**TRAINING IN FINANCIAL AND BUSINESS MANAGEMENT FOR ROAD CONTRACTORS**

**INTRODUCTION TO FINANCIAL AND BUSINESS MANAGEMENT COURSE FOR ROAD CONTRACTORS**

**INTRODUCTORY MODULE (MODULE ONE) TRAINING SESSIONS**

**Module Training objective:**

The purpose of module one is to benchmark the knowledge and skills to be used throughout the training of the six modules. By the end of this three day module the trainees will be familiar with the financial and business management challenges of road contractors in Uganda and will be aware of the purpose and scope of the training. They will be exposed to the training process, the general content and the format of the training programmes.

The trainees will build rapport with colleagues and trainers and develop a framework for mutual consultation, sharing and solving problems and mentoring. Trainees will review the road sector environment and appreciate its state and significance to national development, appreciate the limited liability company as a preferred business form, and recognize the need for businesses to have a defined strategic direction. Trainees will review the road construction environment and will be introduced to its situational analysis, its attractiveness and competitiveness.

In addition trainees will appreciate the nature of financial transactions and the importance of recording them, basic internal controls, profits and profit determinants in construction as well as long term profitability determined by use of discounting techniques. Further, the trainees will be exposed to liquidity management techniques as well as identification of the extent, nature and source of financing for road construction.

This module will enable the trainees to benchmark their financial management capability thereby stimulating desire to take on the detailed training modules. The module is divided in nine two hour sessions as follows:

1. Introducing trainees to the financial and business management course.
2. Introduction of trainers, MBS and CrossRoads
3. Introduction of trainees, their business and experiences
4. Sharing of challenges and expectations
5. Outline of the training course, methodology and process
6. Housekeeping and welfare brief
7. The road construction environment
8. Appreciation of the role of the road sector
9. Road construction stakeholders
10. Overseeing agencies (enhancing transparency and accountability)
11. Road construction cycle
12. Ethical issues in construction
13. Identification of the key challenges of the sector and awareness of the National Construction Policy
14. Agreeing on actionable points
15. The nature and purpose of business enterprises
16. Types, nature and purpose of business enterprises
17. The limited liability company as a preferred vehicle in commercial business such as road construction
18. Statutory and citizenship roles of business enterprises
19. Competence and staffing in road construction
20. Networking amongst road contractors
21. Agreeing actionable points
22. Overview of strategic planning
23. The need for strategic direction
24. The strategic content
25. Basic situational and competitive analysis
26. Key success factors
27. Agreeing actionable points
28. The financial accounting framework
29. Nature of financial transactions and the double entry system (income and expenditure, assets and liabilities)
30. Basic Internal controls
31. Basic financial documents, records and books
32. Reconciliations e.g. bank reconciliation
33. Dangers of not maintaining proper accounting records and internal controls
34. Agreeing actionable points
35. Financial management planning and control
    1. Budgetary planning and control
    2. Budgeting attitudes: Zero and Activity Based Budgeting
    3. Appreciating causes of variances e.g. volume, efficiency and price variances
    4. Value for money concept
    5. Taxation in financial planning
    6. Agreeing actionable points
36. Performance measurement and profitability management
    1. The income statement
    2. Common profitability ratios
    3. Return on Investment (ROI)
    4. Determinants of profitability in road construction
    5. Long term profitability and the time value of money
    6. Net Present Value (NPV) and Internal Rate of Return (IRR) as measures of long term profitability.
    7. Position statements
    8. Agreeing actionable points
37. Liquidity management
    1. The importance of cash flow in business
    2. Relating profits and cash flow
    3. Causes of cash flow constraints
    4. Techniques to improve cash flow
    5. Indicators and consequences of liquidity problems
    6. Agreeing actionable points
38. Financing a road construction business
    1. Determining the funding needs of a construction business
    2. Source of capital
    3. Cost of capital and effect on risk and profitability
    4. Borrowing decision to finance projects
    5. Agreeing actionable points.

**DETAILED TRAINING SESSION PLANS**

**SESSION ONE: INTRODUCTION (2HRS)**

**Learning objective:** The purpose of this session is to get the trainee familiarized to fellow trainees, the trainers and the scope of the training as well as to give them an opportunity to share their expectations.

**Training outcome:** By the end of the session trainees will be familiar with other trainees and the groupings, their trainers, Multitech Business School and the CrossRoads programme. They will be aware of the nature and the scope of the training as well as cross cutting housekeeping issues. Trainees’ expectations will be captured and recorded.

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| **Training Activity** | **Methodology** | **Time** | **Results** |
| **Introduction of Multitech Business School and CrossRoads**  **Outline of the training course, methodology and process**  **Housekeeping and welfare brief** | The facilitator will make a PowerPoint presentation introducing the trainers and the sponsors and about the training programme and invite the trainees to ask questions | 30 minutes | Awareness of trainers and sponsors Common understanding of course content and methodology  Common understanding of trainee’, and sponsors’ roles |
| **Introduction of trainees, their businesses, experience and expectations.** | The facilitator will invite trainees to introduce themselves, their business and their road construction experience, accumulate the experience available by asking each participant the years spent in the business.  Each participant will state their training expectation that will be captured on a flip chart | 30 minutes | Awareness of colleagues and their road construction experience.  Trainees’ expectation captured. |
| **Introduce Munaku the Upcoming Road Contractor case study** | Trainees volunteer and read loudly to the class the case study. Afterwards the class briefly discusses how they have understood what they have read. | 60 minutes | Comprehension of the case study. |
| **Training aids** | PowerPoint presentation, flip chart presentations, hand-out. |  |  |

**SESSION TWO: OVERVIEW OF THE ROAD CONSTRUCTION ENVIRONMENT (2 HRS).**

**Training objective:** To review the national road construction environment.

**Training outcome:** By the end of the session trainees will be aware of the importance of the road sector to the country and government initiative to enhance it. They should be able to identify key stakeholders including overseeing agencies. They should also appreciate a typical road works cycle, enumerate ethical and environment issues in the road construction sector as well as identify key challenges to road contractors.

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| **Training Activity** | **Methodology** | **Time** | **Results** |
| Introduction | Presentation of learning objectives and statement of expectation | 5 minutes | Comments from trainees on expectation |
| Presentation | The facilitator makes a PowerPoint presentation on the road construction environment. | 30 minutes | A general knowledge of the sector |
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| Group discussions | Trainees break into groups of five and trainers guide them into discussion of the following topics (one topic per group)   1. State how Munaku is similar or different from a typical local road contractor. 2. List the key stakeholders in the road construction sector and outline the importance of a road contractor to the country. 3. Describe the road construction cycle and suggest a likely time frame to it and the problems that it may cause. 4. Identify the ethical issues in the case study and any other you are familiar with in the sector. 5. Identify the key challenges to a road contractor and suggest how they can be addressed. | 30 minutes | Sharing of experiences; listing of points on flip charts. |
| Group presentations | Each group presents their findings. Brief discussions are made about each presentation and consensus reached. | 50 minutes | Key lessons learned |
| Wrap up and action points | Team leader wraps up the discussions emphasizing the challenges to road contractors and the need to lobby for the implementation of the National Construction Industry Policy. | 10 minutes | Practical actions to be taken up to apply learning. |
| Training aid | Case study, PowerPoint presentation, flip chart presentations, hand-out. |  |  |

**SESSION THREE: THE NATURE AND PURPOSE OF BUSINESS ENTERPRISES (2HRS)**

**Training objective:** The purpose of this session is to emphasize the purpose of a business and to outline the alternative business organisations. Further, to enable the trainees to appreciate the advantages of operating as a limited liability company as well as to learn the basic roles and responsibilities of a business enterprise.

**Training outcomes:** By the end of the session the trainee will be aware of core purpose of starting a business, the various business set-ups and why a limited liability company is formed. They will know the advantages and disadvantages of a limited liability company and appreciate its preference to other forms. They will identify the core competences of a road construction enterprise, the citizenship roles of a business and also become aware of UNABCEC as a networking platform for contractors.

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| **Training activity** | **Methodology** | **Time** | **Results** |
| Introduction | Expectations and training objectives | 5 minutes | Awareness of general knowledge of trainees |
| PowerPoint presentation | Team leader makes a PowerPoint presentation bringing out key issues | 30 minutes |  |
| Discussion | The class is divided into groups of five and each group discusses a topic below:   1. Advantages and disadvantages of a limited liability company and why it should be the preferred vehicle. 2. Identify the core purpose and the statutory responsibilities of a business enterprise (company) 3. Identify citizenship responsibilities of a business 4. Identify the core competences of a road construction business 5. Explain and Justify the role of UNABCEC and other bodies of road contractors | 30 minutes | Sharing of knowledge amongst group members and flip chart presentations prepared |
| Presentations | Each group presents their findings, trainees and the trainers fill in after each presentation | 50 minutes | Flip chart presentations |
| Wrap up and action points | Trainer makes a summary of the issues and together with trainees agree on action points | 5 minutes | Action points summarized. |
| Training aids | Case study, PowerPoint presentations, flip chart presentations, group discussions. |  |  |

**SESSION FOUR: OVERVIEW OF STRATEGIC PLANNING (2HRS)**

**Training objective:** The purpose of this session is to make the trainees aware of the need to have an informed strategic direction for their businesses.

**Training outcome:** By the end of the session the trainee will be aware of the key elements of a strategic plan and will have an introductory knowledge of the contents of a strategic plan and be able to conduct simple situational and competitive analyses. Trainees will analyse the features of the road construction sector: its attractiveness and competitiveness; as well as identify its key success factors.

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| **Training activity** | **Methodology** | **Time** | **Results** |
| Introduction | Expectations and training objectives  (Is strategic planning relevant in Uganda?) | 5 minutes | Awareness of general attitude to strategic planning by trainees |
| PowerPoint presentation | Team leader makes a PowerPoint presentation bringing out key elements of strategic planning | 30 minutes | Awareness of key elements of a strategic plan |
| Discussion | The class is divided into four groups and each group discusses a topic below:   1. The situational analysis of Munaku Contractors Ltd. in the current Ugandan context. 2. The competitive situational analysis of the road construction sector. 3. Identification of the essential success factors in the road construction sector 4. Draft possible strategic intent for Munaku Contractors Ltd. 5. As in one above. | 30 minutes | Sharing of knowledge amongst group members about the current state of road construction sector and flip chart presentations prepared about key ingredients of defining business direction. |
| Presentations | Each group presents their findings, trainees and the trainers fill in after each presentation | 50minutes | Flip chart presentations |
| Wrap up and action points | Trainer makes a summary of the strategic planning issues. Trainees are guided to agree on action points (what will be done back at the work place). | 5 minutes | Action points summarized. |
| Training aids | Case study, PowerPoint presentations, flip chart presentations, group discussions. |  |  |

**SESSION FIVE: THE FINANCIAL ACCOUNTING FRAMEWORK (2HRS)**

**Training objective:** This session will introduce to the trainees the various categories of financial transactions relating to trading operations (revenue and expenses) and position statements (assets or liabilities). The trainees will be exposed to the basics of financial recording, internal control and reporting. (Statements of performance, position and investment)

**Training outcomes:** By the end of the session trainees will have an awareness of the double entry concept and will be able to classify financial transaction into revenue, expenses, assets and liabilities. They will know the importance of the main accounting documents, records and books and appreciate basic internal controls. Trainees will be able to identify the dangers of failing to maintain proper accounting records and sound internal controls.

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| **Training activity** | **Methodology** | **Time** | **Results** |
| Introduction | The role of financial information to a business as the summary of all business activities | 5 minutes | Awareness of general attitude to accounting records and controls by trainees |
| PowerPoint presentation | The facilitator makes a PowerPoint presentation bringing out key elements of financial documents, records and controls as well as basic accounting statements. Samples of the documents and records are availed. | 30 minutes | Awareness of key elements of financial accounting and control |
| Discussion | The class is divided into five groups and each group discusses a topic below:   1. Justify the keeping of proper accounting records and outline with examples (ref. to case study) the major classes of business transactions. 2. List the major accounting documents and records used in road construction. Comment on the challenges of computers. 3. State the major categories of financial internal controls and identify core internal controls over site purchase (or labour) transactions. 4. Explain to Munaku the dangers of not maintaining proper accounting records 5. Identify internal control weaknesses in Munaku Contractors and list the dangers of maintaining weak internal controls. | 30 minutes | Sharing of knowledge and experience amongst group members about the financial accounting framework and preparation of flip chart presentations. |
| Presentations | Each group presents their findings, trainees and the trainers fill in after each presentation | 50 minutes | Flip chart presentations |
| Wrap up and action points | Trainer makes a summary of financial accounting framework issues and guides trainees to agree on action points (what will be done back at the work place). | 5 minutes | Action points summarized. |
| Training aids | Case study, PowerPoint presentations, flip chart presentations, group discussions. |  |  |

**SESSION SIX: FINANCIAL MANAGEMENT PLANNING AND CONTROL (2HRS)**

**Learning objective:** To expose to the learner a simple budget planning and control model, how it works; and to create awareness of how value for money concept and taxation affect financial decisions.

**Learning outcome**: by the end of the session trainees will appreciate the need to have a budget and to apply it to monitor performance; they will be able to explain causes of usage, price and efficiency variances; and to include the impact of value for money and taxation in financial planning.

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| **Training activity** | **Methodology** | **Time** | **Results** |
| Introduction | Assess the extent trainees use budgetary control at corporate or project levels. | 5 minutes | Awareness of exposure to budgetary control processes |
| PowerPoint presentation | Facilitator makes a PowerPoint presentation bringing out key elements of a budget, three categories of common variances, value for money concept and common taxes. | 25 minutes | Awareness of key elements of financial planning and control |
| Discussion | All groups discuss the topics below:   1. With ref. to case study data, suggest a simple budget for Munaku to rehabilitate a km with 2nd grade marrum. 2. Outline the weakness of the pricing method of Munaku and analyze why Munaku did not realize his anticipated profit. 3. Using the availed data work out the usage, price and efficiency variances and explain possible causes. 4. Explain what you understand by value for money and why a road contractor should aspire to deliver value worthy. 5. Identify possible taxes levied on a tax contractor and show how they relate to contract costing. | 45 minutes | Sharing of knowledge and experience amongst group members about the financial accounting framework and preparation of flip chart presentations. |
| Presentations | Each group presents their findings, trainees and the trainers fill in after each presentation | 40 minutes | Flip chart presentations |
| Wrap up and action points | Trainer guides trainees through the solution and the action points are agreed. (What will be done back at the work place). | 5 minutes | Action points summarized. |
| Training aids | Case study, PowerPoint presentation, flip chart presentation, group discussion, excel worksheet. |  |  |

**SESSION SEVEN: PERFORMANCE MEASUREMENT AND (2HRS)**

**Learning objective:** To expose the trainees to short and long term financial measurement of performance using the income statement in the short term and cash in the long term; relative performance using profitability ratios and to key factors that may determine the firm’s profitability; secondly, to introduce the position statement to trainees.

**Learning outcome:** By the end of the session the trainees will be exposed to simple income statements and will be able to interpret simple ROI ratios. Trainees will identify common factors that influence profitability in the road construction sector and also be able to interpret NPV and IRR concepts and relate them to long term performance of a business. They will also be exposed to the general format of position statements.

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| **Training activity** | **Methodology** | **Time** | **Results** |
| Introduction | Assess trainees’ exposure to income statements, ROI, cash, NPV and IRR. | 5 minutes | Assessment of exposure to profitability concepts |
| PowerPoint presentation | Team leaders make a PowerPoint presentation bringing out key issues of determination of profit as a measure of performance for a contract or for a period and the factors that deter maximization of profits. The concept of cash, NPV and IRR will be introduced as long term performance indicators and the balance sheet as a wealth position statement. | 30 minutes | Create awareness of profitability as a measure of performance in the short term and NPV/IRR in the long term. |
| Group discussion | The class is divided into four groups and each group does an assignment below:   1. Analyze the income statement of Munaku Contractors and assess the profitability potential of the business. 2. Identify practices that either enhance or hinder profitability in the road construction sector. 3. Identify practices that either enhance or hinder profitability in the road construction sector. 4. Given project A and B determine which of the two should Munaku Ltd. undertake and why. 5. Given project C and D, indicate which one Munaku Ltd. should select and why.   A simple income statement and balance sheet for ratio analysis and scenarios of NPV and IRR are provided to trainees. | 30 minutes | Sharing of knowledge and experience amongst group members to assess short term and long term profitability and to identify practices that would enhance profitability. |
| Presentations | Each group presents their findings, trainees and the trainers fill in after each presentation | 50 minutes | Flip chart presentations |
| Wrap up and action points | Trainer makes a summary of financial performance measurement and guides trainees to agree on action points (what will be done back at the work place). | 5 minutes | Action points summarized. |
| Training aids | Case study, PowerPoint presentations, flip chart presentations, group discussions. |  |  |

**SESSION EIGHT: INTRODUCTION TO LIQUIDITY MANAGEMENT (2HRS)**

**Learning objective:** To create awareness of the critical importance of liquidity to a construction company, relating it to profitability and to empowering them to recognize symptoms of illiquidity and possible solutions.

**Learning outcomes:** By the end of the training session, the trainees will be able to appreciate the importance of cash flow to a construction company and how it can be improved. Trainees will be introduced to a cash flow statement creating a link between profits and cash. They will also be able to identify causes and symptoms of liquidity constraint and learn how to conserve cash better.

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| **Training activity** | **Methodology** | **Time** | **Results** |
| Introduction | Assess trainees’ exposure to liquidity problem. | 5 minutes | Assessment of exposure to liquidity concepts |
| PowerPoint presentation | The facilitator makes a PowerPoint presentation bringing out key issues of liquidity management including the cash flow statement. | 30 minutes | Create awareness of the critical importance of cash to a business and the consequences of its mismanagement. |
| Group discussion | The class is divided into five groups and each group does an assignment below:   1. The importance of liquidity to a road contractor. 2. Can a profitable business have liquidity problems? Indicate causes of liquidity constraints. 3. Can a non-profitable business have good liquidity? Identify how such a business would maintain liquidity. 4. Advise Munaku on how he could improve the liquidity of his business 5. Identify symptoms of cash shortage and the consequences to a road construction business. | 30 minutes | Sharing of knowledge and experience amongst group members about liquidity management and handling of cash strained businesses, their symptoms and remedy. |
| Presentations | Each group presents their findings, trainees and the trainers fill in after each presentation | 50 minutes | Flip chart presentations |
| Wrap up and action points | Trainer makes a summary of cash flow management and guides trainees to agree on action points (what will be done back at the work place). | 5 minutes | Action points summarized. |
| Training aids | Case study, PowerPoint presentations, flip chart presentations, group discussions |  |  |

**SESSION NINE: FINANCING ROAD CONSTRUCTION BUSINESS (2.30HRS)**

**Learning objective:** To empower the trainees to make informed capitalization decisions.

**Learning outcome:** By the end of the session, the trainees will be able to assess the capital needs of their businesses, be aware of basic sources of funding and select a capital structure appropriate to their level of risk and business.

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| **Training activity** | **Methodology** | **Time** | **Results** |
| Introduction | Find out the number of trainees content with capital for their business. | 5 minutes | Assessment of exposure to capitalization constraints |
| PowerPoint presentation | Team leader makes a PowerPoint presentation bringing out key issues of capitalization needs and capital structure | 30 minutes | Create awareness of the need for an appropriate capital structure |
| Group discussion | The class is divided into five groups and each group does an assignment below:   1. Identify the basic requirements for Munaku to set up a simple gravel road construction unit 2. Identify the type of capital needs and possible sources for a medium road construction business (24kms/year capacity). 3. Work out the return on capital and profitability for the businesses indicated. State what capital structure you would chose and why. 4. Study the project available to Munaku and advise whether you would borrow to undertake them and state why. 5. Explain why road contractors may find it difficult to obtain adequate funding. | 30 minutes | Sharing of knowledge and experience amongst group members to assess financing needs of their businesses |
| Presentations | Each group presents their findings, trainees and the trainers fill in after each presentation | 50 minutes | Flip chart presentations |
| Wrap up and action points | Trainer makes a summary of financing needs and guides trainees to agree on action points (what will be done back at the work place). | 5 minutes | Action points summarized. |
| Concluding the module | A summary of action points done  Administration of evaluation instrument  Group photograph  Brief on way forward. | 30 minutes | Inventory of action points.  Evaluation and critique of the training module. |
| Training aids | Case study, PowerPoint presentations, flip chart presentations, group discussions. |  |  |