2SCALE

MODULE 6

Developing a Business Plan

- **Facilitators' Guide**
- Exercises
- Reference Sheets

2SCALE consortium:

BoP INNOVATION CENTER
DEVELOP ▸ LEARN ▸ ACCELERATE

ICRA

IFDC

Supported by:

Ministry of Foreign Affairs of the Netherlands

Publication of this manual was supported by the Dutch Ministry of Foreign Affairs.
The manual was developed by technical experts of ICRA, partner within the 2SCALE Project.
The contents do not necessarily reflect the views of the Dutch Ministry of Foreign Affairs.

A FEW WORDS ON ECONOMICS ANALYSIS

This module is related to module 5: economic analysis. As 2SCALE is dealing with developing competitive businesses, different dimensions of economic analysis are critical to be mastered by the stakeholders, parallel to strengthening relationships and other soft skills. Profitability of the business is important and will support the development of sustainable partnerships between cluster actors. For this reason, modules on economic analysis and business plan development have their place within the capacity strengthening process of 2SCALE. This module on business plan development brings together economic and financial figures that should allow to evaluate the feasibility and profitability of a business idea or enterprise and to make decisions for their subsequent development.

A FEW WORDS ON BSS, COACHES AND TRAINERS

Initially the 2SCALE project defined BSS as any institution/organization/firm that include consultants, governmental and non-governmental organisations (NGOs), research departments and enterprises that support producers, processors and other affiliated enterprises. BSS generally single out an individual from within the group to oversee the activities of the cluster through coaching; this individual is called a **coach**. Sometimes the BSS will also be the coach and thus these two terms (BSS and Coach) may be used interchangeably. It is worth noting here, as we will see later, that the BSS is an important actor of the ABC, a group of “local” actors interacting in a given area around an agricultural product (commodity) and “servicing” a segment of the market (through a common or shared vision). Trainers will be responsible for strengthening the capacities of the BSS/coaches. Facilitators will be encouraged to take note of any lessons learnt in the capacity strengthening sessions and to give feedback so that their input can be used for further improvement of the module.

The roles and responsibilities of the BSS in CASE can be grouped into three main domains:

- Brokering services and networking; Information and advice, i.e. market analysis, strategies of competitors;
- Training and support in technical and entrepreneurial issues;
- Design and set-up of capacity strengthening and action research programmes that include the facilitation of interactive learning processes to support the formation of ABCs, value chain development and creativity and innovativeness. This is for instance strengthening of confidence, collective analysis, collective monitoring of concerted actions, etc.

The BSS require a lot of diverse and complementary competences in these fields. BSS are crucial ABC actors especially in the first years of the ABC. In most cases, the capacities of the BSS need to be strengthened so that they can fully play their roles and assume their responsibilities in the ABC.

The 2SCALE project is putting increasing emphasis on embedded coaching competences and thus on building capacity of business services among the local cluster actors. This means that business coaches increasingly originate and relate to one of the key business actors inside the cluster. This means that we are now moving from “external” to ”internal” BSS and coaches. In practice such coaches can be staff members or agents from lead firms or be associated to the farmer organisations of the cluster. This guide is set up for BSS/coaches and trainers and will help to strengthen the capacities of the BSS throughout the learning process and accompany/support the BSS in their fieldwork.

A FEW WORDS ON THE SERIES OF MODULES WITH FACILITATORS' GUIDES

We develop modules that address the different competences the BSS/coach should have. Each module will be a collection/package containing the following:

1) Facilitators' guide on how to conduct a training session/workshop
2) Reference sheets or what are commonly referred to as hand-outs
3) Excerpts from educational films and
4) Exercises

The facilitators' guides are meant to guide the delivery of training sessions and the organization of workshops or any other opportunity to strengthen the competences of the BSS/coach. For most of the guides, the capacity strengthening will be in the form of a learning cycle, which is composed of three phases:

- Review and acquisition of knowledge on the theme, normally through a workshop.
- Implementation in the concrete context of providing support to ABC which will normally include field coaching by the trainer.
- Reflection and revision of lessons learned, generally through a workshop with those BSS/coaches that actually required experience in the field (and possibly adaptation of the guide).

Basically, Facilitators' guides deal with the knowledge review and acquisition workshops and occasionally with aspects of field implementation. In practice, the workshops group several BSS that are, preferably, accompanied by one or more direct actors of the ABC. Each guide is an entity; all together the guides can be assembled in a binder – comprising general themes (e.g. preparing a workshop, identifying fears and expectations) and specific themes (e.g. introduction to CASE approach, business plan development) Each guide specifies the pedagogic objectives, the steps to be taken to conduct the workshop or training, and the programme set-up with all details and adapted pedagogic material.

Apart from the binder with Facilitators' Guides, there is also one with "Reference Sheets" corresponding to the modules. The Reference Sheets to be used for the session are indicated at the end of each session. These sheets will be provided to the participants at the end of the day. The exercise(s) and/or video excerpts to be used during the sessions are also cited within the specific session.

ABBREVIATIONS AND ACRONYMS

2SCALE	Towards Sustainable Clusters in Agribusiness through Learning in Entrepreneurship
ABC	Agribusiness Cluster (sometimes represented simply as cluster)
BSS	Business Support Services
CASE	Competitive Agricultural Systems and Enterprises
CSC	Capacity Strengthening Coordinator
ICRA	International Centre for development oriented Research in Agriculture
IFDC	International Fertilizer Development Centre
NGOs	Non-Governmental Organizations
VC	Value Chain

Foreword

In contrast to most previous modules, this one addresses a challenge faced generally by individual actors (or organisations) and not by the agribusiness cluster as a whole. This module has been developed to fulfil the request of many coaches that are to support some cluster's actors (including often the champion) in developing a business plan to persuade partners (banks and IMF in particular) to invest in their business. Although "individual" actor level in nature, this challenge is also a cluster's one as the success of everybody is depending also on the performances of each member of the group.

Developing a business plan assumes the ability to get economic and financial figures related to your business. Thus, before proposing this module, be sure the participants master the concepts and methods presented in the *Economic analysis module (module 5).*

A business plan is a prospective document, based on economic and financial figures, established by one enterprise for diverse reasons, among which:

- Check of the profitability/ feasibility of a business idea
- Support of communication with potential or actual partners (especially financial partners; one often speaks of a "bankable business plan"). In this sense it is complementing the "Marketing" and the "Building business relationships" modules.
- Tool on itself: getting a business plan not only allows to make an initial decision ("yes, I'll do it", or "no, I won't") but also constitutes an interesting piloting tool afterwards.

Depending on the purpose the format of the business plan may vary a bit. Nevertheless, there are several constants that can be listed.

Speaking of a prospective document, one specific difficulty is the uncertainty of the financial figures to be used (in particular what will be the prices in the future). That is why one critical part of a business plan is the "assumptions/ hypothesis" dimension. We'll discuss on what bases to establish these hypotheses, within a given context.

Learning objectives

At the end of the module, the participants will be able to:

- Identify for whom, in what circumstances, and for what purpose to develop a business plan;
- List the components of a business plan and to develop a specific business plan adapted to specific objectives;
- Support an entrepreneur in mobilizing relevant information, developing a business plan, and assess correctly the risks and issues linked to the related business.

The workshop outline

The workshop comprises 5 sessions that aim at providing the participants not only with a general understanding and know-how in business plan development, but also at strengthening their capacity to raise and address the critical issues faced by ground actors to develop a business plan really useful for the management of their business, that is realistic and operational. Session 0 introduces the topic through a reminder of essential concepts of economics analysis and what a business plan is. Session 1 gives the participants a general picture of the context and process for developing a good business plan. Session 2 aims at providing participants with the practical know-how. Session 3 allows to identify and analyse some critical issues that one may face during the development of a business plan. Lastly, Session 4 is used by participants to prepare the field work.

Session 0: Introduction

Introduction

In this short introductory session we come back to some of the concepts like trade, marketing and business that were introduced in Module 4 on Marketing. This will demonstrate that developing a business plan is clearly associated to planning and forecasting of business activities.

Learning objectives

At the end of this session the participants will be able to:

- Understand the difference between trade, marketing and business
- Understand the “forecast” dimension of the business plan and take account of its implications

Procedure/ tools

The facilitator starts with a short review of the participants’ understanding of the distinction between business, trade and marketing. This can be done in the form of a brainstorming session. Each participant gets 3 cards of different colours; 1 colour is used for each concept. The cards are posted on a big sheet with 3 columns. The facilitator ends this review with a short synthesis.

> ***Advice for the facilitator***
>
> If participants have not been involved in the "marketing module", the facilitator will give a definition of the three concepts, as a conclusion (see Module 4).
> The objective is to make clear that we are not speaking only of selling or buying, but of:
>
> - the 'forecasted" profitability of a whole activity, which depends on a lot of factors, and the risks;
> - the financial feasibility of the enterprise, especially in terms of financial management: how to get the necessary money on time to implement the activities.

The facilitator then organises a short reflexion on the planning/forecast dimension. What words to the participants associate with "planning"? What are the 'implications' of these words?

> ***Advice for the facilitator***
>
> Possible words linked to planning are: future, organize, forecasting.
> Make clear during the discussion that this implies making hypotheses. Discuss about the hypotheses (level of prices, yield). Potential risks will be taken into account.

Session 1: The importance of making a business plan and for whom

Introduction

The format of the business plan may slightly vary with its main purpose, but also depends on the profile of the enterprise. This means there is no unique model of a business plan. Nevertheless, in this session, we will work with a so-called "umbrella document" (see Reference sheet 2) in which the different chapters will be more or less dealt with, depending on the specific business context.

Learning objectives

At the end of this session the participants will be able to:

- understand the different possible uses of a business plan
- explain to an entrepreneur why the format of a business plan has to be specific and how and why to adapt the general format to specific needs.

Procedure/ tools

The session starts with an exchange of experiences, in pairs of participants. Each participant takes 5 minutes to reflect on a situation where a business plan has been developed: Whose business plan was it; by whom was it developed (the actor him/her-self or a support service, other); in what circumstances; for what purpose; what result; what use…? The pairs of participants exchange their experiences and then choose one of the two cases and present it in a plenary session. While one of the two presents, the other one fills out the tables, presented on a big sheet on the wall.

Case	BP of… (Enterprise)	Purpose	At what stage of the business implementation	Who developed the BP? (with support of…)	Result / Actual use

After the exercise in pairs and the presentation, a plenary discussion is organised on the basis of the following questions:

- Whose business plan are we speaking of: Are BPs always established for one "enterprise" (in the sense of a specific actor implementing a particular business)?
- Is the main purpose internal (check the feasibility) or "external" (such as meeting the requirements of a financial partner)?
- On what occasions are BPs generally developed (related to the previous point)?
- To what extent BPs (the specific ones we are speaking about) are really the entrepreneurs' own ones? Is it possible/difficult/good for these entrepreneurs to develop the BP by themselves? Why? With what type of support, if any?

Advice for the facilitator

Discussing the above issues should make it clear to the participants that it is critical for a BP to be established at the level of the entrepreneur, at an early stage of the business, and with his/her strong involvement.

In fact, BPs are often prepared to convince bankers (or donors) of the bankability of a "project". But there are other circumstances where they are useful. In any case, once a business plan has been developed, it would be a pity not to make use of it as a management tool.

Session 2: Developing a business plan

Introduction

This session aims at giving the participants a thorough understanding of what is a business plan and the know-how to develop a relevant and useful one, which requires to look for the necessary information with a critical eye.
Concretely, the participants will first identify the main components of a business plan, and then specify the information needed and the way to get it. Finally, they will develop the

concrete figures for a simple case and they will reflect upon risk management by comparing the results obtained through different scenarios.

Learning objectives

At the end of this session the participants will be able to:

- establish a framework for a business plan for a given enterprise
- facilitate the development of the business plan by the concerned actor(s)

Procedure/ tools

The session starts with developing the basic contents of a business plan. The facilitator organises a *tour de table* to gather the participants' experiences and ideas about what main components (headings of the chapters) should be included in the plan.

> ***Advice for the facilitator***
>
> During the tour de table, components of the global profitability of the business will probably come out first. Note them down.
>
> Then, if needed, introduce components linked to feasibility (cash flow management). You may ask questions such as: What about cash? Do the relations with financial institutions have to be mentioned in the BP? How?
>
> Note that a business can be profitable even if the entrepreneur has to borrow money (even on a short-term basis and at a relatively high rate of interest) as long as evidence can be made that reimbursement (of capital and interests) is possible on time.
>
> For comparison with reference document 2, it may be useful to have a pre-established list of the main topics on a flipchart.

The participants are then split up into four groups. The main components (items) of the list established previously are shared between the groups (one or two components per group). Then, each group specifies how to document each of its components: type of information, format to present, calculations to be made if any... The results are presented in a plenary. Some time is given to participants to compare their results with those on reference sheet 2.

> ***Advice for the facilitator***
>
> Make clear that there is not a unique blueprint of a BP. The list of components to be addressed, as well as the precise content, may vary according to its purpose.
>
> The attached document (Reference sheet 2) is proposed as a check list, or reference that has to be adapted to each specific situation.
>
> Nevertheless, there are compulsory items. In particular, a business plan needs to include a financial time frame or "cash flow table", which is a tool to check the actual financial feasibility of the business (if your business is globally profitable but you do not have enough money to "feed the pump" or maintain the flow, there won't be any business….).
>
> *The time frame of cash flow can be established on a monthly, trimestral, yearly or… basis, depending on the business.*

From here we move to the practical aspect and the filling out of the "financial tables" of the business plan.[1] This part is done in the form of a group exercise (same groups as before), Exercise 1: Each group fills out the formats of a simple case study; all four groups work on the same case but with different hypotheses (or scenarios).

At the end of the exercise the results are posted on the wall. Then, a two-step discussion is organised, using the following questions:

First step, comparing the results of groups 1 and 2:

- What makes a difference in the overall profit?
- What could be the future of the two scenarios (can situation 1 possibly evolve to situation 2?)
- What are the specific partnership arrangements the entrepreneur could have to look for in each scenario (what partner for what purpose)?

Advice for the facilitator

Make sure that the groups do not face difficulties to fill-out the tables.

We propose to use a "simple case" (based on a real one) to clarify some aspects without spending too much time on calculations… Avoid long discussions on figures that are given (sales prices, costs, quantities)… You can change them or allow the participants to do so if you think that they are not realistic in their context (but without complicating the case).

It will show that with the same "technical" performances the final result may vary a lot: the initial capital and the cash flow issue (that are linked) are often critical. The challenge is to get the money you need for working in a certain month at the beginning of that month, and to get some cash to have some room to manoeuvre. Having more capital at the beginning allows the entrepreneur to buy soya at an interesting price and then store it for utilization when the prices rise. It may be relevant in scenario 1 to look for a loan to buy soya grain when it is cheap.

Check whether group 2 took into account the sentence "If possible she buys raw product in October and November when the price is low and stores it till the end of the season (from June onwards)" (note that if they didn't, the gap (in terms of profit) between 1 and 2 will be smaller).

Second step, the results of groups 3 and 4 are discussed:

- What are the differences with the outcomes of groups 1 and 2
- What are the consequences (short term/ longer term) of the two cases?

The facilitator then posts on the board the topic of "risk", and to what extent developing a BP may help to manage risk, by asking the following questions:

[1] *Note we will not come back here on the method of calculation of economic performance (gross margin, revenue…) that is the topic of module 5, Economic analysis and crop budgeting*

- Are the scenarios 3 and 4 (worked out by the groups 3 and 4) representative for a predictable situation? What makes the hypothesis of low yields more or less probable (technical level of farmers, quality of soils, climatic area…?)
- Do these calculations help to prepare a sustainable business? Why?

You can ask too if participants think of other possible risks that might influence the results.

Advice for the facilitator
The difference of scenarios 3 and 4 with 1 and 2 is a quick increase of prices due to poor yields (which is always a risk with agricultural production): Short-term consequences are a matter of profit, longer term a question of sustainability of the business We see that in scenario 3 the entrepreneur is quite fragile: she will face problems to simply implement her business then to sustain, if the prices are higher than usual. In scenario 4, having more money at the beginning, makes her more "robust". Examples of other risks: accidents that reduce labour availability, fire or thefts that reduce the stock… Here we work with very simple figures. You can discuss also about diverse matters that the entrepreneurs have to deal with and show that the cash flow analysis is useful to assess scale saving, advantages and risks of taking a credit.

In winding up this session, the facilitator highlights the following points, and asks the participants to propose ideas to put it in practice:

- An entrepreneur often has to be innovative in terms of cash flow management.
- Another critical aspect is to make an estimate of the initial working capital needed depending on the volume of business planned. In fact having more money at the beginning allows to earn more afterwards…

Advice for the facilitator
Innovation in cash flow management can be: warrantage, asking the bank for a credit line, contracting with gross material providers and getting a part of the product on credit, arrangements with labourers – payment in kind, mobilizing family labour…- Make it clear that initial capital needed includes both investments (facilities, equipment) and working capital.

Income statement table

Scenario 1		Oct	Nov	Dec	Jan	Feb	March	April	May	June	July	Aug	Sept	Total
Business income	P1: cheese	128	128	128	128	128	128	128	128	128	128	128	128	**1539**
	P2 : milk	45	45	45	45	45	45	45	45	45	45	45	45	**540**
	I=Total Income	173	173	173	173	173	173	173	173	173	173	173	173	**2079**
Expenses	WE1: soya bean	52,5	52,5	52,5	64,5	64,5	64,5	64,5	64,5	90	90	90	90	**840**
	WE2: wood, water	1,5	1,5	1,5	1,5	1,5	1,5	1,5	1,5	1,5	1,5	1,5	1,5	**18**
	WE3 : milling	19	19	19	19	19	19	19	19	19	19	19	19	**225**
	WE4 : labour	69	69	69	69	69	69	69	69	69	69	69	69	**828**
	E=Total expenditures	142	142	142	154	154	154	154	154	179	179	179	179	**1911**
	Surplus/deficit (**R**esult =I-E)	32	32	32	20	20	20	20	20	-6	-6	-6	-6	**168**
Bank balance	A= Available balance 1st of the month	150	182	213	245	264	284	303	323	342	336	330	324	
	O=Opening balance next month	182	213	245	264	284	303	323	342	336	330	324	318	

Income statement scenario 1

	Revenue	Charge	Balance
Sales revenue	**+ 2079**		
Operating expenses		-1911	
Operating profits			168
Less: Interest expense		-	
Cash flow from operations			168

Scenario 2		Oct	Nov	Dec	Jan	Feb	March	April	May	June	July	Aug	Sept	Total
Business income	P1cheese	180	180	180	180	180	180	180	180	180	180	180	180	**2160**
	P2milk	60	60	60	60	60	60	60	60	60	60	60	60	**720**
	I=Total Income	**240**	**240**	**240**	**240**	**240**	**240**	**240**	**240**	**240**	**240**	**240**	**240**	**2880**
Expenses	WE1: soya bean	210	175	140	86	86	86	86					60	**929**
	WE2wood, water…	4	4	4	4	4	4	4	4	4	4	4	4	**48**
	WE3milling	25	25	25	25	25	25	25	25	25	25	25	25	**300**
	WE4 Labour	92	92	92	92	92	92	92	92	92	92	92	92	**1104**
	E=Total expenditures	**331**	**296**	**261**	**207**	**207**	**207**	**207**	**121**	**121**	**121**	**121**	**181**	**2381**
	Surplus/deficit (**R**esult =I-E)	-91	-56	-21	33	33	33	33	119	119	119	119	59	**499**
Bank balance	A= Available balance 1st of the month	400	309	253	232	265	298	331	364	483	602	721	840	
	O=Opening balance next month	**309**	**253**	**232**	**265**	**298**	**331**	**364**	**483**	**602**	**721**	**840**	**899**	

Income statement scenario 2

	Revenue	Charge	Balance
Sales revenue	+ 2880		
Operating expenses		-2381	
Operating profits			499
Less: Interest expense		-	
Cash flow from operations			499

Scenario 3		Oct	Nov	Dec	Jan	Feb	March	April	May	June	July	Aug	Sept	Total
Business income	P1cheese	171	171	171	171	171	171	171	171	171	171	171	171	**2052**
	P2milk	60	60	60	60	60	60	60	60	60	60	60	60	**720**
	I=Total Income	**231**	**231**	**231**	**231**	**231**	**231**	**231**	**231**	**231**	**231**	**231**	**231**	**2772**
Expenses	WE1: soya bean	70	91	91	112	112	112	112	111,8	156	156	156	156	**1435**
	WE2wood, water…	2	2	2	2	2	2	2	2	2	2	2	2	**24**
	WE3milling	20	20	20	20	20	20	20	20	20	20	20	20	**240**
	WE4 Labour	92	92	92	92	92	92	92	92	92	92	92	92	**1104**
	E=Total expenditures	**184**	**205**	**205**	**225,8**	**225,8**	**225,8**	**225,8**	**225,8**	**270**	**270**	**270**	**270**	**2803**
	Surplus/deficit (**R**esult =I-E)	47	26	26	5	5	5	5	5	-39	-39	-39	-39	**-31**
Bank balance	A= Available balance 1st of the month	150	197	223	249	254	259	265	269,8	275	236	197	158	
	O=Opening balance next month	**197**	**223**	**249**	**254,2**	**259,4**	**264,6**	**269,8**	**275**	**236**	**197**	**158**	**119**	

Income statement scenario 3

	Revenue	Charge	Balance
Sales revenue	**2772**		
Operating expenses		- 2803	
Operating profits			-31
Less: Interest expense		-	
Cash flow from operations			-31

Scenario 4		Oct	Nov	**Dec**	**Jan**	Feb	March	April	May	June	July	Aug	Sept	Total
Business income	P1cheese	180	180	180	180	180	180	180	180	180	180	180	180	**2160**
	P2milk	60	60	60	60	60	60	60	60	60	60	60	60	**720**
	I=Total Income	**240**	**240**	**240**	**240**	**240**	**240**	**240**	**240**	**240**	**240**	**240**	**240**	**2880**
Expenses	WE1: soya bean	227,5	137	91	112	112	112	112	112	156	78	78		**1326**
	WE2wood, water…	4	4	4	4	4	4	4	4	4	4	4	4	**48**
	WE3milling	30	30	30	30	30	30	30	30	30	30	30	30	**360**
	WE4 Labour	92	92	92	92	92	92	92	92	92	92	92	92	**1104**
	E=Total expenditures	**353,5**	**263**	**217**	**237,8**	**237,8**	**237,8**	**237,8**	**237,8**	**282**	**204**	**204**	**126**	**2838**
	Surplus/deficit (**R**esult =I-E)	- 113,5	-23	23	2	2	2	2	2,2	-42	36	36	114	**42**
Bank balance	A= Available balance 1st of the month	400	286,5	264	287	289,2	291,4	293,6	295,8	298	256	292	328	
	O=Opening balance next month	**286,5**	**264**	**287**	**289,2**	**291,4**	**293,6**	**295,8**	**298**	**256**	**292**	**328**	**442**	

Income statement scenario 4

	Revenue	Charge	Balance
Sales revenue	**+ 2880**		
Operating expenses		-2838	
Operating profits			42
Less: Interest expense			=
Cash flow from operations			42

Session 3 ends with a discussion on the method used and the results. A *tour de table* is made related to the participants' feelings about the "feasibility" of the method, the usability of the "tools" for the entrepreneurs themselves?

Do they think that these tools can be (has to be) simplified? How?

> ***Advice for the facilitator***
>
> One element that weighs much on the complexity is the period chosen as basis for the cash flow table: month, more, less…?
> Make it clear that the specific business context must determine the choice: the interval of time has to be consistent with the pace of the activity. It doesn't make sense to develop a cash flow table on a weekly basis for activities in which sales and purchases are happening only twice a year, or in contrary on a semester basis if large amounts of money are flowing very fast. The cash flow statement should in fact allow to forecast a possible shortage of cash. This is important as such a shortage may compromise the business or force the soya processor to take a loan, which is costly. Discuss in what cases is it relevant to use complex tables or when to use simple ones?

Additional reading and viewing

Reference sheet 2: Typical framework of a business plan

Film: Goussi de Soja

Session 3: Possible issues

Introduction

As highlighted in the previous session, establishing a business plan supposes to make hypotheses on the future, in terms of technical performance, prices, etc. Then, according to the hypotheses that you made, the financial figures that are part of the business plan might vary a lot, and the conclusions too, as well in terms of profitability as level of risk. It is critical then to support the entrepreneurs in developing their BP on relevant bases, that is getting reliable information first then considering probable scenarios so that the BP will be both relevant and useful.

Learning objectives

At the end of this session the participants will be able to:

- Advise an entrepreneur in getting the needed information in order to develop his/her BP
- Critically analyse the process and the choices made, especially in terms of taking into account risks.

Procedure/ tools

Session 4 starts with a *tour de table*: What possible difficulties do you see (or did you already face) in developing a BP? Are the difficulties the same for a completely new activity as for an activity already locally implemented?

> ***Advice for the facilitator***
>
> One of the key difficulties is to collect the relevant information, i.e. to find data. If this does not come out of the tour de table, you could stimulate this by discussing about what the facilitators think of the figures proposed in the case study: true, false, valuable everywhere and each time? …
>
> Getting valuable figures is not only a question of true or false as it is partly prospective: it is sometimes necessary to discuss the hypotheses (the yield, the prices….) to consider yield or price ranges, reasons to be optimistic/pessimistic/realistic…
>
> Thus it is important of interacting with all relevant actors (which makes the BP an interesting management tool) but let's be clear: developing a BP is not supposed to be a multi-stakeholder process.
>
> How to assess the reliability of this information / how to make proof of it?

The session then elaborates on how to deal with some of the possible difficulties. This is done in the form of group work. The groups will work on one of the following questions per group:

- How and where to get reliable data in terms of technical and financial figures? How to deal with uncertainty?
- On what basis to decide to be optimistic/ pessimistic/ realistic (with what consequences)?
- On what basis to decide who has to be involved in the development of a business plan and for what (advantages and inconvenient)?

As much as possible each group illustrates its reflection by one or two short stories (real or imagined) and draws a picture of each. All pictures are posted on the wall and viewed as a gallery walk.

> ***Advice for the facilitator***
>
> In fact the different points proposed are all linked:
>
> - The question of getting the data is not so simple and strongly linked to the second one when speaking of planning
> - The choice of being optimistic/ realistic/ pessimistic on the hypotheses is linked to the appreciation of the room to manoeuvre to adapt the figures to match partners' requirements (especially bankers' ones): if you are realistic, maybe they will not be convincing, if you're too optimistic maybe the document will not be useful as a management tool, or you may even fail in your business.
> - Wondering whom to involve in BP development raises the question of efficiency but also the issue of competition and coordination (see BBR module). Do not forget that, in real life, profitable business may rely on a part of secret….

Synthesis and conclusion

As a conclusion, a synthesis will be made on the components of a BP that the group agreed upon (first step of session 3). A plenary discussion should allow the participants to review which elements they see as critical and/or sensitive, and why. What do they consider as easy and what do they consider as difficult in the process of BP development (for the entrepreneur who does the work, for those who support him/her) and for what type of entrepreneur?

> ***Advice for the facilitator***
>
> Make clear that there is a risk to use a strong hammer to kill a fly: establishing a BP is not a small task, before initiating the process you have to clarify why you are making the BP, and estimate if it' is worth doing, given the expected outcome and the investment needed from the entrepreneur.
>
> It may be useful to establish an indicative list of the current mistakes that they should help the actors to avoid, in particular the following:
>
> - Not taking into account the cash flow
> - Being too vague, not specific enough
> - Adopting unrealistic assumptions
> - Neglecting the risk dimension
> - Ignore potential competition and, generally speaking, under-evaluate interaction with other actors, as well as with partners as/or competitors (which might lead to unrealistic assumptions, see above).

Additional reading

Reference sheet 3: Framework for agricultural business plan (detailed)

Session 4: Preparing the field work

Each participant answers the following questions (for each cluster he/she is in charge of):

- Do some entrepreneurs (specify who) of the cluster have an already developed business plan; for what specific purpose, with what support, with what result?
- Do some entrepreneurs (the same ones or others) plan to develop a business plan? For what purpose? Do you think they need support to do so? Who may provide that support?
- Do you think that some of the entrepreneurs should look for a partnership to develop their business (in particular a financial partnership) and then develop a business plan? Do you think that they need support to do so? Who may provide that support?
- On this basis, each coach will propose a provisional agenda including investigations to answer the questions above if needed, and capacity strengthening and/or support activities (specify what actor would be involved for each activity).

Time table

Time	Session/Step/Contents	Tools/Materials
0.5 hr	Session 0: Introduction	Brainstorming
1 hr	Session 1: Why developing a business plan	Pair work: exchange of experience
  0.5 hr 0.5 hr 0.5 h 1 hr 1 hr 1 hr	Session 2: development of a business plan Session 2a: develop a format • main components • precise tools per component • synthesis Session 2b: working on a case study: • working groups (per topic) • synthesis Session 3c: reflection on Method	 Plenary Working groups
 10 min. 0.5 + 0.5 hrs 1 hr	Session 3: Issues to face • tour de table • working groups + gallery walk • critical questions to deal with	 Working groups Tour de table
1.5 hr	Session 4: Preparing the field work	Individual work

2SCALE

MODULE 6

Developing a Business Plan

- Facilitators' Guide
- **Exercises**
- Reference Sheets

2SCALE consortium:

BoP INNOVATION CENTER
DEVELOP ▸ LEARN ▸ ACCELERATE

ICRA

IFDC

Supported by:

Ministry of Foreign Affairs of the Netherlands

Publication of this manual was supported by the Dutch Ministry of Foreign Affairs.
The manual was developed by technical experts of ICRA, partner within the 2SCALE Project.
The contents do not necessarily reflect the views of the Dutch Ministry of Foreign Affairs.

Instruction on group work and exercises

Before starting each exercise and the group work, please verify whether all group members have well understood the exercise or the assignment on hand.

To the facilitator:

- Make sure participants are distributed into groups of interest or randomly as the case may be.
- Make sure each group receives adequate tools and materials such as flip sheets, markers, etc.
- Assign an appropriate place/location to each group, and sufficient chairs and tables so that they can work comfortably.
- Make sure the participants have good understanding of the task at hand before they break into their groups so that they do not spend unnecessary time in trying to understand the assignment once they have split into groups.

To the participants:

Discuss and exchange within the group about your individual understanding of the expected outputs of the exercise and make sure to come to a common understanding on:

- The objective of the exercise (what is expected and why?)
- How to proceed to answer the question as a group
- How to 'visualise' your discussion (using poster paper or pin board and coloured cards or the computer)
- Who to appoint to lead/moderate the discussion
- How and who to present results during the plenary session
- Who will be in charge of the final electronic write up?

Exercise 1:Case study soya processing enterprise

This example is inspired on a real situation in Benin, but very simplified

Mary is a female entrepreneur who developed a soya processing business: she buys grains of soya in her locality and processes them into soy cheese (90%) and soy milk (10%).
She is working at her house place, and processes both the cheese and the milk herself. She appoints two women to work with her. If possible, she buys the raw soy beans in October and November when the price is low and stores them till the end of the season (from June onwards).

The economic figures are as following:

Gross income for 1kg of soya grain

- processed to cheese: 1 $
- processed to milk: 3 $

Expenses

Soya raw material:
The price of soya grains varies according to the season. In a "normal year" it is as follows:

from Oct to Dec	0.35 $ (per kg)
from Jan to May	0.43 $
from June to Oct	0.69 $

Additional costs:
Fire wood, water, etc.: 0.01 $/kg grain processed
Milling (if this service is provided locally): 1.25 $/10kg grain processed
Labour: in addition to the entrepreneur herself, 2 person-day for 10 kg of grain processed (average wages for 1 day are 2.3 $)

TOR working groups

Establish cash flow and income statement tables (simplified, see the formats hereafter) for the following "projects". Write them on a flip chart.

Group 1: Capital available at the start: 150 $
10 kg of soya processed per day, 15 days a month

Group 2: Capital available at the start: 500 $
10 kg of soya processed per day, 20 days a month

Group 3: Same as group 1, but, because of drought, farmers had low yields, and the price of soya rose by 30% from November onwards, compared to a "normal year".

Group 4: Same as group 2, but because of drought, farmers had low yields, and the price of soya rose by 30% from November onwards, compared to a "normal year".

Cash flow statement table

Begin with specifying the lines and columns, then fill-out the figures

.		**Month…**	**…**	…	…etc
Business income	P1…				
	P2…				
	…				
	I=Total Income				
Expenses	Working expenses 1				
	WE2				
	WE3				
	….				
	Capital expenditures 1				
	CE 2				
	…				
	E=Total expenditures				
	Surplus/deficit (**R**esult =I-E)				
Bank balance	A= Available balance 1st of the month				
	O=Opening balance (=R+A) next month				
	In = Interest (>0 or <0)				
	Closing balance B= O +In				

Income statement table

Just fill-out the figures for the lines in bold characters **(**Remark: in the "real life", it is important not to neglect the other lines)

	Revenue	Charge	Balance
Sales revenue	**+**		
Cost of goods sold		-	
Gross profits			=
Operating expenses		**-**	
Selling expense		-	
General and administrative expense		-	
Depreciation expense (noncash charge)		-	
Total operating expense		Sum above	
Operating profits			**=**
Less: Interest expense		**-**	
Net profits before taxes			=
Less: Taxes		-	
Cash flow from operations			**=**

2SCALE

MODULE 6

Developing a Business Plan

- Facilitators' Guide
- Exercises
- **Reference Sheets**

2SCALE consortium:

BoP INNOVATION CENTER
DEVELOP ▸ LEARN ▸ ACCELERATE

ICRA

IFDC

Supported by:

Ministry of Foreign Affairs of the Netherlands

Publication of this manual was supported by the Dutch Ministry of Foreign Affairs.
The manual was developed by technical experts of ICRA, partner within the 2SCALE Project.
The contents do not necessarily reflect the views of the Dutch Ministry of Foreign Affairs.

Reference sheet 1: The business plan

What is a business plan? What and whom is it useful for?

Adapted from the Agricultural business plan guidelines, edited by the Agriculture, forestry and fisheries department Republic of South Africa

A business plan is a document/plan of how a business owner, manager or entrepreneur intends to organise an entrepreneurial endeavour and implement activities that are necessary and sufficient for the venture to succeed.
It is an essential tool for planning, direction, and running a business. It clarifies the operational and financial objectives of a business and contains the detailed plans and budgets showing how the objectives are to be realised.

Why developing a business plan, for whom?

Businesses need plans to optimise growth and development according to priorities. A business plan is not only a tool to look for financial assistance or for initiating a business start-up, but it is an evolving working document that should be reviewed regularly and adopted to the business circumstances as and when the internal and external environment changes. It will always be a useful tool to persuade others to invest time, money and effort in the business. Failure to plan is a plan to fail.
A business plan with well-defined goals is a necessity for business management. Planning properly for your business is a tool for success, as a good plan maps the course of actions to achieve your business goals and aspirations.

A business plan is both a communication and management tool as:

1. It can be used as a powerful sales document for raising money. A business plan is a pre-requisite for engaging with a venture capitalist, and/or investors. To raise funds for a start- up business venture or for raising additional capital, your document must fulfil the requirements of a funding institution or sponsor. It will give the reader an insight into what you will be doing in your proposed or existing business. The organisations that lend money to your business also want to get a return on their investment. They want a 'safe' investment with a relatively low risk. A thorough business plan can accomplish this.
2. It will assist you in what to do and when to do it. Entrepreneurs should use their business plan for the critical start-up. Entrepreneurs should use their business plan for the start-up of operations or during expansion of operations, to ensure that they stay on target and within the budget at all times. Prospective entrepreneurs involved in the process of formulating their own business plans from the onset will be more objective and critical towards their business than when a business plan is prepared by outside consultants or individuals.
3. It is a useful document not only at the start, but for a long time. A business plan provides you with a clear strategy and objectives. A good business plan will give you direction and

keep you and your staff focused. In writing your business plans, you may make mistakes which can be corrected on paper prior to implementing your plans, and this can save you money.

The business plan demonstrates the seriousness of your intentions to banks, investors, colleagues and employees. It can be used as a measure for you to anticipate problems and take appropriate action in time. You can incorporate all your ideas into the business plan and make them happen.

The planning process gives you the opportunity of adopting a step-by-step approach in preparing for the future achievements and risks of your business venture. At the end of the process, you should be confident that the plan will work.

A good business plan involves research on the external and internal business environment like competitors, suppliers, consumers, etc., which can be translated into a detailed action plan, showing the areas of competitive advantage and how you will combat problems. You can use the business plan to identify opportunities, analyse the life cycle of the business and each activity in the business and plan for capital requirements. Milestones with timeframes can assist the business in achieving its objectives within the stipulated schedules.

Reference sheet 2: Typical framework of a business plan

Adapted from the Agricultural business plan guidelines, edited by the Agriculture, forestry and fisheries department Republic of South Africa

The list of topics below is relatively complete. It gives an idea of what information has to be included in a business plan to make it usable and useful. Obviously, this has to be seen as an advisory tool and should be adapted to the specific context and use. It is why we give a first, general framework. An expanded version with indications on the possible content follows later for those participants for whom the chapters are not explicit enough.

"Technical" aspects

1. Introduction/ background:
   - Overview, vision, objectives (SMART)
2. Whom involved:
   - Ownership, implementation group, members (if group)
   - Who is carrying the project, who is owning the enterprise? Who will operate the activities?
3. SWOT analysis of the planned budget venture
4. Risks
5. Assumptions
6. Business preparation
   - Proposed business: General description of what will be practically the business
   - Resources available: Financial, human, natural
   - Institutional structures
7. Infrastructures
8. Skills
9. Marketing strategy
10. Partnerships
11. Resources
12. Legislation

Financial statements (see formats below)

As the process of creating financial projections for business revenue and expenses, cash flow, and financial position requires the examination of all other key components, the financial plan is the backbone of your business plan. In doing this, you will be able to describe your plan in financial terms and detect discrepancies, gaps or unrealistic assumptions made earlier. The financial plan is valuable for creditors or government agencies when evaluating your company's needs and use of funds. The finance part of the business plan guidelines consists of cash flow, balance sheet, income statement and enterprise budget.

The financial statement should also be interpreted by using financial ratios that can be obtained from the internet. The financial ratios can indicate if the business will be sound and viable or not. Do not leave any open-ended decisions to be made by a possible investor.

Cash flow

The cash flow and sales projection may be the most difficult to prepare. Basically, it is an educated guess about when and how much money will come into and go out of your business. It entails projections for 12 months ahead. Your cash flow and sales forecast will enable you to decide what you can afford, when you can afford it, and how you will keep your business operating on a month-to-month basis. This information is useful to indicate the projected increases or decreases of a bank loan that may be required during the year.

Quarterly summaries are often adequate but occasionally monthly summaries are required for the first year of operation. As part of the business plan, a cash flow and sales projection will give you a much better idea of how much capital investment your business idea needs.

<u>When to use a cash flow</u>

Cash flow is a tool for preparing cash flow and sales projections for a business. It will be especially useful to the business if it needs to improve its future net cash flow. The cash flow plan will help you to plan cash requirements and thereby improve control over your business' cash flows and to conserve its cash resources.
The cash flow must be linked to the production plan and based on the enterprise budget.

<u>Importance of a cash flow</u>

There is a positive cash flow and a negative cash flow. A positive cash flow is a good sign and, at the end of the day, it shows that the business is able to generate more cash than it spends. A negative cash flow is always bad; the business is generating less cash than it spends.

Cash flow analysis format

		Total	Jan	Feb	March	Apr	May	June	Jul	Aug	Sept	Oct	Nov	Dec
Business income	P1													
	P2													
	…													
	I=Total Income													
Expenses	Working expenses 1													
	WE2													
	WE3													
	….													
	Capital expenditures 1													
	CE 2													
	…													
	E=Total expenditures													
	Surplus/deficit (**R**esult =I-E)													
Bank balance	A= Available balance													
	O=Opening balance (=R+A)													
	In = Interest (>0 or <0)													
	Closing balance **B**= O +In													

Comment: The period of time considered may vary. The Income and expenditure lines have to be fulfilled from the economic analysis. What is important here is to consider the calendar (when the money comes in and when it goes out, which has implications on the Interest line)

Balance sheet
The balance sheet describes the assets, liabilities, and equity of your business at a particular point in time. It is a widely used accounting statement that indicates the economic resources of your organisation and the claim on those resources by creditors. That is why we do not describe in detail here how to establish it.

This information will allow you and your creditors to compare your estimates, as well as your past performance, against industry averages.

Income statement
The income statement is a summary of the income and expenditure of the business for a specific period, production year, financial year, or tax year. For an existing business, include information for at least the last one or two years.

Income statement calculated on a cash basis (currency: xxx) for the year ended: xxx -xxxx

	Revenue	**Charge**	**Balance**
Sales revenue	+		
Cost of goods sold		-	
Gross profits			=
Operating expenses		-	
Selling expense		-	
General and administrative expense		-	
Depreciation expense (noncash charge)		-	
Total operating expense		Sum above	
Operating profits			=
Less: Interest expense		-	
Net profits before taxes			=
Less: Taxes		-	
Cash flow from operations			=

Note: For more details, see also module 5, economic analysis and budgeting.

Reference sheet 3: Framework for agricultural business plan (detailed)

Adapted from the Agricultural business plan guidelines, edited by the Agriculture, forestry and fisheries department Republic of South Africa

I. Executive summary

This is a summary of each aspect of the plan. You can only complete the executive summary after the business plan has been completed. This part of the document will be a maximum of two pages. If it is the only thing that a reader will read, it needs to give a synopsis of what you want to do or achieve.

II. Introduction/Background

This is a summary of the business, its history and (possible) position in the market place. It part gives an overview of your business or potential business, vision and objectives. The introduction consists of the following:

a. **Business overview**

- Where is your business or where are you going to establish your business?
- What are you going to do or what are you currently doing?

b. **Vision and mission**

The vision is a dream, and this is what you will focus your energies and resources on in getting your business to work. The mission will be achieved through the objectives of your business.

c. **Objectives/goals**

This section needs to include production and/or financial related objectives specific to your enterprise or potential enterprise. There must not be more than five objectives for your business. Objectives need to comply to the S.M.A.R.T principles as follows:

S–Specific:	An objective needs to be specific and not vague; it needs to say what it is you want to achieve.
M–Measurable:	You need to be able to measure the objective otherwise you will not be able to distinguish what you have achieved.
A–Achievable:	Take into consideration your available resources or potential resources to achieve your objective.
R–Realistic:	Do not set unrealistic objectives which you will not be able to achieve or reach. The objectives need to be understandable to the reader.
T– Timeframe:	The objectives need to be for a specific period so that you can measure them in time to derive where you are and how long it will take to get there. This pertains to the projected time that you anticipate it will take to achieve the objectives.

Note: Objectives need to be linked to expected outcomes (how much). The objectives need to be thought through thoroughly. Spend some time to derive your objectives and they must be in line with what you want to achieve and what you are saying in the rest of your business plan. Refer back to your vision. Will the objectives have an outcome that will reach your vision?

An example of an objective is: Growing your business to a client base of 600 by the year 2016.

III. Ownership, Implementation group and Members

This part of the business plan consists of:

a. Ownership

This is a form of business you want to register or has been registered. Depending on the country, there is specific legislation related to the different forms of businesses (Company, Partnership, Cooperative, Joint venture, etc.). A cooperative is regulated through the Cooperatives law, for example.

b. Implementation group

Those individuals identified to implement and/or assist you in the implementation of your business plan.

c. Member/s

This refers to the individual or group that will benefit from the business or be part of the business when the business plan is to be implemented.

IV. SWOT Analysis

This part gives you an indication of the Strengths, Weaknesses, Opportunities and Threats that are involved in your new or existing business venture. It also identifies the internal and external factors that are favourable or unfavourable to achieve your objectives. It is important to look at ways to build on the positive issues and address negative issues (how will potential risks be dealt with?). The 5 W's (what, how, where, who and when) can assist you in drafting a plan.

- Strengths are attributes of a person or of your business that can contribute in you achieving your objectives.
- Weaknesses are attributes of a person or of your business that can lead to you not achieving your objectives.
- Opportunities are external conditions that will contribute to achievement of your objectives.
- Threats are external conditions that can lead to not achieving your objectives.
- Strengths and Weaknesses are factors internal to your business
- Opportunities and Threats are factors, outside or externally, of your business.

V. Risks

This part deals with the different risks involved in starting or expanding your business. A risk can be defined as any deviation from the expected outcome. Types of risks are: business risks, financial risks and political/legal risks. You should also indicate in the plan what risks will be accepted by the business and what would be mitigated and how.

VI. Assumptions

There may be external circumstances that must be there or events that must happen for the business to be successful. If you believe such an event is likely to happen, then it is be an assumption. Assumptions need to be realistic and relevant to your environment or business.

VII. Business preparation process

This is the part that deals with where your business is located, with what you are doing or going to do and how you are going to do it, and with what resources you are going to achieve this. This will give the person who is reading your business plan the feeling of where your business is, and the reader will be able to picture how and what you are doing or going to do. This part of the business plan consists of:

A. Proposed business

Description of your business

This is just a brief description of your business and where your business is located and what product or service you are going to give to your clients or customers. This part needs to relate to your introduction and objectives. Here you need to indicate, for example, if you want to farm, when the planting season will be, and when harvesting will take place.

Business processes

This is the "how" part. It is not necessary to explain in detail how you will do things, this will give the reader in his mind the chance to see what and how you will do things in your business venture and if you are going to plough back money into your business. This will also indicate if you will have your business processes in place. You need to explain your operations. Do not forget to include the monitoring and evaluation part of your business, how you will monitor and when. The evaluation part is: are you achieving your objectives and are you following your business processes? If this is not the case, what corrective measures will you follow to get back on track?

B. Resources available

It is important to take into account the resources that you have available, prior to the drafting of your business plan. Do a proper resource assessment. The types of resources that you may have at your disposal can be identified as follows: human resources, financial resources, natural resources.

B.1 Human resources

This deals with the human resources you have available and what contribution they would make to the business. The CV of the management must be included. This is critical as it could influence the reader or potential financier to know who will be in the driving seat of the business and what the ability of that person is. The number of staff and management you have or will have, will be put into this section.

B.2 Financial resources

Fixed assets

A fixed asset is a long-term, tangible asset held for business use and not expected to be converted to cash in the current or upcoming financial year, such as real estate and buildings.

Movable assets

These are considered furniture and equipment that is not part of a building (also includes commonly moved business items such as laptop computers).

Own capital

If you are going to invest in your own business, you need to include this in the business plan. Investing in your own business capital-wise will also be an indication for the reader/financier that you will try to make a success of your business. Capital contributed by the owner or entrepreneur of a business, and obtained, for example, by means of savings or inheritance, is known as own capital

B.3 Natural resources

These are water and land available. The availability of the natural resources will determine your operations and the size of it.

C. Institutional structures

C.1 Type of institutional structure

The form of business that you are going to use:

- Company (Pty Ltd)
- Partnership
- Cooperative
- Joint venture

It is important to get information on the legal implications attached to each of the types of businesses to determine whether the type will fit your idea or operation.

C.2 Design/layout of the business

- **Management and organisational structures:** These structures are very critical as they clearly stipulate the roles and responsibilities of individuals within the business venture.
- **Management structure:** This part deals with the management structure of your business, the names of the management, job titles and job descriptions. The roles and responsibilities of each manager must be clearly stated and they need to understand and accept their roles and responsibilities.
- **Organisational structure:** This is the structure of your business and it clearly shows the appointment of responsibility and authority among members of the business. Different forms of structures can be used. Examples of organisational structures are: Functional, matrix and line. The constitution for the specific type of business can be used as a guiding document for daily operations and how to handle internal matters.
- **Technical design:** This will provide the technical information of the enterprise in regard to the layout of the business/structures, for example, how the broiler/layer/piggery structure will look like or how the dairy will look like.
- **Operational information:** This section will include the operational programmes, e.g. for a production project when will planting start and harvesting begin or a feeding programme, rearing programmes for chickens or pigs.

VIII. Infrastructure

This is the current infrastructure that is available to you and your business. Examples of infrastructure are roads, water, electricity and telecommunication. This is important because, depending on your planned venture or current venture, infrastructure may influence your business sustainability and profit.

IX. Skills/Training

Did you or your staff undergo training? What type of training do you or your staff have? Was the training formal or informal, or rather: did you receive a certificate or not?

X. Marketing strategy

Marketing strategy is a process that can allow a business venture to apply its limited resources on the greatest opportunities to increase sales and achieve a sustainable competitive advantage. A marketing strategy should be centred on the key concept that customer satisfaction is the main goal. Without customers, no business company will survive or exist.

Possible Questions to ask when formulating a good marketing strategy:

- What will your marketing strategy be, are you growing your business or are you entering into a new market?
- When and how will you sell your products? What gives you the competitive edge, how will you penetrate the market?

Critical issues to look at when formulating a marketing strategy:

- It is always good to have a market before starting your business. This provides critical information to a financier for a decision to be taken on a loan application as it provides information on your projected sales and income.
- Identify and list your competitors.
- The 4 Ps, price, promotion, package and place.

Other things to look at when developing your marketing strategy are:

- Market requirements, e.g. traceability and preferences of customers.
- Possible market obstacles, e.g. competitors. What do they have which you can do better?
- Opportunities for value adding.

Requirements which need to be adhered to when entering into the market:
The macro environment your business will operate in. There are six major macro environment forces: cultural, demographic, economic, natural, political, and technological. The cultural environment includes institutions and other forces that affect the basic values, behaviours, and preferences of the society – all of which have an effect on consumer marketing decisions. The demographic environment includes the study of human populations in terms of size, density, location, age, sex, race, occupation, and other statistical information.

The economic environment consists of all factors – such as salary levels, credit trends, and pricing patterns – that affect consumer spending habits and purchasing power. The natural environment involves all the natural resources, such as raw materials or energy sources, needed by or affected by marketers and marketing activities. The political environment includes all laws, government agencies, and lobbying groups that influence or restrict individuals or organisations in the society. The technological environment consists of those forces that affect the technology and that can create new products, new markets, and new marketing opportunities.

XI. Partnerships

Do you have any existing partnerships/linkages or are there any potential ones? Partnerships/linkages can contribute positively towards the success of your business.

XII. Resources required for achieving the objectives

Consists of:

- Human – Any additional human capital (seasonal), training needs
- Financial – Any additional fixed or movable assets, sales, cash flow forecast (12 months), profit or loss, fixed cost, Variable costs, budgets, break-even point, financial ratios. If a business exists and is seeking additional funding, it must be indicated if previous funding was received (funding history) and from which institution. Utilisation of required funding must be indicated as well, what items will be purchased with the funding? Who will do the banking and mention the bookkeeper/s?
- Natural – Any other natural resources required.

Here it is important to note all relevant legislation that you are required to comply with as well as the business venture which you are using.

Estimated start-up Capital requirements table

	Item	**unit**	**cost**	**total**
Equipment				
Fixed improvements				
Production tools (livestock, stock of product to process, …				
…				

XIII Legislation

Here it is important to note all relevant legislation that you are required to comply with as well as the business venture that you are using.

XIV. Conclusion

This should be the final convincing statement of why you think you have a winning business venture and why potential stakeholders should invest in your business.

Reference Sheet 4: Short Glossary

(see also Module 5, economic analysis and budgeting, for more precise definitions)

Gross Revenue (or Income): Income that is directly earned from the activity (mainly from sales of products and by-products, and/or from sales of services).

Net income or profit: Gross income of less direct costs (money used directly for the activity, also sometimes called “proportional costs” because the amount depends on the volume of the activity itself); sometimes called gross margin.

Net Margin: Gross margin of less indirect costs (depreciation of equipment and buildings, land renting, wages of permanent staff…).

The **Net margin** less **Taxes** gives the **final revenue.**

The **“cash flow statement”** can be seen as the way to know how much “fresh” money is available at a given moment for running the activity and/or facing other needs.