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# ACCELERATED SKILLS ACQUISITION PROGRAM (ASAP)



## TRAINING FOR YOUNG ENTREPRENEURS Business/Entrepreneurship Skills

Contract Number: EDH-I-00-05-0029  
Task Order Number: EDH-I-02-05-00029-00

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**Accelerated Skills Acquisition Program**  
*Empowering Youth Through Career Skills*



ASAP Curriculum Endorsed by  
The Ceylon Chamber of Commerce

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# INTRODUCTION

## PROGRAMME GOALS

The goals of the *Accelerated Skills Acquisition Program (ASAP)* are to help young people:

- Strengthen personal competencies, such as communication, self-confidence, decision-making, basic English language skills, basic computer skills, and goal setting.
- Develop skills for successful employment, such as effective work habits, teamwork and cooperation, and financial literacy.
- Develop an acceptance/appreciation for alternative forms of employment and in particular, the private sector, self-employment and the creation of small enterprises.
- Engage in planning for their future and acquire a sense of what they want to do professionally in their life.

## SUBJECT AREAS

### Business/Entrepreneurship Skills

This particular curriculum is a complement to the comprehensive ASAP course that offers an introduction to youth entrepreneurship through a career exploration exercise that goes beyond the search for jobs in the public sector or within existing private companies. Depending on the choices made by participants attending a comprehensive ASAP course, they should be directed to attend this youth entrepreneurship course to complement the other more general course. This training programme can also offer a more solid base to young entrepreneurs having recently established their small business and are looking for ways to scale it up.

The course is designed in such a way that participants will be guided through the sequential steps in enterprise development and produce a viable business plan. The programme is designed to be taught in group settings, such as in training centres, community centres, vocational training schools, or production centres. This course does not rely obligatorily on English language proficiency, though English can be an asset for many business people and its use should not be excluded depending on the proficiency of the participants in your class.

Please refer to the *ASAP Facilitator's Guide* to obtain more information on how to implement the curriculum. It also complements the school education or vocational training provided to young adults and opens up a number of new options for young people when considering business options.

## IMPORTANT NOTES

- The approach adopted in this course encourages team work throughout the course and the production of a group business plan to make the entire exercise more fun and keep the interest of the participants, but also and foremost to help participants consider setting up businesses as small teams of business partners, helping each other and serving as coaches to one another by combining their respective strengths and talents and thereby mitigating the risks.
- Please note that the local market research exercise introduced in lesson ⑦ will require a couple of days to be completed by the participants. This could be done over a weekend or during the week, depending on the specific set-up you would like to use for the course.

## Youth Entrepreneurship Curriculum

<p><b>1) General Introduction:</b> Presentation of overall objectives of the course and training methods – by the end of the course, participants will develop individual work plans for a 6-month period beyond the course</p>
<p><b>2) Purpose and Objectives:</b> Presentation of objectives of the Business/Entrepreneurship course; analyse the pros and cons of setting up own business</p>
<p><b>3) Taking Risks:</b> Why taking risks? How to take calculated risks? How to mitigate risks through associates?</p>
<p><b>4) The Business World:</b> How does it differ from the public sector? Identify as many different types of businesses and products as possible</p>
<p><b>5) Generating &amp; Screening Business Ideas:</b> Understand the concept of a “business idea”, generate innovative business ideas</p>
<p><b>6) Introduction to Market Research:</b> Learn how to conduct a small-scale market research on variety of products, quantity, location, and quality</p>
<p><b>7) Undertaking a Local Market Research:</b> Define the homework (small-scale market research) participants are expected to do (<b>over a weekend or a couple of days during the week</b>)</p>
<p><b>8) Business Ideas and Market Research:</b> Prepare a panel to present your business idea(s) in relation with the results of the market research</p>
<p><b>9) The Market Place:</b> Display of all panels and visit of displays by participants; selection of best ideas and formation of teams around business ideas according to skills and competencies needed</p>
<p><b>10) Refining Business Ideas and Forming Teams of Business Partners:</b> Team meetings to clarify business idea within each team and role of each team member (associates)</p>
<p><b>11) Screening and Validating Business:</b> Consider market demand, availability of raw material and of appropriate technology, potential for profitability</p>
<p><b>12) Introduction to Business Planning:</b> Consider the importance of business planning and how to develop a business plan</p>
<p><b>13) Marketing Principles and Strategies</b>  <b>a. Theory:</b> Identify basic marketing principles and how they can have an impact on your sales  <b>b. Application (Business Plan):</b> Apply the learnings to define a marketing strategy for your business</p>
<p><b>14) Select Location for Business</b>  <b>a. Theory:</b> Consider various factors to take into account for selecting a location for a business  <b>b. Application (Business Plan):</b> Identify the best possible location for your business</p>
<p><b>15) Product Costing and Budgeting</b>  <b>a. Theory:</b> Learn basic budgeting principles; integrate all cost factors into budget  <b>b. Application (Business Plan):</b> Identify all possible costs involved in your business in order to define the cost of the product and your margin</p>
<p><b>16) Budgeting and Accounting</b>  <b>a. Theory:</b> Principles of loan repayments; fixed assets; working capital; other banking instruments  <b>b. Application (Business Plan):</b> Develop Financial Plan; Identify capital needed and loan repayment schedule; Produce projected profit and loss statement; Cash flow projection for first year</p>
<p><b>17) Legal Requirements:</b> Learn about legal requirements and registration offices for self-employment and small business; hiring of personnel; taxes and other social benefits</p>
<p><b>18) Completing Business Plan:</b> Verify content of business plan; Make necessary adjustments; Complete summary of business plan</p>
<p><b>19) Finalizing Business Plan:</b> Complete typing up the Business Plan so that it could be presented to potential investors and bankers</p>
<p><b>20) Preparing for Business Plan Presentation:</b> You have a limited amount of time to persuade friends, relatives, business relations, bankers to invest into your business – be clear, persuasive and to the point</p>
<p><b>21) Presentation of Business Plans:</b> All teams present their business plan to the rest of the group; Group vote on each business plan</p>
<p><b>22) Individual Action Plan:</b> Develop own action plan for the next 6 months, starting from the day following the end of the course</p>



# YOUTH ENTREPRENEURSHIP CURRICULUM

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# GETTING STARTED

## Learning Objectives

### Participants will:

- Identify the topics participants will explore in the project.
- Learn the names and interests of other participants.
- Create ground rules to guide the group's behaviour during the lessons.



## Materials Needed

- Visual means for recording ideas (paper, chart paper or white/chalk board and markers/chalk)
- Bottle with a narrow neck
- Glass filled with water and funnel

## Tasks to Complete Before Teaching

**For Generating Interest in Topic:** Place the bottle, glass filled with water, and the funnel on a table at the front of the room.

**For Information to Share:** Prepare a visual of the themes of the program. Use the following format:

- Write each theme as a title.
- Leave enough space to write 3-5 topic ideas.
- Include the following themes:
  - Generating business ideas
  - Doing a local market research
  - Screening business ideas
  - Planning for your business
  - Turning a business idea into a business plan
  - Drawing your personal action plan

**For Information to Share:** Prepare a visual listing all of the lessons to be taught during the program.

**For Group Activity/Practice:** Prepare a visual with a vertical line down the centre of the chart paper or white/chalk board. Label the left-hand side "Comfortable and Respected" and the right-hand side "Uncomfortable and Uneasy."

**For Group Activity/Practice:** Prepare a visual with the title "Ground Rules." The information that is written on this visual should be posted each time the group meets. It may be helpful to use chart paper for this visual.

## Prerequisite Skill or Lesson

Completion of comprehensive ASAP training.

# LESSON PLAN

## Length of Lesson: 45 minutes



**Facilitator's Note:** Durations are given as an indication but will vary from facilitator to facilitator. Depending on your style and the learning speed of the participants, you might need to adjust the daily work schedule for your courses.

## LESSON – ①

**Generating Interest in Topic****Facilitator Input and Demonstration (5 minutes)**

**Facilitator's Note:** *Even if the participants in the class have been previously together for weeks or months it is worthwhile to do the introduction exercises. The more participants know about each other, the more they will respect, understand and help each other, and – who knows – become business partners.*

1. Welcome participants to the group.
2. Introduce yourself by sharing your name, role with the organization, some of your interests, reasons you want to be a part of this project, and your excitement about working with the participants.
3. Tell participants you want to begin with an illustration. Point out the bottle with a small opening and the glass filled with water on the table at the front of the room.
4. Explain that you want to get the water from the glass into the bottle. However, if you pour the water very fast it will probably spill and go outside the bottle. If you pour it very slowly, it is likely to dribble down the side of the glass.
5. State that, in order for you to save all of the water and get it into the bottle, you will need skill and tools. You will need a funnel, the tool, and the skill to pour the water at the right speed to allow the funnel to work properly. Again, if you pour too fast or too slow, it will not work. If the bottle isn't big enough and you try to pour all of the water into it, it will spill.
6. Illustrate the concept by pouring the water into the bottle.
7. State that this group/class is designed to give them opportunities to learn skills and tools they will need for starting and running a business. In some ways, the participants are like the bottle and its capacity to hold the water. The number of the tools and skills they learn and use in their business depends on their capacity and willingness to stay interested and attentive in class.

**Information to Share****Facilitator Input (5 minutes)**

1. Explain the purpose for the project: *This project is designed to help participants gain the knowledge and skills to be more successful in starting and running a business.*
2. Display the visual listing the major themes of the project. Ask participants to think about the themes and be ready to share what topics they think might be covered in each theme.
3. After a minute or two, ask for ideas from the participants for each theme. Write their ideas on the chart in the space between each theme.
4. Display the visual of the lesson titles. Have participants compare their list of ideas with the lesson titles. Note the similarities and differences.



**Facilitator's Note:** *If there are many ideas suggested by the participants that are not on the list of lesson titles, suggest that you will try to incorporate their interests throughout the course. As you lead discussions during the teaching of the lessons, try to remember their ideas and integrate them as appropriate and feasible.*

5. Tell participants it will be more fun and easier to learn if they get acquainted with one another and begin to learn one another's names, professional goals, reasons for taking the course, and interests.

**Group Activity/Practice****Activity (20 minutes) — Use English if possible**

1. For the first activity, explain that they will find others in the room who have the same interests or characteristics as they do. You will suggest some common interests and characteristics. When you

state an interest or characteristic, they are to get up and move around the room forming groups with others in the room who share the same interest or characteristic as they do. Provide an example.

- If you, the facilitator, said, “Find others who like the same favourite fruit,” participants would get up and ask others “what is your favourite fruit”.
- Share your favourite fruit and tell participants that, if you were playing the game, you would be trying to find others who were saying the name of “(your favourite fruit).” Then, you would stand together.



**Facilitator’s Note:** *If possible, play the game together with the participants so they learn about your interests and characteristics as well. Through such exercises, you get closer to the participants who start perceiving you as a closer person, without lowering their respect for you.*

2. Have participants try the activity using the interest or characteristic you used as the example — What is your favourite hobby? What do you like best in a person? What business or type of business they want to create?
3. When they have formed groups, ask each group to report its favourite fruit or the interest or characteristic they used.
4. Repeat the process with the following interests or characteristics or create your own. Select those that seem appropriate for the group with which you are working.
  - Favourite evening activity
  - Favourite musical group or artist
  - Favourite breakfast food
  - Favourite type of business
5. After conducting the first activity with three or four interests or characteristics, have participants find a partner who was not in their last group and someone they do not know well. Have them find a comfortable place to sit together.
6. Ask them to decide among the two of them, who is Person “A” and who is Person “B.” Tell them that Person A will be talking with Person B about a topic you will give them. They will have one or two minutes to talk. Person B will listen and learn more about the person. The following are suggested topics. Select those most appropriate for your culture and group or create your own.
  - Business I’d like to have some day
  - Skills/talents that I have
  - Characteristic I look for in a good friend/business partner
  - One thing I worry about creating my own business is...
7. After one or two minutes, ask the pairs to reverse the roles. This time Person B will speak and Person A will listen. Select a different topic.
8. When Person B is finished, have the participants form a seated circle. Have each participant introduce himself/herself or introduce the partner by sharing:
  - Name
  - Place where they live
  - Something they like to do in their free time
  - Someone they would like to meet if they could meet anyone in the world

### Activity (10 minutes)

1. Display the visual with the titles “Comfortable and Respected” and “Uncomfortable and Uneasy.”
2. Ask participants to share with you behaviours that will make them feel comfortable and respected in the group. Write their ideas on the left side of the chart paper or white/chalk board.
3. Ask participants to suggest behaviours that will make them feel uncomfortable and uneasy. Write their ideas on the right side of the chart paper or white/chalk board.
4. Ask participants to look at their ideas and review them.

## LESSON – ①

5. Tell participants they will use their ideas to create a list of ground rules for the group's behaviour during the lessons. Ask them to select the behaviours that are the most important to them and create a list of five to eight ground rules.



**Facilitator's Note:** *If participants have difficulty suggesting rules, offer a few of the examples from the next step to get them started. It is sometimes a matter of just a couple of suggestions to get some participants start contributing to the activity.*

6. Write the ground rules on the visual titled "Ground Rules." If the participants do not suggest the following ground rules, offer them as ideas that are important for you, as the leader, to be comfortable in the group.
  - Show up for the lessons on time.
  - Share your thoughts and opinions.
  - Do not interrupt others when they are talking.
  - Pay attention when others are speaking.
  - Do not make fun of others or put them down.
  - Do your share of the work in small groups.
7. Keep this visual posted whenever the group meets.
8. Tell participants that each group session/class will be 45-120 minutes in length (with short breaks in the case of long sessions). Be sure they understand the schedule for the lessons and when the next lesson will be taught.
9. Tell participants that certificates will be issued at the end of the course for those who have achieved good results and actively participated in the entire course.

## Application of the skill

### Discussion (5 minutes)

#### Ask participants:

- What is one thing you are looking forward to as you think about attending this training?
- Why do you think it is important to have and adhere to the ground rules?
- What is something new you learned about someone in the room?

# PURPOSE AND OBJECTIVES OF COURSE

## Learning Objectives

### Participants will be able to:

- Understand the purpose and objectives of the business entrepreneurship module content
- Consider the pros and cons of setting up their own business
- Have a better sense of the implications of creating their own business



## Materials Needed

- Objective Oriented Project Planning Cards (ZOPP) and pin Board
- Masking tape
- Flip chart
- Marker pens

## Tasks to Complete Before Teaching

- For Generating Interest: Prepare several balls using papers of 2 or 3 colours and tape them to make convenient to throw and catch. (Plastic or rubber balls of 2 or 3 colours can be used if available).
- Identify at least two local business people who are willing to present their business experience with the participants. Select at least one who has got a few employees (5 and more), and at least another one who works for himself/herself.
- Take the time to discuss with them beforehand, to make sure that they understand what is expected from them and clarify how they are going to present their experience.

## Prerequisite Skill or Lesson

- Participants know each other
- Improved communications skills
- Participants have defined their life goals

## LESSON PLAN



**Length of Lesson: 80 minutes**

## Generating Interest in Topic

### Group Exercise (10 minutes)

1. **Ice breaker/ Energiser – group Juggle** – Professional Self-introduction game. Who am I professionally?
2. Ask Participants to stand and make circle keeping hand distance. Facilitator should be a part of the game which makes the game more lively and fun.
  - Ask the participants to introduce themselves professionally (inventing a profession for themselves) and throw the first ball to another person in the circle. (I am Mahinda, Restaurant Owner and Manager)
  - The person who receives the ball, thanks the sender, using the name and profession heard, and then sends the ball to someone else, introducing him/herself in the same way.
  - The last person to receive the ball is the Trainer who then introduce a ball of a different colour,

## LESSON – ②

passes the ball to a participant in the circle by giving the name and profession of the recipient (the person you send the ball to).

- The person receives the ball and passes to another person until all participants have received the 2nd ball and finally pass the ball to the trainer.
- If the game proceeds smoothly a third ball can be introduced. Participants have then to thank the person who passed the ball (name and profession) and pass it to someone else by giving the name and profession of the recipient.

## Information to Share

### Facilitator's Input (10 minutes)

- Course contents – Emphasize the purpose of the entrepreneurship development course and link it with previous ASAP courses they have completed.



**Facilitator's Note:** Acknowledge the fact that perhaps not everyone attending this course is totally determined to create his/her business, and that some have only thought of it, but don't really know where to start and how to go about it.

*Explain:* At the end of the course, some of you may decide that entrepreneurship is not really for them and eventually will want to get a paid job. Whatever you decide to do at the end of the course is your decision, but in any case, be assured that in the same way as what you learned earlier during the general/comprehensive ASAP course will help you become a successful business person, learning about entrepreneurship will help you in any paid job, and even if you work for some government administrations. So, if you feel that entrepreneurship is not for you, don't give up in the middle of the course, what you will learn will help you in any case.

*Emphasize:* Creating your own business is, in many cases, a better life option than working for someone else and that you can make a good living, plus being your own boss. Introduce the two business people you have invited so that they can present their business experience. As the facilitator, ask a number of questions to help initiate the dialogue and direct the discussion.

## Practice of the Skill

### Panel with at least two Business People (25 minutes)

Here are some questions that can be used in this context:

- How they all started?
- What help they got from whom – if any?
- If they did not get any help – what is it that they feel would have helped them then?
- What they like or don't like in their business situation?
- What the challenges have been and are still today?
- What motivated them to create their own business?
- If they were to go back in time, would they do it again?
- What would they do differently?



**Facilitator's Note:** Encourage participants to ask as many questions as possible in order to better understand their situations, the pros and cons of becoming an entrepreneur, and whether this is something that they might find tempting after having listened to their presentations.

*Ask participants whether the presentations may have made them change their mind about entrepreneurship and whether – as a result of it – they would now be more determined to create their own business, or – on the contrary – would want to give up the idea of starting their own business.*

### Group Activity (15 minutes)

1. Form groups of approximately 5 people, keeping together those who might consider setting up their own business on the one hand, and those who are still hesitating or unsure, on the other hand.

2. Brainstorm in each group to come up with as many motivations as possible as to why they would consider setting up their own business if they consider it as an option, or would not if they are unsure.
3. In each group, identify a secretary who will report to the group on their motivations.
4. Outside presenters/panellists – if still in the room – may want to challenge some of the motivations expressed by the participants. Facilitator should do the same with both sides.

### **Small Group Activity — Pros and Cons (20 minutes)**

1. Form groups of approximately 3 people and brainstorm for 10 minutes to come up with as many pros and cons as you can. The positive or negative motivations expressed above might constitute some of the pros and cons.
2. Share your ideas with the whole group (10 minutes) by creating a complete list.
3. Make sure the following ideas are also listed:

#### **PROS:**

- ◆ You'll be your own boss, and the boss of other people, and make the decisions that are crucial to the businesses success or failure.
- ◆ You'll have the chance to put your ideas into practice.
- ◆ You will make money for yourself rather than for someone else.
- ◆ You may practice in every aspect of running a business and learn more about every aspect of a business and gain experience in a variety of disciplines.
- ◆ You'll have the chance to work directly with your customers.
- ◆ You'll derive personal satisfaction from creating and running a successful business.
- ◆ You'll be able to work in a field or area that you really enjoy.
- ◆ You'll have the chance to build retirement value (for example, by selling the business when you retire).
- ◆ Last but not least – no one can fire you.

#### **CONS:**

- ◆ You may have to take a large financial risk and will probably have to work long hours and may have fewer opportunities to take vacations.
- ◆ You may end up spending a lot of time attending to the details of running a business and less time on those things you really enjoy.
- ◆ Depending on the type of business you develop, you may find that your income is not steady and that there are times when you don't have much income coming in at all.
- ◆ You may have to undertake tasks you find unpleasant, such as firing someone or refusing to hire a friend or relative.
- ◆ You may have to learn many new disciplines, such as filing and bookkeeping, inventory control, production planning, advertisement and promotions, market research and general management.
- ◆ You may go out of business and may have to restart a new business.



LESSON – ③

# TAKING RISKS

## Learning Objectives

**Participants will be able to:**

- Analyse the characteristics of decisions that can place one’s life or career plan at risk.
- Identify the steps for making decisions.
- Become familiar with and learn to apply the DECIDE model for decision-making.
- Analyse the different levels of risk of a single decision.



## Materials Needed

- Visual means for recording ideas (paper, chart paper or white/chalk board and markers/chalk)
- Masking tape
- Paper
- Pencils or pens

## Tasks to Complete before the Learning Process

- Cards with different scenarios (Appendix 1)
- Sign with the title “The DECIDE Model”
- Three signs with the titles “No Risk”, “Moderate Risk” and “High Risk”

# LESSON PLAN



## Length of Lesson: 60 minutes

## Generating Interest in Topic

### Facilitator’s Input and Activity (5 minutes)

1. Explain to the group that everyday human beings, whether children, youth or adults, make decisions about our lives, for example, what we are going to eat, what clothes to wear, what kind of transportation to take, etc. but there are some decisions that can imply certain levels of risk to our lives or career plans, such as deciding whether or not to change job, move from the public to the private sector, establish one’s own business, purchase new equipment, hire new staff, etc.



**Facilitator’s Note:** *It is important to point out that decisions that imply risk are not necessarily negative and can open up real opportunities but that they do imply a dilemma for the people who decide to take them; that they have to weigh the pros and cons and assess the implications. Not taking any risks is often considered as safer, but it is likely to prevent the people concerned to open new doors and consider new career opportunities.*

2. Ask the group to brainstorm about the characteristics of these kinds of decisions (those that can imply a risk for our lives or career plans). Record the group’s ideas in a visible place.

*Some examples of ideas are:*

- They can have some consequences on your income or retirement.
- They can question or reflect upon your values or the way you are perceived in your community.
- The consequences could drastically change your life plan, and bring you a much better income, or some hardship for some time, or even both.

- The decision could please or disappoint your partner and have an impact your children or family. For instance, you may have a better income, but have less time with your family.



**Facilitator’s Note:** *If the participants don’t mention these characteristics of what kinds of risks decisions may have for us, make sure to mention them and leave all the ideas in a visible place throughout the lesson.*

3. Explain to the group that during our lives we have to make decisions that can place us at risk and that we will dedicate this lesson to analyse how we can best face these decisions.

## Information to Share

### Group Activity (10 minutes)

1. Ask participants to count off in a circle saying “Earth”, “Wind” and “Fire” consecutively and then have the “Earth” participants form one team, the “Wind” participants form another and the “Fire” participants form the last team.
2. Assign one of the situations in Appendix 1 to each team, giving them enough copies for the team, and ask them to read the situation and think of their decision. Give them five minutes to decide
3. Once each team has made its decision, ask the members to identify the steps they took to make their decision.
4. Ask each team to choose a spokesperson to explain to the entire group the steps they identified. Record their contribution in a visible place. If a certain step is repeated, point out that it was already written down.



**Facilitator’s Note:** *The most important part of this activity is to distinguish the different steps of decision-making, rather than the actual decision itself. In this sense, try to avoid debates about the final decisions*

### Facilitator’s Input (5 minutes)

1. Display the visual of the DECIDE model for decision-making.
  - D - Dilemma
  - E - Examine your options
  - C - Consider your values and aspirations
  - I - Identify pros and cons
  - D - Decide
  - E - Evaluate
2. Explain to the group that this model suggests some steps to follow for making decisions that can be complemented with the steps they identified in the previous exercise.
3. Explain the DECIDE model to the group.

D - Dilemma	Identify the dilemma or problem that you are facing
E - Examine your options	Examine all the possible options you have for making your decision and the possible consequences
C - Consider your values	Consider how each option reflects upon your values
I - Identify pros and cons	Analyse the pros and cons of each option
D - Decide	Decide upon the option that is best for you and act on it
E - Evaluate	Evaluate the results of your decision, analysing whether or not it filled your expectations

4. Ask the participants if they have any comments, questions or suggestions for modifying these steps and what they think of this model of decision-making.

## LESSON – ③

### Group Activity / Practice

#### Paired Practice (10 minutes)

1. Ask participants to find a partner from a different team than the one they worked with in the previous exercise.

*The taller participant in each couple will be participant A and the shorter participant will be participant B.*

2. Ask participant A to explain to participant B the situation that his or her team worked on and using the DECIDE model, have them analyse the decision that he or she would take. Give them three minutes for this task.
3. Upon finishing participant A's time, ask participant B to do the same thing in three minutes.
4. Ask two or three participants to share their reflections of how these situations put the youth career at risk and what exactly they risked or could have been at risk depending on the decisions they made.

#### Group Activity (20 minutes)

1. While the participants are working in pairs, draw a line on the floor with masking tape with arrows at each end. The line should be long enough for all of the participants to stand on it. To the far left of the line, place the sign saying "No Risk"; in the middle of the line, place the sign saying "Moderate Risk"; and on the far right, the one saying "High Risk."
2. Once the group has finished the activity in pairs, ask them to stand around the masking tape line.
3. Tell the group that there are different factors that come into play when we make decisions, such as our values; what other people may think of us; our desire for adventure, fear, etc; the time we can have at home or with our family; a better income. This means that we do not always make the decision that implies the least or no risk. When we make decisions, we should be conscious of the different levels of risk that each decision implies and their possible consequences.
4. Explain to the group that you will read a situation out loud. They should use the DECIDE model to make a decision and then take a position on the masking tape line, to the far left if they believe their decision has no risk whatsoever and gradually to the right if their decision implies some kind of risk.
5. Read the first situation out loud to the entire group and give the participants time to think and take their positions on the line, depending on their personal decision.

*You are currently unemployed and get a new job offer to work as a driver to transport goods across the island. You are married with two children, and you will need to spend several nights on the road every week. In addition, the lorries are old and you are not very sure about their safety, but you need the income. What do you decide to do?*

6. Once all of the participants are standing on the line, ask two or three participants who are standing in different places to share their decision with the group and to explain the level of risk they believe their decisions imply, in correspondence with their place on the line.
7. Ask the group:

- What kind of decision would imply no risk?

*Some possible answers could be:*

- ♦ Do not accept the job offer.
- ♦ Try to negotiate another position within the company that does not imply driving the lorries.
- ♦ Keep looking for other jobs.



*It is important to point out that almost all of the decisions imply some degree of risk. For instance, if you do not accept the job offer, you will continue to have no income...*

- What kind of decision would imply a moderate risk?

*Some possible answers could be:*

- ◆ You know the person who is responsible for the maintenance and make sure he looks well after your lorry. After working hours, you learn about maintenance and can assess the safety of the vehicle and undertake some repairs yourself.
  - ◆ Decide to accept but negotiate to be able to stop the lorry if you feel some mechanical problems could occur.
  - ◆ Negotiate a limited number of driving hours per week.
- What kind of decision would imply a high risk?

*Some possible answers could be:*

- ◆ You need the money and do not negotiate special conditions.
  - ◆ You need the money and are willing to work overtime in order to increase your income.
8. Read the following situation and give participants time to think and take their place on the line depending on their decision.

*One of your friends comes to visit and after talking for a while, he tells you more about his business and invites you to work for him for a salary that is more than three times the one you are currently getting at the town hall public services. You have never worked in a small company and you don't really know how his business is doing (specific questions would be impolite) but you are excited about the idea of doing something different. The new job would also mean that you will no longer work from 9 to 5, but will work longer hours. What do you decide to do?*

9. Once all of the participants have taken their place on the line, ask two or three participants who are standing in different places to share their decision and to say why they believe their decision puts them at risk or not.

10. Ask the group:

- What kind of decision would imply no risk?

*Some possible answers could be:*

- ◆ Thank the person for the invitation but tell him you can't accept.

- What kind of decision would imply a moderate risk?

*Some possible answers could be:*

- ◆ Negotiate a 3-month leave without pay with the administration so that if the offer does not work out well, you can always return to your current job.
- ◆ Obtain more information on the company and accept the position.

- What kind of decision would imply a high risk?

*Some possible answers could be:*

- ◆ Leave your current employment and move to this new venture because the salary is good.

11. Conclude by telling the group that decision-making can be difficult but the surer they are of who they are and what they want from life, the easier it becomes.

## Personal Application

### Discussion (10 minutes)

1. Invite participants to think about and write down the decisions they have made that have affected their lives and careers.
2. Ask them to write down the decisions that they will make in the next few weeks that could affect their lives and careers.
3. Ask them to choose one of the decisions they will have to make soon and to use what they learned from this lesson to make their decision.

## Decision-making situations that imply some risks

### SITUATION 1

You are a 17-year-old young woman who had to drop out of school a year ago because your mother asked you to take care of your little brother and sister while she works. Since your father left for the United Arab Emirates, you haven't heard from him.

You are really worried about your family's financial situation and even though it was hard for you to leave school, you're happy to be able to help your mother and siblings, although you would like to be able to contribute more.

A month ago, when you were really desperate because there wasn't enough money for food for your siblings, you met a woman at the market. She noticed that you didn't have enough money for the things you wanted to buy and she gave you the vegetables you needed to buy and invited you to her sewing workshop.

Since then, you've been going to the workshop three times a week and received some food in exchange for your work. You don't know what to do and whether you should work there everyday, and also you have the feeling of being exploited and don't know how you should ask for money and for clearer working conditions. You are scared that the lady would get upset with you.

### SITUATION 2

You are a 19-year-old young man and for a year now, you have been working for a small construction company. You are receiving a small salary, but you feel that you could do a lot more by yourself and earn more money.

You know masonry, electricity, plumbing, but that is not enough to start your own construction business. You hesitate between staying in your current situation and just making enough money to go from one week to the next, or create a business with a couple of associates and possibly make more money.

You need the help of someone who could deal with carpentry and painting so that collectively you could offer a complete service. Then, depending on the amount of work, you could hire additional workers to work under your direction.

### SITUATION 3

You are a 23-year-old young man who is working for the local government and your income is enough for you and your family, especially since your wife is also working.

You have noticed that there is really no Hardware store in your village and that people have to travel 5 km to buy a number of construction materials. There is another small village that is close to you that is in the same situation and it would be easier for those villagers to come to your village to buy construction materials rather than to go to the town.

You have been thinking of opening your own Hardware store and to work there with your wife, but you are not sure how it would work out. The two of you stopping to work for setting up the business might be too big a risk. On top of that, you would need to take a loan to set up the business.

**Consider all your options.**

# THE BUSINESS WORLD

## Learning Objectives

**By the end of the session, participants will be able to:**

- Better understand the differences between the public sector and the private sector
- Identify as many different types of businesses, products and services, as possible
- Identify various roles that people play in the context of various businesses
- Understand the overall situation of the business/unemployment situation in Sri Lanka



## Materials Needed

- ZOPP cards and pin Board
- Masking tape
- Flip chart
- Marker pens
- Pictures and posters (related to corporate settings and government settings.)
- Newspaper articles

## Definition of Terms

- See “Note — The World of Business Today” at the end of the lesson.

## Tasks to Complete Before Teaching

- Magazine pictures and posters (related to corporate settings, government settings.)
- Newspaper articles

## Prerequisite Skill or Lesson

- None

## LESSON PLAN



**Length of Lesson: 60min**

### Generating Interest in Topic (10 minutes)

- Presentation by the Facilitator using pictures, posters, diagrams, etc, highlighting some differences between the Public Sector and the Private Sector. Cartoons are acceptable as long as the Facilitator explains that they represent the extreme rather than the reality.

### Group Work (10 minutes)

- Participants, by groups of 3 people, identify as many characteristics of the Public Sector and of the Private Sector as possible. (See Note at the end of this lesson for definition of terms.)

### Group Work (10 minutes)

Participants, by groups of 3 people, identify as many types of enterprises as possible.

<p><b>Trade / Retail</b></p> <ul style="list-style-type: none"> <li>Newspaper stand</li> <li>Clothing store</li> <li>Fashion boutique</li> <li>Bicycle shop</li> <li>Antique shop</li> <li>Camera shop</li> <li>Art and craft gallery</li> <li>Drugstore</li> <li>Gift shop</li> <li>Liquor store</li> <li>Florist</li> <li>Pet shop</li> <li>Vegetable store</li> <li>Fruits store</li> <li>Grocery store</li> </ul> <p><b>Other</b></p> <ul style="list-style-type: none"> <li>Distributorship</li> <li>Auctioneer</li> <li>Wholesaling</li> <li>Brokerage</li> <li>Real estate</li> </ul>	<p><b>Services</b></p> <ul style="list-style-type: none"> <li>Computer services</li> <li>Print shop</li> <li>Landscaping</li> <li>Rental service</li> <li>Interior decorating</li> <li>Warehousing and storage</li> <li>Auto repair shop</li> <li>Accounting and tax service</li> <li>Business franchise services</li> <li>Car wash</li> <li>Employment agency</li> <li>Travel/tours agency</li> <li>Real estate agency</li> <li>Cyber café</li> <li>Banking/Forex Bureaux</li> <li>Security</li> <li>Transportation</li> <li>Restaurant</li> <li>Motel</li> <li>Fashion</li> <li>Building contractor</li> <li>Design work</li> <li>Tailoring</li> </ul>
<p><b>Manufacturing</b></p> <ul style="list-style-type: none"> <li>Machine shop</li> <li>Medical equipment</li> <li>Food processing/home products</li> <li>Industrial equipment/components</li> <li>Cosmetic and beauty products</li> <li>Furniture</li> <li>Coir products</li> <li>Bricks, pots, tiles and other clay products</li> <li>Cement base products</li> <li>Food products</li> <li>Wheat and rice based products</li> <li>Animal feed</li> </ul>	<p><b>Agriculture</b></p> <ul style="list-style-type: none"> <li>Vegetable cultivation</li> <li>Fruits orchard</li> <li>Flower production</li> <li>Foliage production</li> <li>Goat farming</li> <li>Cattle farming</li> <li>Broiler production</li> <li>Egg production</li> <li>Pig farming</li> <li>Fish farming</li> <li>Beekeeping</li> <li>Root crops</li> <li>Sugar Cane</li> <li>Agriculture services</li> </ul>

**Group Work (5 minutes)**

- In an enterprise people would have different roles. All are needed for the success of the enterprise. In the case of self-employment, the person would have to play all the various roles in sequence in order to offer the services or the goods.



- Try to think of the various roles that are needed in an enterprise.

Leader	Worker
Promoter	Employee
Employer	Producer
Manager	Follower
Key player	Observer
Proactive	Passive

In your small group, discuss the type of role(s) you would feel more comfortable playing and why.

### Information to Share (8 minutes)

1. The creation of a successful enterprise is seldom the impulse of a single person. Many types of enterprises require the involvement of several people who can complement each other. Choosing to start a business with your best friend because he/she is your best friend is probably the best way to stop being friends after some time.
2. Entrepreneurs are promoters because they can scan/feel the environment, identify opportunities, gather resources and implement the business idea.
3. Entrepreneurs solicit the participation of other persons, as partners in a business project because of the degree of success or failure factor involved (risk mitigation), or the complexity of a business idea may require more than one person to run it effectively.
4. Partners can also participate as directors by contributing positive ideas to advance the enterprise's objectives. Such would also include: (a) ensuring compliance with all legal requirements, (b) safeguarding the interests of employees, especially women, particularly in the context of decent work, (c) ensuring that business is conducted honestly and diligently, and is devoid of fraud and deceit, (d) ensuring social responsibilities and expectations are met.

### Group Work (12 minutes)

- In small group of five, discuss the various roles that are needed in creating an enterprise and discuss how you feel you could contribute.

### Personal Application: by pairs (5 minutes)

1. Identify the role(s) that you think would make more sense to you and why you would select it/them.
2. Ask them to write down the roles and their corresponding motivations.

## LESSON – ④

**Note — The World of Business Today****1. Introduction**

The world of business commenced about 10,000 years ago with the trading of crops and animals. During early stages, the world economy consisted mainly in the provision of basic human needs, and the prosperity of a country was measured mainly by food self-sufficiency. Agriculture and Industries have played a major role in the world economics until the 20th century. However, today's world is dominated by the service sector, representing over 50% of the total world economy. Today, the major contributor to wealth is knowledge; hence this era is called the knowledge era.

During the last two decades, the ever-expanding Internet and IT infrastructures have in turn accelerated the knowledge economy where businesses thrive on expertise and intellectual capabilities based on networking, connecting and collaborating. Faster communications led to faster decision making and growth. Proactive facilitation of providing human capital needs for tomorrow's knowledge economy is a challenging task in workforce development.

**2. Policy Framework**

The primary role of the government is to create a policy framework, provide basic economic infrastructure, provide/ensure basic human needs, ensure public security and maintain law and order of the country; while private sector handles the majority of country's business in most economies. Every country plays a role in the world of business. Many economies with strong production/manufacturing resources and strengths dominate the world economy by exporting such goods and services to needy economies. Several economies are still strong as world trading hubs due to their strategic locations in the world map. There are several other economies that emerged in the recent past, due to the adoption of business-friendly policy frameworks, while the majority of the economies struggling with negative trading balances (export revenue/import expenses). All the economies today rely on accessing the world market for their products and services.

In general, about 10-20% of the workforce is engaged in public sector while a greater proportion of jobs is created in the private sector. Public sector jobs are known to be lower-paid jobs and less challenging, but more secured; while private sector jobs are more challenging and have performance-based reward systems.

**3. Youth Preparedness and Labour Market Expectations in Sri Lanka**

One of the main questions regarding youth unemployment today is why the expectations and behaviours of youth have not adapted to the reality of the labour market. Why does the mismatch between demand and supply continue to persist, even when it is widely documented and well-understood in Sri Lanka? For the past 15 years, researchers, policy-makers and workforce specialists have pointed to the skills mismatch between the education and the employment sectors. Three main explanations for the failure of youth to adapt their expectations can be noted: preferences for public sector employment; the poor quality of the education in general; and the attitude towards "good jobs".

**4. Preference for public sector employment over private sector jobs**

*The following few paragraphs detail the key perceptions of youth regarding employment, and how these perceptions act as obstacles to the adjustment of the skills mismatch among the youth.*

For example, one of the most perplexing and persistent trends regarding youth and employment is the preponderance of youth preference for public sector employment. To examine this issue, let us look at the public/private sector distribution of employment in Sri Lanka. As per the report published annually by the Sri Lankan Department of Census and Statistics (Census, 2006) – public sector employment represents around 24% of salaried employment in the country,

and only 13.4% of the total employment in the country. Since 1990, public sector employment has declined from 22% of the total employment (39% of salaried employment) to 13.4% of total employment (24% of salaried employment during that same time period (Census, 2006).

However the expectations and preferences of youth have not adapted to this labour market reality. In the School-to-Work (STW) survey of youth of 2003, 53% of youth currently in school programs stated their preference for government/public sector employment, whereas the second ranked preference was “owning one’s own business”, with 21% of respondents. This trend declines as students move into a job search and gain employment status. In this category, 42% of job seekers preferred government jobs and owning one’s own business was preferred by 23%. Among already employed youth, 28% would prefer government jobs, and 23% would prefer to own their own business. The preference towards public sector employment declines in relation of the extent that youth have direct experience in the world of work (STW – 2003).

This trend seems exacerbated when considering gender and education characteristics. Women consistently rank public sector employment higher than men. For Example, 63% of woman in school prefer public sector employment, while only 45% of men state such preference. Employed female youth prefer public sector employment at a level of 36%, almost half of those in school programs. It is clear that women consider the public sector as a main avenue for employment, however the more experienced these female youth are, the less interest they have to join a public sector employment (STW, 2003).

Similar findings can be demonstrated in terms of youth with completed O/L and A/L certification from the secondary education system. Students and new job seekers who have passed the O and A level exams have extremely high preferences for public sector employment (55 and 61% respectively). One sees that it is only with work experience that youth change their preferences in terms of employment sector. This data provides a significant indication that work experience is a critical factor shaping youth expectations, favouring private sector employment over public sector employment.

## LESSON – ⑤

# GENERATING & SCREENING BUSINESS IDEAS

## Learning Objectives

### Participants will

- Understand the concept of a “business idea”;
- Generate innovative business ideas;
- Understand the need for and the concept of screening business ideas.



## Materials Needed

- Flip chart
- Marker pens

## Tasks to Complete Before Teaching

- None

## Prerequisite Skill or Lesson

- None

## LESSON PLAN



### Length of Lesson: 60min

### Generating Interest in Topic (5 minutes)

- Share with the participants a number of original business ideas that were very unique when they were first developed in Sri Lanka and that have been very successful.
- Thinking out of the box or thinking creatively is important in generating new business ideas rather than copying what your neighbour is already doing.

### Information to Share (5 minutes)

- A good business idea is essential for starting a successful venture and for staying competitive afterwards. Good business ideas, however, do not usually just occur to an entrepreneur. Rather, they are the result of hard work, effort, research, discussions, interviews and often creativity on the part of the entrepreneur.
- In some cases, you don't need to develop the concept yourself, but you are ready to invest in a business concept that is working elsewhere and to bring it to a specific area. This type of business is called franchising and can be very effective if the market study is well conducted.

### Group Activity (35 minutes)

1. Conduct brainstorming by groups of five participants for around 10 min on different income generating ideas they can think of.
2. After 10 minutes, encourage participants to create a second list by thinking of other possible ideas of hobbies and fields of interest of the participants that could create opportunities for income generating ideas. First, in your group, establish a list of hobbies and areas of interest that participants have; then brainstorm on the possible business ideas that could derive from those hobbies and areas of interest.



**Facilitator's Note:** *As for any brainstorming, there is no limitation to what participants come up with and there is no idea that is rejected – all ideas are written on the flip chart.*

3. As a last stage of the exercise, identify within the group a number of business ideas from the two lists that participants would be interested in considering as possible business ventures.
4. Present the short list to the rest of the group.

## Personal Application

### By pairs (10 minutes)

1. Identify the business ideas that you think would make sense to you and why you would select them.
2. Ask them to write down the business ideas and the corresponding motivations.



LESSON – ⑥

# INTRODUCTION TO MARKET RESEARCH

## Learning Objectives

### Participants will

- conduct a small-scale market research in their villages and surroundings, limited to two aspects: product or service, and location.



### Materials Needed

- None

### Tasks to Complete Before Teaching

- None

### Prerequisite Skill or Lesson

- None

## LESSON PLAN



### Length of Lesson: 50min

### Introduction – Facilitator’s Input (20 minutes)

- 👉 **Facilitator’s Note:** *The Market Research should come later in the course, but since it is time-consuming, it will be partly carried out over the weekend so that results, findings and conclusions can be used later during the course.*

*The Market Research concept will be introduced, but only two aspects of the research will be considered at this stage.*

### How to Conduct Market Research

- The importance of market research  
*While conducting market research can be time consuming and costly, the cost of research needs to be balanced against the importance of ensuring that your business venture is successful. Some businesses will conduct research using their own staff but it is often difficult to be objective about your own product.*  
*At the same time, since you do not obligatorily have a definite product or service to offer at this stage, the best bet for you is to investigate the following:*
  - ♦ What is already offered in your area? What are the products or services already offered that are comparable to your business idea(s)? Are these different from what you have in mind or should you make yours somewhat different? (consider a certain radius for your research)
  - ♦ In what quantities? (how many shops, stores, workshops, etc. are already offering such product or service?)
  - ♦ Is there saturation of the market? (Are the shops offering such products finding it difficult to sell more or – on the contrary – would they be able to sell more if they had the supply or the investment?)
  - ♦ What are the products or services not currently available in your area and for which potential customers are currently travelling relatively far away to acquire them?
- There are two main types of market research:

*Quantitative - using information such as statistics, ratios and market size*

*Qualitative - using information gained through human relationships with the market*

- ♦ Quantitative data is objective, formal, unbiased and in its most common form involves questionnaires of the yes/no variety. Quantitative data, while supplying easily digested facts about your market, does not provide an in depth response to your product or service.
- ♦ Qualitative data, which is subjective, open-ended, and informal, can provide a more complete picture by finding the reasons why your audience does or does not like your product or service. The most common form of qualitative research is the focus group.

*All good researchers will combine both kinds of data to provide the most strategic and significant report.*

- Questions to ask: the four P's

*The four questions which form the basis of any good market research are known as "the four p's". These are:*

- ♦ product or service
- ♦ price
- ♦ promotion
- ♦ place (or position)

- Using the four p's to guide your research will help you to focus the questions you need to ask, such as:

- ♦ who will buy your product or service
- ♦ where are the customers
- ♦ how often will they buy and in what amounts
- ♦ what styles and colours do they like
- ♦ what sizes or specifications are needed

*While long-established businesses can call on experience and historical trends which they have charted over many years, businesses in the start-up stage need to answer these questions before they embark on a marketing strategy. Even established operations need to analyse their products and markets regularly and cannot rely on historical data alone to drive their marketing strategies.*

*To find some answers to the first elements that concern us at this stage, we will need to gather factual information through personal interviews, and note taking while travelling in the area.*

At this stage we will only concentrate on the product(s) or services, and on the place/location.

### **Group Activity (30 minutes)**

- Form pairs and ask them to prepare a strategy on how to go about their market research and how wide a circle of potential customers they are going to interview.
- Make sure that participants develop concrete plans so that they can complete this part of the market research over the weekend.
- Share some ideas with the whole group.



# UNDERTAKING A LOCAL MARKET RESEARCH

## Facilitator's Input and Questions (15 minutes)

1. Over the weekend, participants are expected to conduct their small-scale market research and to gather as much information as possible. Think of the possible business ideas that you have developed and try to see how feasible these would be in your area. In some cases, you might realize that the business idea is good but that local people do not have enough disposable income to buy your product or services and that you should move to a larger town/city if you want to pursue that business idea and develop it into a business venture.
2. Try to investigate beyond your village and see what opportunities there would be in the vicinity. Note all your findings and results of discussions and interviews. Organize your notes to support your business idea. (*Take some pictures to support your notes — if considered feasible*).
3. The market research you will be conducting over the weekend (or next two days) might generate new business ideas that you had not thought of before. In which case, make sure to write it down and to be able to make the case for this new business idea.



Give participants the opportunity to ask any questions they would have.



**Facilitator's Note:** Make participants realize that this type of research would help them make choices even if they don't create their own business. It would help them choose to work for the right company, partner with the right business people around the right business idea or contribute to improving/refining a business idea developed by a possible partner.

Leave a weekend or a couple of days  
for the participants to complete their local market research.

# BUSINESS IDEAS AND MARKET RESEARCH

## Learning Objectives

### Participants will be able to:

- Prepare a panel presenting the business idea they have each retained
- Organize the results of the market research undertaken over the weekend or past few days to support their business idea
- Make their business idea attractive for other participants



## Materials Needed

- Masking tape + cello tape
- Two sheets of Flip chart per participant + Marker pens

## Tasks to Complete Before Teaching

- Give a number to each participant to indicate on the display

## Prerequisite Skill or Lesson

- Business Idea Generation and Screening
- Market Research

## LESSON PLAN



### Length of Lesson: 60 minutes

### Information to Share

#### Instructions and Draft (25 minutes)

1. Participants prepare their business idea presentation on a normal sheet of paper, as a small version of the large display they will share with the other participants.
2. Write your business idea in the middle of the page – you may indicate a series of sub-products as a footnote. Organize the findings of your market research around the business idea in order to support and justify the validity of your business idea.
3. Make it attractive, clear and understandable for other participants.

#### Large Display (20 minutes)

- Reproduce your draft onto two sheets of flip chart attached together. Reproduce all pieces of information. Indicate your number, but not your name. Add pictures of location, etc. if available.

#### Arrange Displays around Room (15 minutes)

- Place all displays around the room so that they can be easily seen by all participants when walking around the room.

## LESSON – ⑨

# THE MARKET PLACE

## Learning Objectives

### Participants will be able to:

- Present their own business ideas and the market research results that support their ideas
- Analyse all the displays around the room
- Identify the business ideas that they find most relevant
- Offer their skills to support another business idea than their own or select other participants' skills to support your business idea



## Materials Needed

- Displays prepared by all participants

## Tasks to Complete Before Teaching

- None

## Prerequisite Skill or Lesson

- Business Idea Generation and Screening
- Market Research
- Preparation of Displays

## LESSON PLAN



### Length of Lesson: 60 minutes

### Information to Share (20 minutes)

- All participants go around the room to visit the various displays and take note of their favourite business idea presentations, from 1 to 3. After 20 minutes, participants stand in front of the business idea they prefer.

### Arrange Groups (10 minutes)

- The ideal number of participant per business idea is 3 to 4. If some displays have more participants but not enough to form two groups, i.e. 5, then one participant goes to his second choice. If you finally end up with a couple of displays with 1 or 2 participants only, some choose to join their second choice so that you have groups of 3 to 4 for each business idea that has been retained.

### Sharing Information (30 minutes)

- Ask participants to share why they have selected the business idea where they stand and how it is different or better from their own.
- Ask why nobody has selected some of the business ideas around the room.

# REFINING BUSINESS IDEAS AND FORMING TEAMS OF PARTNERS



## Learning Objectives

### Participants will be able to:

- Clarify the business idea that they have selected (last opportunity to switch to another team if misunderstanding)
- Reinforce the business concept with additional features
- Identify the respective roles, skills and competencies of the various partners

## Materials Needed

- None

## Tasks to Complete Before Teaching

- Invite a local young entrepreneur who has developed and established a business idea that was / is different from anything done in the area before by drawing on his/her own skills, competencies and fields of interest.

## Prerequisite Skill or Lesson

- Market Place and Selection of Business Ideas

## LESSON PLAN



**Length of Lesson: 120 minutes**

### 1) *Developing the Business Ideas*

#### Sharing Information (10 minutes)

- Participants share their understanding of the business idea. If the initiator of the idea is present in the group, he/she should clarify his/her idea and make sure that all partners understand and agree. If not, all partners should discuss their understanding of the business idea and agree.

#### Group Work (40 minutes)

1. Participants attempt to further develop the business idea and consider additional options as by-products, product transformation or processing, additional services, add-on ideas that could enhance the original idea and offer a wider range of products or services.
2. This exercise can be conducted by using a large sheet of paper on which the main idea is written in the middle. Then participants draw arrows and add ideas in a second virtual circle from the centre. After a few minutes, participants rotate the sheet of paper in such a way that someone else's new idea is in front of each participant, and they then develop new ideas from those in front of them. Each time the sheet is being rotated to a new level, it requires more time for participants to react to all ideas in front of them.
3. Once participants have completed two levels of rotations, participants collect the various ideas and organize them in a logical way. Some ideas or comments might not be immediately useful for this exercise at this stage, but could become extremely useful at a later when developing the business

## LESSON – ⑩

plan. Make sure that you save the document and go back to it as needed or write down all elements written on the large sheet and save that information.

## 2) *Developing the Business Team*

### Group Work (20 minutes)

1. The Business Team has been established on the basis of the interest for the business idea. It is definitely better to have a team that is motivated by the business idea rather than just some potential income, but that is not always sufficient to ensure the balance of the team, the understanding of everyone's role and the complementarity of the roles.
2. As a team, discuss the following Entrepreneurial Characteristics and discuss how they can help the success of the business and if everyone on the team feels committed to such concepts. Note for each partner, how he/she feels about each statement below.

### Important Entrepreneurial Characteristics (From "Know About Business"© — ILO)

1. **Hard Working:** running a business requires a lot of energy and drive. This involves the ability to work for long hours when necessary, to work intensely in spurts and to cope with less than a normal amount of sleep.
2. **Self-Confident:** to succeed, entrepreneurs have to believe in themselves and in their ability to achieve the goals they have set for themselves. This is often shown by a belief that "if you want something badly enough and are prepared to work at it, you'll usually get it".
3. **Builds for the Future:** the goal for most successful business people is to build a secure job and income for themselves which is based on their own abilities. This means entrepreneurs understand that it may take several years to build up business income to a reasonable standard.
4. **Profit-Oriented:** interest in generating money is a clear indicator of an entrepreneur's suitability for being a business owner. This means recognizing that the business comes first. Once profits are generated, the entrepreneur can make decisions about how the profits can be used – to expand the enterprise or for personal use.
5. **Goal-Oriented:** success in business depends upon being able to set realistic goals or targets and to work with determination to achieve them. This ability to set goals (for things the person thinks are worthwhile) and to work to achieve them is fundamental to being an entrepreneur.
6. **Persistent:** all businesses have their problems and disappointments. Being persistent in solving a problem is one of the keys to being a successful entrepreneur.
7. **Copes with Failure:** all business ventures inevitably contain disappointments and failures as well as successes. Coping with failures involves recognizing these failures, learning from them and seeking new opportunities. Without this characteristic, early failures may end a person's attempt at self-employment.
8. **Responds to Feedback:** entrepreneurs are concerned to know how well they are doing and to keep track of their performance. Obtaining useful feedback and advice from others is another important characteristic of entrepreneurs.
9. **Demonstrates Initiative:** research shows that successful entrepreneurs take the initiative and put themselves in positions where they are personally responsible for success or failure.
10. **Willing to Listen:** the successful entrepreneur is not an inward looking person that never uses outside resources. Self-reliance does not exclude the ability to ask for help when needed from such people as bank officials, accountants and business advisers. Being able to listen to the advice of others is a key characteristic of an entrepreneur.

11. **Sets Own Standards:** setting standards of performance and then working to achieve them is another indicator of a successful entrepreneur. These standards can be income, quality, sales or product turnover. Most entrepreneurs want to do better each year, to set and achieve higher standards from year to year.
12. **Copes with Uncertainty:** being an entrepreneur is much more uncertain than employment. This uncertainty is about sales and turnover, but it often also exists in other areas such as material delivery and prices, and bank support. An ability to cope with this uncertainty without becoming too stressed is a necessary trait of being an entrepreneur.
13. **Committed:** starting and running an enterprise demands total commitment by the entrepreneur in terms of time, money and lifestyle. It has to be a major priority in the entrepreneur's life.
14. **Builds on Strengths:** successful business people base their work upon the strength(s) they have, such as manual skills, interpersonal skills, selling skills, organising skills, writing skills, knowledge of a particular product or service, knowledge of people in a trade and ability to make and use a network of contacts.
15. **Reliable and Has Integrity:** the qualities of honesty, fair dealing and reliability in terms of doing what one has promised to do are essential traits of an entrepreneur.
16. **Risk-Taker:** being an entrepreneur involves some risks. Entrepreneurs have the ability to take measured or calculated risks. Such risks involve working out the likely costs and gains, the chance of success and the belief in oneself to make the risk pay off. Entrepreneurs may be considered risk avoiders when they reduce their risks by having others assume part of the risk. Those who assume the entrepreneur's risk may be bankers, suppliers and customers.

## Panel Discussion (25 minutes)

### Discussion with Young Entrepreneur

1. Invite a local young entrepreneur who has developed and established a business idea that was / is different from anything done in the area before by drawing on his/her own skills, competencies and fields of interest.
2. Invite the entrepreneur to introduce what he/she did, where the idea came from, how difficult it was to make money out of that business, etc.
3. Discuss the type of team he/she has developed to help the business. Did the entrepreneur start alone?

### Group Discussion (20 minutes)

1. Business ideas should be linked to personal entrepreneurial competencies and individual skills. Businesses should contribute to personal fulfilment rather than a painful obligation.
2. Start individually by listing the type of skills, know how, competencies that you can bring to the team. (5 minutes)
3. Share your list with the rest of team and how relevant these can be for the success of the business. Other participants may add skills and competencies that you have not listed. Discuss how valid these are and whether you need to improve any of them and how.

## Practice of the Skills/Reinforcement of Concept

### Individual Work (5 minutes)

- Develop a list of individual skills and how they can contribute to the success of the business. This should also contribute to improving self-confidence and the feeling of contributing positively to the creation of a business.

## LESSON – ⑪

# SCREENING & VALIDATING BUSINESS

## Learning Objectives

### Participants will be able to:

- Consider the market demand, the availability of the raw material and of appropriate technology
- Assess whether the business idea – as developed at this stage – has enough potential for profitability



## Materials Needed

- None

## Tasks to Complete Before Teaching

- None

## Prerequisite Skill or Lesson

- Selection of Business Ideas
- Enhancement/Refining of Business Idea

## LESSON PLAN



### Length of Lesson: 120 minutes

### Generating Interest in Topic

#### Group Discussion (20 minutes)

- Conduct discussion session to explain that the money is not the only factor that determines the success or failure of any business. Give example of business started with minimal investment and doing very well after some time and opposite example of businesses started with high investment and being bankrupt after a year or so.

#### Success Story:

*Mr. Victor Hettigoda started the production of herbal Balm and started selling in different parts of the country by carrying boxes of Siddalepa balm on his back. Now he is the owner of several well established businesses on the island.*

#### Failures:

1. *Walls Ice Cream* started distributing ice cream by tricycles. But went bankrupt and closed the business completely.
  2. *Cornels* was the first company to start a supermarket chain in Sri Lanka in the late 1970's, but collapsed after a couple of years.
- Questions: why do you think one worked and the other one did not?
  - Organize answers on flip chart

#### Information to Share (10 minutes)

1. State that it is very important to have one or two feasible business idea for an entrepreneur at any time. This can be having more than a single product/service being offered, so that the diversification can secure alternative income if one of the products/services is not so successful. Financial



profitability is essential, but a business can be modified over time in order to remain relevant and profitable.

2. For instance, Nokia, that is currently known for its cell phones, started by producing cables, then moved to the production of televisions and other appliances, until they changed for producing cell phones. A business that is successful – in a certain context and at a certain time – might not remain successful as the conditions evolve and it might be necessary for the business to turn around and come up with a new product that is very different from what it was doing before.

### Introduction to Levels of Screenings (10 minutes)

- State that there are three levels of screening in the whole process of identifying the validity of a business idea:
  - **Macro screening**
  - **Micro screening**
  - Matching business with people through **SWOT analysis**
    1. **Macro screening** is reducing the large list down to 10 business ideas using  
*This process has been completed through the previous exercises.*
    2. **Micro screening** would reduce the business ideas down to 3, using a scoring sheet considering the following factors. In our situation where one business idea has been retained for each team, we still have some additional options for expanding the business idea; this would be a good way to consider whether those are valid or not at this stage:  
*This process has only been partly completed through the Market Research and the Teams will need to complete this part of the screening process.*
    3. Finally, do a **SWOT analysis** for the remaining two or three variations of the business idea retained by the Teams and select the one with most strengths and opportunities in the analysis as the most feasible business idea to implement as soon as possible.

### Practice of the Skills/Reinforcement of Concept (70 minutes)

1. Teams will use the micro screening scoring sheet to assess the viability of their business ideas — up to three business idea variations to be rated!
2. Teams will then run the SWOT analysis and select their top choice.
3. They then explain to the rest of the group why they have selected that particular business idea.

## LESSON – 11

### Note on Selecting and Screening Business Ideas

#### Micro Screening

Feasibility of the business ideas selected by the teams will be further assessed in this process. A micro screening score sheet is used in this session.

• Market demand for the product or services	• Risk factors
• Availability of raw material	• Technical skills of the entrepreneur(s)
• Availability of appropriate technology	• Availability of skilled labour
• Profitability	• Strategic fit
• Convenience of implementation	• Other benefits

#### Weighing

Other than the above factors, you may consider additional factors which may also be considered for the viability of such business. Information available to you, specific contacts, position of family members, experience, knowledge and the development ideas you have for the particular business idea. You may weigh the above criteria differently to give more importance to certain factors and less to other. Total of the weight should be 100.

#### Rating

Rate each of the above factors according to their level of availability, demand, correspondence to criteria, or feasibility. The following scoring system can be used for the assessment.

5 = Excellent    4 = Very good    3 = Good    2 = Satisfactory    1 = Poor

#### Market demand

When there is no market demand for suggested goods or services, there is no value in selecting that business. The entrepreneur should be able to make some profit from the market share after deducting all the costs from the income. Market demand may be good when the following conditions prevail in the market.

- When there is a gap between market demand and the current supply
- If current demand is completely fulfilled by the supply
- Demand is not fulfilled
- When there are very specific characteristics that are added to the new product or service
- The supply is not reliable
- If the demand is likely to be increased in the near future
- If the current demand is fulfilled illegally or through government distribution programs

#### Availability of Raw materials

Availability of Raw materials is identified using the following considerations.

- Raw materials are available in adequate quantity locally
- There is reliability of supply – whether locally or brought in
- Seasonality, perishable aspect, quality and variability of raw materials have been considered and found to be satisfactory
- Price of raw materials is reasonable with low fluctuation
- Reasonable and predictable price increases in future

#### Availability of Technology

Availability of technology can be evaluated in terms of the following indicators.

- The technology is proven
- Reasonably priced technologies are available to produce the product
- Technology is appropriate for the level of production, level of investment and desired product quality

- The project will not suffer from technology obsolescence which will render the project viable

### **Profitability**

At this stage the participants have not yet undertaken business plan preparation. So profitability will be measured by the participants according to the perception or prior knowledge of them which may be based on their – readings, experience, or observations / feedback from others.

### **Ease of implementation**

This can be measured by the following criteria.

- The project can be easily implemented because the inputs are readily available
- The project requires minimum regulatory requirements or permissions to acquire
- Project can be implemented within a shorter gestation period or reasonable preparatory period (e.g. 3 months to one year)
- Any unforeseen difficulties can be controlled by the entrepreneur or management.

### **Risk exposure**

The project is rated excellent if it is considered less risky, or risks are very minimal, while projected profits are more or less assured. Degree of risk can also be assessed according to the following factors.

- The product or service can readily be copied or limited in its expansion if the project is found very profitable by others
- Competitors who have more resources and expertise may effectively fight back if threatened by the project.
- Changes in customers' and consumers' lifestyle, buying habits, consumption and spending pattern, etc, may take place anytime before the project can service the project may e suffer from unforeseen factor such as weather condition, availability of raw materials, technology obsolescence, changes in government policies, priorities or programs.

### **Technical skills of the entrepreneur(s)**

The technical skills of the entrepreneur(s) are well matched with the requirement of the project. Otherwise the entrepreneur has to depend all the time on skilled employees.

### **Availability of Skilled Labour**

Availability of skills can be gauged by the following factors:

- Different skills (conceptual, managerial, technical, and manual) needed by the project are available.
- Supply of skills is relatively steady and stable
- Cost of labour is projected to be fairly steady and predictable.

### **Strategic fit**

The strategic fit of project under consideration is established by the following criteria

- Proposed projects fit well within the competence and expertise of the entrepreneur or the key staff.
- Proposed project fits well within the existing product line, technology, marketing setup, production system, facilities and resources of the entrepreneur or the firm.
- Project complement and enhances the existing set up, viability or growth of the firm through a positive synergy.
- Project is well suited to your location/environment

### **Cost benefits of the project**

Cost and the benefits of the proposed project should be evaluated to see how feasible they are for the people involved.

Micro Screening Summary Sheet

Business Ideas	Market demand			Raw Material availability			Technology			Profitability			Ease of implementation			Risk			Owners skills			Skills availability			Strategic fit			Cost Benefits			Total
	R	W	WS	R	W	WS	R	W	WS	R	W	WS	R	W	WS	R	W	WS	R	W	WS	R	W	WS	R	W	WS				

R = Rate (rates are given in handout)

W = Weight (weighing method is described in handout)

WS = Weighted Score = (R) X (W)

Highlight the two business idea variations that got the highest scores before moving to the next step of the screening.

## Note on SWOT Analysis

SWOT Analysis is a strategic planning tool used to evaluate the **Strengths**, **Weaknesses**, **Opportunities**, and **Threats** involved in a project or in a business venture. It involves specifying the objective of the business venture or project and identifying the internal and external factors that are favourable and unfavourable to achieving that objective.

In a **SWOT** analysis, **Strengths** and **Weaknesses** are internal factors.

For example: **Strengths** could be:

- Your marketing expertise
- Your technical expertise in the selected venture
- Your financial ability to meet the capital needs
- A new, innovative product or service
- Quality processes and procedures
- Any other aspects of your business that add value to your product or service

**Weaknesses** could be:

- Lack of specific marketing expertise
- Undifferentiated products or services (i.e. in relation to your competitors)
- Location of your business
- Lack of experience in the service sector or product

In a **SWOT** analysis, **Opportunities** and **Threats** are external factors.

For example: An **Opportunity** could be:

- A developing market such as the Internet
- New development projects in the area
- Moving into new market segments that offer improved profits
- Unavailability of similar products in the target market
- A market vacated by an ineffective competitor

A **Threat** could be:

- A new competitor in your home market
- Price wars with competitors
- A competitor has a new, innovative product or service
- Competitors have superior access to channels of distribution
- New taxation is introduced on your product or service
- Political and security instability

*A word of caution: SWOT analysis can be relatively subjective; do not rely solely on a SWOT analysis. Two people rarely come up with the same final version of a SWOT analysis. You should use the results of a SWOT analysis as guidelines or as reference.*

## Simple rules for successful SWOT analysis

- Keep strengths and weaknesses of your business idea realistic when conducting a SWOT analysis.
- A SWOT analysis should distinguish between where your business idea is today, and where it could be in the future.
- Always apply SWOT results in relation to your competitors – i.e. better or worse than competitors.
- Keep your SWOT analysis short and simple. Avoid complexity and over analysis .
- Once key issues have been identified in your SWOT analysis, they feed into your marketing objectives.
- After analysing your business ideas, the one with most Strengths and Opportunities will be selected as the best to use to develop a complete business plan.

## LESSON – 12

# INTRODUCTION TO BUSINESS PLANNING

## Learning Objectives

### Participants will be able to:

- Understand the purpose of business Planning
- Understand the process of writing a business plan



## Materials Needed

- Flip charts and markers
- Extra copies of Business Plan

## Tasks to Complete Before Teaching

- Business plan template available in multiple copies as draft and electronic copies to produce it on a computer. See pages 55 – 68.

## Prerequisite Skill or Lesson

- Selected Business idea.
- Ability to use MS Office Word and Excel.

## LESSON PLAN



### Length of Lesson: 20 minutes

### Generating Interest in Topic (5 minutes)

- In your opinion, what would happen if you were to see a banker to seek a loan for helping you start your business without further description of your business idea than what you have now?
- What are the chances for you or your team to obtain the necessary loan? What is missing?



**Facilitator's Note:** By understanding the role of a business plan and going through the process of writing a sample plan for their business idea, participants will be able to consolidate their knowledge about business and be able to look for further necessary support, armed with concrete and serious requests.

### Information to Share (15 minutes)

1. Make participants understand the importance of a business plan.
  - Many businesses fail for not having a proper business planning (written or unwritten)
  - The business planning process will allow preparing the conditions for a business in a timely and cost effective manner.
2. Distribute business plan templates and explain briefly each component of the plan.

# MARKETING PRINCIPLES AND STRATEGIES

## Learning Objectives

### Participants will be able to:

- Identify basic marketing principles and how they can have an impact on their sales
- Apply the learnings to define a marketing strategy for their business idea.



## Materials Needed

- Flip charts and markers

## Tasks to Complete Before Teaching

- Business plan template available in multiple copies as draft and electronic copies to produce it on a computer.

## Prerequisite Skill or Lesson

- Selected Business idea.
- Ability to use MS Office Word and Excel.

## LESSON PLAN



### Length of Lesson: 140 minutes

### Generating Interest in Topic (10 minutes)

1. A business is more likely to succeed if it is based on a product or service that enough customers will buy to generate a profit. In other words, for a business to be successful and profitable, there must be an adequate market for its products or services.
2. The enthusiasm of the prospective entrepreneur can often cause him or her to overlook this most basic business concept: "The basic purpose of a business is to satisfy the customer's needs". Before starting a business, it is essential to determine whether a market exists for a specific product or service. In other words, you can have a brilliant idea, but if nobody in the area can afford what you have to offer, your business is not going to find enough customers.
3. The purpose of the topic is to discuss the elements of a market and identify characteristics that should be known about the customers and the competitors within the market.

### Sharing Information (40 minutes)

#### Market Information – Facilitator's Input



**Facilitator's Note:** This is a long input and it is important to keep the participants awake by allowing them to ask questions as you go through the presentation. You could also consider a quick game in the middle of the presentation.

#### 1) What is a market?

The "market" for a business is "all the people within a specific geographical area who need a product or service and are willing and able to buy it". Every business sells some type of product or service to people. Potential customers can be described as: People who need or want the



product or service; People who are able to buy the product or service; or People who are willing to buy the product or service.

Competition must be considered. If competitors are serving the same market, it must be decided if the market is large enough to support another business. If you already have saturation, there is no chance for you to sell your product or service, unless it is of much better quality, or much cheaper, or sufficiently different from what your competitors offer.

**2) What should entrepreneurs know about potential customers?**

- a. Know the customers: The market can be segmented either by dividing it into meaningful buyer groups or dividing it according to characteristics such as age, sex, marital and family status, employment, income and trends in any of these characteristics.
- b. Know what the customer wants: By segmenting the marketing into groups, it is easier for entrepreneurs to determine what products or services each group wants or needs.
- c. Know where the customer buys: Entrepreneurs need to find out where the customers in their market are presently buying, and determine what factors will cause them to switch and buy from the new business.
- d. Know when the customer buys: By knowing when customers buy (daily, weekly, monthly, yearly, seasonally), entrepreneurs will be able to determine such things as possible hours of operation, when to advertise and quantity of merchandise to have on hand at specific times of the year.
- e. Know how the customer buys: Knowing how the customer pays for products and services can help the entrepreneur to determine a credit policy as well as a pricing policy for the business.

**3) What is the marketing concept?**

One of the greatest needs of the owners of small businesses is to understand and develop marketing programmes for their products and services. Modern marketing programmes are built around the “marketing concept” and performance, which directs the owners to focus their efforts on identifying, satisfying and following up the customer’s needs, all at a profit. Marketing is based on the fact that: (a) all business policies and activities should be aimed at satisfying customer needs, and (b) profitable sales volume is a better company goal than maximum sales volume.

When applying the marketing concept, a small business should:

- a. Determine the needs of their customers (market research); *already undertaken...*
- b. Analyse their competitive advantages (marketing strategy);
- c. Select specific markets to serve (target marketing); and
- d. Determine how to satisfy those needs (marketing mix).

**4) What is a marketing strategy?**

A marketing strategy includes identifying customer groups (target markets), which a small business can serve better than its large competitors, and tailoring its product offers, prices, distribution, promotional efforts and service towards that particular market segment (managing the marketing mix). Ideally the strategy should address customer needs which are not currently being met in the market and which represent adequate potential size and profitability. A small business cannot be all things to all people, so it must analyse its market and its own capabilities so as to focus on a target market.

**5) What is target marketing?**

Owners of small businesses have limited resources to spend on marketing activities. Concentrating their marketing efforts on one or two key market segments is the basis of target marketing. The major ways to segment a market are:

- a. Geographical segmentation: serving the needs of customers in a particular geographical area (for example, a neighbourhood shop may send advertisements only to people living within one and a half kilometres of the shop).
- b. Customer segmentation: identifying groups of people who are most likely to buy the product before trying to attract new customers.

## 6) What is the marketing mix?

The marketing mix is used to describe how owners can combine the following four areas into an overall marketing programme.

- a. **Products and services:** effective product strategies for a small business may include concentrating on a narrow product line, developing a highly specialized product or service, or providing a product-service package containing an unusual amount of service.
- b. **Promotion:** this marketing decision area includes advertising, salesmanship and other promotional activities. In general, high quality salesmanship is a must for small businesses because of their limited ability to advertise heavily.
- c. **Place/distribution:** the manufacturer and wholesaler must decide how to distribute their products. Working through established distributors or manufacturer's agents is generally more feasible for small manufacturers. Small retailers should consider cost and traffic flow as two major factors in location site selection. In other words, low-cost, low-traffic location means spending more on advertising to build traffic.
- d. **Price:** determining price levels and/or pricing policies (including credit policy) is the major factor affecting total revenue. The price should be high enough to cover all your cost and provide reasonable return for your investment and at the same time should be low enough to be competitive in the market. Generally, higher prices mean lower volume and vice-versa; however, small businesses can often command higher prices because of the personalized service they can offer.

The nature of the product/service is also important in deciding on a location. If purchases are made largely on impulse (e.g., soda or candy), then high traffic and visibility are critical. On the other hand, location is less important for products/services that customers are willing to go out of their way to find (e.g., hotel supplies).

## 7) How can the consumer acceptance of a product or service be analysed?

Consumers buy products or services for their own use, but do not buy products for the purpose of making a profit from them. Consumers buy to satisfy their own or their family's wants and needs. When they buy any product or service, they do so because of what they expect the product or service to do for them.

People are motivated to buy for two basic reasons:

- **Emotional reasons:** pride in personal appearance, social achievement, ambition, cleanliness, pleasure, increased leisure time.
- **Rational needs:** durability, economy in use, economy in purchase, handiness, efficiency in operation, dependability in use.

Psychologists have determined that consumer buying behaviour is first directed towards satisfying certain basic needs. These very basic needs include food, shelter and clothing. An individual attempting to fulfil the most basic needs is led by rational motives. Persons with few resources need the best products and services for their money in terms of quantity, quality and dependability.

Many consumers won't admit they purchase goods and services to satisfy emotional needs. However, most psychologists believe that pride in personal appearance is an emotional buying motive. Certain motives generally seem to be more rational than others. Because people think of themselves as rational individuals, they tend to express their reasons for buying in very logical ways. To market a product or service successfully, entrepreneurs need to be aware of what motivates consumers to buy that product or service.

## LESSON – 13

### 8) What factors affect the consumer market?

The consumer market is constantly changing. Many of the following factors have contributed to consumer changes in the last few years.

- Population changes, such as shift in age distribution of income, including increases in total purchasing power and the amount spent for “luxuries”.
- Changes in life-style and attitudes.
- A greater percentage of women in the workforce.
- More leisure time.
- More credit purchases.
- An increase in the number of white-collar and skilled workers.
- Higher overall educational level of the population.
- High rate of inflation.
- Changes in technology (mobile phones).

Entrepreneurs should watch for changes in consumer behaviour. Entrepreneurs may need to modify or refine their marketing policies and procedures. Predicting changes in the market is an important but difficult task. Market information must be collected and analysed continually.

Profile of Customers		
Question	Factors	Elements
1. <b>Who</b> are my customers?	Demographics	<ul style="list-style-type: none"> <li>• <b>Population:</b> numbers, growth, decline, movements (in and out), age (average, trends), marital status (numbers, trends)</li> <li>• <b>Education:</b> number of schools (all levels), education levels (average, trends)</li> <li>• <b>Family structure:</b> numbers, composition, trends</li> <li>• <b>Economic:</b> individual income levels, ownership (land, homes, autos, capital)</li> <li>• <b>Housing:</b> age, starts, ownership patterns, rental units numbers, trends</li> </ul>
2. <b>What</b> do they require?	Product or service	<ul style="list-style-type: none"> <li>• Market surveys (formal)</li> <li>• Informal observations</li> </ul>
3. <b>When</b> do they buy?	Timing	<ul style="list-style-type: none"> <li>• Business cycles</li> <li>• Product cycles</li> <li>• Customer cycles</li> </ul>
4. <b>Where</b> do they buy?	Location	<ul style="list-style-type: none"> <li>• Market</li> <li>• Your labour force</li> <li>• Transport</li> <li>• Suitable site (personal factors)</li> <li>• Community interest</li> </ul>
5. <b>Why</b> do they buy?	Effective demand	<ul style="list-style-type: none"> <li>• Purchasing power of population</li> <li>• Purchasing habits and trends</li> </ul>

### Application of the Skill

#### Team Exercise (90 minutes)

- Based on the input you have just received, complete the Marketing Plan that is included in the business plan template.

## 2. Marketing Plan

### 2.1. Description of product /Service

Describe the product/ services range/s to be manufactured/ delivered by your business. Describe the varieties, sizes, shapes, colours and any other special features of your product)

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### 2.2. Target market area and the segment

(In which geographical locations you have targeted to sell your products? It can be areas where your customers live, work, or shop. Mention the names of the district, towns etc. why do you think they are the best places to sell your product. After describing the above describe the characteristics of the customers – individual customers, institutional customers, age group, income group, etc.)

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### 2.3. Project Marketing Strategies

*(It is important to study marketing strategies of the competitors before defining own marketing strategies)*

#### 2.3.1. Product strategy

(What special features your products have in order to make them marketable? You can focus on quality, branding, Packaging, customer services, warranty, Sizes, colours, weights, Range)

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#### 2.3.2. Price strategy

(What pricing strategies do you adopt in your businesses? demand driven, cost oriented or any other?)

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LESSON – 13

**2.3.3. Place / Distribution strategy**

(How do you make your products available to the customers and through what channels?)

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**2.3.4. Promotional strategy**

(How do you communicate about your products to the target buyers?)

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# SELECTING A BUSINESS LOCATION

## Learning Objectives

### Participants will be able to:

- Consider various factors to take into account when selecting a location for a business
- Apply the learnings to identify the best possible location for their business idea.



## Materials Needed

- Flip charts and markers

## Tasks to Complete Before Teaching

- Business plan template in multiple copies as draft and electronic copies to produce it on a computer.

## Prerequisite Skill or Lesson

- Selected Business idea.
- Ability to use MS Office Word and Excel.

## LESSON PLAN



### Length of Lesson: 60 minutes

#### Generating Interest in Topic (10 minutes)

1. Selecting the business location is one of several factors, which is vitally important to the success or failure of a small business and is one of the primary initial concerns of the entrepreneur. In many instances, the entrepreneur looks no further than the nearest vacancy sign for the location of the business. Learners should be aware of the required information and necessary skills to make sound decisions regarding the selection of a location for a business.
2. It should be emphasized that although a good location may allow a marginal business to survive, a bad location may spell doom for even the best planned business. There are two basic factors in selecting a location for a business:
  - (1) Deciding on the particular community and
  - (2) Selecting a particular site within that community

#### Sharing Information (10 minutes)

1. Location is more important for some types of businesses than for others. The right location is very important for retail stores and service businesses. Clothing stores, dry cleaning establishments and service stations all depend on a great deal of customer traffic to survive. These types of businesses must locate near their customers to succeed.
2. For other types of retail and service businesses and most wholesale businesses, location is not as important in attracting customers. Retail stores that sell high-cost items such as furniture and appliances draw customers to them. Services such as accounting and tax firms and wholesale businesses can be located “off the beaten path” and still have high sales. Customers will spend time searching for the product or service offered by these businesses.
3. Manufacturing, construction and some of the other services are not interested in attracting customers on the basis of the firm’s location. These types of firms find customers through either personal selling or advertising. The location of these businesses may be selected on the basis of costs, environmental impact, or supply of raw materials.

## LESSON – 14

- Economics, population and competition are important factors to consider when selecting a business location. These factors will also help in selecting a promising city or town in which to locate the business.

## Facilitator's Input

### General Factors in Selecting a Business Location (20 minutes)

#### ECONOMICS

A major concern in choosing a community in which to initiate a small business is the economic base of the community. Why do people live in the area? What is their standard of living? Why are other businesses located in the area? A study should be made of the industries in the area. Do 80 per cent of the people work in one industry or very few businesses, or does the community contain a variety of businesses? Is industry healthy in the area? Is the business activity in the community seasonal? Are businesses moving in or moving out of the community? You will need to study the effect the responses to these questions will have on your business.

How much people in an area earn determines the demand for goods and services. Entrepreneurs should therefore gather information about income in the area they have selected. Specific questions include: What is the average family income? What are the income levels (low, medium, high) in the area? What are the employment/unemployment trends? Other important economic factors might include good highways and access to railroads.

#### POPULATION

Entrepreneurs should identify the groups of people who will be their customers. For example, if you are interested in opening a music store, it would be important to know where the greatest population of teenagers and young adults is located because they buy the most records. Other population factors include: How stable is the area? Do people move in and out regularly? Is the population growing or declining? If the area is rapidly growing, there will probably be a large number of young families. All these factors need to be considered when locating a business.

#### COMPETITION

You must study your competitors by gathering information on their strengths and weaknesses. You should know how many competitors you have and where they are located. You should also find out how many businesses similar to yours have opened or closed in the past two years. Indirect competition that provides similar kinds of goods and services should also be studied.

There are three favourable conditions for opening a new firm. First, no competitors are located in the area. Second, competitors' businesses are poorly managed. Third, customer demand for your product is growing.

Basic site factors to be reviewed for every type of business include: lease-purchase terms, competition, parking and costs of operating at the site. In addition to these basic concerns, some specific questions also need to be answered that depend on whether you plan to open a retail establishment, a manufacturing firm, a wholesale business or a service business.

### Location by Types of Businesses

#### RETAIL FIRMS

Parking facilities and access to major roads have become a prime problem for many retailers. Retailers located in shopping malls have less parking problems. Retailers need to consider the types of businesses that surround a site. For example, studies have shown that clothing stores should not be located next to service stations. The number of persons walking by a business location is also important to a retailer. For example, the retailer should ask "are the pedestrians who pass this site on their way to public transportation or to the local theatre?" Those going to the theatre are not likely to stop and make purchases.



## WHOLESALE FIRMS

Wholesale firms buy products from manufacturers in large quantities and then sell their products to retailers in smaller quantities. Two major factors should be considered in selecting a wholesale site. One major factor is a good transportation service, including rail and road. Another major factor is proper facilities which include buildings, fixtures and public utilities. Without these facilities, a wholesaler may not be able to maintain inventories large enough to handle customer needs. Most cities have zoning laws that restrict the location of wholesale firms. These laws need to be known. Wholesale firms should also be located as close as possible to their customers.

## SERVICE FIRMS

Being close to a large shopping centre is usually considered ideal for service businesses. However, it is not necessary for a TV repair shop, a dry cleaner's, a dentist's, a shoe repair shop or a child-care facility to be located in high-rent locations. Customers are willing to seek out and go further away to obtain a good service. These establishments can be located somewhat "out of the way". But even among service firms there are important differences as to which site is better. For example, a dry cleaner's located near a grocery store and drugstore is usually a good choice. The same location may not be suitable for a dentist, who does not require the traffic movement and convenient drop-off point that makes a dry cleaner's successful.

## MANUFACTURING FIRMS

Sites that are suitable for manufacturing firms differ from sites that are good for retailers, wholesalers and services firms. When considering opening a manufacturing firm, check transportation facilities and distance from raw materials. Nearness to customers, proper facilities and zoning laws are other important factors. As you study the general and specific factors of a business location, keep in mind future as well as present location needs.

## Application of the Skill (20 minutes)

### Procedures for Selecting a Specific Location

The following procedures are recommended when selecting a business location:

1. Make a list of factors you feel are "necessary" for considering a business location. Also include a list of factors that would be "desirable" but are not necessary.
2. Find all the possible locations in a community that meet your list of factors.
3. Visit the locations to get an idea of their general appearance and eliminate those locations that are not suitable for your needs. Reduce the number to 2 or 3 locations that appear suitable.
4. Visit the locations again and use a checklist to compare locations against the factors you have identified. Consider the factors that are critical to the success of your business.
5. Return to the locations at various times of the day and evening to get a better feel/ understanding of the suitability of each location.
6. Conduct a traffic count at each location. Count the number of cars and pedestrians that pass each location at various times to calculate the number of potential customers.
7. Ask the opinion of business people in the area to help you decide on one location.
8. Analyse all the facts and opinions you have gathered to make a final decision.

# PRODUCT COSTING AND BUDGETING

## Learning Objectives

Participants will be able to:

- Acquire basic budgeting principles
- Integrate all cost factors into a budget
- Identify all possible costs involved in their business in order to define the cost of the product or service and their margin



## Materials Needed

- Flip charts and markers

## Tasks to Complete Before Teaching

- Business plan template available in multiple copies as draft and electronic copies to produce it on a computer.

## Prerequisite Skill or Lesson

- Selected Business idea.
- Ability to use MS Office Word and Excel.

## LESSON PLAN



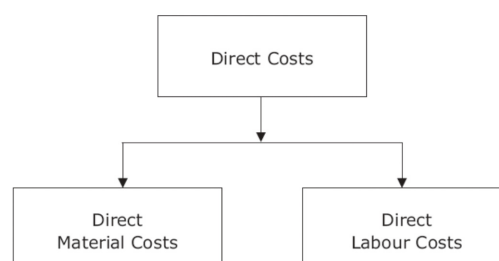
Length of Lesson: 140 minutes

### Generating Interest in Topic (10 minutes)

1. An entrepreneur who runs a business has to pay a lot of bills for goods and services she/he needs for the business — *Can you name various types of bills that an entrepreneur has to pay? e.g. raw materials, office furniture, telephone bills, salaries for the workers, etc.* These expenditures are called costs.
2. A business owner must know exactly the costs for the products or services she/he will sell. If the costs are higher than what the customer is willing to pay for a product or higher than the prices of the competitors, then she/he will not be able to sell her/his products. In such a situation an entrepreneur has to reduce the costs.
3. There are different types of costs and knowing these costs will allow a better control and keep the costs low.

### Facilitator’s Input – Direct and Indirect Costs (40 minutes)

- Every business generates costs even if there are no ongoing production, service or trading activities. To understand this it is essential to know that there are direct costs and indirect costs.
- Direct costs are those that only occur when an enterprise is manufacturing goods or producing a service or buying goods to resell. These costs depend directly on the number of products, services or goods produced.
- **Direct costs** are made of two cost sub-groups: Material Costs and Labour Costs.



Direct material costs:	Direct labour costs:
Expenditures for all items that become part of a product or are used to produce a service or are bought for resale enter into the category of direct material costs.	All wages for workers and helpers that are directly involved in the production or the delivery of services. This also includes costs for social security.
Costs linked to the acquisition of raw materials such as transport from the supplier to the enterprise are included in the direct costs.	Staff wages for the retailer and wholesaler are not considered as direct costs because one person generally sells many different items.

- **Indirect costs** are all other costs generated from business activities that are not direct costs.

These are costs that cannot directly be attributed to a specific product or service, for example rent for the office premises, salary for the bookkeeper, interests for the bank loan, telephone costs, fire and car insurance, etc.

In wholesale or retail business all staff costs are indirect costs.

To be able to calculate the manufacturing costs of one single product or one single service, the indirect costs have to be attributed proportionally. If the business produces a single product or service, or if the products are quite similar, for example chairs, beds, trousers or shirts, the indirect costs are divided by the number of products and this proportion is added to the direct costs to calculate the total cost per unit of an item. In a service business the indirect costs are generally calculated on the basis of working hours and added to the time spent in delivering the service.

Indirect costs are also called overhead cost.

To make the distinction between direct costs and indirect costs is not always easy, for example the glue used in furniture making. The quantity used for one chair is so small that it represents only a very small portion of the price of the glue. The expenditure for a pot of glue is therefore considered as an indirect cost. Also, if a helper serves several workers, his/her salary cannot be attributed to one single product. The salary will therefore be counted as an indirect cost.

Total cost of a product or service:

Sum of Direct Material Costs
+ Sum of Direct Labour Costs
+ Proportion of indirect costs

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= Total cost per product or service

### Classification of Costs by Categories

Entrepreneurs also have to know the total amount of costs their business generates during a month and during a year. This information is of importance because it shows the cost structure of the enterprise and also gives an indication of when particular costs are unnecessarily high. With this information an entrepreneur can try to reduce costs and become more competitive.

A business starter has to forecast the total costs of his/her business for at least one year in order to find out whether the planned sales cover the costs or not.

### Categories of costs

All costs that occur in a business can be put into the following categories:

- Staff costs
- Material costs
- Other costs
- Capital costs

## LESSON – 15

**Staff costs**

An entrepreneur who employs staff becomes an employer and he/she will have legal and social responsibility for his/her employees. This responsibility means that he/she has to fulfil a number of requirements that are imposed by laws and regulations, or by collective bargaining agreements such as:

- Minimum wages
- Legal duration of working hours
- Overtime payment
- Annual leave
- Sick leave
- Social security

This enumeration shows that staff costs are not only salaries or wages. The additional costs that come on top of the salaries are often calculated as a percentage of the salary. This can vary from country to country from a relatively small percentage up to as much as 40% in, for example, highly industrialised countries with a very sophisticated social security net.

**Material costs**

All materials that are used for the manufacturing of a product or to provide a service fall under the category “materials”. Materials that are not used for a product but are necessary for the functioning of the business, such as office supplies or detergents for office cleaning, are also counted as material costs.

In wholesale and retail business the costs for acquiring finished goods for reselling are classed as material costs.

**Other costs**

All expenditures for items and services that do not fall under the above-mentioned categories are put into the category “other costs”.

These costs are mainly for electricity, water, telephone, Internet, insurance, rent, publicity, administrative fees, etc.

**Capital costs**

A businesswoman or businessman who contracts a loan has to pay interest for the duration of the loan. Interest is also due for an overdraft of the entrepreneur’s current account. These payments are called capital costs.

There is a very particular kind of capital cost that is called depreciation. When starting a production, an entrepreneur buys new machines from the capital of the company. If she/he wants to sell a machine after several years because she/he needs a machine that works faster, or the machine lost its precision, or it often breaks down and needs repair, she/he will get much less money than was paid for it when it was new.

This loss of value of machines, equipment or cars that are operating in an enterprise is called depreciation.

This loss of value is a process that can last several years. The duration of this process depends on the type of machine. At the end of this process the machine, truck or vehicle needs to be replaced. Therefore the annual loss is considered as capital cost that allows the money that was paid for the new machine to be recuperated in order to replace it.

How is this depreciation calculated?

Quite simply, the price of the newly bought machine, car or whatever it may be is divided by the expected life span of the machine.

For example, a new delivery pick-up is purchased for LKR 1,200,000 and its calculated life span is five years.

Its annual depreciation =  $LKR\ 1,200,000 / 5 = LKR\ 240,000 / \text{year}$ .

## Cost forecast

An entrepreneur should always look to the future and anticipate the development of her/his business. From the sales plan she/he will know how many products, services or goods are expected to be produced and sold and if there are seasonal variations, increase or decrease in sales. Accordingly, the direct costs will also vary while the indirect costs will remain at the same level.

Staff costs, material costs and other costs add up to operational costs as they depend on the operational activities of the business, while capital costs are completely independent from operational activities.

## Application of the Skill — Team Exercise (90 minutes)

Based on the input you have just received, complete the Product Costing Grid that is included in the business plan template.

### 3.5. Product Costing Grid

Item	Description	Normal production month			
	PRODUCTION	# Units			
	Product 1				
	By product 1				
	By product 2				
		# Units	Unit cost	Sub Total	Total
Direct cost (cost that proportionately vary with the units of production)					
1	Raw materials				
1a	XXX				
1b	XXX				
1c	XXX				
1d	XXX				
2	Direct labour				
2a	Electricity				
2b	Other direct cost				
2c	XXX				
2d	XXX				
	Sub total				
Indirect cost					
3	Salaries				
4	Transport				
5	Communication				
6	Water				
7	Electricity				
8	Other Overheads				
	Sub total				
9	Depreciation				
	Total operational				
10	Taxes				
	Total cost				
	Cost Per Unit				

# BUDGETING AND ACCOUNTING

## Learning Objectives

### Participants will be able to:

- Understand the concepts of investment capital and working capital
- Understand the principle of loans and loan repayments
- Develop a financial plan for a business
- Identify the capital needed
- Make a cash flow projection for the first year of operation



## Materials Needed

- Flip charts and Markers.
- Calculators.
- Business plan templates

## Tasks to Complete Before Teaching

- Invite a loan officer to speak to the class

## Prerequisite Skill or Lesson

- Selected Business idea
- Ability to use MS Office Excel
- Product costing and budgeting

## LESSON PLAN



### Length of Lesson: 150 minutes (2 hours and 30 minutes)

### Generating Interest in Topic (5 minutes)

1. Engage participants in a quick discussion around the following questions:
2. Can you establish your business with your own savings? How much money do you need? Do you need to buy all equipment, machines, etc. right from the beginning? What can you afford?

### Information to Share (10 minutes)

#### Estimating the Start-Up Capital

1. Setting up a business requires a certain amount of money that has to be spent before the business activities can start to generate income through sales. Often potential entrepreneurs underestimate the amount needed because they only take into account the expenditures for investment items such as machines, equipment, etc. They are not aware that during the first weeks or months of operations (trading, manufacturing or providing services) the sales revenues do not cover the expenditures for running the business. This can lead to a problem of liquidity whereby the entrepreneur cannot pay salaries or suppliers.
2. The amount needed as start-up capital is generally much higher than the money the future businessperson has at her/his disposal. As the difference has to be found from other resources, it is important to know exactly how much money is needed.

3. It is equally important for the entrepreneur to assess what is really necessary right at the beginning, versus what can be acquired after a few months of operations.
4. The money that is needed during the start-up process of a business for payments before the business earns its own income is called start-up capital, and it serves two purposes:
  - Pre-operation payments
  - Initial operation payments

**Pre-operation payments** means money that a person starting a business will have to pay before his business starts operating (trading, manufacturing or providing services). The money needed for these payments is also included in **investment capital**. Buying land, constructing a workshop, purchasing machinery, tools, equipment office furniture, etc. are all investment capital, as are legal fees, connections for water, electricity and telephone, publicity and advertisement before opening, and so on.

In addition to investment capital, businesses need capital to buy raw materials, and other input cost of labour and all other operational cost payments to be made until sales proceeds start to be received by the enterprise. This includes prepayments to suppliers, raw material purchases, work-in-progress cost, finished good in store, good sold on credit and other payments. The amount of funds needed for this purpose called **Working Capital**. It is important to remember that Working capital requirement progressively increases with the increase of business volume.

The **start-up capital** for a new business is the sum of the expenditures for the investment items and the working capital. The total amount of the start-up capital is an indicator for future entrepreneurs as to how much money they will need to invest from their own resources and how much money they will have to borrow.

### Small Group Exercise (15 minutes)

- As Business Team, start completing the worksheet on the following page, delete what you think is not relevant for the type of business you want to set up and add anything that would be missing. Add some footnotes for any payment items in order to clarify or specify numbers, quality, etc.
- This is a preparation for completing the same element in your Business Plan, later in the day.







**Facilitator's Note:** Business starters are generally aware that they need money for machines, tools or equipment for a shop. However, very often they do not realize that a number of other payments have to be made before they can really start their business – this is particularly true for young people. For example, the cost for installation of machines and the training of workers to use them can constitute quite a high percentage of the total cost of the machines. Fees for licences and insurance are also often forgotten in the calculation of the investment capital.

The need for working capital is also often underestimated. People think they will be paid immediately. This is often the case in trading activities; however, the shop owner has to have a stock of goods because she/he cannot replace every article sold immediately. Sometimes customers who place bigger orders ask for credit and timely payment is not always made. In manufacturing activities working capital has to cover a longer period and that can last several months.

If the working capital is underestimated, it can happen that a businessperson has a flourishing business but she/he runs out of money to pay salaries, for example, or renew stock or (in the worst cases) make bank repayments.

It is therefore recommended to include in the investment capital a certain percentage for unforeseen items and working capital for a longer period as opposed to the strict minimum.

## Information to Share (15 minutes)

### Obtaining Money to Start an Enterprise

Many prospective small business owners have good business ideas and plans. However, they may discover that the capital necessary to initiate their business is not readily available. As a result, many prospective small enterprises never become operational. Learners should be aware of the types of funds available to prospective business owners. It should be emphasized that sound preparation and planning will increase the probability of obtaining the necessary capital.

Depending on the type of enterprise they want to create, entrepreneurs will often have to invest a sizeable amount of personal money in the business. However, some of the capital needed to begin business operations can be obtained through credit. This topic will help identify potential sources of initial capital, and offer suggestions regarding how to prepare for obtaining debt or credit financing.

If entrepreneurs have little or no personal money available, they will have to think their business differently in order to invest as little as possible at the beginning and slowly grow their business as they start saving money from their operations.

### Sources of Business Financing

#### Equity financing

It is important to understand that financial institutions provide credit based on the creditworthiness of the client/business and credit institutions confident of the clients ability to establish and improve his/her business. Often banks are reluctant to provide business start-up credit to inexperienced entrepreneurs and invariably look for hard collateral as credit security. It is therefore important to understand that new entrepreneurs should look to get greater portion of his/her start-up capital from alternate sources.

One popular source of equity financing is money from other sources such as family and friends. However, there are a few points to consider. For example, will they want to get involved with operating the business? What will happens if the business doesn't succeed? Will it ruin your relationship?

Equity financing can also be obtained by sharing part of the business/business idea with one or more partners. With partners putting in money, it is usually easier to raise the total amount needed. However, partners must be able to get along.

### Borrow from lending institutions

When equity sources are not enough, the entrepreneur has the option of borrowing from other sources. Lenders will usually lend money for starting a business to people they know and trust. Lenders are careful not to lend money if the risk is too great. Lenders do not want to lose money on businesses that fail. Most lenders will therefore review the business plan carefully. This plan should describe how the business will be operated, how much money will be needed and how it will be used, and at what point the business will be profitable.

Most people think of banks when borrowing money. However, it is not always easy for small enterprises to borrow from them. Banks only lend money when the risk of losing it is very low, they usually require a guarantee or collateral, and prefer to lend large amounts of money. Frequently, they will only lend to customers whom they have known for a long time. If someone is thinking of borrowing money at some time in the future, it would be a good idea for that person to develop a professional relationship with a local banker as soon as possible.

### Considerations in applying for a business loan

Different lending institutions have different procedures, which have to be followed by the loan applicant. While lending institutions want to help potential borrowers, these institutions have to be assured that repayment of the loan will take place as agreed by the borrower. It is necessary to understand the following factors that are taken into consideration when appraising a loan application.

- **Type of loan:** short-term (up to one year) or long-term (longer than one year).
- **Purpose of the loan:** it is essential to determine that the applicant will not invest the money in a business venture which is illegal, not favoured by government policy or is unfavourable to the community concerned.
- **Credit worthiness and integrity of the borrower** – Can the borrower be trusted?
- **Capability:** the business profile of the applicant becomes an indicator of the entrepreneur's capability to operate the project with professional expertise and effectiveness. Capability characteristics help the lender to understand whether the borrower will be able to utilize the loan for the intended purpose.
- **Repayment period:** this is a very important requirement both from the borrower's and the lender's standpoint. The lender needs to know whether the offer of the borrower to repay is realistic. The lender can ascertain this through statistical and financial projections and advise the applicant regarding a realistic repayment period, and other details such as the amount of monthly instalments.
- **Security:** security or collateral for the loan must be acceptable to the lender. Even if all other conditions are fulfilled, the lender may not grant the loan if security conditions and terms required by the bank are not adequate. This is especially true when applying for a business loan for the first time.
- **Guarantors:** some lenders call for security both in the form of immovable property and tangible assets and guarantees from friends.
- **Business plan:** this is the major instrument used by any lending institution to decide whether a loan applicant deserves a loan. A business plan discloses whether the intended business is viable or not. A loan applicant may have his own expert prepare a business plan to prove that the loan he is applying for deserves due consideration by the lending organization. The lender always appraises the business plan presented by the applicant and comes to his own conclusions or prepares his own feasibility study to assess and appraise the viability of the proposed business. A very significant aspect is the cost involved and the cash flow.

Cash flow, as well as financial and statistical projections, indicates whether the project can generate more money than the cost incurred. These results will indicate to the lender whether the loan is safe and the borrower can repay according to the agreed terms.

### Group Exercise (15 minutes)

Before the visit of the loan officer, have the different business teams formulate questions to ask the loan officer. Here is a series of questions that can complement those raised by the teams:

1. What are the most important factors that a loan officer looks for in an application for a small business loan?
2. How important is it for a loan applicant to have capital or owner equity to invest in the new business?
3. Are some types of businesses more likely than others to receive start-up loans? If so, is the difference based on the amount required for starting the business or on the likelihood that the business will succeed?
4. What are some ways an individual can obtain owner equity, assuming that he or she cannot save the money from existing income?
5. What are some important considerations for the applicant when choosing a bank or institution from which to obtain a loan?
6. If several people get together to set up a business together – how is it perceived by the lending institution? Does it have a positive, negative or neutral effect?

### Dialogue with loan officer (30 minutes)

- Invite a loan officer to speak to the class.
- Introduce the guest speaker to the class. Introduce the course to the guest speaker and the way the participants are working on their business plans as groups. Ask a first question from the above list to initiate the dialogue, and then encourage a first team to ask a question.

### Small Group Exercise (60 minutes)

- As Business Team, start completing the Financial Plan on the following 4 pages. Use the Start-Up Capital worksheet as reference and keep moving from one table to the next to develop your financial plan



**Facilitator's Note:** This might be the type of situation in which you will require the support of another facilitator or resource person specialized in budgeting so that – together – you can offer adequate advice to the teams, as they work through the various tables.

### **Business Plan**

**The following template should be reproduced and distributed to the participants so that they can develop their business plan and fill out the template.**

**Participants may need more than one copy so that they can finalize the document and keep a “clean” copy of their business plan at the end of the exercise.**

# Business Plan



**TEMPLATE FOR SETTING UP A SMALL BUSINESS**  
2007 (revised 2009)

## **Content**

1. Summary
2. Marketing Plan
3. Production and technical Plan
4. Organization and management plan
5. Financial plan

# 1. Summary

1.1 Name of the business: \_\_\_\_\_

1.2 Nature of the business:

- Manufacturing / Production
- Services
- Retail Selling
- Wholesale

1.3 Brief description of the business

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1.4 Brief profile of the entrepreneur

(Briefly describes your background, experience, future plans. if others involve in the business, give their details)

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1.5 Summary of the marketing plan

(Briefly describe your target groups, expected income, product specifications and the strategies you will adopt)

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1.6 Summary of the production plan

(Briefly describe the production process and the technology to be used)

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### 1.7 Summary of the financial plan

(Briefly indicate the Total investment cost, the financing plan, projected profit and other financial highlights)

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## 2. Marketing Plan

### 2.1. Description of product /Service

Describe the product/ services range/s to be manufactured/ delivered by your business. Describe the varieties, sizes, shapes, colours and any other special features of your product)

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### 2.2. Target market area and the segment

(In which geographical locations you have targeted to sell your products? It can be areas where your customers live, work, or shop. Mention the names of the district, towns etc. why do you think they are the best places to sell your product. After describing the above describe the characteristics of the customers – individual customers, institutional customers, age group, income group, etc.)

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### 2.3. Project Marketing Strategies

*(It is important to study marketing strategies of the competitors before defining own marketing strategies)*

#### 2.3.1. Product strategy

(What special features your products have in order to make them marketable? You can focus on quality, branding, Packaging, customer services, warranty, Sizes, colours, weights, Range)

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**2.3.2. Price strategy**

(What pricing strategies do you adopt in your businesses? demand driven, cost oriented or any other?)

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**2.3.3. Place / Distribution strategy**

(How do you make your products available to the customers and through what channels?)

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**2.3.4. Promotional strategy**

(How do you communicate about your products to the target buyers?)

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**2.4. Sales Forecast**

(What is the amount of sales per year you anticipate for your products for the next year? If you sell more than five products, choose few which make up large portion of your business income.)

Product	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Product 1	QTY												
	Price												
	Sales												
Product 2	QTY												
	Price												
	Sales												
Product 3	QTY												
	Price												
	Sales												
<b>Total</b>													

Assumptions:

Assumptions made on prices, demand, supply can be mentioned here:

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### 3. Production and technical Plan

#### 3.1. Production location and description

(Describe where the production location is and the significance choosing particular location? Specify the advantages of selected location.)

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#### 3.2. Method / Process involved

(What method or process will be used in producing the product you have planned? Outline the steps involved in the right sequence.)

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### 3.3. Product Costing Introduction

(If possible each product should be cost separately and overhead should be proportionate based on machinery time and/or labour usage basis)

### 3.3. Product Costing Grid

Item	Description	Normal production month			
	PRODUCTION	# Units			
	Product 1				
	By product 1				
	By product 2				
		<b># Units</b>	<b>Unit cost</b>	<b>Sub Total</b>	<b>Total</b>
Direct cost (cost that proportionately vary with the units of production)					
1	Raw materials				
1a	XXX				
1b	XXX				
1c	XXX				
1d	XXX				
2	Direct labour				
2a	Electricity				
2b	Other direct cost				
2c	XXX				
2d	XXX				
	Sub total				
Indirect cost					
3	Salaries				
4	Transport				
5	Communication				
6	Water				
7	Electricity				
8	Other Overheads				
	Sub total				
9	Depreciation				
	Total operational				
10	Taxes				
	Total cost				
	Cost Per Unit				

## 4. Financial plan

### 4.1. Total investment cost.

(What is the Total investment cost of your project? Make use of the other three sub plans you have completed to obtain data for this section. Indicate how you intend financing the fixed assets.)

	Investment Plan	Units	Unit cost	Total cost
A	<b>Fixed assets</b>			
1	Land			
2	Buildings			
3	Vehicles			
4	Machinery			
5	Equipment			
6	Tools			
	<b>Sub total</b>			
B	Working Capital			
	Finish good stock			
	Raw material stock			
	Other cost			
	Debtors			
	Less Creditors			
	<b>Sub total</b>			
	<b>Total Budget</b>			
	<b>Sources of Financing</b>			
1	Own Capital			
2	Leasing			
3	Term Loan			
4	Temporary Overdraft			
	<b>Total</b>			
	Net Deficit\ Surplus			

### 4.2. Loan Repayment Schedule

(Interest has to be paid on the amount borrowed, while the principal has also to be paid to the bank. You know the amount to be borrowed and hope you know the terms of the loan. Now you have to work out a schedule for repayments)

Loan amount: LKR \_\_\_\_\_

Interest rate: \_\_\_\_\_

Payment period: \_\_\_\_\_ Years

Repayment method: \_\_\_\_\_

<b>Month</b>	<b>Beginning balance</b>	<b>Interest Payment</b>	<b>Principal amount</b>	<b>Total monthly payment</b>	<b>Ending balance</b>
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
<b>Total</b>					

<b>Month</b>	<b>Beginning balance</b>	<b>Interest Payment</b>	<b>Principal amount</b>	<b>Total monthly payment</b>	<b>Ending balance</b>
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
<b>Total</b>					



### 4.3. Projected Profit and Loss Statement

Profit and loss account (monthly, Normal production Months)

		# of units	Unit price	Total per month	# of months	Total
	Sales					
	Product 1					
	Product 2					
	Product 3					
	Product 4					
	Total sales					
	Sales commissions					
	Net sales					
<b>A</b>	<b>Direct cost</b>					
1	Raw materials					
1a	XXX					
1b	XXX					
1c	XXX					
1d	XXX					
2	Direct labour					
2a	Electricity					
2b	Other direct cost					
2c	XXX					
2d	XXX					
	Sub total					
	Contribution to overheads					
<b>B</b>	<b>Indirect cost</b>					
3	Salaries					
4	Transport					
5	Communication					
6	Water					
7	Electricity					
8	Other Overheads					
	Sub total					
9	Depreciation					
	Total operational					
10	Taxes					
	<b>Total cost</b>					

**Profit and loss account OPTIONAL**

(Monthly, Peak production Months)

		# of units	Unit price	Total per month	# of months	Total
	Sales					
	Product 1					
	Product 2					
	Product 3					
	Product 4					
	Total sales					
	Sales commissions					
	Net sales					
<b>A</b>	<b>Direct cost</b>					
1	Raw materials					
1a	XXX					
1b	XXX					
1c	XXX					
1d	XXX					
2	Direct labour					
2a	Electricity					
2b	Other direct cost					
2c	XXX					
2d	XXX					
	Sub total					
	Contribution to overheads					
<b>B</b>	<b>Indirect cost</b>					
3	Salaries					
4	Transport					
5	Communication					
6	Water					
7	Electricity					
8	Other Overheads					
	Sub total					
9	Depreciation					
	Total operational					
10	Taxes					
	<b>Total cost</b>					

**Profit and loss account OPTIONAL**

(Monthly, Lean production Months)

		# of units	Unit price	Total per month	# of months	Total
	Sales					
	Product 1					
	Product 2					
	Product 3					
	Product 4					
	Total sales					
	Sales commissions					
	Net sales					
<b>A</b>	<b>Direct cost</b>					
1	Raw materials					
1a	XXX					
1b	XXX					
1c	XXX					
1d	XXX					
2	Direct labour					
2a	Electricity					
2b	Other direct cost					
2c	XXX					
2d	XXX					
	Sub total					
	Contribution to overheads					
<b>B</b>	<b>Indirect cost</b>					
3	Salaries					
4	Transport					
5	Communication					
6	Water					
7	Electricity					
8	Other Overheads					
	Sub total					
9	Depreciation					
	Total operational					
10	Taxes					
	<b>Total cost</b>					

#### 4.4. Cash flow

The logic of preparing a cash flow statement is simple; you are only better off if you have a cash inflow which is more than your cash outflow. This is to ensure that your business is liquid. Make use of all estimates you derived in your sub-plans to evaluate whether you will make a gain or loss in the business.

Items	Months												
	1	2	3	4	5	6	7	8	9	10	11	12	
Cash inflow													
Cash sales													
Accounts receivables													
Equity (Owner Capital)													
Loan proceeds													
Sale of fixed assets													
A - Total cash inflow													
(Less) Cash outflow													
Fixed assets													
Pre paid expenses													
Pre operating expenses													
Direct materials													
Direct labour													
Other production and delivery overheads													
(Excluding depreciation)													
Marketing expenses													
Administrative expenses													
Interest expenses													
Loan repayment													
Tax on sales													
Income tax payments others													
B - Total Cash outflow													
A – B = Net cash flow													
(+) Cash balance Beginning													
= Cash balance Ending													



# LEGAL MATTERS

## Learning Objectives

### Participants will be able to:

- Understand the regulations that relate to micro-enterprises as well as small and medium-enterprises
- Understand the taxation system
- Hire workers in accordance with employment regulations



## Materials Needed

- Flip charts and Markers

## Tasks to Complete Before Teaching

- None

## Prerequisite Skill or Lesson

- None

## LESSON PLAN



### Length of Lesson: 30 minutes

### Generating Interest in Topic (5 minutes)

- Engage participants in a quick discussion around the following questions:
- Can you establish your business without following the regulations in the country? What can be the implications?

### Information to Share (25 minutes)

1. Businesses need regulations to protect their private property rights, contract enforcements and protect from unfair trade practices of competitors. The government needs regulations to protect public and consumers from unfair and unhealthy trading practices and to collect revenue for the government.
2. Excessive regulations hurt all parties and prohibit efficient functioning of the market resulting in growth retardation, lack of investment, reluctance for foreign companies to invest, increased cost to consumers, and less income for enterprises and government. Excessive regulation also increases government administrative cost and thereby need to collect more revenue or divest resources which would otherwise be used for much needed economic infrastructure development of the country.
3. However, the informal sector has less regulatory impediments than their larger counterparts, as law enforcement authorities are less rigid in law enforcement in the informal sector, while the regulatory framework becomes more and more significant as the business grows.
4. The regulations that relate to Micro-Enterprises and Small and Medium-Enterprises are outlined below.
  - Business registration and licensing
  - Private property rights, Contract Law, Law Enforcement
  - Tax, Revenue, BOI and Custom regulations
  - Import and export control, Consumer protection and fair trading regulations

## LESSON – 17

- Building approval
- Labour Regulations
- Environment Regulations
- Banking and Exchange control regulations
- Regulation of closed sectors

### Business registration

A business can be registered on the basis of its ownership and purpose:

Type of Ownership		Registration Authority
1	Sole Proprietorship Single owner	Local Government, or Provincial councils or Registrar of companies
2	Partnerships With one or more partners	Local Government, or Provincial councils or Registrar of companies
3	Private limited Liability One or more Directors with limited liability	Registrar of companies
4	Public non-quoted Over 50 member ownership and not quoted in the Stock exchange	Registrar of companies
5	Public Quoted Over 50 member ownership and quoted in the Stock exchange	Registrar of companies

### Private property rights, Contract Law, Law Enforcement

Intellectual property right law and Patent and Trade Mark legislation enhanced the protection of private property rights. The current Contract Law is considered adequate. However, long delays are a real impediment (often businesses spend time and money over a long period in order to obtain a court decision) for business contract enforcements.

### Tax, Revenue, BOI and Custom Regulations

- Tax related to small businesses includes, payee tax, income tax, Value Added Tax (VAT), Business Turnover Tax (BTT), custom levies (custom duty, excise duty, surcharges)
- The Board of Investment (BOI) provides incentives and facilitates foreign direct investments (FDI) and export related and infrastructure related investments.
- Sri Lanka Export Development Board provides incentives for Export related businesses including SMEs.

### Import and Export control, Consumer protection and Fair trading regulations

- Items such as medicine, agrochemicals, security related instruments, plant and animals, selected agricultural products and food items are subjected to import control.
- Protected animal and flora and fauna, mineral products, archaeological items are subjected to export control. In addition there are minimum standards set out for number of agriculture and non-agriculture export products.
- There are 10 items including wheat floor, cement, LP Gas, milk powder, and pharmaceuticals that are subjected to price control under the Consumer Protection Act.

### Building approval

All constructions are subjected to local government and Urban Development Authority (UDA) approval.

## Labour Regulations

Until January 2003, under the Sri Lanka Labour laws, firms were only allowed to hire people. Decision to lay-off workers had to be taken with the consent of the Commissioner of Labour. You could hire workers but could not fire them. As a result, firms were very cautious in recruiting workers and would delay such decisions as much as possible. In today's economy, firms should be able to respond to market quickly by changing the products and services as demanded by the customers. Firms' ability to lay-off workers enhances their ability to adjust to the market. Delays in making these decisions may result in the collapse of the firm and the loss of all jobs, instead of only a few. Similarly, non-prudent labour demand and trade-union actions can lead to the closing of businesses and therefore the laws that have been enacted to protect the workers are sometimes working against them.

The Employee Provident Fund (EPF) and the Employee Trust Fund (ETF) are the two funds to which firms need to contribute for employee retirement benefits. The EPF is contributory (by both Employers and Employees), while the ETF is non-contributory (by the Employers only).

It is important to know that employing children under the age of 16 is a serious offence and there are restrictions on employing young persons under the age of 18 or employing women for night work.

Businesses that employ other than family workers need to know about the following labour related regulations:

1. Shop and Office Act
2. Termination of Employment Act (1971) – amended in January 2003
3. Industrial Disputes Act (1950) – amended in January 2003
4. Employment of Women, Young Persons and Children Act (1956) (on overtime and work arrangements) – Amended in January 2003
5. EPF act and ETF Act
6. Payment of Gratuity Act
7. Employment of women, young persons and children Act no 32 1984 and Amended act of no 8, 2003
8. Maternal benefits Act
9. Wages Boards acts

## Environment Regulations

Environment regulations protect the environment from hazardous industrial outputs and other significant damages. Any business that is likely to affect the environment needs to obtain the Approval from the National Environment Authority.

## Banking and Exchange Control Regulations

All foreign exchange transactions are subjected to Foreign exchange control. All remittances are subjected to exchange control regulations.

## Closed Sectors

Electricity generation for sale, petroleum import and distribution, postal services, private universities, private zoos, manufacture and trading of arms and ammunitions are closed sectors for private sector businesses.

## Business Start-Up Costs

Businesses have to deal with many regulatory bodies in the course of their business life. The starting up, running and winding up stages of businesses are all important. On average, it requires about 10 days for a business to register at Pradeshiya Sabha/UC. The average amount spent on a registration at Pradeshiya Sabha/UC is about LKR 1,000.



**Table: Indicative Time and Costs of Business Start-Up**

	Days	Cost in LKR
<b>Business Registrations</b>		
Predeshiya Sabha/UC	10	1,000
Provincial Council	10	1,000
Business/Company Registration	90	10,000
<b>Building</b>		
Predeshiya Sabha/UC	30	4,000
UDA	60	4,000
CEB	60	20,000
<b>Environment</b>		
Central Environmental Authority	30	3,000

# COMPLETING BUSINESS PLANS

## Learning Objectives

### Participants will be able to:

- Complete the Business Plan they have developed over the past few days
- Write a summary of their Business Plan

## Materials Needed

- Flip charts and Markers

## Tasks to Complete Before Teaching

- None

## Prerequisite Skill or Lesson

- Business Idea
- Marketing Strategy
- Business Location
- Product Costing and Budgeting
- Budgeting and Accounting
- Start-Up Capital



## LESSON PLAN



### Length of Lesson: 180 minutes (3 hours)

Business Teams should complete their Business Plan, verify its content, make all necessary adjustments, and finally complete the summary of the business plan.

Business Teams are not expected at this stage to have typed up their business plan.

# FINALIZING BUSINESS PLANS

## Learning Objectives

### Participants will be able to:

- Finalize the Business Plan they have developed over the past few days
- Produce a typed Business Plan that can be presented to friends, family members, potential investors, and bankers



## Materials Needed

- Flip charts and Markers
- One computer per Business Team

## Tasks to Complete Before Teaching

- None

## Prerequisite Skill or Lesson

- Business Idea
- Marketing Strategy
- Business Location
- Product Costing and Budgeting
- Budgeting and Accounting
- Start-Up Capital
- Ability to use MS Office Word

## LESSON PLAN

### Length of Lesson: 150 minutes (2 hours and 30 minutes)



Business Teams should finalize their Business Plan, and type it up so that it can be shared with potential investors.

# PREPARING FOR BUSINESS PLAN PRESENTATIONS

## Learning Objectives

Participants will be able to:

- Present their business plan to other people

## Materials Needed

- Flip charts and Markers

## Tasks to Complete Before Teaching

- None

## Prerequisite Skill or Lesson

- Business Plan complete and printed



## LESSON PLAN



### Length of Exercise: 120 minutes

Business Teams prepare the way they will present their business plan to the rest of the class. They have a limited amount of time to persuade other people to finance their business plan and therefore need to be clear, persuasive, and to the point.

Business Teams may use visual aids for their presentations.

# PRESENTATION OF BUSINESS PLANS BY BUSINESS TEAMS

## Learning Objectives

Participants will be able to:

- Present their business plan to other people

## Materials Needed

- Set-up for presentations
- Requirements expressed by Business Teams

## Tasks to Complete Before Teaching

- None

## Prerequisite Skill or Lesson

- Business Plan complete and printed
- Business Teams ready to present their Business Plans



## LESSON PLAN



### Length of Exercise: Variable – 30 minutes per team

- The Business Teams present their business plan to the rest of the class.
- Each team has only 15 minutes to persuade other people in the room to finance their business plan and therefore need to be clear, persuasive, and to the point.
- Business Teams may use visual aids for their presentations.
- At the end of each presentation, other participants may ask questions of clarification.
- The Business Team that presented its Business Plan leaves the rooms and let the other participants debate (10–15 minutes) about the presentation and to what extent they would be willing to invest into the business plan if they had the money. Each participant in the room casts a vote from 1 to 5:
  1. Would never invest in such a project
  2. Would need guarantees for investing in such a project
  3. Would consider investing in such a project
  4. Would likely invest in such a project
  5. Would definitely invest in a such a project
- All votes are added and then divided by the number of voters, giving a number comprised between 1 and 5. The Business Team is invited back and is given the score it was given for its presentation.
- The next team presents its business plan.
- The winning team is announced at the end of all presentations.

# PRODUCTION OF INDIVIDUAL ACTION PLAN & CLOSURE

## Learning Objectives

### Participants will:

- Develop their own Action Plan for the next 6 months

## Materials Needed

- Individual Project of Life
- Soft ball
- Large blank sheet on walls around the room

## Tasks to Complete Before Teaching

- None

## Prerequisite Skill or Lesson

- “Goal Setting: Make It Happen”
- “Goal Setting: Project of Life”
- Participation in entire course



## LESSON PLAN



### Length of Lesson: 130 minutes

## Generating Interest in Topic

### Discussion (10 minutes)

Today is the last day of the training course, if participants were going home without a concrete action plan starting on Monday, relatively little will have been achieved for the majority of the participants.

It is therefore very important for each participant to develop his/her own action plan to implement the decisions, orientations, expectations he/she has developed during this course.

Open the discussion with the group on the need for such a personal action plan.

## Information to Share

### Presentation & Design (15 minutes)

The action plan has to be as concrete as possible, with measurable results for each week following the training course and indicating the various steps he/she will take to reach his/her personal objectives.

Design with the group the way the action plans could look like. Brainstorm ideas, collect them, and present them in a systematic way so that the action plan would flow logically and can easily be assessed against the results achieved.

## LESSON – 22

**Practice of the Skill****Individual Activity (50 minutes)**

Participants to develop their own personal action plan for the coming 6 months, following the template developed immediately before.

**Paired Activity (30 minutes)**

Participants to find a partner and share their action plan. Partner to ask as many questions as possible in a challenging approach.

Reverse roles.

**Group Activity (15 minutes)**

Share comments deriving from previous exercise. What participants found difficult or easy to do, whether they feel that this will be easy to follow over the coming months.

**Application of the Skill**

Participants leave the course with a concrete action plan in hand that they start implementing immediately after the course.

**CLOSURE****Large Group Activity and Discussion (10 minutes)**

1. Have participants sit in a circle without tables or desks in the middle.
2. Tell participants this is the last lesson and time to think about the things they have learned and experienced and to share some of their thoughts with one another.
3. Explain that you will throw the ball to someone in the circle. When they get the ball, they are to share with the group:
  - Something they learned during the lessons, and/or
  - Something they appreciate about the group.

Then, they are to throw the ball to someone else in the circle who hasn't spoken.

Begin the activity by sharing something you have learned and/or appreciate as a way to model your expectations for their sharing and then throw the ball.

4. Continue going from person to person until everyone has had a chance to share.
5. Let people reflect for a few minutes on the comments they have shared.
6. Invite participants to walk around the room and write positive statements or draw pictures representing positive statements about one another or about what they have learned.
7. Tell participants you hope they will continue to use the skills and information they gained from the lessons. If you are willing, offer to talk with them in the future if they have difficulty with any of the skills.
8. Distribute Certificates of Completion.





