

BUSINESS FOR ALL



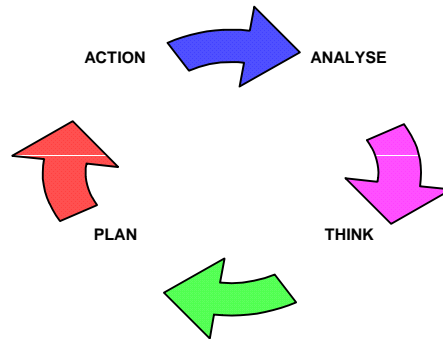
DEVELOPMENT THROUGH BUSINESS



Introduction to BFA

Business is not complicated like science, but it is logic and asking the right questions about your business. Business For All is designed to make beneficiaries ask the right questions about their business', by first **ANALYSING** their current situation, then **THINKING** what they need to do, before **PLANNING** their **ACTIONS** and then **ANALYSING** the success of those actions; and so on.

By following the steps of the “**Learning Circle**” and with help from the trainer, each beneficiary will learn about business best practice; this will help make their business more robust, and give them a greater chance of success and business viability.



Methodology of BFA

BFA is in 3 sections, with logical business best practice progression, examples and exercises, culminating in the “completion” of a business plan. A certificate of attendance is awarded at the completion of each “section” and also for attending the “Training the Trainers” course.

The 3 sections are designed to help business / beneficiaries at different levels and with different loan sizes, experience, education and motivations etc.

A complete set of training manuals, business plans and certificates, for beneficiaries and field officers.

1. **Introductory** - Double sided A4 page with 10 questions (and answers) of good business and “Profit or Loss” business game - US \$40 - \$300
2. **Intermediate** - 10 Steps to grow your Business - Business in village / small scale farmers – \$300 - \$800
3. **Advanced** - 10 Steps to Develop your Business – Village grocery / small retail outlet in town – \$800 +



- **All materials are in English and Chichewa.**
- Accompanying **training manual for the trainers** (field officers) on the principles of business, with a step by step guide on how to train the beneficiaries through the 3 levels.
- Each “step” should take 1 hour to teach and is broken down as such:
 - A) Outline of the module
 - B) Objectives
 - C) Group exercise
 - D) Questions
 - E) Model answers
 - F) Individual exercise (to be written in members “BFA exercise book”)
 - G) Summary
- Once the “level” has been taught, there are accompanying **business plan** templates (of different complexity) with manuals on how to complete them, and how to present to a bank or MFI.
- There is also a **self taught** version, for entrepreneurs or field officers, who would like to go through the course in their own time

Introductory level

10 Questions of Good Business

Introduction

Whether you are a multinational business with billions of dollars of sales and employ 50,000 + employees, or you are an entrepreneur selling tomatoes in a local village market, the same principles of business apply and the same questions (relating to the business) need to be asked.

Typical beneficiaries

1. **Type of business:** vegetable seller in: market / village / side of road
2. **Client demographic:** Semi literate / educated, rural based, a number of dependants and orphans
3. **Business experience:** Limited – been doing the same business for long amount of time, with little or no growth
4. **Loan size:** up to KW40,000 (\$300)
5. **Motivation:**
 1. Financially sound business
 2. Start to save money
 3. Profit for re-investment.
 4. Build robustness of business / diversify

The introductory level asks the beneficiaries to consider:

1. What a “business” is
2. What the characteristics of a good business person are
3. Why people do business
4. Introducing the principles of the Learning Circle

The 10 questions sheet, sets the structure that intermediate and advanced books will also follow, and when they have been worked through by both the trainer and the beneficiary (of the training) will enable the beneficiary (with the help of the trainer) to complete the introductory business plan template. The 10 questions / core areas of business addressed are:

1. **Motivations**, mission statements, objectives, targets and goals
2. **Understanding** and analysing the business i.e. SWOT
3. **Market research** – “3Cs” customers, competitors and costs
4. **Costing** – direct, indirect and fixed costs
5. **Logistics** and organisation – transport, time and communication
6. **Pricing** – how to set an appropriate price
7. **Promotion** – competitive advantage
8. **Cash flow** – “money in - money out”
9. **Diversifying** – same products new markets and or new products same market.
10. **Re-investing** – helping the business to grow

The 10 questions sheet, asks very simple and short questions around these 10 core business areas, and gives the answer in very easy and simplified language (with easy illustrations), so that all those reading, can understand the language and concepts.

2. Why do I need to understand my business?



2. If I understand my business, then I can do more things well and find solutions to problems i.e. rainy season

Where beneficiaries are illiterate, the language used on this sheet is at a level that is readable by the beneficiary's family or friends. Thus, the beneficiary will get help (from their family) and greater understanding (of the business areas) even after the formal training session has finished.

On the reverse side of the 10 questions sheet, is "Profit or Loss – the business game for entrepreneurs". The game uses the example of setting up a mango fruit juice co-operative, and getting the products to market. It follows the game play of Snakes and Ladders, but uses typical examples from business, to either advance or go back, and follows the principles and core areas, discussed in the 10 questions.

- You conduct market research and see an opportunity - advance 7
- You don't have good storage for perishable goods - go back 11
- Customers tell their friends (via "word of mouth") about your business - advance 18
- You don't differentiate between wages and profit - go back 13
- You have loyal customers, good sales and profits – congratulations you have a successful business!

In the top corner of the sheet, there is a hexagonal disc (which can be cut out) and is used (with a toothpick through the centre) to know the number of squares to move forward.

The rules of the game are underneath the playing area

At the bottom of the sheet, is an area for the organisation to advertise, i.e. put their brand logo, organisation mission statement, new products.



Developing a Business Plan for an introductory microfinance loan

Once the beneficiaries have completed the "Profit or Loss" game, and talked through the 10 questions relating to their own business, they should know enough information to complete a simplified business plan. The simplified business plan, should be sufficient to show that they have an understanding of their business, as well as what they plan to do with their loan.

A business plan may be needed either for a start up business loan, or to help an existing business grow. It can either be for an individual, or group i.e. income generating project. The benefit of formulating a business plan, is that it ensures that the individual / group has complete understanding of the business and the various questions that they need to have answers to and importantly will highlight any areas (of their business) which need addressing, due to lack of knowledge.

Though the wording and detail has been simplified, the main areas needed to be included in all business plans will be addressed, though only on 2 sides of A4.

- Personal summary
- Core business activities
- List main customers, competitors and suppliers
- Reason for needing a loan
- Plans for using the loan
- Sales, costs and profit projection
- Future plans for the business.

There is an accompanying manual which details how each section should be completed and which refers directly to the 10 questions sheet.

Intermediate level

10 Steps to Help Your Business Grow

Introduction

10 Steps to help your Business grow, is designed to help the member's business, first become stable and then steadily grow, through a mixture of re-investment and good business practices. Through following these steps, the member will be able to provide a sustainable profit for their business, an income for their family to pay for education, health, better diet etc and also start to make savings. The manual goes through a logical progression of what they need to analyse, think, plan and do in a business to make it successful.

Typical beneficiaries

1. **Type of business:** Village grocery
2. **Client demographic:** husband + wife partnership, educated, motivated to grow business, number of dependants and looking after orphans
3. **Business experience:** Business been steadily growing, originally selling tomatoes and onions in village, been reinvesting profits and diversifying
4. **Loan size:** KW40,000 – KW100,000 (\$300 - \$800)
5. **Motivation:**
 1. Get second stage / advanced / Kasupe loan
 2. Further re-investment and expansion
 3. Buy means of production i.e. land for cultivation, fishing boat
 4. Become wholesaler or retailer, in village or town

Course Content

- 2.1 Setting objectives
- 2.2 Analyse business
- 2.3 Market research
- 2.4 Costing
- 2.5 Logistics
- 2.6 Pricing
- 2.7 Promotion
- 2.8 Cash flow
- 2.9 Diversification
- 2.10 Re-investment

The booklet is in A5 size and consists of only 15 pages, keeping the language simple, whilst still getting the core concepts of good business across. The booklet should be completed whilst in the group session, so that all members can benefit from the ideas and inputs of their fellow members, but relating the (ideas) to their business i.e. the individual exercises.

2.2 Analyse business

Why do I need to analyse my business?

If you analyse your business often, you can do more of what you do well and fix your problems. You can also anticipate which other factors might affect your business, and plan accordingly.

Exercise: Write two examples of: what your business does well and your business problems and then think what other factors might affect your business and how you can plan for them i.e. the rainy season, planting seeds / harvesting.

Developing a business plan, for a mid-size micro finance loan

As per the introductory business plan, the wording and detail have been simplified (where possible) for the mid size micro finance loan business plan. In the same way that the contents of book 1 (intermediate level) is more advanced (than 10 questions sheet), so too is the business plan, which now covers 6 pages. It goes into greater detail, though again follows the basic structure needed for all business plans; this is necessary to show that the beneficiary has greater understanding of their business and what impact the loan will have (on their business).

- Personal summary
- Business summary covering
 - Core business activities / business history
 - Mission statement and objectives
 - List main customers, competitors and suppliers
- Business analysis
- 16 week (1 loan cycle) sales, costs and profit details
- Reason for needing a loan – seeing an opportunity
- How they will use the loan, plus any other investment money
- How they spent their previous loan and what impact that had on their business
- Sales, costs and profit projection (after receiving and investing the loan)
- Weekly and monthly cash flow projection
- Future plans for the business.

There is an accompanying manual which details how each section should be completed and which refers directly to the 10 questions sheet and exercise book 1 “10 steps to grow your business”.

Advanced level

10 Steps to Develop your Business

Introduction

10 Steps to Develop your Business, is designed to help the member's business get to a level where they can go to a bank, and apply for a commercial loan. Their business should already be stable and they should be steadily growing, but with the extra investment, they are trying to move their business onto the "next stage" and have the tools available to make a comprehensive and detailed business plan.

Typical beneficiaries

1. **Type of business:** Commercial farmers, retail and wholesalers, income generating co-operatives
2. **Client demographic:** Secondary school educated, both male and female, individual or group
3. **Business experience:** Running successful business for a number of years and needs commercial loan to expand or has spotted / researched business opportunity and needs initial capital
4. **Loan size:** KW100,000 + (\$800 +)
5. **Motivation:**
 1. Wants a commercial (not MFI) size loan
 2. Expand business / start up capital for new business
 3. Invest in means of production
 4. Diversify business
 5. Sell in more than one location
 6. Supply to national / international markets

Course content

- 3.1 Analyse Business – SWOT and STEPL analysis
- 3.2 Setting Objectives, targets and measurements
- 3.3 Market Research – Competitor analysis
- 3.4 Costing – Fixed and variable costs / breakeven analysis
- 3.5 Purchasing - Economies of scale
- 3.6 Supply – Increasing your business
- 3.7 Competitive Advantage - Pricing
- 3.8 Promotion – Unique Selling Position
- 3.9 Financial Analysis – Product Performance Matrix
- 3.10 Re-investment + Expansion – business plan

The booklet is in A4 size and consists of 15 pages. As with the introductory and intermediate levels, the language is kept as simple as possible, though the understanding of those beneficiaries that have reached this level in their business will be advanced. They are more likely to have a better education, understanding of business and greater ability to spot potential lucrative business opportunities. The business concepts go into more detail, as the beneficiaries need to have a better understanding of their business, if they are to complete the comprehensive business plan.

Analyse Business – SWOT and STEPL analysis

What is a SWOT and STEPL analysis?

In 2.2 Analyse Business, you wrote: what your business did well, the business' problems, and what other factors might affect the success of the business. Now that your business has grown, you need to do a more in depth analysis of it; SWOT and STEPL analyses gives a good framework.

A SWOT analysis looks at the business' internal Strengths and Weaknesses and the external Opportunities and Threats.

Example:

<p><u>STRENGTHS</u> Identify and build on strengths</p> <ul style="list-style-type: none">• Diverse range of products• Competitively priced• Good supply• Regular / loyal customers	<p><u>WEAKNESSES</u> Identify and address weaknesses</p> <ul style="list-style-type: none">• Poor accounting / cash flow• Low profit margin• Difficult logistics – transport problems• Seasonal products
<p><u>OPPORTUNITIES</u> Identify and capitalise on op's Make op's a strength</p> <ul style="list-style-type: none">• Introduce new products to current customers• Supply products / service which currently not available in village• What happening with harvest?	<p><u>THREATS</u> Don't let threats become a weakness</p> <ul style="list-style-type: none">• Competition in village for same products• Substitute products available i.e. fruit juice instead of only soda• Other influences STEPL

In a SWOT analysis, the most important aspect to identify are your weaknesses, as these could “finish” your business if not addressed, and appropriate changes made. Threats especially competition could be potentially opportunities as well. Perhaps you could buy products with other members (or even competitors), thus reducing your costs (economies of scale 3.4) you can also see what your competitors are doing well, and copy them (2.3 + 3.3 market research / competitor analysis).

Exercise: Complete a SWOT analysis for your business, giving 3 examples of each.

A STEPL - Social, Technical, Economic, Political and Legal analysis, looks at other reasons that might (though not necessarily) influence the success of a business, and therefore you should be aware of these influences.

Example:

- **Social** – more people are growing maize rather than rice
- **Technical** – PTC has introduced a cheap bread making machine
- **Economic** – Poor rains means there is not much tobacco crop at auction, therefore there is less money for your customers to spend
- **Political** – the government has subsidised fertilizer prices
- **Legal** - It is now illegal to sell products without a market license.

Exercise: Write one example of STEPL that might influence your business.

Developing a business plan for a commercial loan

Scenario

The business has been steadily growing and is now at a stage where a commercial loan from a bank is needed. The training the members / organization has so far received, should prepare them on the contents of a business plan, and which areas they should already be concentrating on. A business plan, will give the member / organization the structure that a bank would expect. Once completing the business plan, the member / organization should be able to approach a bank and be confident in applying for a commercial loan.

Contents of the business plan:

For a commercial bank to authorise a business loan, the business plan must include:

1. Executive summary
2. Contact details
3. Business summary
4. Market research
5. Operations and logistics
6. Marketing Strategy
7. Loan details
8. Financials
 - Current and projected cash flow
 - 12 month projected profit and loss
 - 12 month projected balance sheet
 - Breakeven analysis

Before final authorisation, the bank will also want (to appear in appendix):

- Security of up to 60% of loan, or proof of guarantee from “mother” organisation
- Account history – both current and savings for both personal and business

There is an accompanying manual which details how each section should be completed and which refers directly to the intermediate and advanced exercise books.