

# AFRICA CENTRE OF EXCELLENCE ON NEW PEDAGOGIES IN ENGINEERING EDUCATION (ACENPEE)



## TRAINING MANUALS FOR MENTORING PROGRAMS AND REPORTS FOR START-UPS AND/OR ENTREPRENEURS

#### **Introduction:**

A mentoring program for start-ups and entrepreneurs is a support system where experienced business professionals, called mentors, provide guidance and advice to newer entrepreneurs. They share their knowledge, expertise, and insights to help the start-ups navigate challenges, make smart decisions, and grow their businesses successfully. It's like having a wise friend who has been in your shoes before and can help you avoid common pitfalls while achieving your goals.

#### **Training Manuals Guide:**

Creating training manuals for mentoring programs and reports can be a crucial part of ensuring the success and effectiveness of the program. Key components to include in training manuals for mentoring programs include:

- 1. Program Overview: Provide a detailed introduction to the mentoring program, including its mission, objectives, target participants (such as entrepreneurs, business owners, or start-ups), and the anticipated outcomes.
- 2. Program Structure: Explain how the mentoring program is structured this could include information on the duration of the program, frequency of meetings between mentors and mentees, communication channels used for interactions (e.g., face-to-face meetings, virtual sessions), and any additional resources available to support the mentoring process.
- 3. Roles and Responsibilities: Clearly outline the roles and responsibilities of both mentors and mentees in the program. This should cover expectations around availability for meetings or calls; preparation before each interaction; level of commitment expected etc.

#### 4. Mentor Guidelines:

- Selection Criteria: Define criteria for selecting suitable mentors such as industry experience, specific skills or knowledge required.
  - Code of Conduct: Outline ethical guidelines based on professionalism & confidentiality
- Communication Protocols: Specify preferred methods for communication & frequency expectations
- Best Practices: Include tips on effective mentorship such as setting goals with mentees; fostering open dialogue; providing constructive feedback etc

#### 5. Mentee Guidelines:

- Goal Setting Process: Offer guidance on how to set achievable goals with their mentor.

- Proactive Communication Expectations: Explain what proactive communication entails i.e initiating discussions on challenges encountered during implementation etc.
  - Receptiveness to Feedback: Encourage an open approach to feedback from mentor.

#### 6. Training Materials:

Develop training materials that provide insights into effective mentoring techniques such as active listening skills; delivering constructive criticism & conflict resolution strategies.

#### 7. Reporting Templates:

Create standardized report templates that mentors can use to document their interactions with mentees- includes progress updates on goals set; feedback received from mentees; challenges encountered; additional support required etc.

#### 8. Program Evaluation Criteria:

Include details about how success will be measured e.g tracking progress towards set objectives, gathering feedback from participants at regular intervals.

#### 9. Resources:

Provide a list of additional resources- books, articles, workshops which might further help in enhancing understanding & effectiveness in mentorship roles

#### 10. Contact Information:

Provide contact details for any queries or assistance needed during participation in program

#### 11. Appendices:

Including supplementary materials like case studies, assessment tools used etc, can further enhance clarity around practical application within training manual.

It is important that these materials are thorough yet easy-to-understand so they effectively support both mentors' understanding of their roles while guiding them toward becoming effective guides for entrepreneurs or start-ups.



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# **Business Start-up Training Manual**

### **Trainer Guide1**

**Entry Session: Baseline Personal Assessment** 

Module 1 : Practical Entrepreneurship

## **Trainer Guide1**

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#### Opening a new path for the excellence of potential entrepreneurs

This is the commencement of a results-focused Business Start-up Training Programme. Trainees have been screened and selected through a logical process. The selected group apparently has the potential to be entrepreneurs and shown their desire to undergo a comprehensive entrepreneurial development training and start a business. From this step, trainers are **accountable** to inspire them, identify their individual gaps in relation to applied entrepreneurship, develop their entrepreneurial mind-sets, educate them on relevant subjects, take them progressively on the learning and skills development path to reach business start-up objective and develop a success-oriented entrepreneur in them.

This is a professionally designed, results-focused, workable business start-up training programme which can assure a higher rate of business start-up success if the process starting from this moment is performed accurately, and professionally with mindfulness. Trainers' expertise, creative approaches, and commitment would be key bases for enhanced results. In taking the trainees (potential entrepreneurs) along with the entrepreneurial competence development path, trainer will have to play the key roles of trainer, facilitator and mentor. It is assumed that the trainers are sufficiently equipped with relevant competencies to perform those roles effectively and analytically convince the concepts with insightful approaches.

Let's start with the **Entry Session** that contains a **Baseline Personal Assessment** followed by the **10 Sessions** of **Module 1- Practical entrepreneurship**.

Entry Session:	A baseline personal assessment exercise on "My Readiness to		
Baseline personal	be an Entrepreneur" (to be completed by individual trainees as a		
assessment	self-assessment)		
Sessions of Module 1-	1.1 Power of entrepreneurship		
Practical	1.2 Entrepreneur and entrepreneurship		
entrepreneurship	1.3 Importance of entrepreneurship		
	1.4 Characteristics of an entrepreneur		
	1.5 Creativity& Innovation (Essential tools)		
	1.6 Entrepreneurial competencies		
	1.7 Process of entrepreneurship		
	1.8 Wealth of an entrepreneur		
	1.9 Types of businesses		
	1.10 Legal modes of businesses		

This guide explains how the trainer should take the trainees through the Entry Session and the Module 1. The guide provides the instructional pathway incorporating the concepts involved, examples / stories, exercises, learning activities, group work, and assignments (class room / field). Trainee workbook has allocated space to complete certain exercises. When necessary, trainer should arrange pre-printed formats for some exercises and learning activities.

Remember that the attention span of today's trainees is shorter. Energizing them every 20-30 minutes would enhance their learning interest. Trainers will be comfortable with effective delivery if they can apply techniques to maintain higher levels of learner interest. Creating a learning environment where the trainees can learn with joy would be the best way to maintain the learner enthusiasm.

Trainees need motivation to speed up their journey towards starting a business. Providing motivation is not a one-time activity. It is a continuous process. Trainer should be mindful throughout to provide motivation while improving the knowledge, skills and mind-sets of trainees.

#### Roadmap of the Trainer Guide

Trainee Workbook Contents

Instructional Guide to Trainers

Special Guidelines and Formats

Entry session:

#### Baseline personal assessment exercise

Self-Assessment - "My Readiness to be an Entrepreneur" (to be completed by individual trainee)

**Outcome**: Trainees' self-identification of relevant self-related factors that can have an impact on readiness to be entrepreneurs, and possession of baseline information and assessment for periodic comparison to view the progress.

	Entry Session	Time (mins)	Methodology	Training aids
a.	Welcome the trainees	10	PPT- based short	PPT
b.	Introduction to the overall training programme	15	presentation	
C.	Self-introduction by individual	35	Use a creative method	PPT
	trainees		(See the example below)	

d. Self-assessment exercise - "My	40	Explanation	Self-assessment
Readiness to be an		Demonstration	format (Refer
Entrepreneur"		Demonstration	Special Guidelines
(Refer Special Guidelines &		Guidance	& Formats
Formats)			
- Guide them to complete the format			
- Explain about SWOT enabling			Elipobart /
trainees to complete relevant			Flipchart /
sections. (Refer Special Guidelines&			Whiteboard
Formats)			
- Ask them to complete at home and			
bring back if not completed during			
40 mins.			
In-class total: 100 mins			

#### Example: A simple, creative method for self-introduction of trainees

Step 1: Ask trainees to get in to pairs as they wish.

Step 2: Each person should get the information of the other- name, home town and what motivated him/ her to follow this programme, (3 mins)

Step 3: Each person should introduce the other.

There are many creative methods for this purpose. The above is only one simple method. At the end of this introduction, trainer can get an idea about the reasons that motivated trainees to join the business start-up training programme.

#### Entry session:

Baseline self-assessment format- "My Readiness to be an Entrepreneur"

### Self-Assessment – My readiness to be an Entrepreneur

#### **■ SECTION A: Personal information**

1.	Name	
2.	Sex	
3.	Age	
4.	Date of birth	
5.	Address	
6.	Methods to contact	Mobile phone: E-mail: Land phone:
7.	Educational qualifications	
8.	Professional qualifications	
9.	Working experience	
10.	My own savings	a. YES / NO b. Amount (Rs)as at
	Saviligs	b. Amount (NS)as at
11.	My health	Physical health: GOOD / AVERAGE / BAD
		If AVERAGE / BAD, PI explain:
		Mental health: GOOD / AVERAGE / BAD
		If AVERAGE / BAD, PI explain:

#### ■ SECTION B: Personal / family strengths, weaknesses, opportunities and threats (SWOT)

12. My personal strengths		
13. My family strengths		
14. My personal weaknesses		
15. My family weaknesses		
16. Opportunities available (current and future)	To me  To my family (which can affect my development)	
17. Threats (negative factors from external environment)	Which affect me  Which affect my family that can have repercussions	s on my development

#### ■ SECTION C: Desires / Expectations / Future plans

18. My interests / desires	
19. My future expectations / plans	My guess
	My concrete future plan
20. Savings-related	a. Do I have my own savings? YES / NO b. If YES, amount – Rs as at c. Do I have a plan to save? YES / NO d. What is the plan?

#### ■ SECTION D: Personal characteristics

21. Leadership	Am I a leader? YES / NO
	My justification:
22. Decision-making	Am I willing to make my own decision? (for me, my work and my future)
23. My will power	Am I sure that I have will power and self-confidence?
and self- confidence	
comidence	
24. Working with	Am I enjoying when working with people? YES / NO
people	Justification:
25 Handmark /	Are Liready to week length owns and week houdh 2 MCC / NO
25. Hard work / Working long	Am I ready to work long hours and work hardly? YES / NO
hours	
26. Outgoing	Do I have an outgoing personality? YES / NO
personality	

#### ■ SECTION E: Skills / Experience

27.	Do I know what kind of skills are needed to start and continue a business?	Do I know? YES / NO If YES, what are those skills?
28.	Do I have computer skills?	Do I have? YES / NO If YES, what are those skills; in which packages?
29.	What are the business skills do I have?	Basic business skills  Specific business skills
30.	What are the non-business related skills / experiences do I have?	Non- business related skills  Non-business related experience
31.	My work experience (If YES, give details)	As a manager: YES / NO  As a supervisor: YES / NO  As another category of employee: YES / NO

#### SECTION F: General

32. Am I ready to continue the full training course of Business Start-up?	YES / NO  If NO, please explain.	
33. Can I manage my other activities and find time to attend the full programme?	YES / NO  If NO, please explain.	
Signature of the trained		Signature of the trainer

#### Special guidelines:

- 1. Help trainees to complete the assessment. Convince them that this is a vital document, which acts as a baseline information provider as well as an indicator about their readiness to be an entrepreneur. Therefore, completion of the assessment document with more accurate information is very important.
- 2. Explain about SWOT analysis. Some details are given below.
- It is advisable to retain a copy of the completed assessment form with the Trainer/ Training Institute for periodic reference / review.
- 4. SWOT is the shorten form of Strengths, Weaknesses, Opportunities and Threats. Strengths and Weaknesses are currently applicable internal factors which are under control of the potential entrepreneur / entrepreneur. "Ability to get friendly with outsiders quickly" is a strength of a person. Opportunities and Threats are currently applicable or futuristic external factors which are not under control of potential entrepreneur / entrepreneur. "Family's plan to migrate to Australia" is a threat to a trainee when business start-up is concerned. Explain them that this informational assessment shows the current status of each person (baseline). They should take steps to improve the strengths, reduce the weaknesses, capitalize over the opportunities and eliminate the threats as far as possible to improve their readiness to start a business at the end of the training.

### 1. Practical Entrepreneurship





Starting a business is a common thought among many people. We also observe that people start new businesses in different sizes and different styles. The trend of starting businesses is now taking a different shape with the other developments. But, if we analyse the survival and the growth of

the businesses, we can find many reasons to prove that we need a special type of mind-set, qualities, behavioural pattern, knowledge and skills to start a healthy business which will grow and sustain. Entrepreneurship is the collective term for all these aspects. Self-motivated people who think, act and start a business based on all these entrepreneurial aspects are the entrepreneurs. They change the whole destiny of the entire generation astonishing the others. This session helps us to understand the nature of practical entrepreneurship, and develop our entrepreneurial mind-set, behavioural pattern and skills required as a potential entrepreneur.

#### Module objectives:

At the end of this module, the trainees will be able to,

- ✓ develop their understanding on practical entrepreneurship, entrepreneurial mind-set, and related skills covering the following subject areas:
  - Power of entrepreneurship
  - Entrepreneur and entrepreneurship
  - Importance of entrepreneurship
  - Characteristics of an entrepreneur
  - Creativity& Innovation Essential tools
  - Entrepreneurial competencies
  - Process of entrepreneurship
  - Wealth of an entrepreneur
  - Types of businesses
  - Legal modes of businesses,
- ✓ Perceive entrepreneurship, enterprises and entrepreneurs in a more understandable manner, and
- ✓ Establish practical readiness to start wealth building practices.

#### Session 1.1 - Power of entrepreneurship



True entrepreneurship is powerful. It can drive a person from rags to riches, unknown to the world famous, and the condemned in the community to the respected in the world!

#### A milking man to the richest man in America – Walmart founder's story



Sam Walton was born in to a poor family living in a farm. As a child, he helped his family



by milking their cows, bottling it and selling to the customers. Since the income was not sufficient, he sold newspapers as well. Even in the school, he supported the others in exchange for meals. He then joined the military. After passing a hard time from the childhood, Walton wanted to start a business. With a small amount of money he has saved from hard work and an amount of borrowed

money from his father-in-law, he purchased a small store at the age of 26 and expanded it as a chain of stores. Moving forward through ups and downs, Walton drove his small store to be the world's largest company in terms of revenue- Walmart. Walton's net worth exceeded US \$ 100 billion in 2015. He strongly believed that he could face challenges and continued his actions to reach his targets. This is called self-efficacy. He was a true entrepreneur who always emphasized the following statement.

#### "Commit to your business. Believe in it more than anybody else."

His entrepreneurial spirit elevated him from a humble beginning of selling milk and newspapers to the highest level of success.

We can find many examples of this nature in every country. Nawaloka, Abans, Siddhalepa, and Maliban are only a few examples from our country.

**Group discussion**: What are the key thought provoking points in the Walton's story?

**Assignment**: Study about a Sri Lankan or foreign entrepreneur who rose to the highest success from humble beginning; identify the thought provoking points in his entrepreneurial journey and present them.

#### Session 1.1 - Power of entrepreneurship

**Objective** – At the end of this session, trainees will sufficiently understand the life-changing power of entrepreneurship.

	Session	Time (mins)	Methodology	Training aids
a.	Ask trainees to study the true story- A milking man to the richest man in America – Walmart founder's story	05	Individual study	Trainee workbook
	Summarize quickly, engaging trainees  Ask them about their feeling – get their responses randomly	05 05	Short presentation (1 – 2 slides)  Discussion	PPT
d.	Group discussion 1: What are the key thought provoking points in the Walton's story?  - Facilitate the discussion  - Write their ideas on the board	20	Discussion	Whiteboard
е.	Assignment: Study about a Sri Lankan or foreign entrepreneur who rose to the highest success from humble beginning; identify the thought provoking points in his entrepreneurial journey and present them.  - This is a take-home assignment.	150	Take-home assignment  Discussion	Any source Internet Magazines News papers

- Give them 4 days to get	
ready for the presentation	
- Refer Special Guidelines &	
Formats.	
- Guide trainees what	
information to collect.	
- Individual presentations;	
6 mins per presentation.	
n-class total: 185 mins	

#### SPECIAL GUIDELINES & FORMATS

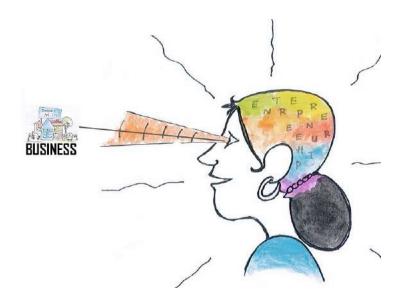
#### Session 1.1 - Power of entrepreneurship

**Assignment**: Study about a Sri Lankan or foreign entrepreneur who rose to the highest success from humble beginning; identify thought provoking points in his entrepreneurial journey and present them.

#### Special guidelines:

- This is a take-home individual assignment. Give trainees 4 days to collect information about the entrepreneur and prepare their presentation. Inform them about the presentation day accordingly.
- 2. Give some guidance as to how they can collect information. (Example: Internet, business magazines, newspapers etc.)
- 3. Inform them clearly that the story presented by each trainee should have valuable points to listen and learn.
- 4. Their search should include the following information.
- Name of entrepreneur Business How he started (at what level)
- Major achievements Important lessons
- 5. Time allocation for each presentation is 6 mins.

Session 1.2 – Entrepreneur and entrepreneurship



#### Who is an entrepreneur?

An entrepreneur is a person who starts and carries out a business while taking the risk in order to make a profit.

#### Consider the following cases.

Case 1: Janaki, after leaving the school, had a passion to start her own business. While thinking about a suitable business idea, she spotted a good business opportunity for three wheeler repairing in her area. After collecting a lot of information, she was convinced that it was the ideal business for her. Her uncle was an owner of a three wheeler repairing centre in a different area. After speaking to the uncle, Janaki stayed at uncle's house and learnt about repairing three wheelers over a period of 8 months.

When she was confident that she could manage, she started a small scale "three wheeler repairing centre" at her home. Her brother helped her initially, but she gradually developed her business recruiting employees when she felt needed. After three years, today her business has grown and eight employees are working. Entrepreneurs of Janaki's type are called "Opportunity Entrepreneurs". They get in to businesses because they see it as the most viable option to build their kingdom. They are committed to take

the advantage of the opportunity and they have the tendency to develop their businesses to the highest possible level.

Case 2: Praveen found it difficult to manage only with his salary. He started a micro business of computer repairing in the week-ends because he could do it and he needed an additional income. Praveen was not attracted to the business world by seeing business opportunities. He was not interested in improving his business because he was satisfied with the additional amount of money he received from this business. Such entrepreneurs are called "Necessity Entrepreneurs". They are compelled to do businesses because of the necessity. Unless they become "Opportunity Entrepreneurs" one day, necessity entrepreneurs do not have the tendency to develop their business.

**Exercise**: Describe about visible special characteristics embedded in Janaki when compared with Praveen.

Our aim should be to be opportunity entrepreneurs. They are the true entrepreneurs. They see a bright future through starting a proper business and growing it. They are confident that by developing the business, they can change their own destiny, the destiny of their family and the destiny of the world!

Such an entrepreneur identifies a business opportunity and transforms it to a practical business through innovative thinking, undertaking the risks and drives the business making **profits**, while developing **people** and protecting the **environment**.

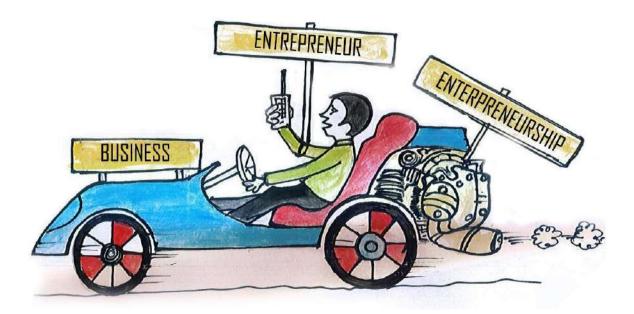
Think about the key words – profits, people, and environment; businesses should make profits, develop people and protect environment.



Profit making is the prime concern of an entrepreneur. But, simultaneously, they are accountable to develop people and protect the environment. Therefore, always businesses should precisely implement ethical strategies. There are many definitions for "the entrepreneur". But, the above explanation provides a practical and simplified meaning of the term "entrepreneur". Remember, an entrepreneur takes risks meaningfully; but, he is not a wild risk-taker. He also effectively pools together necessary resources in creating the business.

Entrepreneur creates value for the customers, employees, himself (shareholders) by offering novel products and services.

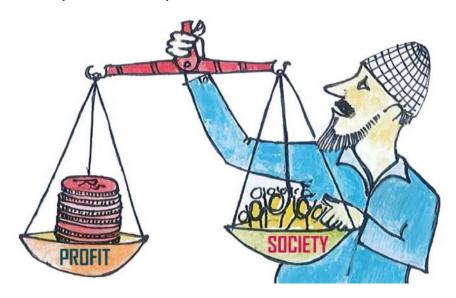
#### What is entrepreneurship?



Entrepreneurship is the essence embedded in an entrepreneur. It makes him to think like an entrepreneur, behave like an entrepreneur, and act like an entrepreneur. Entrepreneurship is like the software installed in the entrepreneur. It provides the power to drive the business. Entrepreneurship-based practices are called entrepreneurial practices. Similarly, we can think of entrepreneurial thinking, entrepreneurial approaches etc. The person becomes an entrepreneur because he has entrepreneurship in him.

We need to understand about the entrepreneurship, identify it, and develop it in order to practice it. When we have entrepreneurship and want to start a business, we become potential entrepreneurs until we start a business. When we start a business with entrepreneurship, we become entrepreneurs.

#### Social entrepreneurship & Social enterprises



Entrepreneurship drives the entrepreneurs to carry out businesses to reap economic profits by offering a solution to the marketplace. Those solutions mainly focus on needs and wants in the marketplace. Social needs are different to the normal marketplace needs and wants. Social needs can be associated with social gaps or social development. Social entrepreneurs establish social enterprises to address such social issues. Related entrepreneurship is called the social entrepreneurship. Social entrepreneurs aim at maximizing gains in social satisfaction (social profits) whereas the other entrepreneurs aim at financial profit maximization. Social entrepreneurs are less in number at present. But, today the world needs more social entrepreneurs to address the increasing number of social issues.

#### Examples:

- a. A business that produces handmade paper using elephant dung in order to reduce tree-cutting, convert waste in to a marketable product and generate employment opportunities for the area youths.
- b. An enterprise that offers computer training to the village youths in order to achieve its objective of developing employability of village youths.

Social entrepreneurs have social objectives. They also focus attention to the economic profit, not to build his wealth, but to sustain the enterprise. In many cases, the respective governments provide assistance to maintain and continue such authentic social enterprises.

**Assignment 1:** Study about a social enterprise operated in Sri Lanka and write its goal, objectives and activities.

#### An idea on different types of entrepreneurs

Entrepreneurs are clustered in to different types according to the operational features and methods. Some types are given below.

Туре	Brief Description			
Start-up entrepreneurs	Entrepreneurs who start new businesses; they are the founders.			
Acquisition entrepreneurs	Entrepreneurs who run a pre-existing business; businesses have been established by start-up entrepreneurs;			
Replicative entrepreneurs	Entrepreneurs who start businesses copying already existing ventures			

Innovative entrepreneurs	Entrepreneurs who start new and growth-driven businesses, through innovative ideas			
Digital entrepreneurs	Entrepreneurs who use digital-related technology in the business; they use digital marketing, digital tools for sales; websites; social media; on-line business strategies etc.			
Women entrepreneurs	Entrepreneurs who are women; some challenges are different			
Green entrepreneurs	Entrepreneurs who identify environmental issue as a business opportunity and carry out socially important businesses with risks, contributing to environmental protection and making profits; they are a sub-group of social entrepreneur category.			

There can be more categories. These categories are not exclusive. It means that if Shivanthi has started a new creative online business with a purpose of providing advisory services to industrialists how to reduce air pollution done by their industries, Shivanthi falls in to several types as follows:

Woman entrepreneur + Start-up entrepreneur + Innovative entrepreneur + Digital entrepreneur + Green entrepreneur

**Group exercise:** Discuss about the specific challenges faced by different entrepreneur groups.

#### Intrapreneurs

Milinda is the Chief Executive Officer (CEO) of Sri Lanka Green Tea Company. He develops the company with his entrepreneurial capabilities. He is the internal entrepreneur, but not the owner or founder of the company. He is an employee there, but very powerful because he is the practical leader of this business. The founding owner

comes only for top level meetings. Such employees who have the full responsibility of managing businesses are called "intrapreneurs".

**Intrapreneur is a person with entrepreneurial capabilities,** who manages and develops a business founded by another person. *Most of the CEOs of large business corporates are intrapreneurs. They may have an ownership share offered by the owner.* 

**Assignment 2:** Find out and study the differences between an entrepreneur and an intrapreneur.

- This is a **take-home group assignment**. Group members should present findings to the others in the class.

#### Session 1.2 – Entrepreneur and entrepreneurship

**Objective** – At the end of this session, trainees will have a clear conceptual clarity and understanding about entrepreneur and entrepreneurship, social entrepreneurship and social enterprises, different types of entrepreneurs and intrapreneurs.

Session	Time (mins)	Methodology	Training aids	
a. Who is an entrepreneur?	40	Discussion	Trainee	
<ul><li>Ask about their views</li><li>Explain the definition given in the</li></ul>		PPT	workbook	
workbook		Short presentation (1	PPT	
- Ask them to read case 1 and 2; explain about "Opportunity		– 2 slides)	Whiteboard	
entrepreneurs" and "Necessity		Brief discussion	Trainee	
entrepreneurs"		Discussion	workbook	
Exercise: Ask them to describe some			PPT	
special characteristics embedded in			Whiteboard	
Janaki when compared with Praveen.			VVIIICEGUIG	
- Convince them about the				
importance of making <b>profits in</b>				
businesses, while developing people				
and protecting the <b>environment</b> .				
b. What is entrepreneurship?	25	PPT-based	PPT	
- Explain entrepreneurship		presentation	Flinchaut	
- Discuss about the terms-			Flipchart	
entrepreneurial practice,		Discussion	Whiteboard	
entrepreneurial thinking, and				
entrepreneurial approaches				

c. Social entrepreneurship & Social	25	Discussion	PPT
·	25	Discussion	
enterprises - Using example 1 and 2, explain		Positive questioning	Flipchart
social entrepreneurship and social		PPT-based	Whiteboard
enterprises		explanation	
- Give some known/ popular examples		Discussion	
- Discuss the difference between an		PPT-based	
ordinary business and a social		discussion (1- 2	
enterprise (Refer Special Guidelines		slides)	
& Formats)			
d. Assignment 1: Study about a social	15	Take-home	Any source
enterprise operated in Sri Lanka and		assignment	Laternat
write its goal, objectives and activities			Internet
of that enterprise.			Magazines
- This is a take-home assignment.			Newspaper
- Give them 4 days to submit the			Newspapers
answer script.			
- Ask them to express their views on		Discussion	
different social / environmental			
aspects found in the businesses.			
(15mins for this brief discussion)			
(Refer Special Guidelines &			
Formats)			
e. An idea on different types of	10	PPT-based	Trainee
entrepreneurs		presentation	workbook
- Explain using the table given		Discussion	PPT
- Give practical examples		DISCUSSION	
f. Group exercise: Discuss about the	40	Brainstorming	Flipcharts
specific challenges faced by different			
entrepreneur groups.			
- Divide trainees in to 5 groups.			

	<ul> <li>Allocate a type of entrepreneurs to each group.</li> <li>Ask them to write the specific challenges faced by the type allocated to them. (10 mins)</li> <li>Guide them to present their findings. (5 mins per group)</li> <li>Summarize giving trainer inputs. (5 mins)</li> </ul>		Presentation	
g.	Intrapreneurs	07	PPT-based	Trainee
	- Explain using the related text.		presentation	workbook
	- Give examples (Professional CEOs of large corporate businesses).		Discussion	PPT
				Whiteboard
h.	Assignment 2: Find out and study the	38	Take-home group	Any source;
	differences between an entrepreneur and an intrapreneur.		assignment	Internet
- This is a take-home group		Presentation	Magazines	
	<ul><li>assignment.</li><li>Decide about the deadline for group presentation.</li></ul>		Discussion	Newspapers
	- Each group should present their findings to the large group.			
	- Facilitate the responses of the large group after each presentation			
In-class total: 195mins				

#### Session 1.2 – Entrepreneur and entrepreneurship

#### Social entrepreneurship and Social enterprises

Basic differences between an ordinary business and a social enterprise

Ordinary business		Social enterprise	
•	Business idea is built on a market need.	•	Business idea is built on a social need.
Focus is to maximize personal profits.		•	Focus is to maximize social profits.  (Marginal financial profits)
•	Major portion of ownership by individuals, or several persons	•	Mostly, an association, community group or similar common alliance owns (Although there can be individual owners)
•	Contribution to the environmental harm	•	Contribution to the environmental protection

#### Social entrepreneurship and Social enterprises

**Assignment 1:** Study about a social enterprise operated in Sri Lanka and write its goal, objectives of that enterprise.

#### Special guidelines

- 1. This is a take-home assignment.
- 2. Give them 4 days to submit the answer script.
- 3. Ask them to express their views on different social / environmental aspects found in the businesses. (15 mins for this brief discussion); If it is a paper re-cycling business, social/ environmental aspects would be reduction of tree felling for paper manufacturing, employment opportunities; If it is a solid waste-related business, it contributes to area hygiene.

#### Session 1.3 – Importance of entrepreneurship

#### Value of entrepreneurship for the country

Entrepreneurship has a high value because it can develop persons, families, communities and countries. In macro views, entrepreneurs largely contribute to employment generation and market dynamics, innovation, productivity and growth. Their contribution to the Gross Domestic Product (GDP) is considerable. Creators of the private sector are entrepreneurs. All countries agree with the fact that the private sector is the engine of the growth of that country. That view implies the value of entrepreneurs in the country's context.

#### Value of entrepreneurship for the person, family and the community

In micro view, true entrepreneurship clears the path way for a person to reach the highest success. Its practical validity is confirmed by the true stories on "rags to riches" entrepreneurs. Entrepreneurs can design their own future, while the others will have to depend on somebody else or some organization to help them out. If we are employed, our progress is controlled by our salary and the other job-related limitations. But, the entrepreneur is his own master. He is the decision-maker and the planner. His individual capacity is continuously growing because it is in use. He doesn't have idling time although there are relaxing moments. Personal productivity also reaches higher levels in this case. An entrepreneur generates employment for the others. Thus, the entrepreneur has the capability of developing his own life, family, and the others in the community.

#### Session 1.3 – Importance of entrepreneurship

**Objective** – At the end of this session, trainees will have a clear understanding about the importance of entrepreneurship for the country, self, own family and community.

Session	Time (mins)	Methodology	Training aids
<ul> <li>a. Value of entrepreneurship for the country</li> <li>- Ask about their views on this matter.</li> <li>- Explain the facts based on the relevant text.</li> <li>- Use updated statistics if available, for further clarity.</li> </ul>	06	Interactive discussion	Trainee workbook Whiteboard
<ul> <li>b. Value of entrepreneurship for the person, family and the community</li> <li>- Ask about their views on this matter.</li> <li>- Explain the facts based on the relevant text</li> <li>In-class total: 15 mins</li> </ul>	09	Interactive discussion	Trainee workbook Whiteboard

Session 1.4 – Characteristics of an entrepreneur



Entrepreneurs are different from average people. They look at problems and issues in a different manner. They understand the value of wealth and the inner drives are pushing them to increase the wealth through providing solutions for issues of the people.

To be entrepreneurs, they need to possess a specific set of characteristics although each entrepreneur may not have the full set. However, possession of a set of key characteristics at different depths would be essential if someone wants to be a successful entrepreneur. The composition of the characteristics and the depths of the characteristics shape up his / her level of entrepreneurship. Level of entrepreneurship is a decisive factor in deciding the success level of the entrepreneur.



#### Story of Marcus- An inspirational entrepreneur

Marcus, although unemployed, wanted to be an independent youth and that thought generated a passion to earn money through an own economic activity. When spending time on the beach, he

noticed how sea shells were being thrown around the beach. His inner mind flashed a torch towards the fact that the rich women in the area admired small boxes covered with sea shells.

Inspired by these thoughts, he started going to the beach early morning in shivering cold, collected sea shells, and walked along the streets selling them. Rich women bought sea shells, used as buttons of clothes, and pasted them on the small jewellery boxes. Marcus was happy when he counted the money earned throughout the day. It was his tiny business started without any investment. His friends laughed at him sarcastically because it was like a childish activity. He continued it, got the assistance of a close friend who was also jobless. He, then started making boxes covered with sea shells and sold at several places, through a few people working for him.

This was the humble beginning of Marcus Samuel. He added another business of buying and selling petroleum products. When he wanted to register his business, he used the logo of a sea shell and named it "Shell". Today, Shell Company is a giant business empire operating in many countries in the world!

Exercise 1	: What are the specific chara	cteristics of Marcus?
Exercise 2	2: What are the other learning	s we can get from this story?
Exercise 2		s we can get from this story?
		s we can get from this story?

#### Self-Assessment of some key entrepreneurial characteristics:

	Entrepreneurial characteristic	My situation		
		Satisfactory	Need to develop	
1.	Sees opportunities that can be converted in to profit-making ideas (Opportunity seeker)			
2.	Takes risks consciously (Risk taker)			
3.	Effectively mobilizes resources to achieve his expectations (Resource mobilizer)			
4.	Initiates what he needs to do (Initiator)			
5.	Thinks creatively and finds a practical way to realize it (Innovative thinker)			
6.	Sets goals with more energy, happiness and positivity (Goal setter)			
7.	Enjoys meeting challenges (Admirer of challenges)			
8.	Takes responsibility about own decisions, acts and their consequences (Responsibility taker)			
9.	Plans well, executes precisely and reaches success (Success chaser)			
10	Changes his strategies according to the changing environment, in order to reach his goal (Effective changer)			

#### Other vital characteristics of entrepreneurs

In addition to the above, there are more vital characteristics that can be seen in entrepreneurs. The next table contains these entrepreneurial characteristics. It would be helpful for us to assess our status pertaining to these vital characteristics also so that we can take action to remedy the gaps. The above format titled **Self-Assessment of some key entrepreneurial characteristics** can be used with the below characteristics for this purpose.

Success-focused determination Market-oriented thinking

Positive thinking approach Being intelligent

Strong self-confidence Self-motivator

Being energetic Commitment to work

Perseverance Quality-consciousness

Resilience Logical thinker

Good listener Practical thinker

Effective decision-maker Effective convincer

Solution-seeker Patience

Visionary leader Understands value of money

Field assignment: Three parts.

**Part 1**: Meet a successful entrepreneur in the area of the and collect information related to his / her entrepreneurial characteristics for presentation. Trainer will provide the guidelines and the format.

**Part 2**: Compare your own relevant characteristics with the entrepreneurial characteristics of the entrepreneur.

Part 3: Prepare an action plan to develop own gaps.

## Session 1.4 – Characteristics of an entrepreneur

**Objective** – At the end of this session, trainees will have a concrete understanding about key entrepreneurial characteristics; witness how these special characteristics help entrepreneurs to succeed; understand the necessity to develop appropriate characteristics and take starting step to develop them.

Session	Time (mins)	Methodology	Training aids
a. Story of Marcus- An inspirational entrepreneur  - Explain the story using storytelling skills  Exercise 1: What are the specific characteristics of Marcus?	10	Storytelling  Workbook-based exercise	Trainee workbook Whiteboard Trainee workbook
<ul> <li>Ask them to write answers in the workbook</li> <li>Ask 3-4 trainees to tell what they have written</li> <li>Summarize</li> </ul>		PPT presentation (1-2 slides) Interactive discussion	Whiteboard PPT Whiteboard
Exercise 2: What are the other learnings we can get from this story?  - Discuss with the whole group - Write on the board/ flip charts	10	Interactive discussion	Whiteboard Flipchart

b.	Self-Assessment of some			
	key entrepreneurial			
	characteristics			
-	Ask trainees to read and	08	PPT-based presentation	PPT
	understand the key		of the assessment sheet	
	characteristics			Flipchart
-	Explain if they need clarity	07	Discussion	Whiteboard
-	Guide them to complete the		Workbook exercise	
	assessment sheet quickly			Workbook
	but carefully	12		
-	Cross-check with 4-5			
	trainees randomly asking			
	what their "Need to develop"	05	Question and answer	Whiteboard
	characteristics are.	00		vviiitobodia
-	Emphasize that in actual			Flipchart
	fact, most of the			
	characteristics should have		Evalenation and	
	been marked as "Need to	05		
	develop", and individuals		discussion	
	should focus on developing			
	them.			
C.	Other vital characteristics	35	PPT-based presentation	PPT
-	Present the characteristics		Internative conferration	Flin also est
	given in the box to the class		Interactive explanation	Flipchart
-	Explain the selected qualities		Interactive discussion	Whiteboard
	(After checking what they			
	want more explanation for)			
-	Emphasize that being			
	potential entrepreneurs, all			
	trainees should identify their			
	gaps of those characteristics			
	and take action to improve			
	their quality.			

		<u> </u>	
d <b>Field assignment</b> : Three	38	Field assignment	Any source;
parts.		(individual)	Internet
Part 1: Meet a successful			
entrepreneur in the area of the			Magazines
trainee and collect information		Exhibition of Format for	Newspapers
related to his entrepreneurial		information collection and	
characteristics.		comparison	
Part 2: Compare own			
characteristics with the			
entrepreneurial characteristics of		Explanation on how to do	
the entrepreneur.		Exhibition of Format for	
Part 3: Prepare an action plan		Action Plan for	
to develop own gaps.		Development (APD)	
(Refer Special Guidelines &			
Formats)			
·			
- Provide the guidelines and			
the format given in this			
guide Present the format for			
collection of information and			
comparison			
- Present the format for <b>Action</b>			
Plan for Development (APD)			
- Explain how to complete			
APD			
- Decide the deadline for			
action plan preparation			
In-class total: 140 mins			

### Session 1.4 – Characteristics of an entrepreneur

**Field assignment**: This has three parts.

**Part 1**: Meet a successful entrepreneur in the area of the trainee and collect information related to his entrepreneurial characteristics.

**Part 2**: Compare own relevant characteristics with the entrepreneurial characteristics of the entrepreneur.

**Part 3**: Prepare an action plan to improve shortcomings implied by own gaps.

#### Special guidelines

- 1. This is a field assignment. Each trainee should find out a successful entrepreneur in the area.
- Ask them to meet the entrepreneur and explain about the purpose. The purpose is to collect qualitative information related to his entrepreneurial qualities for study purpose.
- 3. Explain them how to greet and start a good relationship with the entrepreneur to get information.
- Ask them to collect the information using the Format "Entrepreneurial Characteristics Study and Comparison" given below. Present the format for the trainees to copy.
  - ✓ Each trainee can select five (05) entrepreneurial characteristics from the set of characteristics learnt.
  - ✓ He has to ask indirect questions from the entrepreneur to check if he has
    the relevant quality.

Example: Trainee wants to check about decision-making characteristic of the entrepreneur. Then, he can ask who decides how much to buy when your stocks go down. Similarly, he can ask 3-4 questions focusing on decision-making and decide whether the entrepreneur has the decision-making quality.

✓ If he has, trainee should indicate a right mark in the correct cell.

- ✓ After getting the information, advise the trainee to thank the entrepreneur for helping him.
- ✓ Trainee should fill the "Myself" column of the same format. If he has the same characteristic, he can indicate right mark, or if not, he has to mark "X".
- ✓ Trainee should prepare an Action Plan for Development (APD). The APD format is given below as the Format 2.
- 5. Explain them how to prepare the APD. Trainee <u>can select 5 entrepreneurial</u> characteristics to be developed from the following sets:
  - ✓ Items marked as "Need to develop" in the Self-Assessment of some key entrepreneurial characteristics, and
  - ✓ Characteristics marked as X in the Format 1.

Let's say the first characteristic to be developed is "Self-confidence". Trainee must record in as the first item in the first column of the Format 2. Steps that could be taken to improve self-confidence should be recorded in the second column against the relevant characteristic. Some steps that can be taken in this regard are:

- ✓ Learning exactly what self-confidence is from the trainer and the other resource persons,
- ✓ Reading books on self-confidence,
- ✓ Studying success stories of self-confidence,
- 6. Decide the deadline for preparation of the **Action Plan for Development (APD)** and inform trainees about it.
- 7. At this stage, each trainee should have an Action Plan for Development in respect of certain identified gaps. Explain them clearly that they need to develop all gaps in time to come although only 5 items are considered for study purpose.
- 8. It is more appropriate for the trainer to retain a copy of APD for monitoring purpose.

## Format 1:

Entrepreneurial Characteristics Study & Compariso	n	
Entrepreneur's name:	Location:	
Name of the business:	No. of em	ployees:
Nature of business:		
Name of the trainee:	Date:	
Characteristic	Entrepreneur	Myself
1.		
2.		
3.		
4.		
5.		
4.		

## Format 2:

Action Plan for Development – Entrepreneurial Characteristics				
Name of trainee: Date:				
Entrepreneurial	Actions to be taken	Starting	Remarks / Progress	
characteristic		date		
1.				
2.				
3.				
4.				
5.				

Session 1.5 – Creativity & Innovation (Essential tools)



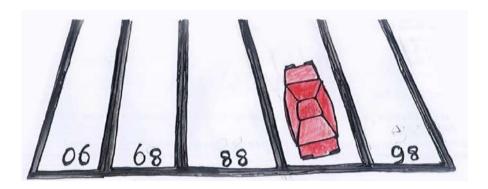
### A common key quality of successful entrepreneurs

All successful entrepreneurs in the world, including Sri Lanka have some common qualities. One key quality that stands out is their creative thinking and innovativeness. True entrepreneurs are creative and innovative at different degrees. The people who are more creative and more innovative are more successful as entrepreneurs.

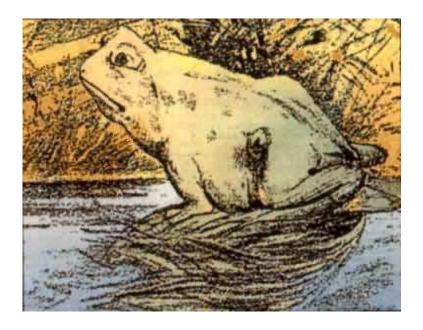
Entrepreneurs can balance their logical, methodical thinking (linear thinking) and insightful, creative thinking (non-linear thinking) better in looking at issues, situations, persons and processes. But, the average people use only the linear thinking.

## What is the parking lot number where the car has been parked?

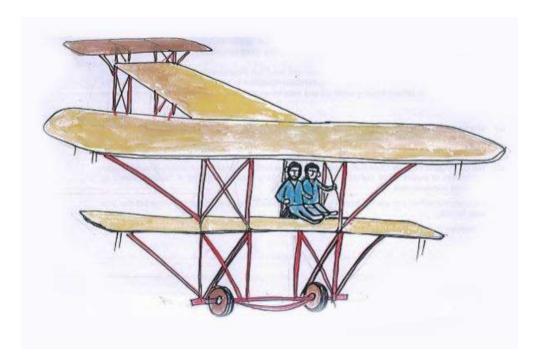
(10 seconds for the answer)



## What do you see in this picture?



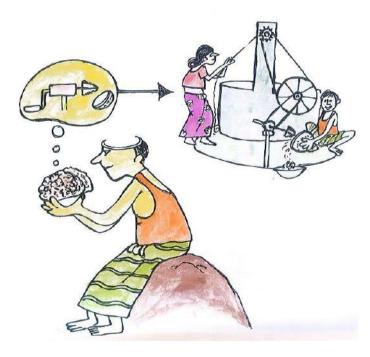
#### What is creativity? What is innovation?



Wilbur Wright and Orville Wright were brothers who were crazy about new imaginations. By seeing toys and its mechanics, the boys were fascinated about a flying machine from the childhood. In 1982, Wilbur and Orville opened up a bike shop. They assembled bicycles using their own designs and sold in the shop. But, this was a small business operation. However, they did not forget about their "flying machine craze". They made basic structures, tried and failed. Their issue was fixing moving wings. They tried to comprehend how the birds are flying and kept on trying. Ultimately, they realized their dream, by inventing the first powered aeroplane.

However, their invention was not admired by their own country at the initial stages. They went to France and start the business with higher progress. With that reputation, they came back to their country USA.

Wright brothers were not conventional thinkers. From the childhood, they were thinking out-of-the-box. They observed birds to enrich their creative idea. Their creative thinking and passion paved the way for them to design and construct the first aeroplane. Their names were written in the history and the world today use large flights abundantly for transportation.



Creative thinking is the nonconventional thinking which focuses on finding solutions, making situations better, and facilitating human life. It can be crazy thinking, but with a purpose. But, if it is limited only to the thinking process, it is useless. Transforming this creative thinking in to a practical usability, it is innovation. The starting point of an innovation is a creative idea. Products and services used by us

today have been innovated by somebody starting with a creative idea.

#### Table-mounted coconut scrapper:

Famous Sri Lanka entrepreneur Odiris Silva got a brilliant idea about a coconut scrapper which can be operated while standing. He was thinking about solutions for an issue faced by housewives that time, "the difficulty in using the conventional coconut scrapper". He invented the table-mounted coconut scrapper which gave him lot of recognition and money because it was a high demand household product.

#### Taxi-booking mobile app:

It was a creative thinking of Anthony Tan in Malaysia. When his friend was complaining about the hassle of hiring a taxi, Tan started thinking about a method where the potential passenger can book a taxi from home or where he is, using his mobile phone. Taxi-booking mobile app was the innovation resulted from that creative thinking. Won't it be wonderful that such a simple thinking has produced a massive and ground-breaking innovation which has changed the global vehicle hiring landscape?

It is clear that the entry point to innovation is creativity or creative thinking. It leads to new products and services. In addition, creative thinking is also the pathway for solutions of many business-related issues and effectiveness and efficiency improvement of existing process/ situations of the business. Using the entrepreneurial creativity and innovativeness, the entrepreneur can comfortably find solutions, develop systems and practices and establish a unique competitive strength for his business. Creative approach contributes to entrepreneurial decision-making. It also facilitates making associations between previously unconnected domains. In fact, business persons who lack creativity cannot compete with creative entrepreneurs.

Good news is that creativity lives inside all of us, but overshadowed by ever establishing conventional and "single path" thinking. Further, research and real world stories show that anyone can learn to be creative unleashing the inner ability and developing it. Developing the hidden creative and innovative potential is crucial for all potential entrepreneurs.

In addition to their own creative thinking potential, entrepreneurs are capable of unleashing the creativity of the others also. They use techniques such as "Brainstorming" and "Mind-Mapping" for this purpose. These techniques help us to come up with creative ideas.

#### a. Brainstorming



Dog food manufacturing company had been experiencing low sales of its most researched product which was launched twelve months ago. The other products were selling fast. This new product was the result of many scientific and technological tests. The Chairman of the company wanted to conduct a brainstorming session to find out a solution for this critical sales issue. Brainstorming is a creative thinking technique used for idea generation and finding solutions for issues. When all employees of all ranks including security personnel gathered in to the hall at the correct time, the chairman started the session explaining about the purpose of the brainstorming session he was going to conduct. Then, he explained about the rules and ask all of them to come up with their ideas. Focus was to find out why it was not selling. Rules: all ideas including crazy ideas were welcome; no ideas should be ridiculed by anybody; all can freely express their views; one can develop an idea presented by another person; and, all ideas would be recorded. Marketing director pointed out that the only reason was attributed to the competition and their cheap alternatives. Similarly, many employees expressed about their views. The sanitary employee got up and told that the reason could be that the dogs didn't like to eat it. The other employees did not

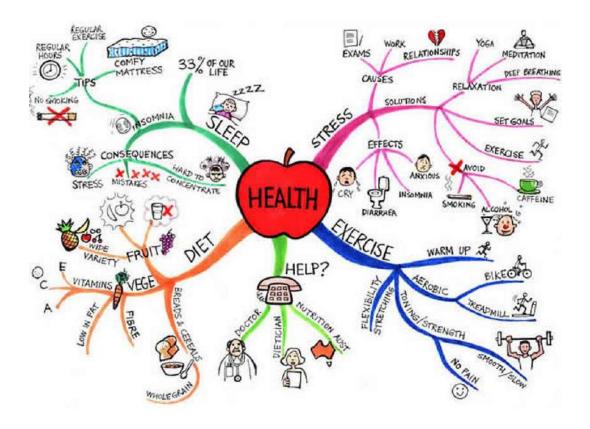
laugh because the chairman had set out rules. However, chairman felt that it was an unconventional idea, but allowed to proceed till the end of the brainstorming session.

As the next step, chairman asked the pet division's officer to get three dogs and test whether the dogs like this particular food type or not. The officers kept three other fast moving varieties and this food stuff in different containers and allowed the dogs to eat. They sniffed this food stuff, showed a dislike, approached the other varieties and ate. It was practically proven that they actually did not like it. Then the research team did some development to improve the relevant quality of food and the company improved its sales. Sanitary employee's idea given during the brainstorming was the clue that guided the company to find a positive solution for this marketing issue.

Exercise 1: Describe about brainstorming? What are the key rules in conducting a brainstorming session?
Brainstorming:
Key rules in conducting a brainstorming session:

Learning activity: Conduct a brainstorming session on "part-time income generation activities that we can do". Trainer will facilitate. Discuss about the learning points of the brainstorming session.

#### b. Mind mapping



Mind-mapping is another technique which unleashes creativity. It is a simple, but powerful graphical method, and it encourages thinking on both sides of the brain. It visually displays the various relationships among ideas and improves the ability to view a problem from many sides. This technique maps out our thoughts using key words that trigger associations in the brain to spark further ideas.

**Learning activity**: Learn how to do mind mapping. Your trainer will explain and guide you. Prepare a mind map for "starting my own business".

## Session 1.5 – Creativity & Innovation (Essential tools)

**Objective** – At the end of this session, trainees will have a clear understanding about creativity and innovation, its relevance to entrepreneurship and they will have developed skills on practicing brainstorming and mind mapping.

Session		Time (mins)	Methodology	Training aids
a. Common key qu	ality of	06	Discussion	Trainee workbook
- Explain the trained creativity and innovations as a common key of	es about ativeness			Whiteboard
all successful entrep - Emphasize how thinking helps entrepreneur in entrepreneurial life - Give an example to	creative an all his		Interactive discussion	Trainee workbook Whiteboard
how creativity has ra success level of an entrepreneur.			Interactive discussion	Whiteboard
<ul> <li>b. Parking lot problem</li> <li>Challenge trainees to parking lot number working lot number working lot number working seconds.</li> <li>If they did not declare the reply (Look from the oth numbers range from</li> </ul>	where the d, within answer, as 87. her side;	04	Discussion	Trainee workbook Whiteboard

-	Point out that one should think creatively to solve that problem. (Out of the box thinking)			
- -	What do you see in this picture?  Ask trainees what they see in the picture.  Most trainees may say it is a frog; rarely persons will see the head of the horse.  Point out that people with creative thinking can see the horse head.	04	Discussion	Trainee workbook
d.	What is creativity? What is	25	Discussion	Trainee workbook
-	innovation? Using Wright Brother's story, explain the immense value of non-conventional thinking. Explain meaning of creativity and creative thinking. (Refer the relevant text below) Explain innovativeness and its entrepreneurial context. (Refer the relevant texts on Odiris table-mounted coconut scrapper and taxibooking mobile app.) Get the views of trainees Ensure that trainees have properly understood about creativity and innovation.		PPT-based explanation  Positive questioning and clarifying	Flipchart Whiteboard PPT

_				
e.	Brainstorming			
-	Take the trainees through	10	Storytelling	Trainee workbook
	the story on dog food	10	otor ytoming	Trainee Workbook
	manufacturing company.			
-	Ask them how the company			VA/In:t-a-la-a-a-a-l
	found the solution and			Whiteboard
	discuss the key points.			
-	Explain the concept on			
	"Brainstorming" and the key	10	Discussion	PPT
	rules of conducting a			
	brainstorming session			
	effectively. (Refer Special			Whiteboard
	Guidelines and Formats)			
-	Ask them to complete the			
	exercise given in the	06	PPT-based discussion	Trainee workbook
	workbook.			
-	Ask 2 - 3 trainees to read			
	their answers, and clarify if	05	Discussion	Flipcharts
	the answer needed an			
	adjustment.			
f.	Learning activity: Conduct a			
	brainstorming session on			
	"part-time income generation			
	activities that we can do".			
-	This is a large group activity.			
_	Refer Special Guidelines &			
	Formats.			
-	Facilitate, explaining the key			
	rules of brainstorming.	15	PPT-based presentation	Trainee workbook
	(Alternatively, trainer can ask		Convincing explanation	PPT
	a voluntary trainee to			
	facilitate; facilitator must			
	declare the key rules, but			
	trainer can support.)			
		•	•	

-	Get the services of a voluntary trainee to record all ideas on a flip chart.  Conduct the brainstorming session. (45 mins)  At the end, verify with them if they can do a brainstorming session.  Discuss with them what points went well and what points should be improved.	45 30	Facilitation  Recording of ideas  Review discussion	PPT Flipcharts Flipcharts Whiteboard
g.	Mind mapping:			
-	Introduce the concept Explain how to do it. (Refer Special Guidelines & Formats) Ask them questions to verify if they understood it.	20	PPT-based presentation  Interactive questioning	PPT Whiteboard
h.	Learning activity Prepare a mind map for "starting my own business".			
-	Start this as a large group activity. Facilitate the mind mapping session. (Refer Special Guidelines &	30 10	PPT-based presentation  Mind mapping approach	Trainee workbook PPT Flipcharts
-	Formats) Allow them to ask the trainer for more clarification. Explain finer points if necessary.	10	Discussion	Whiteboard

- Ask individual trainee to do a	
mind mapping for "starting	
my own business", as a take	
home activity.	
In-class total: 230 mins	

### Session 1.5 – Creativity & Innovation (Essential tools)

### Brainstorming:

Brainstorming is a popular creative thinking technique. It is used for creative idea generation and problem solving. This method can be used in a group setting or by an individual. The whole purpose is to create free mind-sets of people involved and get creative ideas on the issue.

### Rules for conducting a brainstorming session:

- Be clear about the issue or the theme taken for brainstorming. It should be clearly explained to the group members.
- Facilitator can agree with the time period for the brainstorming session, depending on the nature of the issue.
- 3. Environment should be conducive for free idea generation. Arrange the environment in such a way that there will not be any types of disturbances.
- 4. Take steps to explain that all members are absolutely free to express their ideas, whether the idea looks crazy or non-conventional. Encourage wild ideas. Free mind-setting is important because the creative thinking is stimulated in a free mind-set.
- 5. All ideas are accepted and recorded in flipcharts. No idea is criticized, reviewed or rejected at this stage. If an idea is criticized, reviewed or rejected, group's mind-set can shift from generative stage to critical stage.

- 6. "Idea on idea" is acceptable. If a person gives an idea which is a developed version of an idea already expressed by another person, that idea is also acceptable.
- 7. One idea at a time. All members should contribute. A single member can generate any number of ideas. Quantity of ideas is important.
- 8. Make the idea collection record visible. The practice is to record all ideas on a flipchart or use post-it notes and paste them on a board so that all members can see how the number of ideas is moving up.

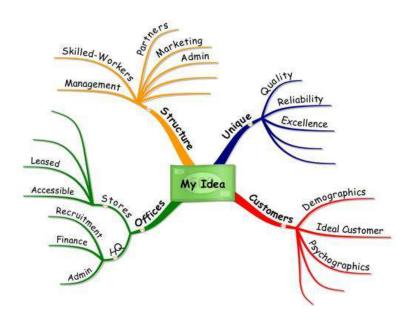
At the end of the brainstorming session, there is a considerable collection of creative ideas. This is called the 'critical mass of ideas generated'. Pushing the participants to generate ideas beyond this level is unproductive. Brainstorming session is over at this point. In respect of business idea generation, the next steps will be to screen the critical mass, evaluate them in order to select about a handful of business ideas (5-10 ideas).

- **Tip 1**: Trainer can perform a 5-minute sample brainstorming session with trainees to make them familiarized with the rules and the method. "What are the different businesses we can do with half sheets?" or a similar issue can be the problem for this sample session.
- **Tip 2**: Emphasize that trainees can do brainstorming individually also. Individual should select his stress-free time, self-induce the free mind-set and find a disturbance-free environment for this purpose.

### Mind Mapping:

Mind mapping is a visual information management tool introduced by Tony Buzan. It unleashes our visual thinking capacity and creativity. It supports us to generate creative ideas and arrange, organize, memorize and brainstorm ideas and information in a methodical manner. It visually displays different "idea relationships", improving our ability to view a problem or a central theme from many sides. This mapping tool sparks further ideas in our brain.

## A sample of a simple mind map:



### Method of drawing a mind map:

The core issue is the central idea of the mind map. The step-by-step process of drawing a mind map is given below:

1. Place a large sheet of paper (example: a flipchart) in front you.

- 2. Draw a circle in the centre of the sheet and write the central idea inside the circle. Draw a suitable symbolic image next to the circle to make the visual nature better. Using a colour for the image will enhance the visual effect.
- 3. Draw a few (basically four; but the number can differ) thick branches radiating outwards from the central image. It is better to use a different colour for each branch.
- 4. Think about the sub topics of the central theme and write them along these branches.
- 5. Draw additional branches radiating out from each main branch. These additional branches represent components of sub topics; write them along the each additional branch.
- 6. Keep adding the dividing branches and the sub components until you complete the mind map.

### Session 1.6 – Entrepreneurial competencies



Entrepreneurs should have special capabilities to create a new venture, sustain it and develop it. These special capabilities known are "Entrepreneurial Competencies". If the entrepreneur A's entrepreneurial competencies are higher than that of the entrepreneur B, Entrepreneur A will successful the be more than B. As entrepreneur potential entrepreneurs, we are required to develop these competencies because they are the driving forces in starting a new business and managing it.

Basically, entrepreneurial competencies can be divided in to two broad categories as follows:

Category 1:	Category 2:
Personal Entrepreneurial Competencies	Business-related Entrepreneurial
	Competencies (Business Initiation,
	Business Management & Business
	Development Competencies)

### 1. Personal Entrepreneurial Competencies



Capability and driving factors embedded in the person's attitudes, motives, traits, self-image, behavioural features, social roles, "applied" knowledge, skills and similar aspects are the personal entrepreneurial competencies.

### 2. Business- related Entrepreneurial Competencies

Business- related competencies include three classes of competencies, namely "business initiation", "business management" and "business development". Most of them are competencies based on "Applied" knowledge and skills. If a person is committed, these competencies can be developed through learning and practice.

When we put altogether, the following chart will help us to understand what entrepreneurial competencies are.

### Competency types & Key competency components

Competency type	Key competency components
Attitude-based and Behavioural	Growth mind-set; proactivity; entrepreneurial
	passion; information-seeking; perseverance;
	innovativeness; entrepreneurial identity; persuasive
	and influential, chasing behind quality; flexibility;
Skills-based	Resource mobilization skills; marketing skills;
	interpersonal skills; negotiation skills; convincing
	skills; financial literacy skills; decision-making skills;
	learning skills; strategic skills;
"Applied" knowledge-based	Entrepreneurship; idea generation and selection;
	business initiation; business management;
	business planning; marketing and sales; finance;
	technology; business development;

### Special note:

Certain competencies can be inborn. People can develop most of these competencies through training and practice. Understanding the correct meaning and the shape of these competencies would be very useful in training and practicing them.

### Game: Entrepreneurial competency match

This is a group game. In this game, we can assess the level of our understanding on the entrepreneurial competency types and the competency components of each type. This understanding is important for all potential entrepreneurs.

The trainer will explain how to perform the game and guide it.

## Session 1.6 – Entrepreneurial competencies

Objective – At the end of this session, trainees will have an analytical understanding about entrepreneurial competencies. They will have a proper view that different competencies are very important at starting the business, managing it and developing it.

Session	Time (mins)	Methodology	Training aids
<ul> <li>a. Entrepreneurial competencies</li> <li>Start an interactive discussion asking trainees why businesses with the same base (same business type, same investment, same area,) reach different success levels.</li> <li>Focus the discussion to emphasize the fact that different capabilities of entrepreneurs generate different success levels, explaining Entrepreneurial Competencies</li> <li>Explain two broad categories of entrepreneurial competencies given in the workbook.</li> <li>Ask questions from trainees to ascertain their understanding. Allow them to ask for more clarifications from you.</li> </ul>		Short PPT presentation (1 – 2 slides) Discussion  Discussion Question and answer	Trainee workbook Whiteboard  Trainee workbook PPT Whiteboard

match game  - Break the large group in to three sub groups; tell them that each group represents a Competency type out of three types studied.  - Explain how the game is performed, using the instructions given in Special Guidelines & Format section of this guide.  - Discuss about the success of each group; Declare the winner group.  - Correct the game results enabling them to understand  explanation  Grouping  Instructional explanation; pre-prepared flashcards; Starting the Stopping the Discussion;	PPT Flipchart Whiteboard	PPT-based presentation Discussion		<ul> <li>b. Competency types &amp; Key competency components</li> <li>Present the chart given in the trainee workbook and explain three competency types and their key competency components.</li> <li>Conduct a brief interactive discussion to anchor the understanding of trainees.</li> </ul>
In-class total: 54 mins	A large sheet of paper or a board; Pre-prepared flashcards; game; e game;	Instructional explanation; Providing pre-prepared flashcards; Starting the game; Stopping the game; Discussion;	30	match game  - Break the large group in to three sub groups; tell them that each group represents a Competency type out of three types studied.  - Explain how the game is performed, using the instructions given in Special Guidelines & Format section of this guide.  - Discuss about the success of each group; Declare the winner group.  - Correct the game results enabling them to understand the lesson accurately.

#### Session 1.6 – Entrepreneurial competencies

#### Game: Entrepreneurial competency match

This is a group game which gives an indication about the level of entrepreneurial competency understanding of Trainees. Trainer has to prepare the activity material in advance.

#### Activity material:

21 flashcards (8"x4"); masking tape; a board

#### Method:

- 1. Write 3 competency types, one in each flash card. (Example: Attitude-based and behavioural on one flashcard; the other two on two separate cards)
- 2. Select 6 key competencies from each type. Write selected key competencies, one in each flash card.
- 3. These 21 flashcards are the pre-prepared material for the game.
- 4. Make 3 groups of trainees and explain about the game as per below steps.
- 5. All 21 flashcards, after mixing up is kept at the centre for the trainees to pick up flashcards when the game starts.
- 6. Each group should first select a flashcard with a competency type. The group represents the chosen competency type. Then all three groups should paste them on the board on a horizontal line, enabling each group to paste the subsequent flash cards one below the other.
- 7. Then the members of the groups should choose the six flashcards depicting the relevant key competencies and paste one below the other under the selected competency type.
- 8. When the allocated time is over, the game should be stopped.
- 9. The group which identifies a competency type with more accurate number of key competency cards is the winner.

Session 1.7 – Process of entrepreneurship



The process of entrepreneurship is the entrepreneurial process which moves from the idea search up to starting a new business and developing it. The whole process can be segmented in to four stages, one after the other as follows.

STAGE 2	STAGE 3	STAGE 4
Developing a	Moving from an idea	Managing and
successful business	to an enterprise	growing the
idea		business
5	Developing a uccessful business	Developing a Moving from an idea uccessful business to an enterprise

Each stage requires different combinations of entrepreneurial competencies. When we know about these stages, the business creation pathway is clear and we can customize our efforts in each stage. Let us get a clearer picture about these four stages.

# Four stages of entrepreneurial process

STAGE 1	STAGE 2	STAGE 3	STAGE 4
Deciding to	Developing a	Moving from an idea	Managing and
become	successful business	to a business	growing the
an entrepreneur	idea		business
<ul><li>Pro-business</li></ul>	Search for a	<ul> <li>Deciding to</li> </ul>	<ul><li>Managing</li></ul>
mind set	business idea	proceed	<ul><li>Introducing and</li></ul>
<ul><li>Motivation</li></ul>	<ul><li>Selecting the</li></ul>	<ul><li>Business</li></ul>	developing
<ul><li>Learning</li></ul>	best business	planning	systems
<ul> <li>Search for</li> </ul>	idea	<ul><li>Technology</li></ul>	<ul><li>And many more</li></ul>
information on	<ul><li>Concept</li></ul>	<ul><li>Motivation</li></ul>	
the business	development	<ul><li>Resource</li></ul>	
world		pooling	
		<ul><li>Launching the</li></ul>	
		business	
		<ul><li>Business</li></ul>	
		strategy	

## Session 1.7 – Process of entrepreneurship

**Objective** – At the end of this session, trainees will have acquired applied knowledge on process of entrepreneurship, together with a clear understanding on 4 distinctive stages of the process.

Session	Time (mins)	Methodology	Training aids
a. Process of entrepreneurship	30	PPT-based discussion	Trainee workbook
- Introduce the process of			PPT
entrepreneurship.		Interactive discussion	Whiteboard
- Explain the four distinctive stages of entrepreneurial			
process as per the workbook.		Discussion	
- Discuss about the			
advantages of segmenting			
the total process in to 4 stages.			
- Explain components that come under each stage.			
- Question briefly to ascertain			
if trainees have captured the			
relevant understanding.			
In-class total: 30 mins			

Session 1.8 – Wealth of an entrepreneur





Jack Ma was born in China in 1964. As a boy, he used to ride 70 miles on his bicycle to practice English with tourists as he had a target of learning English. He struggled four years with his college to pass the entrance exam. Jack Ma was continuously unsuccessful in employment seeking although he applied for 30 different jobs. He was turned down even by the police when he was present for the interview. When KFC came to his city, he applied for a job. There were 24 applicants, and all the others were selected. He also applied 10 times to Harvard Business School without success.



In 1994, he heard about the internet. He went to the USA with some friends and gathered some information about internet. He and his friends set up a small company to create websites for the other companies. In 1999, he founded a China-based business-to-business- marketplace site called "Alibaba" which became the world's largest business in that category. He was announced as the one of world's richest men. Jack Ma was ranked 2nd in the annual "World's 50 Greatest Leaders" list by Fortune in 2017. His net worth was US\$ 42.7 billion in 2018.

The above true story inspires the entrepreneurs, explains about the entrepreneurial journey and acts as an eye-opener for wealth creation of successful entrepreneurs.

Entrepreneurs are wealth creators while they enjoy a comfortable life. In our practical world, we have seen or heard about many business people who are struggling to build their wealth.

### Wealth building

Wealth is not **only** the value of lands, buildings, vehicles and other machineries. It is the **net** worth owned by the entrepreneur. In simple terms, net worth is the total assets minus total outside liabilities.

Net worth = Total assets – Total outside liabilities

#### Why wealth building for potential entrepreneurs?

One of the major goals of an entrepreneur is wealth building. Potential entrepreneurs should start practicing it as early as possible. In addition, the biggest problem people face in starting a business is the starting capital. We call it the seed capital. It is proven that people should avoid starting businesses with borrowed money at an interests from outside. Potential entrepreneurs should build up at least a part of the capital required and borrow money at a very comfortable rate for the balance. In all angles, it is advisable for the potential entrepreneurs to start wealth building early. After starting the business, when it is managed effectively, business will help them to increase their wealth fast.

Using wealth development techniques



This is another important part of our journey. We should clearly understand the concepts, practice the techniques and start building our wealth.

Let us start with assessing our current wealth situation using the "Personal Balance Sheet" tool.

#### Personal balance sheet template:

### PERSONAL BALANCE SHEET AS AT .....(date)

Personal balance sheet contains the personal assets and the personal liabilities. When the total liabilities are deducted from the total assets, the result is the wealth owned by the individual at that time.

## Personal balance sheet template:

Less: PERSONAL LIABILITIES	
Long Term Liabilities(X)	
Housing loans	
Other long term bank loans	
Vehicle leasing	
Total Long term liabilities	
Current Liabilities (Y)	
Temporary loans from friends/ relatives	
Other short term loans	
Total Current liabilities	
Total Outside Liabilities (A+B)	
Net Assets/ Equity/ Capital/ Wealth	
(Total Assets - Outside Liabilities)	

Name:	Date:
Name:	Date

## Important:

- ✓ Potential entrepreneur should have the legal ownership of personal assets. Assets which are under the ownership of parents or another cannot be included in the balance sheet, although they are his future property.
- ✓ For some persons, the balance sheet value can be zero. It is o.k. What we want to examine is the current status of my wealth.
- ✓ After two years, we can prepare our personal balance sheet again and compare our wealth to see how it has moved. When preparing the personal balance sheet after two years, because our business is ongoing, business net worth can be added to the wealth indicated in the balance sheet to find out the total net worth. Net worth is another term for net wealth.

## PERSONAL CASH-FLOW

It is important to know how money comes in and goes out every day, every week and every month. The record which shows this money movement is known as "Cash-flow". Let's see how we can record our forecasted cash-flow.

## PERSONAL CASHFLOW FORECAST – For six (06) months

	Month	Month	Month	Month	Month	Month
Description	1	2	3	4	5	6
	Amount	Amount	Amount	Amount	Amount	Amount
	(Rs)	(Rs)	(Rs)	(Rs)	(Rs)	(Rs)
Opening						
balance						
Receipts /						
<u>Inflows</u>						
From home						
From Income						
Generating						
Activity (IGA)						
Total receipts						
Payments/						
Out flows						
Meals						
Traveling						

IGA			
expenses			
Loan			
Loan			
Repayments			
Total payments			
Net Cash Flow			
(Total cash			
receipts – Total			
cash payments			
Closing Balance			

We have now assessed our current personal wealth and forecasted cash-flow for next 6 months. Let us now start practicing the following wealth development strategies to develop our wealth.

# Wealth Development Strategies



## Strategy 1: Reduction of personal expenses

We have a definite purpose of building our wealth.

Strong commitment to reduce personal expenses in all possible directions is a must.

Our expenses can be categorized in to three types:

- Absolutely essential,
- Essential, and
- Not essential.

We can reduce some expenses in a reasonable number of expense lines if we really want to. We need to think positively about our purpose and prepare a new list of expense lines after deciding the amount that we can reduce from each line. The below template will help us in this regard.

	Expense line	Current Amount (Rs)	Amount after reduction
			(Rs)
1	Study fees to the training centre		
2	Meal expenses		
3	Mobile phone		
4			
5			
		Total:	Total:

The difference between these two totals is the amount that we can reduce from expenses. We need to save this money if we want to be successful.

#### Important guidance:

- ✓ Save this amount in a savings account of a bank. If you don't have, this is the time to start a savings account.
- ✓ It is vital to ensure that the money saved in the savings account is not withdrawn later. Remember, wealth building is the purpose.

#### Strategy 2: Increasing personal income

We may not have any personal income generating avenues at present. But, again, this is a necessary step to strengthen our path for entrepreneurship. Each of us should think about an actionable income generation activity while pursuing this training. It can be a part-time micro business activity and it will satisfy two purposes. Main purpose is to earn some money as a profit to support our wealth creation task. The other is to get a very basic first-hand experience about doing businesses.

#### Important:

- ✓ It should be an income generation activity that we can do without sacrificing our main training.
- ✓ It should be something we can start with a minimum capital.
- ✓ The profit should be saved in the personal savings account.

#### Example:

Minhaj is a potential entrepreneur. He is in the process of building his wealth. As learnt during his business start-up training, he managed to start a monthly saving of Rs.800.00 from his expenses. To increase his savings, he started an income generation activity of buying tea leaves in bulk from a tea estate and supplying it to the neighbourhood on retail basis. He used to buy 10 kg every month at Rs. 800.00 per kg. Selling price is Rs. 1,000.00 per kg. Other expenses associated with the business include Rs. 200.00 as the telephone charges and Rs. 300.00 as the traveling cost. Thus, he manages to earn a net profit of Rs.1,500.00 every month. The following template helps us to understand how we can calculate the net profit from a micro level business of this type.

Net profit calculation template for the income generation activity

Net profit calculation – Trading of tea leaves during the period .....(Month and the year)

Rs.

Income – trading tea leaves

10,000.00

(10kg x Rs.1,000.00 per kg)

Less:

<u>Direct cost (Purchasing cost)</u>

(8,000.00)

(10kg x Rs.800.00 per kg)

**Gross profit** 

2,000.00

Other expenses / Indirect cost

Telephone charges

- 200.00

Traveling cost

- 300.00

(500.00)

Net profit

1,500.00

We can use the same template to calculate our monthly income from the income generation activity.

**Assignment**: Start a small income generation activity and save the profit of it in the savings account.

## Strategy 3: Start and continue money saving on a regular basis

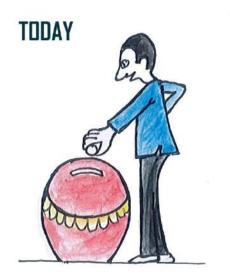
Saving habits of people in general are weak. Even if they save, their approach starts from spending from the income first. If there is a balance, then they may save. But, in most of the cases, they find new purchase requirements if there is a balance. Hence the saving formula of average people looks as follows:

Income - Expense = Saving

But, successful entrepreneurs have a different formula for saving as follows.

Income - Saving = Expenses

They first allocate the committed amount for saving and then plan how to manage the expenses with the balance. They also ensure that the saving is regular and they do not touch saved money unless it is desperately essential. Ultimate result is the increased amount of savings. Saving is not an option for the growth-bound entrepreneurs, but a necessity.





**Learning activity:** The trainer will explain step-by-step about the most promising method of money saving. Understand it and complete the following two statements.

- a. I can save Rs...... every hour. It amounts to Rs. .....per day. I will start saving this amount regularly.
- b. I will have a total saving of Rs..... after 10 years from the start.

As a potential entrepreneur, it is very important to start practicing the saving method you learnt as soon as possible.

#### Strategy 4: Increasing net profits of the business

This will be applicable only after starting the business for which we are being trained now. We will be equipped with all relevant skills and knowledge regarding this strategy when we reach the business starting stage.

## Individual exercise: My Dream Tree

Draw "My Dream Tree" in the space provided below.

It is a graphical presentation of our entrepreneurial success expectation after a certain number of years. We can determine the number of years. Parts of the dream tree are as follows:

Part of the tree	Components related to the individual life						
Roots	My strengths, capabilities, opportunities, desires, hobbies, family						
	support, and other positive factors; (These are good roots, and mark						
	them in one colour)						
	My weaknesses, gaps, threats, anti-entrepreneurial desires and hobbies,						
	family expectations against entrepreneurial success, and other negative						

	factors; (These are bad roots, and mark them in another colour)
	- While good roots support healthy growth of my dream tree, bad
	roots act in the opposite manner. Therefore, it is very important
	to take action to eliminate or lessen the negative factors as far as
	possible, while strengthening positive factors.
Top with	My net wealth; higher social recognition; happy family and similar things.
leaves and	
fruits	
Trunk	Business start-up training, starting a business and developing it.

## Session 1.8 – Wealth of an entrepreneur

Objective - At the end of this session, trainees will have

- acquired motivated mind-sets to set the foundation to develop wealth,
- understood why they need to focus on developing their own seed capital,
- improved practical skills to prepare personal balance sheets and cash-flows,
- understood wealth development strategies,
- planned and commenced reduction of personal expenses,
- started practicing savings on regular basis,
- commenced/ planned to commenced income generation activities,

Ses	ssion	Time (mins)	Methodology	Training aids
- Explain i Ma's entr highlighting developme - Give few very brie trainees amazing v entreprene	ent.  more examples efly to motivate in respect of wealth building by	12	PPT-based interactive discussion	Trainee workbook PPT Whiteboard
is, as per t	ilding early what wealth he content given nee Workbook		PPT-based interactive discussion	Trainee workbook  PPT  Whiteboard

-	Ensure that trainees have understood.			
- -	Why wealth building for potential entrepreneurs? Conduct an interactive discussion on this matter. Explain the content summary given in the Trainee Workbook Convince trainees that this should be a part of their journey.		PPT-based interactive discussion	Trainee workbook  PPT  Whiteboard
d. -	My wealth development project  Emphasize the importance of this section in terms of understanding, shaping attitude and habit changing.  Explain that this is a practical approach for own wealth building.  Convince trainees about the necessity to assess their	06	Interactive, explanatory discussion	Flipchart Whiteboard
-	current wealth.  Personal balance sheet  Explain Personal Balance  Sheet as the relevant tool  Show them how to complete personal balance sheet, taking real data from a voluntary trainee.  Refer the Format and the subsequent Note given in the	12	PPT-based presentation  Discussion  Trainee activity	Trainee workbook  Flipchart  Whiteboard

Trainee workbook contents.  Personal cash-flow  Convince them the importance of knowing personal money circulation (money coming in and money going out) in the wealth building process.  Use the format given in the Trainee Workbook contents to explain the personal cash-flow.  Guide them to prepare it for the first month, forecasting the possible cash movements.  Ask them to complete it for six months.	08	PPT-based presentation Discussion Trainee activity	Trainee workbook Flipchart Whiteboard
e. Wealth development strategies  Introduce four (04) wealth development strategies, as a foundation before moving to details of each strategy.	08	PPT-based interactive explanation	PPT Flipchart Whiteboard
f. Strategy 1: Reduction of personal expenses  - Ask trainees if they believe that they can reduce their current expense levels.  - Emphasize that all of us can and it is a must for our purpose (wealth building).	06	Interactive discussion	Trainee workbook Flipcharts Whiteboard

-	Explain three main			
	categories of expenses			
	(absolutely essential,			
	essential and not essential).	04	Interactive discussion;	Flipcharts
_	Take a real example of			
	expenses of a volunteer			Whiteboard
	trainee and show how			
	expense lines can be			
	categorized under the above			
	three types.			
-	Ask him if he can reduce			
	certain amounts while getting	02	PPT-based explanation	Trainee workbook
	the responses of the others.		Interactive discussion	Flipcharts
-	Exhibit the format given			1 iiponarto
	below (as well as in the	06		Whiteboard
	Trainee book), use the			
	above trainee's example and			
	mark the expense figures.			
	Conclude how much he can			
	reduce in total.			
-	Guide all trainees to do this			
	exercise individually. (They		Instructional discussion	
	can re-adjust their figures in	03		
	a more accurate way later.)			
-	Ask randomly, a few trainees			
	about the total reduction.			
-	Get their commitment to	02	Verification	
	practice this reduction with			
	immediate effect and save			
	this amount in a savings	05	Interactive convincing	
	account of a bank.	00	discussion	
	Refer to important guidance			
	given below.			
				<u> </u>

g.	Strategy 2: Increasing	60	Interactive convincing	Trainee workbook
	personal income		discussion	Flipcharts
-	Convince about advantages			T iiponarto
	of having an income			Whiteboard
	generating activity (IGA) at			
	this stage as a potential		Interactive convincing	
	entrepreneur.		discussion	
-	Emphasize the necessity to			
	save the profit of this IGA.		Interactive discussion	
-	Discuss key points in			
	Minhaj's micro-business		PPT-based explanation	
	story.		FF 1-based explanation	Trainee workbook
-	Exhibit the template for "Net			Trainee Workbook
	profit calculation" given and		PPT-based interactive	PPT
	explain.		and explanatory	Flipcharts
-	Insert the figures relating to		discussion	
	Minhaj's business in the			Whiteboard
	template and show how the			
	template can be used and			
	profit can be calculated.			
As	<b>signment</b> : Start a small		Convincing instructional	
inc	come generation activity and		discussion	
sa	ve the profit of it in the savings		Monitoring	
ac	count.		Courselling	
			Counselling	
-	Guide them to start an			
	income generation activity.			
	(Refer Special Guidance &			
	Formats.)			

h.	Strategy 3: Start and			
	continue money saving on a	50	Interactive discussion	Trainagaugulahagla
	regular basis	50	Interactive discussion	Trainee workbook
-	Discuss interactively the		PPT-based interactive	Whiteboard
	general savings habits of		convincing discussion	Flipcharts
	people.		, and the second	·
-	Explain vividly the			PPT
	importance of savings, and			
	successful entrepreneurs'			
	savings formula.			
-	Emphasize the following:  ✓ Savings prior to expenses, ✓ Regular savings, ✓ No withdrawal for general requirements,			
	requirements,		Interactive, explanatory	Whiteboard
	Learning activity:		discussion	Flipcharts
-	Explain step-by-step about		Individual working in the	Event about 0 :
	the most promising method		workbook	Excel sheet- Savings
	of money saving.			
	(Refer Special Guidelines &			
	Formats.)			
-	Verify if they understood it.			
-	Guide them to complete the			
	following two statements.			
a.	I can save Rs every			
	hour. It amounts to Rs.			
	per day. I will start			
	saving this amount regularly.			
b.	I will have a total saving of			
	Rs after 10 years			
	from the start.			
<u> </u>				

profits of This will starting was included know the profits of strategy	y 4: Increasing net of the business I be relevant only after the business. This part luded to let the trainees nat "increasing the net of the business" is a for wealth development preneurs.			
j. Individu	ıal exercise: My			
exercise Refer S Formats - Explain should Tree in the wor - Emphas comple	s of completing this e: Special Guidelines & s. that each trainee draw his / her Dream the space provided in kbook. size the importance of ting this graphical	30	Individual exercise in the class room  Explanatory and motivational discussion	Trainee workbook Whiteboard Flipcharts
- Guide to from room and final from room and final from the from t	the parts of the tree. hem to draw, starting ots, then the trunk ally the top. s interactively benefits ring "My Dream Tree".		Instructional guidance  Interactive and motivational discussion	
In-class total: 2	214 mins			

#### Session 1.8 – Wealth of entrepreneur

#### a. Strategy 2: Increasing personal income

**Assignment**: Start a small income generation activity and save the profit of it in the savings account.

#### Guidelines to start income generating activities

- 1. Convince trainees that all individuals should start a micro-business level income generation activity (IGA) with two objectives- earn an income in order to save, and to ensure that an amount of seed capital is being built through saving.
- 2. They should select a micro business that will not interrupt their training efforts and time.
- 3. They can collect many ideas for their potential IGA through many sources such as own thinking, discussing with family members and friends, looking around in the market, exploring community needs etc. Ideas pertaining to their skills, skills of family members, hobbies, skills that can acquire within a short time would be most desirable.
- 4. They need to focus more on selling aspect.
- 5. Trainees should continue this income generation activity, earn a profit and save the profit in the savings account.

#### b. Strategy 3: Start and continue money saving on a regular basis

Learning activity: Most promising method of money saving Step-by-step approach:

1. Position the concept of this method in the minds of trainees.

#### Concept:

- Saving money is the target. From the money we get, we allocate the amount to be saved and then spend for necessary things. Recall about the Strategy 1 (Reduction of personal expenses). We calculated how much we can save money from it (saving 1). Then, we planned or started to an income generation activity (IGA) to increase our personal income. The net profit is the amount we can use for saving (saving 2).
- 2. Decide about the amount that each trainee can save per week, taking the above facts in to consideration. However, this should be a realistic figure; not an imaginary one. Ask them to calculate the day rate of saving. They will understand that it is a small amount. Ultimately, each trainee should decide about the practical saving amount and the frequency (per hour, per day or per week)
- 3. Ask each trainee to complete the sentence a using that figure. Insist them to re-think about personal expense reduction and ways to increase net profit of the IGA in order to explore the possibility of increasing the written figure. If it can be increased, ask them to change the written figure accordingly. (This process is important because it anchors the value of saving, saving potential and their commitment to save in their inner mind.)
- 4. Ask for the relevant details of a volunteer and convince the rest of the steps through that example, involving all trainees in calculation and discussions. Let's say that Shehani decided that she can save Rs. 30.00 per day by reducing her expenses. She has also started a small income generation activity of making quality paper bags that earns a net profit of Rs. 900.00 per month. Thereby, the total amount she can save is Rs.60.00 per day.
- 5. Using the Excel calculation sheet (provided to the trainer), show them that Shehani's net savings after 10 years will be Rs................. This is a significant amount of money Shehani will have in her possession after 10 years. Interactively explain them

- that Shehani will have a very small amount or may not have anything if she did not take conscious action as guided.
- 6. Ask each trainee to calculate their savings at the end of the 10<sup>th</sup> year and complete the **sentence b**.
  - ✓ Cross examine the values randomly.
  - ✓ Emphasize them that those figures would be more in reality because of the bank interests.
- 7. Convince them that the operational method is also important. They need to have a till or similar box which can be opened. They should save their money daily or every two days or in a practically possible manner. However, every week (weekly collection), the total money should be banked in the savings account opened.
- 8. They are required to show their bank passbook to the trainer periodically as an evidence of their progress as a potential entrepreneur. This is a key performance indicator (KPI).

## k. Individual exercise: My Dream Tree

Draw "My Dream Tree" in the space provided in the workbook.

It is a graphical presentation of our entrepreneurial success expectation after a certain number of years. Trainee can determine the number of years. Parts of the dream tree are as follows:

Part of the tree	Components related to the individual life
Roots	My strengths, capabilities, opportunities, desires, hobbies, family support, and
	other positive factors; (These are good roots, and mark them in one colour)
	My weaknesses, gaps, threats, anti-entrepreneurial desires and hobbies, family
	expectations against entrepreneurial success, and other negative factors;
	(These are bad roots, and mark them in another colour)
	- While good roots support healthy growth of my dream tree, bad roots
	act in the opposite manner. Therefore, it is vital to take action to
	eliminate or lessen the negative factors and strengthen positive factors.
Top with leaves	My net wealth; higher social recognition; happy family and similar things.
and fruits	
Trunk	Business start-up training, starting a business and developing it.

## Session 1.9 – Types of businesses

## Businesses in Yatiyana

Yatiyana is a developing area that accommodates 10 – 15 businesses. Most prominent businesses are as follows:

	Business	Owner	Details
1	GREEN PLANET - Making compost manure	Fathima	Compost manure making process is continuous. Fathima relies on the past sales and the forecasts. Since the sales are less in April and December, she makes less quantities in those months.
2	DREAM mosquito nets - Making mosquito nets	Helen	Helen buys raw material when she gets a confirmed order from the customer. She customized the top frame (round or square) and the net material according to customer requirement. She doesn't stock nets for sale.
3	STAR Furniture Shop - Manufacturing furniture	Nelson	Nelson uses a different strategy. He also makes furniture only for confirmed orders. But, he has timber and the other material required. Customers can get their product made within a short period because raw material is available with Nelson.
4	CHAYA Beauty Salon - Hair dressing and beauty culture services	Achala	Achala has a clientele. She provides a professional service of hair dressing, floral arrangements, bridal dressing etc.
5	GAME KADE - Large grocery store	Raju	Game Kade has all types of commodities and consumer items required by the area community. Raju buys them from wholesalers and manufacturers.

#### Three main types of businesses

In general, any business will fall in to one of the following categories:

a. Manufacturing

**b.** Service

c. Trading (Buying and selling)

Prominent businesses operating in Yatiyana depict all three types. Businesses 1, 2 and 3 are manufacturing businesses. But, we can see that three different strategies are used in them although all are in manufacturing sector. Business 4 is a service business while the last business of Game Kade is a buying and selling business, or a trading business.

It is important for a potential entrepreneur to understand all these differences. Each type has advantages and disadvantages. Let's understand them in more details.

#### 1.9.1 Manufacturing businesses

As we observed in the above example, the production and marketing strategies can vary in 3 different ways in a manufacturing business. They are known as,

(MTS)

✓ Make to stock

✓ Make to order (MTO)

✓ Make to assemble (MTA)

#### Make to stock (MTS)

Green Planet (business 1) falls in to this category. In such businesses, entrepreneur relies on past sales data to forecast consumer demand and plan the production accordingly. There are no readily available customers or confirmed orders. Drawback is the possibility of stock excesses or shortages.

#### Make to order (MTO)

Helen's DREAM Mosquito Nets (business 2) falls in to the MTO category. In such businesses, entrepreneurs manufacture only on confirmed orders. They don't manufacture and stock items. In fact, they buy the raw material only after the order confirmation. Hence, no stock excesses or shortages can take place. But, customer waiting time is more.

#### Make to assemble (MTA)

Start Furniture Shop (business 3) uses MTA strategy. In such businesses also, entrepreneur starts manufacturing only on order confirmation. But, he / she has raw material required. The drawback here is that unwanted parts or raw material has a cost. However, customer waiting time is short.

#### Specific features of a manufacturing business

- a. Having production flow chart
- b. Having factory layout planning
- c. Need to construct factory location bed on the government rules and conditions
- d. Opportunities for long term contracts
- e. More skilled and unskilled workforce than the other nature of businesses
- f. Approach to supply chain integration
- g. Extent of information sharing
- h. Access to production planning and technology planning
- i. Product research and development activities
- j. New product development related activities
- k. Possibility to apply for international and local product quality certifications

#### 1.9.2 Service businesses

Let's focus our attention to Achala's CHAYA Beauty Salon. It provides a range of services. Such businesses are service businesses. Like manufacturing businesses offer tangible products, service businesses offer services to their customers. Services are also products, but intangible, no physical form. Most valuable inputs in producing a service are professional or technical skills, expertise, and methodologies.

## Characteristics of a service business

## a. Perishability

Service is highly perishable and time element has great significant in service marketing. A service can't be stored.

#### b. Fluctuating demand

Product demand also can fluctuate. But, service demand is fluctuating in a high degree.

#### c. Intangibility

Unlike product, service can't be touched or sensed, tested or felt before they are completed. A service is an abstract phenomenon.

#### d. Inseparability

Personal services can't be separated from the individual.

Example – Hair cut is not possible without the presence of an individual. A doctor can only treat when his patient is present.

#### e. Heterogeneity

Non-uniformity in quality or standards, and the service fee (price) are features in service businesses. A product quality can be physically tested and it is the same for a single manufacturing process. But, service is created for individual customers and rendered separately. Quality can differ from case to case. A doctor can charge much higher fee to a rich person and a much low fee to poor patient for a similar service.

#### f. Pricing of services

Pricing decision about services are influenced by perishability, fluctuation in demand and inseparability. Pricing of service is depended on demand and competition where variable pricing may be used.

#### 1.9.3 Trading businesses

Merchandising business, and buying and selling business are synonyms to trading business. This is easiest type of business to start. There is no manufacturing process or service creation process here. Basically, such businesses buy products from wholesalers at whole sale price and sell at retail price without making any change to the product. The difference of prices is the Gross Profit Margin. There are some other costs or expenses involved in doing the sale. When the relevant cost is deducted, that margin is called the Net Profit Margin.

Generally, the governments don't encourage or provide special business support schemes for buying and selling businesses.

## Session 1.9 – Types of businesses

Objective - At the end of this session, trainees will be able to,

- ✓ explain about the main types of businesses,
- ✓ analysis the type of a business showing whether it belongs to manufacturing, service
  or trading,
- ✓ explain three main strategies used in manufacturing businesses, and
- ✓ analyse the features, advantages and disadvantages of different business types.

Session	Time (mins)	Methodology	Training aids
Types of businesses	40	Discussion	Trainee workbook
<ul> <li>a. Businesses in Yatiyana</li> <li>- Ask trainees to read the relevant text given in the workbook.</li> <li>- Discuss with them the contents focussing on three main types- manufacturing, service and trading.</li> <li>- Discuss about the three different strategies of manufacturing business relating to business 1, 2 and 3 of Yatiyana.</li> <li>- Ask them to give 2-3 examples for each type.</li> <li>- Add some well known examples from Sri Lanka.</li> </ul>	40	Short presentation (1 – 2 slides) Brief discussion	PPT Whiteboard
- Give some well known examples for three different			

strategies in manufacturing-MTS, MTO and MTA. Ask them to go through the specific of features manufacturing businesses. Explain what they cannot understand. b. Service businesses Explain about service businesses with examples. Instruct a named trainee to read the first characteristic of service business and ask the others to explain what that does mean. Repeat the same process to explain the list of characteristics of a service business. c. Trading businesses Using the text, explain the contents and discuss the

In-class total: 40 mins

vital points with trainees.

Session 1.10 – Legal modes of businesses



#### **Business registration**

We need to register our businesses to get legal permission to carry out business activities. There are different legal modes of businesses permitted in Sri Lanka. Each mode has its advantages and disadvantages in comparison to the other modes. Similarly, the entrepreneur can decide what legal mode is more appropriate for his/ her business depending on some factors, including level of the business, nature of it, business objectives, advantages of the particular business mode etc. Depending on the mode, businesses can be registered with either local Divisional Secretariat Office or the Office of Registrar of Companies located in Colombo. The registration procedure differs with the mode of registration.

## Three basic forms of business registration

In respect of the private sector businesses, there are three basic forms of business registration as follows.



#### Business registration mode 1: Sole Proprietorship

#### Features:

- 1. A significant number of small businesses start out as sole proprietorship entities.
- 2. The business is owned and managed by an individual.
- 3. The single owner should carry out the total business operation planning, organizing, resource mobilizing, arranging finances etc.
- 4. Owner is the decision maker in all aspects.
- 5. He / she owns the assets of the business.
- 6. He / she owns the profits generated by it.
- 7. Owner and the business becomes a single entity in the eyes of the law and the public.

#### Advantages:

- ▶ This is the easiest and least expensive mode of registration to organize.
- Owner is in total control of the business and has the freedom to take appropriate decisions within the boundaries of the law.
- All income generated by the business belongs to the owner.
- It is easy to dissolve the business, if desired.

#### Disadvantages:

- The total liability of the business is on the shoulder of the sole proprietor, and he / she is personally responsible for all debts against the business in front of the law.

  Business and personal assets are at risk in case of liability issues.
- Raising funds for business operation may be at a disadvantage and the owner is often compelled to using funds from personal savings or consumer loans.
- Attracting high quality, experienced employees is difficult.

#### Business registration mode 2: Partnership

#### Features:

- 1. Ownership is shared by two or more persons. They are called business partners.
- 2. This mode is also on par with sole proprietorship. Law does not distinguish between the business and its owner partners.
- 3. It is important for the partners to have a legal agreement that specifies the following:
  - Ownership share of each person
  - Contribution of each in terms of time, expertise, and capital formation
  - Profit share entitlement of each partner
  - Scope of operational responsibility
  - Method of dispute resolution
  - Method of admission of future partners
  - Basis of partner removal forced and voluntary

## Advantages:

- Partnership businesses are also relatively easy to establish; however, time and effort should be invested in developing the partnership agreement.
- ▶ Fund raising ability is increased with the increased number of owners.
- ▶ The business can benefit from partners who have complementary skills.

**Disadvantages** 

Partners are jointly and individually responsible for the total liabilities and debts of the

business.

Partners are jointly and individually liable for the actions of the other partners within

the business context.

Profits must be shared with other partners.

Disagreements can occur because decisions of several partners should be

considered.

There can be limitation factors for the life period of a partnership business; it may end

upon the withdrawal or death of a partner.

Business registration mode 3: Private Limited Companies

Introduction:

'Private limited company' mode is the more advanced form of business registration.

Unlike the sole proprietorship and partnership businesses, private limited company is

considered as a separate legal entity by law. Under the new companies act, even ONE

shareholder can register a limited liability company. An entrepreneur has to follow the

standard procedure to register private limited company. Registration authority is the

Registrar of Companies. Such a company should have directors and a secretary. Basic

features of this mode are given below.

Features:

1. Shareholders- A minimum number of 1 shareholder up to a maximum number of 50

shareholders can start a private limited company as per the provisions of

the Companies Act.

2. Directors- Directors are appointed from shareholders. A private company needs to

have at least one director. The number of directors can be decided according the

necessity of the company.

- 3. Limited Liability- The liability of each shareholder is limited. It means that if a private limited company is required by the law to settle a liability under any circumstances, its shareholders are liable to settle it using company owned assets, but their personal assets are exempted. Therefore, personal individual assets of the shareholders are not at risk.
- 4. Name– It is mandatory for all the private companies to use the term **private limited** after its name.
- 5. Perpetual succession– The Company keeps on existing in the eyes of law even in the case of death, insolvency, the bankruptcy of any of its members. This leads to the perpetual succession of the company. The life of the company keeps on existing until the legal liquidation is done.
- 6. A private company should have a company secretary.
- 7. Keeping accounts and performing an annual audit are statutory requirements.

## Session 1.10 – Legal modes of businesses

**Objective** – At the end of this session, trainees will have a clear understanding about three main categories of business registration; features, advantages and disadvantages of sole proprietorship and partnership, and the features of private limited companies.

Session	Time (mins)	Methodology	Training aids
Business registration	08	Interactive discussion	Trainee workbook
<ul> <li>a. Open up a discussion to extract what the trainees know about business registration.</li> <li>b. Summarize the contents given in the trainee workbook under business registration.</li> <li>c. Introduce the three basic forms of business registration in Sri Lanka.</li> </ul>		PPT-based presentation	Whiteboard
Business registration mode 1 : Sole	15	PPT-based presentation	PPT
<ul> <li>Proprietorship</li> <li>a. Explain, with examples what a sole proprietorship business is.</li> <li>b. Discuss about its features.</li> <li>c. Discuss about its advantages.</li> <li>d. Discuss about its disadvantages.</li> </ul>		Discussion	Flipchart Whiteboard
e. Summarize the important points.			

Business registration mode 2 :	12	PPT-based explanation	PPT
Partnership		Discussion	Flipchart
<b>a.</b> Explain, with examples what a			
partnership business is.			Whiteboard
b. Discuss about its features.			
c. Discuss about its advantages.			
<b>d.</b> Discuss about its disadvantages.			
e. Summarize the important points.			
Business registration mode 3:	15	PPT-based explanation	PPT
Limited Liability Company		Discussion	Flipchart
a. Explain, with examples what a			
limited liability company is.			Whiteboard
b. Discuss about its features.			
<b>c.</b> Summarize the important points.			
In-class total: 50 mins			

## SPECIAL GUIDELINES & FORMATS

## Session 1.10 – Legal modes of businesses

- 1. Research some well- known examples of different legal modes and quote them as examples.
- 2. Collect some practical insights from possible sources and quote them to enrich the lessons.

End of Trainer Guide 1



# **Business Start-up Training Programme**



## **Modules**

- 2. Business Idea Generation
- 3. Business Idea Screening & Evaluation
- 4. Business Idea Selection

# **Trainer Guide 2**

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## 2. Business Idea Generation



Business idea generation is the initial approach to building a new business. Potential entrepreneurs should have a crystal clear idea about the importance of generating business ideas and the practical

methods of business idea generation. In addition to this knowledge, they should have the business idea generating skills. Using these skills, they should make the first practical move in generating business ideas for their intended businesses.

Module	Sessions
Business idea generation	<ul><li>2.1 What is a business idea?</li><li>2.2 Why idea generation for business start-ups?</li><li>2.3 Key methods for business idea generation</li></ul>

### Module objectives:

At the end of this module, the trainees will be able to

- ✓ have an improved understanding, and familiarity on practical skills on business idea generation, covering the following areas:
- What is a business idea?
- Why idea generation for business start-ups?
- Key methods for business idea generation
- ✓ Collect individually many business ideas to be considered in our business start-up process.

### Session 2.1 - What is a business idea?

We need to understand what a business idea is. Let's do the following matching game to get this knowledge.

### Exercise: Matching game

Your trainer will exhibit the following chart (Exhibit 1) prepared on a flipchart. The large group will be divided in to four small groups of trainees and you will belong to one small group. Trainer will provide each group with a set of flashcards which will have matching parts for each incomplete sentence given in the exhibit. Each group should discuss among its members, choose the matching flashcard and paste it against the respective incomplete sentence of the exhibit under their own group number within the allocated time of 20 minutes.

### Exhibit 1 on the flipchart

	Group 1	Group 2	Group 3	Group 4
1. A business idea is				
2. A business idea satisfies				
3. A business idea should generate				
4. A business idea gives an impression				
about				

Trainer will summarize the group work and explain what a business idea is.

### Example:

When Nimesh was thinking about starting a business, an idea of "making foldable office tables for sale" came to his mind because he knew that many small scale offices needed foldable office tables. Thus, his business idea was generated within a context of surfacing the customers' need, nature of the product, and type of customers within his mind.

## Session 2.1 - What is a business idea?

**Session objective** – At the end of this session, trainees will understand what a business idea is.

	Session	Time (mins)	Methodology	Training aids
a.	Ask trainees what a business idea is, and after getting their response, briefly mention about the importance of this module.  Declare that we are going to understand it through a group game.	05	Interactive discussion	Trainee workbook Whiteboard
C.	Matching game - Place the Exhibit 1 on a flipchart.	35	Interactive discussion	PPT
	<ul><li>(Refer Special Guidelines &amp; Formats)</li><li>Divide trainees in to 4 groups.</li></ul>		Short presentation (1 – 2 slides)	Flipchart (Pre- prepared)
	<ul> <li>Provide each group with a set of flashcards (preprepared).</li> <li>Ask each group to discuss</li> </ul>		Discussion	Flashcards (Pre- prepared)
	among its members, choose the matching flashcards and paste them against the respective incomplete sentences of the exhibit under their own group			Trainee Workbook PPT

	number within the allocated
	time (20 mins).
-	Summarize the group work
	and explain what a business
	idea is, using the example of
	Nimesh's business idea of
	making foldable office tables
	for sale.
In-cla	ss total: 40 mins

### Session 2.1 – What is a business idea?

Exercise: Matching game

**Game concept:** This is a test for the trainees. Using this game, trainer can assess if the trainees have understood what a business idea is in complete sense. The final response is matched with the following correct answer.

- 1. A business idea is......an idea on which the business is established.
- 2. A business idea satisfies..... a need of customers.
- 3. A business idea should generate....long term income.
- 4. A business idea gives an impression about... the product/ service, and customers.

The first parts of the above sentences will be written on a flipchart. The second parts (in italics) will be written on individual flashcards. Correct matching of flashcards with the flipchart contents is expected from the trainees.

Pre-preparations by the trainer: Trainer is required to prepare,

- 16 pre-prepared flashcards; each second part with italics should be written on 4 flashcards. Segregate 16 flashcards in to 4 sets. Each set should contain 4 different second parts.
- Flipchart with the Exhibit 1 below.

### Exhibit 1 on the flipchart

	Group 1	Group 2	Group 3	Group 4
1. A business idea is				
2. A business idea satisfies				
3. A business idea should generate				
4. A business idea gives an impression				
about				

### Method

- **1.** Place the Exhibit 1 on a flipchart.
- **2.** Divide trainees in to 4 groups.
- 3. Provide each group with a set of 4 flashcards (pre-prepared).
- **4.** Ask each group to discuss among its members, choose the matching flashcards and paste them against the respective incomplete sentences of the exhibit under their own group number within the allocated time (20 mins).
- 5. Summarize the group work and explain what a business idea is, using the example of Nimesh's business idea of making foldable office tables for sale.

### Session 2.2 - Why idea generation for business start-ups?

What is the business that I can start? This is the first direct, business-related problem many potential entrepreneurs encounter. Identifying the most suitable business idea is the biggest task at this stage. If a wrong idea is selected, the whole purpose of establishing a successful business will be dangerously collapsed. There can be many bases on which a potential entrepreneur can identify a business idea. Some of them are given below.

### **Examples:**

	Base	An example of a relevant business idea
1.	A creative idea that comes to his mind as a good solution to an existing problem	Making a biodegradable shopping bag
2.	Search of a solution for a common problem many people are facing	Personal banking app to avoid frequent visits to the bank and utility bill payment centres
3.	An improvement of an existing product or service	Adding the camera to the mobile phone
4.	Work experience and close familiarity in a special domain	Starting a gym by a sportsman

People start businesses with business ideas identified through various sources – some ideas are disastrous, some are of average, some are good and in very few situations the idea identified can be excellent. It is said that over 70% of business start-ups die within three years, mainly due to the bad business idea. They are not logically screened ideas that are qualified as the base for a growing business. Following start-up scenarios are a reality today in our country.

Nirosha followed a practical beauty culture course and started a beauty salon in her area after giving more publicity. But, she could not attract a sufficient number of customers

because the girls and the women in the area were not much interested culturally in patronizing beauty salons. The business was a failure and she sold out all equipment after attempting to improve the business over eight months.

Suresh wanted to start a business after coming from the Middle East employment. His wife suggested to him about a business idea which has a market demand- "selling handloom sarees" to the female employees of the city offices. After making arrangements with a supplier from Kandy, he started the "buying and selling business". In five months' time, he had to think about another business because the competition was so fierce.

Identifying a good, most appropriate business idea is not a simple task. If a potential entrepreneur comes up with a particular idea, it should be seriously tested for its suitability, viability and sustainability. Best practice for open-minded potential entrepreneurs is to generate as many business ideas as possible as the first step. When we pour a lot of ideas in to the screening funnel, the probability of identifying the best business idea is much higher.

## Session 2.2 - Why idea generation for business start-ups?

Session objectives: At the end of this session, trainees will understand

- the importance of a business idea for a potential entrepreneur,
- the different bases on which a potential entrepreneur can generate business ideas, and
- why a potential entrepreneur should collect more business ideas as the first step.

	Session	Time (mins)	Methodology	Training aids
a.	Open up a discussion with	03	Interactive discussion	Whiteboard
	trainees on the following theme.			Trainee workbook
	"Is a business idea an important			
	consideration for a potential			PPT
	entrepreneur?"			
	Allow them to express their			
	views.			
b.	Summarizing their views,	02	Interactive discussion	
	emphasize the importance of a			
	business idea for a potential			
	entrepreneur.			
C.	Convince about different bases	0.4	DDT	
	on which a potential	04	PPT presentation cum	
	entrepreneur can identify		interactive discussion	
	business ideas, using the			
	examples (given in the table) in			
	the Trainee Workbook.			
d.	Ask them to read two cases of	03	Reading	
	Nirosha and Suresh.	03	Treadily	
e.	Based on the above cases,	08	PPT presentation cum	

develop an interactive	interactive discussion
discussion with them focusing	
on the importance of gathering	
more business ideas to select	
the best business idea for the	
new business.	
In-class total: 20 mins	

### Session 2.3 - Key methods for business idea generation



### Different sources of business ideas

Business idea generation can be done in many ways. Interested persons can get the ideas from family members, friends, the other businessmen and various learned community, business chambers, surveying in the market, trade shows, magazines, trend observation and many more ways. In addition, there are creative methods for business idea generation. Brainstorming is the most popular idea generation method. We have discussed about this method in our first module "Practical Entrepreneurship".

**Exercise**: Write the ways you can collect business ideas.

(Guide: From the friends, trade shows, ......)

My business idea collection – Step 1:	
---------------------------------------	--

### Activity – Brainstorming session

Participate in the business idea generation brainstorming session in the class. Your trainer will facilitate and guide you. The group will generate a significant number of business ideas during the brainstorming session. All the ideas are recorded in a flipchart and keep it for the trainees to see after the next step.

My business idea collection – Step 2	Mι	/ business	idea	collection	- Step	2
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### Field Assignment: Business idea collection from other selected sources

Identify the relevant sources to gather business ideas for your intended business. Following format proposes only a few sources. You can think about the sources independently and indicate them on the "Source" column. Then, go to the field and collect as much as business ideas from the identified sources. There should be at least 5 different sources in addition to the brainstorming session done in the class.

#### Format – Business ideas from various sources

Source	Business ideas
Family members	
Friends	

Market (Observation)	
Businessmen	
Business chambers	

My	business	idea	collection	- Step	3:
----	----------	------	------------	--------	----

Activity: Presenting the ideas collected through Step 1 and 2

Exhibit what you have collected during the field assignment next to the large list of ideas collected through brainstorming. Now, we have a massive collection of business ideas.

Our next step is business idea screening and evaluation.

## Session 2.3 – Key methods for business idea generation

Session objectives: At the end of this session, trainees will

- Understand about the different sources of business ideas,
- Collect business ideas through a practical brainstorming session,
- Collect more business ideas from different sources through practical work, and
- Compile the final list of business ideas for screening and selection purpose.

	Session	Time (mins)	Methodology	Training aids
a.	Open up a brief discussion (only	03	Brief interactive	Trainee workbook
	3mins) on possible sources from		discussion	
	which we can collect business			
	ideas.			Whiteboard
b.	Exercise:	07	Individual exercise	
	- Ask them to write the			
	ways they can collect			Trainee workbook
	business ideas. (Guide:			
	Friends, trade shows,)			
	- Get the response of			PPT
	three or four trainees to		Discussion	
	verify what they have			
	written.		DDT	
	- Present a PPT slide that		PPT	
	summarizes possible			
	sources.			
C.	Activity	120	Interactive activity	Flipcharts
	Brainstorming session:			
	This is a major brainstorming			
	session facilitated by the trainer			

involving the large group. This session should generate a significant number of business ideas. Refer Special Guidelines given in the Module 1 - Practical entrepreneurship under Session 1.5 - Creativity & Innovation -Essential tools -Brainstorming. Explain about the ground Short presentation (1 -PPT rules of an effective 2 slides) brainstorming session as Discussion per the above special guideline. Declare that "What businesses can we start? Is the theme. (Flipcharts should be ready for idea recording.) Identify a trainee who will

- all record ideas generated. (voluntary or named)
- Declare the timeframe (Ex: one hour from the start) according to the trainer's estimate.
- Verify with trainees if they understood the rules and the process.
- Start the brain storming

d. End the brainstorming session after the planned period,	
arter the planned period,	
ensuring that a reasonable	
collection of business ideas has	
been made.	
(If the collection is not	
sufficient, extend the end-	
time.)	
e. Make arrangement for the	
trainees to view the list after	
their field assignment.	
f. Declare that this is the outcome	
of "My business idea collection-	
Stage 1".	
g. Field Assignment: 60 Short presentation PPT	
- Explain the purpose and Discussion Trainee wo	rkbook
the method of this	moon
assignment. Flipcharts	
- Guide the trainees to Whiteboard	d
complete the "source"	
column individually. Each	
trainee should identify 5	
sources.	
- Ask them to collect the	
business ideas as much	
as possible from each Brief interactive	
identified source. Declare discussion	
a reasonable deadline for	
this assignment.	
- When they come with	
their lists of business	

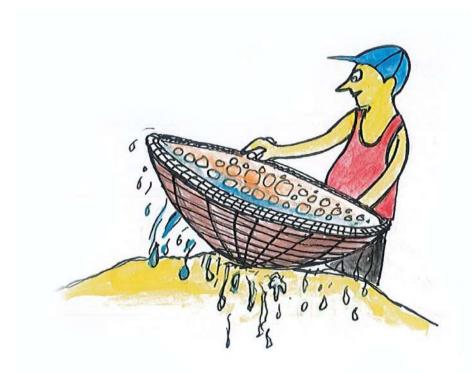
	ideas collected, discuss
	with them about their
!	field experience related
	to this assignment.
	- Declare that this is the
	outcome of "My business
	idea collection- Stage 2".
h.	Guide the trainees to exhibit
	their lists, next to the large list
	compiled after the brainstorming
	session. This is the outcome of
	"My business idea collection-
	Stage 3".
	(A significant collection of
	business ideas generated
	through different means is
	available now. This is the basis
	for the next module of business
	idea screening and evaluation.)
In-	class total: 190 mins

### Session 2.3 – Key methods for business idea generation

### Activity - Brainstorming session:

- This is an active brainstorming session facilitated by the trainer.
- Purpose of the activity is to guide trainees to generate business ideas to prepare the first list of business ideas. In the Trainee Workbook, this stage is termed as "My business idea collection- Step 1".
- Explain the trainees about the ground rules of an effective brainstorming session. These rules are given in the Module 1 Practical entrepreneurship under Session 1.5 Creativity & Innovation (Essential tools) -Brainstorming.
- Establish a sound environment for an effective brainstorming session, and ensure that the explained rules are followed.
- Select a voluntary or named trainee to keep records of the ideas generated, on a flipchart.
- Decide about the timeframe for the session, start it and end accordingly.
- Ensure that you end the session at the correct time when a critical mass of business ideas has been collected. It is unproductive to allocate more time to squeeze more ideas.
- Trainer should also ensure that the flipcharts containing business ideas collected through the brainstorming session are available till trainees bring their business ideas collected from the field assignment.

# 3. Business Idea Screening & Evaluation



Business idea screening and evaluation is a key step in the process of selecting the most suitable and growth-bound business idea. If this step is ignored in the business start-up process, the entrepreneur will have to encounter severe consequences during the business journey, unless he / she has an excellent business idea or a ground-breaking innovative idea. Screening from a large number of ideas involves several steps, involving elimination processes and criteria matching exercises.

Module	Sessions			
Business idea screening	3.1 Importance of business idea screening and			
and evaluation	evaluation			
	3.2 Business idea screening			
	3.3 Business idea evaluation			
	3.4 Evaluating business ideas using Macro Analysis			
	and Micro Analysis			
	-			

### Module objectives:

At the end of this module, the trainees will be able to

- ✓ Develop their understanding, and familiarity on practical skills in business idea screening and evaluation,
- ✓ Develop skills on the usage of screening and evaluation tools such as pair-wise ranking method, macro analysis and micro analysis,
- ✓ Screen their business ideas using pair-wise ranking method based on different evaluation criteria,
- ✓ Select the best three business ideas.

### TRAINEE WORKBOOK CONTENTS

### Session 3.1 -Importance of business idea screening and evaluation

#### Businesses of Purnima and her friend Vathsala

Purnima is a proud owner of an export-oriented business which manufactures singing soft-toys. When a business magazine interviewed her about the business success, she explained that her success started with the strong business idea she selected. Elaborating on it, Purnima revealed that she was a student attached to a technical course of a vocational training institute when she simultaneously participated in a business start-up training programme conducted by the same institute. During the business training course, all trainees generated a large number of business ideas through a brainstorming session and some field assignments. There were 210 business ideas altogether. Through a logical process, she selected "making singing soft toys". Using her knowledge on electronics studied at the vocational training institute, she said she designed an electronic chip that is inserted in the soft toy to make it a singing soft toy. Her lecturer has helped her to develop the electronic chip. Purnima is exporting her singing soft toys to Dubai and Japan.

In contrast, her vocational school batch mate Vathsala did not participate in the business start-up course although she was keen in starting a business after completing her technical

course. When she saw several places that sell caged birds, she thought that supplying bird cages would be a good business. Thus, she started the bird cage making business. But, while doing this business, when she was moving closely with bird sellers, she felt that the business does not agree with her inner values. She gave up that business subsequently and started a business of making smoked rubber sheets from rubber latex. But, she had to discontinue that business too since it was difficult to find rubber latex.

### Exercise:

Discuss as to why Purnima's business is more successful. How does the selection of the business idea affect a business success?

### Some points:

Business is a long term affair and it can affect our life positively or negatively because we are planning to build up our success on it. The seed of the business tree is the business idea. It is crystal clear that identifying the best business idea is what we need to do if we are planning to embark on a business life. We should select it from some opportunities available in the market. Many business ideas pinned to many business opportunities are prevalent around us. Each business idea can give different successes in the relevant business.

But, it is impossible to identify the best business idea if we scan through a handful of ideas or depend only on one or two business ideas. When we have a large amount of business ideas, we can screen them using logical processes, evaluate the selected few using relevant criteria and pick up the best business idea. Thus, business idea screening and evaluation plays a valuable role in the business start-up process.

## Session 3.1 - Importance of business idea screening and evaluation

**Session objectives** - At the end of this session, trainees will understand the importance of business idea screening and selection in order to build a successful business.

	Session	Time (mins)	Methodology	Training aids
a.	Discuss with the trainees the	10	Interactive discussion	Trainee workbook
	contents of the text on		PPT	Whiteboard
	Businesses of Purnima and her			Willeboard
	friend Vathsala.			PPT
b.	Motivate them to express their			
	views against the exercise			
	given.			
C.	Explain about the importance of			
	business idea screening and			
	evaluation as the entry step to			
	business idea selection.			
In-	class total: 10 mins			

### Session 3.2 - Business idea screening

We have collected a large number of business ideas at present. It is now necessary to screen them to select 10 best ideas through a logical process. At the end of the process, we will evaluate those 10 business ideas by using a set of criteria to select the most suitable business idea which will be ultimately tested for its business viability. Screening of this large collection of ideas to select 10 best ideas will involve 3 Activity Steps.

### Activity Step 1 – Picking 50 business ideas from the bulk

First, we need to select about 50 business ideas from the large number of business ideas recorded in the flipcharts. This is an elimination process. At this level, we can start the process by eliminating the ideas we don't like. Potential entrepreneur's interest about the business idea is very important throughout the business journey. Therefore, we delete the ideas for which our interest is less. Thereby, we select 50 business ideas which we prefer most. Now, we have 50 screened business ideas. The criterion used at this screening level is "my interest".

### Activity Step 2 – Reducing 50 business ideas to 20

This step needs further elimination of business ideas. We have to eliminate ideas which have less market demand and select 20 business ideas which have better market demand. "Market demand" is the criterion at this step. It is more appropriate to use "Pair-wise Ranking Method" - a logical technique to prioritize the 50 business ideas according to the market demand and take the high ranked 20 ideas.

We should apply the pair-wise ranking method for the 50 ideas in this case. At the end of this exercise, we have 20 business ideas.

### Activity Step 3 – Reducing 20 business ideas to 10

This step again needs further elimination of business ideas to 10 numbers. Criterion used here is the start-up capital requirement. Elimination of ideas is done prioritizing the idea that needs a lower start-up capital.

Let's learn how to use Pair-wise Ranking Method in ranking business ideas.

### Exercise: Ranking business ideas of Nilu

Nilu had 5 business ideas namely, selling organic vegetables, making decorative candles, online counselling service, fruit juice bar, and social media marketing service. She wanted to select the best two ideas out of those 5 business ideas considering the market demand as the screening criterion. Nilu used pair-wise ranking method for this purpose using the following steps:

**Step 1**: Create the Pair-wise Matrix as given below and insert the 5 business ideas in the starting column and the top row.

	OV	DC	CS	FJ	SM	Result
Selling organic vegetables -OV						
Making decorative candles -DC						
Online counselling service -CS						
Fruit juice bar -FJ						
Social media marketing service -SM						

**Step 2**: Market demand is the criterion in comparing each pair. Compare two ideas related to each unshaded cell, decide which idea has a better market demand and indicate it (as a code owing to limited space) in the relevant unshaded cell.

	OV	DC	CS	FJ	SM	Result
Selling organic vegetables -OV		OV	OV	FJ	OV	
Making decorative candles -DC			DC	FJ	SM	
Online counselling service -CS				FJ	SM	
Fruit juice bar -FJ					FJ	
Social media marketing service -SM						

**Step 3**: Count the number of times each idea has been preferred and enter in the *Result* column. Rank ideas based on the count.

	OV	DC	CS	FJ	SM	Result
Selling organic vegetables -OV		OV	OV	FJ	OV	3 OVs
Making decorative candles -DC			DC	FJ	SM	1 DC
Online counselling service -CS				FJ	SM	0 CS
Fruit juice bar -FJ					FJ	4 FJs
Social media marketing service -SM						2 SMs

According to the *result* column, Fruit juice bar has been identified 4 times, which is the highest preference. Therefore, it is the best business idea for Nilu when the market demand is considered. Similarly, the next best idea is selling organic vegetable.

### Activity Step 3 – Reducing 20 business ideas to 10

We use pair-wise ranking method for the 20 business ideas at hand, in order to reduce it to 10 ideas, but using a different criterion-start-up capital requirement.

We have now 10 screened business ideas to be evaluated in order to select the best ideas. It is important to understand the basics of business idea evaluation at this stage.

### **INSTRUCTIONAL GUIDE**

### Session 3.2 - Business idea screening

Session objectives: At the end of this session, trainees will develop their,

- ✓ Skills in using pair-wise ranking method for screening business ideas,
- ✓ Awareness on the names of different tools and methods of business idea evaluation and,
- ✓ As outcomes, each trainee will pick 50 business ideas and select 10 best ideas out of them using the methods learnt.

	Session	Time (mins)	Methodology	Training aids
a.	Explain the objective of this	05	Interactive discussion	Whiteboard
	session; indicate that the trainees should learn new skills, apply them and select the best 10 business ideas through 3 steps at the end.			Trainee workbook
b.	Activity step 1: Picking up 50 business ideas from the bulk - Explain and agree with them that the individual interest	60	Explanation and brief discussion Individual activity	

,			
about the selected business			
idea is a key success factor,			
- Ask them to carefully think,			
match their interest and			
select 50 business ideas out			
of the large collection			
available,			
- Help them when needed.			
c. <b>Activity step 2</b> : Reducing 50			
business ideas to 20	90	PPT presentation	Trainee workbook
		cum explanatory	PPT
<ul><li>Explain about this step,</li><li>Give an introduction about</li></ul>		discussion	
the Pair-wise Ranking			Flipcharts
Method and criteria used in			
it.			
- Provide skills through the			
exercise- Ranking business			
ideas of Nilu (Take the			
trainees through step 1, 2		Individual activity	
and 3 of the exercise.)			
- Check with them to see if			
they got the skill,			
- Ask them to use pair-wise			
ranking method and the			
criterion of market demand to			
prioritize individually selected			
50 ideas,			
- Ask them to select the best			
20 business ideas.			
- Check randomly if the			
trainees have selected 20			
business ideas.			

d. Activity step 3: Reducing 20 business ideas to 10.	160	Individual activity	
<ul> <li>Explain that they should use the same pair-wise ranking method here also, but with a different criterion- start-up capital requirement</li> <li>Ask them to complete the activity and select the best</li> </ul>			
10 ideas.  - Ask each trainee to present his/ her 10 business ideas to the large group.  In-class total: 315 mins		Individual presentation	

### Session 3.3 - Business idea evaluation

Screened business ideas should be evaluated for their respective position in terms of degree of effectiveness as a good business idea. This process is called business idea evaluation.

### **Evaluation criteria**

For an idea to be a good business idea, first of all the potential entrepreneur should like it. It should have a better market demand. The potential entrepreneur should be able to find out raw material easily to manufacture it. Thereby, the business idea should satisfy a set of vital criteria. These are called business idea evaluation criteria.

**Large group exercise 1**: State examples of some factors that can be used as criteria for business idea evaluation.

Large group exercise 2: What will happen if we select a business idea without considering whether the raw material is available or not?

It is important to assess the position of each business idea in respect of each factor such as 'my interest', marketability, availability of raw material, ability to meet start-up capital requirement, competition, risks involved, and similar factors.

### Business idea evaluation methods and tools

There are many methods and tools for business idea evaluation. The following list shows a few out of them.

Idea Checklist Evaluation

• Delphi Technique

Evaluation Matrix

Consensus Mapping

Plus-Minus-Interesting Analysis

SWOT Analysis

Idea Evaluation by Weighted Criteria

Value Analysis

However, we will evaluate our 10 business ideas and select the best one using the following business idea selection process.

Method : Macro-Analysis and Micro-Analysis

Tool : **Evaluation Matrix** 

### Session 3.3 – Business idea evaluation

Session objectives - At the end of this session, trainees will be able to,

- ✓ Explain about evaluation criteria used in business idea evaluation,
- ✓ Mention about different tools and methods used for business idea evaluation.

	Session	Time (mins)	Methodology	Training aids
a.	Open up a brief discussion on	28	Brief interactive	Trainee workbook
	business idea evaluation.		discussion	Whiteboard
b.	Discuss about factors (criteria)			vviiieboard
	that affect the business if we			
	don't consider at the time of			
	selecting business ideas.			
	Emphasize that they are the			
	business idea evaluation criteria.			
C.	Large group exercise 1:		Large group exercise	
	- Ask trainees to suggest			PPT
	some factors that can be			Flipcharts
	used as criteria for business			
	idea evaluation.			
	- Write them on the			
	whiteboard and clarify more,			
	if necessary.			
d.	Large group exercise 2:			Trainee workbook
	- Ask trainees what will		Large group exercise	PPT
	happen if we select a			
	business idea without			Whiteboard
	considering whether the raw			

	material is available or not?			
e.	Consolidate trainees' knowledge	PPT	PPT	
	on business evaluation criteria			
	discussing about more relevant			
	examples.			
f.	Business idea evaluation			
	methods and tools			
	- Mention about the business			
	idea evaluation methods and			
	tools available. (Trainee			
	workbook)			
	- Motivate them, explaining			
	that we are going to learn			
	how to practice Macro			
	Analysis and Micro Analysis			
	together with Evaluation			
	Matrix, because each of the			
	trainees should use those			
	tools and evaluate their 10			
	business ideas at the end.			
In-	class total: 28 mins			

Session 3.4 - Evaluating business ideas using Macro Analysis and Micro Analysis

We are going to evaluate our 10 business ideas available with us to find out the most

suitable business idea to start our business.

This evaluation process has two steps namely, Macro Analysis and Micro Analysis. In both

steps, the analysis is done after recording the facts in an Evaluation Matrix format.

Evaluation matrix is a table-like format where we can give each business idea a score

against a selected criterion. The process is simple and non-complicated.

Macro analysis is the first step. Selected ideas are assessed against a few vital criteria using

an evaluation matrix and then ideas are ranked according to the total score given. In the

micro analysis, the same process is followed, using a broader set of criteria which include

the criteria used in macro analysis. Ideas are then ranked accordingly. If there is a significant

difference in ranking by macro analysis and micro analysis, we should re-check where the

mistake is. The following example will provide practical insights in this regard.

Example: Amal's six business ideas

Amal needs to find out the ranking position of the following six business ideas using macro

analysis and micro analysis, so that he can check the viability of the best business idea.

Six business ideas:

(1) Three wheeler service centre, (2) Manufacturing LED bulbs, (3) Web marketing

consultancy, (4) Making first aid kits, (5) Publishing a business magazine, and (6)

Manufacturing school bags

He was advised by his consultant to use the under mentioned criteria sets for macro analysis

and micro analysis.

#### For macro analysis: 4 evaluation criteria

1 Personal match (agree with my interest, my expectations, my personal values) [PM], 2 Market demand [MD], 3 Easy to start [ES], and 4 Manageable start-up capital [SC]

#### For micro analysis: 7 evaluation criteria

1 Personal match (agree with my interest, my expectations, my personal values) [PM], 2 Market demand [MD], 3 Easy to find out raw material [RM], 4 Ability to get technology [TE], 5 Technical skills [TS], 6 Easy to start [ES], and 7 Manageable start-up capital [SC]

Step 1: Macro Analysis

		Cri	teria			
Business Idea	1 PM	2 MD	3 ES	4 SC	Total	Rank
(1) Three wheeler service centre	4	8	6	4	22	3
(2) Manufacturing LED bulbs	4	4	4	6	18	5
(3) Web marketing consultancy	10	6	8	8	32	1
(4) Making first aid kits	4	2	6	4	16	6
(5) Publishing a business magazine	8	4	4	4	20	4
(6) Manufacturing school bags	6	8	6	4	24	2

#### Scores:

Very bad	Bad	Average	Good	Very good	Excellent
0	2	4	6	8	10

According to the macro analysis, the best business idea is Web marketing. 'Manufacturing school bags' and 'Three wheeler service centre' take the second and third positions.

Let's see how he did the Micro Analysis.

Step 2: Micro Analysis

			C	Criteria					
Business Idea	1 PM	2 MD	3 RM	4 TE	5 TS	6 ES	7 SC	Total	Rank
(1) Three wheeler	3	4	5	5	4	2	2	25	2
service centre									
(2) Manufacturing	2	3	4	3	3	3	3	21	5
LED bulbs									
(3) Web marketing	5	5	5	4	4	4	5	32	1
consultancy									
(4) Making first aid	2	1	3	3	4	3	4	20	6
kits									
(5) publishing a	4	3	3	4	2	2	5	23	3
business magazine									
(6) Manufacturing	3	4	4	3	3	2	3	22	4
school bags									

#### Scores:

Weak	Good	Satisfied	Highly satisfied	Excellent
1	2	3	4	5

According to the micro analysis also, the best business idea is Web marketing. But, the 'Three wheeler service centre' and 'Publishing a business magazine' have taken the second and third positions respectively. Since there is no dispute about the best business idea, Amal identified 'Web marketing consultancy' as the best business idea out of the six ideas evaluated.

#### Individual activity - Evaluating my 10 business ideas

Individually, we should evaluate our 10 business ideas through the following 5 steps and select the 1<sup>st</sup> (best), 2<sup>nd</sup> and 3<sup>rd</sup> business ideas.

**Step 1**: Identify the evaluation criteria for macro analysis; following 5 criteria are recommended.

#### Evaluation criteria for macro analysis:

- 1 Personal match (agree with my interest, my expectations, my personal values) [PM],
- 2 Market demand [MD],
- 3 Easy to start [ES],
- 4 Technical skill capture within a short period [TS], and
- 5 Manageable start-up capital [SC]

**Step 2**: Identify the evaluation criteria for micro analysis; following 17 criteria are recommended.

#### Evaluation criteria for micro analysis:

- 1. Personal match (agree with my interest, my expectations, my personal values) [PM],
- 2. Market demand [MD],
- 3. Easy to find out raw material [RM],
- 4. Ability to get technology [TE],
- 5. Technical skills [TS],
- 6. Marketing strategies [MS],
- 7. Easy to start [ES],
- 8. Ability to face competition [FC],
- 9. Ability to identify and face risks [OR]
- 10. Easy to find labour requirement [LR],

- 11. Infrastructure facilities [IF],
- 12. Better profits [BP],
- 13. Social agreeability [SA],
- 14. Government priorities [GP],
- 15. Manageable start-up capital [SC],
- 16. Environmental friendliness [EF],
- 17. Adaptability to digital marketing [DM],
- Step 3: Use the same score systems used in analyses of Amal's example above.
- Step 4: Carry out both analyses- macro and micro for 10 business ideas
- Step 5: Select the 1st (best), 2nd and 3rd business ideas.

#### Demonstration by the trainer - Evaluating a true sample

Trainer will demonstrate using a true sample of one of our trainees how to rank 10 business ideas already screened. We should observe it, participate in the demonstration and reinforce our understanding so that we can use macro and micro analyses for our 10 business ideas.

After the demonstration, each of us should do this analysis, select the 3 best business ideas and present to the large group.

Next step is to finalize the best business idea using field research and micro analysis.

# Session 3.4 – Evaluating business ideas using Macro Analysis and Micro Analysis

Session Objectives - At the end of this session, trainees will be able to,

- ✓ Understand about Macro Analysis, Micro Analysis and Evaluation Matrix,
- ✓ Use macro analysis and micro analysis methods for business idea evaluation, and,
- ✓ Select the best 3 business ideas (out of 10 ideas) using the above methods.

	Session	Time (mins)	Methodology	Training aids
b. Cor disc follo	plain the objective of this sion. Induct an interactive cussion in introducing the owing.  - Macro analysis, - Micro analysis, - Evaluation matrix,  Prcise: Amal's six business as  Cro Analysis - Walking through the exercise, explain how to prepare the evaluation matrix for macro analysis.  - Explain about the scoring system.	215	Brief interactive discussion  PPT Explanatory interactive discussion	Trainee workbook Whiteboard  PPT Whiteboard
	- Explain how to give a score for each business idea against each			

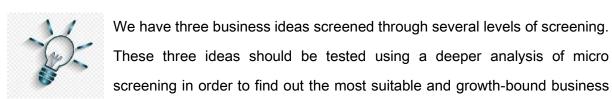
criterion, - Explain how to rank the business idea according to the total scores it has obtained.		
Micro Analysis		
- Explain to the trainees that the evaluation matrix is the same as above for micro analysis also; only difference is the number of evaluation criteria - Explain about the scoring system Explain how to give a score for each business idea against each criterion, - Explain how to rank the business idea according to the total scores it has obtained.	Interactive explanation PPT PPT Flipchart	es.
<ul> <li>d. Emphasize that the micro analysis is the basis for our selection; Macro analysis is done in a superficial manner with a limited number of criteria.</li> <li>e. Individual activity- Evaluating my 10 business ideas</li> </ul>	Demonstrative activity Flipchart	rs.

Explain about the purpose; each trainee should evaluate business ideas through the 5 steps and select the 1st (best), 2nd and 3rd business ideas. Explain about the 5 steps. Do the demonstration using real data of a trainee to explain about all 5 steps. - Ask trainees to perform the same analysis for their 10 business ideas. Guide them to present their three best business ideas.

In-class total: 215 mins

# 4. Business Idea Selection





idea. It is essential to have more reliable information to perform a deeper analysis. Therefore, this module involves some field research work in addition to in-house activities.

Module	Sessions
Business idea selection	4.1 Business idea selection approach & Evaluation
	criteria
	4.2 Field research for information collection
	4.3 Finalization of the best business idea

#### Module objectives:

At the end of this module, the trainees will be able to,

- ✓ Understand how to use selection criteria for deeper evaluation through micro analysis evaluation matrix,
- ✓ Develop their understanding, and familiarity on practical skills in conducting field research to collect information,
- ✓ Prepare the micro analysis template for the individually selected three business ideas,
- ✓ Conduct field research to collect information for micro analysis,
- ✓ Complete the micro analysis for three business ideas, and
- ✓ Select the best business idea.

#### TRAINEE WORKBOOK CONTENTS

#### Session 4.1 Business idea selection approach & Evaluation criteria

#### Business idea selection approach

Our business idea selection process involves the following:

- a. Identification of the 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> ranked business ideas from the previous micro analysis (done at the end of Module 3)
- b. Identification of the evaluation criteria
- c. Collection of information related to the above criteria for three business ideas through field research
- d. Micro analysis of the three business ideas using the identified criteria
- e. Selection of the best business idea

#### **Evaluation criteria**

Since we should do a deeper evaluation at this stage, our in-depth understanding about the composition of each criterion is valuable. We use 10 criteria for this purpose. The following table gives the selected criteria and the composition of each criterion.

Criterion	Composition (contents of the criterion)
Perfect personal match	<ul> <li>I like the idea. I can do it joyfully.</li> <li>A business based on the idea is compatible with my dream.</li> <li>My family likes it</li> </ul>
	<ul><li>My family likes it.</li><li>My skills match with the idea.</li></ul>
2. Market	<ul> <li>Easy to find customers.</li> <li>There is a sizeable market. It is expanding.</li> <li>I can reach the market easily.</li> <li>Customers don't grumble about the market price.</li> <li>Easy to formulate marketing strategies.</li> </ul>
3. Competition	<ul> <li>Competition is not heavy.</li> <li>I know the details of the competitors.</li> <li>I will have competitive advantages.</li> </ul>
Technology &     equipment	<ul> <li>It is easy to acquire technology.</li> <li>I know how to get technology.</li> <li>Obtaining equipment is easy.</li> </ul>
Production easiness     (Operation in case of a service)	<ul> <li>Raw material is available freely.</li> <li>Production process is not complicated.</li> <li>Production infrastructure can be arranged easily.</li> <li>No scarcity of production inputs.</li> </ul>
6. Human resource factor	<ul> <li>Skilled human resources are available.</li> <li>Employee demands can be met.</li> <li>I have an idea about the HR requirement.</li> </ul>

7. Environmental	Environmental restrictions are less.
protection	<ul> <li>This business doesn't harm environment.</li> </ul>
	Environmental-related risks are less.
	Obtaining environmental clearance is easy.
8. Easiness for digital	It is easy to link with digital marketing.
marketing inclusivity	<ul> <li>Adaptability to digital technology can be done.</li> </ul>
9. Capital factor	This idea needs less capital.
	Sources are available for finding capital need.
10. Government support	<ul> <li>Government support schemes are available.</li> </ul>
	<ul><li>Idea belongs to a priority industry sector.</li></ul>

#### Practical application:

- ✓ We should get ready to do micro analysis of the three business ideas using above criteria.
- ✓ For that purpose, we need to understand the meaning and the contents of each criterion so that we can collect field information through field research.
- ✓ We should use this knowledge to understand whom to get information from and what
  information should be collected.

# Session 4.1 Business idea selection approach & Evaluation criteria

**Session objectives**: At the end of this session, trainees will have a clear understanding about the business idea selection approach and usage of selection criteria for deeper evaluation through micro analysis evaluation matrix.

	Session	Time (mins)	Methodology	Training aids
a.	Start with a briefing about	45	Convincing briefing	Trainee workbook
	- what we are going to do in			Whiteboard
	this module, and			
	- the objective of this session.			
b.	Explain sufficiently the steps of			
	Business idea selection		Interactive explanation	PPT
	approach given in the Trainee		PPT	
	Workbook, from a - e.			
C.	Present the10 criteria given in			
	the Trainee Workbook.			
	- discuss each criterion with			
	its contents in detail.			
	(Refer Special Guidelines &			
	Formats)			
d.	Explain to the trainees that they			
	should have a clear idea about		Interactive explanation	Trainee workbook
	the contents of each criterion		PPT	Whiteboard
	when giving scores in the micro			TTIILODOUIG
	analysis template. (Refer			PPT
	Special Guidelines & Formats)			

e.	Conclude the session by		
	verifying whether each trainee		
	understood the contents of each		
	criterion.		
In-c	class total: 45 mins		

#### Session 4.1 Business idea selection approach & Evaluation criteria

#### Explanation of each criterion and its contents

It is important that the trainer sufficiently explain about each criterion and its contents to trainees, using the contents given in the table of Criterion & Composition. (Refer the relevant section of the Trainee Workbook Contents)

Clear understanding is essential because each trainee needs to give an appropriate score on each criterion for three business ideas separately in the subsequent micro analysis matrix. To do this, the trainee should have real information to assess it.

The following example will make the idea clear.

Let's take the 2<sup>nd</sup> criterion- Market for the example. It accommodates 5 factors as follows.

Criterion	Composition (contents of the criterion)
02. Market	Easy to find customers.
	■ There is a sizeable market. It is expanding.
	I can reach the market easily.
	Customers don't grumble about the market price.
	Easy to formulate marketing strategies.

We will consider the same score system used earlier for micro analysis. That is given below.

#### Scores:

Weak	Good	Satisfied	Highly satisfied	Excellent
1	2	3	4	5

We should find out what scores should be given for the Business Idea 1, Business Idea 2, and Business Idea 3 against the criterion "Market". But, market has 5 factors. Considering the factor 1 (Easy to find customers) for Business Idea 1, if it is "highly satisfied" according to the field research, we allocate 4 against "Easy to find customers". Similarly, we allocate scores for all five factors. Assume, it looks like the following situation.



Therefore, the average score for the criterion- Market is 16/5, that is, 3.2

Thus, the score 3.2 is allocated for the cell relevant to business idea 1 against the criterion-market.

The above example illustrates the fact that trainees should understand the contents of each criterion and they should collect relevant information from the field survey to assess each factor of the criterion.

#### Session 4.2 - Field research for information collection

#### Getting ready for field research

#### **Questions of Akila**

Akila wants to select the most promising business idea from three favourite business ideas screened from a large collection of ideas. They are "manufacturing and marketing a creative door-lock", "Producing banana biscuit" and "Boat engine repairing service". He has decided to use the set of 10 criteria given in the table above. He understands that he needs to find out answers to 5 questions mentioned below before going to the field for collection of information for micro analysis.

Question 1: Whom to meet to collect information? What institutes to be visited?

Question 2: What questions to be asked from relevant entrepreneurs?

Question 3: What questions to be asked from appropriate customers?

Question 4: What questions to be asked from relevant experts?

#### Small group activity – Questions of Akila

The large group is divided in to four small groups and one question is allocated to one group. Each group should find out their response to the allocated question. After 15 minutes, each group should present their solutions.

#### Preparations for the field research and conducting it

Prior to going to the field to collect information, our basic preparation should focus on the above mentioned 4 questions. With this preparation, it is easy to go to the field and collect relevant information. We prepare the list of persons and institutions to be visited as the next step. Similarly, we should prepare the questionnaires for each interviewee category. Then, we go to the field, meet the interviewees and collect the information.

After obtaining the above understanding through the example of Akila's three business ideas, we can now undertake working on our main task. Let's do the necessary activities that lead to finalize our best business idea out of three ideas already selected through a long screening and evaluation process.

## Session 4.2 - Field research for information collection

Session objectives: At the end of this session, trainees will develop their,

- ✓ Understanding in how to get ready for information collection-oriented field research,
- ✓ Skills in preparing the list of interviewees and questionnaires,
- ✓ Conducting the field research and collecting the information,

	Session	Time (mins)	Methodology	Training aids
а.	Explain the objective of this session; indicate that the trainees should learn field research preparation skills and they will actually conduct a field research and collect necessary information for micro analysis.	03	Explanatory discussion	Whiteboard  Trainee workbook
b.	Getting ready for field research- Small group activity  - Explain the case titled "Questions of Akila",  - Divide the large group in to 4 small groups, and allocate one question to one group,  - Ask them to discuss within the group and write the answers to the allocated question (10 minutes),  - Instruct each group to present (5 minutes per	50	Small group activity  Presentation  Interactive explanation  PPT	Trainee workbook Flipcharts PPT Flipcharts

		\ (I = 0.1)			
		group) the group findings,			
	-	Guide the others to ask			
		questions and give			
		suggestions (2 mins per			
		group)			
	-	At the end, give trainer			
		comments, with instructions			
		of how to put the questions			
		in the questionnaire format.			
C.	Pro	eparations for the field			
	res	search.	15	PPT presentation	PPT
	-	Make sure that each trainee	13	rri presentation	
		has 3 business ideas, know		Q & A	Flipcharts
		10 criteria with their		Interactive discussion	
		contents, know how to score		interactive discussion	
		them, understand how to		Individual activity	
		prepare the list of		Instructional supervision	
		interviewees, and know how		1.1.0.1.0.1.0.1.0.1.0.1.0.1.0.1.1.1.1.1	
		to prepare the questionnaire			
		for each interviewee			
		category,			
d.	Ma	aking the interviewee list and			
	rel	evant questionnaires			
	-	This is an individual	60	Field research	List of
		exercise; trainer should		Questionnaires	interviewees
		supervise and support them			Questionnaires
		to ensure that each trainee			
		has the correct list of			
		interviewees and			
		questionnaires;			
-				•	

-	Give them sufficient time to
	complete that exercise;
	(Refer Special Guidelines &
	Formats)
e. C	onducting the field research
-	Guide them to do the field
	research and collect
	information; Give them about
	5-7 days to collect the
	information. (Refer Special
	Guidelines & Formats)
In-cla	ss total: 128 mins

#### Session 4.2 - Field research for information collection

#### d. Making the interviewee list and relevant questionnaires:

- Trainer should have sufficient skills in identification of Key Informants (persons and institutions to be visited for information collection) and questionnaire preparation relevant to such field research.
- 2. Trainer should supervise the work of each trainee and guide them when they perform this exercise.

#### e. Conducting the field research

- 1. Explore the possibilities how you can facilitate trainees to do an effective field research.
- 2. Brief trainees about taking appointments from the informants (when necessary), how to greet them on their visit, and collecting appropriate information without displeasing the informants.

#### Session 4.3 - Finalization of the best business idea

#### Individual activity - Selection of the best business idea

This is an important activity in our training process. It includes class room exercises in performing the micro analysis using the information collected from the field research. Activity Steps are lined up as follows.

Activity Step 1: Preparation of the micro analysis template with three business ideas and ten criteria

Activity Step 2: Performing the micro analysis for three business ideas

Activity Step 3: selection of the best business idea

We have a sufficient knowledge, skills and information to complete each activity step. Each of us should perform all these activity steps very carefully.

# Activity Step 1: Preparation of the micro analysis template with three business ideas and ten criteria

	Criteria	Business idea 1	Business idea 2	Business idea 3
1.	Perfect personal			
	match			
2.	Market			
3.	Competition			
4.	Technology &			
	equipment			
5.	Production easiness			

	(Operation in case of		
	a service)		
6.	Human resource		
	factor		
7.	Environmental		
	protection		
8.	Easiness for digital		
	marketing inclusivity		
9.	Capital factor		
10	. Government support		
	Total score		
	Position		

#### Activity Step 2: Performing the micro analysis for three business ideas

We should complete the micro analysis using the above matrix. Trainer will provide necessary guidelines and assist us. We need to pay specific attention in allocating scores for each criterion under each business idea, because each criterion has some constituent factors as we have learnt earlier.

#### Activity Step 3: Selection of the best business idea

The business idea which obtains the highest total score is the best business idea.

#### For our attention

Finally, our selection was based on multi-level screening, and matching with vital criteria for better compatibility as a business idea in our context. Therefore, what we have selected at this stage can be considered as the most compatible business idea for us to proceed with.

During the next stage, we can develop this idea as a real business idea that can be tested and validated for the next stages of the business start-up process.

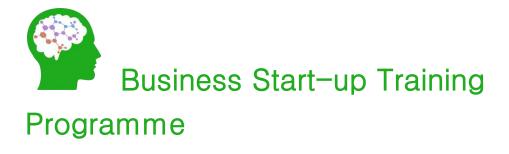
## Session 4.3 - Finalization of the best business idea

Session objective – At the end of this session, trainees will be able to,

- ✓ Develop the skills of performing micro analysis with criteria in a deeper context,
- ✓ Select the best business idea to proceed further towards concept development.

	Session	Time (mins)	Methodology	Training aids
b.	Individual activity – Selection of the best business idea  - Explain about the session objective and the importance of this session, highlighting 3 activity steps,  Activity step 1: Micro analysis template preparation  - Explain about the template given in the Trainee Workbook and ask them to personalize it inserting their business ideas,	04	Brief explanatory discussion  PPT  Individual exercise Interactive explanation  PPT	Trainee workbook  Whiteboard  PPT  Trainee workbook  Whiteboard  PPT
C.	Activity step 2: Performing the micro analysis for three business ideas  - Guide them to allocate	60	Individual exercise Instructional guidance PPT	Trainee workbook Whiteboard Flipchart

## End of Trainer Guide 2



# Trainer Guide 3

# Modules

- 5. Concept Development & Validating
- 6. Marketing Strategy Development
- 7. Business Analysis
- 8. Pre-Feasibility Study
- 9. Market Research
- 10. Test Marketing
- 11. Viability Testing
- 12. Technical Knowhow Acquisition
- 13. Business Start-up Action Plan

# **Contents**

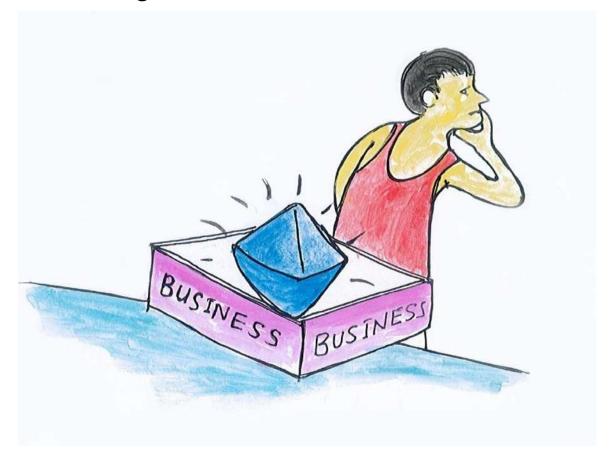
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Special Guidelines
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# Concept Development and Validating





We have selected a good business idea. How can we move forward with that idea if we want to start a business with it? Although we have collected some information from the market during the idea generation and screening period, our market knowledge about this specific idea can be minimal. Converting the raw business idea to a nutritious form that can be planted in the market is essential at this juncture. In this module, we

are going to learn how to develop the product or service concept of our idea, taking it to a marketable product form.

Concept development and validating is strictly essential for new product development. But, even if we select a business idea that can be seen in the market, this is still valid because we should explore the best possibilities to offer it as a product or service which is different to the prevailing versions. Entrepreneurs should be creative to achieve that end. In other words, even the raw business idea is a market-familiar one, our effort should be to give it a unique form using concept development approach.

#### Module Objectives:

At the end of this module, trainees will have,

- ✓ developed their understanding, and practical skills on concept development and validating while improving the familiarity with the concepts on products / service, market, financial situation, intellectual property, and SWOT analysis, and
- ✓ developed product / service concept for their business ideas and validated it.

This module covers the following sessions:

- 5.1 What is product / service concept development and validating?
- 5.2 Description of the product or service
- 5.3 Market situation
- 5.4 Financial information
- 5.5 Intellectual property issues
- 5.6 SWOT analysis of the product / service
- 5.7 Validation of the business concept

#### Session 5.1 – What is product / service concept development and validating?

Most businesses start with a small idea. The idea may have the potential to build a business, but it is still in the raw, unpolished form. We should give it the appropriate shape to enable its business building capability. There is some work to be done to connect the full potential of the idea with the consumer world. We need to examine in advance how it can be formed in to a real seed which will grow as a business tree when planted. This task is called Product or Service Concept Development of the idea. After developing the idea as a marketable product or a service, we should validate it by feeling pulses about its ability to perform in the market—by validating that it will grow.

#### Dulsi's senior citizen's recreation centre

A strong business idea is roaming in Dulsi's mind over a long period. Idea is to set up a recreation centre for senior citizens where the kids in the area come to this centre and have some joint activities. But, how can Dulsi make it a promising business idea? She has to explore many things; what should be the operational model? How to attract area kids? Will there be a demand for this service? How much it will cost? All these questions should be answered to decide the real service concept if Dulsi wants to next step in the business start—up process. She has to develop the product / service concept by finding answers to all questions. Dulsi also has to check the validity of that concept as a marketable one.

In the task of product / service concept development approach, special considerations must be given to all the moving parts that are involved in a particular business idea. Product features, raw material, prices, its ability to face competition and many aspects are the components of moving parts. The greater the amount of time an entrepreneur spends on the conceptual component of the business, the easier it will be to market.

Thus, it is essential to gain familiarity with the basic aspects explained in the following sessions.

#### **INSTRUCTIONAL GUIDE**

#### Session 5.1 – What is product / service concept development and validating?

Session objective – At the end of this session, trainees will be able to explain and articulate what product / service concept development and validating is.

Session	Time (mins)	Methodology	Training aids
a. Start an interactive discussion with trainees on what to do next (after selecting the business idea),	08	Interactive discussion	Trainee workbook Whiteboard
<ul> <li>Instil the contents given in the Trainee Workbook in to the minds of trainees through the discussion,</li> </ul>			
<ul> <li>b. Dulsi's senior citizen's recreation centre</li> <li>Commence an explanatory and interactive discussion on Dulsi's business idea,</li> <li>Emphasize the practical validity of developing the product concept for their business idea.</li> </ul>	7	Interactive / explanatory discussion	Trainee workbook Whiteboard
In-class total: 15 mins			

#### TRAINEE WORKBOOK CONTENTS

#### Session 5.2 – Description of the product or service

#### Product or service concept:

A product or service concept is the way in which an entrepreneur likes to position its products / services in the market, in terms of product features, quality, price, service, distribution, differentiating elements etc. While trying to position its products / services in a distinct manner, the company should not lose sight of its present and potential rivals competitive environment changing preferences of customer etc.

#### What is a product?

A product is the item offered for sale. A product can be a service or an item. It can be physical or in virtual or cyber form. Every product is made at a cost and each is sold at

a price. The price that can be charged depends on the market, the quality, the marketing and the segment that is targeted. Each product has a useful life after which it needs replacement, and a life cycle after which it has to be re-invented. In FMCG parlance, a brand can be revamped, re-launched or extended to make it more relevant to the segment and times, often keeping the product almost the same.

A product needs to be relevant: the users must have an immediate use for it. A product needs to be functionally able to do what it is supposed to, and do it with a good quality.

A product needs to be communicated: Users and potential users must know why they need to use it, what benefits they can derive from it, and what it does difference it does to their lives. Advertising and 'brand building' best do this.

A product needs a name: a name that people remember and relate to. A product with a name becomes a brand. It helps it stand out from the clutter of products and names.

A product should be adaptable: with trends, time and change in segments, the product should lend itself to adaptation to make it more relevant and maintain its revenue stream.

#### What is a service?

A type of economic activity that is intangible, is not stored and does not result in ownership. A service is consumed at the point of sale. Services are one of the two key components of economics, the other being goods. Examples of services include the transfer of goods, such as the postal service delivering mail, and the use of expertise or experience, such as a person visiting a doctor.

There are several features specific for services

#### Intangibility

Services are by definition intangible. They are not manufactured, transported or stocked.

Services cannot be stored for a future use. They are produced and consumed simultaneously.

#### Inconsistency (variability)

Each service is unique. It can never be exactly repeated as the time, location, circumstances, conditions, current configurations and/or as signed resources are different for the next delivery, even if the same service consumer requests the same service. Many services are regarded as heterogeneous and are typically modified for each service consumer or each service contextual

#### Involvement

Both service provider and service consumer participate in the service providers

Type of service processing involvements

#### Service processing involving people

Some of the most common types of service processing is the one involve people. Health care, lodging, Passenger transportation, Fitness centres, Haircutting salon are all examples of service processing involving directly the end customer.

#### Service processing involving objects

When the customer is not required to be present while giving the necessary service, then it is a type of service process involving objects. Repair and maintenance work, Warehousing, Recycling of waste, Laundry or dry cleaning are procedures where the input is from the customer, but the processing does not require the customer's presence at all.

#### Mental stimulus-focused

In this type of service processing, there is only mental work involved. As this is very difficult to be measured, it is classified as intangible. Theatre performance is one such activity which can be intangible. In a theatre performance, each of our performance will be perceived differently by different customers. At the same time, this theatre performance can also be shown on TV or it can be a radio reading.

#### Information processing

The last type of service processing occurs where information is being processed and there is no other processing involved. So when we go to a bank, the customer is an input and he wants to deposit cash to someone else's account. After the instructions are given, the processing involves basic information processing thereby ensuring the transfer of money from the customer's account to the account number given by the customer. In this case, neither customer nor the recipient is needed to be present. Only the information is required. Hence it is information type of service processing.

Some examples of service processing where only information is processed are Banking, business consulting Legal services, programming, website development, Research and several others. In fact, since the rise of the internet, information processing has become a big business.

#### Session 5.2 - Description of the product or service

**Session objective**: At the end of this session, trainees will develop their applied knowledge on the concept of a product and service.

Session	Time (mins)	Methodology	Training aids
a. Start an interactive discussion with trainees about what a product / service is	05	Interactive discussion	Trainee workbook Whiteboard
<ul> <li>b. Divide large group in to 4 small groups</li> <li>- Ask two groups to select 2 different products</li> <li>- Ask other two group to select two types of services</li> <li>- Ask each group to explain their product / services using the trainee workbook session 5.2</li> <li>- Group presentations</li> </ul>	20	Group activity Group presentation	Trainee workbook Flip charts
c. Summarize the key points from the group discussions and concluding the session  In-class total: 30 mins	05	Interactive summing up	

#### TRAINEE WORKBOOK CONTENTS

#### Session 5.3 – Market situation

The Market Situation section of our target market comprises of competitors, business challenges, and our company's competitive differentiators. It should contain our best and most clear description of the current state of the marketplace.

A sampling of the kinds of questions the Market Situation section should answer are:

- What are our products/services or product/service lines?
- How big is our market opportunity?
- What are our sales and distribution setup?
- What geographic area do we sell to?
- Who are our target audience (in terms of population, demographics, income levels and so on)?
- What competitors exist in this marketplace? What is our market share relative to them?
- Historically, how well have our products sold?

#### Competitors:

Knowing who our competitors are, and what they are offering, can help us to make our products, services and marketing stand out. It will enable us to set our prices competitively and help us to respond to rival marketing campaigns with our own initiatives.

We can use this knowledge to create marketing strategies that take advantage of our competitors' weaknesses, and improve our own business performance. We can also access any threats posed by both new entrants to our market and current competitors. This knowledge will help us to be realistic about how successful we can be.

Our competitor could be a new business offering a substitute or similar product that makes our own redundant.

We can get **clues** to the existence of competitors from:

- Researching the market
- Local business directories
- Local Chamber of Commerce
- Advertisements
- Press reports
- Exhibitions and trade fairs
- Web-searching
- Information provided by customers
- Flyers and marketing literature available

## What we need to know about our competitors

- the products or services they provide and how they market them to customers
- the prices they charge
- how they distribute and deliver
- the devices they employ to enhance customer loyalty and what back-up service they offer
- their brand and design values
- whether they innovate business methods as well as products
- their staff numbers and the calibre of staff that they attract
- how they use IT for example, if they're technology-aware and offer a website and email
- who owns the business and what sort of person they are
- their annual report if they're a public company
- their media activities check their website as well as local newspapers, radio, television and any outdoor advertising

## Market segmentation

Market segmentation is one of the systems to manage the marketing efficiently. With the customer population and preferences becoming more wider, and the competitive options becoming more available, market segmentation has become critical in any business or marketing plan. In fact, people launch products keeping the market segmentation in mind.

There are three ways to classify what the customer wants. It is known as needs, wants and demands. However, to decide the needs, wants and demands, we need to carry out segmentation first. And in segmentation, the first step is to determine which type of customer will prefer our products. Accordingly, that customer will be from our targeted segment. Who would want our product and whether it falls in the needs segment, the wants segment or the demands segment. Once we decide the product we are going to make, then we decide on the market segmentation.

There are 4 types of Market segmentation which are most commonly used.

#### 1) Demographic segmentation

Demographic segmentation is one of the simplest and widest type of market segmentation used. Most companies use it to get the right population in using their products. Segmentation generally divides a population based on variables. Thus demographic segmentation too has its own variables such as Age, gender, family size, income, occupation, religion, race and nationality.

Demographic segmentation can be seen applied in the automobile market. The automobile market has different price brackets in which automobiles are manufactured. For example – Maruti has the low price bracket and therefore manufactures people driven cars. Audi and BMW have the high price bracket so it targets high end buyers. Thus in this case, the segmentation is being done on the basis of earnings which is a part of demography. Similarly, Age, life cycle stages, gender, income etc can be used for demographic type of market segmentation.

## 2) Behavioural segmentation

This type of market segmentation divides the population on the basis of their behaviour, usage and decision-making pattern. For example - young people will always prefer Dove as a soap, whereas sports enthusiast will use Lifebuoy. This is an example of behaviour-based segmentation. Based on the behaviour of an individual, the product is marketed. Another example of behavioural segmentation is marketing during festivals. Say on Sinhala Tamil New Year, the buying patterns will be completely different as compared to buying patterns on normal days. Thus, the usage segmentation is also a type of behavioural segmentation.

## 3) Psychographic segmentation

Psychographic segmentation is one which uses lifestyle of people, their activities, interests as well as opinions to define a market segment. Psychographic segmentation is quite similar to behavioural segmentation. But psychographic segmentation also takes the psychological aspects of consumer buying behaviour into accounts.

#### 4) Geographic segmentation

This type of market segmentation divides people on the basis of geography. Your potential customers will have different needs based on the geography they are located in. Eg; People living in North Central Province required purified drinking water than other areas.

Similarly in cold areas, the same company might be marketing for heaters whereas in hot areas, the same company might be targeting air conditioners. Thus, many companies use geographic segmentation as a basis for market segmentation.

## Distribution Channels:

Distribution channels in marketing are one of the classic "4 Ps" (product, promotion, price, placement a.k.a. "distribution"). They're a key element in our entire marketing strategy — they help you expand your reach and grow revenue.

B2B and B2C companies can sell through a single distribution channel or through multiple channels that may include:

- Wholesaler/Distributor
- Direct/Internet
- Direct/Sales Team
- Value–Added Reseller (VAR)
- Dealer
- Retailer
- Sales Agent/Manufacturer's Rep

To create a good distribution program, it is necessary to focus on the needs of our endusers.

- If users need personalized service, we can utilize a local dealer network or reseller program to provide that service.
- If our users prefer to buy online, we can create an e-commerce website and fulfilment system and sell direct; we can also sell to another online retailer or distributor that can offer our product on their own sites.
- We can build our own specialized sales team to prospect and close deals directly with customers.

Wholesalers, resellers, retailers, consultants and agents already have resources and relationships to quickly bring our product to market. If we sell through these groups instead of (or in addition to) selling direct, treat the entire channel as a group of customers – and they are, since they're buying our product and reselling it. Understand their needs and deliver strong marketing programs; we could maximize everyone's revenue in the process.

# Session 5.3 – Market situation

Session objective: At the end of this session, trainees will be able to explain about and gain understanding on the dynamics of marketing situation

Session	Time (mins)	Methodology	Training aids
a. Open up a discussion with trainees on what is market, who are target customers, who are competitors, and how you reach your customers	05	Interactive discussion	Trainee workbook Whiteboard
<ul> <li>b. Divide main group in to three working groups.(Group A,B,C) <ul> <li>a. Group A -Competitors</li> <li>b. Group B- Market</li> <li>Segmentation</li> <li>c. Group C-Distribution</li> </ul> </li> <li>c. Ask each group to read and explain about each section they have assign to others</li> </ul>	20	Self-learning and teaching others	Trainee workbook
d. Summarize the key points providing clarifications to their queries.  In-class total: 30 mins	05	Interactive discussion	Trainee workbook

# TRAINEE WORKBOOK CONTENTS

# Session 5.4 - Financial information

Once the concepts are clear the next one of the most important aspects is finance. Finance can be considered as the life blood of the business. A big part of managing our finances is having visibility of what's going on in our business, whether we are a sole trader, or in a partnership or company. The key tools and reports to manage our finances are:

#### Cash flow

Our cash flow is the money coming in and going out of our business — and how much of the money sitting in our bank account are to spend. A healthy cash flow is having enough money to pay what we owe when it's due. Three sections of the Cash Flow statement:

- 1. Operating Activities: The principal revenue—generating activities of an organization and other activities that are not investing or financing; any cash flows from current assets and current liabilities
- 2. Investing Activities: Any cash flows from the acquisition and disposal of long-term assets and other investments not included in cash equivalents
- 3. Financing Activities: Any cash flows that result in changes in the size and composition of the contributed equity or borrowings of the entity (i.e., bonds, stock, cash dividends)

# Budget

A budget is an estimate of income and spending over a period. It helps us to think ahead and plan our spending to get to where we want to go. Budgeting is the process of creating a plan to spend our money. Creating this spending plan allows us to determine in advance whether we will have enough money to do the things we need to do or would like to do.

If we don't have enough money to do everything we would like to do, then we can use this planning process to prioritize our spending and focus our money on the things that are most important to us.

#### Profit and loss statement

Our profit and loss statement are an accounting report that shows income and expenses — and whether we made a profit or loss — over the financial year. It may also be known as the income statement. The profit & loss statement summarizes the revenues and expenses generated by the company over the entire reporting period.

The basic equation on which a profit & loss statement is based is Revenues – Expenses = Profit.

All companies need to generate revenue to stay in business. Revenues are used to pay expenses, interest payments on debt, and taxes owed to the government. After the costs of doing business are paid, the amount left over is called net income. Net income is

theoretically available to shareholders, though instead of paying out dividends, the firm's management often chooses to retain earnings for future investment in the business.

#### Balance sheet

The balance sheet is an accounting report that shows what we own and what we owe at the time of the report. It's known as the 'snapshot' of our business's financial position. It can also sometimes be referred to as a statement of net worth, or a statement of financial position. The balance sheet is based on the fundamental equation: Assets = Liabilities + Equity. As such, the balance sheet is divided into two sides (or sections). The left side of the balance sheet outlines all a company's assets. On the right side, the balance sheet outlines the company's liabilities and shareholders' equity. On either side, the main line items are generally classified by liquidity. More liquid accounts like Inventory, Cash, and Trades Payables are placed before illiquid accounts such as Plant, Property, and Equipment (PP&E) and Long-Term Debt. The assets and liabilities are also separated into two categories: current asset/liabilities and non-current (long-term) assets/liabilities.

#### **Financial Ratios**

Financial ratios are relationships determined from a company's financial information and used for comparison purposes. Once we develop our product/service concepts it is essential to calculate the ratios to see the business status of our intended business idea.

Ratios are calculated by dividing one number by another, total sales divided by number of employees, for example. Ratios enable business owners to examine the relationships between items and measure that relationship. They are simple to calculate, easy to use, and provide business owners with insight into what is happening within their business, insights that are not always apparent upon review of the financial statements alone. Ratios are aids to judgment and cannot take the place of experience. But experience with reading ratios and tracking them over time will make any manager a better manager. Ratios can help to pinpoint areas that need attention before the looming problem within the area is easily visible.

Virtually any financial statistics can be compared using a ratio. In reality, however, small business owners and managers only need to be concerned with a small set of ratios in order to identify where improvements are needed.

#### Main ratios

• <u>Current</u>. Measures company's ability to meet financial obligations. Expressed as the number of times current assets exceed current liabilities. A high ratio indicates

- that a company can pay its creditors. A number less than one indicates potential cash flow problems.
- Quick. This ratio is very similar to the Acid Test, and measures a company's ability to meet its current obligations using its most liquid assets. It shows Total Current Assets excluding Inventory divided by Total Current Liabilities.
- Total Debt to Total Assets. Percentage of Total Assets financed with debt.
- <u>Pre-Tax Return on Net Worth</u>. Indicates shareholders' earnings before taxes for each dollar invested. This ratio is not applicable if the subject company's net worth for the period being analysed has a negative value.
- <u>Pre-Tax Return on Assets</u>. Indicates profit as a percentage of Total Assets before taxes. Measures a company's ability to manage and allocate resources.

#### Additional ratios

- <u>Net Profit Margin</u>. This ratio is calculated by dividing Sales into the Net Profit, expressed as a percentage.
- Return on Equity. This ratio is calculated by dividing Net Profit by Net Worth, expressed as a percentage

# Session 5.4 – Financial information

# Session Objectives:

At the end of this session the participants will be able to describe about the financial information considered in product / service concept development

Session	Time (mins)	Methodology	Training aids
a. Guide an interactive discussion with trainees about the importance of finance in the business perspective,	05	Interactive discussion	White board Work book
<ul> <li>b. Divide main group in to 5 small groups (Group 1-5)</li> <li>Provide group 1 with an actual cash flow plan of a company and ask them to explain main features to others</li> <li>Provide group 2 with an actual company budget and ask them to explain the main features</li> <li>Provide group 3 with an actual profit and loss statement and ask them to explain it</li> <li>Provide group 4 with an actual balance sheet and ask them to explain it</li> <li>Provide group 5 with few comparative ratios of two businesses and ask them to explain</li> <li>Trainer need to provide feedback on group presentations</li> </ul>	30	Group activity	Workbook Real life cases on Cash flow statement Budget Profit and Lost statement Balance sheet and few ratios
In-class total: 35 mins			

# Session 5.5 – Intellectual property issues

Intellectual property (IP) refers to creations of the mind, such as inventions; literary and artistic works; designs; and symbols, names and images used in commerce. The entrepreneurs must aware about this when they develop a new concept. We can protect our rights as well as we have to aware about other people rights as well.

IP is protected in law by, for example, patents, copyright and trademarks, which enable people to earn recognition or financial benefit from what they invent or create. By striking the right balance between the interests of innovators and the wider public interest, the IP system aims to foster an environment in which creativity and innovation can flourish.

## Patents rights:

A patent is an exclusive right granted for an invention. Generally speaking, a patent provides the patent owner with the right to decide how – or whether – the invention can be used by others. In exchange for this right, the patent owner makes technical information about the invention publicly available in the published patent document. If someone wants to use that patented idea it is necessary to pay and get it from the original owner of this idea.

There are three types of patents available in the world.

- (1) Utility patent, which covers the functional aspects of products and processes,
- (2) Design patent, which covers the ornamental design of useful objects, and
- (3) Plant patent, which covers a new variety of living plant.

Each confers "the right to exclude others from making, using, offering for sale, or selling" the invention in the Sri Lanka or importing the invention into the Country. Generally speaking, when one speaks of "a patent" generically, the reference is to a utility patent. Again, generally speaking, if a design or plant patent are being discussed the qualifying terms "design" or "plant" are almost universally included in the discussion.

#### Copy rights:

Copyright is a legal term used to describe the rights that creators have over their literary and artistic works. Works covered by copyright range from books, music, paintings, sculpture and films, to computer programs, databases, advertisements, maps and technical drawings.

The primary goal of copyright law is to protect the time, effort, and creativity of the work's creator. As such, the Copyright Act gives the copyright owner certain exclusive rights, including the right to:

- Reproduce the work
- Prepare "derivative works" (other works based on the original work)
- Distribute copies of the work by sale, lease, or other transfer of ownership
- Perform the work publicly
- Display the work publicly

The copyright owner also has the right to authorize other people to do any of the rights mentioned above. The copyright owner has the option and ability to transfer his or her exclusive rights or any subdivision of those rights to others as well.

#### Trademark

A trademark is a sign capable of distinguishing the goods or services of one enterprise from those of other enterprises. Trademarks date back to ancient times when artisans used to put their signature or "mark" on their products

A trademark not only gives the trademark owner the exclusive right to use the mark, but also allows the owner to prevent others from using a similar mark that can be confusing for the general public. A trademark cannot, however, prevent another person or company from making or selling the same goods or service under a clearly different mark. Rights to a mark can be established through the legitimate use of the mark in a commercial or business setting. Registration with the Trade Mark registration unit in 'Samagam Madura" is not required, but offers additional protections.

When a person claims the rights to a particular mark, he or she is allowed to use "TM" (for a trademark) and "SM" (for a service mark) to designate that the mark is trademarked. The symbol "®" designates registration and can therefore only be used after the registration, meaning the symbol cannot be used when an application is pending. In addition, the ® symbol may only be used with goods and/or services that were allowed by the government.

#### Geographical indications (GI)

This is a quite new rule came in to practice after 1992. Geographical indications and appellations of origin are signs used on goods that have a specific geographical origin and possess qualities, a reputation or characteristics that are essentially attributable to

that place of origin. Most commonly, a geographical indication includes the name of the place of origin of the goods. This GI is manly useful if exporting, where we can have GI for very authentic product come from special location. Eg: Kitul treacle from Sinharaja forest.

A geographical indication right enables those who have the right to use the indication to prevent its use by a third party whose product does not conform to the applicable standards. For example, in the jurisdictions in which the Darjeeling geographical indication is protected, producers of Darjeeling tea can exclude use of the term "Darjeeling" for tea not grown in their tea gardens or not produced according to the standards set out in the code of practice for the geographical indication.

However, a protected geographical indication does not enable the holder to prevent someone from making a product using the same techniques as those set out in the standards for that indication. Protection for a geographical indication is usually obtained by acquiring a right over the sign that constitutes the indication.

# INSTRUCTIONAL GUIDE

# Session 5.5 – Intellectual property issues

**Session Objective:** At the end of this session the participants will gain awareness on intellectual property

Session	Time (mins)	Methodology	Training aids
a. Start a conversation with on intellectual property, two or three examples.		Interactive discussion	White board Work book
<ul> <li>b. Divide main group in to groups (Group 1-4)</li> <li>- Ask group 1 to read and about the patent right seand explain to the main</li> <li>- Ask group 2 to read and about the copy right sea explain it to the main group</li> <li>- Ask group 3 to read about the mark section and to the main group</li> </ul>	d discuss ection group d discuss etion and oup out the	Self-study and teaching others	Trainee workbook Flip charts

<ul> <li>Ask group 4 to read and discuss</li> </ul>		
about GI section and explain it to		
the main group		
- Trainer need to provide feedback		
on group presentations		
In-class total: 33 mins		

## TRAINEE WORKBOOK CONTENTS

# Session 5.5 – SWOT Analysis

SWOT Analysis is a useful technique for understanding our Strengths and Weaknesses, and for identifying both the Opportunities open to us and the Threats we are facing in identification of the viability of our business concept. A SWOT analysis is a simple, but powerful tool to help us to develop our business strategy for the new concept developed.

SWOT stands for Strengths, Weaknesses, Opportunities, and Threats.

Strengths and weaknesses are internal to our company—things that we have some control over and can change. Examples include who is on our team, your patents and intellectual property, and our location.

Opportunities and threats are external—things that are going on outside our company, in the larger market. we can take advantage of opportunities and protect against threats, but we can't change them. Examples include competitors, prices of raw materials, and customer shopping trends.

#### Strength:

- What advantages do our concept have?
- What we do better than anyone else?
- What unique or lowest-cost resources can we draw upon that others can't?
- What do people in our market see as our strengths?
- What factors mean that we "get the sale"?

Consider our strengths from both an internal perspective, and from the point of view of our customers and people in your market.

When looking at our strengths, think about them in relation to our competitors. Always it should be better than them.

#### Weaknesses

- What could we improve?
- What should we avoid?
- What are things that people in our market likely to see as weaknesses?
- What factors lose our sales?

Again, consider this from an internal and external perspective: do other people seem to perceive weaknesses that we don't see? Are our competitors doing any better than us?

## Opportunities

- What good opportunities can we spot in near future?
- What interesting trends are we aware of?

## Useful opportunities can come from such things as:

- Changes in technology and markets on both a broad and narrow scale.
- Changes in government policy related to our field.
- Changes in social patterns, population profiles, lifestyle changes, and so on.
- Local events that can be happen in near future.

#### Threats

- What obstacles do we face?
- What our competitors doing?
- Are quality standards or specifications for our job, products or services changing?
- Is changing technology threatening our position?
- Do we have bad debt or cash-flow problems?
- Could any of our weaknesses seriously threaten our business?

The SWOT analysis should be done by ourselves. We should do SWOT analysis for our product or service based on the learning accrued.

# Session 5.5 -SOWT Analysis

# Session objectives:

At the end of this session the participants will be able to describe what SWOT is and gain skills on conducting a SWOT analysis for the product concept developed

Session	Time (mins)	Methodology	Training aids
a. Briefly explain the session objectives and why we need to conduct a SWOT analysis for our business concept	5	Interactive discussion	White board Work book
b. Explain each component of SWOT tool	10	Interactive discussion	Trainee workbook
c. Divide main group in to 4 working groups and select one product from each group member. Ask other members to facilitate to conduct SWOT for his group member Group presentations	60	Group Activity	Trainee workbook Flip charts
d. Summarize the key points and conclude the session  In-class total: 85 mins	10	Interactive discussion	Trainee workbook

# Session 5.7- Validation of Business Concept

Idea validation is the process of testing and validating our idea prior to launching our business name, tagline, product, service or website. This is like the research and development process big companies use to test product ideas before they're released to the general public. Once the business concept is developed, a validation is designed to give us a reasonable certainty for business will have a sustainable, growing, paying its investment soon. it is a step-by-step process. The process is as follows:

# 01. Find the most profitable niche for our product

Search for most promising customer group for validating the business concept

# 02. Exploit our strengths to overcome the weaknesses

Now we have identified our strengths and weaknesses. We need to capitalize our strengths to minimize our weaknesses

## 03. Develop competitive advantage for our product

Consider potential competitive advantageous in line with following aspects

- our cost structures
- Product offering
- Distribution network
- Customer support
- our own personal skill set (like being able to tell great stories)
- our experience
- Industry knowledge
- Strategic relationships
- A powerful personal brand

# 04. validate your product with the customers

Introduce your product to the limited number of consumers and validate your product with them

# Session 5.7 – Validation of the business concept

# Session objectives:

At the end of this session the participants will gain the conceptual insights on validation of the business concept and they will perform a validation activity for their business concept.

Session	Time (mins)	Methodology	Training aids
a. Briefly explain the session objectives and why we need to validate our concept	5	Interactive discussion	White board  Trainee Workbook
b. Briefly explain how to validate a concept	10	Interactive discussion	Trainee workbook
c. Module exercise  Ask participants to develop a concept for his/her business and validate it	180	Individual exercise	
In-class total: 195 mins			

# 6. Marketing strategy development



Marketing is the bridge between the business and its customers. The business needs to communicate its business presence and products or service details to the customers. In addition, the customers who are looking for such products or services should be attracted to the business. The methodologies used in all these marketing needs are the marketing

strategies. In the process of business start-up, once the business idea is selected and concept has been developed, developing a marketing strategy plays a key role. Therefore, this module covers a vital area of knowledge and skills building in relation to marketing strategy development.

# Module objectives:

At the end of this module, the trainees will be able to

- ✓ Explain what a marketing strategy is
- ✓ Describe about the marketing mix
- ✓ Describe the process of marketing strategy development
- ✓ Perform a market research and collect information
- ✓ Develop a marketing strategy for own intended business

The module covers the following sessions:

- 6.1 What is a marketing strategy?
- 6.2 Importance of developing a marketing strategy

- 6.3 How to develop a marketing strategy
- 6.4 Marketing strategy development exercise

#### TRAINEE WORKBOOK CONTENTS

# Session 6.1 – What is a marketing strategy?

#### Glenda's novel business

Glenda has selected a novel business idea of "Making business promotion videos for hotels" using drone service. A drone will fly inside and outside the hotel and take images to include in the videos. She has developed the concept of the idea and validated. She has made a sample video using a three-star hotel known to her. Glenda believes that she will have good business from the hotels in Negombo, Hikkaduwa and Batticaloa areas where tourism is being popularized.

Since this is a new concept, Glenda has planned to communicate the message of her new business to the hotels in the above areas through flyers, e-mails and personal meetings with the top management of the hotels. In addition, she has launched her website for this business. She has also been intensively using social media to promote her business. However, she noted that her price is above the market price because of the usage of the drone. As a strategy she decided to lower her profit margin and enter the market with a nominal price. Glenda has also made arrangements with two close friends to represent her in Hikkaduwa and Batticaloa areas since she can cover Negombo from her small office.

#### Role play

Let's do a role play based on the above case. During the role play, almost all facts should be revealed.

#### Discussion

The trainer will lead a discussion based on the role play. Participation of all trainees in the discussion is very important.

After the discussion, we should complete the following exercise.

#### Exercise - Glenda's novel business

Question	Answer
1. What is Glenda's novel business?	

2.	What are the non-marketing strategies	a
	used by her?	
3.	What are the marketing strategies used	a
	by her?	b
		c
4.	What did you understand by the term	
	strategy?	
5.	What did you understand by 'marketing	
	strategies'?	

# Business aims & Marketing strategies

Any entrepreneur, or a business has business aims. The methods formulated to achieve these business aims are 'business strategies'. At the start, the most important business aim is to inform the customers about the business – its products or services. The method used to achieve it is called a marketing strategy, or more precisely communication strategy. Other aims can include the following.

- Attract customers,
- Influence customers to buy more of our products,
- Increase market share, and many more.

Thus, any method developed and introduced to improve marketing is a marketing strategy.

# **INSTRUCTIONAL GUIDE**

# Session 6.1 – What is a marketing strategy?

**Session objective**: At the end of this session, trainees will elaborate what a marketing strategy is.

Session	Time (mins)	Methodology	Training aids
a. Brief trainees about the session objective,	26	Interactive discussion	Mini video clip on fishing bird
b. Role play - Glenda's novel business (Refer Special Guidelines & Formats) - Set the minds of trainees to perform a role play based on Glenda's novel business, - Identify the role players,		Role play Interactive discussion;	Trainee workbook Whiteboard

<ul> <li>Ask the role players to conduct it,</li> <li>Facilitate a discussion,</li> <li>Give an idea about what a marketing strategy is,</li> </ul>			
<ul> <li>c. Exercise- Glenda's novel business</li> <li>This is an individual exercise,</li> <li>Ask each trainee to write answers in the trainee workbook,</li> <li>Wrap up the session, explaining the contents of business aims and marketing strategies,</li> <li>Verify if they got the correct idea.</li> </ul> In-class total: 53 mins	09	Individual exercise PPT	Trainee workbook PPT

# SPECIAL GUIDELINES & FORMATS

# Session 6.1 – What is a marketing strategy?

- b. Role play Glenda's novel business
  - 1. This case has several important contents for the trainees to understand in relation to strategies in a business. Facilitate the role play to unleash them.
  - **2.** Allow trainees to undertake roles voluntarily. Promote it. If they don't come forward, try to select more active persons strategically.

# TRAINEE WORKBOOK CONTENTS

# Session 6.2 – Importance of developing a marketing strategy for a business

Group exercise: Brainstorming discussion on importance of developing a marketing strategy for a business

**Method**: Trainer will divide the large group in to four small groups. Each small group is required to discuss the importance of having a marketing strategy for their business within a time slot of 5 minutes. Each group should present their main points. Finally the trainer will summarize all key points from the group discussion outcomes. The total time allocated for this exercise is 30 mins.

# Session 6.2 - Importance of developing a marketing strategy for a business

**Session objective**: At the end of this session, trainees will be able to explain the importance of developing a marketing strategy for a business.

Session	Time (mins)	Methodology	Training aids
<ul> <li>a. Group exercise: Brainstorming discussion on importance of developing a marketing strategy for a business</li> <li>Divide the group in to 4 small groups,</li> <li>Ask each group to discuss on "why it is important to develop a marketing strategy for a business?" (5 mins)</li> <li>Each group should present their main points.</li> <li>Summarize all key points from the group discussion outcomes</li> <li>Present a PPT emphasizing the importance.</li> </ul>	30	Group exercise  Explanatory discussion  Small group discussions  Presentation  Summarizing explanation  PPT presentation (2 - 3 slides)	Trainee workbook Whiteboard Flipcharts PPT

# Session 6.3 – How to develop a marketing strategy?

# Types of strategies in a marketing strategy

When we have a selected business idea for which the concept also has been developed, our broad exercise is to build a business based on the idea selected. With this understanding, we can express the type of marketing strategy we need to develop at this level. We should find answers to the following questions.

- 1. How can I differentiate my business or product from similar businesses or products?
- 2. How to communicate about my business's presence, its products or service, product benefits to the new set of customers?
- 3. How can my products reach the customer?
- 4. How can I attract customers for my business?
- 5. How to compete with my competitors?

All five questions above require different methods, or different strategies. They have different names as given in the following table. We should formulate appropriate strategies accordingly and the bundle of those strategies will make the Marketing Strategy of our business.

Purpose (based on the above questions)	Strategy
1. Differentiation	Branding strategy
2. Communication about the business, product etc.	Communication strategy
3. Product's reach; making it physically available to the customer	Distribution strategy
4. Attracting customers	Sales/ marketing promotion strategy
5. Competing with competitors	Strategy to overcome competition

There can be more business needs and appropriate strategies that can add to the above. But, in general, the bundle of the above strategies are sufficient to make our marketing strategy. A basic awareness on the concept— "Marketing Mix" is useful when dealing with developing the marketing strategy.

## Marketing Mix – Product, Price, Promotion and Place (4Ps)

Marketing mix is a popular concept used in the business world. It refers to the set of actions, or tactics, that a company uses to promote its brand or product in the market. Marketing mix is denoted by the 4Ps that make up mix of four types of concerns – Price, Product, Promotion and Place. Marketing mix for a service include two more Ps, Process, and Physical evidence. These factors denoted by Ps can be manipulated positively for marketing of the relevant product or service.

We can understand more about the marketing mix with the following Group Exercise on Motorola case study.

## Group Exercise: Motorola case study

Large group is divided in to four groups. Each group will be provided with one of the four Motorola cases (Motorola product, Motorola price, Motorola place and Motorola promotion). Each group should discuss about the vital points under the relevant P and present their findings to the large group. Presentation time per group is 5 mins. Total time for the group exercise is 45 mins.

## Case study 1: Motorola Product

Motorola is a global leader in wireless and broadband communications technologies. It has significant operations in the UK employing approximately 2,400 people.

Mobile phones are among the most familiar Motorola products to consumers. Many functions are associated with these phones. Some of them are as follows:

- As a fashionable possession,
- As a communication equipment,
- As a source of entertainment with music and video games.
- As a recording device,

The mobile phone market has risen dramatically in size. In April 2005, Mintel market research has revealed that 80% of the youth market in the UK has a mobile phone, and that over 61 million people subscribed to an airtime contract.

In order to be competitive in the market, Motorola produced 3G or WAP-enabled phones. Customers can browse special internet sites to look at football scores, search cinema movie times, or live-chat with friends faster with these models.

In creating products, Motorola concentrates on:

- attractive design
- excellent call-quality

- ease of use feature
- value-added features including music player, games, camera, and video features
- high quality and reliability

The casing is made from air craft grade alloy, and the outer screen from glass, as no conventional plastic materials were strong enough.

# Case study 2: Motorola Price

As with other companies, prices charged by Motorola are linked to the product life cycle. When a new product is launched prices will typically be quite high. This is because a lot of product and market research has gone into producing the product. It usually takes time for large numbers of consumers to purchase new products. As a product matures and sales increase, it is possible to reduce costs.

Economies of scale are important. These come in when a firm is able to produce on a large scale. With high outputs of production, costs of research and development, software engineering and investment in plant (manufacturing machinery and tooling) can be spread. State-of-the art products are sold at premium prices reflecting the high quality of the items and their innovative nature.

The costs to the users of Motorola mobile phones are kept down because they are subsidised by the network providers such as Vodafone.

# Case study 3: Motorola Place

There are a number of ways in which Motorola distributes its phones. If you want to buy a Motorola mobile phone there are a number of distribution channels that you can use. Many people like to buy phones from independent retailers such as Carphone shopping malls. These can offer advice about a variety of different phones and suggest the one best suited to your needs. A second source is a retail outlet belonging to a network provider such as Vodafone.

Nowadays, increasing numbers of people buy through the Internet. This is an example of e-commerce. The great thing about buying online is that you can spend as long as you like and examine a lot of information. You can buy a Motorola phone from the Motorola website. It will tell you about different models of phones, their prices and features etc. An advantage of buying online is that prices are typically cheaper because you are cutting out the middle person.

## Case study 4: Motorola Promotion

Motorola uses various promotional methods to promote products. An important avenue for communication is advertising. Advertising is referred to as 'above the line' promotion. Other types of promotion such as special offers and discounts are referred to as being 'below the line'.

The type of promotion that is used depends on the stage in the product life cycle. For example, when a new product is launched, it makes sense to make people aware. Advertising will communicate the desirability, emotional benefits and exclusive features of the product.

Motorola works in close partnership to promote its phones with retailers. Promotion costs are shared with retailers. The more retailers sell – the more Motorola is able to help them.

## Collection of information to develop our marketing strategy

It is clear that we need some practical information to formulate the strategy. We should know who our customers are. We also should know how they purchase such products from the market. If it's a morning newspaper, two distribution strategies are used; deliver to the doorstep and make it available at the newspaper stall. Thus, all relevant information should be practically collected first through a preliminary market research and then, we can formulate the marketing strategy.

#### Conducting the preliminary market research

As we did in the earlier field research in the business idea selection module, we should prepare first before going to the market. Basically, we need to understand what information should be collected. Since, the nature of information can differ according to the business idea, a sample of information to be collected in general is given as a guide.

#### Information to be collected

About whom /	Information to be collected		
what?			
CUSTOMERS	1. Who are the customers?		
	2. Where do they buy from?		
	3. What is the price they like to pay?		
	4. What are the unsatisfied needs related to this product?		
	5?		

MARKET	1. How many units are sold in the relevant market?
	2. What is the rupee value of the above?
	3. At what rate does the market fluctuate?
	4?
COMPETITORS	1. Who are the leading competitors? What brands?
	2. At what price do they sell?
	3. What are the distribution strategies of them?
	4. What promotional methods do they use?
	5. What are their strengths and weaknesses?
	6?

# Session 6.3 – How to develop a marketing strategy?

Session objectives: At the end of this session, trainees will be able to

- ✓ Understand about the component strategies that make a marketing strategy,
- ✓ Comprehend the components of the marketing mix and their role in business promotion,
- ✓ Conduct marketing strategy development-based marketing research and collect information,

	Session	Time (mins)	Methodology	Training aids
a. b.	marketing strategy  - Discuss about the 5 questions in the trainee workbook with examples,  - Emphasize, using "Purpose- Strategy" table, how the answers	02 10	Interactive and explanatory discussion PPT	Trainee workbook Whiteboard
c.	make different strategies which make the marketing strategy,  Marketing mix  - Introduce the concept "Marketing Mix", using a PPT, with few examples,  - Explain about the different components of the marketing mix for services,	12	PPT presentation cum interactive discussion	Trainee workbook PPT Flipchart
d.	Group Exercise: Motorola case study  - Explain about the Motorola case as per the trainee workbook, - Divide the group in to 4, and assign one case to one small group, - Each group should discuss about the vital	38	Group exercise  Presentations	Trainee workbook  Flipchart  Four cases on  Motorola company

points under the relevant P and present their findings to the large group. Presentation time per group is 5 mins,  - Summarize the important points, explaining the importance of marketing mix components for marketing strategy development.  e. Conducting the preliminary market research  - Provide a clear guidance to trainees as to how they should decide what information to be collected;  - Use the tabular contents to clarify the above.  - Verify randomly if they got the appropriate skill.	08	Explanatory discussion	Flipcharts Trainee workbook
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TRAINEE WORKBOOK CONTENTS

# Session 6.4 – Marketing strategy development exercise

Step 1: Preparation for the market research

Step 2: Conducting the market research

Step 3: Developing the marketing strategy for the business / product

# Activity 1: Preparation for the market research

Using the knowledge and skills accrued so far, we should prepare ourselves for the market research exercise.

# Activity 2: Conducting the market research

We are required to go to the market and conduct the market research. Trainer will provide basic instructions. Each of us will need 4 – 5 days for this activity.

# Activity 3: Developing the marketing strategy for the business / product

We can prepare the marketing strategy for our business / product by answering the following questions.

- 1. How can I differentiate my business or product from similar businesses or products?
- 2. How to communicate about my business's presence, its products or service, product benefits to the new set of customers?
- 3. How can my products reach the customer?
- 4. How can I attract customers for my business?
- 5. How to compete with my competitors?

Trainer will provide more guidance in this regard.

In-class activity: Presentation of individually developed marketing strategies Each trainee should present his / her marketing strategy to the large group.

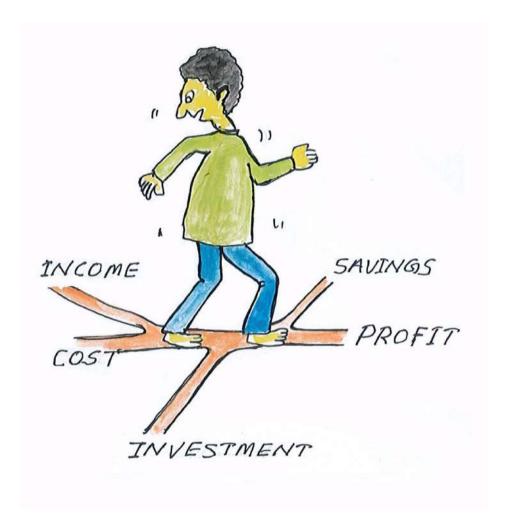
# Session 6.4 – Marketing strategy development exercise

**Session objective**: At the end of this session, trainees will conduct the preliminary market research, collect necessary information and develop the marketing strategy for each business selected by individual trainee.

	Session	Time (mins)	Methodology	Training aids
a.	Marketing strategy development exercise  - Explain about the session objective and the relevant 3 activity steps,	05	PPT-based explanation	Trainee workbook Whiteboard
b.	Activity 1: Preparation for the market research  - Guide each trainee to prepare for the market research exercise,  - Cross-check if they have done it satisfactorily,	25	PPT-based interactive discussion	PPT Flipcharts
C.	Activity 2: Conducting the market research  - Provide necessary instructions and guidance before they go to the market,  - Declare that they can take 4 - 5 days to complete the market research,  - Allow them to go to the market and collect relevant information;	15	Explanatory and interactive discussion Individual field exercise	Flipcharts
d.	Activity 3: Developing the marketing strategy for the business / product  - Conduct an interactive discussion on what they	60	Interactive discussion	Flipcharts

In-class total: 210 mins
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# 7. Business Analysis





After selecting the most suitable business idea, we have developed the concept for the business idea to be used as a proper basis to be considered for the next steps of the business start-up process. In addition, we have already developed a marketing strategy also during the previous module. Now, we need to do the Business Analysis for the

business we are going to start using this business idea.

Consciously completed Business Analysis Report shows how our intended business will be. While performing the business analysis, we can understand about pitfalls, weaknesses and threats that may encounter. Therefore, this module provides a great guidance to our business start-up process. Preparing a comprehensive report on business analysis is a key task in our training and it is a must for an intelligent business start-up.

Since the task of Business Analysis involves collection of information from the field and doing analytical work in the class, the whole module is an activity-oriented engagement.

# Module objectives:

At the end of this module, trainees will be able to improve their understanding, and practical skills in performing Business Analysis, while completing the Business Analysis for the intended businesses.

The module covers the following sessions:

- ✓ What is Business Analysis?
- ✓ Structure of Business Analysis Report
- ✓ Analysing Macro Environment Situation
- ✓ Analysing Market Situation
- ✓ Analysing Production / Service Process Information
- ✓ Analysing Management Information
- ✓ Analysing Human Resource Management Information
- ✓ Analysing Financial Information

#### TRAINEE WORKBOOK CONTENTS

# Session 7.1 – What is Business Analysis?

#### Business analysis

Business analysis in the process of business start—up is analysing the surrounding and internal situation of the intended business. It examines the external factors affecting the business and see how sustainable the business within the external context. Similarly, it explores how the internal picture is. This is an overall analysis from various directions.

#### Purpose

Purpose of conducting a business analysis is to understand the initial level of viability of the business idea or the relevant business. In addition, the business analysis report provides the basis for some contents of the business plan we are going to build in this process.

However, if the complete business analysis gives more negatives and strong barriers, we should think about the next best business idea. In that case, we should start from concept development and validating stage.

# Method

Business analysis process has some components. While the number of these components can vary according to some factors such as the size and the nature of the business, we will consider 6 main components for our business analysis process. Each component has several sub components. However, let's understand each component, collect the information, do the relevant analysis for our business and complete the business analysis part pertaining to that component. At the end, we will have a complete Business Analysis Report when we link each component according to the Business Analysis Report Structure, which we will learn during this module.

During completion of the components, we will be required to find some realistic information. In order to do that, we may have to refer reports, visit institutions, meet experts and entrepreneurs, go to the market and meet customers, and apply different strategies to collect more reliable information.

# Session 7.1 – What is Business Analysis?

**Session objectives**: At the end of this session, trainees will be able to describe what Business Analysis is in the context of the business start-up process, together with the purpose and method of doing a business analysis.

Session	Time (mins)	Methodology	Training aids
<ul> <li>a. Commence an interactive discussion with trainees, asking about their experience in the field work related to the previous module.</li> <li>b. Describe them about the concept of Business Planning, especially in the context of business start-up process, with the purpose and the method, using the contents given in the trainee workbook.</li> <li>c. Verify if the trainees got the correct idea.</li> </ul>	20	Interactive discussion  PPT-based explanation  Verifying discussion	Trainee workbook Whiteboard PPT Trainee workbook
In - class total: 20 mins			

# Session 7.2 - Structure of Business Analysis Report

# Part 1: Macro Environment Situation

Economic & Business Conditions:	
Technological Situation:	
Political Situation:	
Legal Situation:	
Social & Cultural Situation:	
Environmental Situation:	

# Part 2: Market Situation

Products / Services:

Description of Market Area:
Economic Condition of Market Area:
Demographics of Market Area:
Other Conditions of Market Area:
Competitive Situation:
Target Customers' Information:
Marketing Objectives:
Marketing Expenditure Budget:
Marketing Strategies:
Marketing Mix:
Sales Plan (Budgeted)

# Part 3: Production / Service Process Information

Production / Service Process:
Production Trends:
Total Manufacturing Costs:
Direct Cost Per Unit:
Costing Methods:
Production Overhead Cost:
Capacity Utilization:
Skilled / Unskilled Labour Information:

Inventory Control:	
Waste Management System:	

# Part 4: Management Information

Vision & Mission Statements:
Owner's Information:
Management Team:
Organization Structure:
Legal Structure:
Action Plans:

# Part 5: Human Resource Management Information

Positions Required / Job Descriptions / Qualifications:

HR Selection Method: (Methods of sourcing / Selection methods etc)

HR Recruitment: (Recruitment methodology ·······)
Employment Conditions: (Employment terms / Leave / Transfers /

Promotions)

Employment Development: (On-boarding / Skills transfer / Training .....)

Productivity Improvement Considerations:

Other Considerations of HR:

# Part 6: Financial Information

- Owner's equity:
- Percentage of ownership:
- Total equity capital:
- Loan capital:
- Cash-flow statements:
- Income statements:
- Balance sheet:
- Budgets:
- Ratio Analysis:

# Session 7.2 - Structure of Business Analysis Report

**Session objectives:** At the end of this session, trainees will be able to understand and describe the contents of the structure of the Business Analysis Report.

Session	Time (mins)	Methodology	Training aids
a. Structure of Business	10	PPT-based explanation	Trainee workbook
Analysis Report			
- Go through the structure,			
using a PPT presentation,			
<ul> <li>Explain to the trainees that</li> </ul>			
they are going to complete			
this format for the			
respective businesses			
during this module.			
In-class total: 10 mins			

# Session 7.3 – Analysing Macro Environment Situation

Macro environment is the large environment outside the business. When the Government implements a new tax on timber imports, it affects negatively on businesses dealing with imported timber, and positively on local timber businesses. That means, the government or political decisions can affect businesses. If someone plans to start a SPA in an area with anti-SPA culture, the business start-up plan will have a natural death. The culture can have effects on businesses. Political situation, social and cultural situation, and similar external factors that surround the business are the macro environment components. Since we need to analyse the effects of these macro environment components on our expected businesses before proceeding further, it is beneficial for us to understand about all these components first. Let's learn about the tool called "PESTEL Analysis" for this purpose. The acronym PESTEL covers key components of the macro environment.

## **PESTEL** stands for:

Political	Economical	Social	<b>T</b> echnological	Environmental	Legal
		(and			
		cultural)			

In PESTEL Analysis, we examine our business concept against each of these macro environmental situations and see pros and cons, advantages and disadvantages, opportunities and threats, and easy sailing and barriers.

## Case Study: Setting up a white fibre making factory

Kumar— a potential entrepreneur is making arrangements to setup a white fibre making factory in Madampe. During information collection for business analysis, he observed that the current government has implemented a special loan facility to develop the local fibre industry. But, he found that obtaining a licence from the environmental authority is not that easy without establishing a proper waste disposal system. Environmental and labour laws are very rigid in this industry. Kumar's expectation is to export the full production. Export market demand is increasing for Sri Lankan natural white fibre.

Kumar suspects that the people living in surrounding area may protest against the factory because it generates coir dust and noise pollution. They also may show concerns about the waste water, if not disposed properly. However, the poor people in the area could get many job opportunities in the factory and related operations such as collection of

coconut husks. Although Kumar prefers to employee youths, they may hesitate to join because of they consider this type of work as dirty and difficult.

This industry could expect increasing demand for its products in the future too. Current trend of depreciation of Rupee value against US dollar is again a positive factor for these exports in short run. The demand for other by products from the industry such as coir briquettes is also increasing. However, the freight charges are high, resulting in higher market prices. This is a negative factor when the competition is considered.

The technology is not very complicated, but required safety improvement for the workers. Many industrial accidents have been reported in similar factories due to unsafe machineries.

The main issue of this industry is industrial wastes, including coir dust and waste water. In addition, bad odour of used water pits creates public arousal. Therefore, precautionary methods are required to control such issues.

# Group Exercise based on the case study:

The large group is divided in to six small groups. Each group is assigned one condition out of 6 PESTEL conditions. Each group should find the relevant information for the assigned macro-economic factor. For an example, if the Group 4 has been assigned Economic Conditions, they should identify all information pertaining to the Economic Condition from the case.

Time allocation is 10 minutes. At the end, each group should present their answers. Presentation time is 3 mins per group.

At the end of the presentations, the trainer will facilitate an interactive discussion.

Let's get more insights of these conditions.

#### Political Factors

Government policies, interests, stability level and behaviours can significantly influence the economy. When a political decision is taken to rapidly develop roads and buildings, the business of manufacturing interlock blocks will be a promising business. If a potential entrepreneur who plans to start a foreign employment agency focusing on sending housemaids to the Middle East sees that the government has taken a decision to scale down sending of housemaids, he / she should seriously think about his business idea.

## **Economic Factors**

Economic factors have a significant impact on how an organisation does business and also how profitable they are. Factors include – economic growth, interest rates, exchange rates, inflation, disposable income of consumers and businesses and so on. Opening a

pizza outlet in an area with higher disposable income consumers is a good idea, but it is a bad idea if the disposable income of consumers is less.

#### Social Factors

Also known as socio-cultural factors, are the areas that involve the shared belief and attitudes of the population. These factors include – age distribution, health consciousness, career attitudes, social behaviours, social values and so on. Social factors are strong influencers on businesses depending on their nature. Last year, an entrepreneur started a garment manufacturing plant employing skilled employees from outside. But, the area community had a strong social belief that the factories that commence operations in their area should employ the youths from that area. After a short term battle, the entrepreneur had to shift the factory causing a huge cost.

## Technological Factors

Technology changes very fast. The whole landscape of business operations is rapidly changing with the technology. Technological factors affect marketing and the management thereof in three distinct ways:

- New ways of producing goods and services
- New ways of distributing goods and services
- New ways of communicating with target markets

Increased use of technology has dramatically reduced the viability of old-fashioned studios.

# **Environmental Factors**

Environmental factors are gaining high power day by day. They affect businesses significantly. Emerging approach to reduce polythene is based on environmental factors. Entrepreneurs who start water bottling plants, using ground water always face critical obstacles owing to extraction of surrounding water. This environmental situation very often leads to social issues. For a business to be ethical and sustainable in the future, it will be compelled to follow certain standards in terms of environmental protection. Consumers are organizing themselves to buy only from businesses that conform to set standards.

# Legal Factors

Legal factors include – health and safety, equal opportunities, advertising standards, consumer rights and laws, product labelling and product safety. Certain industries need to obtain licences, certificates to operate the business. It is clear that companies need to know what is and what is not legal in order to trade successfully. If an organisation trades globally this becomes a very tricky area to get right as each country has its own set of rules and regulations.

# Individual activity:

We should perform macro environment analysis for our selected business. This is an individual activity. Here, we use a simpler version of PESTEL (see the format below) which is appropriate for our macro environment analysis. The trainer will guide. We should collect information from the field and other ways, and complete the below chart with comparatively accurate information.

## 1. MACRO ENVIRONMENT SITUATION

Economic & Business Conditions	
Technological Situation	
Political Situation	
Legal Situation	
Social & Cultural Situation	
Environmental Situation	

# Session 7.3 - Analysing Macro Environment Situation

Session objectives: At the end of this session, trainees will be able to,

- ✓ understand about all constituents of Macro Environment Situation analysis component of the business analysis activity,
- ✓ gain more insights of macro environment situation factors,
- ✓ collect relevant information, and
- ✓ complete that part of the business analysis for their individual businesses.

	Session	Time (mins)	Methodology	Training aids
a.	Open up an interactive discussion explaining the Macro Environment Situation- related factors,  - Describe PESTEL with 2 - 3 examples. (Refer the relevant contents of the Trainee Workbook)	04	Brief interactive discussion	Trainee workbook Whiteboard
b.	Case Study: Setting up a white fibre making factory			
C.	<ul> <li>Group Exercise</li> <li>Divide the large group in to six small groups, and assign each group with one PESTEL condition (Example: Political Condition is assigned to the Group 1)</li> <li>Each group should find the relevant information related to the assigned condition from the case contents and write in a flip chart. (Only 10 mins)</li> <li>Ask each group to present their findings. (3 mins per group); Allow a constructive discussion at the end of each presentation.</li> <li>At the end, facilitate an interactive discussion for 5 mins, and add trainer comments.</li> <li>More insights in to PESTEL</li> </ul>	17	Group exercise based on the case study  Small group discussions	Trainee workbook

<ul> <li>Explain the contents related to more insights, with examples,</li> <li>Verify if they understood the macro environment factors.</li> </ul>	36	Group presentations	Flipcharts
<ul> <li>d. Individual activity - Macro Environment Situation analysis for the own business idea</li> <li>- Explain the format given,</li> <li>- Emphasize that they need to collect information from the field and complete each part of the macro environment situation format,</li> <li>- Ask them to do preparatory work and go to the field for that purpose (give 4 - 5 days),</li> <li>- Guide them to complete the format with information collected.</li> <li>In-class total: 255 mins</li> </ul>	10	Interactive discussion  Brief explanation	Trainee workbook Flipcharts

# Session 7.4 – Analysing Market Situation

Next step is to complete the market situation analysis. This is a special part of analysis because all aspects pertaining to sales and marketing of the business, markets, customers and competitors are analysed and recorded here. But, it is easy to grasp the method when we consider each sub-component separately. While doing this exercise, as potential entrepreneurs, we can get more insights of the most important function of our business- sales and marketing.

Let's examine and analyse sub-components one-by-one.

#### Products / Services:

Give the complete idea of your products or services based on your business idea. In case of products, there can be different sizes, colours or any other differentiations. Even services can be marketed in different forms under the same business idea. If Devika's business is providing catering services, it can include two different service offers such as supplying catering services to festive occasions, and renting out catering equipment. Complete description should include all these different offers.

Complete description of your products or service should be included in the below cage.

Products / Services:

## Description of the Market Area:

We are required to provide the description of the targeted market area. It can be a segmented area, the whole island or an overseas market. Indication of the geographical boundaries of the market area would be essential.

Description of my targeted market area should be included in the below cage.

Description of Market Area:
Description of the Economic Condition of Market Area:
We need to examine the economic condition of the targeted market area and include it
here.
Economic Condition of Market Area:
Leonomic Condition of Market Alea.
Decrease the of Madel Access
Demographic of Market Area:
We need to examine carefully the demographic of the market area. The population, age
groups with percentages, male-female composition, income sources, are some of
demographics. We should complete the below cage with relevant details.
Demographics of Market Area:
Other Conditions of Market Area:
OTHER CONDITIONS OF MICHAEL WILLIAM

We need to find out the other conditions that are associated with the market area. If any, they should be included in the below cage.

Other Conditions of Market Area:
Competitive Situation:
This is a highly sensitive information. Competitor details are very important, not only to do business analysis and the business plan, it's vital throughout the business continuation. Therefore, we should attentively collect information about the competitive situation in our market area. We need to identify the main competitors, their activities and the competitive strength order (example: Competitor A is dominating the market supplying 85% to the customers, Competitor B is the second.), specific marketing strategies used by them, their operational modes, reasons for them to be strong-competitor-wise, and indirect competition available in the market.
Example: Plastic water tap suppliers pose an indirect competition to the steel tap manufacturer in the relevant market.
After collecting the relevant information, we should complete the following cage.  Competitive Situation:

# Target Customers' Information:

The sensitivity of this information is very high. It means that we need to pay very sharp attention in collecting target customers' information. Our business aims at a specific group of customers. We need to identify the information relating to the age groups, male–female proportion, buying habits and preferences, and all customer-related information at this stage and complete the below cage. This information is very useful in fine-tuning our marketing strategies, setting marketing objectives, forecasting sales plans and many more business start-up related vital functions.

# Marketing Objectives:

We should prepare meaningful marketing objectives. This is a comprehensive activity that needs the following steps.

- **Step 1**: We should prepare a VISION statement for my business. The trainer will guide us how to establish the vision.
- **Step 2**: Next step is to prepare the MISSION statement for my business. With the trainer's guidance, we can prepare a mission for my business.
- **Step 3**: We should set up MARKETING OBJECTIVES now. Trainer will guide us to set up marketing objectives.

# Example:

Michael has been doing the business analysis for his intended business of "making laptop bags". He has prepared his marketing objectives as follows:

Marketing objective 1	My business will manufacture and market two types of laptop bags, namely the standard bag and the expandable bag.
Marketing objective 2	Expected sales during the first 12 months
	Standard laptop bag - 720 units
	Expandable laptop bag- 480 units

We should complete the following cage after deciding about our marketing objectives.

Marketing Objectives:		

# Marketing Expenditure Budget:

We don't have complete details to prepare an accurate marketing expenditure budget. But, we need to collect possible information from relevant sources about this aspect. If we have collected some information about the marketing expenditure budgets of our competitors during our competitor study, it will be useful here. Our trainer will guide us in preparing our marketing expenditure budget.

However, in the SME sector, the practical situations confirm that SMEs generally spend 1% - 5% of their sale values for marketing expenditure. Considering all these facts, we should decide our expected marketing expenditure budget and complete the following cage.

Marketing Expenditure Budget:	

## Marketing Strategies:

We have developed a marketing strategy for our business during our 6<sup>th</sup> module. However, it is a gross development. Since we have now developed the vision, mission and marketing objectives, we can re-frame our marketing strategies more accurately. Trainer will guide us with more instructions. We should include the marketing strategies reframed in the following cage.

Marketing Strategies:		

#### Marketing Mix:

We learnt about marketing mix in the Module 6. With all these information and trainer guidance, we can re-frame our marketing mix with more depth. This part should cover

basically 4Ps (Product / service, Price, Place and Promotion) for a product-oriented business and it should be supplemented with another 2Ps (Process and Physical Presence) for a service-oriented business. Distributions channels and related aspects are included in the P- Place. Trainer will give necessary guidance in the preparation.

Once, analysed, it should be inserted in the following cage.
Marketing Mix:
Sales Plan:
This is also another vital preparation. We need to prepare our estimated sales plan wit
the information collected under the close supervision of the trainer. Trainer will provid
the necessary knowledge and skill inputs. After preparing the estimated sales plan, w should complete the following cage.
Should complete the following cage.
Sales Plan (Budgeted):

# Session 7.4 – Analysing Market Situation

Session objectives: At the end of this session, trainees will be able to,

- ✓ understand about all constituents of Market Situation analysis component of the business analysis activity,
- ✓ gain more insights of market situation factors,
- ✓ collect relevant information, and
- ✓ complete that part of the business analysis for their individual businesses.

Session	Time (mins)	Methodology	Training aids
<ul> <li>a. Session commencement:</li> <li>Explain about the session objectives, and its importance, emphasizing the key role of market situation understanding in business start-up process, (Refer Guideline 1 of Special Guidelines &amp; Formats)</li> </ul>	10	Interactive discussion supported by PPT	White board Work book
<ul> <li>b. Products / Services:</li> <li>Explain interactively about products and services with examples,</li> <li>Guide trainees to compile the information,</li> <li>Guide them to complete the relevant cage with information of their products / services.</li> <li>(Refer Guideline 2 of Special Guidelines &amp; Formats)</li> </ul>	30	Interactive and explanatory discussion Individual exercise	Trainee workbook White board
<ul><li>c. Description of the Market Area:</li><li>- Explain what information trainees should collect,</li></ul>	20	Interactive and explanatory discussion	Trainee workbook White board

d. Description of the Economic Condition of Market Area:  - Explain what information trainees should collect, - Facilitate them to collect the information, - Guide them to complete the relevant part. (Refer Guideline 2 of Special Guidelines & Formats)  - Ensure that trainees complete the relevant section at the end. (Refer Guideline 2 of Special Guidelines & Formats)  - Other Conditions of Market Area: - Follow the same process, - Ensure that trainees complete the relevant section at the end. (Refer Guidelines & Formats)  - Other Conditions of Market Area: - Follow the same process, - Ensure that trainees that	<ul> <li>Facilitate them to collect the information,</li> <li>Guide them to complete the relevant cage,</li> <li>Verify randomly if they have completed the relevant part.</li> <li>(Refer Guideline 2 of Special Guidelines &amp; Formats)</li> </ul>		Individual exercise	
Area:  - Follow the same process, - Ensure that trainees complete the relevant section at the end. (Refer Guidelines & Formats)  f. Other Conditions of Market Area: - Follow the same process, - Ensure that trainees    explanatory discussion   White board	Economic Condition of Market Area:  - Explain what information trainees should collect, - Facilitate them to collect the information, - Guide them to complete the relevant cage, - Verify randomly if they have completed the relevant part.  (Refer Guideline 2 of Special Guidelines &	15	explanatory discussion	workbook
	Area:  - Follow the same process, - Ensure that trainees complete the relevant section at the end. (Refer Guideline 2 of Special Guidelines & Formats)  f. Other Conditions of Market Area: - Follow the same process,		explanatory discussion Individual exercise  Interactive and explanatory	workbook White board  Trainee workbook

-	Competitive Situation: Follow the same process, Ensure that trainees complete the relevant section at the end. (Refer Guideline 2 of Special Guidelines & Formats)  Target Customers'	45 45	Interactive and explanatory discussion Individual exercise	Trainee workbook White board  Trainee
	Information: Follow the same process, Ensure that trainees complete the relevant section at the end. (Refer Guideline 2 of Special Guidelines & Formats)	7	explanatory discussion Individual exercise	workbook White board
i	Marketing Objectives:  Explain about the process given in the trainee workbook,  Take them through Step 1 and guide them to write their vision statement,  Take them through Step 2 and guide them to write their mission statement,  Take them through Step 3 and guide them to prepare marketing objectives,  Ensure that they complete the relevant cage.  (Refer Guideline 2 of Special Guidelines & Formats)	90	Interactive and explanatory discussion Individual exercise	Trainee workbook White board
j. - -	Marketing Expenditure Budget: Give them about the basic understanding, Guide them to prepare the budget (follow the contents of the trainee workbook) Guide them to complete the relevant cage,	60	Interactive and explanatory discussion Individual exercise	Trainee workbook White board

Special Formats)  k. Marketing Discuss marketing prepared Guide the with mark Ensure the	y Strategies: with them about g strategies in the module 6, em to streamline it keting objectives, hat they complete ant cage. Guideline 2 of Guidelines &	60	Interactive and explanatory discussion Individual exercise	Trainee workbook White board
marketing - Guide the marketing business - Ensure the	with them about the g mix, em to analyses the g mix for their nat they complete ant cage.  Guideline 2 of Guidelines &	60	Interactive and explanatory discussion Individual exercise	Trainee workbook White board
the Busin Guide for Guide tra the sale businesse Ensure th sales pla cage. (Refer Special Formats)  In-class total: 5	guidelines given in ness Plan Trainer Sales Plan, ainees to prepare s plan for their es, at they include the an in the relevant Guideline 2 of Guidelines &	90	Interactive and explanatory discussion Individual exercise	Trainee workbook White board

# Session 7.4 - Analysing Market Situation

#### Guideline 1:

During this session, the trainees should learn about each subcomponent of the Market Situation. As an example, the first sub component is Products / Services. Explaining briefly that any business is associated either with a product or a service, trainer can emphasize about the products / service aspects that should be looked in to under market situation analysis. Under this guidance, trainees should collect all relevant aspects of their individual products / services and complete the relevant format.

The same learning, information collecting and format completing process is applicable throughout this session and subsequent sessions of this module. The sources of information will be the knowledge (already known and decided), the trainer, external institutions, market, experts, and similar sources. Since the information requirement surfaces from time to time when completing different parts of this module, the trainer should decide about an easy methodology as to how to do it. One alternative methodology will be to complete the business analysis report format (cages given in different sessions) with whatever the information available, understand the nature of information needed more and go to the field and collect them. Thus, the trainees can come back to the class and complete the business analysis report at the end.

Instructions given under Instructional Guide are only a guidance. Trainers have the liberty to change certain practical methodologies as long as the session objectives, module objectives and the total programme objectives are precisely met.

#### Guideline 2:

- 1. Business Plan Preparation Module contains most of the information in relation to the Market Situation. Trainers can refer to the Trainer Guide 4 (Business Plan).
- 2. Trainers need to have sufficient skills in delivering the Business Analysis module.
- **3.** Trainers should impart the conceptual awareness and transfer practical skills to the trainees sufficiently to ensure that they complete the relevant parts of the business analysis at the end.

# TRAINEE WORKBOOK CONTENTS

# Session 7.5 – Analysing Production / Service Process Information

We are gradually completing our business analysis task. During this session, we should examine the information pertaining to production / service process.

#### Production / Service Process:

Production process is the backbone of a manufacturing enterprise. If the business offers a service, it is the service process which is the backbone of it. As potential entrepreneurs, it is imperative for us to have a basic knowledge of production process. Service process is generally not that complicated and it depends on the particular business. Let's have a basic idea about production through the additional reading given below.

## ADDITIONAL READING ON PODUCTION

# Production process:

In the production, we use inputs to make outputs which are the products our business market. This transformation process of inputs to outputs is called the production process.

# Value addition in the production chain:

Any production process involves a series of links in a production chain. At each stage value is added in the course of production. Adding value involves making a product more desirable to a consumer so that they will pay more for it. Adding value therefore is not just about manufacturing, but includes the marketing process including advertising, promotion and distribution that make the final product more desirable.

It is very important for businesses to identify the processes that add value, so that they can enhance these processes to the ongoing benefit of the business.

## Types of production process:

Three types - Job, Batch and Flow production.

# Job production:

In making jewellery, the jeweller makes the complete wedding ring from its raw material up to the finished product and then start making the next product. This is job production. We can't make several units through a single process here.

# Batch production:

In making bread, the baker makes the mixture for 50 loaves of bread, and send it thorough the baking process together. It's a batch production.

# Flow production:

Flow production is a continuous process of parts and sub-assemblies passing on from one stage to another until completion. Units are worked upon in each operation and then passed straight on to the next work stage without waiting for the batch to be completed. Manufacturing of cars is done through flow production.

We should examine the production / service process information carefully for our business. It includes mainly the **Flow Chart** of the production process, production methodology/ type, raw material required, and the other process- related information. It is essential to include all these in the following cage.

Production / Service Process:
Production Trends:
It is essential to analyse the industry changes in the production process. If Priyakala is planning to start a cap manufacturing business, she should study about the manufacturing process she is going to apply in making caps. In addition, if the market research reveals that most of the manufacturers have now shifted from making a part of it from the manual process to machine-based process, it has to be recorded in the business analysis of her business. All this information flashes a light on the mind of the entrepreneur to make his / her business viable.
Production Trends:
Total Manufacturing Costs: The trainer will guide us as to how to arrive at the total manufacturing costs. We need to calculate it and include in the below cage.  Total Manufacturing Costs:

# The trainer will guide us as to how to arrive at the direct cost per unit. We need to calculate it and include in the below cage. Direct Cost Per Unit: Costing Methods: There are different methods to do costing in manufacturing / service businesses. The trainer will explain these methods and guide us as to how we can select the most appropriate one for our business model. With that study, we can decide about it and include it in the below cage. Costing Methods: Production Overhead Cost: The trainer will guide us as to how to arrive at the production overhead costs. We need to find it and include in the below cage. Production Overhead Cost: Capacity Utilization: The trainer will guide us as to how to complete the below cage with relevant information. Capacity Utilization:

#### Skilled / Unskilled Labour Information:

Direct Cost per Unit:

When we do the field research, we have collected vital information. Similarly, we know about our production information. With all these information collected so far, we can assess the required skilled and unskilled labour for our business. What we need here is the numbers separately for skilled and unskilled categories, the nature of skills required, whether they can be recruited from the surrounding areas, and similar labour information.

Once the information is collected, we should include them in the following cage.

Skilled / Unskilled Labour Information:
Inventory Control:
Expected stock situation is examined, analysed and included in this section. We have already projected the quantity of sales for the next 12 months. We also have information about our production process, raw material needs, and production related information. We need to analyse the raw material stocks that should be maintained at each production cycle, buffer stocks, re-order levels, minimum order quantities, and similar inventory control related information.
The trainer will guide us as to complete this section in a satisfactory manner. If we lack some information, it is essential to collect them further. We need to complete the analysis and include in the below cage.
Inventory Control:
Waste Management System:
As studied earlier, environmental concerns are highly sensitive in sustaining a business. Therefore, we should pay our specific attention to the waste matter accumulated during the production / service process and in the business as a whole. It is unethical and unsustainable to send the waste matter out without managing them internally and dispose of in the socially and legally accepted manner. That indicates that we should plan for an ethical and acceptable waste management system for our business. All these information should be narrated in the below cage. Trainer will guide us in completing this section also.
Waste Management System:

With the completion of the above section, we have analysed the production / service process information required for our business analysis. Next section deals with the analysis of expected management-related information.

# Session 7.5 - Analysing Production / Service Process Information

Session objectives: At the end of this session, trainees will be able to,

- ✓ understand about all constituents of Production / Service Process Information
  Analysis component of the business analysis activity,
- ✓ gain more insights of aspects related to production / service process,
- ✓ collect relevant information, and
- ✓ complete that part of the business analysis for their individual businesses.

Session	Time (mins)	Methodology	Training aids
<ul> <li>a. Session commencement:         <ul> <li>Explain about the session objectives, and its importance, emphasizing the key value of precise understanding of the production or service process in business start—up process,</li> </ul> </li> <li>(Refer Guideline 1 of Special Guidelines &amp; Formats)</li> </ul>	10	Interactive discussion	White board  Trainee workbook
<ul> <li>b. Additional Reading on Production:</li> <li>Explain interactively about the contents of "Additional Reading on Production" with appropriate examples,</li> <li>Motivate the trainees to share their experience when discussing specific topics,</li> <li>Advise them to collect information and complete the cage relevant to Production / Service Process.</li> </ul>	70	Interactive and explanatory discussion supported by a PPT Individual exercise	Trainee workbook PPT White board

	ation Transfer	7.5	In the second second	T
	iction Trends:	75	Interactive and	Trainee workbook
	ribe what production		explanatory	White board
trend:	·		discussion	mino board
·	in what information		Individual exercise	
	es should collect,		individual exercise	
- Facili	tate them to collect			
the in	formation,			
– Guide	them to complete			
the re	levant cage,			
<ul><li>Verify</li></ul>	randomly if they have			
comp	leted the relevant			
part.				
		400		<del>-</del> · · · ·
d. Iotal	Manufacturing Costs:	100	Interactive and	Trainee workbook
El.a			explanatory 	White board
•	in about the concept		discussion	
	ow to find it,		Individual exercise	
	in what information		aiviadai oxoroioo	
	es should collect,			
	tate them to collect			
	formation,			
	them to calculate it			
and c	complete the relevant			
cage				
. D!	L O a at a a a l l a lit			
	t Cost per Unit:			
•	in the concept and			
· ·	the trainees to			
	late and complete the			
	ant cage,			
	randomly if they have			
	leted the relevant			
part.				
(Refe	r Guideline 2 of			
Speci	al Guidelines &			
Form	ats)			
, .		30	Interactive and	Trainee workbook
	ng Methods:		explanatory	Trainice Workbook
	w the same process,		discussion	White board
- Ensur			นเอบนออเบท	
comp			Individual exercise	
section	on at the end.			

(Refer Guideline 2 of Special Guidelines & Formats)  g. Production Overhead Cost:  - Follow the same process,	45	Interactive and explanatory	Trainee workbook  White board
- Ensure that trainees complete the relevant section at the end. (Refer Guideline 2 of Special Guidelines & Formats)		discussion Individual exercise	Willie Board
h. Capacity Utilization:  - Follow the same process,  - Ensure that trainees complete the relevant section at the end.  (Refer Guideline 2 of Special Guidelines & Formats)	45	Interactive and explanatory discussion Individual exercise	Trainee workbook  White board
i. Skilled / Unskilled Labour Information:	30	Interactive and explanatory discussion	Trainee workbook White board
<ul> <li>Follow the same process,</li> <li>Ensure that trainees complete the relevant section at the end.</li> <li>(Refer Guideline 2 of Special Guidelines &amp; Formats)</li> </ul>		Individual exercise	
<ul> <li>j. Inventory Control:</li> <li>Follow the same process,</li> <li>During explanation on the concept clearance, emphasize the importance on this subject area for potential entrepreneurs,</li> </ul>	90	Interactive and explanatory discussion Individual exercise	Trainee workbook  White board
- Ensure that trainees complete the relevant section at the end.  (Refer Guideline 2 of Special Guidelines & Formats)			

k.	Waste Management	90	Interactive and	Trainee workbook
- -	System: Give them about the basic understanding, Guide them to analyse their own business-related waste management, Guide them to complete the relevant cage, (Refer Guideline 2 of Special Guidelines &	90	explanatory discussion Individual exercise	White board
(This	Formats)  ass total: 605 mins  can vary according to the ical path each trainer follows.)			

# SPECIAL GUIDELINES & FORMATS

# Session 7.5 – Analysing Production / Service Process Information

#### Guideline 1:

During this session, the trainees should learn about each subcomponent of the Market Situation. As an example, the first sub component is Products / Services. Explaining briefly that any business is associated either with a product or a service, trainer can emphasize about the products / service aspects that should be looked in to under market situation analysis. Under this guidance, trainees should collect all relevant aspects of their individual products / services and complete the relevant format.

The same learning, information collecting and format completing process is applicable throughout this session and subsequent sessions of this module. The sources of information will be the knowledge (already known and decided), the trainer, external institutions, market, experts, and similar sources. Since the information requirement surfaces from time to time when completing different parts of this module, the trainer should decide about an easy methodology as to how to do it. One alternative methodology will be to complete the business analysis report format (cages given in different sessions) with whatever the information available, understand the nature of information needed more and go to the field and collect them. Thus, the trainees can come back to the class and complete the business analysis report at the end.

Instructions given under Instructional Guide are only a guidance. Trainers have the liberty to change certain practical methodologies as long as the session objectives, module objectives and the total programme objectives are precisely met.

## Guideline 2:

- 1. Business Plan Preparation Module contains most of the information in relation to the Market Situation. Trainers can refer to the Trainer Guide 4 (Business Plan).
- 2. Trainers need to have sufficient skills in delivering the Business Analysis module.
- 3. Trainers should impart the conceptual awareness and transfer practical skills to the trainees sufficiently to ensure that they complete the relevant parts of the business analysis at the end.

TRAINEE WORKBOOK CONTENTS

# Session 7.6 - Analysing Management Information

#### Vision & Mission Statements:

We have already completed the vision and mission statement during completing our marketing objectives. We can include them in the below cage.

Vision & Mission Statements:		

# Owner's information:

This is the space for the inclusion of our information—owner's profile. My name, sex, age, phone numbers and e-mail address, marital status, educational and professional qualifications are some components. It is very useful to include my qualifications related to starting a business, and my business-related experience, if any. Undergoing this business start—up training course is a valid qualification here.

Owner's Information:			

#### Management Team:

We should complete the information of the management team. Being an average start-up, in most cases, it will be the owner who carries out all functions of the business. However, we need to record the real information in the below cage. We should identify the different management functions in the business. Purchasing, production, sales and marketing are some of those generic functions in a business entity. After identifying, we should indicate who is responsible for which function in the relevant cage. When

indicating the management team, it is important to include their qualifications that justify
their suitability to handle that particular function.
Management Team:
Organization Structure:
Organization structure depicts the different management levels, and their comparative authority levels etc. Trainer will guide us in completing this section.
Organization Structure:
Legal Structure: Expected legal mode of our business (sole proprietorship, partnership, or private limited company) is the main ingredient of this section. In addition, we can include the other necessary legal permits / licences etc.
Legal Structure:
Action Plans:
We need to develop action plans for different functional areas—Marketing Action Plan, Production Action Plan, HR Action Plan etc. This is the section of the business plan for

the inclusion of all such action plans prepared for the business. Trainer will guide us with

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more details.

Action Plans:		

# **INSTRUCTIONAL GUIDE**

# Session 7.6- Analysing Management Information

Session objectives: At the end of this session, trainees will be able to,

- ✓ understand about required aspects of Management Information Analysis
  component of the business analysis activity,
- ✓ gain more insights of aspects related to management information,
- ✓ collect relevant information, and
- ✓ complete that part of the business analysis for their individual businesses.

	Session	Time (mins)	Methodology	Training aids
a.	Session commencement:  - Explain about the session objectives, and its importance,	10	Interactive discussion	White board  Trainee workbook
b.	Vision & Mission Statements:  - Guide the trainees to include the vision and mission statements they prepared during a previous session,  - Ask some of them to present their vision and mission statements,	20	Interactive discussion Individual exercise Presentation	Trainee workbook White board

C.	<ul> <li>Verify that they have completed the relevant cage.</li> <li>Owner's information: <ul> <li>Explain the contents of owner's information,</li> <li>Guide them to compile the information for their business,</li> <li>Guide them to complete the relevant cage,</li> <li>Verify randomly if they have completed the relevant part.</li> </ul> </li> </ul>	25	Interactive and explanatory discussion Individual exercise	Trainee workbook White board
d.	<ul> <li>Management Team:</li> <li>Explain about the concept and the contents related to the term management team,</li> <li>Explain what information trainees should collect,</li> <li>Facilitate them to complete the relevant cage,</li> </ul>	15	Interactive and explanatory discussion Individual exercise	Trainee workbook White board
e.	Organization Structure:  - Explain about the concept on organization structure of a business entity, - Ensure that trainees complete the relevant section at the end.	20	Interactive and explanatory discussion Individual exercise	Trainee workbook White board
f.	Legal Structure:  - Guide the to include the expected legal mode of the business,  - Advice the trainees to include the other legal requirements (permits, clearance certificates etc)	30	Brief explanatory discussion Individual exercise	Trainee workbook White board

necessary for the intended business,  - Ensure that trainees complete the relevant section at the end.			
g. Action Plans:  - Discuss about the action plans prepared / required under different business operations such as Marketing & Sales, Production, HR etc.  - Ask them to compile the Action Plans already done and prepare the other action plans,  - Ensure that trainees complete the relevant section at the end incorporating the action plans.  In-class total: 240 mins  (This can vary according to the practical path each trainer follows.)	120	Interactive and explanatory discussion Individual exercise	Trainee workbook White board

# Session 7.7 - Analysing Human Resource Management Information

We should complete each cage according to the topics given in each cage. If the information available with us are not sufficient, it is essential to find all relevant information from the appropriate sources. Trainer will guide in completing this section, wherever necessary.

Positions Required / Job Descriptions / Qualifications:						
HR Selection Method:	(Methods of sourcing / Selection methods etc.)					
HR Recruitment:	(Recruitment methodology ·······)					
Employment Conditions:	(Employment terms / Leave / Transfers / Promotions)					
Employment Development:	(On-boarding / Skills transfer / Training ······)					

	Productivity Improvement Considerations:
_	
	Other Considerations of HR:

# Session 7.7 - Analysing Human Resource Management Information

Session objectives: At the end of this session, trainees will be able to,

- ✓ understand about the Human Resource Management Information required for the business analysis activity,
- ✓ gain more insights of aspects related to HRM information,
- ✓ collect relevant information, and
- ✓ complete that part of the business analysis for their individual businesses.

Session	Time (mins)	Methodology	Training aids
a. Session commencement:  - Explain about the session objectives, and its importance,	10	Interactive	White board  Trainee  workbook
<ul> <li>b. Completion of each section of the HRM Information analysis:</li> <li>Explain about the basics pertaining to each section,</li> <li>Guide them to work on their own business need of HRM and fill each section,</li> <li>Ensure that they have completed the relevant cages.</li> <li>(Refer Special Guidelines &amp; Formats)</li> </ul>	60	Interactive explanation supported by PPT Individual exercise	Trainee workbook PPT White board
In-class Total: 60 mins  (This can vary according to the practical path of each trainer.)			

# Session 7.7 - Analysing Human Resource Management Information

#### **Basic Awareness**

## Human Resources of a start-up business:

All personnel employed in a business are the Human resources of that business or organization. They are recruited through different sources and methods. Human resources are responsible for different functions of the business entity. However, at the initial phase of a business, it is the owner who perform many functions because recruitment of people from outside is costly and the business volume does not require many hands. Generally, the family members help the owner to perform some functions at this stage. But, when the business is growing, it is necessary to recruit people for various activities.

The potential entrepreneurs should analyse Human Resource Management (HRM) information that should fit in to the intended business. This is a key activity of a start-up entrepreneur to analyse this information in the business analysis process. Different businesses may require employees of different qualifications, expertise and experience. HRM information basically covers the following areas:

Positions or designations / Job descriptions / Qualifications

- HR Selection Method: (Methods of sourcing / Selection methods etc)

- HR Recruitment: (Recruitment methodology ......)

- Employment Conditions: (Employment terms / Leave / Transfers /

Promotions)

Employment Development: (On-boarding / Skills transfer / Training ·····)

Productivity Improvement Considerations

## Positions or designations / Job descriptions / Qualifications:

Depending on the expected nature of the selected business idea, the business should identify the positions to be filled. Each position is associated with details of activities assigned (job description). Minimum qualifications required for different positions should also be decided.

#### HR Selection Method:

We can select employees for our businesses using different methods. Some entrepreneurs like to consider known people or persons referred by friends for certain positions because of the reliability of the source. Advertisements, announcements, webbased HR sites, and career fairs are the common methods of HR selection.

#### HR Recruitment:

After calling applications through the selection method, we should perform the recruitment process. Short listing, interviewing, conducting written tests, and giving assignments are the recruitment methods used by the businesses.

#### **Employment Conditions:**

When recruiting, we should act according to the accepted labour policies. Employment term can be permanent employment in the business, short-term employment, contract basis assignment or a similar form. In the employment contract (or letter of appointment), this basis should be included with the other standard conditions such as leave entitlement, salary and perks, employee benefits etc. Potential entrepreneur should decide what employment conditions should be applied in what positions.

### **Employment Development:**

It is essential to develop employees of a business because they are the people who keep the business running. If employees are efficient and loyal, business will function smoothly, bringing more revenue. Once an employee is recruited, he / she should be given a proper orientation to fit in to the system. This is called on-boarding of employees. Apart from it, entrepreneurs should ensure that they provide continuous training and skill transfer events to the employees make them better resources to the business.

#### Productivity Improvement Considerations:

Entrepreneurs should formulate productivity improvement methods to ensure that employee works to achieve a certain task, which ultimately contribute to the business objectives. Deciding about key performance indicators, performance targets, performance—related incentives are examples of productivity improvement considerations.

Employee motivation is directly linked to higher productivity. Any step taken to improve morale of employees is a productivity improvement consideration.

## Session 7.8 - Analysing Financial Information

This is a technical part. But, the trainer will explain about each component given in the below cage. We should understand the concept, decide about the information to be given there and complete the section carefully.

- Owner's equity:
- Percentage of ownership:
- Total equity capital:
- Loan capital:
- Cash-flow statements:
- Income statements:
- Balance sheet:
- Budgets:
- Ratio Analysis:

We can now compile all sections together and prepare the Business Analysis Report for our business. Our next step is to perform the Pre-Feasibility Study for our business.

## Session 7.8 - Analysing Financial Information

Session objectives: At the end of this session, trainees will be able to,

- ✓ understand about the components of the Financial Information analysis required for the business analysis activity,
- ✓ gain more insights of the concepts related to financial information,
- ✓ collect relevant information, and
- ✓ complete that part of the business analysis for their individual businesses.

Session	Time (mins)	Methodology	Training aids
a. Session commencement:  - Explain about the session objectives, and its importance, emphasizing the key value of precise understanding of the financial information in the business start-up process, (Refer Guideline 1 of Special Guidelines & Formats)	45	Interactive explanatory discussion PPT	White board PPT Trainee workbook
<ul> <li>b. Main information needed:</li> <li>Present the chart of main financial— related information needed as per the Trainee Workbook,</li> <li>Invite trainees to express what they know about it,</li> <li>Clarify any misinterpretations</li> </ul>	20	Interactive and explanatory discussion supported by a PPT	Trainee workbook  PPT  White board
c. Completion of information analysis:  - Guide them to complete all relevant parts, This includes preparation of forecasted cash-flow, income statement, balance sheet, budgets and ration analysis.	300	Interactive and explanatory discussion Individual exercise	Trainee workbook  White board

<ul> <li>(Refer Guideline 2 of Special Guidelines &amp; Formats)</li> <li>Help them whenever needed.</li> <li>Verify randomly if they have completed it.</li> <li>d. Completion of the Business Analysis Report:</li> </ul>	100	Interactive and explanatory discussion	Trainee workbook White board
<ul> <li>Facilitate them to compile         the full report on Business         Analysis for the respective         businesses, linking each         part in the Business         Analysis Report format,</li> </ul>		Individual exercise	
(Format is given below under Special Guidelines & Formats)			
e. Individual Presentation of the Business Analysis Report:	600	Individual PPT presentations Flipcharts	PPT
<ul> <li>Advise each trainee to present his / her Business Analysis Report to the large group,</li> <li>Give instructions to facilitate the individual presentations, (Refer Special Guidelines &amp; Formats)</li> <li>Allow a 5 minute- Question &amp; Answer session after each presentation, (Trainer and the other trainees can ask questions)</li> <li>Conclude the module guiding them to fine-tune their reports if necessary.</li> </ul>		Пропанта	
In-class total: 1,065 mins			

#### Session 7.8 - Analysing Financial Information

#### Guideline 1:

- ✓ Trainers should be skilled in financial aspects of a business to a certain extent to deliver this session successfully.
- ✓ During this session, the trainers should provide an appropriate awareness to the trainees about the relevant concepts, their relevance to the business and its affairs, while going through each component of the session.
- ✓ Trainers can use the contents from the Trainer Guide 4 (Business Plan) to explain certain concepts.
- ✓ Prior to completing the information, trainees should have the appropriate information or they need to gather them.

#### Guideline 2:

- ✓ Trainer should facilitate the trainees to prepare forecasted documents of the following.
  - Cash-flow statements
  - Income statements
  - Balance sheet
  - Budgets
  - Ratio Analysis
- ✓ Trainer should explain the concept and the methodology of preparing them in a simple manner. Taking the real facts of a voluntary trainee and preparing the above documents is a successful practice. Subsequently, trainer can ask the trainees to prepare the relevant documents for their businesses.
- ✓ Close supervision when the trainees are engaged in preparing their documents is necessary.
- ✓ Trainer has the authority to apply a different style as long as the ultimate objective is achieved. The final result should be the availability of prepared documents with each trainer.

#### Guideline 3:

#### Individual Presentation of the Business Analysis Report

- ✓ Individual presentations should be done on PowerPoint (PPT).
- ✓ Reguest the trainees to take the summary in to a PPT and present it.
- ✓ Since preparation is necessary, trainer can decide the schedule for presentation times.
- ✓ Time allocation for each presentation is only 15 mins.
- ✓ After each presentation, allow a Question & Answer session for 5 minutes. Trainer and the other trainees can ask questions, the presenter should answer.

BUT, explain to the trainees that the purpose of raising questions is to help the presenter to fine-tune the business analysis report.

For	mat of the Business Analys	sis Report
		My business idea:
This		ent reflects the overall picture of my future business. This business analyses of my future business from different
	Economic & Business Conditions	
	Technological Situation	
	Political Situation	
	Legal Situation	
	Social & Cultural Situation	
	Environmental Situation	
3.	MARKET SITUATION	
	Products / Services:	
	Description of Market Are	a:
	Economic Condition of M	arket Area:

Demographics of Market Area:
Other Conditions of Market Area:
Competitive Situation:
Target Customers' Information:
Marketing Objectives:
Marketing Expenditure Budget:
Marketing Strategies:
Warketing Strategies.
Marketing Mix:
Sales Plan (Budgeted):

## 4. PRODUCTION / SERVICE PROCESS INFORMATION

Production / Service Process:
Troduction / dervice riocess.
Production Trends:
Total Manufacturing Costs:
Direct Cost Per Unit:
Costing Methods:
Dec leasting Construct Constr
Production Overhead Cost:
Capacity Utilization:
Skilled / Unskilled Labour Information:
Skilled   Offskilled Labout IIIIOHTallon-
Inventory Control:
Inventory Control:

Waste Management System:
5. MANAGEMENT INFORMATION
Vision & Mission Statements:
Owner's Information:
Management Team:
Organization Structure:
Legal Structure:
Action Plans:
6. HUMAN RESOURCE MANAGEMENT INFORMATION
Positions Required / Job Descriptions / Qualifications:

HR Selection Method:	(Methods of sourcing / Selection methods etc)
[	
HR Recruitment:	(Recruitment methodology ·······)
Employment Conditions:	(Employment terms / Leave / Transfers / Promotions)
Employment Conditions.	(Employment terms / Leave / Transfers / Fromotions)
Employment Development:	(On-boarding / Skills transfer / Training)
Productivity Improvement Co	nsiderations:
Other Considerations of HR:	
7. FINANCIAL INFORMATION	
Owner's equity:	
<ul><li>Percentage of ownership:</li></ul>	
Total equity capital:	
<ul><li>Loan capital:</li></ul>	
<ul><li>Cash-flow statements:</li></ul>	
Income statements:	
Balance sheet:	
<ul><li>Budgets:</li></ul>	
<ul><li>Ratio Analysis:</li></ul>	

# 8. Pre-Feasibility Study



Pre-feasibility study is a preliminary study undertaken to

determine, analyze, and select the best business options. In this study, we assume we have more than one business options, then we want to know which one is the best, both technically and financially. In pre-feasibility we select the best idea among several ideas. It will be hard and takes time if we explore each option deeply. Therefore, shortcut method is considered acceptable in this early stage and can be used to determine minor components of investment and production cost. If the selected option is considered feasible, it is recommended to continue the study to feasibility to get deeper analysis of the selected business option.

### Module objectives:

At the end of this module, the trainees will be able to understand about the pre-feasibility study in a business, and perform a practical pre-feasibility study for their business ideas covering,

- ✓ Marketing Feasibility
- ✓ Technical feasibility
- ✓ Financial feasibility
- ✓ Environmental feasibility

#### TRAINEE WORKBOOK CONTENTS

## Session 8.1 - What is a Pre-Feasibility study for a business idea?

Pre-feasibility study for a business idea shows if the intended business is viable in the context of key functional areas of a business. We focus our attention on marketing, technical, financial and environmental areas as the key functional areas. For an example, we closely examine whether our business idea will have a sufficient market. This is done under marketing feasibility coverage.

Pre-Feasibility Study is a non-comprehensive analysis at this level because at a subsequent stage of our process we do a complete Feasibility Study called Viability Testing in a comprehensive manner. Feasibility studies are assessment tools – not just reports. We should do the analysis of each and every feasibility component and make decision about the status of our business idea.

### Group work: "No pre-feasibility studies please!"

Your trainer will divide the main group in to 4 small groups. Each group should discuss about the following topic, write their ideas on a flipchart and present to the large group. Topic: What problems does a business face if it started without a pre-feasibility study?

## Session 8.1 - What is a Pre-Feasibility study for a business idea?

**Session objective**: At the end of this session, trainees will understand what a prefeasibility study is.

	Session	Time (mins)	Methodology	Training aids
	Show the video clip on pineapple ice-cream seller and start a discussion how does it relate to pre-feasibility study,	05	Mini video clip presentation Interactive discussion	Trainee workbook  Whiteboard  Multimedia projector
c.	Group work: "No pre-feasibility studies please!"  - Divide the trainees in to 4 small groups,  - Instruct them to discuss about what problems does a business face if it started without a pre-feasibility study?  - Ask each group to write their ideas and present at the end, (Group work- 10 mins; Presentation - 4 mins per group)  Summarize the group outcomes and explain the main areas to be studied under pre-feasibility study	40	Small group discussion  Group presentation  Discussion	Flash cards  Trainee Workbook  PPT
In-	-class total: 45 mins			

## Session 8.2 Marketing feasibility study

Marketing Feasibility Study involves investigation of the target market identifying the potential threats and finding out solutions to overcome them. It considers the significance of the business in the projected area. These studies are done on ideas, campaigns, products and processes. Different factors are included in the market feasibility study, such as

- Industry situation –what is happening to the industry now is it growing or shrinking
- current market situation— who are the customers, how much demand exists, why
  customers are they buying this product, how they buying now, what are the
  preferences
- Competition— who are they, how many of them, what are their strengths, what are their weaknesses,
- Expected future market potential, new potential markets
- Projected future sales how much you could sale in your target market

## Session 8.2 - Marketing feasibility study

**Session objective**: At the end of this session, trainees will understand about the marketing feasibility.

Session	Time (mins)	Methodology	Training aids
a. Create a discussion on what a market is, why it is so important, if there is no market what would happen to our business?	10	Interactive discussion	Whiteboard
b. Conduct a group discussion on what aspects of market do you need to look at or study before starting your business.	10	Group discussion	Flip charts
c. Make four small groups and give an assignment to find out what aspects of the market you should check as market feasibility. After group presentations, show the PPT on market feasibility check list,	30	Group work and presentations;  PPT presentation cum interactive discussion	Trainee workbook Flip charts PPT Whiteboard
d. Summarize the findings and conclude the session.  In-class total: 60 mins	10	PPT presentation cum interactive discussion	Trainee workbook PPT

#### Session 8.3 – Technical feasibility study

A business is considered technically and operationally feasible if it has the necessary expertise, infrastructure and capital to develop, install, operate and maintain the proposed system, and that by establishing such a system, the business will be able to deliver goods or services at a profit. When considering a new business, it is important to consider if there is sufficient access to resources. One of the primary reasons that new business fails is not enough money to keep the business going from start—up until it starts to make a profit. This can lead to a lack of resources.

In technical feasibility the following issues are taken into consideration.

- Whether the required technology is available or not,
- Whether the required human resources are available,
  - Opening a restaurant is a good idea, but can I find skilled chefs to make food?
- Is it possible to find quality raw materials in our area?

Once the technical feasibility is established, it is important to consider the monetary factors also.

#### INSTRUCTIONAL GUIDE

#### Session 8.3 – Technical feasibility study

Session objective: At the end of this session, trainees will be able to understand about the technical feasibility.

Session	Time (mins)	Methodology	Training aids
a. Open up a brief discussion on: "What do you mean by technical feasibility of a business?"	04	Brief interactive discussion	Trainee workbook Whiteboard
<ul> <li>b. Present a suitable video clip and proceed with a discussion on how fast the technology is changing;</li> <li>If a suitable video clip is not available, use another method and proceed with the above discussion.</li> </ul>	08	Video clip Interactive discussion	Trainee workbook
c. Describe, through a discussion, the key factors that you need to look at when doing a technical feasibility	20	Discussion	Trainee workbook
d. Summarize the discussion highlighting the key points  In-class total: 37 mins	5	PPT-based mini- presentation	PPT

## Session 8.4 – Financial feasibility study

A financial feasibility study is an assessment of the financial aspects of something. If this case, for starting and running a business. It considers many things including start—up capital, expenses, revenues, and investor income and disbursements. Other portions of a complete feasibility study will also contribute data to your basic financial study.

A financial feasibility study can focus on one particular project or area, or on a group of projects (such as advertising campaigns). However, for the purpose of establishing a business or attracting investors, you should include at least three key things in your comprehensive financial feasibility study:

The factors to be consider in conducting financial feasibility

- How long do we expect to be in business before we make you first sale?
- How much money do we need to start up?
- How do we intend to fund the business during the start-up phase?
- Estimate our fixed and variable costs.
- What price would our customers pay for our products and services?
- What is our sales forecast?
- What is our breakeven point?
- How long will it take to reach breakeven sales volume?
- How much working capital will we need to sustain operations?
- Return on investment
- Cash flow analysis

## Session 8.4 - Financial feasibility study

**Session objectives:** At the end of this session the participants will understand about the financial feasibility concept and the practical approaches to conducting financial feasibility study.

Session	Time (mins)	Methodology	Training aids
a. Open up a brief discussion on what financial feasibility is in relation to a business	02	Brief interactive discussion	Trainee workbook Whiteboard
<ul> <li>b. Use the interactive game to find out what the main components of a financial feasibility study are</li> <li>Prepare a set of flash cards indicating market feasibility factors, technical feasibility factors and financial feasibility determinant factors and mix them together.</li> <li>Take one by one of each flash card and ask participants about the category it belongs to.</li> <li>Pin the flash cards on the ZOPP board under the relevant category and finally focus on the financial feasibility determinants.</li> </ul>	20	Flash card game and interactive discussion	Pre-prepared flash cards  ZOPP board  Trainee workbook
c. Summarize the key points and conclude the session  In-class total: 32 mins	10	Interactive discussion	Trainee workbook

#### Session 8.5 – Environmental feasibility study

It's certain that a feasibility study plays a major role in a decision making process before or during a business start-up. It also helps businesses to be aware of both – the impact of the environmental factors on the project activities, and the risks or challenges that need to be evaluated in order to make a back-up plan by controlling and providing solutions that will surely lead to a significant result at the closing phase of the project. There are three types of possible impact to the environment by a given industry.

#### Possible Negative Impacts on the Environment by business activities:

#### Environmental Stress

Environmental stress is the type of negative psychological responses of people in the vicinity of the business that causes environmental pollution. These people can include employees (within the business) and the nearby communities. Possible objections of these people could cause severe obstacles to the operation of the business.

#### • Environmental Risks

Actual or potential threat of adverse effects on living organisms by effluents, emissions, wastes, resource depletion arising out of the business operation activity are called environmental risks. This may be harmful to the environment at varying degrees and can jeopardize the business operations in the long run.

#### Deforestation

Some business activities could influence on deforestation directly or indirectly. For instance, a cane sugar factory could clear the forests to plant sugar cane.

Avoiding negative environmental effects is a great global challenge; otherwise, the whole world will have to high cost consequences. Therefore, as business operators, it's our prime responsibility to stop everything that could represent a risk to our environment.

In this regard, business people should take the following into consideration.

Environment sanitation: Activities aimed at improving and maintaining the

standard basic environmental conditions that affect

well-being of people.

Environment sustainability: Maintenance of factors and practices that contribute to

the quality of environment on the long-term basis.

## Practical assignment:

a. Each trainee should conduct a pre-feasibility study for the selected business idea.

b. Each trainee should present his / her pre- feasibility study report <u>summary</u> to the large group at the end (10 mins per trainee for presentation).

## Session 8.5 - Environment feasibility study

Session objectives: At the end of this session the participants will be able to describe

- ✓ what environmental feasibility is, and?
- ✓ how to conduct an environmental feasibility study?

Session	Time (mins)	Methodology	Training aids
a. Open up a brief discussion on what environmental feasibility is	02	Brief interactive discussion	Trainee workbook Whiteboard
b. Divide large group in to four sub groups. Assign a different business (example is given below) to each group.  i. Coir production centre ii. Vehicle service station iii. Timber sawing mill iv. Metal crusher  c. Ask participants to indicate what would be the environmental issues they can identify under the business assigned to them  d. Open up a discussion on importance of evaluating environmental factors prior to starting the business, and taking remedial actions.	20	Small group discussion	Flip charts Trainee workbook
e. Summarize the key points and conclude the session.	10	Interactive discussion	Trainee workbook
f. Module Exercise Guide each trainee to conduct a pre-feasibility study for the selected business idea  Each student should present his / her pre- feasibility study report summary to the large group at the end (10 mins per trainee)	250	Individual exercise Individual presentation	

# 9. Market Research





We should find out more market information to understand the nature of the market, size of the market, customer preferences and dislikes, competitor strengths and their activities before moving further ahead. This is market research. Big companies pay and get the services of professional market research agencies. But, we are yet to start our

business. Even if we can afford to get the services of an outside agency, as potential entrepreneurs, we must go to the market and do a simple market research by ourselves because our field work improves our entrepreneurial maturity and close familiarity on the market, customers and competitors. This experience makes us strong in our entrepreneurial journey. Almost all entrepreneur stars have done their groundwork at the initial stage.

Market research consists of systematically gathering data about the behaviour and activities of a market – and then analysing it to better understand what that group of people needs, what aspects do they search for in buying, who is stocking the particular product, who are the suppliers, what are their marketing strategies etc. The results of market research, which are usually summarized in a report, are then used to help business owners make more informed decisions about the company's strategies, operations, and potential customer base.

Understanding industry shifts, changing consumer needs and preferences, and legislative trends, among other things, can shape where a business chooses to focus its efforts and resources. That's the value of market research.

Meaning, if your research told you that scientists had recently created a new kind of belt that helped the wearer lose weight just by putting it on, for example, your retail store might want to adjust its buying plan to test designs using this new belt. Or if you uncovered that shoppers in your area rely heavily on coupons in making a purchase decision, you might decide to test sending your mailing list a promotional coupon.

Market research can help businesses run more efficiently and market more effectively.

### Module objectives:

At the end of this module, trainees will have developed their understanding, familiarity and practical skills on how to conduct a market research

The module covers the following sessions:

- 9.1 What is a market research?
- 9.2 How to design a market research?
- 9.3 What are sampling techniques?
- 9.4 How to design a market research questionnaire?
- 9.5 Data collection and reporting
- 9.6 Report preparation and presentation

#### TRAINEE WORKBOOK CONTENTS

#### Session 9.1 – What is market research?

Market research is the process of examining our buyers, the product these buyers want, and where they're currently getting it. By engaging the right people and data, a business can use this research to understand what customers really want and how to satisfy their expectations.

The market research could be either qualitative or quantitative in nature depending on the studies you conduct and what you're trying to learn about your industry. Qualitative research is concerned with public opinion, and explores how the market feels about the products currently available in that market. Quantitative research is concerned with data, and looks for relevant trends in the information that's gathered from public records, the size of the demand etc.

There are four different types of market research studies we can conduct, depending on the information that we really need.

#### Interviews

Interviews are the personal, one-on-one conversations you can have with the buyers in your industry. You can conduct interviews in person or over the phone. The information you are collecting through are mainly qualitative information. In an interview our interviewees can answer questions about themselves to help us design our buyer real requirements. These buyer requirements describe our ideal customer's age, family size, budget, job title, the challenges they face at work, and similar aspects of their lifestyle. Having this buyer profile in hand can shape our entire marketing strategy, from the features we add to our product to the content we publish on our website.

#### **Focus Groups**

Focus groups are similar to interviews, we are gathering Qualitative information, but in this case, we are assembling a group of people for one shared interview. A focus group consists of people who have at least one similar category — age or job title, for instance. (example: we can conduct a focus group discussion to check the consumer perception on a particular brand of a cooking oil with a group of housewives)

This type of market research can give us ideas for product differentiation, or the qualities of our product that make it unique in the marketplace. Consider asking our focus group questions about (and showing them examples of) your services, and ultimately use the group's feedback to make these services better.

#### Surveys

Surveys are a form of quantitative research, collect Quantitative information, and we can distribute them over the phone, via email, or through an online survey. A survey could cater to people who've downloaded content from our website or interacted with a member of our business.

Enough completed surveys can help us determine our customer satisfaction level. This means how happy our customers are with what we are selling them. We might include questions like, "How well did we solve your problem?" and "Would you recommend our product to a friend?"

#### Secondary Data

The interviews, focus groups, and surveys are all sources of primary data. on the other hand, the public information — online and offline — that characterizes your business are called as Secondary data, this includes competitor websites, social media business

pages, trade magazines, market reports, and even census data published by the government. If we examine enough secondary data, we can learn how much brand awareness we have in the marketplace compared to the companies that provide the same product or service as us.

When we are conducting a market research, we don't necessarily conduct all above methodologies. Based on the needs of your research and according to the required data and information the methodology is being selected.

The goal of doing market research is to equip ourselves with the information we need to make informed business decisions about the start-up, innovation, growth and the marketing mix (popularly known as 4 Ps).

Marketing mix (4 Ps):

Product : Improve our product / service based on findings about what our

customers really want and need. Focus on things like function,

appearance and customer service or warranties.

Price : Set a price based on popular profit margins, competitors' prices,

financing options or the price a customer is willing to pay.

Placement: Decide where to set up and how to distribute a product. Compare the

(Place, characteristics of different locations and the value of points of sale

**Distribution)** (retail, wholesale, online).

**Promotion:** Figure out how to reach best the particular market segments (teens,

families, students, professionals, etc.) in areas of advertising and

publicity, social media, and branding.

The kind of information gathered through marketing research during the planning and growth stages of your business can also be very useful in its day-to-day operation. A regular flow of market research information can help you to maximize the potential of your current business activities and help you to create a roadmap for future growth.

## Session 9.1 - What is market research?

**Session objective** – At the end of this session, trainees will be able to describe what market research is.

Session	Time (mins)	Methodology	Training aids
<ul> <li>a. Role play— Ask trainees to conduct a role play associated with the following scenario.</li> <li>A person has started a business without studying the market situation, and nobody is willing to buy the products offered.</li> </ul>	05	Role play	Trainee workbook
<ul> <li>b. Summarize quickly, engaging trainees and asking why they failed and what was the mistake they did</li> <li>Point out what market research is and why it is important</li> </ul>	05 05	Interactive discussion  Explanation	Trainee workbook
c. Group discussion 1: How can we do a market research before starting the business?	20	Small group Discussions and presentations	Whiteboard
d. Summarize the key points, highlighting the importance of conducting market research prior to the start-up	5	Interactive discussion	Trainee handbook
In-class total: 40 mins			

#### Session 9.1 - What is market research?

## Role Play

- Select few trainees from the group and explain them about their performing roles. The members need to show a business which has started without conducting a market survey and they don't know what customer wants.
- The members who come as customers need to show that they are dissatisfied from the service and product offered by the business as it does not match with their needs.

#### TRAINEE WORKBOOK CONTENTS

#### Session 9.2- How to design a market research?

The purpose of the market research is mainly to collect information for a business startup or an existing business. But, undertaking a market research helps us gather a strong understanding about the connection of our business and the market.

A well-designed market research / survey can help us to:

- Enter a new market
- Launch a new product or service
- Promote brand awareness
- Optimize our marketing campaign
- Improve customer service
- Change messaging perception of our product or service
- Adjust price points
- Change our product packaging or delivery method

Once we have identified our objectives, it's time to start creating the plan. The first step to designing a good market research plan is to define our need. What issue do we want to address? What do we hope to achieve? Set a survey goal to keep our market research focused on the decisions we are trying to make.

### The designing process of a market research is as follows:

#### a. Identification of the problem

Identification of the research problem is the first step of the market research designing process. There we need to consider why we need to do a market research first. It may be to identify the demand for the product we are going to introduce or existing level of the competition for our product etc.

#### b. What are the information we need to collect?

We need to consider what information we require to find a solution for our problem.

# c. How are we going to collect the information? What are the methodologies? From whom? What would be the sample size?

We have to consider what methodology we are going to use to collect the information. As an example you can use telephone interview methodology to collect information from your customers or you can interview the people directly and collect the information.

# d. What are the tools we can use to collect information? How can we develop such tools?

This is mainly how you develop your questionnaires to collect the information from your sample. You need to develop correct questions to get correct answers otherwise the information you have collected may not relevant to your research problem.

#### e. Data collection

The data collection involves manpower who operate either in the field, as in the case of personal interviewing (in-home, mall intercept, or computer-assisted personal interviewing), from an office by telephone (telephone or computer-assisted telephone interviewing), or through mail (traditional mail and mail panel surveys with pre-recruited households). Proper selection, training, supervision, and evaluation of staff members helps minimize data-collection errors.

#### f. How could we analyse data?

Once you collect the data, you need to analyse it in a scientific manner. Otherwise, you may not get the correct picture that you want to see.

#### g. The final stage of market research is preparation of a report.

- There we need to use the findings come out from the data analysis.

# Session 9.2 – How to design a market research?

**Session objective**: At the end of this session, trainees will be able to describe how they can design a market research.

Session	Time (mins)	Methodology	Training aids
a. Conduct a discussion with participants on, "what is a research and why we conduct research".	05	Interactive discussion	Trainee workbook
b. Divide trainees in to seven small groups and ask each group to read one section of handbook that explain the research process (from a to g). That group should explain the relevant section to the others	20	Group exercise	Trainee handbook
c. Summarize the key points and explain the doubtful points  In-class total: 35 mins	10	Interactive discussions	Trainee handbook

#### Session 9.3 - What are sampling techniques?

Sampling is an effective way of finding views from a wide range of people, selected from a specific group. It would be extremely expensive and time-consuming to gather data from the entire population of our target market, so by carefully sampling our total population it's possible to build an accurate picture of our target market using common trends from the results. As a market research tool for entrepreneurs and start-ups looking to better understand their target market or research the potential for new business ideas, sampling can be a real benefit.

There are several methods to do sampling for your research.

#### Cluster sampling

A sample within your target population can be targeted using certain demographic groups or 'clusters'. It's a relatively quick sampling technique for those looking to conduct research without complete population information. However, it can prove expensive if the clusters you select are vast and there is also a much greater risk of sampling errors.

Example: We can divide the sample in to GN divisions of our DS division and collect information from each division.

#### Convenience sampling

This is the easiest form of sampling; convenience sampling utilises people who are willing to volunteer their services. By using subjects who are readily available for questioning it's possible for fledgling businesses with small budgets to gather large amounts of data very quickly. On the other side, the sample will not be wholly representative of the entire population and the results will also be at risk of volunteer bias.

#### Quota sampling

The aim of this sampling technique is to gather a representative sample of the entire target population. You will go about this by dividing your population using key variables and drawing a sample from each variable. This is not an entirely random selection criteria given that you're drawing a quota from key variables and it's a time intensive task to understand the population to be able to even identify the basis of stratification for the key variables.

#### Pure random sampling

With this sampling method, every single person within your target population has an equal chance of being selected for questioning. This makes it much easier to determine both the estimate of the population and the sampling error. It may not be logistically viable however, if the sample means you're required to make lots of small visits across the country to interview those selected.

### Systematic sampling

This is a probability sampling method in which people are selected from a larger population according to a random starting point and a fixed, periodic interval. This technique ensures the sample is spread throughout the target population but can be costly and time-consuming if, like pure random sampling, the chosen sample is not conveniently located.

# Session 9.3 - What are sampling techniques?

**Session objective**: At the end of this session, trainees will be able to describe about sampling methods.

	Session	Time (mins)	Methodology	Training aids
a.	Ask participant why we need to get a sample for our market research,	05	Interactive discussion	Trainee workbook
b.	Conduct an interactive discussion on how to do sampling.  - Ask trainees to read the explanations given in the workbook and discuss about the methods  - Discuss the pros and cons of each method	20	Interactive discussion with the assistance of the trainee workbook	Trainee workbook
	Summarize the key discussion points -class total: 30 mins	05	Interactive discussion	

#### Session 9.4 - How to design a market research questionnaire?

Survey questionnaires can be used as a relatively simple tool to obtain market research data, and taking the time to create a well-designed questionnaire can give us useful and accurate insight into our audience's opinions.

A short questionnaire is more likely to be completed and returned. It's important to establish a clear goal for our market research project and avoid including questions that do not contribute to the achievement of this goal.

It is also important to make our questionnaire as simple as possible, especially if it is being administered on paper.

In some situations, we may need to use a more complex design, such as one that requires respondents to skip or complete questions or sections based upon their previous responses. It is important to make sure that the design is as straightforward as possible.

Brief questions that use simple language minimize the chances that our questions will be misunderstood, making our survey results more useful.

Simple language is easy to read and comprehend, making our questionnaire less taxing for our participants.

Be brief and direct with our questions, leaving out any unnecessary words and phrases. Short questions are easier for the respondents to answer because they don't have to retain as much information, and therefore are less likely to need to re-read the questions.

We can start our questionnaire with general questions and then move to specific ones. General questions are often easier to answer and can serve as a 'warm-up' that will help our respondents ease into the questionnaire. This can help them to answer more specific questions faster and more accurately later on.

We need to avoid jumping back and forth between general and specific questions as this will require our respondents to shift their focus as they attempt to answer the questions. Slowly building up the complexity of the questions can help our respondents maintain concentration for the entire length of the questionnaire. Personal questions, such as those asking for demographic information, should be placed near the end of the questionnaire. This way, we will still have usable data from the questionnaire if the respondent declines to answer the more personal questions. Make sure that we respect privacy laws.

Open-ended questions allow respondents to answer freely using their own words. Closed-ended questions can be answered using a simple piece of information, such as a 'yes' or 'no'.

The advantage of open-ended questions is that they can generate more detailed information. However, open-ended questions take more time and effort to answer and can be more difficult to analyze once we have collected our responses.

#### Avoid using leading questions

A leading question is one in which the answer is suggested within the question itself and can make the respondent feel compelled to answer in a particular way. This can frustrate respondents and skew our survey results. Some examples of leading questions are:

- You like eating at restaurant X, don't you?
- Why do you like eating at restaurant X more than restaurant Y?

## Avoid using compound questions

Compound questions are two or more questions in one. These questions are problematic because the answer may be different for each part of the question. Examples of compound questions include:

- 'Have you ever shopped at store X and do you shop there frequently?'
- 'Do you purchase product X and product Y?'

#### The questions should be straightforward

Ambiguous questions use words that do not have fixed definitions and are therefore open to a range of interpretations by respondents. Questions that use ambiguous words can produce inconsistent results. Avoid being ambiguous about the time period the respondent should consider, and about describing your product or service. Some examples of questions using ambiguous words are:

- Do you buy product X regularly?
- Is product X a good product?

#### The questions can be answered

Unanswerable questions are those which require the respondent to provide information that is difficult to remember or convey accurately. If our respondents find the questions too difficult to answer, our response rate is likely to suffer. Some examples of unanswerable questions include:

- What is the first restaurant you remember visiting?
- How many fruits and vegetables have you eaten in the past three months?

Future behaviour can be difficult to predict, so while the answers to questions such as 'If your income increased, would you buy more of product X?' can give us useful information, but keep in mind that actual consumer behaviour may happen differently.

#### Use clear response scales

Response scales assess a respondent's level of agreement or disagreement with a statement, or their satisfaction with an experience. For example, you might ask a respondent to rate their experience with your business on a scale of one to five.

Response scales can be an excellent way to remove ambiguity from questions and gather data that is easy to tabulate and interpret. There are some pitfalls to be aware of, however, when designing questions that incorporate response scales.

First, when selecting the number of response categories, try not to have so few that respondents' answers fall between the points, or so many that the values are too ambiguous to produce useful data. Scales with 5 or 7 points are generally considered appropriate for providing valid and reliable responses.

Offering a neutral response option as a midpoint appears to enhance the quality of the data that is produced. Ensure that the differences between the response categories are roughly equivalent and present the choices in a logical and consistent manner (for example, low to high ratings) to avoid confusing our respondents.

We must also make sure that our response categories are mutually exclusive and exhaustive. Mutually exclusive categories have no overlap between adjacent categories. Exhaustive categories ensure that there are no gaps between categories and that the high and low categories account for all possible extreme answers.

#### Clean and visually appealing questionnaire

To make our questionnaire as easy to read as possible, keep the following design elements in mind:

- Text: Choose a font style that is easy to read, and make sure the font size is large enough for our respondents to read. If we use coloured text, make sure the contrast on the paper or screen is adequate.
- Paragraphs: Long paragraphs can be discouraging for readers. Try to keep your blocks of text to a handful of lines.
- White space: Ensure that there is space between questions and sections. Don't make margins too small.

#### Pre-testing questionnaires

Testing our questionnaire in advance can help us to identify any changes that need to be made. There are several testing options we can use.

One option is to have friends or family members complete our questionnaire. Try to select people who are unfamiliar with the goals of our market research campaign. Those who already know what information we are looking for may not accurately represent the people who will participate in our survey. Try to select people who won't hesitate to provide constructive criticism if necessary.

Ideally, we should test our questionnaire with individuals that represent the population we will be targeting with our market research campaign (for example, our customers or residents in the geographic location we serve). Conducting a small pilot test of the questionnaire is one way to get feedback from relatively impartial participants. Given that we may not be able to ask these people questions about the questionnaire itself, this option may not allow us to clearly identify problems with our survey questions.

One of the best ways to evaluate our questionnaire is to conduct personal interviews or focus groups with individuals that have taken the survey. Getting these individuals to take time to test our questionnaire and give us feedback can be a challenge, so we may want to compensate participants for their time.

Interviews and focus groups allow us to determine whether our questions were clear and easy to answer. These approaches allow us to focus on any problem areas identified by our participants. While focus groups can save time by allowing us to get the opinions of several individuals in a single session, keep in mind that individuals may be influenced by others in the group.

The testing method you choose will be influenced by the type of information we require, the amount of time we have available, and our market research budget. Taking the time to develop a well thought-out, participant-friendly questionnaire will give us useful data that can help to make solid business decisions.

#### INSTRUCTIONAL GUIDE

## Session 9.4 – How to design a market research questionnaire?

**Session objective**: At the end of this session, trainees will be able to describe how to design a questionnaire for their market research

	Session	Time (mins)	Methodology	Training aids
a.	Discuss with participants as to why we need a questionnaire	05	Interactive discussion	Trainee workbook
b.	Divide the large group in to four groups. Share the chapter 9.4 of the work book equally among the groups and asked them to read the given section.  After reading allow them to explain that section to others	30	Self-studying and teaching others	Trainee workbook  Flip charts
C.	Ask the group to prepare a market survey questionnaire for given problem	120	Group activity  Group presentations	Flip charts
d.	feedback to the participants	20	Interactive discussions	Trainee workbook
In-	-class total: 175 mins			

## Session 9.4 – How to design a market research questionnaire?

**Self-studying activity**: Divide the learning sections of the chapter among the groups correctly. The groups must read and collect the important points to explain to the others.

**Group exercise**: Advise trainees to prepare a questionnaire. It should be short and could be used in the field by the trainee as a follow up activity of this exercise.

#### TRAINEE WORKBOOK CONTENTS

## Session 9.5 - Data collection and reporting

#### Data collection

Data collection for marketing research is a detailed process where a planned search for all relevant data is made by a researcher. The success of marketing research is contingent on the integrity and relevance of the data. And to a high degree, the quality of the data depends on the methods of data collection used. The selection and use of methods for conducting marketing research requires a great deal of experience and expertise in order to correctly gage suitability.

These methods fall into two types of research categories, which are Qualitative Research and Quantitative Research. Qualitative Research is generally used to develop an initial understanding of the problem. It is non-statistical in nature and the answers are derived from the data itself. It is used in exploratory and descriptive research designs. Qualitative data can be procured through a variety of forms like interview transcripts; documents, diaries and notes made while observing. Quantitative Research on the other hand, quantifies the data and generalizes the results from the sample to the population.

## There are two types of data:

a. **Primary Data** Data that is collected first hand by the researcher. This data

is specifically collected for the purpose of the study and addresses the current problem. This data is comparatively

more expensive.

b. **Secondary Data** Data from other sources that has been already collected and

is readily available. This data is less expensive and more

quickly attainable from various published sources. Secondary data is extremely useful when primary data cannot be obtained at all.

#### Basic methods of data collection:

#### a. Telephone Interviews

The biggest advantage of telephone interviews is cost and time saving. Today, accessing people via telephone is so much easier because almost everyone has one. Another advantage is that fewer interviewers are required in order to conduct telephone interviews than face—to—face interviews. On the other hand, people may not pick up your call or they may not take it as serious as you do personal interview. It is a disadvantage.

#### b. Online Surveys

With the current technological developments, the use of online surveys has rapidly increased. It may well be the least expensive way to reach the greatest amount of people – all over the world. Once an online survey has been designed, it can be stored easily, revised and reused as needed from time to time. The key is in the design and layout of the survey so that respondents don't overlook a survey in their crowded inboxes. The response time is quick so online surveys have become the preferred method of data collection for many consumer satisfaction surveys and product and service feedback. It is easy to track respondents, non-respondents and results through the data collection process. Electronic reminders can be sent easily at a very low cost. Respondents have the option to begin the survey, stop, save the responses at a later more convenient time. Research shows that respondents tend to answer questions more truthfully than when engaged through other methods.

## c. Face to Face Interviews

This method is one of the most flexible ways to gather data and gain trust and cooperation from the respondents. Besides that, interviewing respondents in person means their non-verbal language can be observed as well. It is especially useful to detect discomfort when respondents are discussing sensitive issues. Respondents have more time to consider their answers and the interviewer can gain a deeper understanding of the validity of a response. It is also easier to maintain their interest and focus for a longer period. Focus Group Interviews entail more respondents at one time.

Face to face interviews can also take place via Intercept Interviews as well. These interviews can take place on the spot at shopping malls, street corners or even at the

threshold of people's homes. It is understandable why these types of interviews must be brief, to the point and free of from distasteful questions as there is a strong risk of the potential respondent leaving. However, these face to face interactions can be time consuming and costly than other methods.

#### Report Preparation and presentation

Mostly, research work is presented in a written form. The practical utility of research study depends heavily on the way it is presented to those who are expected to act on the basis of research findings. Research report is a written document containing key aspects of research project.

Research report is a medium to communicate research work with relevant people. It is also a good source of preservation of research work for the future reference. Many times, research findings are not followed because of improper presentation. Preparation of research report is not an easy task. It is an art. It requires a good deal of knowledge, imagination, experience, and expertise. It demands a considerable time and money.

Research report involves relevant information on the research work carried out. It may be in form of hand-written, typed, or computerized.

#### Report Format:

There is no one best format for all reports. Format depends on several relevant variables. One must employ a suitable format to create desirable impression with clarity. Report must be attractive. It should be written systematically and bound carefully. A report must use the format (often called structure) that best fit the needs and wants of its readers. Normally, following format is suggested as a basic outline, which has sufficient flexibly to meet the most situations.

Research report is divided into three parts as follows.

## I. First Part (Formality Part):

- (i) Cover page
- (ii) Title page
- (iii) Certificate or statement
- (iv) Index (brief contents)
- (v) Table of contents (detailed index)
- (vi) Acknowledgement

- (vii) List of tables and figures used
- (viii) Preface / forwarding / introduction
- (ix) Summary report

## II. Main Report (Central Part of the Report):

- (i) Statement of objectives
- (ii) Methodology and research design
- (iii) Types of data and its sources
- (iv) Sampling decisions
- (v) Data collection methods
- (vi) Data collection tools
- (vii) Fieldwork
- (viii) Analysis and interpretation (including tables, charts, figures, etc.)
- (ix) Findings
- (x) Limitations
- (xi) Conclusions and recommendations
- (xii) Any other relevant detail

## III. Appendix (Additional Details):

- (i) Copies of forms used
- (ii) Tables not included in findings
- (iii) A copy of questionnaire
- (iv) Detail of sampling and rate of response
- (v) Bibliography List of books, magazines, journals, and other reports
- (vi) Any other relevant information

#### Key Considerations/Factors:

While preparing research report, following issues must be considered:

(i) Objectives

- (ii) Type of problem / subject
- (iii) Nature and type of research
- (iv) Audience or users of research work
- (v) Size of report
- (vi) Form of writing handwritten, typed, or computerized.
- (vii) Time and cost
- (viii) Language
- (ix) Contents of report
- (x) Order of contents
- (xi) Number of copies
- (xii) Format type and size of paper; length, width, and depth of report; and pattern of writing including paragraph, indent, numbering, font size and type, colouring, etc.
- (xiii) Binding (for soft, and, particularly, for hard copy) type, quality of material, colour, etc., related issues.

# Session 9.5 - Data collection and reporting

**Objective**: At the end of this session, trainees will have an improved understanding about methods of collecting information and preparing market research reports.

Session	Time (mins)	Methodology	Training aids
a. Ask participants why we need a questionnaire	05	Interactive discussion	Trainee workbook
b. Learn & Share Activity:  Make four groups. Share the chapter 9.5 of the work book equally among the groups and asked them to study the given section. After studying, they should explain that section to the others	30	Learn and share activity	Trainee workbook Flip charts
c. Group activity 1: Sample market survey  - Guide each group to conduct a market survey using the questionnaire prepared during the previous session, (Refer Special Guidelines & Formats)	240	Sample market survey	Trainee workbook
d. Group activity 2: Reporting  - Guide each group to prepare a simple report on their collected data and present	240	Group presentations	workbook Flip charts
e. Provide feedback to the participants and concluding	20	Interactive discussions	Trainee workbook
Module exercise Conduct a market research by participants for their selected product/service			
In-class total: 535 mins			

## Session 9.5 - Data collection and reporting

## Group Activity 1: Sample market survey

Each group should perform this field exercise using the questionnaire prepared by the group during the previous session. Questions should be allocated among the members in such a way that each individual gets at least 3 questions. They can go to the nearby market and individuals are required to complete the allocated questions during the market survey.

## Group Activity 2: Reporting

Guide each group to prepare a market survey report, amalgamating responses collected on individual survey questionnaires. Each group should present the report to the large group.

**Attention**: Trainer is required to plan appropriate timelines and guide the trainees to complete both group activities.

# 10. Test Marketing





Test marketing is an entrepreneurial approach used to discover consumer response to a product / service or marketing campaign by making it available on a limited basis before a wider release. Consumers exposed to the product or service may or may not be aware that they are part of a test group. Test marketing of retail products involves placement in a

limited number of stores. Sales in those stores are used to predict market response to the product and guide distribution for the full launch. Test marketing often launches regionally and a product is made available only within a limited geographic area. However, it's important to ensure that the test market is a reliable predictor of the full market since a product that is popular in a given area may not be successful elsewhere.

#### Module objectives:

At the end of this module, trainees will have,

- ✓ developed their understanding, familiarity and practical skills on how to conduct test marketing, and
- ✓ done test marketing for their product / service

The module covers the following sessions:

- 10.1 Why test marketing?
- 10.2 Concept testing in marketing
- 10.3 What is the test market?
- 10.4 Practical approaches in test marketing

## Session 10.1 – Why test marketing?

Test marketing involves launching the product in a selected area (usually geographic) of the target market in order to measure the viability of a product or service in the target market prior to a main roll-out or launch.

The aim of the test marketing is to gather as much information as possible about the elements of the marketing mix, in the context of our product. It includes:

- Product itself
- · Promotional message and media spend
- Distribution channels (Place)
- Price

Sometimes several test markets (usually small ones) are used, with each testing different marketing mixes.

The main benefits and disadvantages of test marketing can be summarised as follows.

#### Advantages of test marketing

- Data provided is from actual customer spending
- Reduces the risk of a full-scale launch if the product fails a test, entrepreneur can save a significant amount of costs that would have been a loss in full-scale launch.
- Helps fine-tuning the marketing mix before full launch
- Can create promotional inputs which supports the main launch

#### Disadvantages of test marketing

- Danger of the competitors' learning about the product where they can come up with a strong competitive response before the full launch
- Test market may not be representative of the full target market, leading to inappropriate decisions
- Delays in full launch may limit the revenue opportunity in markets subject to rapid change
- Costly and time-consuming to administer

# Session 10.1 – Why test marketing?

**Session objectives**: At the end of this session, the trainees will be able to describe why test marketing is important, especially in our business start-up process

Session	Time (mins)	Methodology	Training aids
<ul> <li>a. Two-member activity:</li> <li>Divide trainees in to two-member groups,</li> <li>Ask each group to discuss among them and present a definition for test marketing,</li> <li>Explain the trainee workbook definition afterwards</li> </ul>	12	Small group discussion PPT-based explanation	Trainee workbook PPT
b. Conduct discussions on pros and cons of conducting a test marketing program for their product	10	Interactive discussions	Trainee workbook
c. Summarize and conclude In-class total: 27 mins	5	Interactive discussion	Trainee workbook

#### Session 10.2 – Concept testing in marketing

Concept Testing is the investigation of potential consumers' reactions to a proposed product or service before introducing the product or service to market. As businesses and organizations look to launch a product or invest in the development of an idea, concept testing is a valuable step to identify perceptions, wants and needs associated with a product or service. Concept testing is that stage in product or marketing campaign development where concepts are evaluated to determine if they have enough potential for further investment and development. With the high rates of new product failure in the market, it is safe to assume that many businesses neglect this critical phase.

Concept testing is done both with surveys as well as qualitative research (such as focus groups or in-person interviews). Base our concept test methodology on both who we need to include in the research as well as whether our concept itself to being presented graphically or verbally, without explanation or discussion. In either case, the research investment conducted at the concept testing phase is minimal compared to launching a new product that does not meet sales goals.

#### Why concept testing?

- 1. To develop the original idea further; Running a quick concept test will tell us whether our product has the potential to justify investment in further development.
- 2. To estimate the concept's market potential. Sometimes, it is critical to know whether we have a special product to guide further investment. We never want to overinvest in a product that can't sell.
- 3. To eliminate lower-potential concepts. With this we may find that our great idea is not so great. Identifying and killing low-potential product ideas before they drain resources unnecessarily is another important purpose of concept tests.
- 4. To determine the value of concept features and benefits. Knowing what our customers like (or dislike) about our new concept can guide future development. Additionally, it is important for marketers to understand what benefits to communicate to the target audience at launch and beyond.
- 5. To identify the highest potential customer segments. Who likes the concept the most, and why? Who is likely to be an early adopter and even potentially a loyal purchaser? Understanding our customer base can help us to optimize our product launch.
- 6. To estimate of sales or trial rate. To scale up production of the new product (or delivery in the case of a new service), we need to have an estimate of how much will sell or what percentage of current customers will try the new offering.

Innovation, and developing new products and services, is the lifeblood of our business. With the concept testing we can vastly reduce the risk of product failure – and increase the probability of new product success.

## INSTRUCTIONAL GUIDE

## Session 10.2 - Concept testing in marketing

**Session objective**: At the end of this session, the trainees will be able to describe why test marketing is important and they will have acquired some practically important insights of concept testing

Session	Time (mins)	Methodology	Training aids
<ul> <li>a. Interactive discussion: <ul> <li>Guide an interactive discussion involving all trainees, on the basics of concept testing</li> <li>Explain the basics of the concept testing in marketing, after the group discussion</li> </ul> </li> </ul>	10	Large group discussion PPT-based explanation	Trainee workbook PPT
b. Conduct a simulation exercise of concept testing with the large group.  (Refer Special Guidelines & Formats)	30	Simulation exercise	Trainee workbook
c. Summarize the key points and conclude the session  In-class total: 50 mins	10	Large group discussion	Trainee workbook

#### Simulation Exercise:

Divide the participants in to four small groups. Advise each group to select one of their own product concepts. Guide each group to simulate a focus group discussion in-front of the large group to validate their selected product concept.

#### TRAINEE WORKBOOK CONTENTS

#### Session 10.3 – What is the test market?

Geographic areas selected for a limited-scale introduction of a new product and/or a marketing plan. A test market serves as a field-laboratory which simulates some or all factors associated with a full scale or national launch of the product. It generally includes at least on city that is a hub of commercial and media activity in that area and is surrounded by, and well connected to, several suburbs. Multiple test market locations allow evaluation of different pricing schemes, advertising media, promotional techniques, and other components of a marketing strategy.

The test market ideally aims to duplicate "everything" – promotion and distribution as well as "product" – on a smaller scale. The technique replicates, typically in one area, what is planned to occur in a national launch; and the results are very carefully monitored, so that they can be generalised to projected national results. The area may be any one of the following:

- Television area
- Internet online test
- Test town
- Residential neighbourhood
- Test site

Answers to the following questions will help us to plan test marketing:

- Which test market?
- What is to be tested?
- How long the testing?
- What are the key success criteria?

The simple go or no-go decision, together with the related reduction of risk, is normally the main justification for the expense of test markets. At the same time, however, such test markets can be used to test specific elements of a new product's possibly the version of the product itself, the promotional message and media spend, the distribution channels and the price. In this case, several `matched' test markets (usually small ones) may be used, each testing different marketing mixes.

All test markets provide additional information in advance of a launch and may ensure that launch is successful: it is reported that, even at such a late stage, half the products entering test markets do not justify a subsequent national launch.

However, all test markets do suffer from a number of disadvantages:

- 1. **Replicability** Even the largest test market is not totally representative of the national market, and the smaller ones may introduce gross distortions. Test market results therefore have to be treated with reservations, in exactly the same way as other market research.
- 2. Effectiveness In many cases the major part of the investment has already been made (in development and in plant, for example) before the 'product' is ready to be test marketed. Therefore, the reduction in risk may be minimal; and not worth the delays involved.
- 3. Competitor warning Test markets can give competitors advance warning of a company's intentions and time to react. They may even be able to go national with their own product before the test is complete. They may also interfere with a test, by changing their promotional activities (usually by massively increasing them) to the extent that results are meaningless.
- 4. **Cost** Although the main objective of test markets is to reduce the amount of investment put at risk, they may still involve significant costs.

# Session 10.3 – What is test market?

**Session objective**: At the end of this session, the trainees will be able to sufficiently comprehend what test market is, with its dynamics and features

Session	Time (mins)	Methodology	Training aids
a. Interactive discussion:  - Conduct an interactive discussion, supported by a PPT to explain the difference between test market and test marketing	10	Interactive discussion PPT	Trainee workbook PPT Whiteboard
<ul> <li>b. Self-learning exercise: <ul> <li>Divide the participants in to four small groups and allow them to read the paragraph of test market under the 10.3,</li> <li>Ask one of the following questions from each group,</li> <li>✓ What is test market?</li> <li>✓ How do we select a test market?</li> <li>✓ Advantageous of selecting a test market?</li> <li>✓ Disadvantageous?</li> </ul> </li> <li>(Refer Special Guidelines &amp; Formats)</li> </ul>	30	Self-learning  Questioning and answering	Trainee workbook
c. Summarize the key points and conclude the session  In-class total: 50 mins	10	Interactive discussion	Trainee workbook

## Session 10.3 – What is test market?

## Self-Learning Exercise:

- Divide the large group in to 4 small groups
- Ask them to study the Section 10.3 of the Trainee Workbook (5 mins)
- Present the first question from the following 4 questions to the Group 1 and get their answer (5 mins per group); subsequently, allow the others to add their points
- Repeat the process for all 4 groups

#### Session 10.4 – Practical approach in test marketing

As we know already **Test marketing** is a tool used by companies to provide insight into the probable market success of a new product or effectiveness of a marketing campaign. Test marketing can be used by a business to evaluate factors such as the performance of the product, customer satisfaction or acceptance of the product, the required level of material support for the full launch, and distribution requirements for a full launch.

There are three common types of test marketing. They are as follows.

**Type 1:** In this approach, a business will send a new product to a select group of customers before it's released into the full marketplace. In return, the customers will help identify any problems in the product and provide feedback on the product's performance. Any necessary changes based upon the feedback can then be incorporated into the product before its launch. This is known as beta-testing. Beta-testing is very common in the software industry, where software ranging from word processor upgrades to new console games is sent to beta testers for review.

Type 2: This is the second approach. In this approach, the business limits the release of a product or service to a specific geographic region or regions for testing. This is called a regional launch. A small regional launch saves money and lets a business determine the impact of different factors affecting the launch, such as advertising, sales training and incentives, use of specific retailers, and lines of distribution. In undertaking a regional launch, you should try to find a region that matches your full target market as much as possible.

**Type 3:** This approach is called direct marketing. In this case, the business representative goes to the doorstep of the potential customer and explains to him / her about the product and sells as a test. The customer feedback and the responses are recorded and analysed to see the demand.

**Individual exercise**: Each trainee is required to do test marketing for the selected product / service and present the respective test marketing report summary to the large group.

This is a key exercise. Trainer guidance to carry out this practical task is important.

# Session 10.4 - Practical approach in test marketing

Session objectives: At the end of this session,

- ✓ the trainees will be able to clarify generally available test marketing approaches used by businesses, and
- ✓ they will conduct test marketing for their chosen product / service and present the test marketing summary

Session	Time (mins)	Methodology	Training aids
a. Conduct an interactive discussion on "Practical approach of test marketing?"	10	Interactive discussion	Trainee workbook
<ul> <li>b. Group activity: <ul> <li>Ask participants to get in to four small groups,</li> <li>Each group should select one product / service chosen by a member of that group,</li> <li>Ask them to discuss and write down how they will conduct test marketing for that product, (10 mins per group)</li> <li>Guide each group to present their programme. (5 mins per group)</li> </ul> </li> </ul>	70	Group activity Group presentations	Trainee workbook  The market research reports prepared by the trainees.  Flip charts
c. Summarize the key points	10	Large group discussion	
<ul> <li>d. Individual exercise: Test marketing for own product</li> <li>- Guide trainees to conduct individual test marketing activity for the own product and prepare a report based on their field testing</li> <li>- Ask them to present each test marketing report</li> </ul>		Field activity  PPT  Flipcharts	

summary (10 mins pe presentation)	
In-class total: 400 mins	

## SPECIAL GUIDELINES & FORMATS

## Session 10.4 - Practical approach to test marketing

Individual exercise: Test marketing for own product

- This is a key field activity that involves controlled marketing of the product or service chosen by each trainee.
- The activity needs sufficient preparation and hard work

# 11. Business Viability Testing





We are in the possession of a promising business idea that passed through several stages and in each stage it was shaped in to a better form as a great business idea. Being potential entrepreneurs involved in field work, market studies, information collection and various business-related learning activities, each stage has been providing us more

business— related knowledge, skills and entrepreneurial orientation. We have just concluded the Test Marketing stage. At this stage, it is essential to conduct an investigative function in relation to our business idea to assess whether the proposed business based on the chosen idea is really viable or not. This task is called Viability Testing of the business idea. Feasibility Testing or Feasibility Study are synonyms.

The current module of Viability Testing is also an actionable module. We need to go to the market, visit institutions, meet entrepreneurs and customers, see how the competitor products are moving, streamline technology issues, and look at financial barriers etc during viability testing period. In-house information gathering work, class room exercises, and discussions with experts would also be part of our actions during this module.

## Module objectives:

At the end of this module, trainees will have developed their understanding, familiarity and skills on business viability testing through performing the real Viability Testing for our business idea covering the appropriate feasibility components. They also will have the Viability Test Report related to their chosen business ideas in their hands at the end of the session.

The module covers the following areas:

- 11.1 Viability testing Introduction
- 11.2 Marketing feasibility
- 11.3 Production / Operational feasibility
- 11.4 Financial feasibility
- 11.5 Management & Organizational feasibility
- 11.6 Environmental & Social feasibility
- 11.7 Completion of the Viability Test Report

## Session 11.1 – Introduction to viability testing

Viability testing shows whether the proposed business idea can be the base for a viable business that can be started, continued and sustained. Feasibility study and feasibility testing are different names for viability testing. During the test study, we will uncover if there are serious barriers or non-viability based factors are linked in our expected business start-up process. Focused areas are marketing, technical, management, financial and environmental areas. Those are the key areas of our business, or any other business in general. Although we have performed similar tasks like business analysis and pre-feasibility study, this task of viability testing is a broader version of them. We go in to more depth and analyse, probably the same factors. We are advancing through a process to ensure that we can start a successful and sustainable business based on the chosen idea. If we find some serious issues during the viability testing, we may be able to see if we can overcome the results of that particular factor by changing the associated strategy. But, if the total viability testing report gives a negative sign, we may have to go back to the next best idea selected during the module 4 and perform the series of tasks again starting with module 5.

It should be clearly understood that the Viability Test Report is NOT the Business Plan. Viability testing is an <u>investigative function</u> as explained earlier. Preparation of the business plan is a <u>planning function</u>. The business plan outlines the actions needed to take the proposal from "idea" to "reality."

## Components of Viability Testing

- ✓ Marketing feasibility
- ✓ Production / Operational feasibility
- ✓ Financial feasibility
- ✓ Management & Organizational feasibility
- ✓ Environmental & Social feasibility

# Session 11.1 - Introduction to viability testing

**Session objectives**: At the end of this session, trainees will be able to describe what Viability Testing is in the context of the business start-up process.

Session	Time (mins)	Methodology	Training aids
<ul> <li>a. Commence an interactive discussion to highlight the introductory part of viability testing,</li> <li>b. Explain to trainees about the components of viability testing with appropriate examples,</li> <li>c. Verify if the trainees got the correct idea.</li> </ul>	15	Interactive discussion PPT-based explanation Verifying discussion	Trainee workbook Whiteboard PPT Trainee workbook

#### Session 11.2 – Marketing feasibility

Marketing feasibility is performed in order to examine whether the business idea is viable in the marketing context.

Market feasibility should answer the following questions:

- What is the product / service you are going to sell?
- What market segments are you targeting?
- Would people buy the product or service?
- Who are the potential customers and how many of them are there?
- What are the buying patterns of these potential customers?
- How will you sell the product or service? Where? (marketing strategy; distribution)
- Who are your competitors, including past, current and future competitors?
- What are the strengths and weaknesses of your competitors?
- What is the competitive advantage of your product or service? (Why should customers buy?)
- How much will you sell? At what cost?

Marketing feasibility study should investigate in to the answers to the above problems mainly. All the answers, with other facts that support the marketing feasibility of the business should be narrated in the marketing feasibility section. The following information is essential for the marketing feasibility study. They are the components of the marketing feasibility study report.

#### Marketing Feasibility

- 1. Summary
- 2. Description of the Product or Service
- 3. Description of the industry
- 4. Current market analysis
- 5. Anticipated future market potential
- 6. Potential Buyers and Sources of Revenues
- 7. Competitor information
- 8. Marketing Strategies
- 9. Sales Plan (Budgeted)

## 10. Overall Marketing Plan

It is important to collect relevant information through a marketing research, especially for starting a business. It is useful in business expansion activities and new product / service launch also.

## Additional learning - Marketing feasibility

The following additional learning may help us to streamline our efforts to conduct the marketing feasibility study and write the report.

## Industry description:

Our potential business is a member of an industry category. If we are planning to start a Homestay Facilities for tourists, our business belongs to the Hospitality industry. During our market research, we have found information about our industry. Relevant information can be stated in a two-paragraph description of the industry. Within an industry category, there are common factors applicable for individual businesses. Customer groups have many similarities; marketing strategies have some common features, gross profit margin could have a uniformity. Determining our industry is important for some other factors such as receiving contracts, attracting investors, and for receiving grants or bank loans. We should try to analyse the future trends of the industry as well and record them in this section.

#### Analysing our current market

Using the information collected through the market research, we should complete this section. When completed, it should reflect the current market for our product or service. If we are offering something so unique that there are few market statistics, we can either use related industry information or even conduct our independent study. Several ways to conduct our research for new ideas include: questionnaires addressed to targeted consumer groups or the general population, or even customer surveys.

#### Anticipated future market (based on industry trends)

This section should include a narrative description, as well as attached spreadsheets, graphs, or tables to showing trends, statistics, or projections. There are no guaranteed ways to tell if an industry will have measurable growth in the future, but we can make logical and reasonable predictions based on trends, past growth, and current markets.

It is important in this section that our projections are fact-based as much as possible. Any business takes risks; the key is to minimize those risks is by carefully studying already

successful businesses. Rather than targeting the entire industry, it is more practical to isolate similar businesses in the industry and study what they are doing, how they are doing it, and their financial track record.

#### Competitor information:

If we are planning to serve only a localized market, we should start identifying every competitor within a reasonable radius. Most comprehensive way is to list each competitor by location and distance from us, and from each other. However, we can customize the approach, but need to have correct information. We should closely examine all competing businesses that are within a reasonable distance from our location. It is important to consider their locations, business hours, their marketing strategies and how long they have been in business. These things can help us to determine how hard it will be to establish a similar business in the same geographic area.

We should also make a note of any similar businesses in our area that has recently gone out of business. There may be a reason such as poor location, high taxes or operating restrictions, or there may be not enough demand for the product or service in that area to sustain a business. Researching local competitor information can tell us two things: What works now and what has not worked for other business owners.

## Identifying potential customers:

This component of our market feasibility study should be descriptive. Our potential customers should include the following:

- A list of current customers of the product / service and the potential customers.
- Any sales lead that may generate new customers or clients.
- A list of institutional customers (government, semi-government, private or NGO) pertaining to our industry with a brief description if relevant to our business.
- A list of group market types such as seniors' citizens, working mothers, specialty retailers, etc.

Depending upon the nature of our business, it may not be possible to associate specific amounts of revenue with a particular market, but we can at least try to estimate the percentage of total revenue expected from each source. For example, if we plan to sell products to five specialty shops, list each shop we plan to sell to, and a total overall revenue for a category "specialty shops" rather than an amount for each individual shop.

By performing the marketing feasibility we try to establish evidence that our product / service has a definite market and we can sell if we produce. Our sales projections give quantifiable evidence about the market. Revenues are known, at least as projections. In

addition, we learn about serious barriers if any. During our market research, if we find that a well reputed tailoring company has made plans to start operations in proximity where we are making arrangements to start a medium level tailoring shop, we can rethink about our marketing strategies, and types of customers we want to reach. If don't do a market research, or viability testing, after starting our business, we will have to close down our business if the competitor activity is strong.

## Activity 1: Marketing feasibility report

Each trainee is required to do the market research, collect information and complete the marketing feasibility report for his / her selected business.

## **INSTRUCTIONAL GUIDE**

## Session 11.2 - Marketing feasibility

Session objectives: At the end of this session, trainees will be able to

- ✓ describe what market feasibility study is, and
- ✓ perform the market feasibility study for the chosen business

Session	Time (mins)	Methodology	Training aids
<ul> <li>a. Conduct an awareness creation discussion, with the support of a PPT,</li> <li>- Use the questions given in the Trainee Workbook,</li> </ul>	20	PPT-based discussion	Trainee workbook PPT
<ul> <li>b. Present the contents of marketing feasibility study report,</li> <li>- Give a brief account on each content with examples,</li> <li>- Impart key points given in additional learning of the Trainee Workbook,</li> <li>- Verify if the trainees got it cleared,</li> </ul>	90	PPT-based explanatory discussion	Trainee workbook  PPT  Whiteboard

c. Activity 1: Marketing	280	Individual exercise	Participants'
feasibility report			market research
- Guide trainees to carry		Individual presentations	reports
out marketing feasibility			
study and prepare the			Trainee workbook
report for the chosen			
business			
- Ask them to present the			
summary of individual			
marketing feasibility			
report.			
(Refer Special			
Guidelines & Formats)			
In-class Total: 390 mins			

## Session11.2 - Marketing feasibility

## Activity 1: Marketing feasibility report

- This is an individual exercise of doing marketing feasibility for the chosen product or service.
- Trainees should be convinced that they should perform the real feasibility study for the product because the future decisions pertaining to the business depends on the results of this exercise. They should not take this exercise as a learning activity.
- Trainer's committed guidance is very essential for trainees to do their exercise meaningfully.
- Trainees can use their Market Research report contents, and the expertise of the trainer within the class. When they need more information, they should go out and collect them.
- Clarify all grey areas, and supervise their work especially inside the class.
- Decide about the number of days required for collection of field information.
- Ask them to present the summary of individual marketing feasibility report.

## Session 11.3- Production / Operational feasibility

The production / operational feasibility study assesses the details of how we intend to produce the product (production) or generate the service (operation) for sales. Considerations are mainly given to the factors such as raw material needs, production process and technology, labour requirement, and similar factors mainly associated with production / service.

Main sections of the production / operational feasibility report are given below.

## Production / Operational Feasibility

- 1. Summary
- 2. Production / Operation process
- 3. Technology requirement
- 4. Equipment required
- 5. Material requirement
- 6. Labour requirement
- 7. Packaging
- 8. Distribution
- 9. Cost per Unit
- 10. Direct and Indirect Cost
- 11. Manufacturing Account

The production or operational feasibility study report should have the above components. Therefore, although the task is not very convenient, it is essential to collect all relevant information through possible means in order to prepare a proper feasibility study report.

## Additional learning - Production / Operational feasibility

#### Summary:

In the summary, key points should be highlighted. This part can be completed only after the completion of the other parts of production / operational feasibility report.

#### Production / Operation process:

Trainee, as a potential entrepreneur should have an understanding about the production process (or the operational process in case of a service). It should be explained with relevant flow charts.

## Technology requirement:

Under this section, we should include the technology component of our business.

#### Material requirement:

We should prepare a list of all material we require to produce a product or service. Production of television stands may require nails and glue also apart from its main raw material. We should not forget to mention all material that will be involved in producing or manufacturing what we are selling.

This section should essentially explain what they are and where we will get those material from, and whether raw material is freely available or not.

We don't have to include actual financial data in this portion of the study either, but financial data that supports our narrative assessment should be included as an attachment in a separate spreadsheet.

#### Labour Requirement:

We can't run a business, offer services, or manufacturer products without the help of others and that help will cost us. Even if we start our business as its only employee, we will have to add to our labour pool at some point if we plan to grow.

We can break labour into categories if necessary, such as senior level management, office and clerical support, production or distribution staff, professional staff etc.

## Activity 2: Production / Operational feasibility report

Each trainee is required to collect information and complete the Production / Operational feasibility report for his / her business.

# Session 11.3 - Production / Operational feasibility

Session objectives: At the end of this session, trainees will be able to

- ✓ describe what production / operational feasibility study is, and
- ✓ perform the production / operational feasibility study for the chosen business

Session	Time (mins)	Methodology	Training aids
a. Conduct an awareness creation discussion, with the support of a PPT.	15	PPT-based discussion	Trainee workbook PPT
<ul> <li>b. Present the contents of production / operational feasibility study report,</li> <li>Give a brief account on each content with examples,</li> <li>Impart key points given in additional learning of the Trainee Workbook,</li> <li>Verify if the trainees got it cleared,</li> </ul>	80	PPT-based explanatory discussion	Trainee workbook PPT Whiteboard
c. Activity 2: Production / Operational feasibility report  - Guide trainees to carry out production / operational feasibility study and prepare the report for the chosen business  - Ask them to present the summary of individual production / operational feasibility report. (Refer Special Guidelines & Formats)  In-class Total: 375 mins	280	Individual exercise Individual presentations	Trainee workbook  Pre-feasibility report

#### Session 11.3 - Production / Operational feasibility

#### Activity 2: Production / Operational feasibility report

- This is an individual exercise of doing production / operational feasibility for the chosen product or service.
- Trainees should be convinced that they should perform the real feasibility study for the product because the future decisions pertaining to the business depends on the results of this exercise. They should not take this exercise as a learning activity.
- Trainer's committed guidance is very essential for trainees to do their exercise meaningfully.
- Trainees can use some relevant information they have already collected (Example: Pre-feasibility stage). When they need more information, they should go out and collect them.
- Clarify all grey areas, and supervise their work especially inside the class.
- Decide about the number of days required for collection of field information.
- Ask them to present the summary of individual feasibility report.

#### Session 11.4 - Financial feasibility

The financial feasibility study of a business is an assessment of the financial aspects of starting and running. It should clearly reflect the following aspects.

- Start-up capital can be found.
- Cash-flow can keep the business running.
- There is sufficient sales revenue.
- Profit ratios are in accordance with industry standards.
- Business is financially viable.

It considers many things including start-up capital, expenses, revenues, profit and loss account, and similar financial facts. The report should essentially narrate the following components.

#### Financial Feasibility

- 1. Summary
- 2. Start-up capital requirement
- 3. Sources of start-up capital
- 4. Manufacturing Trading Profit and Loss Account
- 5. Accounting and Financial System
- 6. Cash Flow Statement
- 7. Ratio Analysis
  - Gross Profit Ratio
  - Net Profit Ratio
  - Return on Income (ROI)
  - Payback period

#### Additional learning - Financial feasibility

#### Start-Up capital requirement:

Business start—up costs are costs incurred in setting up a business. The common business start—up costs include equipment purchases, starting fees, purchasing office premises, buying inventory, advertising, building a website, purchasing office supplies, utility costs, cost of borrowing (loan interest payment) etc. There are two components of

the start-up costs. First one is **one-time start-up costs**, which we have to spend only one time for the business. This is called the **Fixed Capital**.

Example: Purchasing a land for a business.

The second type is the **on-going start-up costs**. A good example is the cost of raw material used for production until we get the initial income from sales. This component is called the **Working Capital**.

Example: A Furniture manufacturer needs money to purchase timber for the production until he does receive money from his sale.

The financial feasibility report should clearly show the sources of start-up capital.

#### Sources of start-up capital:

Often the difficult part of starting a business is raising the money to start a business. Even if the potential entrepreneur has a vibrant idea and clear idea of how to set up the business and turn it into a successful business, he / she may encounter a significant barrier if the start-up capital cannot be found. Therefore, sourcing start-up capital requires careful planning. In this case, he / she needs to decide:

- How much do I require?
- When should I need it?
- How can I find it?

It is important to point out here that the potential entrepreneurs should not be motivated to go for loans with interests for business start—ups, because the business operation can be unaffordable owing to lack of experience and newness in the market. Best option is to start with the own savings or interest free borrowings from family members or friends. If everything fails, when the bank loan is the only option, he / she should try to source stat—up capital through special SME loan programmes with easy interest schemes. There are some other start—up capital raining possibilities such as joint venture and angel investor arrangements.

If we are compelled to think about a bank loan, it will be essential to provide security (collateral) through mortgaging our own property or assigning a similar asset to the bank.

One way of categorising the sources of finance for a start-up is to divide them into sources as self-funding and external.

#### Potential Returns from the investment:

The business should generate returns for its investment. We need to show how our business generate return for us. There are several methods to calculate and show it.

#### Return on Investment (ROI):

Return on investment or ROI is the gain or projected gain of an investment often expressed as a percentage of the investment cost. It is a common financial metric used to compare and evaluate strategies.

#### Breakeven point:

In simple words, the **break-even point** can be defined as a point where total costs (expenses) and total sales (revenue) are equal. That means, at the **break-even point**, there is no net profit or loss. The firm just "breaks even." We should calculate and find out the break-even point for our product so that we know that we should always sell more than the break-even point-related quantity to earn a profit. We also can estimate the profit we need to earn and calculate back to check how many units should be sold to earn that profit amount.

#### Payback period:

Payback period is the length of time that it takes an investment to reach break-even. It is often calculated as the period for which future cash flows discounted to net present value equal cost. It is common to represent payback period in months or years. It can be used to compare strategies and investments based on projected returns.

#### Activity 3: Financial feasibility report

Each trainee is required to collect information and complete the financial feasibility report for his / her business.

#### Session 11.4 - Financial feasibility

Session objectives: At the end of this session, trainees will be able to

- ✓ describe what financial feasibility study is, and
- ✓ perform the financial feasibility study for the chosen business

Session	Time (mins)	Methodology	Training aids
a. Conduct an awareness creation discussion, with the support of a PPT,	15	PPT-based discussion	Trainee workbook PPT
<ul> <li>b. Present the contents of financial feasibility study report,</li> <li>- Give a brief account on each content with examples,</li> <li>- Impart key points given in additional learning of the Trainee Workbook,</li> <li>- Verify if the trainees got it cleared,</li> </ul>	120	PPT-based explanatory discussion	Trainee workbook  PPT  Whiteboard
<ul> <li>c. Activity 3: Financial feasibility report</li> <li>Guide trainees to carry out financial feasibility study and prepare the report for the chosen business</li> <li>Ask them to present the summary of individual financial feasibility report. (Refer Special Guidelines &amp; Formats)</li> </ul>	280	Individual exercise Individual presentations	Trainee workbook  Pre-feasibility report
In-class Total: 415 mins			

#### Session 11.4 – Financial feasibility

#### Activity 3: Financial feasibility report

- This is an individual exercise of doing financial feasibility for the chosen product or service.
- Trainees should be convinced that they should perform the real feasibility study for the product because the future decisions pertaining to the business depends on the results of this exercise. They should not take this exercise as a learning activity.
- Trainer's committed guidance is very essential for trainees to do their exercise meaningfully.
- Trainees can use some relevant information they have already collected (Example: Pre-feasibility stage). When they need more information, they should go out and collect them.
- Clarify all grey areas, and supervise their work especially inside the class.
- Decide about the number of days required for collection of field information.
- Ask them to present the summary of individual feasibility report.

#### Session 11.5 - Management & Organizational feasibility

Management & Organizational Feasibility study is the assessment of the strengths and weaknesses of the proposed management, and the management structure to examine whether the management component will be capable of managing the affairs of the business to achieve its expectations.

We should find out and record all relevant information to support the above requirement. This report should essentially include the following aspects in addition to the other related information.

#### Management & Organizational Feasibility

- 1. Summary
- 2. Expected legal mode of the business
- 3. Entrepreneur's information
- 4. Organization structure
- 5. Human Resource- related concerns
- 6. Occupational safety and health of employees
- 7. Action Plan

#### Additional learning - Management & Organizational feasibility

#### Entrepreneur's information:

This information should highlight the entrepreneurial qualifications of the business owner and how his / her involvement can contribute to the success of the business.

#### Occupational safety and health of employees:

Information provided under this should emphasize what actions will be taken to ensure the occupation—related health and safety of employees. Establishing an occupational safety and health policy, supply of personal protective equipment etc can be narrated in this section.

#### Activity 4: Management & Organizational feasibility report

Each trainee is required to collect information and complete the management and organizational feasibility report.

#### Session 11.5 - Management & Organizational feasibility

Session objectives: At the end of this session, trainees will be able to

- ✓ describe what management and organizational feasibility study is, and
- ✓ perform the management and organizational feasibility study for the chosen business

Session	Time (mins)	Methodology	Training aids
a. Conduct an awareness creation discussion, with the support of a PPT,	15	PPT-based discussion	Trainee workbook PPT
<ul> <li>b. Present the contents of management and organizational feasibility study report,</li> <li>Give a brief account on each content with examples,</li> <li>Impart key points given in additional learning of the Trainee Workbook,</li> <li>Verify if the trainees got it cleared,</li> </ul>	45	PPT-based explanatory discussion	Trainee workbook PPT Whiteboard
c. Activity 4: Management & Organizational feasibility report  - Guide trainees to carry out management and organizational feasibility study and prepare the report for the chosen business  - Ask them to present the summary of individual management and organizational feasibility report.  (Refer Special Guidelines & Formats)	220	Individual exercise Individual presentations	Trainee workbook Pre-feasibility report
In-class Total: 280 mins			

#### Session 11.5 - Management & Organizational feasibility

#### Activity 4: Management & Organizational feasibility report

- This is an individual exercise of doing management and organizational feasibility for the chosen product or service.
- Trainees should be convinced that they should perform the real feasibility study for the product because the future decisions pertaining to the business depends on the results of this exercise. They should not take this exercise as a learning activity.
- Trainer's committed guidance is very essential for trainees to do their exercise meaningfully.
- Trainees can use some relevant information they have already collected (Example: Pre-feasibility stage). When they need more information, they should go out and collect them.
- Clarify all grey areas, and supervise their work especially inside the class.
- Decide about the number of days required for collection of field information.
- Ask them to present the summary of individual feasibility report.

#### Session 11.6 - Environmental & Social feasibility

The environmental social feasibility analysis needs to provide a sound recommendation about the environmental and social viability of the business. The government, citizens, NGOs and the other organizations are much concerned about the environment and social aspects. Even each and every business should have concerns on three aspects—Profit; People; and Environment. When we proceed with our business idea, we should ensure that we conform to the nationally accepted environmental policies, regulations and standards. We also need to respect the socially accepted environmental norms although they are not prescribed in the law.

There are many practical evidence to prove that businesses that had commenced their operations on excellent business ideas have discontinued the business operations due to the public objections, or law enforcement in relation to social / environmental hazards. They have not paid attention to do the environmental feasibility study before investing!

For our intended business, this the stage in our viability testing exercise to do the environmental feasibility analysis.

Further, this exercise allows for a reduced environmental footprint of the business, offering input to the design of the technical requirements, greatly contributing to the sustainability of the initiative. Proper environmental feasibility also offers a very important set of inputs, both for the financial model and the technical requirements.

As potential entrepreneurs, we need to consider the following aspects for information collection and completing our environmental feasibility study report.

#### **Environmental & Social Feasibility**

- 1. Summary
- 2. Conformity of our business location with regulations
- 3. Possibility of obtaining all clearance certificates, and licences
- 4. Use of hazardous material
- 5. Generation of pollutants to air, water, soil, sewerage system
- 6. Generation of light, noise, vibration
- 7. In respect of export-oriented businesses, conformity with international / client country's environmental regulations and concerns
- 8. Situations where public / community objections can arise
- 9. Effects on Habitats, living species and biodiversity (if applicable)
- 10. Employment opportunities generated by the business
- 11. Contribution to peace-building
- 12. Other relevant environmental factors

We should clearly identify the environmental feasibility—related concerns pertaining to our business and complete the analysis to find out the following:

- 1. Will my business be in the safe phase in relation to environmental concerns?

  This should reveal whether there will be environmental concerns—related barriers for my business or not.
- 2. If there are grey areas when analysed, what actions should I take now to make them clear? This facilitates our readiness. If additional costs are involved with new actions, we can incorporate those costs in the financial feasibility and redo the financial feasibility exercise.

#### Activity 5: Environmental & Social feasibility report

Each trainee is required to collect information and complete the environmental and social feasibility report.

#### INSTRUCTIONAL GUIDE

#### Session 11.6 - Environmental & Social feasibility

Session objectives: At the end of this session, trainees will be able to

- ✓ describe what environmental and social feasibility study is, and
- ✓ perform the environmental and social feasibility study for the chosen business

Session	Time (mins)	Methodology	Training aids
a. Conduct an awareness creation discussion, with the support of PPT,		PPT-based discussion	Trainee workbook PPT
environmental and social feasibil study report,  - Give a brief account on eaccontent with examples,	ch in	PPT-based explanatory discussion	Trainee workbook PPT Whiteboard

- Verify if the trainees got it cleared,			
<ul> <li>c. Activity 5: Environmental &amp; Social feasibility report</li> <li>Guide trainees to carry out environmental and social feasibility study and prepare the report for the chosen business</li> <li>Ask them to present the summary of individual management and organizational feasibility report.  (Refer Special Guidelines &amp; Formats)</li> </ul>	220	Individual exercise Individual presentations	Trainee workbook
In-class Total: 280 mins			

#### SPECIAL GUIDELINES & FORMATS

#### Session 11.6 - Environmental & Social feasibility

#### Activity 5: Environmental & Socialfeasibility report

- This is an individual exercise of doing environmental and social feasibility for the chosen product or service.
- Trainees should be convinced that they should perform the real feasibility study for the product because the future decisions pertaining to the business depends on the results of this exercise. They should not take this exercise as a learning activity.
- Trainer's committed guidance is very essential for trainees to do their exercise meaningfully.
- Trainees can use some relevant information they have already collected (Example: Pre-feasibility stage). When they need more information, they should go out and collect them.
- Clarify all grey areas, and supervise their work especially inside the class.
- Decide about the number of days required for collection of field information.
- Ask them to present the summary of individual feasibility report.

#### TRAINEE WORKBOOK CONTENTS

#### Session 11.7 - Completion of the Viability Test Report

By adding the individual report components prepared above, we can compile the complete Viability Test Report. Each trainee should compile it and get it approved by the trainer before moving to the next step in the business start-up process.

#### Session 11.7 - Completion of the Viability Test Report

By adding the individual report components prepared above, we can compile the complete Viability Test Report. Each trainee should compile it and get it approved by the trainer before moving to the next step in the business start-up process.

**Session objective:** At the end of this session, each trainee will be have a complete viability test report which has been approved by the trainer.

Session	Time (mins)	Methodology	Training aids
<ul> <li>a. Guide them to compile the full report by adding the individual components together,</li> <li>b. Check the accuracy of each viability report, guide them to make improvements, if necessary,</li> <li>c. Approve it after examining the accuracy of them,</li> <li>In-class Total: 240 mins</li> </ul>	240	Guidance and supervision Guidance Approval process	Trainee workbook (Viability testing report format)

# 12. Technical Knowhow Acquisition





We have now travelled some distance in the business start-up journey. At this stage, it is essential that we should acquire the technical knowhow required to manufacture the respective product / service to suit the market at a commercial level. Even if we have some knowledge and skills in this regard, it may not be sufficient.

Therefore, this module guides us to the required awareness on acquiring technical knowhow. What we learn in this module provide answers to the following questions.

- ✓ Why we should acquire technical knowhow?
- ✓ What should we know about acquiring technical knowhow?
- ✓ From where can we get technical knowhow?

- ✓ What is our role as a trainee (potential entrepreneur) in the task of acquiring technical knowhow?
- ✓ How to get technical knowhow?

When we are aware of the answers to the above questions, we can approach technical training institutes and get the technical knowhow in a productive manner. Obtaining technical knowhow in the correct manner provides new essential knowledge to the entrepreneur, and new knowledge to the business.

If the entrepreneur is well equipped with technical knowhow, it facilitates new product manufacturing, entry to new markets, solving production-related issues, cost-effective production, researching for more advanced versions of the product, enhancing entrepreneurial personality, and many more. It also reduces the dependency of the entrepreneur on the knowledge of external technical personnel who should be hired.

#### Module objective:

At the end of this module, trainees will have developed their understanding, and familiarity on technical know-how acquisition, and finally been guided to the suitable institutes to get the technical knowhow required by them.

This module covers the following sessions:

- 12.1 Role of the trainees in the process of technical knowhow acquisition
- 12.2 Sourcing of technical knowhow providers & Effective coordination with those institutions

#### Session 12.1 – Role of the trainees in technical know-how acquisition

Guiding potential entrepreneurs for accurate technical know-how acquisition is a vital component in the business start-up training process and it needs proper planning before implementation. Each and every approach made during the proposed technical know-how acquisition stage should contribute to better results. Further, it should be ensured that the selected technical training courses build essential technical knowledge and skills of the trainees. In addition to the outcomes of the training courses, their costs also should be a prime concern.

Although the task of facilitating the technical knowhow acquisition is an external activity to the business start—up training programme, technical knowhow acquisition is an important stage in perfecting the business start—up process.

Trainees should focus their attention to the following points during the technical knowhow acquisition stage.

# 01. Facts which we should be aware in relation to the technical training institute from which we expect to get the technical knowhow

- Name of the technical training institute
- > Whether it is a Government Organization or registered with a Government Authority
- > Name of the technical training course
- > Number of training hours of the course with duration allocated for practical
- Duration for completion
- > Contents of the training course
- Course fee and other charges
- > Value of the certificate offered by the institute
- Contact details of the institute
- > Brochures on the specific technical training

Each trainee should collect the above details and submit a permission-seeking application to the trainer for his / her approval. Specimen of this application is given below. Trainer will give the approval for the proposed institute and the technical training course after examining the accuracy of information and assessing the acceptability of the relevant technical training institute.

#### Specimen of the Permission-Seeking Application:

- 1. Name of the technical training institute
- 2. Address of the institute
- 3. Contact details of the institute
- 4. Whether it is a Government Organization or registered with a Government Authority
- 5. Name of the technical training course
- 6. Number of training hours of the course with duration allocated for practical

<ul><li>7. Duration for completion</li><li>8. Contents of the training course</li></ul>	
8. Contents of the training course	
9. Course fee and other charges 10. Payment methodology	
I hereby certify that the above given information waresponsible officers of the above technical training institu	
Signature of the Trainee	
Name of the Trainee:	
Recommendation of the Trainer	
While I have checked about this technical training institut / do not recommend this institute and the relevant course of technical knowhow acquisition.	
Reasons for recommendation / not recommending:	
i	
iii. ······	
Signature - Entrepreneurship Development Trainer	Date

#### 02. Knowledge to be achieved at the end of the technical training

- Manufacturing process of the product / service
- > Types and quantities of direct raw material required to produce one unit or a batch of product
- ➤ How to source direct raw material
- Current prices of direct raw material
- > Standard number of labour hours required to manufacture one unit / batch
- ➤ Additional direct expenditure / costs required for production
- Production overhead expenditure
- Standard waste rate
- Machinery used for manufacturing
- Machinery suitable for the proposed business
- Machinery capacity suitable for the proposed business

- Machinery costs
- > Suitability of the usage of the used machinery for this business
- Maximum lifetime of the machinery
- ➤ No. of workers needed to operate machinery
- Operational time of the machine by one unit of electricity
- > Convenience of acquiring spare parts and maintenance

Acquiring this knowledge during the technical training is very useful for the trainee and he / she can it during the business plan preparation stage.

#### **INSTRUCTIONAL GUIDE**

#### Session 12.1 – Role of the trainees in technical know-how acquisition

**Session objectives**: At the end of this session, trainees will describe the role of trainer in technical know-how acquisition and the key areas to be considered in identifying a suitable technical training institution.

#### Special Note for the Trainers

Trainers have a very important role in the task of guiding the trainees for technical knowhow acquisition, in addition to the relevant role of the business start-up training organization.

Acting in this role, the trainers should perform effectively to:

- ✓ Help identify trainees' technical knowhow needs through devising suitable methods
  for it and assisting them
- ✓ Identify the best technical training institutes which will give the cost-effective, trainee-friendly and high-quality technical knowhow and direct the trainees to those institutes
- ✓ Monitor and follow-up the progress of trainees while undergoing technical training.
- ✓ Evaluate technical training institutes and their courses, maintain record and update them from time to time.

It is vital that the trainers prepare a suitable plan with appropriate strategies to accomplish the above tasks. Trainers are accountable to arrange all tasks associated with technical knowhow acquisition phase in such a way that it reinforces the continuity of the business start—up training programme by the respective business training institute.

Assessing whether the technical training being offered to the trainee is properly synchronized with the realization of the objectives of the plan of each trainee is a key in this arrangement. In addition, there should be methodologies to measure the effectiveness, and the results of the technical training and also the issues surfaced.

Session	Time (mins)	Methodology	Training aids
<ul> <li>a. Commence an interactive discussion with trainees on the importance and insights of technical know-how acquisition</li> <li>✓ Ask some trainees (randomly) about the technical knowhow level they already have (in relation to the intended business) and the gap they want to fulfil through undergoing a new technical training course</li> <li>✓ Conduct the discussion to persuade trainees what they need to know about technical knowhow acquisition</li> </ul>	20	Interactive discussion	Trainee workbook Whiteboard
<ul> <li>b. Open up an interactive discussion on the key aspects that should be taken seriously in selecting a suitable technical training institute</li> <li>✓ Explain how they should complete the approval-seeking application used for the</li> </ul>	25	Group discussion PPT Approval-seeking application format	Trainee workbook Flip charts PPT

S	selection of an appropriate
tı	raining institute
✓ N	Make them aware that they can
р	proceed with the selected
te	echnical training institute only
а	after the trainer's
re	ecommendation
in-ci	lass Total: 45 mins

#### Note:

Time taken by trainees to collect the relevant details for the technical training institutes is not included in the above session plan. After they submit the duly completed permission—seeking application, the trainer should give the approval for the proposed institute and the technical training course after examining the accuracy of information and assessing the acceptability of the relevant technical training institute.

# Session 12.2 – Sourcing of technical knowhow providers & Effective coordination with those institutions

Sourcing of technical training institutions / organizations and coordinating with the selected institutions for effective results are two key functions in the total process. As potential entrepreneurs, you should develop your skills to explore the information needed, extract the most appropriate information, get further details for comparisons, and conclude the best solution under with the blessing of the trainers.

Similarly, you are required to find out the technical knowhow providers operating in the area or nearby cities. It is more practical to prepare a list of such institutions with their contact details. You should take your own initiative in preparing this directory, but the trainers will help you. All details required to complete the approval–seeking application should be obtained either by visiting those institutes, or surfing valid and updated websites of those institutions.

After gathering information, you need to assess the most suitable technical training institute and the appropriate course using what you learnt from the previous session. You can always consult the trainers if necessary.

# Session 12.2 – Sourcing of technical knowhow providers & Effective coordination with those institutions

**Session objectives**: At the end of this session, trainees will describe how to select the appropriate technical know-how provider and the respective technical training course, and complete all pre-requisites to enrol with the approved technical training institution for technical knowhow acquisition.

Session	Time (mins)	Methodology	Training aids
<ul> <li>c. Commence an interactive discussion with trainees on the technical training providers operating in the area / nearby cities</li> <li>✓ Guide them to prepare a directory of such institutes and courses which are suitable for him / her</li> <li>✓ Assist them to finalize it</li> </ul>	20	Interactive discussion	Trainee workbook Whiteboard
d. Provide necessary inputs through an interactive discussion on effective sourcing of technical training providers and effective coordination with those institutions	25	Group discussion PPT Approval-seeking application format	Trainee workbook Flip charts PPT
<ul> <li>✓ Revisit the key points in completing the approval—seeking application</li> <li>✓ Guide them information gathering and completing of the approval—seeking application</li> </ul>			
In-class Total: 45 mins			

# 13. Business Start-up Action Plan



We are much closer to make last phase arrangements of starting our aspiring business. As most successful entrepreneurs have been doing, we need to prepare our Business Start-up Action Plan.

#### Module objective:

At the end of this module, trainees will have developed their Business start-up action plan.

This module covers the following sessions.

- 13.1 Understanding the business start-up action plan
- 13.2 Preparation of the business start-up action plan

#### TRAINEE WORKBOOK CONTENTS

#### 13.1 Understanding the business start-up action plan

Business start-up process is complicated because it has many action steps. Preparation of the action plan is essential to monitor every action step and complete the whole process step-by-step.

Action plan is a detailed plan that outlines actions to be completed. It includes sequence of steps that must be taken or activities that must be performed satisfactorily. Action plan is the road map to the business start-up.

Each vital action step should have separate action plans.

We can categorize main areas of the proposed actions of the start-up business as follows.

- 1. Pre-operating actions of the business
- 2. Operating actions of the business
- 3. Post-start up actions of the business

**Start-up Action Plan Template** is a useful tool for the potential entrepreneurs. They can easily identify relevant actions if they use the star-up action plan template.

#### Session 13.1 - Understanding the business start-up action plan

**Session objective**: At the end of this session, trainees will have gained understanding of the business start-up action plan

Session	Time (mins)	Methodology	Training aids
a. Conduct an interactive discussion imparting the awareness on the business start-up action plan	15	Interactive discussion	Trainee workbook Whiteboard
In-class Total: 15 mins			

#### 13.2 Preparation of the business start-up action plan

Preparation of the business start-up action plan should be done carefully because it is the vehicle that moves our efforts to complete each action step.

#### Action plan building steps

- 1. To start creating the action plan, we should begin by listing all the possible outcomes we would like to achieve. For instance, if Dave is about to build a bakery business, his list might include
  - Tools and equipment,
  - Obtaining business telephone,
  - Office equipment,
  - Recruiting skilled and unskilled workers,
  - Rent storage facilities,
  - Accounting functions,
  - Registration process and other licenses
- 2. Once you created action list, prioritize it. Be sure to assign priority to the actions that are legally necessary and those that will provide the quickest payback to the business.
- 3. After setting priorities, you can add the achievable actions steps you will need to take to make your objectives a reality.
- 4. After identifying all possible actions of the proposed business then you will need to tailor your road map to your particular business. A typical plan of action follows this process.
  - I. Identify desired outcomes within each areas or the sections of the proposed business
  - II. Identify preferred solutions
- III. Set goals and steps step forward making the outcome a reality.
- IV. Assign each goal to a person whether yourself or someone you hire.
- V. Assign a desired start date
- VI. Assign a desired ending date
- VII. Schedule millstones and status updates
- VIII. Allocate money and time to each objective
- 5. Once you have slotted each of your objectives in to an action plan, you can plug the assigned date in to your business calendar.

Your action plan is a vital document to refer to regularly; you can also use it to tract your results and compare against your master business plan.

#### Examples of a start-up actions of a proposed business

- 1. Attend carrier guidance programme (Business path/ Employment path)
- 2. Participate motivation programme to starting a business
- 3. Do business idea generation activity (Attend business idea generation programme)
- 4. Attend business idea screening programme
- 5. Business idea selection
- 6. Concept development and testing
- 7. Marketing strategy development
- 8. Business analysis
- 9. Conduct prefeasibility study
- 10. Product development
- 11. Market research
- 12. Test marketing
- 13. Viability testing
- 14. Technical knowhow acquisition
- 15. Business plan preparation
- 16. Business plan evaluation
- 17. Re-correction of a business plan
- 18. Finalization of a business plan

In addition to the above actions following possible actions also need to be included in the action plan

- 1. Get advices and support
- 2. Choose a business name
- 3. Verify right to use the name
- 4. Reserve your company name
- 5. Select the suitable mode of business registration
- 6. Register the business name
- 7. Get the certificate of incorporation
- 8. Choose a location for the business
- 9. Check business laws and procedures
- 10. Get the business permits and certificates
- 11. Register trade mark
- 12. Register copy rights if applicable
- 13. Apply for patent (If you will be marketing an invention)
- 14. Get business phone lines
- 15. Ready letterheads and visiting cards
- 16. Arrange business related insurances
- 17. Get EPF & ETF registration numbers
- 18. Open a bank account (Current and Savings account)

- 19. Print source documents and other necessary forms
- 20. Purchase capital items (based on the capital budget)
- 21. Order inventory
- 22. Get an email address
- 23. Get your web site set up
- 24. Tax obligations
- 25. Record keeping and accounting system
- 26. Recruitment of staff
- 27. See possibilities to get grants or financial assistance
- 28. See possibilities of doing online businesses
- 29. Work, health and safety obligations
- 30. Export opportunities
- 31. Import necessity
- 32. Possibilities to get government tenders and contracts
- 33. Identify your potential customers
- 34. Prepare potential customer base
- 35. Identify potential suppliers and prepare suppliers data base
- 36. Get the member ships of local chambers
- 37. Identify list of BDS providers
- 38. Identify Employee requirements
- 39. Prepare job descriptions
- 40. Finding necessary capital
- 41. Find out what are the available loan schemes for business start up
- 42. See possibilities of apply grants as initial capital
- 43. Selecting a banker
- 44. Selecting a business lawyer
- 45. Selecting a part time accountant
- 46. Selecting an Auditor
- 47. Selecting a Tax consultant
- 48. Get and see possibilities of getting quality stuttered certifications
- 49. See possibilities of online resources to help business
- 50. Identify organizations which are providing training and consultancy to start a business
- 51. Collect all necessary information for the preparation of business plan
- 52. Collect all information with regard to the marketing plan
- 53. Collect all information with regard to the production/ operational plan
- 54. Collect all information with regard to the Management & Organizational plan
- 55. Collect all information with regard to the finance plan
- 56. Finalization of the business plan
- 57. Funding arrangements to start the business
- 58. Arrangements of starting the business
- 59. Starting the business physically

## **Action Plan**

	Action plan time table																											
Action	20													20	)								20	)				 
	N a y		J u I	A u g	S e p	С		е	а	е			а	u	J u I	A u g		D e c	а	F e b	р	а	u		A u g	е	O c t	D e c
Attend carrier guidance programme																												
Participate motivation programme to starting a business																												
Do business idea generation activity (Attend business idea generation programme)																												
Attend business idea screening programme																												
Business idea selection  Concept development and testing																												
Marketing strategy development																												
Business analysis																												

Conduct prefeasibility																
study																
Product development																
Market research																
Test marketing																
Viability testing																
Technical know-how equitation																
Business plan preparation																
Business plan evaluation																
Re correction of a business plan																
Finalization of a business plan																
Funding arrangements to start the business																
Arrangements of starting the business																

Starting the business physically																

### Individual Exercise:

Prepare the Business Start-up Action Plan for the chosen business.

#### Session - 13.2 Preparation of the business start-up action plan

**Session objective**: At the end of this session, trainees will have developed their individual business start-up action plans.

Session	Time (mins)	Methodology	Training aids
<ul> <li>a. Conduct an explanatory discussion,</li> <li>- Explain about the action plan building steps,</li> <li>- Present the actions steps of a business start-up process,</li> <li>- Explain about the business start-up action plan template</li> <li>- Discuss with trainees through an interactive session about different steps,</li> </ul>	80	Interactive discussion PPT	Trainee workbook Whiteboard PPT
b. Individual Exercise: Prepare the Business Start-up Action Plan for the chosen business.  - Guide them to prepare the business start-up action plan for their businesses  In-class Total: 260 mins	180	Individual exercise Guidance	Trainee workbook Flip charts



# Trainer Guide - 4

#### Modules

- 14. Business Plan Preparation
- 15. Business Plan Evaluation
- 16. Business Plan Finalization
- 17. Starting the Business

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17. Business Start-up	226

#### 14. Business Plan Preparation



#### **Special Note for Trainers:**

Module 14 covers the complete process of business plan preparation. It does not include session plans with individual time allocations for different sessions. The structure of this module allows the experienced trainers to adjust the time taken for individual sessions strictly following the total time of 11,179 minutes allocated for the complete module.

#### Introduction

After completing the previous modules, trainees have now entered the business plan preparation phase. At this stage, each trainee should have a finally selected business idea for which he / she is getting ready to prepare the business plan.

#### **Business Plan Preparation**

An entrepreneur needs a business plan to continue his / her business without interruption. But, most micro, small and medium scale entrepreneurs do not use a business plan in their businesses. Reasons for this negligence include the following:

- a. They believe that preparing a business plan is very difficult, and
- b. They have not understood the importance of a business plan

A business plan is an essential tool for the sustainability of the business and any business that operates without a business plan is an unmethodical business operation.

#### "If you fail to plan you plan to fail."

Business planning is very vital in facing the currently active competitive business environment. It emphasizes the necessity of making a business plan. A properly prepared business plan depicts the future dream of the respective business and the roadmap to the realization of that dream. Therefore, this business plan should be prepared on innovative and creative ideas.

Business plans are commonly used for the undermentioned purposes:

- To attract investors
- To obtain a bank loan

Since the business plans are generally prepared with the above motives, practical problems emerge when trying to use this business plan for actual business operations. However, here we focus on preparing a workable business plan that should be used to build the business and operate it.

#### Importance of a Business Plan:

- An entrepreneur may have several alternative routes to reach his business success. A well-prepared business plan helps him / her to identify the most effective route and continue operations.
- ➤ The business plan helps the entrepreneur to put his picture / dream / vision on an organized process on paper. Business plan also directs the stakeholders of the business towards the entrepreneur's picture / dream / vision.
- ➤ It clearly shows the entrepreneur the path he should travel. In addition, the business planning process itself assists the entrepreneur to identify the problems and needs associated with the new business being established.
- > The business plan helps the entrepreneur to reach expected results and improve efficiency and productivity.
- Planning process is the only process that enables the entrepreneur to think and visualize the future. Thus, a well-prepared business plan includes the solutions to the questions which way should the business be guided? how to solve the issues arising? and how to derive the benefits?

- The business plan builds a bridge between the presence and the future. It also shows the present location of the business and the accurate pathway to the expected location in the future. The processes to be followed when reaching the business targets are included in the business plan.
- ➤ There should be a perfect coordination between the activities in the planning process, and maintaining that coordination is a prime task of the entrepreneur together with the managers. Thus, the business plan is an action document that includes the future activities and the strategies of the business.
- It can also be used as a tool in attracting investors and obtaining bank loans.
- ➤ The business plan helps the entrepreneur to monitor the business operations through the comparison of actual situation with the plan.

Before making a business plan for a new business, it is essential to analyse the existing situation based on the information gathered. It assists the entrepreneur to make more effective decisions.

In order to establish an entrepreneurial culture in the country, there should be a precisely designed business plan format and a well-equipped trainer to teach business planning. This guide will provide you the capability of completing that well-designed business plan format.

The business plan you are going to deal with covers almost all essential areas of a business and the business plan preparation methodology will show the entrepreneur the direction he should move the business forward.

#### Contents and the order of a Business Plan:

- 1. Executive summary
- 2. Management & Organization Plan
- 3. Marketing Plan
- 4. Production Plan
- 5. Financial Plan

Business plan writing commences with the Management & Organization Plan, and is continued through the business plan format in its order. Although the Executive Summary is the starting chapter of the plan, it is practically completed at last. At the end of this guide, a business plan prepared for a true business is attached for reference.

# Key considerations that the business planning trainers should focus on during this training programme:

- ✓ Make a calendar of business operation days for all four years using Excel, before preparing the business plan,
- ✓ Prepare a list of business plan contents (using Excel). Identify the schedules / tables that should be made using Excel and MS Word separately. In addition, prepare them separately for manufacturing business, service business and trading businesses.
- ✓ Keep the formats required for different plans (management and organization plan, marketing plan etc.) in different folders on the computer. You can easily pick them whenever necessary.
- ✓ Prepare and store a list of business ideas which are feasible in different districts of the country.
- ✓ Prepare a directory of institutions that provide business development support services. Institutions providing assistance for marketing, technology, export etc. could be component of this directory.

## 1. Management & Organization Plan

## 1.1. Details of Management & Organization

Details of the Management & Organization Plan fall are categorized into two parts as the details of the entrepreneur and the details of the business.

#### **Details of the Entrepreneur**

Email

General information of the entrepreneurs are given under this part. Name, date of birth, national identity card number, educational qualifications, business experience (if any) of the entrepreneur, relevant certificates and awards received by him / her are narrated here.

Personal address and the methods by which the entrepreneur can be contacted are also included. Any person who is interested should be able to understand about the entrepreneur by reading this part.

## **Details of the Entrepreneur** Name of the entrepreneur : Date of birth Age National identity card no. Educational qualifications Internship training Vocational training Vocational qualifications Work experience Business experience Certificates and awards received ..... ..... Personal address Telephone nos. Fixed - Mobile

WhatsApp :
Viber :
Imo :
Facebook :
Twitter :
Linkedin :

#### **Details of the Business**

- Basic details of the business should be given under this part. Name of the business, legal mode of the business (Sole proprietor? Partnership? Private company?) business registration number, date of the business commencement, type of the business (Manufacturing? Service? Trading?) should be essential information under this part.
- An introduction of the products manufactured / marketed or the services marketed by the business should be included.
- Business address, telephone numbers and the other contact methods including social media paths should also be indicated.
- This part should include the business bank account details with the name of the bank and the branch, and the details of the current and savings accounts.
- External auditor's name, address, and their contact details should be given under this part if an external auditor is involved.
- If the business has been registered as a Limited Liability Company, the name, address
  and the contact details of the Company Secretary should be narrated under this
  section.
- If the business has identified any business consultancy service from whom the
  business obtains the consultancies whenever necessary, details of such consultants /
  consultancy companies (government or private) should be included here.
- It is possible that the quality standards certificates such as ISO, GMP etc. have been obtained for the products / services of the business by this time. It is vital to include a description about such standards certificates under this section.
- It is important to include the brand names, patents obtained here.

The structure of this section is given below for easy reference.

Details of the Business	
Name of the business	:
Legal mode of the business	: (Sole proprietor / Partnership / Company)
Business registration no.	:
Date of commencement of business	:
Nature of the business	:
Brief description on the products	:
Business address	:
Telephone nos.	Fixed:
	Mobile:
Email	:
Web address	:
WhatsApp	:
Viber	:
Imo	:
Facebook	:
Twitter	:
Linkedin	:
Bank accounts details	
01 Bank and the branch	:
Current account no.	:
Savings account no.	:
02 Bank and the branch	:
Current account no.	:
Savings account no.	:

External Audit information	
Auditor's name	:
Address	:
Contact details	÷
Company Secretary's information	<u>.</u>
Name	:
Address	:
Contact details	:
Details of Business Consultancy S	Services engaged
Name	:
Address	:
Contact details	:
Quality standards certificates obta	<u>uined</u>
	······
Patents / Brand names / Trade nar	mes obtained
Patents	<b>:</b>
Brand names	<b>:</b>
Trade names	·

## 1.2 Description of the Business

What is the nature of the business? What are products and services manufactured / marketed? What business values (authenticity, employment creation, non-usage of harmful component in the products / services, opportunities for investors etc.) does it have? What are the customer needs that are satisfied by the products / services? What contribution do they offer to the country? Narration under this section should answer the above questions. In addition, it is important to include all essential facts that describe the business. This should be arranged in such a way that the interested parties take a special liking to go through this section and they acquire an understanding about the business after reading this section.

### 1.3 Description of the Entrepreneur

How the entrepreneur is attracted to the business, specific competencies he / she possesses, his / her entrepreneurial background and future expectations, and any other relevant descriptions are narrated under this topic.

#### 1.4 Owner / Partners / Board of Directors

This section explains the ownership information. The owner's or entrepreneur's details are given further if it is a sole proprietorship business. If it is a partnership business, information pertaining to the partners should be included. Further details of the Board of Directors should be narrated if it is a Company using the given format. Comprehensive information related to the ownership irrespective of the nature of the legal mode is paramount.

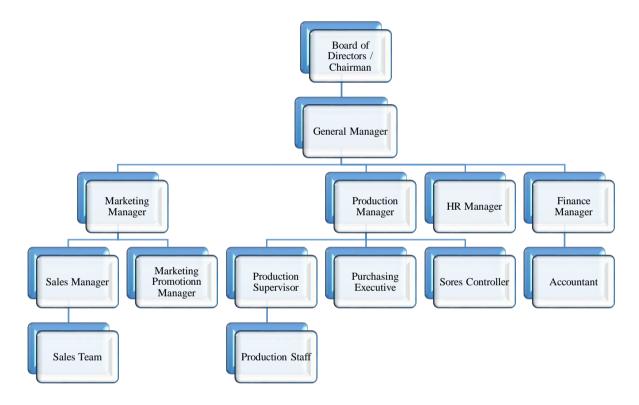
External stakeholders can get a sense of confidence or estimate about the business when the above information is included sufficiently.

Nome	NIC	Addragg	Educational	Professional	Professional	Business
Name	No.	Address	Qualifications	Qualifications	Experience	Experience

## 1.5 Organizational Structure

This section explains how the business sections and positions are structured in a hierarchical manner. The structural presentation of this arrangement clearly shows how the business sections and positions are linked in the business. Entrepreneur or any other person who refers to this section of the business plan can get a proper idea on the decision-making authoritative levels, and responsibility allocations.

Below given example depicts the organizational structure of an average Limited Liability Company.



#### 1.6 Recruitment Plan

At the time of preparing the business plan, the entrepreneur should have a plan how to recruit the employees to the business in the future. Most likely, entrepreneur can be the only person in the business at the commencement. But, when the business operations are expanding, recruitment of employees becomes a necessity. When the business operations expand, entrepreneur will have to create different positions to carry on the business and fill those positions accordingly.

Below given format can be completed with the forecasted positions in the relevant business divisions such as management division, marketing division, production division, and finance division and the forecasted number of employees for the each division in the next four years.

		No. of	No. of	No. of	No. of
Division	Position	Employees	Employees	Employees	Employees
		20	20	20	20
Management					
26.1					
Marketing					
Production					
Finance					

## 1.7 Overall Analysis of the Employees

The above table provides the information of the estimated number of employees to be recruited for each division in the respective year. The below table is an expanded version of the same table that gives the total number of employees in each division during the particular year. The total number of employees of the business is the total of human resources in each division.

		No. of	No. of	No. of	No. of
Division	Position	Employees	Employees	Employees	Employees
		20	20	20	20
Management					
Total in the Management Div					
Marketing					
Total in the Marketing Div					
Production					
Total in the Production Div					
Finance					
Total in the Finance Div					
Grand Total					
Oruna IVIII					

#### **Special Note:**

#### **Strategic Path**

From here onwards, it is essential to plan the strategic path of the business inside the Management & Organization Plan. We need to prepare the vision, mission, values and objectives of the business at this point. It depicts the strategic path of the business. Therefore, a special care has to be given in completing this section because they are directly related to the progress of the business.

#### 1.8 Vision

The main expectation of starting a business is to reach an economic stability of higher level while providing solutions to the problems of customers. It implies that the business has a gradual journey of growth. Therefore, visualization of the progressive path of the business is vital for the entrepreneur.

The vision of a business represents how this business will be in the future after a specific number of years. Vision is the entrepreneur's dream and it can be presented in any suitable form such as forms given below.

- ✓ Representation by the entrepreneur assuming that the people / world will view my business as a business of "this level" in the future (refer to the vision of Dialog and Maliban Companies)
- ✓ Representation of the vision as the most valuable result that will be achieved by the business in the future (refer to the vision of Microsoft)

Entrepreneur, the other leaders of the business, and all employees should link themselves with the vision of the business. The vision guides the present and future decisions and activities of the business.

#### A vision,

- ✓ shows the direction of the business.
- ✓ should be very clear to understand.
- ✓ is purpose-driven.
- ✓ generates challenges.
- ✓ is specific.

- ✓ is sharp, and prestigious.
- ✓ inspires the stakeholders of the business.

Thus, it is paramount for you to consider all the above characteristics when you prepare the vision for your business. Since it incorporates the inspiration, prestige, "purpose-driven" nature and similar characteristics, all the employees will feel proud to take the business up to that prestigious level that is embedded ion the vision.

#### Visions of a few leading Companies:

"Computer on every desk and every home." (Microsoft)

(This is the vision set at the business startup by Microsoft)

"To be the undisputed leader in the provision of multi-sensory connectivity resulting always, in the empowerment and enrichment of Sri Lankan lives and enterprises." (Dialog Company)

"To be the most successful and respected biscuit company in Sri Lanka." (Maliban Biscuit Company)

Design the most suitable vision for your new business using the above guidelines and include in the business plan.

#### 1.9 Mission

The next important statement for a business is the "Mission Statement". It is generally indicated as the mission of the business. Mission should specify how the strategic activities are done in order to realize the vision of the business. Therefore, all employees of the business – from the top to the bottom should perfectly understand the mission and work accordingly.

Vision can be presented in a short statement, but the mission statement should be more elaborative.

You can prepare the mission statement for your business by selecting and incorporating the appropriate ideas based on the nine components given below.

➤ Customer – Explaining who the customers are

➤ Market – Explaining about the market, and its geographic location

Products / Services – Emphasizing what products / services are presented to the customers by the business

➤ Technology – Indicating what type of technology the business uses

➤ Philosophy of the business – Highlighting the priorities, beliefs, values, expectations, and ethics that will be in action when continuing the business

➤ Self-concepts of the business – Describing the competitive advantage, what should and shouldn't be done when competing etc.

Members of the business – Explaining the degree of care given to the employees

➤ Social image of the business – Emphasizing the care extended to the social aspects, environmental matters and the community by the business

➤ Sustainability & the profit – Explaining the existence of the business, profit growth and the financial sustainability

#### **Examples for mission statement of leading businesses**

#### Example 1: Motorola

"We are a global communications leader powered by a passion to invent and an unceasing commitment to advance the way the world connects. Our communication solutions allow people, businesses and governments to be more connected and more mobile."

#### **Example 2**: Maliban Biscuit Company

"To win the Hearts and Minds of Consumers by delivering food propositions with exceptional quality, safety & value whilst being environmentally & socially responsible, creating employee satisfaction and returning optimum value to stakeholders."

#### 1.10 Institutional Values

The set of core values of the business is known as the institutional values of that particular business. When the name of a business appears in the mind, or when we see the name board somewhere, a certain list of ethical, customer-friendly, employee-friendly, environment-friendly aspects that are directly bonded with the activities or services of that business displays in our mind. Those qualities, and principles are the core values of that business. Those institutional values take precedence in the journey of the business. Institutional values build the skeleton of the culture of that business.

Entrepreneurs should understand that they together with the employees should carry out the business functions in such a way that what they identify as the institutional values at the business startup are always highlighted during the performance of the business activities. When it is done, those institutional values will have a heavy positive impact on the customers, investors, and employees resulting in the profit growth and sustainability improvement.

Proper manipulation of the values of the business affects the business image or the business personality.

Some common aspects that are identified as institutional values by many businesses are given below.

Excellent customer service
 Social responsibility
 High quality

#### **Example:**

Institutional values of **Sri Lanka Telecom**:

- ✓ Customer care
- ✓ Reliability
- ✓ Innovation
- ✓ Responsiveness
- ✓ Team spirit
- ✓ Excellence
- ✓ Results-driven

Irrespective of the business, it is essential to identify and record the vision, mission as well as the institutional values which are more appropriate to the business during the planning process of a new business. Those three components should be included in the new business plan.

The above activity makes the marking of the strategic path of the business easy. Therefore, make it a note to include what you have identified as the institutional values of your new business at the proper place of your business plan.

In addition to the inclusion of it in the business plan, do remember that those are important aspects that should be activated continuously throughout the business after the actual commencement of the new business.

#### 1.11 Business Objectives

Once you finalize the vision and mission of the new business, precisely designed objectives are useful in the realization of the vision and mission. Thus, we should now decide the objectives for our new business. An objective is an important result that the business expects to generate within a given time period.

There can be several results that the business expects to achieve during a given time period. Thus, we need to identify a set of objectives.

A business can have short-term objectives, medium-term objectives and long-term objectives.

They are theoretically classified as follows:

Short-term objectives	Business results that are expected to achieve within 3 years
Medium-term objectives	Business results that are expected to achieve within 3 - 5 years
Long-term objectives	Business results that are expected to achieve in 5 years or more

But, in practice, small businesses consider only short-term objectives, and long-term objectives. Practical considerations are as follows:

Short-term objectives	Business results that are expected to achieve within 3 years
Long-term objectives	Business results that are expected to achieve after 3 years

#### **Determination of the Objectives:**

Usage of the "SMART" concept is important in determining the objectives. It says that an objective should be **S**pecific, **M**easurable, **A**chievable, **R**elevant and **T**ime-bound.

#### • An objective should be **specific**.

<u>Example</u>: "Performance improvement" cannot be considered as an objective because performance improvement is not a specific aspect. It is a broad measure that is constituted with many specific measures. "Increasing the net profit" is a specific and relevant measure. It can be an objective when the measurable, achievable, and time-bound aspects are incorporated.

#### • An objective should be **measurable**.

<u>Example</u>: Measuring should be possible if it an objective. In the above example, the objective can be developed as, "Increasing the net profit by 5%" because of the measurable aspect is there.

#### An objective should be achievable.

<u>Example</u>: "Increasing the net profit by 5%" in the above example is achievable. Thus, the practical achievability of an objective should be considered in setting the objective.

#### • An objective should be **relevant**.

In determining an objective for a business, it should be directly related to business purposes and operations.

#### • An objective should be **time-bound**.

The objective that is being set should be bound to a specific time period.

"Increasing the net profit by 5% in 2021 (as against 2020)" is a perfect objective. It has all five characteristics depicted by the word SMART.

Objectives can vary from business to business. But the objectives given in the below-mentioned table can be used in general for business startups, with suitable modifications. Objectives that are to be achieved in the next few years should be included under the "Business Objectives" of the business plan.

Description	20	20	20	20
<b>Business Objectives</b>				1
Transforming into a Private Company				
Transforming into a Public Company				
Entering into agreements with recognized companies				
Performing co-business operations with other businesses				
Acquiring other businesses				
Recruiting funding partners / shareholders				
Obtaining authorized distribution agencies				
Diversification (related / unrelated to the business)				
Expansion of the branch network				
Establishing a computer network				
Installation of an accounting software				

<b>Marketing Objectives</b>		
Sales income		
Sales growth ratio		
Marketing expenses as a percentage of the sales income		
Market share		

Market distribution				
Number of customers				
Establishment of production methods				
Establishment of pricing methods				
Establishment of distribution methods	- Direct methods - Online Selling	<ul><li>Direct methods</li><li>Appointing distributors</li><li>Online Selling</li></ul>	- Direct methods - Appointing distributors - Modern	- Direct methods - Appointing distributors - Modern Trading
			- Online Selling	- Online Selling
Establishment of business promotion				
methods				
Digitalization of the business				
Obtaining Quality Standard Certific	eates		L	
GMP (Good Manufacturing Practices Scheme)				
SLS (Sri Lanka Standards Institution)				
ISO 9001 (Quality System Certification Scheme)				
ISO 14001 (Environmental				
Management System)				
ISO 22000 & SLS 1266 (HACCP &				
Food Safety Management)				
OHSAS 18001 (Occupational Health & safety scheme)				

ISO 50001 (Energy Management		
Certification Scheme)		
ISO 26000 (Social Responsibility		
Requirements)		
Organic Certification Scheme		
Super Market Management		
Certification Scheme		
Vegetarian Certification Scheme		
Vidatha Certification Scheme		
Awards		
Awards from Provincial Chambers of		
Commerce		
Awards from National Chambers of		
Commerce		
Obtaining international awards		
Memberships		
Provincial Chambers of Commerce		
National Chambers of Commerce		
International Chambers of Commerce		
<b>Production Objectives</b>	 	 
Usage of new technology		

Increasing the production capacity				
(units)				
Increasing the production capacity				
utilization (units)				
Production capacity utilization ratio				
Troduction cupacity dimization ratio				
Increasing the production staff	Refer to the	Refer to the	Refer to the	Refer to the
	attachments	attachments	attachment	attachments
By-products				
Maintaining the Standard Waste Rate				
fixed				
Financial Objectives	1			
Sales income at the break-even point				
Sales income growth				
Gross profit growth				
Maintaining the Gross profit ratio at a				
minimum level				
Net profit growth				
Maintaining the Net profit ratio at a				
minimum level				
mmmum ievei				
Equity / Capital				
Fixed equity / capital investment				
Working capital investment				
Owner's total equity				

Loan Capital		
Long-term loan capital		
Short-term loan capital		
Total loan capital		
Total capital		
Gearing ratio (Standard – 60%:40%)		
Current ratio (Optimum – 2:1)		
Quick / Acid ratio (Optimum – 1:1)		
Return on investment ratio		
(Minimum – 20%)		
Payback period (Maximum – 5 years)		
Stock / inventory turnover ratio		
(Maintaining at the optimum level)		

Objectives have been classified into different categories. They are described below for easy understanding.

#### **Business Objectives**

Determination of the business objectives is a prime activity during business planning stage. We should identify what objectives we are going to achieve during the next four years through our business operations.

#### A. Transforming into a Private Company

Most simple and easiest way to start a business is to start as a sole proprietorship or partnership business. But, when the business progresses it will need a proper legal shape, and higher acceptance by the stakeholders. That means the necessity of transforming the business into a Private Company arises. Entrepreneur should consider this need as an objective and plan the timeframes for it.

### B. Transforming into a Public Company

If the business was started as a Private Company, the next objective could be to transform it into a Public Company. Key purposes of transforming a private company into a public company are given below.

- ✓ Broadening ownership and securing additional capital through issuing shares,
- ✓ Enablement for issuing shares through registering in the share market,

#### C. Entering into agreements with recognized companies

In business operations, the company is compelled to enter into agreements with other recognized companies to supply own products / services to the other companies. This is the creating of institutional customers for the company.

#### D. Performing co-business operations with other businesses

In some cases, it is advantageous for a business to work jointly with another business in performing certain business operations.

Example: Joining with another distribution company to distribute our products,

#### E. Acquiring other businesses

There can be opportunities to buy another business where this acquisition can expand our business operation or eliminate an obstacle of competition. However, this should be considered only when the business we started has reached a considerable growth. Basically, if the growing business has a higher liquidity, investment in other businesses can be beneficial.

#### F. Recruiting Funding Partners / Shareholders

Some entrepreneurs take steps to broaden the business operations securing more capital through attracting new business partners or investors. Entrepreneur should foresee this need, if applicable at the business planning process and identify this objective.

#### G. Obtaining Authorized Distribution Agencies

Startup business can be expanded through obtaining authorized distribution agencies offered by reputed companies.

#### H. Diversification (related / unrelated to the business)

Diversification is a good strategy in developing a business. It adds a list of products / services to the product / service portfolio currently offered by the business. Those additions can be related products / services marketed at present or completely unrelated.

Example: As a shoe manufacturing company, DSI Company started producing socks and shoe polish subsequently. It is a diversification and the diversified products are related. For some strategic reasons, DSI Company started manufacturing jams under KVC brand. It is a diversification with completely unrelated products.

#### I. Expansion of the branch network

Expansion of branch network means the establishment of branches in the other cities or areas when the originally set up business grows.

#### J. Establishing a computer network

In order to improve the efficiency of the business operations, computerization of divisions and networking of them are done in almost all growing businesses. At the planning process of the business startup, the entrepreneur should look into this future need and examine whether it can be identified as an objective within the next four years.

#### K. Installation of an accounting software

At the start, the business can have a manual accounting process. But, in oder to make the operations more productive and efficient, it is always beneficial to install an accounting software.

#### **Marketing Objectives**

When identifying the objectives for the new business in the preparation of the business plan, it is essential to determine the marketing-related objectives which should be achieved during the next four years. Such objectives are included as the "Marketing Objectives" in the above given table which is a part of the business plan. Those components are sufficiently described in the Marketing Plan of the business plan. The set of marketing objectives included in the above

table are mentioned again. The entrepreneur should ensure that necessary steps are taken to achieve them during the next four years.

- A. Sales income
- B. Sales growth ratio
- C. Marketing expenses as a percentage of the sales income
- D. Market share
- E. Market distribution
- F. Number of customers
- G. Establishment of production methods
- H. Establishment of pricing methods
- I. Establishment of distribution methods
- J. Establishment of business promotion methods
- K. Digitalization of the business

#### **Obtaining Quality Standard Certificates**

The next category of the objectives covers the aspects of obtaining quality standard certificates. Possession of quality standard certificates is a powerful tool that can be used to build customer confidence about the products / services of the business.

National and international institutes that award standard quality certificates to businesses follow a rigid procedure to study, test and monitor the production process, service process, management process and documentation process of the relevant business before awarding the quality standard certificates. Thus, the information pertaining to the quality certificates obtained in this manner places a higher confidence about the relevant company / products or services in the minds of the customers.

Entrepreneur should find out what quality standard certificates are relevant to his / her own business startup. After understanding about these quality standard certificates, he / she should take steps to complete the required qualification to apply for them. It is vital to explore what benefits can be accrued for the business when these certificates are obtained.

Some of the benefits are given below.

- ✓ Creation of customer confidence
- ✓ Methodical arrangement of many operational processes
- ✓ Convenience of entering local and export markets
- ✓ Improvement of employee motivation

Let us look at some of the quality standard certificates which have national and international recognition.

#### A. GMP (Good Manufacturing Practices Scheme)

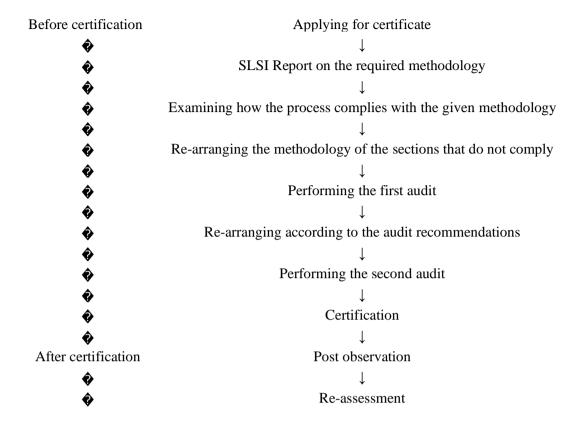
This certificate is applicable for the manufacturers, marketers and the suppliers of all types of food and beverages. It covers hygiene-related standards prescribed by the Consumer Protection Authority of Sri Lanka.

GMP certificate is awarded by the Sri Lanka Standards Institution and it is a compulsory requirement for the above business operators since 2019. But, the businesses which have already obtained quality standard certificates such as SLS, ISO or HACCP are exempted from the above requirement.

Areas subjected to examination and monitoring for the GMP certificate:

- > Organizational layout, facilities, machinery and maintenance
- > Operational control
- > Cleanliness and hygiene
- > Personal cleanliness
- > Transportation
- > Training
- Production certificates
- > Insect damage management
- ➤ Waste management
- Packaging and labelling

#### The Process of obtaining GMP Certificate



#### More details:

Sri Lanka Standards Institute

No.17, Victoria Place, Elvitigala Mawatha, Colombo-08

Phone: 0112 671567 - 72

Email: slsi@slsi.lk Web: www.slsi.lk

#### B. SLS Certification

SLS certification is a quality standard certification awarded by the Sri Lanka Standards Institute for a product or service. On the request of the national or international manufacturers, the institute offers this certificate according to the Sri Lankan standards. When the certificate is awarded, the business organization can use the "SLS" sybol on the products / packaging of their products. Inclusion of this symbol clearly implies that the product and the business processes have been thoroughly examined and tested for quality maintenance by Sri Lanka Standards Institute.

- C. GAP Certification
- D. ISO 9001 (Quality System Certification Scheme)
- E. ISO 14001 (Environmental Management System)
- F. ISO 22000 & SLS 1266 (HACCP & Food Safety Management)
- G. OHSAS 18001 (Occupational Health & Safety Scheme)
- H. ISO 50001 (Energy Management Certification Scheme)
- I. ISO 26000 (Social Responsibility Requirements)
- J. Organic Certification Scheme
- K. Super Market Management Certification Scheme
- L. Vegetarian Certification Scheme
- M. Vidatha Certification Scheme

#### **Obtaining Awards**

An entrepreneur starts a business to drive it to the highest possible level. Owners of such growing businesses can contest for competitions to be the best entrepreneur / business in the area or sometimes in the country. Many benefits are linked to the award winners.

#### Some of the above benefits:

- ✓ Self-inspiration
- ✓ Improvement of customer confidence
- ✓ Employee motivation
- ✓ Attraction of investors
- ✓ Drawing of the government attention
- ✓ Business image enhancement
- ✓ Receiving financial sponsorships

Entrepreneurs therefore plan to obtain the memberships of the relevant institutions / organizations to be eligible for contesting for the below-mentioned competitions at the correct time.

- A. District / Province Chambers of Commerce awards
- B. National Chamber of Commerce awards
- C. District / Province / National State awards
- D. Sri Lanka Institute of Marketing (SLIM) awards
- E. International awards

It is therefore appropriate for the startups to visualize about these inspiring and beneficial opportunities when setting up their objectives at the business planning stage. Clearly identified objectives should be included in the business plan using the given tayle.

#### **Obtaining Memberships**

There are many benefits for businesses if they get the membership in relevant institutions / organizations such as district chamber of commerce, provincial chamber of commerce, national chambers of commerce and international chambers of commerce. Eligibility to participate in business award competitions is only one benefit. Some of the other benefits are given below.

- ✓ Exclusive possibility of getting updated about the changing business world
- ✓ Opening the paths for new business relationships
- ✓ Possibility of business experiential exchange with key business operators
- ✓ Opening opportunities to participate in national / international trade exhibitions / trade fairs

This awareness is sufficient for the new entrepreneurs to understand the value of planning for future memberships, identify them as objectives and include in the business plan accordingly.

#### **Production Objectives**

#### A. Usage of New Technology

When the new business is growing, the necessity to make the business processes more efficient, faster and productive will arise. Then, the entrepreneur will need to change the existing technology to the new technology versions. As an example, in respect of production, the entrepreneur will need to change the initial labour-intensive production to capital-intensive production. Thus, the entrepreneur should forecast about the future needs

of technology changes at the planning stage and include them as respective objectives in the business plan.

There are objectives pertaining to the production that should be achieved during the next four years. They are given with details in the production plan in the business plan. The business should be driven by the entrepreneur to achieve the below-mentioned objectives that involve calculations within the next four years.

- **B.** Increasing the Production Capacity (Units)
- **C.** Increasing the Production Capacity Utilization (Units)
- **D. Production Capacity Utilization Ratio**
- E. Increasing the Production Staff

Wastages during the manufacture of the main product of the business can be used to produce by-products. Focusing on such by-products is useful in many businesses because it adds to the income stream, facilitates the waste management, and helps the environmental sustainability. All these are advantages. Therefore, entrepreneurs should consider this aspect at the planning stage.

#### F. Maintaining the Standard Waste Rate fixed

There is a greater possibility for the waste rate at the beginning of the business to be higher than the industry standard of the waste rate. However, the entrepreneur should focus his / her attention to bring down this higher rate to the industry norm within a reasonable period after the business commencement. More details about the waste are discussed in the production plan.

#### **Financial Objectives**

There are financial objectives that should be achieved during the first four years. They are described in the financial plan in the business plan. The business should be driven by the entrepreneur to achieve the below-mentioned financial objectives that involve calculations within the next four years.

- **A.** Sales income at the break-even point
- **B.** Sales income growth
- **C.** Gross profit growth
- **D.** Maintaining the Gross profit ratio at a minimum level
- E. Net profit growth
- **F.** Maintaining the Net profit ratio at a minimum level

#### **Equity Capital**

- A. Fixed Capital Investment
- **B.** Working Capital Investment
- C. Owner's Total Investment

#### **Debt Capital**

- A. Long-Term Loan Investment
- **B.** Short-Term Loan Investment
- C. Total Loan Investment
- **D.** Total Investment
- **E.** Gearing Ratio (Standard 60% : 40%)
- **F.** Current Ratio (Maintenance at the 2:1 level)
- **G.** Quick / Acid Ratio (Maintenance at the 1:1 level)
- **H.** Return on Investment (ROI) (Maintenance at the minimum of 20%)
- **I.** Pay Back Period (Maintenance at a maximum of 5 years is better)
- **J.** Stock / Inventory Turnover Ratio (Maintenance at the optimum level)

## 1.12 SWOT Analysis (Business)

SWOT analysis can be done for the business as well as the entrepreneur separately. This part is associated with the SWOT analysis for the business.

SWOT is the acronym for Strengths, Weaknesses, Opportunities and Threats. SWOT analysis is used to analyse the above mentioned four aspects of a business so that the relevant strategies can be found to take the business forward. Strengths and Weaknesses of the business are internal factors while the Opportunities and Threats are external factors (that does not exist within the business). All those four factors have an impact on the success of the business.

Strengths of a business is an internal factor of the business that provide advantages for the business success. Competent management, committed employees, higher capital, financial strength, and recognized brands etc. can be quoted as examples for strengths. Weaknesses of a business always create a negative impact on the business success. Incompetent management, disengaged employees, insufficient capital, financial instability, and rejected brands etc. can be quoted as examples for weaknesses.

Opportunities available in the external environment are advantageous to the business. Expanding customer base, improved income of the customers, supportive political environment, supportive climate, and supportive economic trends are some examples for opportunities. Similarly, any external factor that acts against the success of the business is a threat. Competitor influence, government restrictions for the particular business, decreased income of the customers, energy crisis, political instability, and civil struggles are examples for threats.

In the SWOT analysis process, first those four factors are specifically identified. Next step involves the stage of designing strategies to optimally manage those four factors through maximizing benefits from the strengths, manipulating the opportunities for the highest advantage of the business, converting the weaknesses into strengths, and designing the strategies to overcome the prevailing threats.

## 1.13 PESTEL Analysis

PESTEL is the acronym for Political, Economic, Social, Technological, Environmental, and Legal factors which exist in the macro-environment of the business. They generate positive or negative impact on the success of the business. In PESTEL analysis, those six macro-environmental factors are clearly identified, analysed, and monitored for the benefit of the business.

When the PESTEL analysis is done for a start-up business at the planning stage, it implies that the entrepreneur has a precise concern about the macro-environmental factors and their effects on the business on which he / she is working on in the planning stage itself. When the PESTEL analysis is included in the business plan, it ensures that it is a sustainable business plan. Focusing on the main macro-environmental factors during planning, and conducting the business is an excellent quality of a promising entrepreneur.

#### **Political Factors**

Through the analysis of political factors under PESTEL, it is explored how far the government and its policies create an impact on the industry in which the business is being operated. This includes political policies, political stability, as well as trade, monetary and tax policies.

#### **Economic Factors:**

Economic factors affect the overall economy and its processes. Thus, it directly impacts on the profitability of the business. Interest rates, unemployment ratio, raw material costs, and foreign exchange rates are some of the components of economic factors.

#### **Social Factors:**

Certain social factors impose impact on specific industry or business type. Entrepreneur should identify the social factors that affect his / her business or industry where the business falls into. Through PESTEL analysis, the relevant impact level is estimated. This analysis also helps further identify customer needs. Consideration should be given to changes in family statistics, education levels, cultural trends, attitude changes, and trends in lifestyles under social factors of PESTEL.

#### **Technological Factors:**

Changes in technical developments that affect this business are explored under this factor. Trend changes in digital / mobile technology, automation, research and development etc. considered here. However, rapid development in the digital technology has been imposing considerable impact levels on all types of businesses in the world. It is essential to draw the attention on modern and ever-changing strategies related to marketing, business promotion, distribution and production.

#### **Environmental Factors:**

Analysis of environmental factors under PESTEL involves consideration of effects of the business on the environment and environmental aspects on the business. This part is becoming an important area with the increasing validity of corporate social responsibility. Climate change, recycling practices, waste management strategies, and environmental sustainability are vital constituents. Obtaining an environmental feasibility report is an important part of the business startup procedure in our country today. Entrepreneurs should conform to the government recommendations in this exercise. Environmental feasibility report is essential to start some businesses.

#### **Legal Factors:**

Any business should conform to the law of the territory. It means that the entrepreneur should have a precise understanding about the permissible and not-permissible. He / she should be vigilant on periodic regulatory changes and their impact on the business. Regulatory changes may be associated with recruitment for employment, consumer protection, health and hygiene, national and international trade monitoring and many other aspects.

Any business that starts without analysing the macro-environmental factors (i.e, without performing PESTEL analysis) will be in a great danger because macro-environmental situation is changing with ups and downs. This analysis helps the entrepreneur to foresee the future risks. Therefore, you should comprehend the importance of performing a PESTEL analysis during the business planning stage and including it in the relevant space of the business plan.

You can present the PESTEL analysis using the following table in your business plan.

Political	Economical	Social	Technological	Environmental	Legal

#### 1.14 Risk Management

Risk Management involves following key steps:

- a. Identification of risks that can surface in future when progressing with business operations, and
- b. Preparing suitable strategies for mitigation of their effects on the business

In this task, risks should be identified according to the identified divisions such as management, finance, human resources, marketing, production, security, and information technology etc. Thereafter, risks mitigation or elimination strategies should be planned against each risk identified.

The validity of the business plan is improved when the "Risk Management" component is completed in the business plan. The risk management plan format given below can be used for this purpose. Main columns of the format provide spaces for the relevant division, identified risks, and the respective risk management strategies. Risk management strategies can be elimination strategies, mitigation strategies, or replacement strategies. Risks that can not be managed with these strategies are related to the "Acceptance" column, which is the last column of the "Risk Management Strategies". If any strategy cannot be used to manage a particular risk, it is considered as an accepted risk. However, if there is anything that can be done by the entrepreneur in this regard, it should be mentioned in the "Acceptance" column. Although such risks cannot be managed, it is advantageous that at least the risk has been identified.

## Risk Management Plan

Division / Description	Risk	Risk Management Strategy					
		Elimination	Mitigation	Replacement	Acceptance		
	_						

## 1.15 Non-current Assets related to the Management & Organization Division

Total Value Additi (Year-start)		Additions	Removals	Total	Depreciation	20			
			(Cost basis)	Value	Percentage	Annual	Monthly	Cumulative	Net
			(Year-end)		Depreciation	Depreciation	Depreciation	Value	

It is important to be aware of the meanings of the terms used. Non-current assets are business assets that can be used more than a year. Buildings, machinery, equipment etc. belong to this category. Entrepreneur may wish to invest some of personal assets of this nature in the business when starting. Those assets are included in the personal balance sheet. Similarly, he / she may purchase new assets for the new business. All these non-current assets should be included in the above table.

It should be noted that only the assets which are assigned to the business should be included in the format. Entrepreneur's personal properties such as lands and buildings etc. should not be included although they are used for business operations. Such assets are not the assets of the business. Therefore, rentals are applicable in such cases and such rentals should be marked as expenditure in the relevant templates.

Total value (year-start) is applicable only from the second year. In the first year, it can be kept blank. The column "Additions" means the new purchases of non-current assets during the year. The column "Removal" refers to any sale of non-current assets during the year where the value is marked based on the cost.

Depreciation percentage assigned for that asset is marked in the sixth column. When the value (year-end) is multiplied by the depreciation percentage, we get the annual depreciation (seventh column). Thus, the monthly depreciation can be marked in the eighth column. The next column is the cumulative depreciation. It can be calculated by adding the annual depreciation of the particular year to the total depreciation of the previous years. When the cumulative depreciation is deducted from the value (year-end), we get the net value (last column).

The above explanation clarifies how the non-current asset format pertaining to the management and organization plan can be completed. The same methodology can be used to complete the non-current assets format pertaining to the other plans such as production plan, marketing plan, and financial plan.

Some non-current assets of a business cannot be specifically assigned only to one division. It means that some non-current assets can be used in multiple divisions and the usage of such assets may be more in some divisions and less in the other divisions. Such an asset can be assigned to the division for which it provides more contribution.

#### Preparation plan for gathering information for the non-current asset format:

Pre-work is essential to gather information to complete the above non-current assets format. Methodical completion of pre-work can be facilitated through making a Pre-Work Plan. A specimen of this pre-work plan is given after the below guidance.

- Under one type of assets in the above format, there can be several items. As an example, under the asset titled 'vehicles', there can be several vehicles of the business. All relevant information such as vehicle types, their costs etc. can be inserted in the Pre-Work Plan format given below.
- The above explanation clarifies about the Pre-work Plan related to the non-current asset format completion pertaining to the management and organization plan. The same methodology can be used to prepare the Pre-work Plans related to the non-current assets formats of the other plans such as production plan, marketing plan, and financial plan.
- All Pre-Work Plans should be attached to the final Business Plan as annexures.

# Pre-work Plan Format Pertaining to the Non-current Asset Format of the Management and Organization Plan

A4-	Unit	0	W-1		Removals	Total	Depreciation	Life	Depreciation		20.		
Assets	Price	Quantity	Value	Addition	(Cost basis)	Value	Allocation	Time	Percentage	Annual depreciation	Monthly depreciation	Cumulative depreciation	Net value
Management & Organ	nization	Division											
Buildings													
Total													
Vehicles					_					_			
Total													
Machinery													
Total													
Equipment													
Total													
Furniture & Fittings													
Total													

# 1.16. Non-current Assets related to the Finance Division

T	Total		Removals	Total	Depreciation		20		
Type of asset	value	Additions	(Cost basis)	value	percentage	Annual	Monthly	Cumulative	Net
	(Year-start)			(Year-end)		depreciation	depreciation	depreciation	value

Only the non-current assets related to the finance division should be inserted in the above format.

# 1.17. Establishment & Administration Expenditure related to the Management & Organizational Plan

Item	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Indirect salaries / wages													
Depreciation of non-current assets Buildings													
Depreciation of non-current assets Furniture and fittings													
Depreciation of non-current assets Vehicles													
Depreciation of non-current assets Machinery													
Depreciation of non-current assets Office equipment													
Maintenance costs of non-current assets - Buildings													
Maintenance costs of non-current assets - Vehicles													
Maintenance costs of non-current assets - Machinery													
Leasing / loan interests													
Insurance / License fees / Environmental fees													
Audit fees													
Legal fees													
Rates and Taxes													
Social Responsibility													
Electricity													

Telephone							
Security costs							
Water							
Stationery							
Transport costs							
Fuel costs							
Refreshment expenses							
Postal / stamps							
Welfare expenses							
Printing costs							
Building rentals							
Labour costs							
Other expenses							
Total							

# Overheads / Overhead Expenditure

Business costs which are not directly related to a specific production of a manufacturing / service organization are called "overheads or overhead costs". Overhead costs of a trading business (wholesale or retail) are the expenses that are not directly related to purchasing of products. However, overhead costs are necessary to run the business.

Terms used for overheads in the general usage include indirect expenditure, indirect costs, and fixed costs. Similarly, in business plan preparation, they are used as follows:

- ✓ In the Management & Organization Plan as Establishment & Administration Expenditure
- ✓ In the Finance Plan as Establishment & Administration Expenditure
- ✓ In the Marketing Plan as Sales & Distribution Expenditure
- ✓ In the Production Plan as Production Overhead Expenditure or Indirect Expenditure

It can be further elaborated as follows:

# 1. Expenditure that is NOT directly related to production, but indirectly related to production:

All expenditure that is not directly related, but indirectly related to production is included under this category.

**Examples**: Factory electricity bill, factory salaries and wages, factory machinery depreciation etc.

Indirect expenditure related to production is called Production Overhead Expenditure or Fixed Production Costs. The following formula is used to calculate the total production overhead costs (expenditure).

Direct Expenditure (Prime Cost) + Production Overhead Expenditure = Total Production Cost

#### 2. Indirect expenditure that is NOT related to production whatsoever:

This category includes the overhead expenditure which is necessary to operate the business although they are not related to production. That component of expenditure is also called "Indirect Expenditure or Fixed Costs". They are taken into consideration when the Profit & Loss Account is prepared. During the preparation of the Profit &

Loss Account, all indirect expenditure pertaining to the business are categorized as given below.

- > Establishment & Administration Expenditure
- > Sales & Distribution Expenditure
- Financial & Other Expenditure

As explained above, it is important to identify the indirect expenditure related to production and indirect expenditure related to marketing separately. If this identification is not done clearly, it is impossible to identify the total production costs or sales-related overhead expenditure of the business.

The Heads of Management & Organization Division, Production Division, Marketing Division and Finance Division submit the Overhead Expenditure Estimate of their own divisions to the top management of the business organization.

Finance division should identify the overhead expenditure which are distributed among a few divisions or all divisions. Next step is to apportion the total expenditure into relevant divisions according to an agreed logical basis. Then, the Finance division can inform the relevant divisions how much is apportioned to each division.

# **Basis of Expenditure Distribution**

Finding the share of expenditure distribution among divisions should be performed on a logical, justifiable and agreeable basis. When the basis is determined, it is possible to calculate how much of the total overhead expenditure should be apportioned as the production-related overhead expenditure, how much should be apportioned as the marketing-related overhead expenditure and so on.

The below given table explains the logical basis of apportioning different types of expenditure.

No	Description of	Basis for Apportioning of the Expenditure
	Expenditure	
1	Electricity	Number of units used in each division
		Floor area of each division
		Number of employees of each division
		Number of man-hours (of the employees) of each division
2	Water	
3	Telephone	
4	Rent	
5	Indirect salaries	
6	Refreshment expenses	
7	Stationery	
8		
9		

When preparing the business plan, the Finance division should prepare the Expenditure Distribution Report after identifying the overhead expenditure. After obtaining the approval of the owner entrepreneur, the report should be given to the Heads of each division.

The overhead expenditure distribution chart pertaining to the non-current assets can be prepared in the following manner. It is a Pre-work document that should be attached to the business plan.

#### **Example:**

Let us assume the following data are available for a given business.

Monthly security expenditure is Rs.30,000. Total business area amounts to 5,000 sq.ft of which the Management division, and the Production divison use 500 sq.ft, and 2,500 sq.ft respectively while Finance and Marketing divisions each use 1,000 sq.ft.

Similarly, the monthly telephone expenses amount to Rs.2,000 and the number of employees of the business is 20 of which the number of employees attached to Management, Marketing, Production and Finance is 2, 5, 10 and 3 respectively.

According to this example, we have two types of expenditure (costs) with some other data. Using this information, we can prepare the Expenditure Distribution Chart as given below.

# **Expenditure Distribution Chart**

Type of	Calculation	Total	Expenditure	M	anagement	Div.	N	<b>Jarketing</b> 1	Div.	P	roduction	Div.		Finance D	iv.
Expenditure	Basis	No. of Units	(Rs)	Share of Units	Percentage %	Expenditure (Rs)	Share of Units	Percentage %	Expenditure (Rs)	Share of Units	Percentage %	Expenditure (Rs)	Share of Units	Percentage %	Expenditure (Rs)
Security costs	Floor are used	5000	30000	500	10	3000	1000	20	6000	2500	50	15000	1000	20	6000
Telephone costs	No. of employees attached	20	2000	2	10	200	5	25	500	10	50	1000	3	15	300

Different expenses included in the overhead expenditure of Management Division are shown in the table denoted by 1.17 above. The following section provides a brief note about them and shows how they are calculated.

# Pre-Work Format for Calculation of Indirect Labour relevant to the Monthly Indirect Costs / Overhead Costs

Payments made for labour which is not directly related to production are the indirect labour costs. Payments made for labourers, production assistants, production managers, security personnel of the production division, stores employees are examples in this case. Similarly, payments made to the employees attached to the management, finance and marketing divisions are also included in this category.

Calculation pertaining to the indirect labour of each division should be done in the pre-work document and then they should be inserted in the Overhead Expenditure format of the relevant division.

# Pre-work related to the Calculation of Indirect Labour Costs

Format related to indirect labour costs calculation is given below.

Indi	rect Labour				Jan	uary			T-4-1
Inai	rect Labour	Orgai	nizational Pay	ments		Statu	tory Paymo	ents	Total Salary
EPF No	Name	Basic Salary	Allowances	Gross Salary	EPF 12%	ETF 3%	Gratuity	Total	Cost
Skilled	Labour - Salai	ry Level A	\						
Total	•		•	•	•	•	•	•	
			•						
Skilled	Labour - Salar	ry Level I	3						
Total									
Semi-s	<u>killed Labour –</u>	Salary L	evel A	1	T	T	T	T	_
Total									
Unskill	<u>led Labour – Sa</u>	lary Leve	el A	1	1	1	ı	T	
Total								<b>,</b>	

As shown in the above format, total salary cost in relation to skilled labour, semi-skilled labour and unskilled labour should be indicated as the indirect labour costs. Further, pre-work document should be completed with monthly information and it should be presented as an attachment.

Please study the calculation of Direct Labour Costs given in the Production Plan. It clearly explains how to calculate the overtime payment and gratuity payment.

## **Calculation of Depreciation**

Depreciation related to the non-current assets included in the monthly overhead cost should be determined. It has already been calculated in the non-current assets part of each division (management, finance, marketing and production). Their monthly total should be stated as the depreciation of non-current assets in the overhead expenditure format.

#### **Calculation of Maintenance Costs of Non-Current Assets**

Calculation of Maintenance Costs of Non-Current Assets has not been included in the business plan. But it should be included as an expenditure in the Expenditure Distribution Chart. In other words, calculation of maintenance costs of non-current assets should be done under the Pre-Work Document. In that calculation, attention should be made for the following points.

• **Vehicles:** Servicing, tyre-changing, repairing, and spare parts

Focus should be given to forecast the relevant measurable of servicing, tyre-changing, repairing and spare parts. How frequently are they done? After how many kilometres? What are the individual costs for them?

Example: If a vehicle is serviced once in two months at a cost of Rs.6,000, monthly cost of Rs.3,000 should be included in the relevant cage of the format. Similarly, if the tyres are changed in nine months, the cost of it should be divided by nine to get the monthly cost. It should be included in the relevant cage.

# • Machinery / Office Equipment:

Maintenance of the above is done within given periods as per the guidance of the manufacturer / supplier of them or the policies of the business entity. Cost calculation can be done as explained for the vehicles.

#### • Buildings, Furniture & Fittings etc.:

Appropriate calculations can be done in the similar manner based on the policies of the business.

### **Interest for Leasing / Loans**

In practice, as settlements after obtaining leasing facility or loan, entrepreneurs pay equal instalments to the Leasing Company / Bank. Therefore, the entrepreneur is not aware how much is the leasing / loan capital amount included in that instalment, and how much of interest component is included there. Therefore, it is essential to get a letter from the Leasing Company / Bank describing the above information together with the facility interest rate charged by the relevant body. In general, Leasing Companies / Banks are rigidly hesitant to issue a letter of this nature. However, the entrepreneur should somehow speak to the manager and get the letter.

A clear identification of this information (loan capital component and the interest component included in each instalment) is necessary in making the business plan. You may observe from the information that although the total instalment is the same throughout the period, the combination of loan capital and the interest component changes over time. Generally, during the initial period, interest component is higher and the loan capital component is lower while it is the other way during the latter period.

The interest component should be considered as the monthly interest. The next step is to apportion it to the relevant business sections.

#### **Insurance costs (of Non-Current Assets) / License Fees / Environmental Fees**

Payment of insurance fees may be made annually, semi-annually or quarterly. Irrespective of the settlement period, monthly fee should be calculated and it should be entered under the overhead expenditure. Similarly, there can be more expenditure related to insurance. As an example, for insurance of a vehicle, entrepreneur should obtain the revenue license and the emission test certificate. When overhead expenditure is calculated the above expenses should also be considered.

## **Example:**

The vehicle insurance cost was Rs.12,500 in 2020. This is a cost for the total year. However, monthly cost of the insurance should be calculated because indirect expenditure is prepared for a month. As mentioned above, the other related expenses (revenue license fee, emission test fee etc.) should be added to the insurance cost for calculation. Let us assume that the total of the revenue license fee and the emission test fee was Rs.850.

Now, the total insurance expenditure is Rs.13,350.

Hence, the monthly insurance expenditure is Rs.1,112.50 (= Rs.13,350 / 12)

#### **Annual Payment-based Expenditure**

Payments such as audit fees, rates and taxes are generally paid annually. Such expenditure should be divided by twelve and the monthly amount should be included in the overhead expenditure.

Please have a look at the expenditure included in the Administration & Establishment Expenses related to the Management & Organization Plan (Refer 1.17 Table above). The entrepreneur should calculate those expenses and similar expenses (if any) under Pre-Work preparation and then include them in the overhead expenditure format, i.e., 1.17 Administration & Establishment Expenses related to the Management & Organizational Plan.

#### **Allocations for Social Responsibilities**

Profits-making is a key objective of a business. But, it should not underestimate the importance of contributing to the society as well. Thus, social responsibility is also a key consideration of any business, irrespective of its nature. It helps sustainability of the business.

Therefore, the business plan should include the forecasted activities to be performed for the benefit of the society with the relevant expenditure allocation. Expenditure allocation for the

social responsibility should be considered as a Revenue Expenditure, and it should be shown as an Establishment & Administration Expenditure in the organization and management plan.

# 1.18. Establishment & Administration Expenditure related to the Finance Division

Calculation of the overhead expenditure pertaining to the Finance Division can also be performed in the way applied for the calculation of the overhead expenditure for the Management & Organization Plan. Below given table includes a set of overhead expenditure related to the Finance Division.

Item	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Indirect salaries / wages													
Depreciation of non-current assets													
Buildings													
Depreciation of non-current assets													
Furniture and fittings													
Depreciation of non-current assets													
Vehicles													
Depreciation of non-current assets													
Machinery													
Depreciation of non-current assets													
Office equipment													
Maintenance costs of non-current													
assets - Buildings													
Maintenance costs of non-current													
assets - Vehicles													
Maintenance costs of non-current													
assets - Machinery													
Leasing / loan interests													
Insurance / Licence fees /													
Environmental fees													
Audit fees													
Legal fees													

Rates and Taxes							
Social Responsibility							
Electricity							
Telephone							
Security costs							
Water							
Stationery							
Transport costs							
Fuel costs							
Refreshment expenses							
Postal / stamps							
Welfare expenses							
Printing costs							
Building rentals							
Labour costs							
Bank charges							
Other expenses							
Total value							

# 1.19 Social Responsibility

Focus of starting a business is to address a customer need while earning a profit. Thereby the production concept, product concept, and the concept of selling became key concepts used in businesses. However, evolving through the initially embraced product-centered approach to the customer-centered approach over the time, businesses today have added the marketing concept, customer concept, and social marketing concept etc. to suit the current environment.

Businesses are mushrooming everywhere, and it has been proven and globally accepted that the operating businesses consume, depreciate or distort the common resources that were available for the consumption of the living beings.

Entrepreneurial world today has understood that the businesses should be operated in such a way that they ensure the sustainability of the planet and that the selfishness woven around mere profit consciousness in doing a business threatens the very sustainability of the businesses.

In other words, without well-being of the society, well-being of a business cannot be expected. It implies that a business organization has a clear responsibility towards well-being of the society in addition to its own objective of profit-making. This situation has compelled all growing businesses to identify the most suitable social responsibility and carry out the selected social responsibility activities utilizing a manageable portion of the profit earned.

A brief description about the social responsibility activities being planned to perform by the business should be included. Relevant financial requirement should also be estimated and it should be included as a monthly overhead expenditure in the Management & Organization Plan.

# 1.20 Action Plan for Management & Organizational Plan

Individual Action Plans should be prepared for all four key plans of the business plan. This section is dedicated for the preparation of the Action Plan for Management & Organization Plan.

Action plan should clearly include the following parts.

- ✓ Activities that are planned in relation to the management and organization plan,
- ✓ Timeframes for them,
- ✓ Estimated expenditure of each activity,
- ✓ Responsible person for each activity,

If a particular activity is broad or complicated, it can be broken down to manageable sub-activities and included in the action plan. When the action plan is prepared in this manner, it facilitates the implementation of the planned activities in a more sound manner.

#### **Example:**

Recruitment of employees for the business is a broad / complicated activity. It can be broken down into the following sub-activities in the action plan.

Preparing the recruitment advertisements, publishing them, sorting out applications and analysing the applications received, arranging the interviews and conducting interviews,....., recruitment.

It should be ensured that the Action Plan should not include activities such as daily operational activities, maintenance activities etc. Separate Action Plans should be prepared for those daily operational activities and those action plans will be either Personal Action Plans or Action Plans of the respective sections. Lastly, the Action Plan for Operations of the business should be made.

Action plans are of utmost importance in the business planning phase. Specific attention should be made to the following specific aspect when making action plans of each section.

Opening Action Plan contains some activities related to the Management & Organization Plan. At the inception, the entrepreneur should identify the activities already completed and those

not completed and not-completed activities should be entered into the action plan of the management and organization action plan. Since the entrepreneur has already identified what the business is, the action plans prepared for each division should be very practical and usable. This practical nature is absolutely essential because the action plans work as drivers for implementing the business plan.

Following tips are useful in making and using the action plans.

- ✓ This Action Plan prepared for the Management & Organization Plan guides the Management Division.
- ✓ Presenting the action plan using a Gantt Chart is very important.
- ✓ Practically, the business plan should include monthly action plans only, but before making the monthly action plans, it is essential to prepare the daily action plan. However, the entrepreneur should have the daily action plans as his / her reference guide although the daily action plans are not attached to the business plan. Entrepreneur should perform based on the daily action plans. This is common for all divisions of the business.

Usage of Microsoft Project software may facilitate the action plan preparation process.

No.	Activity	Expenditure	Responsi	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	20	20	20
	Recruitment of clerical personne	el for the business																
1	Placing advertisements in the newspapers																	
2	Analysing applications																	
3	Conducting interviews																	
4	Recruiting																	

# 1.21 Comprehensive Action Plan

Comprehensive Action Plan is then made by combining individual action plans prepared for different divisions (management, marketing, production and finance). Comprehensive action plan should be presented in the Management & Organization Plan. It is done so because the overall business is guided by the Management & Organization Division. General practice is that the action plan for the first year is made on monthly basis and the action plans for the subsequent years (2<sup>nd</sup>, 3<sup>rd</sup> and 4<sup>th</sup>) are prepared on an annual basis. However, the 2<sup>nd</sup> year action plan should be converted into a monthly-based action plan at least two months before the 1<sup>st</sup> year-end.

The following format can be used for that purpose.

No	Activity	Expenditu	Responsib	ility	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	20	20	20
Mana	gement & Organization Plan																		
Finan	cial Plan																		
Mark	eting Plan																		
Produ	action Plan																		

# 1.22 Assumptions for Management & Organization Plan

Making assumptions become unavoidable when preparing a Business Plan. But they should be much closer to the reality. These assumptions should be indicated in the respective plan component of the business plan in order to facilitate understanding of the personnel who refer to the business plan. Such assumptions can be marked either at the place where the assumption is made or at the end of the respective plan component as a collection of assumptions made.

Assumptions made when preparing the Management & Organization Plan are indicated here.

# **Examples:**

- ✓ Manager's salary is fixed throughout the year
- ✓ Non-current assets pertaining to the Management Division are depreciated using the Straight-Line Depreciation Method.

# 1.23 Graphical Analysis of Management & Organizational Plan

Quantitative factors discussed in the Management & Organization Plan are graphically presented here.

# Advantages of the graphical analysis presentation:

- > Easy understanding
- > Convenient quick decision-making
- ➤ Easy visual comparison
- ➤ Clear presentation how it changes over time
- > Easy identification of trends

# Some of the possible graphical presentations:

- ✓ Growth of employees of the Management Division
- ✓ Increase of overhead costs
- ✓ Increase of annual expenditure
- ✓ Management & Organization expenditure as a percentage of sales expenditure
- ✓ Management & Organization expenditure as a percentage of the total expenditure of the business

# 2. Marketing Plan

# 2.1. Industry Analysis

The Marketing Plan starts with the analysis of the industry which the business is attached to. It is obvious that the operation of any business is affected by the relevant industry and the marketing aspect is more influenced. Therefore, accurate industry analysis is a useful component of the marketing plan. Since the collection of information pertaining to the relevant industry has been done during the business idea selection process, concept development, business analysis, market research and similar stages, industry analysis part can be completed easily.

Identifying the correct industry which the business belongs to is the first vital step. It is important to investigate into the following facts in the industry analysis.

- ✓ How strong is the industry?
- ✓ How rapidly is the industry improving?
- ✓ In which direction does it move in the face of the technology?
- ✓ How are the attitudes of the employees / potential employees towards this industry?
- ✓ What is the Industry Margin?

This section should also include an entrepreneurial analysis of the future challenges. It is professional to use the **Porter's Five Forces Model** in this analysis of the future challenges.

A brief note on the **Five Forces** and the relevant impacts / effects is given below to facilitate the completion of the industry analysis.

#### 1. Competition in the industry

- ✓ Number of competitors
- ✓ Diversity of competitors (large scale, medium scale, small scale)
- ✓ Concentration of competitors
- ✓ Industry growth
- ✓ Industry life cycle

- ✓ Differences of quality of competitors
- ✓ Product diversification of competitors
- ✓ Brand identity of competitors and the market loyalty for them
- ✓ Cost of changing a business to another business
- ✓ Supply / demand capacity changes that occur periodically
- ✓ Complexity of the information of competitors
- ✓ Barriers for withdrawal from the industry

#### 2. Potential of new entrants into the industry

This is the potential impact by new entrants.

- ✓ Diversity of products
- ✓ Brand identity and the loyalty for them
- ✓ Convenience for distribution approaches
- ✓ Capital need
- ✓ Approach for new technology
- ✓ Inputs required
- ✓ Absolute cost advantages
- ✓ Impact of experience and knowledge
- ✓ Government policies
- ✓ Cost of shifting from one business to another
- ✓ Threats from existing businesses

# 3. Bargaining power of suppliers

- ✓ Number of suppliers
- ✓ Diversity of suppliers
- ✓ Concentration of suppliers
- ✓ Substitutes available for suppliers' products
- ✓ Uniqueness of suppliers' products
- ✓ Cost of shifting from one supplier to another
- ✓ Suppliers' contribution to the products / services of the industry

- ✓ Importance of the order size to the supplier
- ✓ Contribution made by the suppliers to the overall cost of the industry
- ✓ Importance of the industry for the suppliers' profits

## 4. Bargaining power of customers

- ✓ Number of customers
- ✓ Order size of each customer
- ✓ Concentration of customers
- ✓ Customer cost of shifting from one product to the other
- ✓ Customer's ability to get information
- ✓ Price sensitivity

# 5. Threat of product / service substitutes

- ✓ Number of substitute products / services
- ✓ Attraction of customers for substitute products / services
- ✓ Comparative prices of substitute products
- ✓ Cost of shifting to substitute products / services
- ✓ Profitability / efficiency of the manufacturers of substitute products / services

# 2.2. Market Analysis

Basic guidance required to complete this section is explained below.

This space is reserved for the presentation of a summarized analysis of the market associated with this business. The entrepreneur is expected to perform a quantitative and qualitative analysis about the market this business is supposed to operate in. The market analysis should include the information such as the volume and the value of the market, purchasing trends of customers, customer behaviours exhibited during the buying process, competition, and economic environment of the market.

# 2.3. Product Description

A clear description of the products / services the business is expected to present to the market should be included here. The following template can be used for this purpose.

No.	Product	Selling	Specification	Content	Unique Selling
	Type	Price			Proposition – USP

Using the above template, the relevant description should be presented accurately. The content of the product, or the composition of it can be included in the content column. The entrepreneur should clearly define the Unique Selling Proposition (USP) of his / her products / services so that it can be included in the last column.

#### Simply, a **USP**:

- 1. Shows how it differs from the other competitive products
- 2. Explains why the customers should buy it when the other competitive options are available.

In other words, the above two aspects represent key capabilities of a USP. Different businesses define their USPs in different ways. But, finally, the USP should represent the above-mentioned key capabilities clearly. A properly defined USP can motivate customers to buy the particular product. Clever entrepreneurs position their USP well in the minds of the customers during the business / product promotion initiatives. It has the power to be the competitive advantage.

The above explanation implies the value of a USP for a business. Therefore, entrepreneurs of all levels (micro, small, medium and large) should use the USP as a tool to improve his / her business.

As an example, let us have look at the Unique Selling Proposition of Mercedes Benz.

"Mercedes-Benz vehicles are designed to provide owners with a world-class luxury experience."

Inclusion of some promising photos of the product / service after presenting the product description as per the given template enhances the quality of the business plan.

# 2.4. Patents, Copy Rights, Brand Names & Trade Marks

Product Type	Patents	Remaining period for the Patent	Copyrights	Brand Names	Trade Marks

It is possible that the entrepreneur has already obtained the patent / copyrights / brand names / trade marks for the product / service he / she intends to produce. Information pertaining to them should be included in the business plan using the above template.

#### **Patents**

Patents are applicable for innovations. Patent is a legal authority or license offered to the entrepreneur who is responsible for the innovation. This authority is given for a set period, and it gives the sole right to the innovator.

Patents is valid for a period of 20 years from the date of filing the application for the patent. But it should be renewed annually from the second year until it expires after 20 years. During the validity of the patent, the other parties do not have the legal right to manufacture, use or sell.

The patent owner has the authority to sell or transfer the patent to another person for an economic gain.

Innovator can obtain the patent from National Intellectual Property Office of Sri Lanka by submitting the duly filled application issued by that office and making the relevant payment. It is compulsory to attach a comprehensive document that gives complete details of the innovation. Intellectual Property Office will then verify if the request conforms to the requirements prescribed in the Intellectual Property Act.

## **Details of the National Intellectual Property Office of Sri Lanka:**

Address	Contact Information
National Intellectual Property Office of Sri Lanka	Phone: 0094-112 689 368
"Samagam Medura", 3 <sup>rd</sup> Floor, No.400,	Fax: 0094-112 689 367
D.R.Wijewardene Mawatha, Colombo-10	Email: nipos@sltnet.lk

# **Copy Rights**

This is the legal rights given to the creator for his / her literary and artistic works. The rights are of two forms as follows.

#### 1. Economic rights

These rights include the right to reproduce, sell, rent, distribute, communicate to the public, and translate.

#### 2. Moral rights

Moral rights are the right to claim the authorship and right to oppose distortion or mutilation of the work.

Applicable products / services are books, computer programmes, articles, oral material such as speeches, and lectures, stage drama, teledrama, musical products, films, arts, paintings, and photographic creations. Copyrights are valid for databases and translation materials also.

# **Special Note:**

There can be business cases where a business has transferred the authority to another business organization to earn income using its assets. If it is a production business, the second party should make a payment to the owner company based on the number of units produces. As an example, consider a quarry rented out to a company A by the owner company on a long-term agreement. Company A is required to pay a pre-determined amount of money to the owner company for each cube of stone extracted from the quarry for sale. Since the relevant payment is directly linked to the production, Company A should show it as a royalty fee under other direct expenditure.

The treatment for the Royalty Fee based on sales can be as follows:

- (a) Deducting from sales when preparing the Trading Account, or
- (b) Indicating as a sales and distribution expenditure when preparing the Profit & Loss Account.

However, (a) is more logical.

#### **Trademark**

These are visible signs used to differentiate a product / service of an entrepreneur from another entrepreneur is considered as a Trademark / Service mark. A trademark is related to a product while the service mark is related to a service.

There are two more types of marks, namely Certification Marks and Collective Marks. Certification mark is granted to the original owner of a product / service when he / she certifies as to the origin, material and production method etc., and the collective mark is a mark serving to distinguish the origin or any other common characteristic of the product / service of different companies which use the Mark under the control of the registered owner.

#### **Functions of a Trademark / Service mark:**

- ✓ Distinguishes products / services of its owner from those of others
- ✓ Indicates the source of the products / services
- ✓ Individualizes the products / services of the owner

✓ Enables the owner to reach the customers

✓ Helps the customers to make the choice in the market.

Importance of obtaining trademarks / service marks:

It is vital to attach an identity to a set of products / services in the competitive market for many

reasons. Customers can easily distinguish the products / services of such a business. If the

products / services are of inferior quality such manufacturers / entrepreneurs may not obtain

legal identity for those inferior products / services. It means that obtaining trademarks / service

marks has an implication about the quality / reliability.

The registration of the marks gives its owner exclusive right to use, assign and licence the mark.

These rights can be easily enforced effectively through civil or criminal court procedure or

both. Owner entrepreneur of the mark can restrain others from using the mark or a mark

deceptively resembling his / her mark. Owner entrepreneur is even entitled to claim damages

for violating trade mark rights.

Validity period:

The registration is valid for a period of 10 years from the date of application. It is renewable

on the payment of the fee for further periods of 10 years.

**Brand Name** 

This is a specific name that identifies a specific company (business), product or service. A

brand name differentiates the business, product or service from similar brands within a

category.

Examples: Munchee, Maliban, Dialog, SirasaTV

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# 2.5. Market Segmentation

Customers exhibit different behaviours even in buying the same product. When closely observed, it is possible to identify segments of the customers with similar behavioural patterns and needs for a particular product / service. Market segmentation means the identification of different segments for a business / product / service. Within a segment, the customer members' behaviour, and approach in relation to buying the product may have similarities. In this section, the entrepreneur should identify the relevant market segment(s) and include in the business plan.

Advantages of market segmentation are that it enables the entrepreneur to select the suitable marketing strategies, determine the appropriate marketing mix and implement focused marketing initiatives to improve the business.

The practical method of market segmentation is briefly mentioned below.

The market consists of the existing and potential customers. Customers are sub grouped according the similarities of their characteristics. Customer needs and wants, behavioural patterns and similar aspects are the components of these characteristics. Relevant information can be collected through the market research.

These characteristics have a common influence on them in making buying decisions, completing the purchase and re-purchasing.

In general, entrepreneurs perform market segmentation using the factors given in the following template.

	District
	Divisional Secretariat
	Division
Geographic factors	GN Division
	Climatic situation
	Population density
	Age
	Gender
	No. of family members
Demographic factors	Income level of the family

	Education level
	Religion-wise
	Nationality-wise
	Personality traits
	Attitudes
	Interests
Psychographic factors	Life-styles
	Psychological influence
	Values
	Buying habits
	Expenditure habits
Behavioural factors	

Preparation of marketing strategies focusing on the customers identified in a particular market segment is known "Targeting". Here, the marketing strategies aim at a selected cluster of customers out of the large customer base of the business.

# 2.6. Target Market Area

The geographical location which the customers of an identified market segment is confined to is called the "Target Market Area". Target market area can be a country or some countries if it is an international business. Local businesses can have provinces, districts, cities or even GN divisions as their target market areas. Target market area should be clearly included in the marketing plan.

When the target market area is included in the business plan, it provides the market locationlinked information to the personnel who refer the business plan. In addition, it facilitates the entrepreneur to understand which areas should be considered for market expansion when necessary.

The below given former can be used for this purpose.

District	DS Division	GN Division
Colombo		

# 2.7. Target Customers

District	Total	Total market	Target market of the	Percentage
	population / no.		business	
1	of families	3	4	
	2			
	-			

After identifying the target market areas, total number of customers in those areas should be uncovered through further analysis. This information can be collected during the marketing research.

In this exercise, target market areas should be considered in units of GN Divisions, and the information related to the composition of the population should be gathered GN division-wise.

Look at the second column of the above format. The way how this information was finalized should be presented as a Pre-Work Report and it should be attached to the business plan. Format of this pre-work report is given below.

# **Pre-Work Report Format – Determination of the Composition of the Total Population**

<b>Population Composition</b>			District:					DS Division:											
	(Less th		Infants s than 1			Youths (Between 18 – 35 yrs)			Adults (Between 35 – 60 yrs)		Elders (Over 60 yrs)		Grand Total						
GN Division	Total No. of Families	Female	Male	Total	Female	Male	Total	Female	Male	Total	Female	Male	Total	Female	Male	Total	Female Total	Male Total	Total

Entrepreneurs are not required to make additional efforts to gather the above information because all these details are available with the respective Grama Niladharis. Alternatively, this information can be extracted from "Sampath Pethikada" - the comprehensive document available at the Divisional Scretariat.

The next step is to mark the number of target customers of the business in the Target Customers format (2.7 above).

The second column of the format 2.7 – Target Customers, shows the total population. But, that number will not be the total number of customers for this business. In this case, it becomes necessary to find out the total number of customers (third column – total market) and the total number of target customers of this business (fourth column – target market of the business) through a suitable calculation.

# How to find the Total Market and the Target Market for a Business Startup?

This section explains a practical method that can be used to find the total market and the target market for a business startup.

The first step is to conduct market research in a sample selected from the total population of the identified target market area. Using the information gathered in this market research, the total market and the target market for the business can be calculated as explained in the below given example.

Example of a business startup based on string hopper making:

Total no. of families in the target market area is 300. Let us assume that the representative sample selected constitutes 30 families. Market research is conducted on the families who buy string hoppers in this sample. Market research reveals that 20 families out of 30 families buy string hoppers at least for one meal everyday. It also reveals that when making this purchase, a family buys at least 2 packets each containing 10 string hoppers.

Using this information, total number of customers in the area (for string hoppers), and the total market (total demand for string hoppers) can be calculated as follows.

Total no. of families in the area = 300

Sample size selected for the market research = 30

No. of families who will buy string hoppers = 20 (in the sample)

Hence, the no. of families (in the total population) who may buy string hoppers = 200

(Calculation  $-20/30 \times 300$ )

In other words, 200 families out of 300 families in the area buy string hoppers daily. That means the total no. of customers for this business is 200 families. Since a family buys at least 2 packets daily where each packet contains 10 string hoppers,

Total market for the business = 400 packets, each containing 10 string hoppers. (Calculation – 2 packets x 200 families)

We have now found the total no. of customers (200 families) and the total market size (400 packets each containing 10 string hoppers).

Next step is to find the target no. of customers for our business. This is done through performing a Test Marketing in the sample population of 20 families. Within these 20 families, by performing a Test Marketing, we examine how many families will be willing to buy string hoppers from us. Let us assume that the result of the test marketing is that 3 families indicated their willingness to buy from us. With this information, the estimated no. of families for our business can be calculated and it is shown below.

Estimated no. of families for our business = 30 families

(Calculation  $-3/20 \times 200$  families)

This implies that 30 families from the total population in the area will buy string hoppers daily from our business.

In terms of the no. of packets of string hoppers, our target market is 60 packets, or 600 string hoppers daily.

If we assume that the no. of working days per month is 25, the monthly estimated market is 1,500 packets or 15,000 string hoppers.

(Calculation -60 packets per day x 25 days = 1,500 packets per month)

#### **Additional Note:**

In the above example, the total monthly market is 400 packets per day x 25 days (=10,000 packets). That is, 100,000 string hoppers. It implies that our estimated target market is 15,000 string hoppers in a total market of 100,000 string hoppers. This gives a clear picture about the total market and our market share.

# 2.8. Positioning

Creating and establishing a better perception about our product / service in relation to the other competitive products / services in the minds of the customer is the role of Positioning. When positioning of our products / services is done properly, the customers perceive our products / services as more reliable, better-quality products / services which are attached to a better after sales service in relation to the other similar products / services available in the market. The image we have positioned will remind the customers about more benefits and advantages associated with our products / services.

Planning the methodology how to position our products / services in the minds of the customers and how to communicate the message are very important steps for a business startup at the planning stage. Even when the homogeneous products are competing in the market, creative entrepreneurs can pick up competitively beneficial characteristics embedded in the own product for positioning purpose. It is obvious that when a startup entrepreneur uses positioning for his / her products, customer minds are already full of positioned perceptions about the competitive brands. Therefore, it is compulsory to search for innovative methods to position own products over the already positioned competitive ones in the minds of the same customers.

# How to do Positioning?

- Look at from the viewpoint of the customer, not the producer or entrepreneur.
- Precisely identify the very specific benefit associated with the product / service that is capable of inspiring customers in relation to the competitors' products / services.
- Understand the position deserved in the market for the product / service.
- Study the ways the competitors have been positioned, methodologies adopted by them to position their products, their philosophy of positioning.

 Determine the positioning strategies that will differentiate your approach from that of the competitors, and complete the following template.

Product / Service	Positioning Strategies

# 2.9. Growth of Target Customers

There are two approaches that can be used to increase the number of target customers.

Approach 1: Attracting a part of customers fed by the competitors in the area

Approach 2: Attracting a part of customers who are newly added because of the population growth

Appropriate marketing strategies should be implemented to increase the number of customers through the above approaches. In the business planning stage, respective marketing strategies should be designed, and the expected customer growth and the resulting sales growth can be shown in the marketing plan. General practice is that a monthly or annual sales units are increased by a realistic percentage in the plan, based on the approaches given above.

Many entrepreneurs consider implementation of initiatives to increase the number of customers in the selected selling area. This approach is called **Market Penetration**. It is the practice of increasing the number of customers within the originally identified sales territory. Market penetration is an acceptable practice. Next step is the **Market Extension** where the entrepreneur takes initiatives to go beyond the original territory to attract some customers. New territory can be an adjoining area or completely new area.

It is obvious that the entrepreneur cannot do sales to all customers at the start. Possible approach is to prepare a practical plan to increase the number of customers monthly, quarterly, biannually or annually. This plan should be embedded in the Marketing Plan of the four year-business plans. BUT it is very vital to find out the **Break-even Point** before preparing the plan to increase the number of customers. This should be done through the calculation based on unit costing or batch costing.

#### Break-even point is calculated in two ways:

- 1. No. of units to be sold per month corresponding to the break-even point
- 2. Value of sales (in Rupees) to be made per month corresponding to the break-even point

The break-even point implies the no profit – no loss point. Entrepreneur should calculate how many units should be sold and how much sales should be done per month to reach the break-even point. Without knowing these figures, he / she cannot determine the number of customers to be added in addition to the existing customers. That means the break-even point should be calculated first and then the plan to increase the number of customers should be prepared.

### **Example:**

Marked retail price of a product is Rs.40.00 and the price to the retailer is Rs.32.00. Direct cost of manufacturing is Rs.25.00 per unit. Monthly production overhead expenditure is Rs.21,000.00. In this scenario, the number of units to be sold per month and the amount of sales to be made per month for the no loss-no profit situation (break-even point) can be calculated as follows.

## Step 1: Calculation of the Contribution per Unit

Selling price of a unit - Rs.32

LESS: Direct expenditure per unit - (Rs.25)

Therefore, the contribution per unit - Rs.7

This interprets that one unit contributes Rs.7 to cover the overhead expenditure or fixed cost.

### Step 2: Calculation of the No. of Units to be produced to meet the Break-even Point

Fixed Cost = 
$$\frac{21,000}{\text{Contribution per Unit}} = \frac{3,000 \text{ units}}{7}$$
 (to meet the break-even point)

#### Step 3: Calculation of the Sales Revenue at which the Break-even Point is met

Sales Revenue = No. of Units (at the break-even point) x unit Selling Price = 3,000 units x Rs.32 = Rs. 96,000

Thus, when making the plan for the growth of customers, attention should be drawn to start with a lower number of customers to cover an annual sales revenue of Rs.96,000.

This is further elaborated by continuing the above example.

In a market of 100 customers, if the monthly demand of a customer for the product is 100 units, the total monthly demand is 10,000 units. The sample selected for the market research consists only 10 customers. Thus, the monthly demand in the sample selected is 1,000 units.

When starting a business, steps should be taken to achieve <u>at least</u> monthly sales revenue corresponding to the break-even point, and gradually increase sales to earn desired profits.

In this example, let us assume that the entrepreneur's monthly sales target is 3,000 units which is the break-even point. Since the total monthly demand is 10,000 units, this entrepreneur is planning to supply only 30 units per customer whose actual monthly requirement is 100 units.

Thus, the no. of units to be supplied to 100 customers per month =  $100 \times 30 = 3,000$  He / she has to start the Sales Plan with 3,000 units (minimum level to start with) in the first month. Thereafter, based on the concept of Market Penetration, marketing strategies should be designed to increase the sales among all 100 customers.

Some assumptions should be made for the above operation.

# **Example for the assumptions:**

- Annual population growth rate in the target market area is 2%. It implies that the annual customer growth rate is 2%.
- Annual sales in each sales outlet are increased by 2% because of the above customer growth rate.

Accordingly, the increase of annual demand for each sales outlet can be shown as given in the following table.

Description	20	20	20	20
Monthly demand	100	102	104	106
Annual demand	1200	1224	1248	1272
% of increase		2%	2%	2%

Customer Growth Plan will be based on the below table.

Description	20	20	20	20
No. of customers	100	102	104	106
% of increase		2%	2%	2%

#### **Customer Growth Plan Format**

This shows how the entrepreneur expects to increase the number of customers in the coming years.

Product	Area	Total no. of customers	Expected no. of customers							
	Customers	20	%	20	%	20	%	20	%	

# 2.10 Key Customers (Expected)

This section should include the potential/expected customers identified for the new business. The main customers, particularly the customers who will take a major share of the market will be identified here. In other words, to identify the customers who will contribute to a major portion of the expected income.

Identification of expected customers could be done on following basis.

- Test Marketing done through customers identified in market research, with their agreement.
- Forecasting based on the network developed by the entrepreneur.
- Forecasting based on the entrepreneurial knowledge of the entrepreneur, experience and customer attraction programmes

		Area						
No N	Name of the Customer	District	Divisional	Grama Niladhari				
	Name of the Customer		Secretariat	Area				
			Division					
1								
2								
3								
4								

# 2.11 Competitors' Market Share

Competitor	1	Area		Percent		Market Share			
	Product		Annual		Ratio	20	20	20	20
			Supply	Demand		20	20	20	20
Total									

Competitors means the competitive businesses who are marketing similar or allied products in the market in which we are operating. Therefore, the competitor's business activities have a direct impact on the volume of sales, profit and sustainability of our business.

It is essential to conduct an extensive study on the competitors to the business. The above format should be filled based on the market survey data. By using the competitive advantage of the expected business and marketing strategies it is possible gain advantages to surpass the competitors.

As per the format by identifying the competitors in respective areas and identifying the competitive products; finding the annual volume supplied to the market by each competitor and after totaling them the percentage contribution from each competitor should be worked out.

The total demand for competitors is calculated based on the data obtained from the sample subjected to the market survey. In that context the total segregated products purchased by the sample businesses from the competitors is the total demand for those businesses. By considering the demand for each competitor as a share of the total demand the market share for each competitor could be found.

By substituting the data based on the sample the demand of the entire market and the market share of each competitor can be calculated. Further based on the sample the monthly demand can be calculated to your expected market area.

For an example let us assume that the customers covering the identified market is 100, But assume that the market survey was done covering only 10 customers. Let us take that the monthly demand from one customer is 120 units. Then the monthly demand from the ten customers will be 1200 units. Then the total demand for the entire market can be calculated as follows.

The monthly demand in units from one expected customer = 100The demand in units from the expected hundred customers  $= 120 \times 100$ Therefore, the total monthly demand is 12,000 units.

# 2.12 Sales Price Analysis of Business and Competitors

Product	•••••	Competitor's Price						
	Business Price	A	В	С	D	E		

The price of a product or a service is factor which the customers are highly sensitive. It has a great impact in the process of buying. In deciding on the pricing, it is necessary to give attention to the competitors' pricing. Therefore, the expected prices of the business should be comparatively analyzed with the competitors' pricing. The format given below can be completed based on the data obtained in market research.

## 2.13 Total Demand and Demand for the Product

Calculation of the percentage supplied by the business to the total market demand is done here. This is the market segment of the business of the total market. The percentage of the market demand for the product or service relative to the total market is investigated here. It also helps to identify the possibility of expanding the market and to identify the limitations.

The market share is calculated by dividing the total annual demand for the business from the total annual market demand multiplied by hundred.

As an example let us assume that the annual demand for String Hoppers in the area where our business located is 900,000 units. Also assume that the annual demand for our business is 180,000 units. Accordingly, our market share will be;

Market share = 
$$\frac{180,000}{900,000}$$
 x  $100 = 20\%$ 

The expected demand also can be calculated using the value (Rupees) however we recommend to calculate the expected demand based on units.

		20			20			
	Total	The	Market	Total	The	Market		
	Demand	Expected	Share	Demand	Expected	Share		
Product	(Annual	Demand		(Annual	Demand			
Product	Value)	for our		Value)	for our			
		Business			Business			
		(Annual			(Annual			
		Value)			Value)			

# 2.14 Competitor analysis

The vision of the business should be always to be ahead of the competitors. It is required for the development of the business. In this section of competitor analysis, the main objective is to compare on what state my business is in compared to the competitors. If my business is lagging behind in the competition then the strategies required to come up from that stage or if the business in a higher state, then what are the marketing strategies to maintain the level and this will facilitate to remain as a competitive organization among other competing organizations. When there are large number of competitors it is sufficient to select five strong competitors to do this analysis.

Factor	My		Com	petitors I	Name	
	Business	A	В	С	D	Е
Price						
Quality						
Customer Service						
Reliability						
Organizational Stability						
Expertise						
Good name of the Organization						
Location						
Ability to buy						
Product Appearance & Packaging						
Distribution Effectiveness						
Easy access for the Customer						
Credit Policy						
Publicity						
Total						
Priority						
After Sales Service						
Online Facilities						
Opening Hours (Business)						
Customer Care						
Customer Relations						

Excellent 10	Very Good 08	Good 08	Average 04	Poor 02

# 2.15 Competitors' Strategies Analysis

Competitors	Production	Pricing	Distribution	Promotional
	Strategies	Strategies	Strategies	Strategies
Competitor 1				
Competitor 2				
_				
Competitor 3				
Competitor 4				

The recording of competitors' strategies is done using this format. The production strategies, Pricing strategies, distribution strategies and promotional strategies should be identified through the Market research.

# 2.16 SWOT Analysis of competitors

	A	В	С	D	Е
Strengths					
Strengths					
Weaknesses					

Opportunities			
Opportunities			
Threats			

This is done to find out the competitors' strengths, Weaknesses, opportunities and threats. By further analyzing the competitors identified in the Market research the strengths and the current weakness in their business should be recognized.

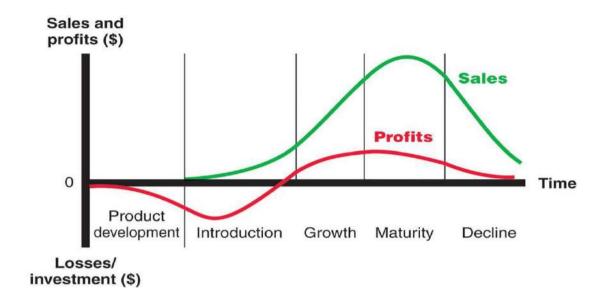
Further the threats faced are mostly common to all the businesses. The strategies adopted by the competitors and how they face such situations should be forwarded in the following format. By conducting a SWOT analysis of competitors, it is expected to see how we can face their strengths, how we convert their weaknesses to our strengths, how we can utilize the opportunities in the market to a maximum, work out the tactics to meet the strengths and open a way for strategic accesses.

# 2.17 Product Life Cycle

In this section of the business plan, we should record the details of the life cycle of the product. From the moment a product or service is introduced to the market, introduction stage, development stage, maturity stage and decline stage will be passed in its life path. In these different stages the sales income, and profit generated by the product or service will vary.

The life cycle is a graph indicating the changes of sales income and profit of a product or service taking place with time. The graphical picture will also depict the life span of the product or service.

A graphical presentation of a life cycle of a produce is given below.



This is calculated based on financial details. That means based on the changes in sales values and changes in profit volume. While the vertical axis will indicate the profit and sales, the horizontal axis indicates the time which could be monthly or yearly. If it is monthly, the monthly sales values and profit / loss should be marked and the points regarding sales volume and profit/loss should be joined separately. Accordingly, the life cycle is constructed for the time period considered.

Observing the constructed life cycle the status of the business could be observed. A life cycle will help to identify the behavior of the business at various stages.

#### **Product Development Stage**

In the production life cycle, the development stage is the research stage before the product is introduced to the market. It commences with the conception of a business idea. To find the investment capital, preparation of the basic prototype product, checking the basic production models, checking the productivity of the production, and strategies for launching etc. will take place. At this stage there will be no income to the business and a stage that a considerable expense will occur. The time span of this stage depends on the extent of innovation and other matters.

#### **Introduction Stage**

The introduction stage begins with launching the product first time to the market. Awareness creation by the marketing team and reaching the future customers is the introduction stage. Generally, with the introduction the sales start at a low volume and the demand is developing slowly.

Generally, this is a stage that focus should be given to advertising and marketing strategies. In many businesses while developing their brand name checking the distribution system and awareness creation among future customers are done during this stage.

### **Growth Stage**

During the growth stage the customers accept the product and the buying will be in an increasing trend. That means the demand and the profit is gradually increasing.

Here while the market is expanding the competition also increases. During this stage every step should be taken to strengthen the marketing processes, develop the trade name and attract customers surpassing the competitors.

#### **Maturity Stage**

Maturity stage is the stage in which the high acceleration of sales is reduced and tend to maintain at a stable level. Here the business has to face severe competition which is developing. That means the competitors are acquiring a segment of our market. Therefore, it is important to give attention for the business to be more efficient and take appropriate measures from lesson learnt during the development stage. It will be necessary to renew the product mix. That means strategies such as to improve the product features, quality to capture customer attraction, to reduce the prices, change customer service, intensify distribution system should be done.

### **Decline Stage**

Decline stage means the stage of declining sales following the maturity stage. This can happen due to intensifying already active competitors, intensifying the competition from the entrepreneurs attracting to the business. Due this reason our customers will be gradually grasped by competitors and result in dropping our sales.

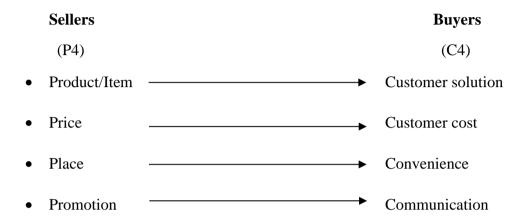
At this stage the following strategies are adopted by many businesses

- 1. Reintroducing the product after modification
- 2. Suspend the production
- 3. Sell the business

Entrepreneurs use strategies such as implementing new sales promotion strategies, price reduction, adding new features for value addition, explore new markets, business name promotion and change packaging to extend the life cycle.

# 2.18 Proposed Marketing Strategies

The marketing strategies expected to be followed at each stage of the production life cycle should be included in the business plan. The marketing strategies should be organized based on the marketing mix, 4Ps (Product, price, place and promotion). The variables of a marketing mix behavior from the seller's point of view and from the customer's point of view is depicted in the diagram below. It is customary to indicate relative to the sellers as P4, and buyers as C4.



The entrepreuner should be sufficiently matured in prepartion of marketing strategies for product from the customers' angle C4, accordinly,

- ✓ The produce, product or service of the business should provide a solution to the customer's problem
- ✓ The price determined for a product or service should be considered as a cost for the customer.
- ✓ The method of obtaining the product by the customer should be made conveniet through place and distribution method.
- ✓ The customers should be effectively communicated on the product or service through promotinal strategies used by the business.

## i. Product Strategies

Leaving aside the concept of producing the goods or services as per your ability, it should be considered that the product is made as a solutions to customer's problems, in order to solve their prolems in an effective manner how to prepare the product and the production stratgies and such strategies should be indicated below.

The things that can be shown under this is that the shape, colour, quantity, quality, packaging, brand name, after sales service, responsibility, benifts etc. how to create and to change according to the time. The following model can be used.

Type of Product	Production	20	20	20	20
	Strategies				

#### ii. Price Strategies

The income to the business will be brought only through the pricing variable in the marketing mix. Other variables in the mix will bring cost to the business. Therefor when the price is determined while it should be attrative to the customes it should be priced sufficient to bring profit to the business.

There are some points that should be considered before determining the pricing for a product or a service.

- The cost incurred in production of the goods or services
- o Linked to the market demand and the price preferred by the customers.
- o Competitors prices

Once the above factors are identified the pricing method in the business for product or service should be selected. Two pricing methods that can be adopted by a busineess are given below. They are cost oriented and market oriented methods.

#### 1. Cost Oriented Pricing System

Three methods of pricing is given below.

#### Cost based pricing method

In this pricing method a defined percentage is added to the cost.

For an example if the cost of a product is Rs 150 and if 10% profit is expected by the business then the price of the product is Rs 165/-(Difference between the sale price and cost is the profit)

# Cost based on the breakeven point

That means prepare a unit price for a estimated unit, work out the direct cost for a unit, calculate the monthly fixed cost and work out the units to be sold to reach a break even point. If the sales volume is below the profit break even point then a market survey should be carried out to see whether the price can be increased.

To determine the price to get a return on the estimated investment. In this a fixed profit percentage is added to the total monthly cost and the products are marketed. Here the total cost means the investment.

#### Example-

Monthly total expenses in other words the investment is Rs. 100,000/- and the return on investment is 10%. The expected number of units to be sold during the month is 5500. The sales price is calcuted as follows.

$$= \underline{100,000 + (100,000 \times 10\%)}$$
5500

Sales Price of a Unit = Rs. 20.00

## 2. Market Oriented Pricing

Three methods are given below under this

- Pricing based on competitors pricing Pricing done based on the prices of products sold by the competitors. This is the method most frequently used.
- > To offer a produc simlar to competitions with a value addition to the product and price with a marginal incresae in price
- > Offer a product similar to the competitions product and provide a discount percentage.

Among the methods indicated above the Micro, small and medium entrepreuners are using market oriented pricing method based on competitors pricing.

By using the above pricing strategies and adopting the siutable pricing method for the business and present the same in the following format.

Type of Product	Pricing Strategy				
		20	20	20	20

#### iii. Distribution Strategies

The following should be considered in prepartion of the distribution strategies

- ➤ Convenience for the customers to get the products
- ➤ To be competitive with the distribution strategies of the competitions
- ➤ Will not incurrer additional cost.

A business pass down the product to customers through distribution. There are some services done by the members of this distribution channel to the business.

- Gather data from the customers, competitions and other activists and from the market environment.
- Stimulate the communication process for buying the products of the business and implement.
- Act as intermediary in finalizing the transaction between the business and the customer.
- Acquire resourses to be used at various stages of the distributuion channel of the business.
- Share the risks confronted in the distribution process.
- Assist to have an effective distribution channel in distributing products or services.
- Assist the business to obtain the relevant payments through banks or finacial institutes.

Distribution strategy is an important strategy. The importance is shown by including it in the marketing Mix. In the marketing mix this is indicated as Place. If a distribution channel is not available there is no definite system to pass down the product to the customers. Distribution channel is considered as the bridge linking the producer and the customer. There are two main systems of distribution channels.

#### 1. To establish own distribution channel

Most of the micro, small and medium enterprises are using their own distribution channels. Generally the the cost of distribution is around 25% to 40% of the total sales income. Some organisations allocate more than 40% for distribution. Therefore the entrepreuners should give attention to minmize the expenditure. Due to following strategies used by entrepreuners in building the distribution channel the distribution cost will be very high. This even could result in failure of the entire business.

- Buying vehicles using capital investment
- Obtaining vehicles using leasing facilities at high interest rates

By purchasing vehicle using the above method a large cost has to be borne. They are;

- -To pay a very high interest component.
- -To pay for maintaining and repairs of vehicles.
- -To pay insurance premium for vehicles
- -to pay drivers salaries and payment of statutory allowances

The distribution cost of the organisation become very high due to these reasons. The cost per kilo meter can be calculated by dividing that amount with the total kilometers travelled. After calculating the expenses, highring a vehcle from outside should be compared and a decision should be taken to adopt to a low cost method.

#### 2. To link with an available distribution channel

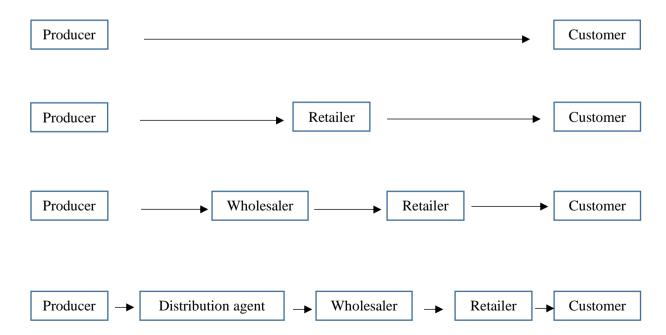
This means without investing on distribution vehicles the total distribution to be allocated to a distribution company. The responsibility of distribution and marketing will fall on the external company. Some large scale production companies seemed to be using this system.

From the above two systems which system to be adopted should be decided by the relevant production organisation. The systems should be studied seperately and after comparison of advantages and disadvantages, anlyzing the investment, the cost that will incur a decision should be taken.

Whatever the methods adopted in distribution the entrepeuner should have fair knowledge on the distribution channels. Attention should be given at the market survey to collect data on this.

In practical business world the following four distribution systems can be seen. After deciding the own destribution strategy either one system or several systems can be used.

- 1. Producer to customer (This is denoted as B2C as it is business to custormer)
- 2. Producer to retailer
- 3. Producer to wholesaler- wholesaler to retailer and then to customer
- 4. Producer to distribution agent-Distribution agent to whole saler wholesaler to retailer and then to customer
- 5. Different distribution routes/systems



Having understood the above facts and obtaining the data the most suitable strategy for your organisation should be indicated in the following format.

Type of Product	Distribution				
	Strategy	20	20	20	20

#### iv. Promotional Strategies

Promotional strategy is a marketing promotin strategy The deatails of market promotion strategies planned for products and services in your business should be included here.

What is done in promotional strategies is to create a special interest on the produts or services marketed by the business among the customers and create a special interest among them to buy. The final outcome should be buying the items. The special interest and and motivation is done through communication. What should be done to persuade, the .customers to buy products of the business. To what group this message should be targetted. What time it should be done, howmany times, what is the cost for this, after deciding them only the market promotion strategies should be planned.

In the massages of marketing promotion strategies following matters should be clealy stated.

- ✓ What is the product, what are the unique features?
- ✓ What is the customer issue that will be solved
- ✓ Why should the customer buy this product.

Through the market promotion strategies the customers should be made to feel that their needs will be fulfilled by the products or services of the business and also feel that among the other products this takes a leading position.

Few marketing strategies used in the practical business world is given below.

- ✓ Advertising
- ✓ Sales promotion
- ✓ Public relations and publicity
- ✓ Direct marketing
- ✓ Personal selling

#### **Advetising**

Awareness creation among customers with the objective of marketing the product by presenting advertisements through Radio, Television, News papers, Print media, Web Pages and Social Media.

The advertising decisions that should be taken in planning

#### A. Deciding the objective of advertising

The advertising objectives should be prepared based on advertising targetts. Some advertising objectives of a business are given below.

- Consumer Awareness: The purpose of such advertising campaigns is to provide customers with new information about a product that is introduced to the market for a new product for an existing product
- Motivating consumers: Creating customers preference towards the products of the business, persuade on the products and motivating to buy are the objectives of advetisements.
- Re-reminding the customers: Focussing the customers to to buy the products of the business is the objective. This is suitable when the product has moved away from the minds of people.
- Motivating customers: To reinforce that the customers are buying the proper product is the objective of this advertisements.

## B. Deciding on the cost of advertising

The budget should be decided when the advertising obectives are identified. The advertising cost should be calculated considering the factors like market competition, the cost incurred by competitors, frequency of advertising, product type and the class.

#### C. Selection and preparation of the advertising message

Should be decided how to forward the advertising message in a creative manner. Here formulating the message to be effective. Manipulating the message, cosider the social impact, moral qualities should be given attention.

## D. Deciding on the media of advertising

The medium to convey the message to the targetted customers should be decided. Among the media such as News Papers, Television,Radio, Direct Mail, Magazine,Exhibitions,Telephone,Posters,Hand Books, Internet and the most suitable one should be selected logically.

#### E. Evaluating the advertisng effectiveness

The outcome of the advertising of the business is eveluated here. The outcome is evaluated considering the changes in sales income and number of customers compared to the cost of advertising. The objective is to find the relationship between the advertising cost and the sales,

It is important to obtain consultancy assistance to design advertising methods to suit the business objective. However the entrepreuner also should have a fair knoeledge on this.

#### **Advetising Planning Methods**

- A. To plan advertising targetting a particular area or a group, this is known as "Below the line advertising (BTL)". Display Boards, Banners, Posters, Hand Bills, annoucing through loud speakers can be given as examples.
- B. Advertising using the mass media, this is known as "Above the line advertising (ATL)". The message will spread to tragetted as well as to non targetted groups. Examples of ATL can be indicated as Television, Radio, News papers and Internet. Even though the direct target areas are limited some businesses are seen frequently using this method. They do that to promote the brand name of the business.
- C. Some organisations use a combination of both methods. It is known as Through the-line (TTL)

### **Sales Promotion**

All short-term incentive strategies introduced by the business to increase the quantity of goods or services that customers purchase and to attract new customers are called short term sales promotion strategies. Here coupon scheme, cash refund, discounts, free gifts of high value, trade fair, exhibition stalls, sales competition, sales person's competitions will be the main factors.

### **Public Relations and Publicity**

Maintain good communication, relationships among not only with suppliers and intermediaries but also with the general public is feature of a growing business.

The various programs that businesses design and execute with the public to protect and promote the image of the business are activities that fall into the category of public relations. Most businesses allocate certain percentage from the promotional budget for public relations to achieve a long-term objective. The tactics used are press releases, product publicity, corporate communication' compliance with government regulations' etc.

A news that is published by any media, newspaper or any other form of promotion where the business does not incur any cost in known as publicity. Any news item published in a national newspaper on a new product or service can be sighted as an example. While it a very effective promotion method to get an opportunity is very limited for many organizations.

# **Direct Marketing**

A business offering the products or services directly to customers without intervention of any intermediary and establishing a method for customers to buy directly is direct marketing. This is the speediest method for customer development and service provision. Market promotion letters, e-mail, Text messages, leaflets are frequently used in this process. Social media such as Face Book are frequently used.

In direct marketing access there is no personal relationship developed between the marketer and the customer.

There are four main features

- Sending the message only to the relevant person (or group). Possibility of designing the message suitable to them is a special feature in this.
- Possibility to provide updated information.
- Ability to get direct feedback from the customer.
- Ability to change the message immediately suitably based on customer feedback.

#### Personal Selling/ Sales Task Force

Meeting the internal or external customers, explaining about the product or service and selling is personal selling. Here there is a good possibility of developing relationships between the seller and the customer.

These salespersons will make aware of the customers on;

- ✓ Nature of the product
- ✓ Properties/Qualities
- ✓ Benefits
- ✓ Performance

Give advice and information and persuade them to buy. The factor mentioned above in the direct sales is also common to personal selling.

The Marketing strategies suitable to our business should be entered in the following format.

Type of Product	Promotional				
	Strategy	20	20	20	20

Explained above are some product strategies, pricing strategies, distribution strategies for each element of the marketing mix known as 4P, Product, Price, Place/Distribution and promotion. They will be included in the overall marketing strategies of the product and services businesses. There are three more new components added to the marketing mix. Then P4 will become P7. The newly added three components are given below.

## i. People

The human resources are main factor is in a service provision of a service providing business, because the employee are the ones directly linked to the customers. It is necessary to select a distribution is dependent on the skills and quality of the service provider.

Through the development of human resources targeted towards providing an effective service an organization culture will be developed resulting a favorable attitude among customers.

#### ii. Process

The operational system, in other words the activities beginning from the intention of a customer to obtain a service and to feed back is explained here in a sequence. Customer journey satisfying the customer who comes to obtain a service happens here.

These activities may be done by one person or by several people. However, the process should be prepared to satisfy the customer. That means to take alternative steps to provide an effective and more flexible service and development.

## iii. Physical Evidence

The physical evidence in the sense of the word itself, is what the customer can see, or the things that are prepared to show the customers. The customer's confidence is based on what they see and hear and to develop a confidence on the service they get for the money spent.

As per the explanation above it is clear that the physical environment also has an important place.

As an example, the location of the organization, layout, interior design, branding, office background, staff, attire of the staff is the physical environment while video display, Photos, brochures and agreements also could be given as evidence.

# 2.19 Total Marketing Strategy

The above mentioned each marketing strategy or production strategy, pricing strategy, distribution strategy and promotional strategy can be depicted in one format of the total marketing strategy. The following format can be used for that purpose.

Type of Product	Strategy				
		20	20	20	20

After preparation of the marketing strategies as discussed above the budget should be prepared to get the maximum productivity and profitability. The budget should be prepared by giving special attention to all marketing strategies.

# 2.20 Market Research & Development

A business always operates in an environment of VUCA - volatility, uncertainty, and complexity and ambiguity. This VUCA situation compels businesses to conduct market researches from time to time to capture the periodic changes taking place in respect of suppliers, overall industry, and opportunities.

Based on the market research data, research and adjustments should be done to the new products to match the new market. This format can be used to indicate the expected future market research and development in the business plan.

Product	Research &	Research &	Research &	Research &
	Development	Development	Development	Development
	20	20	20	20

# 2.21 Marketing Research & Development Expenses

There is an expenditure involved with the above mentioned Research and Development work. Allocation of funds will be done using the format given below.

Product	20	20	20	20

# 2.22 Non-Current Assets Relating to Marketing Division

Asset	Total Value	Additions	Deductions	Total Value	Depreciation	20			
Type	(Year- Start)		(To Cost)	(Year-End)	Ratio	Annual Depreciatio n	Monthly Depreciation	Cumulative Depreciation	Net Value

A detailed description of non-current assets is given in the Management and Organization Plan. Please study it. Same way, the non-current assets relevant to the Marketing Division are recorded in the Format 2.22.

# 2.23 Break-even analysis

Break-even analysis is the calculation and testing of how many units of a product should be sold by the business to cover the total fixed costs incurred over a period of time. Therefore, break even analysis is used to determine the level at which sales should be made to cover the total fixed cost of the business.

The breakeven is calculated by dividing the total fixed cost by the "Contribution". The method of calculation of the Contribution is explained separately.

The number of units required for breakeven point  $= \frac{\text{Fixed Cost}}{\text{Contribution}}$ 

The above answer is the no. of units relevant to the break-even point. The money value related to the breakeven point can be calculated by multiplying the no. of units by the unit cost.

#### Break-even Point Value = Number Units for Break-even Point x Sales Price of a Unit

#### How to calculate the "Contribution"?

When the Direct Expenditure of a unit is deducted from the Sales Price of the unit, we get the "Contribution". The contribution signifies how much a unit contributes to cover the fixed cost over a period of time.

The surplus that remains after covering the fixed cost is the profit. Direct cost means the total cost of direct raw material, direct labor and other direct costs.

# **Special Note:**

Although the contribution and the gross profit appear to be the same they are two different concepts.

- While the contribution is calculated in cost accounting the profit is calculated in financial accounting.
- Contribution is calculated for each and every unit separately, the gross profit is calculated for a specific period for the entire business.
- In calculating the contribution, the expenses deducted from the sales price are direct expenses in other words the variable expenses. This includes direct raw material, direct labour and other direct costs. In calculating the gross profit, from the total sales income the sales cost will be deducted and shown.
- In calculating the contribution, the direct expenses included are different from the sales cost in gross profit calculation. The following table indicate them

Calculation of Contribution	Calculation of Gross Profit
Sales price of a unit - Rs. 200	Sales price of a unit - Rs. 200
Less: variable cost - Rs. 150	Total no. of units sold (in the month) - 500
Hence, Contribution from a unit - Rs. 50	Total monthly sales - Rs. 200 x 500 = Rs. 100,000
<b>Contribution Ratio</b> (from a unit) = $50/200 \times 100 = 25\%$	Less: Value of the no. of units returned = 10 units x Rs. 200 = Rs. 2,000
	Hence, Net sales = Rs. 198,000
	Less: Sales Cost
	Production cost - Rs. 160,000
	Transport cost - Rs. 5,000
	Stock to be sold - Rs. 165,000
	Less: Closing stock (Finished goods) - Rs. 25,000
	Cost of sales - Rs. 140,000
	Gross Profit - Rs. 58,000
	Gross Profit Ratio =
	58,000 / 198,000 x 100 = <b>29%</b>

- Although, the direct cost is deducted in calculating the unit contribution, in calculating the gross profit, from the total sales price direct expenses, general operational expenses, and direct expenses related to sales are also taken into account.
- Therefore, the contribution and gross profit are two different concepts.

# **Unit contribution**

Details	Product 1	Product 2
Unit sales price		
Deduct - Direct cost for a		
unit		
Unit Contribution		
Contribution Ratio		

# 2.24 Adjustment with Monthly Fixed Costs

To find the breakeven point, one must find the amount of fixed expenses in the business. Fixed expenses mean the total of the common operational expenses in the plan. That is the total of common operational expenses of the management division, common operational expenses of accounts division, common operational expenses of marketing division, common operational expenses of production division. It should be recorded in the following format.

When the total fixed expense id divided by the contribution, the units that business should sell to reach the point where no profit or loss is incurred can be calculated which means the breakeven point. Profit targets can be prepared using following three methods based on breakeven point.

#### 1. Adjustment of the Debt Capital with the Monthly Fixed Expenses

If a business has taken loans the interest and part of the loan capital has to be paid monthly. However only the interest component is added to the fixed expenses and the capital component is not added. Payment of capital in a loan is mandatory. Therefore, if the breakeven point is calculated after paying the loan capital component, the capital component according to the period of loan should be included in the format and the total accumulated loan capital should be found.

Then by adding the total loan component to the fixed cost and dividing by the contribution the breakeven point can be calculated including the loan capital.

Breakeven point including the loan capital =  $\underline{\text{Fixed Cost} + \text{Loan Capital}}$ Contribution

# 2. Adjustment of the Expected Profit

If even one unit is less in the expected sales of the breakeven point the business will incur a loss. The business will start making profits when the sales are above the breakeven point. In calculating the monthly sales target, the entrepreneur should decide on the profit component. The expected profit should be included in the format given below. Then in preparation of the sales target the expected profit for a month is added to fixed cost and loan capital cost and divided by the contributor gives the targeted total sales.

Targeted total sales = <u>Fixed Capital + Loan Capital + Expected Profit</u>

Contribution

# 3. Adjustment of Savings

If the business intends to save a definite amount of money monthly the sales targets can be worked out including that also. The target monthly sales could be worked out by adding the expected monthly saving to fixed cost, loan capital and expected profit by using the following format.

$$\label{eq:contribution} Targeted\ total\ sales = \underline{Fixed\ Cost + Loan\ Capital + Expected\ Profit + Expected\ Saving}$$
 
$$Contribution$$

Accordingly, the format should be completed using the total monthly operational cost, total loan capital component, expected profit and expected saving

Expenses	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Fixed cost													
Overheads – Management Div.													
Overheads – Finance Div.													
Overheads – Marketing Div.													
Overheads – Production Div.													
Total Fixed Costs													
Loan capital payment													
Total loan capital payment													
Expected profit													
-													
Expected saving													
Total													

# 2.25 Break-even points

As described above, the break-even points should be calculated and recorded in the following format. By multiplying all calculated units by the selling price per unit the total value can be calculated. The objective of calculating other points apart from the break-even point is that it provides the possibility in planning targeting those points in the operational process.

Detail	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Fixed expenses													
Break-even point – units													
Break-even point – value													
Fixed expenses based on payment of loan capital													
Units													
Value													
Fixed expenses based on loan capital payments and expected profits													
Units													
Value													
Fixed expenses, based on loan capital payment, savings & expected profit.													
Units													
Value													

Although the above method can be adopted for production of one product, if the organization is manufacturing several products and marketing, the process will be different. That means they should be apportioned based on the fixed cost of the organization. The calculation of the breakeven point should be based on the apportioned fixed cost.

## Calculation of the Break-even Point of an Existing Business

The fixed cost during the previous months is apportioned using contribution ratio from different products and the break-even point is worked out.

#### **Example:**

A business organization is producing three types of products. The total sales revenue during the last month is Rs. 250,000/- The details regarding the products are given below.

Product	Sales Income	Unit Sales Price	Direct Cost per Unit	Contribution from a Unit
A	125,000	150	130	20
В	80,000	200	160	40
С	45,000	180	120	60
Total sales	250,000			

Calculate the break-even point for each product, if the fixed cost is Rs 60,000.

When the percentage of sales for each item is considered;

$$A = \frac{125,000}{250,000} X 100 = 50\%$$

$$B = \frac{80,000}{250,000} X 100 = 32\%$$

$$C = \frac{45,000}{250,000} X 100 = 18\%$$

Accordingly, from the total fixed cost 50% should be met by Product A, 32% by product B and 18% by product C.

From the fixed cost of Rs. 60,000

$$A = 60,000 \text{ X} \quad \underline{50} = 30,000$$

$$100$$

Accordingly, when divided by the contribution of A  $\underline{30,000}$ , The number units are 1500  $\underline{20}$ 

$$B = 60,000 \text{ X} \quad \underline{32} = 19,200$$

$$100$$

Accordingly, when divided by the contribution of B  $\underline{19,400}$ , The number units are 475  $\underline{40}$ 

$$C = 60,000 \text{ X}$$
  $\underline{18} = 10,800$ 

Accordingly, when divided by the contribution of C  $\underline{10,800}$ , The number units are 180  $\underline{60}$ 

## In respect of a business startup that manufacture several products:

Data pertaining to the sales percentage during the previous months are not available. In such situations, considering a proper basis, the fixed cost could be allocated.

As an example, let us consider the total no. of direct labour hours as the basis. If the product A consumes 50% of the total direct labour, 50% of the fixed cost can be attributed to the product A.

## 2.26 Analysis of the Annual Break-even Point

The break-even points for each & every product calculated annually should be included for the four years that business plan is being prepared.

Product	20.		20.	• • • •	20		20.	• • • •
	Units	Value	Units	Value	Units	Value	Units	Value

## 2.27 Selling Price Analysis

Selling Price Analysis shows how we estimate the selling price of products over the next four years. The price can be increased by a realistic percentage every year or the same price can be maintained, depending on the business case. If the price increases every year, relevant strategies adopted should be shown under the sales strategies. Otherwise, it should be mentioned under assumptions.

S/No	Product	Sales Price	Sales Price	Sales Price	Sales Price
		20	20	20	20
	A				
	В				
	С				
	D				
	Sales Price		10%	10%	10%
	Incremental Ratio				

## 2.28 Sales Forecast – Quantity (Monthly & Annual)

Sales forecasting is a plan that outlines the items and services that the business intends to sell in the future, with a daily, monthly and annual sales volume based on those items. Most of the organizations prepare the annual marketing plan and divide by twelve and give targets to marketers. But, the correct method should be to prepare it with daily targets, monthly targets and annual targets.

The below-mentioned points should be taken as vital in the preparation of a marketing plan.

# 1. If there are large number of product / service varieties, they should be arranged in a manageable manner using a logical basis.

If the number of product / service varieties is more than the manageable number, inclusion of all those items with individual targets in the marketing plan becomes a complicated task. In such situations, the practical approach is to select the most important items (example: products that contributes to 80% of the total turnover) using the Pareto analysis or a similar technique, and include those items with respective targets while including the total of the balance items as one category. This approach makes the task manageable and ensures that the total values are considered.

- 2. The sales volume should be prepared with an understanding of the period of fluctuating sales.
- 3. When preparing the plan, a decision should be taken whether the sales price should be changed every year.
- 4. A sales incremental ratio should be determined for every month, when planning for six months or for the planned period.
- 5. Marketing plan can also be prepared separately based on the distribution channel.

## **Example:**

- Sales plan relevant to the Distribution Channel 1: Direct Sales
  That means the organization recruiting marketers and doing sales.
- Sales plan relevant to the Distribution Channel 2: Sales Agents / Distributors
- Sales plan relevant to the Distribution Channel 3: Modern Trade (via Supermarkets)
- Sales plan relevant to the Distribution Channel 4: Online Sales

If the sales plans are prepared based on different distribution channels they should be combined to a single sales plan to include in the marketing plan.

**6.** If the business plan is prepared for four years, generally, the sub-plans - management and organizational plan, production plan, marketing plan, and the finance plan are prepared monthly for the first year and annually for the balance three years. However, it is necessary to prepare on monthly basis for all four years initially. When compiling the final business plan for four years, the monthly information is shown for the first year, and from the second year onwards, annual information is shown.

It is easy for an existing business to forecast sales, because an existing business has historical data on sales, market, industries etc. But for a new business since there are no historical data and there is no basis and it is not easy to forecast. In order to find a basis or a pattern, a market research should be done focusing on the target market, target customers, competitors. A forecast can be made on that basis. Please refer to the Sales Forecast format given below carefully.

The Sales Forecast is presented as two forecast plans, namely forecast on volume of sales and value of sales. Given below is the volume plan. In the "Type of Product" column different products are entered and the next column is for the sales price. From there onwards, in the respective months, the forecast monthly volume is recorded.

Type of	Selling	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Product	Price													

Below given 2.29 format is the Sales Value Forecast. Sales value is mentioned for each month in the format. When the sales volume recorded in the previous format is multiplied by the price, the sales value can be determined.

## 2.29 Sales Forecast – Value (Monthly & Annual)

Type	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Total
of													
Product													
A													
В													
С													
Total													

# 2.30 Sales & Distribution Expenses Relating to Marketing Division

Expenses	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Advertising cost													
Show room rent													
Storage expenses													
Debt recovery cost													
Insurance													
Travelling expenses													
Cost of fuel													
Discounts given													
Legal fees													
Sales commission / Sales incentives													
Sales staff salaries													
Fixed asset depreciation - Building													
Fixed assets depreciation - Furniture & fittings													
Fixed assets depreciation - Motor vehicles													
Fixed assets depreciation - Machinery													
Fixed assets depreciation - Office equipment													
Fixed assets maintenance - Buildings													
Fixed assets maintenance - Motor vehicles													
Fixed assets maintenance - Machinery													
Research & development expenses													
Container charges													
Electricity													

Telephone							
Water							
Stationery							
Transport cost							
Rates payment							
Insurance							
Postal & stamp							
Printing cost							
Building rent							
Labour charges							
Other expenses							
Total							

In the above format sales and distribution expenses that means common operational expenses of the marketing division should be recorded. A number of expenses are given and they can vary according to the type of business.

In a formal business the common operational expenses estimate for marketing division is prepared by the Marketing Manager and the common operational expenses related to the four divisions will be audited by the finance division and subsequently handed over to the marketing division.

Different expenses and how allocations are done is described under the common operational expenses plan of management and organization divisions. Complete this section after studying it again.

## 2.31. Action Plan of Marketing Division

Further planning of the operations related to marketing is done here. That means production strategy activities, pricing strategy activities, distribution, promotion strategy activities and sub activities related the marketing division and who are responsible for these activities and time frame should be clearly stated here. Accordingly, the defined activities should be subdivided with proper attention and understanding

No	Activity	1	2	3	4	5	6	7	8	9	10	11	12	20	20	20
	Production strategies															
	Pricing strategies															
	Distribution strategies															
	Promotional strategies															

Other strategies								

## 2.32 Assumptions for Marketing Plan

An introduction for assumptions is given under management & organisation plan. Similarly, assumptions related to the marketing plan also should be mentioned here.

Few examples for marketing plan-related assumptions are given below.

- Monthly sales increment occurs on a definite ratio every month.
- The competitors' sales increment also occurs on a definite ratio every month.
- Indications of the months in which the sales of products / services are increasing or decreasing.
- Assumptions pertaining to how much non-current asset value is apportioned to the
  marketing division, how much is the overheads related to those non-current assets, and
  the method of apportioning them.

## 2.33 Graphical Analysis related to Marketing Division

Quantitative factors discussed in the Marketing Plan are graphically presented here.

## Advantages of the graphical analysis presentation:

- > Easy understanding
- > Convenient quick decision-making
- > Easy visual comparison
- > Clear presentation how it changes over time
- **Easy identification of trends**

## Some of the possible graphical presentations:

- How the annual sales volume increases
- How the annual sales value increases
- How the annual incremental ratio of sales volume changes
- How the annual incremental ratio of sales value changes
- Representation of the marketing-related ratios

Some Marketing-Related Ratios are given below.

## 1. Ratio of Marketing Expenses to Sales Income

Sales Income Sales Income

This can be shown graphically for four years.

## 2. Ratio of Marketing Expenses to Total Revenue Expenditure

(Total revenue expenditure is the expenditure related to profit and loss account, namely, establishment and admin expenses, sales and distribution expenses, financial and other expenses)

<u>Sales and Distribution Expenses</u> x 100 Total Revenue Expenditure

# 3. Ratio of each & every Expenditure (included in the sales and distribution expenditure) to the Total Sales & Distribution Expenditure

Example:

Advertising Expenses x 100 Sales and Distribution Expenditure

# 4. Ratio of individual components of Sales & Distribution Cost to Total Revenue Expenditure

Examples:

Advertising Expenses x 100 Total Revenue Expenditure

#### Salary Expenses Related to Sales x 100

Total Revenue Expenditure

#### 5. Gross Profit Ratio

Gross Profit x 100

**Net Sales** 

#### 6. Net Profit Ratio

Net Profit x 100

**Net Sales** 

#### 7. Net Sales on Non-Current Assets

#### 8. Ratio of Returns from Sales

Returns x 100

**Gross Sales** 

#### 9. Contribution Ratio

Contribution x 100

Sales

#### 10. Determination the No. of Units of Sales required for the Break-even Point

Fixed Expenses

Contribution per Unit

## 11. Determination the Volume of Sales required for the Break-even Point

Fixed Expense x Unit Selling Price

Contribution per Unit

#### 12. Target Area Sales as a percentage of Total Sales

Sales in the Area x 100

**Total Sales** 

## 13. Each Sales Rep's Sales as a percentage of Total Sales by Sales Reps

Sales Revenue by the Sales Representative x 100

Total Revenue from all Sales Representatives

## 14. Sales by Each Marketing Strategy as a percentage Total Sales Revenue

Sales done under Modern Trading x 100

Total Revenue of the business

## 15. Sales & Distribution Cost as a percentage of Total Sales Revenue

<u>Sales & Distribution Expenses</u> x 100 Total Sales Revenue

## 16. Credit Sales as a percentage of the Total Sales

<u>Credit Sales</u> x 100 Total Sales

<u>Note on the above ratio</u>: The above ratio should not exceed 20% of the total sales. If the credit sales are more than 20% of the total sales, the business may face working capital issues.

#### 17. Stock Turnover Ratio

Cost of Sales x 100 Average Stock

Where Average Stock = (Opening Stock + Closing Stock)

2

## 18. Income received from Debtors in a month as a percentage of the Total Credit Sales

The income received from debtors in the relevant month x 100

Total credit sales

Sales progress can be depicted graphically in the marketing plan using the graphical presentations of the above ratios.

## 3. Production Plan

#### 3.1 Production Details

It should be stated first whether it is labour intensive, capital intensive or a combination of both.

In the production process of the business if a higher percentage of the cost is labour then it is a labour-intensive industry. The use of machinery and equipment will be at a minimum level. Similarly, if machinery and equipment are used more and less percentage of labour is used then it is a capital-intensive industry.

While most micro industries (employees 1-9) use labour intensive systems the small and medium can be seen gradually moving from labour intensive to capital intensive

Accordingly, when preparing business plans the factors on which the business is classified as labour intensive or capital intensive should be explained clearly.

## 3.2 Securing the Production Factors

In the carrying out the production the way that production factors secured is described here. That means to investigate whether it is possible to obtain the raw material, labour, machinery, land and infrastructure facilities, in other words assuring the feasibility. Alternative methods also should be considered in addition to the planned supplies. Describe the details under following topics

#### **Supply of Raw Material**

Describe how raw material is obtained. That means whether the raw material is obtained from your own place, from suppliers or importing should be clearly explained.

#### **Obtaining Labour**

Whether the labour is obtained from the vicinity/neighborhood, recruiting on permanent basis or from man power suppliers, skilled labour, semi-skilled labour or unskilled labour should be described.

#### **Obtaining Machinery**

Describe how machinery will be obtained for the business. That means whether machinery will be purchased, fabricated, obtain on lease, obtain from local market or import should be described in details.

## **Obtaining Land**

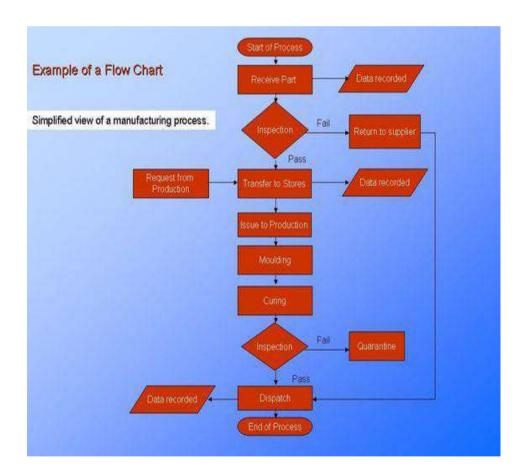
Describe the method of obtaining land required for the business whether it is obtained on lease basis or provided by the government.

## **Obtaining Infrastructure Facilities**

Describe whether the government has provided the infrastructure for the area or infrastructure will be developed soon.

## 3.3 Production Process

Production process means to show step by step the conversion process starting from the production inputs to finished product. This should be shown in a flow chart.



## **Photographs**

Include photographs related to your production

## 3.4 Factory Layout

A short description of the floor plan of the production factory should be included.

- Location of machinery
- Location of other equipment
- Place for raw material storage
- Location for each production process
- Location of the quality control section
- Rest rooms for employees

Items similar to the above should be included in the floor plan. It is also suitable to indicate the total floor area and the floor area for each section.

#### 3.5 Calculation of Unit Cost

The main entry point in preparation of a business plan is to work out the cost of a unit or a batch and services produced by the business.

Here, the calculation of unit cost and group costs are two different concepts. The costing method should be selected to suit the individual business.

#### **Unit Cost Method**

The cost of production calculation to manufacture one item is the unit cost method. Sometimes it is easy to find the cost incurred for a unit depending on the type of the product. For an example it is easy to work out the cost to produce a chair, table or a trouser.

#### **Batch Cost Method**

Batch cost method means when it is difficult to identify the cost for a unit product the cost for a batch is worked out. For an example bread, buns, string hoppers etc. it is difficult work out cost for one unit. Here the cost is calculated for a batch and after calculating the cost and dividing it by the number in a batch the unit cost can be found.

To manufacture a unit product or a batch how much of direct labour cost and other direct costs and indirect cost will be incurred should be found and it is important to study further on the above four items.

#### 1. Direct Raw Material

The expenses directly linked to production process of a product or a service is considered as direct raw material cost. That means the expenses incurred for the contents of the product or service. In a retail or a whole sale marketing organization direct raw material expenses means the cost incurred in buying the goods with the intention of selling. The following format can be used for calculating the cost in production of good or services.

#### **Format for Direct Material Cost**

1	2	3	4	5	6	7
Raw Material	Standard	Quantity	Quantity	Unit Price	Value	Input Ratio
	Unit	(kg)	(g)			
Total						

## • Raw material

In the first column of the format the raw material consumed in production of a unit or for a batch of products or a service should be entered. All raw material used (whatever the quantity) for manufacturing the product should be entered here.

#### Example-

In a production entity producing string hoppers rice flour, salt, and water are used as direct raw material and all of them can be entered here.

## • Standard unit

In the third and fourth column the standard unit used to measure the raw material should be entered. It should be entered as, if it is a weight in Kilo gram or Gram and if volume in liters or milliliters, if it is a length then in feet. An important point in calculation of direct cost all direct material should be in one standard unit.

Example- The raw material required to produce string hoppers Rice flour, Salt entered in grams or kilograms and water cannot be entered in liters. Then the water also has to be converted to grams or kilograms.

#### • Unit price

What is the raw material used, the types of raw material and their units are already entered? The standard unit price is to be entered in the fifth column.

## • Value

The value of each and every raw material used to produce a unit or a batch is recorded here. It is calculated by multiplying the quantity column and unit price column.

#### Quantity x Unit price = Value

## Input Ratio

It is the ratio of each raw material consumed to produce a unit or a batch to the total amount of raw materials. It is an essential thing to calculate this for a business because the quality standard of the product or service depends on this formula and the ratio. This formula is used by the Production Division to order raw materials when they increase production monthly or annually.

# The Weight of the Particular Raw Material x 100 Weight of Total Raw Material

Using the above formula, the ratio of each ingredient is entered since they are percentages the total in the ratio column should be hundred.

#### **For Special Attention:**

Attention should be given to following in calculating the cost of a unit or a batch of a product or service

- 1. The quantity of raw material required for a production unit/batch
- 2. The time consumed to produce a unit/batch
- 3. The total weight before production
- 4. The total weight after production process
- 5. The number of units produced by raw materials,
- 6. Weight of a unit before the production process
- 7. Weight of a unit after production process
- 8. The time taken to produce one unit
- 9. The waste ratio
- 10. Possible defect percentage.
- 11. possible number of defective units
- 12. The ratio of good products (Net product ratio)
- 13. the volume of good products (Net production)

The above data should be calculated under preliminary work and when the business plan is being prepared calculated data will be very useful.

Further elaboration as an example;

A preliminary calculation for a business producing carrot string hoppers is given below.

1. The raw material required for production unit or a batch (standard units)

Raw	Standard	Quantity	Quantity	Unit	Value	Input
Material	Unit	kg	g	Price Rs.	Rs.	Ratio
Flour		1.00	1000	170.00	170.00	47.62%
Water		0.50	500	1.00	0.50	23.81%
Carrot		0.50	500	260.00	130.00	23.81%
		0.10	100	3.00	0.30	4.76%
			0		-	0.00%
		2.10	2100		300.80	100.00%

2. The time taken for the above production. **Time Minutes** Activity **Preparations of carrot** Mixing of flour Making string hoppers Steaming Detaching 32 **Packing** 3. Total weight before production (g) (above table) 2100 4. The total weight after production (g) 1800 (Should measure after production) 125 5. The units produced by the above raw material (by counting) 6. The unit weight before production- Total weight of raw material 16.80 No of units produced 7. The weight of a unit after production process-14.40 **Total weight after production** No of units produced 0.26 8. Time taken for a unit Production-Total production time **Number of units of production** 9. Waste ratio 14.29% (Total weight of raw materials-The total weight after production) x100 Total weight of raw material 10. Possible defect percentage 2% (Should be known through experience or standards) 11. Possible defective units 3% (The percentage of defects for the units of production) 12. The ratio of products of good quality 98% (Net production as per example) 122 13. The volume of good quality products (Net production)

#### 2. Direct Labour Cost

The cost of direct labour who are involved in the production of a product or service is called the direct labour cost. That means the salaries and wages and other payments paid to the employees in the factory contributing to the production activity comes under this.

If an organization is not producing a product or service then there is no direct cost. Example: Retail & wholesale

The following format is used in calculating the direct labour cost for a unit or a batch.

#### **Format for Direct Labour Cost**

1	2	3	4	5
Activities	Time	Time	Value of one	Total Labour
	Spent	(Hours)	Labour Hour	Value
	Spent (Minutes)		(Rs.)	(Rs.)

• Column 1 signifies the Activities which are done by the labourer or labourers from the start of the production of the product or the batch up to the end.

Example: Mixing of flour, putting into the string hopper mat, stacking in the steamer and removing, separation from the string hopper mat, and packing.

- The time spent for each and every activity is recorded in the second column. If the time is less then, the time can be recorded in minutes, if more in hours. The total time in the time column is the time spent to produce the entire quantity. When that total time is divided by the volume of products then the time for one unit of the product can be obtained. (The time taken for each and every unit is used in calculating the capacity utilization). Further in some products a subsequent activity can be done only after completing the previous activity, in some cases while one activity is being done simultaneously another activity can be done. The time should be calculated identifying such activities otherwise the labour cost can increase due to wrong calculations.
- If the time recorded in the second column is in minutes it is converted to hours and entered in the third column.
- The fourth column records the hourly labour. Calculating hourly labour is done through the direct labour requirement in the business plan. The format 3.14 contains the details on direct labour and the labour cost for a unit product or a batch and hourly labour cost can be obtained by completing that format.
- In the format for calculating the direct cost for a unit the fifth column is for the total value. That is obtained by multiplying the third column, time spent hourly and fourth

column hourly labour. The total of labour value means the value of labour, in other words labour cost for production of a unit or a batch.

## 3. Other Direct Expenses

The expenses which are not considered as direct raw material expenses and direct labour costs, but contribute directly to production come under this category. Other direct expenses are not directly reflected in the product or service, but contribute to the production.

Below given is a list of common expenses generally illustrated under "other direct expenses".

Electricity
Fuel
Packaging material
Water
Labels
Ink
Royalty fee
Insurance of raw material
Consultancy fees

The following format is used in calculation of other direct costs for a unit or a batch.

## **Other Direct expenses**

Expenses	Amount/Volume	<b>Unit Price</b>	Value Rs.
		Rs.	
Total Value			

- The type of expenses is entered in the first column of the format.
- The amount of material required to produce one unit or batch is entered in the second column. It should be found out during the technical training or through a research.
- The standard unit should be entered in the unit price column.

• The material quantity multiplied by the unit price is recorded in the value column. The total of the value column is the total of the other direct expenses in the production of a unit or a batch.

## 4. Indirect Expenses

Indirect expenses are the expenses not directly related to the production. There are two types of indirect expenses.

- 1. Expenses not directly related to the production, but indirectly related to the production
- 2. Indirect expenses which are not at all related to production

The other expenses are the expenses which are not direct expenses of the production, but all the other expenses indirectly related to the production.

## Example:

Factory electricity, factory salaries and wages, factory machinery depreciation.

## Synonyms for indirect expenses:

Factory indirect expenses, overhead expenses, production fixed costs

#### **Calculation of the Total Production Cost**

Total Production cost = Direct Expenditure (*Primary Cost*) + Production Overheads

The expenses that can be included under the monthly production overheads is given below

Monthly Overhead Expenditure	Value
Indirect Salaries & wages of the production section	
Non-current assets depreciation - Building	
Non-current assets depreciation - Furniture & fittings	
Non-current assets depreciation - Motor vehicles	
Non-current assets depreciation - Machinery	
Non-current assets depreciation - Office equipment	

Non-current assets maintenance expenses - Building	
Non-current assets maintenance expenses - Motor vehicles	
Non-current assets maintenance expenses - Machinery	
Electricity	
Telephone	
Water	
Stationery	
Transport cost	
Fuel expenses	
Assessment rates	
Entertainment allowances	
Postal & stamps	
Welfare expenses	
Printing expenses	
Building rent	
Labour charges	
Other expenses	
Total value	

## Calculation of the Indirect Expenditure for a Unit or a Batch:

## Step 1:

First, we find out the value of the Indirect Production Cost per Hour. When monthly indirect expenditure (synonyms: production fixed costs, production overheads) is divided by the direct number of production hours of the month, we get the indirect production cost for an hour of the business.

Indirect Production Cost per Hour = Total Indirect Production Cost

Monthly Direct Production Hours (relevant to the product produced)

## Step 2:

Thereafter, the indirect production cost per hour is multiplied by the direct labour time consumed to manufacture a batch of a product. The result is the expenditure for a batch or a unit.

Total production cost	
Total production units	
Deduct-the number of defective product units	
Net production units	
Net production ratio-(net production/total production x 100)	
Direct raw material expenses for a unit	
Direct labour expense for a unit	
Other direct expenses for a unit	
Indirect expenses for a unit	
Total production cost for a unit	

## **Special Note:**

Attention should be given to the following points in calculating the production cost.

#### 1. Production waste and waste ratio calculation

A certain amount of raw material is wasted in production of a product / service. It is important to identify accurately the places where waste can occur and work out the waste rate.

By measuring the total raw material required to produce a unit or batch (before production) and the contents of raw material of the manufactured unit after production, the waste loss can be calculated.

Waste Amount = Total weight of raw material – weight of raw material contengt after production.

Therefore,

## Waste ratio = (<u>Total Weight of Raw Material - Weight After Production</u>) x 100 Total Weight of Raw Material

There are accepted standards for waste ratio for the relevant product in the particular industry. Details about such industry norms can be obtained from business development service organizations, experts in the field, specialists etc. After calculating the waste ratio as mentioned above, it should be assessed by comparing with the industry norm of waste rate. Necessary strategies can be used if the waste ratio is higher than the industry benchmark.

#### 2. The no. of units of products that cannot be sold (defective, unsalable products)

The identified number of damaged products should be deducted from the total units of production and the net production units can be calculated. In calculating the cost of a unit of production it should be calculated as follows.

Production Cost per Unit = <u>Total Production Cost</u> Net Units of Production

#### **Net Units of Production = Total Units of Production - No of Products Damaged.**

As per the above formula in calculating the production cost of a unit by dividing by net products the cost of a unit will take a higher value. The most accurate method of calculating the cost of a unit is to divide the total production expenses from the net production units and to work out the cost per unit.

Thus, different production organizations can calculate the net production ratio which can be used to take decisions regarding the business.

Net Production Ratio =  $\frac{\text{Net Production}}{\text{Gross (total) Production}}$  x 100

The Damage Ratio = No of Units Damaged x 100
Total Number Units

## 3. Adjustment to the earned income in the production process.

Some products which are damaged in the production process are removed during the production process and also there are raw material which cannot be used for the production. The damaged products and raw material that cannot be used (scrap) can be sold and some income could be generated to the organization by disposing them. The income received in such a manner should be deducted from the production cost and shown in the cost. The final result here is reducing the cost of a unit product.

The calculation is given below.

Cost of a Unit of a Product = <u>Net Production Cost</u> Net Production Units

**Net production cost = Total production cost - (raw material dispose income + income from sale of damaged items during production)** 

## 3.6 Calculation of the Production Capacity of the Business

Item	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total

The production capacity is relevant to production organizations as well as service organizations.

If the question is asked how many units of product or service can produce in a production or service organization per day or per month, you should be aware of the following information before answering it.

- 1. Whether the organization is doing production using labour intensive methods, that means more labour is used relative to use of machinery for production.
- 2. Whether the organization is doing production using capital intensive method, that means machinery is used more relative to labour for production

Whatever the method used by the owner the monthly and annual production capacity should be calculated on some basis. Further if the production capacity is capital intensive, it is easy to calculate the production capacity. Because the manufacturers have given in writing the production capacities.

## **Calculation of Labour Capacity**

The details of labour in the business is included in the direct labour format. The direct monthly labour hours available for production is recorded there. The maximum number of units that can be produced by using the labour hours is the labour capacity of the business.

Production Capacity of Labour = <u>Monthly Direct Labour Hours</u> Production Time for One Unit (Hours)

It is explained here for your easy understanding. Assume that to produce one unit in a business 0.24 minutes are consumed. (The time taken to produce one unit is calculated by dividing the number of units produced by the production process from the beginning to the end of the production of one unit or a batch). According to this business, it takes 30 minutes to produce 125 units of products. Accordingly, 30 minutes' time when divided by 12, it takes 0.24 minutes to produce one unit, which is 14.4 seconds. That is 0.24 minutes' x 60 seconds = 14.4)

Accordingly, the production capacity for one hour can be calculated. It is calculated as follows.

Hourly Production Capacity = 
$$\frac{60}{0.24}$$
 = 250 Units

Assume the production hours for day is 5 hours and calculate the labour capacity for a day.

Labour Capacity for a Day 
$$= 250 \times 5 = 1250 \text{ Units}$$

Now the monthly labour production capacity has to be calculated. Assume that this organization works for 25 days a month. Accordingly,

Labour production capacity for a month = Labour production capacity for a day x no. of working days for the month.

Labour production capacity for a month =  $1250 \times 25 = 32,250$  Units

The maximum production capacity of the organization using the labour resources is 32,250 units.

#### **Calculation of Machinery Capacity**

In the same way, the maximum capacity of the machinery owned by the business used in the production should be calculated and entered in the table below. The entrepreneur has some idea of the capacity of the machine at the time of purchasing the machine. The total capacity of the machine can be calculated by multiplying the hourly capacity of each machine by the number of direct labor hours in the business. For example, in a business where there is a flour mixer, the manufacturer states that the machine can mix 40 kg of flour per hour. Calculate the production capacity of the machine as follows;

The amount of flour that can be mixed per hour (hourly production capacity) = 40kg

No of production hours per day = 05

Production capacity per day = Hourly production capacity  $\mathbf{x}$  Number of working hours per day

Production capacity per day =  $40 \times 5 = 200 \text{kg}$ 

No of working days per month = 25

Monthly production capacity = Production capacity per day  $\mathbf{x}$  No of working days per month

Monthly production capacity =  $200 \text{kg} \times 25 = 5000 \text{kg}$ .

If the number of units that can be produced from 1 kg of flour is 125, then

The units that can be produced monthly =  $5000 \text{kg} \times 125 = 625,000 \text{ units}$ 

That means the maximum capacity of the mixing machine is 625,000 units per month.

The above labour capacity example and machine capacity example is entered in the table "expected production units" as below

Item		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
	Jnits	32250	32250	32250	32250	32250	32250	32250	
Based on Labo	our								
	units Flour ne	625000	625000	625000	625000	625000	625000	625000	
									\ \ 

The table shows the expected production capacity of all the machinery and labor capacity of the business as described above

Capacity utilization can be calculated based on the information in the product capacity table above.

## 3.7 Capacity Utilization

Item	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total

The format for capacity utilization of the Business Plan is given above. In the capacity utilization format the monthly sales volume is entered at the top of the format (Monthly sales volume should be taken from the sales forecast format. Then the maximum capacity of the calculated manpower and production machinery should be recorded separately and the capacity ratio should be calculated on the basis of sales volume.

Capacity utilization calculations should be done for all four years for which the business plan formulated. In calculating so, there is a possibility of the **expected sales exceeding** the limiting factor at a particular point. That means the capacity utilization rate will reach 100%. That means the existing limiting factor is not sufficient to increase the production further. When that stage is identified earlier the entrepreneur will have the opportunity to plan actions to face that situation. That means if the constraint factor is labor, tactics such as hiring a new employee or engaging existing employees on overtime can be done. It shows clearly how this capacity utilization calculation is useful for an entrepreneur to identify the limitation of the business and to be prepared in advance to get the maximum utilization of capacity.

The table below will give the calculation of the capacity utilization as per the example above.

## **Capacity Utilization**

Item	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Units of Sales	15000	15300	15606	15918	16236	16560	16891	17229	17574	17925	18283	18649	
Labour Capacity	32250	32250	32250	32250	32250	32250	32250	32250	32250	32250	32250	32250	
Capacity Utilization Ratio Based on Labour	15000/32 250 x100 46.51%	15300/32 250 x100 47.30%	15606/32 250 x100 48.40%	15918/32 250 x100 49.35%	16236/32 250 x100 50.34%	16560/32 250 x100 51.34%	1689132 250 x100 52.37%	17229/32 250 x100 53.42%	17574/32 250 x100 64.98%	17925/32 250 x100 55.58%	18283/32 250 x100 56.69%	18649/32 250x<100 57.82%	
Mixing machine capacity	625000	625000	625000	625000	625000	625000	625000	625000	625000	625000	625000	625000	
Capacity utilization ratio based on mixing machine	15000/6 25000 x 100 2.4%	15300/6 25000 x100 2.44%	15 606/6 2500 x 100 2.49%	15918/6 25000 x 100 2.54%	16236/6 25000 x100 2.59%	16560/6 25000 x100 2.64%	16891/6 25000 x100 2.70%	17229/6 25000 x100 2.75%	17574/6 25000 x100 2.81%	17925/6 25000 x100 2.86%	18283/6 25000 x100 2.92%	18649/6 25000 x100 2.98%	

As shown in the table above, the business's sales are shown in the top column, assuming sales increase by 2% per month.

The business table shows the sales of the business in the top bar, as shown in the example table, assuming its sales growth is 2% per month. According to the current labor force calculations in the business, the maximum monthly labor capacity was calculated to be 32,250 units as entered in the second row of the above capacity utilization model.

The third row calculates the capacity utilization rate, which is 32,250 units for the month of January, but 15,000 units for sale. If 32,250 units can be produced but only 15,000 units can be sold, then the business has a negative use of labor capacity. i.e., the capacity utilization ratio is 46.51% and the utilization of the labor resources of the business is 46.51.

The above table has also calculated for machines.

## 3.8 Material Requirement Forecast – Quantity (Monthly & Annual)

This means how much raw material is needed to make each product for a given day, month, year, year. This Raw Materials Requirement Plan is formulated as a quantity plan and not as value plan, because most companies do not purchase monthly raw material on a monthly basis. Many organizations do not purchase raw materials at once for the following reasons.

- 1. Impact on the quality of the raw material, for example, if the shelf life of the raw material is about a week, it is not practical to purchase once a month.
- 2. Working capital difficulties arising from purchasing stocks of raw materials unnecessarily.
- 3. Increasing the cost of maintaining stocks for unwanted raw materials. e.g., warehouse rent, insurance costs.

The organization should take steps to minimize the above conditions and maintain stocks of raw materials at the optimum level. Many organizations manage inventory well and manage the working capital of the business well. In practice, the purchase of raw materials is based on monthly sales volumes. Management should also pay special attention to stock retention time. Inventory retention time is how long it takes for the raw material to be converted into finished goods, also, how long the organization take to sell as a finished product. Special attention should be given to these factors when formulating a raw material purchase plan. Stock retention time also varies from organization to organization. Therefore, calculate stock retention time for your organization.

#### **Stock Holding Period**

Stock holding period =  $\frac{\text{Average stock x 365 days}}{\text{Sales cost}}$ 

Example - In an organization the opening stock is Rs. 140,000 and the closing stock is Rs. 120,000. The annual sales cost Rs. 380,000. The stock holding period can be calculated as follows.

Stock holding period = (140,000 + 120,000) / 2 \* 365 days = 125 days 380,000

The requirements of raw material or finished goods plan on daily basis of should be prepared initially and later converted to monthly or annual basis. Then the purchasing plan should be

prepared based on the quantity requirement plan for raw material or finished goods. This plan should be prepared considering the cash flow of the organization.

The daily raw material requirement plan should be prepared before formulating the monthly quantity requirements plan. Then decide whether to buy weekly or monthly.

When planning the number of days in a month, consider the number of days per month and the number of holidays.

## **Example:**

Let us assume that a small-scale business uses 10kg of flour, 5 coconuts and 100g polythene as other direct raw material for its production. Also, the business treats Sundays as a holiday and therefore do not work four days a month. Prepare the Pre-Work Plan for the raw material requirement forecast plan.

Raw material	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	Total
Direct Raw	mate	rial				•					•									•						•				•		
Rice flour	10	10	10	10	10	10		10	10	10	10	10	10		10	10	10	10	10	10		10	10	10	10	10	10		10	10	10	270
kg																																
Coconuts	5	5	5	5	5	5		5	5	5	5	5	5		5	5	5	5	5	5		5	5	5	5	5	5		5	5	5	135

Assumptions: The raw material requirements do not change from month to month.

After preparing the daily raw material requirement forecast quantity plan, monthly raw material requirement forecast quantity plan can be prepared based on that information.

# 3.9 Monthly Raw Material Requirement Forecast Plan (Monthly & Annual)

Raw material	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Flour	270	240	270	260	270	260	270	270	260	270	260	270	3170
Coconuts	135	120	135	130	135	130	135	135	130	135	130	135	1585

## 3.10 Daily Material Purchasing Plan

We have prepared the daily and monthly raw material requirement plan prior to the daily raw material purchase plan. Based on the raw material requirement plan, the raw material purchase plan should be prepared. Attention should be given to following in preparation of the purchasing plan.

1. The nature of the product intended to be produced or sold

**Example**: If a bakery is making cakes, eggs have to be purchased as a raw material. In addition, various other raw materials are required. Thus, all the required raw materials should be identified separately.

2. Lifespan of raw materials and goods

If the lifespan of the ingredients is short then the lifespan of the product is also short. For an example, if the life span of eggs is two weeks, then the life span of the cake also will be same period. When purchasing raw materials, the purchase plan should be designed in such a way that the retention time of the raw material and the finished product is minimized and in the most optimal way that there is no shortage of goods and goods.

- 3. Attention to the financial status of the organization
- 4. Be fairly knowledgeable on the conditions imposed by suppliers when purchasing on credit basis.

Considering a small string hopper business, if raw materials such as flour is purchased on a daily basis, various disadvantages will have to be faced, such as having to incur daily transport costs, wasting time and losing access to discounts. Therefore, the purchasing plan should be prepared minimizing those disadvantages. In preparation of the daily purchasing plan assume that flour and coconut will be purchased on every Friday and polythene to be purchased fortnightly (for two weeks) on every Friday. The following plan is prepared based on such decisions.

Raw Material	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31
Direct raw	mate	erial																													
Flour					67.5							67.5							67.5							67.5					
Coconut					34							34							34							34					

In the example above, the fifth, twelveth, nineteenth, twenty sixth day is considered to be Friday.

When making a daily or monthly purchase plan, it should be done in two ways namely the quantity purchase plan and the value purchase plan.

# 3.11 Monthly Direct Raw Material Purchasing Plan - Quantity

Raw Material	Unit Price	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Flour kg	150	270	240	270	260	270	260	270	270	260	270	260	270	3170
Coconuts	60	135	120	135	130	135	130	135	135	130	135	130	135	1585

# **3.12 Raw Material Purchase Daily Value Plan**

Raw material	1	2	3	4	5	6	7	8	9	10	11	12	13	1 4	1 5	1 6	1 7	1 8	19	2	21	2 2	2	2 4	2 5	26	2 7	28	29	30	31
Direct raw m	ate	rial																													
Flour kg					10125							10125							10125							10125					
Coconuts					2040							2040							2040							2040					

# 3.13 Monthly Raw Material Purchasing Plan -Value

Raw material	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Flour	40500												
Coconuts	8100												

### 3.14 Daily Other Direct Raw Material Requirement Plan

Other direct expenses include direct costs but not direct raw materials or direct labor cost, but these costs should be properly calculated and adjusted to direct production costs and purchase plan should be prepared. This also to be prepared on daily basis, calculated monthly and prepare other direct raw material requirement plan

Raw Material	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	Total
Polythene (g)	100	100	100	100	001	100		100	100	100	100	001	100		001	100	100	100	001	100		001	100	100	100	100	100		001	100	100	2700

# 3.15 Monthly Other Raw Material Quantity Requirement Plan

Item	Unit Price	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Polythene 100g	35	2700	2400	2700	2600	2700	2600	2700	2700	2600	2700	2600	2700	31700

# **3.16 Daily Other Direct Raw Material Purchasing Quantity Plan**

Raw material	1	2	3	4	5	9	7	8	6	10	111	12	13	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	Total
Polythene												1350													1350						2700
(g)																															

# 3.17 Monthly Other Direct Raw Material Purchasing Plan – Quantity wise

Item	Unit	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Polythene 100g	35	2700												

# 3.18 Daily Other Direct Raw Material Purchasing Plan –Value wise

Raw material	1 2	5	6	7	8	9	10	1	12	1 3	14	1 5	1 6	1 7	1 8	19	2 0	21	22	23	24	25	26	27	28	29	30	31
Direct Raw n	nateriai																											
Polythene		472.50														472.50												
																_												

# 3.19 Monthly Other Direct Raw Material Purchasing Plan –Value wise

Item	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Polythene	945												

### 3.20 Annual Direct Labour Requirement Plan

The labor requirement plan should be prepared in the same way as the monthly raw material requirement plan. The raw material purchasing plan was also prepared after preparation of the requirement plan. However, in preparation of the direct labour requirement there is no need to have plan for purchasing direct labour. Because direct labor is available in the organization, the main objective of the Direct Labor Needs Plan' is to calculate the daily "monthly and annual direct labor hours", "how much is the value of direct labor hours" and the total direct labor cost. The main objective of this plan is to our daily, monthly or annual direct labour cost calculation.

Direct Labour	No of	Monthly	Total	No of	Man	Man	Monthly	Value of	Monthly	Total	Total	Direct	Annual
	Employee	Salary	Monthly	Working	Days	Hours	Overtime	One Hour	Overtime	Monthly	Monthly	Labour	Total
			Salary	Days			Hours	Overtime	Value	Man	Direct	Cost for	
										Hours	Labour	One	
											Cost	Hour	
A salary level 1													
B Salary level 2													
C Salary level 3													
Sub total													
A salary level 1													
B Salary level 2													
C Salary level 3													
Sub total													
A salary level 1													
B Salary level 2													
C Salary level 3													
Grand total													

#### **Calculation of Overtime Hours**

Value of an overtime hour =  $\underline{\text{Monthly basic salary}} \times 1.5$ 

Here, 240 is the number of working hours per month, 30 days x 8 hours' (this is a labor standard).

1.5 means paying one and a half times the average pay for a working hour and on special holidays (Such as Poya and Christmas), overtime payment rate should be twice the basic hourly wage.

#### **Total Salary Cost**

The total salary cost is the total of basic salary, allowances and the statutory allowances. Statutory allowances include EPF, ETF and gratuity allowances.

Total salary cost = Basic salary + Allowances + EPF 12% + ETF 3% + Gratuity

### **Gratuity Payment**

Gratuity will be entitled for an employee who has completed five years of service continuously in an organization where 15 employees or more has been employed for a period of 12 months before the date of leaving the organization. Both these conditions have to be satisfied for an employee to be entitled for a gratuity payment and will receive the payment at the time of leaving the organization. The employee will be entitled to half the monthly salary drawn at the last month for every year of service completed. This payment shall be made within 30 days of leaving the services.

Gratuity Payment =  $\underbrace{\text{Salary Drawn at the Last Month}}_{2}$  x Completed Number of Years

Even if the number of employees is less than 15, if an employee who has completed five years of service an appeal is made to the labour commissioner there is high probability giving an order by the commissioner to make the payment. Therefore, gratuity payments should be reserved irrespective of the number of employees.

#### **Special Note:**

According to the Prudence Concept in accounting, when you make financial statements, you should ensure that the assets and income are not overstated, and the expenses are not understated.

Therefore, it is necessary to identify the possible contingency liabilities and to reserve the contingency liabilities monthly or annually as an expense. The random allocations and reserve allocations thus made as expenses should include in the cash flow statement as a cash flow expense under operations and the value of that cash flow should be invested in a bank as a long-term investment. That long-term investment value should be expressed as an investment in the space between non-current assets and current assets when preparing the balance sheet. Interest earned on those investments should be credited to the reserve account without adding to the gross profit.

The allocations for reserves should be included in the owners' ownership before transferring non-current assets. Once the allocation is invested outside, it is called an accumulated fund. Under the main heading of accumulated fund, accumulated gratuity fund, contingency liability fund, depreciation accumulated fund should be recorded separately.

#### **Examples for reserves**

1. Reservations for future contingency liabilities

#### **Examples:**

- Reservations for future gratuity payments.
- Allocations for liabilities incurred in the event of legal action by employees
  or outsiders against the Company in the future. (As this does not apply to
  statutory payments and although not considered in unit costing since it is an
  unrealistic liability, allocation should be made when preparing a profit & loss
  account

#### 2. Reservations for depreciation

Reservations for depreciation are not an actual expense of the business but in the future when buying non-current assets if there is no money in the business one has to go for a long-term bank loan. The best option to avoid that situation is to invest outside a value which is equal to the depreciation value allocated every month. The money invested outside can only be used to buy non-current assets

Gratuity also should be considered as a contingency reserve. Therefore, assuming that a person will remain in service for five years and calculated based on the annual increments, it should be shown as monthly direct and indirect salary calculation under statuary payment in the preliminary format.

Monthly Reservation for Gratuity =  $\frac{\text{The First Month Salary After Completing Five Year}}{2} \times \frac{5}{60}$ 

#### Pre-Works Relevant to Calculation of the above mentioned Direct Labour

The preliminary work required to fill up the above format should be done and only the balances should be taken into this format. Preliminary schedule should give as an annex in the business plan.

As an example, there can be several employees under level "A" salary. Then in the preliminary work schedule these details are recorded and enter under skilled labour in the format given below.

#### Format for Pre-Work in Calculation of Direct Salaries

Produc	tion Division -			J	anuary				
	Direct		Institutional				Statutory		Total
EPF No	Name	Basic Salary	Allowances	Gross Salary	EPF 12%	ETF 3%	Gratuity Payment	Total Statutory Allowance	Salary Cost
Skilled	Labour - Salary	Level A							
		1,000	100	1,100	50	10	20	80	1,180
Total								Г	
Skilled	Labour - Salary	Level B				1			
TD . 1									
Total									
Semi-sk	xilled Labour – S	alary Leve	1 A						
S CHILL SI	200 200 000 2	analy 20 to							
Total						I		l	
Unskill	ed Labour – Sala	ry Level A							
		-							
Total									
									·

Also, pre-work forms for the first year should be calculated monthly and given as attachments.

## 3.21 Non-current Assets of Production Division

	Total	Additions	Deductions	Total	Depreciation		20		
Type of Asset	Value (Year Start)		(Cost)	Value (Year End)	Ratio	Annual Depreciation	Monthly Depreciation	Cumulative Depreciation	Net Value

### 3.22 Manufacturing Account

The purpose of preparing a production account is to calculate the total production cost of goods or services produced during the month.

The following calculations are performed using this account.

- I. Total direct raw material expenses
- II. Direct raw material cost for a unit
- III. Total other direct raw material cost
- IV. Other direct raw material cost for a unit
- V. Cost of consumables
- VI. Total direct labour cost
- VII. Direct labour cost for a unit
- VIII. Total production fixed cost / indirect cost / production overheads
  - IX. Production fixed cost / indirect cost / production overhead cost per unit
  - X. Total production expenses monthly, annually
  - XI. Total direct production cost per unit.
- XII. Total production cost per unit

#### **Cost of Consumables**

Cost of consumables means the value of the raw materials actually expected to be used for production in a given day or month.

#### **Primary Cost**

Primary cost is calculated by adding cost of consumables to direct labour cost.

Note	Details	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Direct co	-4-	ſ	Щ	_	4		J	J	₹	N	0		Д	L
Direct co														
	Direct raw material opening stock													
	Add - Monthly purchases of direct raw material													
	- Carriage inwards cost													
	Deduct - Returns of direct raw material													
	Direct Raw material stock ready for production													
	Add – Opening Stock of Work-in-progress													
	Deduct – Closing Work-in-progress													
Other Dir	rect Raw Material Cost													
	Raw material ready for production and value of unfinished stocks													
	Deduct- Closing stock of Direct raw material													
	Direct consumable raw material cost - A													
	Other direct raw material opening stock													
	Add - Purchases of other direct raw material													
	- Carriage inwards for other direct raw material													

	1	1	1	1	1	1	1	ı	1	ı	1	1	
Deduct - Other direct raw material returns													
Other direct raw material stock ready for production													
Deduct - Closing other direct raw material stock													
Other consumable direct raw material cost - B													
Cost of consumable materials – A+B													
Direct Labour cost - C													
Total Direct cost / Prime cost - A+B+C													
n Overhead expenses													
Indirect salaries and wages in production section													
Non-current asset depreciation-building													
Non-current asset depreciation-furniture & fittings													
Non-current asset depreciation-motor vehicles													
Non-current asset depreciation-machinery													
Non-current asset depreciation-office equipment													
Non-current asset maintenance -buildings													
Non-current asset maintenance-motor vehicles													
Non-current asset maintenance-machinery													
Electricity													
Water													
Telephone													
	Deduct - Closing other direct raw material stock  Other consumable direct raw material cost - B  Cost of consumable materials - A+B  Direct Labour cost - C  Total Direct cost / Prime cost - A+B+C  n Overhead expenses  Indirect salaries and wages in production section  Non-current asset depreciation-building  Non-current asset depreciation-furniture & fittings  Non-current asset depreciation-motor vehicles  Non-current asset depreciation-office equipment  Non-current asset maintenance -buildings  Non-current asset maintenance -motor vehicles  Non-current asset maintenance-motor vehicles  Non-current asset maintenance-motor vehicles  Non-current asset maintenance-motor vehicles  Non-current asset maintenance-machinery  Electricity  Water	Other direct raw material stock ready for production  Deduct - Closing other direct raw material stock  Other consumable direct raw material cost - B  Cost of consumable materials - A+B  Direct Labour cost - C  Total Direct cost / Prime cost - A+B+C  n Overhead expenses  Indirect salaries and wages in production section  Non-current asset depreciation-building  Non-current asset depreciation-furniture & fittings  Non-current asset depreciation-motor vehicles  Non-current asset depreciation-office equipment  Non-current asset maintenance -buildings  Non-current asset maintenance -motor vehicles  Non-current asset maintenance-motor vehicles  Non-current asset maintenance-motor vehicles  Non-current asset maintenance-motor vehicles  Non-current asset maintenance-motor vehicles  Non-current asset maintenance-machinery  Electricity  Water	Other direct raw material stock ready for production  Deduct - Closing other direct raw material stock  Other consumable direct raw material cost - B  Cost of consumable materials - A+B  Direct Labour cost - C  Total Direct cost / Prime cost - A+B+C  n Overhead expenses  Indirect salaries and wages in production section  Non-current asset depreciation-building  Non-current asset depreciation-furniture & fittings  Non-current asset depreciation-motor vehicles  Non-current asset depreciation-office equipment  Non-current asset maintenance -buildings  Non-current asset maintenance -buildings  Non-current asset maintenance-motor vehicles  Non-current asset maintenance-machinery  Electricity  Water	Other direct raw material stock ready for production  Deduct - Closing other direct raw material stock  Other consumable direct raw material cost - B  Cost of consumable materials - A+B  Direct Labour cost - C  Total Direct cost / Prime cost - A+B+C  Indirect salaries and wages in production section  Non-current asset depreciation-building  Non-current asset depreciation-furniture & fittings  Non-current asset depreciation-motor vehicles  Non-current asset depreciation-office equipment  Non-current asset maintenance -buildings  Non-current asset maintenance -buildings  Non-current asset maintenance -motor vehicles  Non-current asset maintenance -motor vehicles  Non-current asset maintenance -motor vehicles  Non-current asset maintenance-motor vehicles  Non-current asset maintenance-motor vehicles  Non-current asset maintenance-motor vehicles  Non-current asset maintenance-machinery  Electricity  Water	Other direct raw material stock ready for production  Deduct - Closing other direct raw material stock  Other consumable direct raw material cost - B  Cost of consumable materials – A+B  Direct Labour cost - C  Total Direct cost / Prime cost - A+B+C  Indirect salaries and wages in production section  Non-current asset depreciation-building  Non-current asset depreciation-furniture & fittings  Non-current asset depreciation-motor vehicles  Non-current asset depreciation-office equipment  Non-current asset maintenance -buildings  Non-current asset maintenance -buildings  Non-current asset maintenance -motor vehicles  Non-current asset maintenance -machinery  Electricity  Water	Other direct raw material stock ready for production  Deduct - Closing other direct raw material stock  Other consumable direct raw material cost - B  Cost of consumable materials – A+B  Direct Labour cost - C  Total Direct cost / Prime cost - A+B+C  Indirect salaries and wages in production section  Non-current asset depreciation-building  Non-current asset depreciation-motor vehicles  Non-current asset depreciation-motor vehicles  Non-current asset depreciation-office equipment  Non-current asset maintenance -buildings  Non-current asset maintenance -motor vehicles  Non-current asset maintenance-motor vehicles	Other direct raw material stock ready for production  Deduct - Closing other direct raw material stock  Other consumable direct raw material cost - B  Cost of consumable materials - A+B  Direct Labour cost - C  Total Direct cost / Prime cost - A+B+C  Indirect salaries and wages in production section  Non-current asset depreciation-building  Non-current asset depreciation-furniture & fittings  Non-current asset depreciation-motor vehicles  Non-current asset depreciation-office equipment  Non-current asset depreciation-office equipment  Non-current asset maintenance -buildings  Non-current asset maintenance motor vehicles  Non-current asset maintenance motor vehicles  Non-current asset maintenance -buildings  Non-current asset maintenance -motor vehicles  Non-current asset maintenance motor vehicles  Non-current asset maintenance machinery  Electricity  Water	Other direct raw material stock ready for production  Deduct - Closing other direct raw material stock Other consumable direct raw material stock  Cost of consumable materials – A+B  Direct Labour cost - C  Total Direct cost / Prime cost - A+B+C  Indirect salaries and wages in production section Non-current asset depreciation-building Non-current asset depreciation-motor vehicles Non-current asset depreciation-motor vehicles Non-current asset depreciation-office equipment Non-current asset maintenance –buildings Non-current asset maintenance machinery Electricity Water	Other direct raw material stock ready for production  Deduct - Closing other direct raw material stock Other consumable direct raw material cost - B  Cost of consumable materials - A+B  Direct Labour cost - C  Total Direct cost / Prime cost - A+B+C  Non-current asset depreciation-building Non-current asset depreciation-motor vehicles Non-current asset depreciation-motor vehicles Non-current asset maintenance -buildings Non-current asset maintenance-motor vehicles Non-current asset maintenance-machinery Electricity Water	Other direct raw material stock ready for production  Deduct - Closing other direct raw material stock Other consumable direct raw material cost - B  Cost of consumable materials - A+B  Direct Labour cost - C  Total Direct cost / Prime cost - A+B+C  Indirect salaries and wages in production section Non-current asset depreciation-building Non-current asset depreciation-furniture & fittings Non-current asset depreciation-motor vehicles Non-current asset depreciation-office equipment Non-current asset maintenance -building Non-current asset maintenance motor vehicles Non-current asset maintenance machinery  Water	Other direct raw material stock ready for production  Deduct - Closing other direct raw material stock  Other consumable direct raw material cost - B  Cost of consumable materials - A+B  Direct Labour cost - C  Total Direct cost / Prime cost - A+B+C  Indirect salaries and wages in production section  Non-current asset depreciation-building  Non-current asset depreciation-furniture & fittings  Non-current asset depreciation-machinery  Non-current asset depreciation-office equipment  Non-current asset maintenance -buildings  Non-current asset maintenance-machinery  Water	Other direct raw material stock ready for production  Deduct - Closing other direct raw material stock  Other consumable direct raw material stock  Other consumable materials - A+B  Cost of consumable materials - A+B  Direct Labour cost - C  Total Direct cost / Prime cost - A+B+C  Non-current asset depreciation-building  Non-current asset depreciation-motor vehicles  Non-current asset depreciation-office equipment  Non-current asset depreciation-office equipment  Non-current asset maintenance -buildings  Non-current asset maintenance -motor vehicles  Non-current asset maintenance-motor vehicles  Non-current asset	Other direct raw material stock ready for production Deduct - Closing other direct raw material stock Other consumable direct raw material cost - B Other consumable materials - A+B Other consumable

Indirect cost of a unit							
Total units of production							
Total cost of production for a unit							

## 3.23 Action Plan of Production Division

No	Activity	Responsibility	Expense	1	2	3	4	5	6	7	8	9	10	11	12	20	20	20

3.24 Assumptions Relating to the Production Pla	'lan
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•	• •	• •	• •	• •	• •	• •	•	• •	• •	• •	• •	• •	• •	• •	• •	• •	• •	•	• •	• •	•	• •	•	• •	•	• •	٠.	•	• •	• •	•	• •	• •	• •	•	• •	• •	•	• •	• •	• •	• •	• •	•	• •	• •	• •	• •	•	• •	• •	• •	• •	•	• •	• •	• •	• •	•
•	• •	• •	٠.	• •	• •	•	• •		• •	• •	٠.	٠.	• •		• •	٠.	٠.	•		٠.	•	٠.	•		•		٠.	•	• •	٠.	•		٠.		•	• •	٠.	•		• •	٠.		• •	•	• •	٠.	٠.	٠.	•		• •	٠.	• •	•		• •	٠.	• •	•
			٠.									٠.				٠.			٠.	٠.		٠.					٠.			٠.			٠.				٠.				٠.					٠.	٠.	٠.			٠.	٠.		•			٠.		

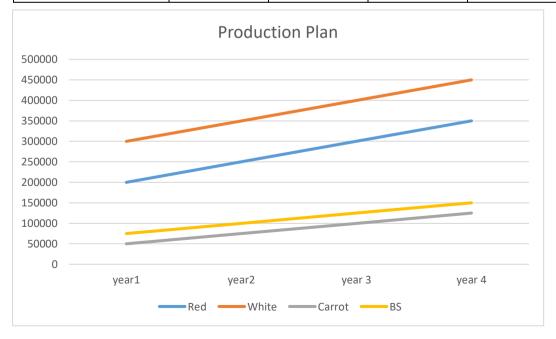
### 3.25 Graphical Analysis of Production Plan

• Growth of annual production units / service units

If an organization makes several types of products, it is sensible to select a number of key products and show the number of units of production per year. When graphically presented, it is easy to understand whether the no. units have an upward growth or a decline annually.

**Example:** The production plan has shown four types of products in a business

Type of Product	Year 1	Year 2	Year 3	Year4
Red string hoppers	200,000	250,000	300,000	350,000
White string hoppers	300,000	350,000	400,000	450,000
Carrot string hoppers	50,000	75,000	100,000	125,000
Beet string hoppers	75,000	100,000	125,000	150,000

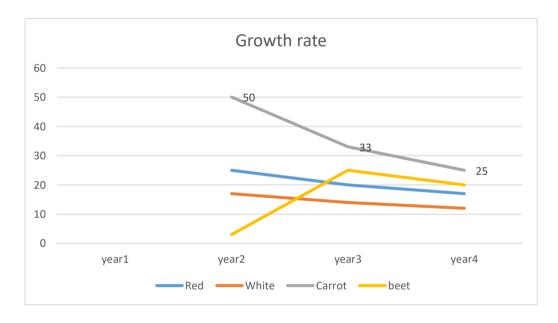


The above data can be depicted in a line chart. The annual growth rate also can be calculated using the chart. The calculation of growth rate is shown under "Annual production units/service units growth rate".

#### • Annual production units/service units growth rate

The annual production, service unit growth rate should be calculated as follows:

Type of product	Year1	Year2	Year3	Year 4
Red string hoppers growth rate		25%	20%	17%
White string hoppers growth rate		17%	14%	12%
Carrot string hoppers growth rate		50%	33%	25%
Beet string hoppers growth rate		3%	25%	20%



The above chart analysis shows that the number of units of production has increased every year but the annual production growth rate has come down. This is not a condition that can be approved for a business plan. This reveals that such unhealthy trends can be understood by graphical analysis presentations. After understanding, steps should be taken to modify the scenario accordingly.

#### Different types of contents for graphical analysis:

- Annual waste ratio analysis
- Annual direct labour hours analysis
- Annual indirect labour hours analysis
- Annual labour productivity ratio
- Annual direct raw material cost analysis for a unit

- Annual other direct raw material cost analysis for a unit
- Annual Direct labour raw material cost analysis for a unit
- Annual total direct cost for a unit analysis
- Annual total expenses analysis
- Annual total expenses for a unit analysis
- Annual total production expenses analysis
- Annual number of workers in production analysis
- Annual capacity and capacity utilization analysis

#### 4. Financial Plan

Practical profitability and the sustainability are the key aims of starting a business. Financial plan is the most vital component of the business plan that helps the entrepreneur to identify whether the business will move towards the above key aims.

Previous parts of this book dealt with the first three components of the business plan, namely organization & management plan, marketing plan and the production plan. The fourth component of the business plan, which is the Financial Plan is compiled using all relevant financial data of the other three plans with suitable analyses.

Mainly, data and indicators relating to profitability of the organization, ownership and sustainability are elaborated in this plan.

#### Elaborations embedded in a financial plan:

- 1. Owner's equity and the amount of the debt equity
- 2. How much should be invested as the initial capital of the business
- 3. Amount of fixed capital and working capital of the business
- 4. Expected amount of the monthly and annual sales
- 5. Gross profit and the gross profit ratio
- 6. Net profit and the net profit ratio
- 7. Net cash flow of the business
- 8. Amount of the working capital and net working capital of the business
- 9. Changes in net equity (monthly and annually)
- 10. Changes of the ratio analysis of the business

### **4.1 Total Investment (Capital Requirement)**

Total investment refers to the total investment made at the commencement of the business. In this section of the Financial Plan, the following details should be explained clearly.

- 1. How much is the fixed capital investment requirement?
- 2. How much is the working capital requirement?
- 3. How much is the total capital investment?

- 4. The amount invested by the owner
- 5. What is the debt capital required?
- 6. What is the percentage contribution by the owner to the total capital requirement?
- 7. What is the percentage invested by the owner from the total capital investment requirement?
- 8. What is the loan amount needed to meet the requirements of the fixed capital investment?
- 9. What is the percentage of loan component from the total fixed cost requirement?
- 10. What is the investment by the owner from the total working capital requirement?
- 11. What is the percentage of investment by the owner to the working capital?
- 12. What is the percentage contribution by the owner to the capital investment?
- 13. What is the percentage of loan capital from the total capital investment?

In addition to the above, attention should be given to the following, when calculating the capital cost requirement

The loan capital requirement should not exceed 40% of the total capital requirement
It should be aware that the banks do not give loans for working capital needs when
starting a business.

Item	Owner	%	Loan	%	Total	%
Fixed capital requirement						
Machinery, equipment (notes)						
Vehicles (notes)						
Furniture (notes)						
Total fixed capital requirement A						
Working capital requirement						
Raw material requirement (notes)						
Salaries (note)						
Electricity (notes)						

Total working capital B			
Summary of capital investments			
Fixed capital			
Working capital			
Total capital requirement A+B			

### 4.2 Loan Repayment Plan

The nature of the loan, whether it is a long-term bank loan or leasing loan, should be mentioned in the plan. If the company has taken two long-term loans from two banks, two separate loan repayment plans should be prepared. The loan repayment plan should cover the following information.

- a. Amount of loan taken
- b. Date of the loan
- c. The grace period given, if applicable
- d. What is the interest required to pay during the grace period?
- e. For how many years the loan was taken?
- f. Number of loan installments
- g. Annual loan interest rate
- h. How the interest has been worked out
- i. The date of payment of monthly loan installment
- j. How much is the loan installment?
- k. What is the capital component and the interest component included in the monthly installment?
- 1. What is the capital balance at the end of each month?

Before preparing the above loan repayment plan, it is essential that the following documents are obtained from the lending institute.

#### > Loan repayment plan

It should include the value of the loan capital and the interest on the loan, which should be included in each monthly installment. This information is needed to include in the financial expenses of the profit and loss account. Further there should be a clear understanding whether it is changing from time to time or a fixed installment system.

### > A copy of the agreement on conditions of loan payment

Loan repayment plan	
Name of the bank	
Type of loan	
The method, interest rate is calculated	
Amount of loan taken	
Date of obtaining loan	
Annual loan interest rate	
Grace period for the loan	
The interest to be paid during the grace period	
Loan period	
Number of installments	
Number of installments per annum	
Date of starting payment of loan installment	

No	Year	Opening	Annual	Annual	Annual	Closing
		Capital	Interest	Capital	Instalment	Capital
		Balance		Share		Balance
1						
2						
3						
4						
5						

In preparing the above annual loan repayment plan, a monthly loan repayment plan should be prepared under the preliminary work. The format is as follows:

Installment	Date of	Opening	Monthly	Monthly	Monthly	Closing
No.	Payment of	Loan	Interest	Capital	Installment	Balance
	Installment	Capital		Share		
		Balance				

# 4.3 Manufacturing Account

Note	Detail	Jan	Feb	Mar	Apr	May	June	July	Aug	dəS	Oct	Nov	Dec	Total
Direct	<u>l</u> expenses	Je	Й	N	_≺_	2	Jı	J	A	Š	0	Z	<u> </u>	LĚ
	Opening stock - Direct raw													
	material Add - Monthly purchases -													
	Direct raw material													
	- Direct Carriage Inwards													
	Deduct – Purchase returns of													
	Direct raw material													
	Direct raw material stock													
	ready for production Add - Opening Work-in-													
	progress stock													
	Less – Closing Work-in-													
0.1	progress stock													
Other o	lirect raw material expenses													
	Raw material ready for													
	production & direct work-in-													
	progress													
	Less - Direct raw material- closing stock													
	Cost of Direct raw materials													
	consumed - A													
	Other raw material - Opening stock													
	Add - Monthly purchases -													
	Other direct raw material													
	- Carriage inwards - Other direct raw material													
	direct raw material													
	Less – Purchase Returns-other													
	direct raw material													
	Other direct raw material													
	ready for production Less - Other raw material													
	closing stock													
	Cost of Other direct raw													
	material consumed - B													
	Consumable material cost A+B													
	Direct labour cost C													
	Total direct cost /Prime cost A+B+C													
D I	action Overhead													ı

T 1'	l		l	l	I		l	l	
Indirect salaries and wages production division									
Non-current asset									
depreciation-buildings									
Non-current asset									
depreciation-Furniture &									
fittings									
Non-current asset depreciation-motor vehicles									
Non-current asset									
depreciation-machinery									
Non-current asset									
depreciation-office equipment									
Non-current asset maintenance									
expenses-buildings Non-current asset maintenance									
expenses-motor vehicles									
Non-current asset maintenance									
expenses-machinery									
Electricity									
Water									
water									
Telephone									
Stationery									
Stationery									
Transport cost									
Fuel expenses									
Assessment rates									
Insurance									
<b></b>									
Entertainment expenses									
Postal & stamps									
-									
Welfare expenses									
Building rent									
Labour charges									
-									
Other expenses									
Total Production Overhead									
D									
Total Cost of Production									
A+B+C+D									
Total number of production									
units									
Less - Defective units									
Net production units									
T-1									

	Net production ratio (net production/total							
p	production) x 100							
	Direct raw material cost per init							
D	Direct labour cost per unit							
Ir	ndirect cost per unit							
Т	Total units of production							
	Cotal production cost per unit							

# 4.4 Trading, Profit & Loss account / Statement of Comprehensive Income for the Year Ending ....

Using the Income Statement, we can assess the operational results during the specific period for which the income statement has been prepared. Operational results are the day-to-day business activities of the business. Simply, a comparison of operational income and operational expenses can be done.

The following two objectives should be achieved through the trading, profit & loss account.

- 1. Calculation of gross profit through the trading account
- 2. Calculation of net profit through profit & loss account

Details	Janu	ıary	Febr	uary	Ma	rch	Ap	oril	M	ay	Ju	ne
Sales												
Deduct – Sales returns												
Net sales												
Less – Cost of production / Cost of sales												
Opening stock – finish goods												
Add - Production cost												
Cost of products to be sold												
Less - Closing stock												
Cost of sales												
Gross profit												
Add-other income												
Total Gross Profit												

Less:						
Administration and						
Establishment Expenses						
Selling and Distribution Expenses						
Finance & other Expenses						
Total Expenses						
Net Profit (Gross Profit -						
Total expenses)						
Gross profit ratio						
Net profit ratio						

Details	Ju	ly	Aug	gust	Sept	ember	Oct	ober	Nove	mber	Dece	mber
Sales												
Deduct – Sales returns												
Net sales												
Less – Cost of production / Cost of sales												
Opening stock – finish goods												
Add - Production cost												
Cost of products to be sold												
Less - Closing stock												
Cost of sales												
Gross profit												
Add-other income												
Total Gross Profit												
Less:												
Administration and Establishment Expenses												

Selling and Distribution						
Expenses						
Finance & other Expenses						
Total Expenses						
Net Profit (Gross Profit -						
Total expenses)						
Gross profit ratio						
Net profit ratio						

#### **Special Note:**

After calculating the net profit for the year, the relevant tax should be paid based on the tax percentage. But, these tax percentages and values are changing from time to time. Therefore, it is paramount to update the knowledge on tax. Similarly, the knowledge on the Value Added Tax (VAT) to be paid based on sales and service income should be updated.

#### 4.5 Cash Flow Statement

Cash flow can be prepared for the past as well as for the future business operations. For a business startup, the focus is given for the future. Therefore, the cash flow statement for a new business is known as Cash Flow Forecast.

Cash flow statements should be prepared under following categories.

- I. Operational activities
- II. Investment activities
- III. Financial activities
- IV. Other activities

#### I. Operational Activities

The expected cash transactions of the day-to-day business operations are included here. The operational activities consist of two components.

a) Cash inflow related to operational activities

**Example**: Cash received through sales of products / services, cash collected from debtors, insurance compensations etc.

b) Cash outflow related to operational activities

**Example**: Expenses for purchase of goods / services, payment settlements made to creditors, expenses such as salaries and wages, loan interest payment, tax payments, water, electricity telephone etc.

Finally, the Net Cashflow of the operational activities is calculated.

Cash inflow from operational activities xx

Less- Cash outflow from operational activities (xx)

Net cash flow of the operational activities  $\underline{x}\underline{x}$ 

#### **II.** Investment Activities

All the investment activities related to the business are included in this section 'There are two main components of investment activities.

a) Investment activities-related cash inflow

**Example**: Money received by selling a fixed asset, selling long term financial assets, income from interest, dividends income.

b) Investment activities-related cash outflow

**Example**: Expenses involved in purchasing an asset. Purchasing of shares, debentures, treasury bills and long-term loans given to other businesses.

Finally, the net cash flow of the investment activities is calculated.

Investment activities' cash inflow xxLess - investment activities' cash outflow (xx)Net cash flow of the investment activities xx

#### III. Financial activities

The cash inflow and outflow in financial activities of the business should be included here.

a) Financial activities' cash inflow

**Example**: income received from issue of shares and bonds, money received through short-term and long-term loans.

b) Financial activities' cash outflow

**Example**: loan repayment, issues of debentures

Financial activities' cash inflow xxLess - Financial activities' cash outflow (xx)Net cash flow of the financial activities xx

#### IV. Other activities

All the activities other than the operational, investment and financial activities comes under this category.

This also has two components.

a) Cash inflow from other activities

**Example:** Grants from the government or non-government organizations

b) Cash outflow from other activities

**Example:** Donations

Other activities' cash inflow xxLess - other activities' cash outflow (xx)Net cash flow of the other activities xx

The cash flow is the amalgamation of cash transactions under all the above categories.

Total Net cashflow XXX

(This value should be taken by adding the net cashflows discussed above.)

The Cashflow Statement can be presented as follows.

Opening cash balance XXX

Add - Total net cash flow XXX (This can be a positive or negative figure)

Closing cash balance XXX

A specimen of a comprehensive Cashflow Statement is given in the next page.

Details	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Opening Balance - A		1 00	1/14/1	1101	11101	0 0,11	0.01	11078	z c p	3 20	1,0,	200	1 3 000
Cash inflow (Operational activities)													
Total cash inflow (All operational activities)													
Deduct- Cash outflow (Operational activities)													
Total cash outflow (All operational activities)													
Net cashflow (Operational activities)													
Cash inflow (Investment activities)													
Total cash inflow (All investment activities)													
Deduct - Cash outflow (Investment activities)													

Total cash outflow (All investment activities)							
Net cash flow (Investment activities)							
Cash inflow (Financial activities)							
, ,							
Total cash inflow (All financial activities)							
Deduct - Cash outflow (Financial activities)							
Total cash outflow (Financial activities)							
Net cash flow (Financial activities)							
Cash inflow (Other activities)							
Total cash inflow (Other activities)							
Deduct- cash out flow (Other activities)							

Total cash outflow (Other activities)							
Net cash flow (Other activities)							
Total cash inflow							
Total cash outflow							
Net cash flow							
Closing Balance							

#### 4.6 Balance Sheet / Statement of Financial Position

Balance Sheet is the financial document which shows the relationship between assets and liabilities as at a given day. Balance Sheet is also known as the Statement of Financial Position. The details of a financial position statement (balance sheet) are given below.

#### Main contents:

- 1. Non-current assets
- 2. Current assets
- 3. Equity of the owners
- 4. Non-current liabilities
- 5. Current liabilities

The financial position statement is prepared based on the following accounting equation.

#### Assets = Liabilities (at a given time)

However, the term "Liabilities" consists of two components, i.e, "External liabilities" and the "Owner's Equity".

There are five common types of accounts in an organization. They are **assets, liabilities, equity, income, and expenses.** Transactions of these accounts are recorded in the common ledger and at the end of a month or year, after balancing these records, the balances are taken into a separate document. This document is named "Trial Balance".

The following financial statements are prepared based on the trial balance.

- Manufacturing Account
- Income Statement / Trading, Profit & Loss Account
- Statement of Financial Position
- Statement of Cash Flow
- Statement of Changes in Equity

From the five types given above only income and expenditure details are included in the Manufacturing, trading, profit and loss account. The other three, assets, liabilities and equities are included in the statement of financial position.

# Statement of financial position as at .....

Details	January			February			March			April		
	Cost	Accumulated	Net	Cost	Accumulated	Net	Cost	Accumulated Depreciation	Net Value	Cost	Accumulated	Net
		Depreciation	Value		Depreciation	Value					Depreciation	Value
Non-current assets												
Land & building												
Machinery												
Vehicles												
Furniture & fittings												
Equipment												
Total Non-current												
assets												
Fixed deposits												
Call deposits												
Current assets												
Stocks												
- Raw material												
- Work-in-progress												
- Finished goods												
Debtors												

Deduct- Provisions						
for irrecoverable						
debts						
Net debtors						
Advance payments						
Bank balance -						
current account						
Bank balance -						
savings accounts						
Petty cash balance						
Cash balance						
Total current assets						
Total assets						
Equity						
Add -						
Retained profit						
Profit for the						 
financial year						

Profits from sale of						
fixed assets						
Total						
Deduct -						
Retained losses						
.Losses for the						
financial year						
Drawings						
Total deductions						
Total equity balance						
Non-current liabilities						
Leasing (leasing over						
12 months)						
Bank loans (over 12						
month installments)						
Total- non –current						
liabilities						

Current liabilities						
Leasing (less than 12						
months)						
Bank loans (less than						
12 month						
installments)						
Creditors						
Accrued expenses						
Bank overdraft						
Total current						
liabilities						
Total liabilities						

	May		June			July				August		
Detail	Cost	Accumulated	Net	Cost	Accumulated	Net	_	Accumulated	Net	Cost	Accumulated	Net
	Cost	Depreciation	Value	Cost	Depreciation	Value	Cost	Depreciation	Value	Cost	Depreciation	Value
Non-current assets												
Land & building												
Machinery												
Vehicles												
Furniture & fittings												
Equipment												
Total Non-current												
assets												
Fixed deposits												
Call deposits												
Current assets												
Stocks												
- Raw material												
- Work-in-progress												
- Finished goods												
Debtors												

Deduct- Provisions						
for irrecoverable						
debts						
Net debtors						
Advance payments						
Bank balance -						
current account						
Bank balance -						
savings accounts						
Petty cash balance						
Cash balance						
Total current assets						
Total assets						
Equity						
Add -						
Retained profit						
Profit for the						 
financial year						

Profits from sale of						
fixed assets						
Total						
Deduct -						
Retained losses						
.Losses for the						
financial year						
Drawings						
Total deductions						
Total equity balance						
Non-current liabilities						
Leasing (leasing over						
12 months)						
Bank loans (over 12						
month installments)						
Total- non -current						
liabilities						

Current liabilities						
Leasing (less than 12						
months)						
Bank loans (less than						
12 month						
installments)						
Creditors						
Accrued expenses						
Bank overdraft						
Total current						
liabilities						
Total liabilities						

	September		October				November			December		
Detail	Cost	Accumulated	Net	Cost	Accumulated	Net	_	Accumulated	Net	Cost	Accumulated	Net
	Cost	Depreciation	Value	Cost	Depreciation	Value	Cost	Depreciation	Value	Cost	Depreciation	Value
Non-current assets												
Land & building												
Machinery												
Vehicles												
Furniture & fittings												
Equipment												
Total Non-current												
assets												
Fixed deposits												
Call deposits												
Current assets												
Stocks												
- Raw material												
- Work-in-progress												
- Finished goods												
Debtors												

Deduct- Provisions							
for irrecoverable							
debts							
Net debtors							
Advance payments							
Bank balance -							
current account							
Bank balance -							
savings accounts							
Petty cash balance							
Cash balance							
Total current assets							
Total assets							
Equity							
Add -							
Retained profit							
Profit for the					 		
financial year						_	
Additional capital							

Profits from sale of						
fixed assets						
Total						
Deduct -						
Retained losses						
.Losses for the						
financial year						
Drawings						
Total deductions						
Total equity balance						
Non-current liabilities						
Leasing (leasing over						
12 months)						
Bank loans (over 12						
month installments)						
Total- non -current						
liabilities						

Current liabilities						
Leasing (less than 12						
months)						
Bank loans (less than						
12 month						
installments)						
Creditors						
Accrued expenses						
Bank overdraft						
Total current						
liabilities						
Total liabilities						

# 4.7 Financial Ratio Analysis

Financial Ratios are also called as Accounting Ratios. Financial ratios analyze quantitative data relevant to operation of the organization. The financial ratios are analyzed specially using income statements and financial position statement.

The following objectives are expected through ratio analysis.

- Liquidity position of the organization
- Profitability
- Operational efficiency
- Insolvency

The ratio analysis is done as below.

## 1. Liquidity Ratios

Liquidity ratio signifies how effectively the business can face short term liabilities.

<u>Examples of Liquidity Ratios</u>: Current Ratio, Quick Ratio (Synonym: Acid Ratio) and Cash Ratio.

#### a) Current Ratio

The current ratio shows the proportion between current assets of the business and its current liabilities.

## **Example:**

Current asset is Rs. 160,000 and current liability is Rs. 40,000

Hence, the Current Ratio = 
$$\frac{\text{Current assets}}{\text{Current liabilities}}$$
 =  $\frac{160,000}{40,000}$  = 4:1

This means that for a one-rupee liability, the organization has four rupees.

The optimum level for current ratio is 2:1.

If the current ratio of a business reveals a higher value, it means that the organization has non-productive assets. If the value is lower than the optimum level, affordability level of the business to meet the current liabilities is low. Therefore, a business should try to maintain the current ratio at 2:1 level for the business to be comfortable.

## b) Quick Ratio or Acid Ratio

When calculating the Quick Ratio, current assets are considered after deducting the closing stock. When the closing stock is deducted, the balance will be cash in hand, cash at bank, postdated cheques in hand, pre payments and debtors. But in current

ratio calculation, it is not deducted from current assets. This is the key difference between the current ratio and the quick ratio.

Quick Ratio is calculated as given below.

The optimum value for this ratio is 1:1. This ratio examines the possibility of meeting current liabilities from the remaining assets without the stock. A ratio of 1:1 means to pay a loan of one rupee the organization has assets to pay without the stock. You should aim to maintain the Quick Ratio of the organization as 1:1.

#### c) Cash Ratio

This ratio signifies the liquidity position of the organization.

This ratio going beyond the Quick Ratio, examines the availability of money to settle short term loans. The money means the cash available in current accounts.

### 2. Insolvency Ratios

Loans taken by the organization is compared with its assets, equity and earnings.

### **Examples of Insolvency Ratios**

#### a) Low Gearing Ratio

If the owners' equity is more than the loan equity, then it is a low gearing condition.

#### **Example:**

Loan equity – Rs. 50,000 and owners' equity – Rs. 150,000

Loan Equity x 100 = 
$$50,000$$
 x  $100 = 25\%$   
Total Equity (Loan Equity + Owner's Equity) =  $200,000$ 

## b) High Gearing Ratio

This means the loan equity is higher than the owners' equity.

### **Example:**

Loan equity - Rs 200,000 and Owner's equity - Rs 100,000

Loan Equity x 100 = 
$$\frac{200,000}{100}$$
 x  $\frac{100}{100}$  =  $\frac{200,000}{100}$  x  $\frac{100}{100}$  x  $\frac{$ 

#### c) Debt Asset Ratio

In this ratio, total external loans are expressed as a percentage of the total assets.

Debt Asset Ratio = 
$$\underline{\text{Total External Loans}}$$
 x100  
Total Assets

# **Example:**

Total external loans - Rs 150,000 and the total value of assets is Rs.200,000

Debt Asset Ratio = 
$$\underline{150,000}$$
 x100 = 75%  
200,000

## d) Interest Covering Ratio

This ratio signifies how many times the net profit of the organization could cover the loan interests of the loans the business has taken.

### **Example:**

In a business, monthly loan interest is Rs 20,000 while the net profit per month is Rs. 40,000.

Interest Covering Ratio = 
$$\underline{\text{Monthly Net Profit}}$$
 =  $\underline{\text{40,000}}$  = Two times Monthly Loan Interest  $20,000$ 

This explains that from the net profit of the organization the loan interest can be covered twice. If the number of times is higher, then the possibility of the organization to be insolvent is low. When it is lower, the possibility of the organization to be insolvent is high.

### 3. Profitability Ratios

These ratios shows how profits are earned through the operation of the business.

# **Profit Margin Ratio**

There are two ratios under this category. They are Gross Profit Ratio and Net Profit Ratio.

## a) Gross Profit Ratio

This ratio shows the relationship between the gross profit earned during a particular period and the net sales during that period as a percentage.

Gross Profit Ratio = 
$$\frac{\text{Gross Profit}}{\text{Net Sales}} \times 100$$

**Example**: The gross profit of a business is Rs. 60,000 and the net sales during the period is Rs. 200,000.

Then, the gross profit ratio can be calculated as follows.

$$\underline{60,000}$$
 x  $100 =$ **30%**  $\underline{200,000}$ 

If the gross profit ratio is 30%, it implies that for each sale of Rs. 100, the business makes a profit of Rs. 30.

In general, the Gross Profit Ratio should be over 25% for a manufacturing business while for a service business it should be over 40%. In a buying and selling businesses, it should at least 10%. These values are general Gross Profit Ratio norms in the relevant sector. This is commonly known as Industry Margin. If the Gross Profit Ratio of the business is much less than the industry margin, that indicates the direct costs of the business has gone up. In such a situation the direct costs should be re-checked and immediate corrective action should be taken.

#### b) Net Profit Ratio

This ratio shows the relationship between the net profit earned during a particular period and the net sales during that period as a percentage.

**Example:** The net profit in an organization is Rs. 18,000 and the sales volume for the particular period is Rs. 110,000.

Then the Net Profit Ratio is,

$$\frac{18,000}{110,000}$$
 x 100 = **16%** (approximately)

According industry norms, in a manufacturing business, the net profit ratio should be at least 15%, for a service organization it should be at least 25% and for a buying and selling business, it should be at least 5%.

## c) Return on Asset Ratio (ROA)

In this ratio, the net profit earned for a period is shown as a percentage of non-current assets during the same period. The ratio is calculated using the below given formula.

Return on Asset Ratio (ROA) = 
$$\underbrace{\text{Net Profit (After Tax)}}_{\text{Non-current Assets}}$$
 x 100

**Example:** The net profit after tax is Rs. 300,000 in a business and at the closing balance of the year, the non-current assets is recorded as Rs. 1,000,000.

Then, the Return on Asset Ratio is,

$$300,000 \times 100 = 30\%$$
  
 $1,000,000$ 

### d) Return on Investment Ratio (ROI)

This ratio represents the net profit earned during a year as a percentage of the capital invested. The relevant formula is given below.

Return on Investment Ratio = 
$$\underbrace{\text{Net Profit After Tax}}_{\text{Investment}}$$
 x 100

Example: The net annual profit is Rs. 80,000 and the investment by the owner is Rs. 400,000, then ROI ratio is,

$$80,000 \times 100 = 20\%$$

### e) Payback Period

This provides the duration that will take to cover the investment made by an entrepreneur through profits earned in the business. It is obvious that the invested amount can be covered only by the net profit.

As per business doing standards, the payback period should be 4 years or less.

**Example:** In a business, the net profit is Rs. 75,000 for the first year and the initial capital was Rs. 300,000.

Payback period 
$$= 300,000 = 04$$
 years  $75.000$ 

### 4 Efficiency Ratios

#### a) Stock / Inventory Turnover Ratio

This ratio signifies that in a given period, how many times the stock is sold and how many times the stock is replaced. Stock turnover ratio is useful in making decisions pertaining to the pricing of products, production, sales and purchasing new stocks.

Stock Turn Over Ratio = 
$$\frac{\text{Cost of Sales}}{\text{Average Stock}}$$

# **Example:**

In a business entity, opening stock in a particular month is Rs 75,000 and the closing stock is Rs 45,000. The cost of sales amounts to Rs 200,000. What is the stock turnover ratio?

Stock Turnover Ratio = 
$$\frac{200,000}{(75,000 + 45,000)/2}$$
 = 3.3

This means that the business entity has purchased and sold stocks three times. An increase in this turnover ratio implies the increased turnover and increased profits. All business organizations should attempt to increase their stock turnover ratio,

because the profitability and liquidity will increase through the increased stock turnover ratio.

# b) Stock / Inventory Residency Period

This is an extension of the stock turnover ratio. Stock Holding Period, and Stock Retention Period are synonyms. This ratio shows how long a stock will remain with the business.

Stock Residency Period = <u>365</u>

Stock turnover ratio

In this calculation, 365 days are considered if the period is a year, and 31 days are considered if the period is a month.

In the same example,

Stock Residency Period = 31/3.3 = 9 Days

It means that on an average stock will remain 9 days in the business. When this value increases the efficiency decreases because of the stock holding cost involved. When the value decreases the efficiency increases.

# c) Debtors Turnover Ratio

This shows how efficiently the debts are recovered by the business.

Debtors Turnover Ratio = Net credit sales

Average debtors

Here, Average debtors = (Opening debtor balance + Closing debtor balance)

2

This is a tool to calculate the number of times the average debtors are converted into cash during a period of consideration. An increase in this value shows that the debtors' settlements are at a good level.

#### **Example:**

Net credit sales are Rs. 350,000 of a business. The debtors' opening balance is Rs. 150,000 and the closing balance is Rs 200,000 in the month of January 2019.

Then,

Debtors Turn Over Ratio = 
$$\frac{350,0000}{(150,000 + 200,000)/2}$$
 = 2 (for January 2019)

This result implies that the credit sales have been done as twice as the average debtor value.

#### d) Debtor Collection Period

This ratio gives an idea of the average time taken by debtors to settle their dues. If this time period is more compared to competitor, then there is an issue of settling debts. If this collection period is short, it is good for the business.

The above formula is applicable if the period in consideration is a year. If the period is a month, 31 should be used instead of 365. These are the no. of days for the specific period.

In the previous example, Debtors Turnover Ratio is 2, during the month of January 2019. Therefore,

Debtor Collection Period for that month = 
$$\frac{31}{2}$$
 = 16

That means the debts are settled in 16 days. This ratio is important in drafting the credit policy of the business.

# e) Creditors Turnover Ratio

This ratio shows how efficiently the business organization pays off its dues to its creditors.

Creditors Turnover Ratio = Net Credit Purchases

**Average Creditors** 

Here, the Average Creditors = (Opening Creditor Balance + Closing Creditor Balance)

2

In other words, this implies the no. of times of average credit represented in the net credit purchases within the period.

## **Example:**

In 2020 January, the opening creditor balance is Rs. 221,000 and at the end of the month closing balance is Rs 305,000. If the total credit purchases during the month Rs. 321,000,

Creditors Turnover ratio = 
$$\frac{321,000}{(221,000 + 305,000)/2}$$
 = **1.2**

# f) Creditor Days

This ratio indicates the no. of days it takes to repay the creditors.

As per the other ratios mentioned above, if the period concerned is a year, the above formula applies. If the period is a month, 365 should be replaced by 31.

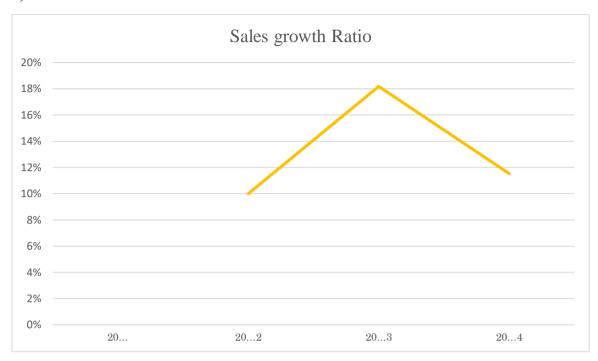
In the previous example, Creditors Turnover Ratio is 1.2 for January, 2020. Therefore,

Creditor Days = 
$$31 / 1.2 = 26 \text{ Days}$$

This calculation shows that the creditors are paid in 26 days. This ratio is important in designing the business's policies on credit purchases by the business.

# 4.8 Graphical Analysis of the Financial Plan

# a) Sales Growth Ratio



# 4.9 Assumptions for the Financial Plan

Financial planning is based on a number of assumptions. It is necessary to state these
assumptions in the plan itself for the understanding of the business plan users. When stating
assumptions in the plan, it can be mentioned immediately below the relevant part or at the end
of the financial plan with references so that the relevant place can be traced by the plan user.

# **Executive Summary**

Executive summary is the essence or the concise summary of a business plan. It covers the summary of the four plans, namely Management and Organization Plan, Marketing Plan, Production or Operational Plan and Financial Plan.

It should include only those matters that are important to the internal or external users of the business plan. According to the accepted standards, the executive summary should be limited to two pages. The majority of business plan readers do not read the entire business plan at once. They first read the Executive Summary and if they want to study some of the information, they further go through the Business Plan for more information. Although the executive summary is shown as the first component of the business plan, the executive summary is prepared at last - after the overall plan has been prepared.

# **Content of an Executive Summary**

# 1. Description of the business

- Name of the business
- Year of commencement of the business
- Special entrepreneurial skills, abilities, experience of the entrepreneur
- Details of goods and services offered
- Use of new technology
- Contribution to social, economic and environment
  - o Employment generation
  - o Foreign exchange earnings
  - National reconciliation
  - o Environmental friendliness
  - o Govt. tax benefits and incentives
  - Alignment to government policies
- Awards, certificates, patent rights and other important agreements
- Corporate Social Responsibilities (CSR) of the organization

#### 2. Vision

Develop the vision of your business and include here.

#### 3. Mission

Develop the mission and include here.

### 4. Business objectives

Only the specific business objectives should be included here.

They can include Management & Organization Objectives, Marketing Objectives, Production or Operational Objectives and Financial Objectives.

# 5. Risk Management

Factors recognized as risks, and the strategies taken to mitigate or avoid risks (in summarized form) should be presented.

# **6. Marketing Information**

Marketing information should be presented with the following details:

- Target sales areas
- Target customers
- Key customers
- Main marketing strategies
- Annual sales details

Details	Year 1	Year 2	Year 3	Year 4
Annual breakeven point				
Annual sales value				
Market share				

# 7. Production Information

Following details should be included

- An account of the technology used (Labour intensive, capital intensive or a combination of both)
- Brief description on obtaining raw material and labour
- Annual capacities and utilization

Detail	Year1	Year 2	Year 3	Year 4
Annual capacity				
Annual capacity utilization				
Annual capacity utilization ratio				

# 8. Financial Information

Following details should be included here.

Profitability and Ratio Analysis:

Detail	Year1	Year 2	Year 3	Year 4
Initial & future investments				
Sales income				
Gross profit				
Net profit				
Net assets				
Net working capital				
External loans				
Gross profit ratio				
Net profit ratio				
Return on investment (ROI)				
Payback period				
Loan coverage ratio				

# 15. Business Plan Evaluation



We have prepared the Business Plan for our intended business. As we learnt, this business plan is the foundation of our real business which will realize very soon. In the business world, if the entrepreneur expects to raise his start-up capital through an external party such as a bank or venture financing organization, the business plan is the most important document on which they decide whether the entrepreneur deserves the financial facility. They, in fact

assess the business plan to decide whether they should provide the loan or the requested finances.

Therefore, we should subject our business plan to the same test. This module- Business Plan Evaluation will take us through the test.

# **Module objectives:**

At the end of this module, the trainees will have.

- ✓ Learnt how an external party- especially bankers evaluate a business plan to assess whether the business is a sustainable, growth-focused economic activity, and
- ✓ Got individual Business Plan evaluated by an expert panel of evaluators.

The module covers the following sessions:

The following topics will be covered

- 15.1 Business plan evaluation
- 15.2 Business plan evaluation report
- 15.3 Business plan evaluation by an expert team

# **Session 15.1 - Importance of business plan evaluation**

"Lalith is an average entrepreneur who operates a small cafeteria. He does not believe in business plans. During his business career, he is facing many business-related issues. When he participated in the annual meeting of the Food Suppliers Association, he came to know that some of its members have been nominated for the final contest of best entrepreneur awards conducted by the regional chamber of commerce. Although they have reasonably successful businesses, the selection committee has evaluated their business plan before selection. When Lalith went to the bank for a bank loan for his business affairs, the bank has asked for the business plan. When attending a business seminar, the lecturer quoted many examples of world-renowned entrepreneurs who conducted their businesses on respective business plans."

However, the Bank Manager told Lalith that the business plan given by Lalith will be evaluated by an expert team first and a decision will be taken thereafter whether to grant a loan or not. With this experience, Lalith was convinced about the importance of the business plan evaluation. Subsequently, Lalith gave up the idea of getting a bank loan and decided that the shortage of the capital need will be invested by himself. Further, he decided to get the business plan evaluated by a group of external experts due to the following reasons.

- ✓ This evaluation covers the viability of all key sections of the business.
- ✓ Business plan evaluation is the final evaluation before starting the business.
- ✓ Business plan evaluation is a very important, priority task in the process of starting a business.

We also have our business plan in our hand. If we can get our business plan evaluated using the same criteria generally used by the bankers and similar persons, we will know where we stand in terms of the acceptance of our business viability by business evaluators. We also can learn about business-related issues revealed by the business plan evaluation. Most importantly, we can finalize our business plan and move forward to start our business.

The business plan should be evaluated by experts who have special experience and sufficient knowledge. A special format is used for the purpose. Generally, during business plan evaluation, the experts / bankers give marks for key areas reflected in the business plan components.

Key Areas Evaluated in the Business Plan:

- Executive summary
- Management & Organization plan
- Marketing Plan
- Production plan
- Financial plan

# Session 15.1 - Importance of business plan evaluation

**Session objectives**: At the end of this session, trainees will be able to understand the importance of business plan evaluation.

Session	Time (mins)	Methodology	Training aids
Importance of business plan	10	Interactive, explanatory	Trainee workbook;
evaluation		discussion	Whiteboard;
<ul> <li>Explain about the importance of business plan evaluation giving some examples based on the contents of the trainee workbook</li> </ul>			
In-class total: 10 mins			

# **Session 15.2 - Business Plan Evaluation Report**

Name of the entrepreneur:

Nature of the business: (Product / Services / Trading)

Name of the business:

Telephone No.:

Institution where training was obtained:

	Detail	year 1	year 2	Year 3	Year 4	Marks allocated	Marks obtained	Special marks
1	Details of the business (general)					05		
i.	Appearance of the overall business plan					1		
ii.	Overall, spelling, grammar calculations					1		
iii.	Overall arrangement					1		
iv.	Cover page/tables/contents etc.					1		
v.	Annexures					1		
2	<b>Executive summary</b>					04		
i.	Management and Organization plan					1		
ii.	Marketing plan					1		
iii.	Production plan					1		
iv.	Financial plan					1		

	Detail	Year 1	Year 2	Year 3	Year 4	Marks allocated	Marks obtained	Special marks
3	Management & Organization feasibility					15		
i.	Details of Management & Organization					0.5		
ii.	Details of the business					0.5		
iii.	Details of the entrepreneur					.0.5		
iv	Owner/partners/directors					0.5		
iv.	Organizational structure					01		
v.	Recruitment plan					0.5		
vi.	Overall analysis of the employees					0.5		
vii.	Vision					0.5		
viii.	Mission					0.5		
ix.	Organizational values					0.5		
X.	Business objectives					0.5		
xi.	SWOT analysis -Business					02		
xii.	PESTEL analysis					02		
xiii.	Risk management					0.5		
xiv.	Non-current assets- Management & Organization division					0.5		
XV.	Non-current assets- Financial division					0.5		
xvi.	Administration expenses Management &					0.5		
xvii.	Administration expenses Finance division					0.5		
xviii.	Social responsibility					0.5		
xix.	Action plan-Management & Organization plan					0.5		
XX.	Overall action plan of the Business plan					0.5		

xxi.	General assumptions		0.5
	related to Management &		
	Organization plan		1 2 7
xxii.	Graphical analysis related		0.5
	to Management &		
	Organization plan		
	organization prairi		
04	Marketing plan		26
i.	Industry analysis		0.5
1.	Industry analysis		0.3
<u> </u>			<del>                                     </del>
ii.	Marketing analysis		0.5
iii.	Details of products		0.5
	1		
iv	Patents, ownership,		0.5
1,.	publication rights/trade		
	marks & brand names		
v.	Market segmentation		0.5
vi.	Targeted market area		0.5
, 2,	1 112 8 0 0 0 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1		
vii.	Targeted quetomore		0.5
VII.	Targeted customers		0.3
-			
viii.	Place /Location		0.5
ix.	Targeted customers'		0.5
	growth		
			0.5
х.	Targeted key customers		0.3
	(expected)		
xi.	Market share of		0.5
	competitors		
xii.	Sales price analysis of the		0.5
ΛП.			0.5
	business and competitors		1 2 1
xiii.	Total demand for		0.5
	products and demand for		
	the products of the		
	business		
			1
xiv.	Competitor analysis		
$\vdash$			+ - +
XV.	Competitors' SWOT		2
	analysis		
xvi.	Product life cycle		0.5
1. 7. 1.	1100000111009010		
	Dropogod montrating	+ + +	2
xvii.	Proposed marketing		
	tactics		
xviii.	Overall marketing		0.5
	strategies		
xix.	Market research and		0.5
AIX.			0.5
	development		

XX.	Market research and development expenses	0.5	
xxi.	Non-current assets related	0.5	
::	to marketing division	0.5	
xxii.	Breakeven analysis	0.5	
xxiii.	Adjustments on monthly	0.5	
	fixed costs		
xxiv.	Breakeven points	-	
XXV.	Annual breakeven point	0.5	
	analysis	0.5	
xxvi.	Sales price analysis (annual)	0.5	
xxvii.	Sales forecast quantities	4	
	plan (monthly & annual)		
xviii.	Sales forecast value plan	4	
xxix.	(monthly & annual) Sales & Distribution cost	0.5	
XXIX.	related to marketing	0.5	
	division		
XXX.	Action plan of the	0.5	
	marketing plan		
xxxi.	Assumptions for	0.5	
	marketing plan		
xxxii.	Graphical analysis related	0.5	
	to marketing plan		
5	Production feasibility	20	
	·		
i.	Details of production	0.5	
	(whether the production is labour intensive, capital		
	intensive or a		
	combination)		
ii.	Securing the production	0.5	
	factors		
iii.	Production process	0.5	
iv.	Layout plan of the factory	0.5	
v.	Unit cost calculation	2	
vi.	Calculation of the	0.5	
٧1.	production capacity of the		
	business		
vii.	Capacity utilization	0.5	

	B 11		
viii.	Daily raw material	1	
	quantity requirement		
	forecast		
ix.	Monthly raw material	2	
	requirement quantity		
	forecast (monthly &		
	annually)		
Х.	Daily raw material	0.5	
Λ.	purchasing quantity plan	0.5	
•		0.5	
xi.	Monthly direct raw	0.5	
	material purchasing		
	quantity plan		
xii.	Daily raw material	0.5	
	purchasing value plan		
xiii.	Monthly raw material	0.5	
	purchasing value plan		
xiv.	Daily other raw material	0.5	
	requirement quantity plan		
XV.	Monthly other raw	0.5	
1111	material requirement		
	quantity plan		
:		0.5	
xvi.	Daily other raw material	0.5	
	purchasing quantity plan	0.5	
xvii.	Monthly other raw	0.5	
	material purchasing		
	quantity plan		
xviii.	Daily other raw material	0.5	
	purchasing value plan		
xix.	Monthly other raw	0.5	
	material purchasing value		
	plan		
XX.	Noncurrent assets	0.5	
11/11	relevant to production		
	division		
:	Production Account	5	
xxi.	Froduction Account	3	
<b></b>	A -4:1 1 1	0.5	
xxii.	Action plan-production	0.5	
	division		
xxiii.	Assumptions regarding	0.5	
	production		
xxiv.	Graphical analysis	0.5	
	relating to production		
	plan		
6	Financial feasibility		
	•		
i.	Total investment (Capital	0.5	
	requirement)		
ii.	Loan repayment plan	0,5	
	<del>-</del>		

iii.	Production account		-	
iv.	Trade and Profit & Loss account/ financial statement		6	
v.	Cash flow statement		6	
vi.	Balance sheet		6	
vii.	Financial ratio analysis		5	
	a) Gross profit ratio		1	
	b) Net profit ratio		1	
	c) Return on investment		1	
	d) Payback period		1	
	e) Stock turnover ratio		1	
viii.	Graphical analysis relevant to financial plan		0.5	
ix.	Assumptions of financial division		0.5	

7	Special matters				
i.	Environmental impact/mitigation			0.5	
ii.	Employment opportunities creation			1	
iii.	Export opportunities			1	
iv.	Contribution to peace & reconciliation			0.5	
V.	Entrepreneurial qualities			0.5	
vi.	5 S concept implementation			0.5	
vii.	Gender equality			0.5	
viii.	Ethnic representation			0.5	
				100	

# Feasibility summary

	Detail	Maximum marks	Marks obtained
1	<b>General business information</b>	05	
i.	Executive summary	4	
ii.	Management & Organization feasibility	15	
iii.	Marketing-feasibility	26	
iv.	Production/operational feasibility	20	
v.	Financial feasibility	25	
vi.	Special matters	05	
	Total	100	

2	Appearance of the overall business plan		
i.			
	Simple language	0.25	

ii.	Physical attractiveness of the business plan	0.25	
iii.		0.25	
	Evidence regarding the accuracy of data/information		
iv.		0.25	
	Relevant use of graphs /tables and charts		1

3	Overall spelling, grammar, calculation		
i.		0.25	
	Correct spelling		
ii.		0.25	
	Grammatical		
iii.			
	.Accurate calculations	0.5	1

4	Overall setting		
i.		0.25	
	Suitable for reading/ font size usage		
ii.		0.25	
	Line spacing sufficient		
iii.		0.25	
	Main title and subtitles usage		
iv.		0.25	
	Correct page numbering		1
5	Cover page/content etc.		
i.			
	The owners name included in the cover page	0.25	
ii.	Indicated address, telephone nos. web pages etc. in the		
	cover page	0.25	
iii.			
	Included the Brand Name of the business	0.25	
iv.			
	Pages are accurately included in the content page	0.25	1

Name of the evaluation officer:
Organization of the evaluation officer
Recommendations of the evaluation officer
Date:
Instructions for the trainer

6 Annexures

# Session 15.2 - Business Plan Evaluation Report

**Session objectives**: At the end of this session, trainees will be able to understand how the external evaluators such as experts / bankers look at the business plan for evaluation purpose.

Session	Time (mins)	Methodology	Training aids
<b>Business plan evaluation Format</b>	20	D	m : 11 1
- Explain each & every section	30	Power Point presentation  Q& A session &	Trainee workbook
- Explain and draw attention in giving different marks to different sections		Interactive discussion	
In-class total: 30 Mins			

#### TRAINEE WORKBOOK CONTENTS

# Session 15.3 - Business Plan Evaluation by an Expert Team

The Trainer, together with the Training Institute will organize a Business Plan Evaluation Team / Panel to evaluate the business plans prepared by trainees and submit the results through a speedy evaluation. Expert Team will evaluate each business plan using the business plan evaluation report format.

In this evaluation, if a business plan is given a total score of 75% or above, and all major component plans, especially Marketing and Financial Plans, are also given at least 75%, the relevant business plan is considered a successful business plan that would guide the business towards sustainability. But, the trainees who own such successful business plans can fine-tune their business plans using the inputs provided by the evaluators.

If the business plans have not acquired the successful level of marks, the relevant trainees should re-design the questionable parts, strategies, targets etc. accordingly fine-tuning the business plan to ensure that the business startup would be a growing, and sustainable business. The fine-tuning stage is covered in the next module.

# Session 15.3 - Business Plan Evaluation by an Expert Team

**Session objectives**: At the end of this session each trainee will have a business plan evaluated by an expert evaluation team and each trainee would know if his / her business has reached entrepreneurially successful level. In case of business plans that need improvements / adjustments, they would know where to improve / adjust to make it a successful business plan.

Session	Time (mins)	Methodology	Training aids
Evaluation of the business plan by an expert evaluation team  - This is a key activity Organize an evaluation session headed by an expert team.	10	Evaluation of the business plan by an expert team, using the evaluation report format.	-
- Ensure that each business plan is evaluated.  In-class total: 10 Mins.			

## Note

Trainers are responsible for the following tasks:

- ✓ To provide the opportunity for each trainee to submit his / her business plan to the expert team of evaluators.
- ✓ To ensure that the evaluation team uses the evaluation report format discussed under the previous module.
- ✓ To ensure that each trainee's business plan is evaluated, he / she is aware if the business plan is successful or not, and the owners of business plans that need improvements are aware where to develop, improve and adjust to make it a successful business plan.
- ✓ To ensure that the below-mentioned format is used by evaluators when giving marks for the general information of the business.

	Appearance of the overall business plan		
i.	Simple language	0.25	
ii.	Physical attractiveness of the business plan	0.25	
iii.	Evidence regarding the accuracy of data/information	0.25	
iv.	Relevant use of graphs /tables and charts	0.25	1
	Overall spelling, grammar, calculation		
i.	Correct spelling	0.25	
ii.	Grammatical	0.25	
iii.	Calculations are accurate	0.5	1
	Overall setting		
V.	Suitable for reading/ font size usage	0.25	
vi.	Line spacing sufficient	0.25	
vii.	Main title and subtitles usage	0.25	
viii.	Correct page numbering	0.25	1
	_		
•	Cover page/content etc.		
	1		1

	Cover page/content etc.		
v.			
	The owners name included in the cover page	0.25	
vi.	Indicated address, telephone nos. web pages etc. in the		
	cover page	0.25	
vii.			
	Included the Brand Name of the business	0.25	
viii.			
	Pages are accurately included in the content page	0.25	1
	Annexures	1	

## **Further Guidance**

- Appropriate point of marks that lies in between 0 to the maximum can be given, when providing marks for No 2 Executive summary, No 3 Management & Organization feasibility, No 4 Marketing feasibility and No 5 Financial Feasibility.
- Enter the marks that can be given to each and every plan.
- ➤ Then, identify the plans which has scored a minimum of 75% and above.

Guide the trainees possessing such business plans to fine-tune the plans again according to the comments given by the evaluators to make the plan a feasible business plan that can be presented to a bank, investors, or any other organization that provide grants.

Then, they should be guided to go-ahead the business startup process.

- > Even if the trainee has determined to commence the business with his own investment, he/ she should be sent through the same evaluation route because it helps finalize the business plan in a sound manner.
- Trainees whose business plans that have scored less than 75%, should be advised to change, adjust and re-make the business plan as per the remarks of the evaluators and develop them to reach 75% or above. A second round of evaluation session is required in such cases.
- ➤ If the divisional plan-wise and overall plan-wise evaluation at the second round also bring less than 75%, the potential of the business idea for a successful business is very weak. That means the business idea and the business plan has a very weak viability. Such cases should be directed to consider the second business idea selected during the business idea selection process.

# 16. Business Plan Finalization

Using the inputs received during the business plan evaluation by the experts, we should prepare the final version of the business plan under the guidance of the trainer. This is, in fact a fine-tuning process.

However, most of the trainees may be required to perform business plan finalization irrespective of their score levels. Business plans which score over

75% at the evaluation may have few finer adjustments while the others may have more redesigning, strategic changes etc.

# **Module objectives:**

At the end of this module, the trainees will have finalized their business plans according to the inputs provided by the expert team evaluators.

#### **Module sessions:**

- 16.1 Preparation for the finalization of the business plan
- 16.2 Finalization of the business plan

#### TRAINEE WORKBOOK CONTENTS

# Session 16.1 - Preparation for the Finalization of the Business Plan

The first part of the plan finalization stage is to prepare and plan to affect the fine-tuning to the business plan already evaluated. Considering the inputs given by the business plan evaluator team, it is necessary to prepare a list of items to be improved and corrected in the business plan, under the guidance of the trainer.

This can be performed by preparing the below-mentioned Checklist format.

### **Checklist:**

The part / section to be improved	The nature of the changes and improvements required

# INSTRUCTIONAL GUIDE

# Session 16.1 – Preparation for the Finalization of the Business Plan

**Session objectives**: At the end of this session each trainee will have a checklist of all improvement needed in the business plan, in order to prepare the final version of the business plan.

Session	Time (mins)	Methodology	Training aids
Preparation for the finalization of the business plan  - Explain how to identify items from the inputs given by evaluators to fill in the checklist  - Advise them to do this exercise at home  - Examine if they have prepared the relevant checklist  In-class total: 15 mins	15	<ul><li>Instructional discussion</li><li>Monitoring</li></ul>	Trainee workbook; Whiteboard;

# **Session 16.2 - Finalization of the Business Plan**

This is the second part of the business plan finalization stage. All areas that should be improved in the business plan have already been identified and taken into a checklist. Using the checklist, we need to improve and finalize the business plan precisely. It can be necessary to gather some more information to fine-tune the business plan. However, without rushing, this task should be completed taking the required time and the outcome is the final version of the business plan.

### **INSTRUCTIONAL GUIDE**

# Session 16.2 – Finalization of the Business Plan

**Session objectives**: At the end of this session each trainee will have the final version of the business plan.

Session	Time (mins)	Methodology	Training aids
- Guide them to identify additional data / information needed to improve and finalize the business plan. Reference document is the checklist - Direct them to gather such data from most suitable / reliable sources - Guide them to finalize the business plan  In-class total: 10 mins	10	<ul> <li>Instructional discussion</li> <li>Monitoring</li> <li>Random examination to check if they on the correct track</li> </ul>	Trainee workbook; Whiteboard; Checklist

# 17. Starting the Business







An entrepreneur is different to the ordinary community members. They visualize, plan for work, and ensure that their visualization becomes a reality in front of them. Business opening day is a big day for the entrepreneur. He / she needs to examine all pre-work, action plan prepared for the business startup, and prepare an agenda for the business opening to ensure a methodical

business startup. This module deals with those aspects.

# **Module objectives:**

At the end of this module, the trainees will have checked their action plan for starting the business and taken all <u>steps to start the business physically</u> through deciding the date of start, preparing the agenda for the commencement day and completing all the other relevant tasks to start the business.

#### **Module sessions:**

- 17.1 Checking the action plan for starting the business
- 17.2 Preparation of the agenda for the date of commencement of the business

#### TRAINEE WORKBOOK CONTENTS

# Session 17.1 - Checking the Action Plan for Starting the Business

We have now come through a long journey starting from selecting a viable business idea upto the possession of a feasible business plan. In a few days, we will be starting our dream business. In this session, we are required to check the action plan prepared for starting the business.

# **Session 17.1 - Checking the Action Plan for Starting the Business**

**Session objectives**: At the end of this session each trainee will have examined the details of his / her action plan prepared to start the business and taken action to complete the actions which have not been performed so far.

Session	Time (mins)	Methodology	Training aids
Checking the action plan for starting the business  - Revisit the Action Plan explained in the Module 13 - Ask them to examine their action plans to find out what actions have been attended and what actions have not been attended - Advise them to attend to the incomplete actions - Ensure that all trainees have completed all actions given in the action plan  In-class total: 10 mins	10	Interactive discussion Individual exercises	Trainee workbook; Whiteboard; Action Plans

# Session 17.2 - Preparation of the Agenda for the Date of Commencement of the Business

This is an individual activity for the trainees. This agenda should be carefully prepared to ensure that all the activities are done accurately, seamlessly and according to a procedure on the day of stating the business.

The action plan and agenda should be prepared at least one week before the date of starting the business. Preparation of the agenda in this manner will facilitate a trouble-free business startup.

## Activities to be attended prior to starting the business

- 1 Fixation of the date and time of starting the business
- 2 Deciding who the invitees / guests should be
- 3 Preparation of the invitation
- 4 Delivering the invitation to invitees / guests
- 5 Preparation of the agenda for the date of opening the business
- 6 Arrangements for the opening religious activities inviting priests, and making the necessary items available
- 7 Appointing several committees for different tasks
- 8 Getting ready to making a successful speech as a growth-focused entrepreneur
- 9 Commencing business operations with the participation of all

### Best Wishes for a Successful Entrepreneurial Journey!

# Session 17.2 - Preparation of the Agenda for the Date of Commencement of the Business

**Session objectives**: At the end of this session each trainee will have acquired the skill to prepare an agenda for the opening day event of the business while they would have had a carefully prepared agenda for their business opening.

Session	Time (Mins)	Methodology	Training aids
Preparation of the agenda for the	10	Guidance discussion	Work book
day of starting the business	10	presentations	Flip charts
- Advice to prepare the			
Opening Day Agenda to suit			
their personal needs and expectations			
- Request two persons selected randomly to present the agenda prepared by them			
- Wish them success in their new entrepreneurial life.			
In-class total: 10 mins			

# THE END