Proven Business System	Franchisees use tested operating procedures and management systems.
Bulk Purchasing Power	Franchisees often obtain supplies at lower prices through the franchisor.
Faster Business Growth	Franchisors can expand their business through franchise outlets.
Higher Customer Trust	Customers are more likely to trust recognized brands.

Demerits (Disadvantages) of Franchising

Demerit	**Explanation**
High Initial Cost	Franchisees must pay an initial franchise fee and setup costs.
Ongoing Royalty Payments	Franchisees pay regular royalties, reducing profits.
Limited Independence	Franchisees must follow the franchisor's rules and procedures.
Contract Restrictions	The agreement may limit products, pricing, suppliers, or business decisions.
Reputation Risk	Poor performance by one outlet can affect the entire brand.
Limited Innovation	Franchisees may have little freedom to introduce new ideas.
Renewal Uncertainty	The franchisor may choose not to renew the agreement.
Dependence on the Franchisor	The franchisee's success often depends on the franchisor's support and reputation.

Examples of Franchising

- McDonald's
- KFC
- Subway
- Domino's Pizza
- 7-Eleven

Conclusion

Franchising is a popular business expansion strategy that benefits both the **franchisor** and the **franchisee**. It allows entrepreneurs to operate under an established brand with proven business

systems while enabling franchisors to expand with lower investment. However, franchisees must comply with the franchising agreement, pay fees and royalties, and accept certain operational restrictions. Properly managed, franchising can provide a strong foundation for business growth and long-term success.

Venture Capital as a Source of Funds for Projects

Definition

Venture capital (VC) is a form of financing in which investors provide funds to new or growing businesses with high growth potential in exchange for an ownership stake (equity) in the business.

Simple Definition:

Venture capital is money invested by individuals or firms in new or small businesses with high growth potential in return for a share of ownership and future profits.

Features of Venture Capital

Feature	Description
Equity Financing	Investors receive ownership shares instead of charging interest.
High Growth Potential	Invests in businesses with strong growth prospects.
High Risk, High Return	Investors accept high risk in expectation of high future returns.
Long-Term Investment	Funds are usually invested for several years before investors exit.
Management Support	Investors often provide business advice, mentoring, and strategic guidance.

Venture Capital as a Source of Funds

Aspect	Explanation
Source of Finance	Provides capital to start-ups and expanding businesses that may not qualify for bank loans.
Business Growth	Helps businesses expand operations, develop products, and enter new markets.
Innovation Support	Encourages innovative projects and new technologies.
Risk Sharing	Investors share the financial risk with business owners.
Access to Expertise	Venture capitalists provide management skills, networking opportunities, and industry knowledge.

Merits (Advantages) of Venture Capital

Merit	Explanation

Provides Large Capital	Businesses receive significant funding for growth and expansion.
No Loan Repayment	Funds do not require regular loan repayments or interest.
Expert Guidance	Investors provide business advice and mentoring.
Business Networking	Venture capitalists connect businesses with valuable partners and customers.
Supports Innovation	Encourages the development of new products, services, and technologies.
Improves Business Credibility	Venture capital investment increases confidence among customers and other investors.

Demerits (Disadvantages) of Venture Capital

Demerit	**Explanation**
Loss of Ownership	Business owners must give up part of their ownership.
Reduced Decision-Making Power	Investors may influence important business decisions.
High Growth Expectations	Investors expect rapid business growth and high returns.
Difficult to Obtain	Only businesses with strong growth potential usually receive venture capital.
Pressure to Perform	Businesses are under pressure to achieve financial targets.
Possible Conflict	Differences between founders and investors may arise over business strategies.

Importance of Venture Capital

- Provides funding for new and innovative business projects.
- Promotes entrepreneurship and job creation.
- Supports business expansion and market growth.
- Encourages technological innovation and research.
- Increases the chances of long-term business success through financial and managerial support.

Examples of Businesses That Use Venture Capital

- Technology start-ups
- Healthcare and biotechnology companies
- Fintech businesses
- E-commerce companies
- Renewable energy projects

Conclusion

Venture capital is an important source of finance for projects, especially for start-ups and businesses with high growth potential. It provides **capital, expertise, and strategic support**, helping businesses innovate and expand. However, entrepreneurs must be prepared to **share ownership and decision-making authority** with investors in exchange for these benefits.