




BUSINESS PLAN

| | | | |
|---|--|--|---|
| Age group | Secondary School, Grades 1 – 4 | | |
| Competency features | Proactive approach and creativity  | Ability to shape ideas into plans and bring them to fruition  | Ability to accept risk  |
| Aim | <ul style="list-style-type: none"> to try out formulating a detailed business plan | | |
| Timing | project classes – ca 7 lessons | | |
| Location | indoors | | |
| Resources & materials | This exercise links up with One's Own Boss At Last!. Groups should have its output (notes, etc.) on hand. Other: paper and writing implements to take notes Worksheet Business plan | | |
| Description | | | |
| <p>In One's Own Boss At Last!, students formulated the basics of a business plan. In this exercise, they develop the theme as if it were done for real.</p> <p>Lesson 1: SWOT analysis – Strengths, Weaknesses, Opportunities, Risks</p> <ol style="list-style-type: none"> Teacher splits students into groups, following the pattern of One's Own Boss At Last!; the original companies need to be preserved. "Until now, we have only had academic discussions about your business ideas; now the time has come to elaborate on them and make out a real business plan. Previously, you formed a company and presented it to a potential investor. Now we are in a situation when start-up capital has been promised, but actually getting it is subject to providing a detailed business plan. We are about to prepare one." Teacher writes down on the board, SWOT ANALYSIS: "Good ideas are at the core of all companies. Yet not all companies will succeed, even though their idea may be excellent. As it happens, every business has also its weak points, and every company faces risks. Its success or failure rests in how it is capable of handling those risks. The danger increases as the balance between positives and negatives tilts in the wrong direction; to assess the situation, there is the SWOT analysis." | | | |

Teacher explains the acronym:

S
W
O
T

- S for Strengths (What are my competitors' strengths? What are mine? Compare and consider! What is my competitors' greatest asset? Do they have top experts? Are they profitable? Do they offer something unique?)
- W for Weaknesses (What are my competitors' weaknesses? What are mine? Compare and consider! Is the quality of their products and services inferior? Do they suffer from a bad image? What are their vulnerabilities?)
- O for Opportunities (What opportunities are there? How are you going to make use of your competitors' weaknesses? Which strengths of yours are you going to apply? Are there any other opportunities in the market?)
- T for Threats (What is the biggest threat for you? Which of their strengths could your competitors use against you? What if your plans fail?)
- 3) Teacher hands out the Worksheet, asking the groups to perform a SWOT analysis of their company and where it stands vis-a-vis its competitors. He allows ca 10 minutes for this, walking about the classroom and providing assistance if needed.
 - 4) To round up the lesson, students share their findings with the others – what opportunities and risks they have discovered, what they have realized, etc.

Lesson 2: Defining your customer, products, and services

- 1) Teacher leads in: *“For our business plan to be effective, it needs to make a contribution. I take it when devising your business plan you also thought about what's in it for you. Personal satisfaction, perhaps; profit, joy from working, and so on. But satisfying your own needs does not necessarily represent a contribution: It is important that the needs of other people are also met, your company and its employees benefit just as your surroundings, society, and customers do.”*
- 2) Teacher distributes the DEFINING YOUR CUSTOMER Worksheet: *“Let us think a little about who the customer of your company might be, who will benefit from your business plan. Defining your customer is one of the crucial aspects of planning since it gathers all the information necessary to justify and focus your activity. Your customers are never a “public-at-large”; they represent a specific group of people and/or an organisation that needs your products or services. It is customers' needs that should become your priority. So get down to it, and define your customers now!”*
- 3) Filling in the Worksheet takes ca 10 minutes.
- 4) Teacher continues: *“So now you have an idea who your customers are going to be, who you need to think of at all times. Next, it is necessary to consider what you are going to offer them, and how to go about it. Products and*

services are what all companies deliver, and their success and/or failure turns around their customers' satisfaction and other issues. That is why it is good to revisit your customers' needs from time to time, and adjust what you deliver accordingly. It is also good to engage some forward thinking in the ever-changing market. The successful company is always one step ahead of its competitors."

- 5) Teacher hands out copies of the PRODUCTS AND SERVICES Worksheet, asking everyone to fill it in. He allows sufficient time for this, walking about the classroom and assisting if needed.
- 6) Teacher discusses the outcome with students:
Questions for discussion:
 What did you realize?
 Who are your customers? Is there one you have omitted?
 Do you know your customers' needs well? How could you get to know them better?
 Will you offer goods or services?
 Did you manage to tailor your goods and/or services to your customers' needs?

Lesson 3: Business premises, equipment, suppliers

- 1) Teacher carries on working with students on their business plans. He is about to talk about the issues of locating the business, equipment necessary, and suppliers:
"Every idea is conditioned by circumstances. A refreshment stall will look different at an ice-hockey rink, and swimming baths. The location of your business is an all-important factor. Sometimes, the setting is given automatically (you, or your family, or the company you work for may own suitable premises; at other times, you need to look). The location of business premises, ownership or otherwise, what they look like and how they are furnished, all these have a substantial bearing on costs. Often, premises are not up to scratch; it may be necessary to do some building work, which carries its own issues (permits; food and hygiene regulations; fire hazard; transportation, etc.).
The same goes for machinery, tools, and equipment – will it have to be replaced, bought used, or even new? And what about office equipment, like desks, chairs, IT, telephones, fax machines, etc.?"
- 2) Teacher passes onto students the BUSINESS PREMISES AND EQUIPMENT Worksheet: *"Try to think about your business in conjunction with the premises you will need for it, the location and its limitations. We have to take all these issues into account because they will be with us when trying to make our ideas happen. However, where one door closes, another opens, so any challenges may also provide opportunities. That is the way to think about it."*
- 3) Teacher proceeds to RESOURCES: *"There is one precondition for your idea materializing – the necessary resources, financial, physical and/or human. They may be at your disposal right from the start, or you have to acquire them. While preparing your business plan, you also need to make a reasonably*

detailed list of all the available resources, incl. time schedule of how they will be linked chronologically, who will be responsible, and what funding will be needed (on-stream planning).

Resources must be rock-solid; if they are not, we cannot end up providing a great product or service. This applies to people, too: Your restaurant can look beautiful, but if your waiters are below par, and the chef mediocre, patrons are not likely to return."

- 4) Teacher distributes the RESOURCES Worksheet, and asks everyone to fill it in: *"The biggest problem by far usually is – money. It helps to have all sorts of financial calculations and projections handy, simply how much will it all cost and what the profit will be."*

Lesson 4: Presentation – Promoting your idea

- 1) Teacher reveals to the students that it is time to look into promotion and advertising of their products or services. Companies know they have to advertise themselves to stay in customer's eye, and attract new customers.
- 2) Teacher quizzes the students on ways of enticing customers, catching their attention; he lists all the suggestions on the board.

Teacher's resources– Possible suggestions:

advertising – radio, TV, printed media (consider the costs vs. reaching the right public)

leafleting; billboards

web pages (how to get in the front on search engines), Facebook, Twitter

references – word of mouth (satisfaction sells!)

eye-catchers – striking shopping window, sign, company cars with ads

calendars; business cards; promotional items

- 3) With each item listed by students, teacher goes over its advantages and disadvantages (cost; targeting the right customer, etc.).
"The purpose of promotion is to get people excited about your products and services, make them seek out just your company. It can also provide information about your company, where it is, how it can be contacted, where its products can be bought. Your aim is to beat the competition." Teacher hands out the PROMOTION Worksheet, and students fill it in.
- 4) He lets them work some 20 minutes, before asking one group after another to let the others know about their ideas.

Lesson 5: Activities performed and deadlines

- 1) Teacher announces that this time, students will be working out a detailed business plan. *"We cannot just jump into running a business headlong. Issues are at stake: money, our future, and a lot of effort possibly wasted. That is why we need to stop, think hard, and ideally, prepare a plan. This written document will guide us, step by step; it is not carved in stone, but serves as a very useful, working blueprint.*

It should be chronological so that each step logically follows the previous

activity. It should be comprehensible and clearly written, and also contain deadlines. The more detailed and specific the business plan is, the better can we assess our achievements against it. Obviously, some activities will be absolutely crucial, and instrumental in reaching our goals; others will be ancillary, of lesser import to success. It is a good idea to distinguish between these two sorts of activities graphically (e.g., colour-coding), and keep in mind which is which.

- 2) Teacher investigates whether students have any experience in planning.

Teacher's resources – Possible responses:

planning standard weekly activities; preparing for the school-leaving exam; preparing for college admittance exams; planning a holiday, long-distance trip, celebration, hike in the mountains

Teacher quizzes students whether their planning is just ad hoc, or whether they prepare in advance, making up an itinerary, writing down a time schedule, making provisions, etc. He gives them space to share their experiences.

- 3) Teacher will have ascertained whether students know about planning techniques.

Teacher's resources – Planning techniques:

Logical framework; Gantt diagram; ALPEN, etc.

Some of these techniques are described in the competency manual; more detailed information is available as part of these exercises: Beefsteak; Two-Day; AJPED Technique.

- 4) Teacher wants to know from students what they consider important while planning; he writes down their suggestions on the board:

WHAT – individual steps (what needs arranging)

WHEN – time schedule – proper timing of respective steps; when to come up with an idea (e.g., selling ice-cream in January is expected not be such a hit as in July); how long each activity takes up (work should neither be rushed nor drawn out); when it needs to start and finish

WHO – tasks and responsibilities

- 5) Teacher tells the groups to get together and devise a business plan for themselves. They can use a planning technique (teacher may prescribe), or if they have some experience already, work at their discretion. This activity takes ca 15 minutes.

- 6) Finally, groups present their plans to the others.

Lesson 6: Budget

- 1) *“In our time, money has become the measure of all things. We use it as the criterion to judge success and failure, the attractive from the mediocre, the appealing from the undesirable, and the branded from the nameless. Money may be a valid argument. So will your idea be profitable? Can its effect be calculated? To find out, it is necessary to make up a financial projection of income and expenditure.”*

- 2) Teacher hands out Worksheets while going over the items of a budget.

If the students do not know the cost of some items, they need to estimate them. In real life, they would have to establish them precisely. Teacher may engage them in a discussion where and how to find out about prices and costs (links with the competency for managing information).

- 3) Teacher asks the groups to formulate their budgets, admitting that this activity is not easy and the initial result need not be satisfactory. Yet it is worth trying out just to see what is involved. Students have 20 minutes for their work.

Lesson 7: Contingencies (Crisis scenario)

- 1) *“Last but not least, we need to be prepared for events that may jeopardize our business plan. This is what contingency provisions are about: What to do when things do not go according to plan? What happens if one of the key activities fail or cannot be performed? How to handle a crisis ought to be considered beforehand, i.e. before it occurs. Of course, it is impossible to play through all the possible scenarios on paper, let alone have ready-made solutions for them. But there will be some risks we can be aware of, and preparing for how to handle them can be the right prevention from engaging in messy improvisations.*

There are always alternatives to a solution; they may be not as good, but it is still important to keep them in mind. One never knows when they might come in handy. That way we can respond quickly to changeable circumstances, and act. Let us try and establish what is the biggest threat you will have to face. Let us imagine it actually happening, and what you would do then. Remember, every cloud has a silver lining.”

- 2) Teacher distributes the CRISIS SCENARIO Worksheet, leaving the students work for ca 10 minutes. He then goes over the answers with them.
- 3) Teacher reiterates: *„Before the break as well as after, we worked very hard on*“
- 4) To wind up, teacher recaps the activity: He reviews students’ experiences, draws them out on what items they had to deal with while preparing their business plan (the idea, its weak points, customers, business location, resources, promotion, budget, contingencies); what was hard, if they were surprised by anything, etc. Teacher appreciates everyone’s effort, stressing that creating a business plan is a complex task but the groups have managed to tackle it. Perhaps they will find this experience useful in future.

Risks and recommendations

Teacher’s participation

Teacher has the task of guiding the groups while they work on their business plans. He should nudge the students in the right direction without being explicit, encourage them in finding their own way. He needs to make clear that the document is not iron-clad – any section may be revisited and amended at any time. However, if one part changes, it affects the whole, of which the students have to be aware.

| | |
|-------------------------------|---|
| Application in classes | This exercise is suitable for subjects dealing with economics. |
| Inspired by | This exercise is based on the Competency for Entrepreneurship Manual created as part of the Competencies for the Labour Market project; RPIC-ViP Ltd., Ostrava, 2008. |

Worksheet **BUSINESS PLAN**

SWOT ANALYSIS

(Strengths and Weaknesses, Opportunities and Threats)



You have to have the competition 'in your sights'.

| | |
|----------|----------|
| S | W |
| O | T |

DEFINING THE CUSTOMER



Who are your **target customers** your new idea will attract?

What needs do your customers have in connection with your services (or products/goods), that you will be satisfying? How did you identify their requirements? Where did you find them?

How many new customers are you capable of supplying with your new products and services? How many can you realistically serve in one calendar month?

What evidence do you have to support your previous answer?

A.1.1 Entry for budget - number of customers / month



PRODUCTS AND SERVICES

What existing products or services are being offered to the customer?

Describe in more detail what you will prepare for your customers. Which new products and services will you offer them?

If you are going to **produce (from scratch)**, try to outline production processes and the way of obtaining materials. If you are going to buy goods with the intention of reselling them, describe how and from whom you will purchase (manufacturer, distributor, wholesaler, etc.):

Do you already know what the price of your goods / services will be in comparison to your competitors'?

Entry for budget = average spending per customer per day
(see Table, line A1.2):

How many **new employees** will be providing this (new) service/production/sales of goods? Will it be necessary to recruit new employees? **How much will they cost you?** - Salary expenses

*** Entry for budget = Number of employees x Monthly gross salary**

(see Table, line B3):



PLACE OF REALISATION (1)

Where will your business idea be realised? On your own premises, or will you need to acquire (rent) new ones?

Entry for budget

| | | | | |
|--|---|--|--|--|
| If your own premises are not available | <u>Cost price in CURRENCY</u> *(B1) | | = Means to obtain it Personal finance? Loan in CURRENCY*(A2) | |
| If it is rented | Rent per calendar month in CURRENCY. *(B5) | | Repayment of the loan in CURRENCY per month*(B9) | |
| With that is connected | How much for services and utilities? *(B5) | | | |
| | Fees and costs? *(B8) (Real estate taxes / stamp duty) | | | |

What is specific about your location?

Strengths (opportunities)

Weaknesses (threats)



PLACE OF REALISATION (2)

A new place of realisation cannot always be used in its original state, so it is often necessary to adjust, either partly or completely, to fit your requirements. That brings the following questions which need to be answered:

Is a building permit necessary?

| | | | | |
|-----|------------------------------------|-----|--------------------------|----|
| NO | | | | |
| YES | Was it already requested? | YES | <input type="checkbox"/> | NO |
| | Was it approved? | YES | <input type="checkbox"/> | NO |
| | Any other limitations/restrictions | YES | <input type="checkbox"/> | NO |

Estimated costs (reconstruction/refurbishment):

| Realised activity: | When (month) | Cost (CURRENCY) |
|------------------------------|--------------|-----------------|
| | | |
| B8 Total overall cost | | |

EQUIPMENT, FURNISHINGS, TOOLS



Are the furnishings, tools and equipment necessary for the realisation of my idea available (machinery, working tools, furniture, telephones, faxes, vehicles, etc.)?

These amenities will be:

| | | | | | |
|-------|----------------------|--------------------|----------------------|-----------|----------------------|
| new | <input type="text"/> | used | <input type="text"/> | | |
| owned | <input type="text"/> | rented | <input type="text"/> | leased | <input type="text"/> |
| | | purchased for cash | <input type="text"/> | mortgaged | <input type="text"/> |

Entry for budget

Price estimates of transport, equipment and production, machinery and tools including installation, connection transport, etc.

| What will be obtained | When (month) | Cost (CURRENCY) |
|--|--------------|-----------------|
| | | |
| <div style="background-color: #ff00ff; padding: 2px;">B1 Total overall cost</div> | | |

Financial issues - OBTAINING THE EQUIPMENT:

| | | | | |
|--|--|--|--|--|
| <p><i>If your own premises are not available</i></p> | <p><u>Cost price in CURRENCY</u>*(B1)</p> | <div style="border: 2px solid black; background-color: #ccccff; width: 100%; height: 100%;"></div> | <p>= Means to obtain it</p> <p>Personal finance?</p> <p>Loan in CURRENCY *(A2)</p> | <div style="border: 2px solid black; background-color: #ccccff; width: 100%; height: 100%;"></div> |
| <p><i>If it is rented</i></p> | <p>Rent per calendar month in CURRENCY *(B5)</p> | <div style="border: 2px solid black; background-color: #ccccff; width: 100%; height: 100%;"></div> | <p>Repayment of the loan in CURRENCY per month *(B9)</p> | <div style="border: 2px solid black; background-color: #ccccff; width: 100%; height: 100%;"></div> |

RESOURCES



What **input** will need to be secured (stock, raw materials, services) in order to execute the plan and offer my new product / service? What about employees?

| Manpower necessary | | |
|---------------------------------------|------------------|--------------------|
| Job title | Wages before tax | National Insurance |
| | | |
| Entry for budget: | B3 | B4 |
| Monthly wages in total (costs) | | |

Entry for budget:

| | |
|--|----------------------|
| What quantities of goods and materials (supplies) do I need to secure in order to satisfy the monthly takings which I defined in the chapter Products and services? | |
| = goods | CURRENCY/month |
| = ingredients | CURRENCY/month |
| = material | CURRENCY/month |
| = services | CURRENCY/month |
| B2 Total CURRENCY/month | |
| What services do I need to secure/purchase to make the idea/activity viable (CURRENCY/month)? | |
| = telephone | CURRENCY/month |
| = postage | CURRENCY/month |
| = bookkeeping | CURRENCY/month |
| = insurance | CURRENCY/month |
| = small repairs | CURRENCY/month |
| = travel | CURRENCY/month |
| | CURRENCY/month |
| I B7 TotalL CURRENCY/month | |

PRESENTATION / SELLING THE IDEA (1)



How will you present your idea to others? What tools will you use to sell / promote your idea?

PRESENTATION / SELLING THE IDEA (2)



How often will you use the given tools and how will you promote your activity?
 What financial means will be required to promote the idea, per month, quarter,
 half-yearly ...?

| Type of presentation | Presentation tool | Timing | Budget |
|----------------------|-------------------|--------|--------|
| | | | |
| B6 Total | | | |

PROFIT & COSTS – CASH FLOW FORECAST

| BUDGET (in CURRENCY) | JANUARY | FEBRUARY | MARCH | APRIL | MAY | JUNE |
|--|---------|----------|-------|-------|-----|------|
| A 1. Turn over from the goods/services sales (A 1.1 x A 1.2) | | | | | | |
| A 2. Income from loans, personal investments or grants from job centre | | | | | | |
| A. INCOME IN TOTAL | | | | | | |
| B.1 Purchase of equipment and property, reconstruction | | | | | | |
| B.2 Purchase of goods supplied and material into production | | | | | | |
| B.3 Gross salary of new employees, salary increase for existing employees (Gross salary) | | | | | | |
| B.4 Social and health insurance for employees (Gross salary x 0,35, or equivalent depending on area) | | | | | | |
| B.5 Utilities and energy (water, gas, heating) | | | | | | |
| B.6 Advertising and promotion | | | | | | |
| B.7 Other overheads (telephone, postage, accountancy, insurance, repairs, travel expenses, etc.) | | | | | | |
| B.8 Taxes and fees (incl. property taxes/stamp duties) | | | | | | |
| B.9 Repayment of mortgages, loans, leasing | | | | | | |
| B. EXPENDITURE IN TOTAL | | | | | | |
| C. DIFFERENCE BETWEEN INCOME AND EXPENDITURE IN EACH MONTH (A – B) | | | | | | |
| D. CASH FLOW / cash flow in the previous month + difference between income and expenditure in the actual month (C) / | | | | | | |

| BUDGET (in CURRENCY) | JULY | AUGUST | SEPTEMBER | OCTOBER | NOVEMBER | DECEMBER |
|--|-------------|---------------|------------------|----------------|-----------------|-----------------|
| A 1. Turn over from the goods/services sales (A 1.1 x A 1.2) | | | | | | |
| A 2. Income from loans, personal investments or grants from job centre | | | | | | |
| A. INCOME IN TOTAL | | | | | | |
| B.1 Purchase of equipment and property, reconstruction | | | | | | |
| B.2 Purchase of goods supplied and material into production | | | | | | |
| B.3 Gross salary of new employees, salary increase for existing employees (Gross salary) | | | | | | |
| B.4 Social and health insurance for employees (Gross salary x 0,35, or equivalent depending on area) | | | | | | |
| B.5 Utilities and energy (water, gas, heating) | | | | | | |
| B.6 Advertising and promotion | | | | | | |
| B.7 Other overheads (telephone, postage, accountancy, insurance, repairs, travel expenses, etc.) | | | | | | |
| B.8 Taxes and fees (incl. property taxes/stamp duties) | | | | | | |
| B.9 Repayment of mortgages, loans, leasing | | | | | | |
| B. EXPENDITURE IN TOTAL | | | | | | |
| C. DIFFERENCE BETWEEN INCOME AND EXPENDITURE IN EACH MONTH (A – B) | | | | | | |
| D. CASH FLOW / cash flow in the previous month + difference between income and expenditure in the actual month (C) / | | | | | | |

