



ANIMAL HEALTH CARE SERVICE

Level -I

Learning Guide #68

Unit of Competence: Develop Understanding of Entrepreneurship

Module Title: Developing Understanding of Entrepreneurship

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LO5 Develop one's own business plan

This learning guide is developed to equip you with the necessary information regarding the following content coverage and topics –

- discussing and applying Process of preparing/ writing a business plan
- applying standard structure and format are applied in preparing business plan
- interpreting, assessing and analyzing findings of the business plan
- clear and understandable feasibility of the business idea
- identifying and understanding problems that may arise or encounter when starting a business
- Discussing and understanding techniques and procedures in obtaining and sourcing information.

This guide will also assist you to attain the learning outcome stated in the cover page. Specifically, upon completion of this Learning Guide, you will be able to –

- discuss and apply Process of preparing/ writing a business plan
- apply Standard structure and format are applied in preparing business plan
- interpret, asses and analyze findings of the business plan
- clear and understandable feasibility of the business idea
- identify and understand problems that may arise or encounter when starting a business
- discuss and understand techniques and procedures in obtaining and sourcing information.

Learning Activities

1. Read the specific objectives of this Learning Guide.
 2. Read the information written in the “Information Sheets
 3. Accomplish the “Self-check”
 4. If you earned a satisfactory evaluation proceed to “next module”. However, if your rating is unsatisfactory, see your teacher for further instructions or go back to Learning Activity.
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3 Develop one's own business plan

5.1. Meaning and concepts of business plan

What is a Business Plan? A business plan is a blueprint of your company, presented in standard business format that is logical and well documented. A good business plan is also:

5.2 The reason for preparing a business plan

- A strategic vision of your company
- Your most important communication tool
- A document to obtain working capital and/or investments
- A tool for planning, measuring and improving performance
- A basis for sound decision-making
- A way to motivate employees

5.3 Process of preparing/ writing a business plan

Whether you are writing your business plan for the first time or rewriting it for the twentieth, there are certain steps you can follow in order to make the process easier.

- Step- 1. Identify your objectives. The first step in preparing your business plan is to determine who your audience is going to be and what they want to know about your company. Then, you must determine what you want your audience to know. What are the areas you want to emphasize? What are the ones you want to downplay or eliminate? Once you have resolved any conflicts between these two viewpoints, you are ready to move to Step 2.
- Step- 2. Outline your business plan. Now that you have identified your objectives, you can begin preparing an outline of your business plan based on these special requirements. An outline can be as general or as specific as you would like. However, the more specific it is, the easier the writing process will be.

- Step- 3. Review your outline. The next step is to review your outline. Based on your readers and your objectives, identify the areas that should be presented in detail or summary form in your business plan. Remember that your business plan should maintain a fairly high-level focus. Any detail information can be included in the appendix section of your business plan or on a request basis.
- Step- 4. Write your plan. Depending on the age of your business and your experience in writing business plans, the order in which you develop the specific elements of your business plan will vary.
 - Gather information.
 - Prepare drafts.
 - Write summary.
- Step- 5. Have your plan reviewed.

Since it is often difficult to be critical of your own creation, you will want to have someone who is familiar with the planning process and business management review your business plan for completeness, logic, effectiveness as a communication tool, and presentation. Then, make any necessary revisions based on the person's comments.

Remember that it is important to update your business plan on a regular basis or it will become useless.

5.4 Standard structure and format of a business plan

Every Successful business plan should include something about each of the following areas since these are what make up **the essential elements of a good business plan:**

- | | |
|--|---|
| • Executive Summary | • Service or Product Line |
| • Market Analysis | • Funding Request |
| • Company Description | • Financials |
| • Organization & Management | • Appendix |
| • Marketing & Sales Strategies | |

➤ Part 1: The Executive Summary

The Executive Summary is the most important section of your business plan. It provides a concise overview of the entire plan along with a history of your company. This section tells your reader where your company is and where you want to take it. It's the first thing your readers see. Therefore, it is the thing that will either grab their interest and make them want to keep reading . . . or make them want to put it down and forget about it. More than anything else, this section is important because **it tells the reader "why" you think your business idea will be Successful.**

The Executive Summary should be the last section you write. After you've worked out all the details of your business plan, you'll be in a better position to summarize it. And it should be a summary (ie, no more than 4 pages!).

Contents of the Executive Summary

- The Mission Statement.
- Date business began
- Names of founders and the functions they perform
- Number of employees
- Location of business and any branches or subsidiaries
- Description of plant or facilities
- Products manufactured/services rendered
- Banking relationships and information regarding current investors
- Summary of company growth including financial or market highlights
- Summary of management's future plans

➤ **Part 2: Market Analysis**

The Market Analysis section should illustrate your knowledge about the particular industry your business is in. It should also present general highlights and conclusions of any marketing research data you have collected. However, the specific details of your marketing research studies should be moved to the appendix section of your business plan.

This section should include: an industry description and outlook; target market information; market test results; lead times; and an evaluation of your competition.

Your target market is simply the market (or group of customers) that you want to target (or focus on and sell to). When you are defining your target market, it is important to narrow it to a manageable size. Many businesses make the mistake of trying to be everything to everybody. Often times, this philosophy leads to failure.

In this section, you should gather information which identifies the:

- Distinguishing characteristics of the major/primary market you are targeting.
- Size of the primary target market.
- The extent to which you feel you will be able to gain market share and the reasons why.
- Your pricing and gross margin targets.
- Resources for finding information related to your target market.

- Media you will use to reach your target audience.
- Purchasing cycle of your potential customers.
- Trends and potential changes
- Key characteristics of your secondary markets.

Under this part Market Tests, Regulatory Restrictions, Competitive Analysis, and Lead Times are also included.

➤ **Part 3: Company Description**

Without going into detail, this section should include a high level look at how all of the different elements of your business fit together. The Company Description section should include information about the nature of your business as well as list the primary factors that you believe will make your business a success.

When defining the nature of your business (or "why" you're in business), be sure to list the marketplace needs that you are trying to satisfy and include the ways in which you plan to satisfy these needs using your products or services. Finally, list the specific individuals and/or organizations that you have identified as having these needs.

Primary success factors might include a superior ability to satisfy your customers' needs, highly efficient methods of delivering your product or service, outstanding personnel, or a key location. Each of these would give your business a competitive advantage.

➤ **Part 4: Organization & Management**

This section should include: your company's organizational structure; details about the ownership of your company; profiles of your management team; and the qualifications of your board of directors.

Who does what in your business? What is their background and why are you bringing them into the business as board members or employees? What are they responsible for? These may seem like unnecessary questions to answer in a one or two person organization, but the people reading your business plan want to know who's in charge. So tell them. Give a detailed description of each division or department and its function.

This section should include who's on the board (if you have an advisory board) and how you intend to keep them there. What kind of salary and benefits package do you have for your people? What incentives are you offering? How about promotions? Reassure your reader that the

people you have on staff are more than just names on a letterhead. Under this part Organizational Structure, Ownership Information, and Management Profiles are included.

➤ **Part 5: Marketing and Sales Strategies**

Marketing is the process of creating customers . . . and customers are the lifeblood of your business. In this section, the first thing you want to do is define your marketing strategy. There is no single "right" way to approach a marketing strategy. Your marketing strategy should be part of an ongoing self-evaluation process, and unique to your company. However, there are steps you can follow which will help you "think through" the strategy you would like to use.

An Overall Marketing Strategy would include a:

- Market penetration strategy
- Strategy for growing your business.
- Channels of distribution strategy.
- Communication strategy.

How do you plan to actually sell your product?

Your Overall Sales Strategy should include:

- A sales force strategy
- Your sales activities.

➤ **Part 6: Service or Product Line**

What are you selling? In this section, you describe your service or product emphasizing the benefits to potential and current customers. For example, don't tell your readers which 89 foods you carry in your "Gourmet to Go" shop. Tell them why busy, two-career couples will prefer shopping in a service-oriented store that records clients' food preferences, and caters even the smallest parties on short notice.

Overall, this section should include:

- A detailed description of your product or service (from your customers' perspective).
- Information related to your product's life cycle.
- Any copyright, patent, and trade secret information that may be relevant.
- Research and development activities you are involved in or are planning to be involved in.

➤ **Part 7: Funding Request**

In this section, you will request the amount of funding you will need to start or expand your business. If necessary, you can include different funding scenarios such as a best and worst case scenario. But remember that, later, in the financial section, you must be able to back up these requests and scenarios with corresponding financial statements.

You will want to include the following in this section: your current funding requirement; your future funding requirements over the next five years; how you will use the funds you receive; and any long-range financial strategies that you are planning that would have any type of impact on your funding request.

➤ **Part 8: Financials**

The financials should be developed after you've analyzed the market and set clear objectives. That's when you can allocate resources efficiently. The following is a list of the critical financial statements to include in your business plan packet.

- Historical Financial Data
- Prospective Financial Data

➤ **Part 9: The Appendix**

The appendix section should be provided to readers on an as-needed basis. In other words, it should not be included with the main body of your business plan. Your business plan is your communication tool. As such, it will be seen by a lot of people. Some of the information in the business section you will not want everyone to see. However, specific individuals (such as creditors) may want access to this information in order to make lending decisions. Therefore, it is important to have the appendix within easy reach.

The appendix would include:

- credit history (personal & business)
- resumes of key managers
- product pictures
- letters of reference
- details of market studies
- relevant magazine articles or book references
- licenses, permits, or patents
- legal documents
- copies of leases
- building permits
- contracts
- list of business consultants, including attorney and accountant

5.5 Interpreting, assessing and analyzing findings of the business plan /optional/

The elaboration of a business plan is a cumbersome and time-consuming task and only at the end of the process the potential business starter will have all the information that allows an assessment of the viability of the business. It often turns out that the business plan shows that the

forecasted cash or benefit is not enough to run the business or it is not clear whether the business can be run safely or not. A short assessment will allow the potential business starter to make a decision as to whether she/he should continue the start-up process, abandon the business idea, change the size of the planned business or take other measures to make the business viable.

5.5.1 How to Interpret the Findings of the Business Plan

Before starting a business, the potential business starter should be able to answer the following questions.

- Will the business generate enough cash to always allow liabilities to be paid?
- How many goods or services must the business sell to cover the costs and to start making benefits?
- What will happen when turnover decreases or costs go up?

1. Will the business generate enough money?

To answer the first question, we have to know that a business starter will need to earn money for his/her own living expenses, that income tax has to be paid and that if credit is used, the credit plus interest has to be paid back in regular installments. A look at the cash flow plan will provide information about the cash situation. The operational costs include staff costs and, if the entrepreneur works in his own enterprise, she/he will include her/his own salary in this cost category. But maybe this salary is not sufficient and the entrepreneur needs more money. This money can be taken from the net profit (if there is any) and the amount has to be recorded as “Any other cash out” in the cash flow plan.

The business has to pay taxes on the profits, and this is generally paid at the end of the fiscal year. The amount of tax is calculated in the chart “Monthly estimation of the net profit”. This amount has to be included in the cash flow plan as “Any other cash out”.

Repayment of a loan is always done in regular installments; these can be monthly, or every three, six or twelve months. Interest payments are due at the same time. Interest and loan repayments are also recorded in the cash flow plan.

If during the whole planning period the “Cash at the end of the month” is always positive, the business stands a good chance of running smoothly.

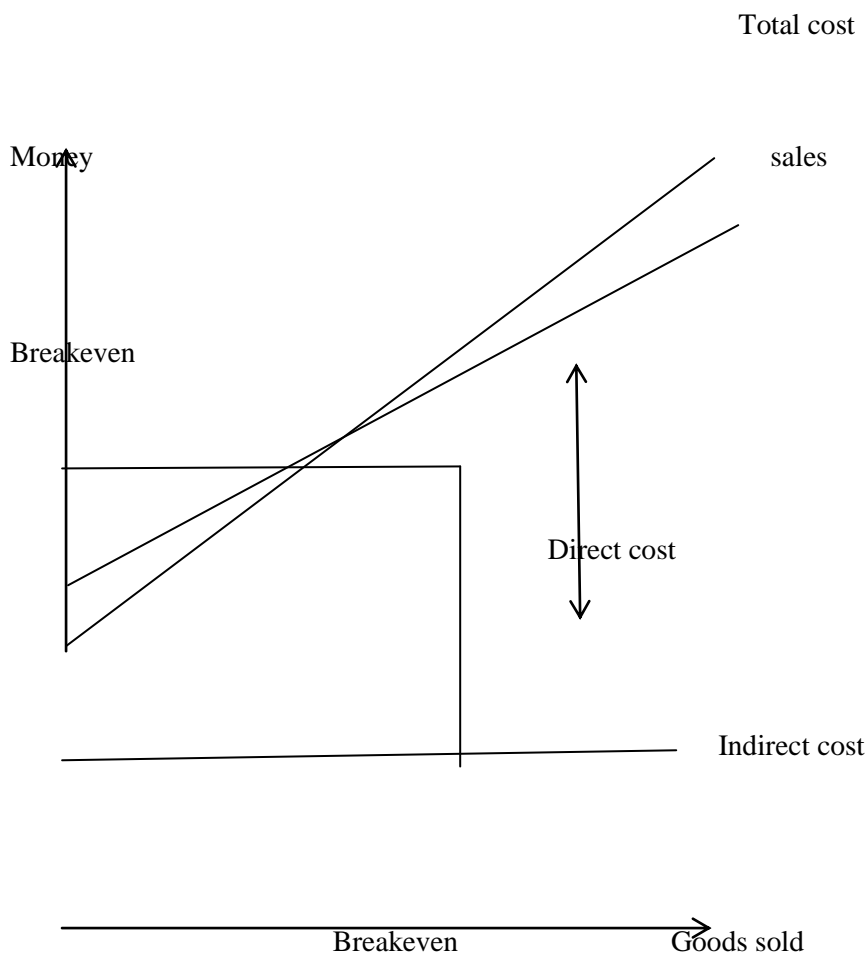
2. How many goods or services must the business sell to cover the costs and to start making a profit?

The answer to this question comes from break-even analysis.

At the break-even point the revenues from sales equal total costs. Each additional sale will generate profits. In order to calculate the break-even point we have to know the total amount of indirect costs (also called overheads), plus the total of direct costs and also the sales turnover. The difference between the unit sales price and the direct costs per unit sold is called contribution margin.

Break-even = indirect costs / contribution margin

The following graph shows the relationship between sales, direct costs and indirect costs.



The graph indicates, how much turnover the business has to generate, or how many goods have to be sold before the business makes a profit. The earlier the business reaches the break-even point the better for the business.

3. What will happen when turnover decreases or costs go up?

The break-even analysis can show what effect a price rise or price decrease will have on the break-even point. If the market allows it, the price could be increased and the zone of profit will be reached earlier. However, the market does not often allow a price increase. If the market price is such that the sales only equal the cost when 80% or 90% of the turnover is reached, the business will probably not generate enough cash to pay all its obligations.

5.5.2 Feasibility of the business idea is made clear and understandable

- ❖ There is no magic answer to this question. Experience has shown that some of the most bizarre ideas, such as the concept of a personal computer have turned into successful businesses, while some have not.
- ❖ It's important to look critically and impartially at your business idea when determining whether or not it's worth investing your time and money.
- ❖ It can be difficult to remain impartial about an idea you're passionate about, so talk to a business advisor to get a qualified and objective perspective.
- ❖ While there are no guarantees that your business will succeed, a feasibility study will help you determine whether your idea will make a profit before you make a financial commitment.
- ❖ It's important to remember that what is considered feasible may differ greatly from person to person depending on the return on investment they want and the risk they're willing to take on.
- ❖ In your feasibility study you should analyse your business idea, market and competitive advantage as well as the financial feasibility of the business.

Analyse the business idea

- ✓ In this first stage of your feasibility study you need to look objectively at the idea and determine its profitability. This objective analysis would include:
 - assessing the market size;
 - assessing the competitive advantage of your idea;
 - obtaining independent endorsement of the idea;
 - assessing capital requirements;
 - considering your management ability; and
 - Finding out if anyone else has tried your business idea, and if they failed - why?

Market analysis

- ✓ Once you have determined there is a market for the product or service you are planning to supply, you need to conduct some more research which should include the following:

Demand analysis:

- ✓ Here you determine the type of demand that exists for your product or service (eg: consumer, distributor), and establish the size of the market and its growth capacity.

Supply analysis:

- ✓ Look at the lifecycle of the industry. Is it the right time for you to be entering it? Also study the way the industry is structured and think about how that will affect your business.
- ✓ Relationship analysis: how do the various groups within the industry interact? What is the bargaining power of buyers and suppliers? Is there a threat of substitute products or new entrants?

Competitive advantage analysis

- ✓ Now that you've established that your idea is a good one and that there is a market for what you are offering, you need to determine what makes your product or service special. Ask yourself these questions:
 - How is my product or service different to those offered by my competitors?
 - Why will customers purchase the product or service from me rather than my competitors?
 - Are there any barriers to me entering the market?
 - What makes my competitors successful?

Financial feasibility analysis

- ✓ The final part of your study should address the financial feasibility of the business idea which involves the following:
 - preparing a sales forecast;
 - estimating start-up and working capital requirements;
 - estimating profitability; and
 - Assessing financial viability

5.5.3 Problems that may arise or encounter when starting a business are identified and understood.

❖ Effective problem solving and decision making

- ✓ Problem solving is about bridging the gap between where you are and where you want to be. Decision making is about choosing how you want to bridge that gap.

- ✓ In that sense, we all are problem solvers and decision makers and any improvement in our skills can translate into major leaps for our organizations.
- ✓ Effective problem solving and decision making are skills that you develop through forming habits. This site gives ideas on how to acquire these habits.

❖ Problem solving is a four-step process :

- First, **defining the problem** (making sure you are not focusing on just a symptom or a less critical problem).
- Second, you need to **diagnose** it; that is, understand its root cause(s), which usually requires you to build a “why” issue tree tree.
- Next you need to **identify all the potential solutions**—using “how” issue trees / decision trees*—before deciding which one(s) you want to implement; a good way to do so is to use a decision matrix.
- The final step is to **execute the solution(s)**: convince the rest of your team/boss/client that the one you picked is the right one, implement it, and monitor its effectiveness.

5.5.4 **Techniques and procedures in obtaining and sourcing information are discussed and understood.**

- "Source" means data that originates from either primary or secondary source. An **information source** is a source of information for somebody, i.e. anything that might inform a person about something or provide knowledge to somebody.
- Information sources may be observations, people, speeches, documents, pictures, organizations etc. They may be primary sources, secondary sources, tertiary sources and so on.
- **Primary sources** are original materials. Which may include an artifact, a document, a recording, or other source of information that was created at the time under study. It serves as an original source of information about the topic. And more over, a primary source can also be a person with direct knowledge of a situation, or a document created by such a person.
- **asecondary source** is a document or recording that relates or discusses information originally presented elsewhere. A secondary source contrasts with a primary source, which is an original source of the information being discussed; a primary source can be a

person with direct knowledge of a situation, or a document created by such a person. Eg books, document from internet etc.

Self-Check	Written Test
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Name: _____

Date: _____

Directions: Answer all the questions listed below.

1. What is a business plan?
2. Why is a business plan written?

Note: Satisfactory rating -10 points Unsatisfactory – below 10 points

You can ask you teacher for the copy of the correct answers.

ANSWER ALL THE QUESTIONS FOR SELF CHECK

Self-Check 1	Written Test
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1. Entrepreneur is a person while entrepreneurship is a process. When it is put in other way,Entrepreneurship is the process of creating something different with value by devoting the necessary time and effort, assuming the accompanying financial, psychic and social risks, and receiving the resulting rewards of monetary and personal satisfaction and independence.

Self-Check 2	Written Test
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1. *Self-directed (self-disciplined),Self-nurturing,Action oriented,Action orientedand Tolerant of Uncertain.*

2. Knowledge, Skill and Traits

Self-Check 3	Written Test
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1. ***Know Your business in depth:*** - Knowing your industry well can be one of the ways of minimizing the failures of small businesses. Also knowing your business well by preparing documented business mission, objective, strategies and policies

2. *Using personal finance*

Advantages

1. All of the profit kept.
2. Reduces amount of debt.
3. Risk of loss provide motivation to succeed.
4. Shows good faith to any potential lender

Disadvantage

1. Chance of loss.
2. May force personal sacrifices.
3. Loss of return from use of savings in other investments.

Continous.....

Self-Check 4	Written Test
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1. 1. *Identify specific daily goals.*

3. *Avoid interruptions and distractions.*

4. *Self-motivation.*

5. *Establish deadlines.*

6. *Use the telephone*

7. *Take notes.*

8. *Don't do everything.*

9. *Work in blocks of time.*

2. The purpose of this topic is to show the importance of managing one's self effectively. Knowing the importance of self-management is the first step in understanding one's personal strengths. The next step is to be able to use some general principles to assist in the self-management process

Self-Check 5	Written Test
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1. A business plan is a blueprint of your company, presented in standard business format that is logical and well documented

2. a strategic vision of your company

- Your most important communication tool
- A document to obtain working capital and/or investments
- A tool for planning, measuring and improving performance
- A basis for sound decision-making
- A way to motivate employees

Self-Check 6	Written Test
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