

A hand is shown placing a small, bright orange paper boat onto a body of water. The boat is simple in design, with a pointed front and a flat top. The water is dark blue with gentle ripples. The hand is positioned at the top right of the frame, with fingers carefully adjusting the boat. The overall scene is brightly lit, suggesting a sunny day.

Mind Your Own Business
Africa edition

**SETTING UP A
BUSINESS**

Step by step workbook



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PART 1: SETTING THE SCENE

1 Introducing this course

This is a practical course to enable you to set up a small business or social enterprise.

This course covers:

- choosing a business idea
- testing whether the business idea will work out financially
- help on setting up and running a business.

It is designed for those with no experience in setting up a business.

It is relevant to any sort of small business:

- a business that will employ several people or just you
- a business aiming to make a profit for the owner or where the main aim is to need a social need
- a business that produces something or provides a service in any industry (including farming).

Some biblical references are included because we think they are helpful. Before he started his ministry, Jesus was the eldest son in his family business. He knew about dealing with customers and suppliers.

The course was written by Jerry Marshall, an entrepreneur with experience of setting up several successful businesses and social enterprises. He is the founder of Transformational Enterprise Network (www.tencommunity.net). The material is adapted from workbooks written by Mike Clargo and material from Rob and Jane Garratt from a charity called 5000+. Anyone is welcome to use or adapt this course.

It is essential that course members:

- attend all sessions
- have an exercise book and pen
- treat everything shared by others in confidence.

We hope you enjoy the course and find it helpful.

2 Biblical reflection

Here is an important message from the story of the feeding of 5,000 people in Mark 6:34-44. It was the God-given inspiration for the founding of the charity 5000+.

³⁴ When Jesus got out of the boat, he saw the large crowd that was like sheep without a shepherd. He felt sorry for the people and started teaching them many things. ³⁵ That evening the disciples came to Jesus and said, "This place is like a desert, and it's already late. ³⁶ Let the crowds leave, so they can go to the farms and villages near here and buy something to eat." ³⁷ Jesus replied, "You give them something to eat."

The first point is that Jesus had compassion on the crowd and compassion always leads to action. Faith without action is dead wrote James (James 2:17). The church is called to meet the needs of people around us.

But they asked him, "Don't you know it would take almost a year's wages to buy all of these people something to eat?" ³⁸ Then Jesus said, "How much bread do you have? Go and see!" They found out and answered, "We have five small loaves of bread and two fish."

The second point: the disciples could only see what they didn't have. But Jesus was interested in what they did have.

³⁹ Jesus told his disciples to tell the people to sit down on the green grass. ⁴⁰ They sat down in groups of 100 and groups of 50. ⁴¹ Jesus took the five loaves and the two fish. He looked up toward heaven and blessed the food. Then he broke the bread and handed it to his disciples to give to the people. He also divided the two fish, so everyone could have some. ⁴² After everyone had eaten all they wanted, ⁴³ Jesus' disciples picked up twelve large baskets of leftover bread and fish. ⁴⁴ There were 5,000 men who ate the food.

The third point: Jesus started with what they did have, little though it was. He looked to his father in heaven, the disciples took a risk and stepped forward in faith, and it was multiplied with enough for everyone.

The challenge for us is to think about what we already have. What are our loaves and fishes? And then take a risk, offer them to God, and step forward to in faith to allow God to multiply them so we can bless our whole community.

3 What is a business?

There are many different types of business.

GROUP DISCUSSION: *Which of these are businesses?*

1. Someone knitting hats in their spare time and selling them to friends?
2. Someone looking after other people's children for a payment?
3. A farm that sells some of what is grown in a market?
4. Someone who sells products on a street?
5. Someone who does IT tasks for lots of companies?
6. An organisation that raises funds to help refugees?
7. A not-for-profit vocational training organisation?

(Answers: 1. Manufacturing business 2. Service business 3. "Primary Sector" business 4. Retailer 5. Probably a business but the person could be an employee of several companies 6. No, this is a charity 7. Probably a social enterprise but it might be a charity).

GROUP DISCUSSION: *What do all businesses have in common?*

Fundamentally, they provide something that people want and are prepared to pay for.

It might be a making something (like a basket), a service (like mobile phone charging) or trading (say buying and selling clothing).

A "social enterprise" is also a business but some or all the funds might come from the government or an NGO rather than from the people who use the service.

4 Why start a business?

Enterprise is essential for people to flourish and it is the only long-term solution to poverty. A key purpose of entrepreneurial activity is to create wealth, a word that comes from an old English word meaning well-being. So business is about enabling personal and social well-being.

Long term business success comes from providing something customers want, in a way that is better than their competitors. In the process, businesses create jobs, develop skills in their staff and build hope and self-esteem.

Some people are suspicious of business and entrepreneurs. Many people corrupted by greed. But we can also use business to love God and love our neighbour, meaning our customers, our staff and even our competitors.

Some people go further. Social entrepreneurs can use a business to meet the needs of local communities, demonstrate honesty, tackle poverty and even support peace where there is conflict by bringing hope and building good relationships.

The principle of loving your neighbour and standing alongside the least fortunate in society is not unique to Christianity but this world view has transformed many nations. In the UK, many Victorian Christian industrialists used their businesses to improve the living conditions for their workers. In Norway, Hans Nielson Hauge was central to the transformation of the country from the poorest in Europe to the richest per person on earth. In Geneva, John Calvin began a movement that transformed the city from being known as "the smelliest in Europe" with immorality, poverty and alcoholism, to a wealthy city and the base many humanitarian organisations.

So starting a business can make a difference and help you, your family and your community.

5 What makes a business successful?

SMALL GROUP DISCUSSION: In a small group, think of a successful business you know. Why is it successful? After 5-6 minutes, share answers with the wider group and list them in your exercise books. Then also discuss what makes businesses fail.

There are many reasons for success, such as looking after customers and being careful about giving credit (letting customers pay later). It is especially important to be different from and better than competitors and to look after the money carefully.

Those who succeed in business have four things in common. They:

1. Make something or do something that people value
2. Do it better than whatever is currently available
3. Generate an income from the business (from customers, advertising or grants) that is greater than the cost.
4. Look after the money left over so there is not only enough for them and their family but also to pay off any loans, replace equipment used in the business and pay any tax.

Those who fail in business have usually failed in one of these four things.

One of the biggest challenges is keeping the business money separate from personal money. If a family member needs help, don't give away the business money because then the business will fail and you will not be able to help anybody anymore.

6 Captain of your ship

Setting up a business is like setting off on a long journey by boat. You need to prepare and make sure you have all you need before you set off. And you need to be able to steer, navigate and stay off the rocks in a storm.

SMALL GROUP DISCUSSION: What are the qualities needed in a successful entrepreneur? Discuss in a small group then share some ideas with the whole group and list in your exercise book.

An entrepreneur needs three important abilities:

- The ability to spot opportunities – what do people around you need but maybe nobody is providing?
- The ability to evaluate different opportunities – which opportunities are most likely to succeed?
- The willingness to stick at an idea for long enough to make it succeed.

Other personal qualities needed include:

- Willingness to work hard
- Ability to learn from mistakes
- Patience
- Willingness to take risks
- Ability to live with uncertainty
- Ability to get on well with other people
- Ability to control your emotions
- Basic numeracy.

If you don't have all these abilities you should work on them or set up a business with someone else who is good at the things you are not so good at.

What are your goals? What does success look like to you? Where do you want to be in five- or ten-years' time? Your goals might be around marriage, children, money, purpose or adventure and they should shape the type of enterprise you want to start. Do you want an income to support a family? Or an income that enables you to do something else (like pastor a church)? Or the flexibility that can come from working for yourself? Or to generate income from a hobby you enjoy? Or to set up a business that will support you in old age? Or create jobs for others? Or meet a social or environmental need?

PERSONAL EXERCISE: By yourself, write down in your exercise book: 1. what abilities you most need to work on and 2. your personal goals.

The good news is that anyone can start and run a business, if they are willing to work at it. It can be fun, satisfying, generates an income and helps people. Setting up a business is mainly common sense. However, training and careful preparation will help you avoid expensive mistakes and be more successful.

PART 2: RESEARCHING THE MARKET

7 What business should you start?

The key to choosing the right business or social enterprise is to spot the need or opportunity that YOU can best meet.

You may already have a business idea, but go through the exercise below because you might find a better idea!

PERSONAL EXERCISE (40 minutes)

1. Make a list of all the groups of people you know. For example: your neighbours; people you work with; people in your church or choir or other group; tourists who visit your town; people who work in local businesses. Next to each group, list the products and services they might need. For example: neighbours might need solar power; a youth group might need football training; people in local businesses might need lunch.
2. Make another list, with all the things you enjoy doing. What would you do all day even if you were unpaid?
3. List all the things you have the ability and resources to do. For example, your abilities might include cooking, writing, organising events, teaching, driving, looking after children or fixing computers. Your resources might be a carpentry tools, a computer, a bike, a spare room.
4. Review all the lists. When you look at the list of what people need, does it remind you of anything you have the ability or resources to do? And when you look through the list of your abilities and resources, does it remind you of any needs you could meet? Add any new items. Spend time extending the list and be encouraged by all your abilities!
5. Finally, look for anything that appears on all three lists. Cross out anything you don't want to do. From this, start to list possible business ideas and then try to get this down to a short list of three for further thought and investigation.



Be different

Don't only think about what existing local businesses do. It is easier to charge a good price if there isn't much competition, so long as it is something that people want and are willing to pay for.

Here are some ideas, but remember there are thousands of possibilities and the important thing is to choose what is right for you and your community.

- Mobile money ("MoMo") agency
- English tutoring
- Child care / Nursery
- Solar panel and battery distribution / installation
- Stove manufacture or distribution
- NGO local representative
- Soap making
- Wooden / educational toy manufacture
- Soft toy manufacture
- Courier (collecting goods from suppliers or depots in Kampala or Mbale)
- Tour / visitor guide (providing local experiences for small groups of tourists, collecting groups from the airport, accompanying and helping NGO staff, etc.)
- Providing tourists with an "Africa experience" such as inviting them to stay at your homestead and providing local food
- Solar shower import and distribution
- Roll along water containers
- Respite care for those caring for others who need a short break
- Virtual assistant or other jobs over the Internet (see www.fiverr.com or www.upwork.com)

Pray for guidance

Pray, alone or with others, to ask for God's wisdom with your decision. Ask God to speak to you. Sometimes God speaks to us through things other people say, or he may give someone a specific prophecy for your business. Sometimes words seem to leap out at us as we read the Bible. Or we hear from God through dreams, pictures or the circumstances around us.

8 Researching your business idea

Which idea is best?

You now have a short list of business ideas, based on your abilities and resources, what you enjoy doing, and what people you know need. Which ideas do you especially warm to? Ask your trusted friends what they think.

PERSONAL EXERCISE: *Decide which is the best idea.*

The next stage is to research this idea. You can do this by talking to competitors, or potential customers, or companies offering what you want to offer but in a different area.

The research may show your idea will not work well after all. If so, go back to your short list and try another idea.

SMALL GROUP DISCUSSION: *In a small group, talk through 1. What would be useful to know and 2. How to find out this information. After 7-8 minutes, list the best ideas with the whole group.*

Your final list should include the following information to find out:

- Who will your competitors be?
- What do they offer?
- How much do they charge?
- How do they attract customers?
- What sort of people are their customers?
- Why are they successful?

Research might include:

- Ask your friends and family what supplier they use for this product or service; and what they think are this supplier's strengths and weaknesses
- Try the supplier out yourself if you can
- Talk with the supplier
- Talk to the supplier's customers (ask them why they choose this supplier; what do they like and what don't they like; and how could this supplier be better)
- Look at the supplier's website and any on-line reviews.

(Your homework for this section includes this practical research, see end of Part 2 on page 9)

Can you test the idea?

Market research can be valuable. But it has limitations. People might say they will buy from you to be polite but change their mind when they have to spend their money. For some business ideas you may be able to try out your idea very cheaply: buy or make a small number of the products and see how easy (or difficult) it is to sell them.

Will you sell enough?

If you plan to sell a popular product in a wide area there is likely to be plenty of business there, if you can get enough customers to switch to you. But if you are providing a specialist product in a local area, try to find out:

- How many potential customers are there in the area you want to cover?
- How often are they likely to buy?
- How much are they likely to spend each time they buy (on average)?
- What percentage do you think will buy from you?

From this, try to work out if there will be enough sales to support your business. If not, you might need other products.

9 Who are your customers?

SMALL GROUP DISCUSSION: *Why did you buy that? In a small group, think about a product or service you bought recently. Who did you buy it from? Why did you choose that particular supplier? After 6-7 minutes, talk through some of the answers with the whole group.*

Why would they buy from you?

What would make someone switch from their existing supplier to you?

There are only really four reasons why we choose one supplier over another.

1. *Better:* better design or higher quality than other suppliers.
2. *Cheaper:* cheaper to buy or run than others of the same quality.
3. *Faster:* we might choose a shop because it is the nearest; or a supplier because they can deliver more quickly; or they provide a more complete service which saves you time.
4. *Nicer:* The plumber or hairdresser we choose might not be the cheapest or the best but we like them and trust them; or the way the service is provided is more enjoyable.

Don't assume you have to be the cheapest. You might buy petrol on price, but would you use the cheapest hairdresser or buy the cheapest wedding dress? Trust, personal service and quality are an important way to win customers. Sometimes companies even find they can sell more by increasing their price!

Who are your customers and what is important to them?

What kinds of people or organisation are most likely to buy your product? What do your customers have in common: are they likely to be mainly old / young / male / female / wealthy / poor / live in villages / live in towns / price-focussed / quality-focussed / businesses / individuals / government / NGOs?

This is your "customer profile". Knowing who your potential customers are in terms of these characteristics will help you design the right offering for them.

From the four reasons people buy above, and your research of competitors, what do you think will be the most important reason why the people you have described switch from a competitor to you?

There may be more than more than one answer because you might have several different customer groups. Perhaps men prefer a different design or colour or shop to women. Or older people want something different from younger people. Or perhaps you have one group of customers where quality is important and others that just buy the cheapest. This is called "customer segmentation". You might have different versions of your product or service for each group.

Knowing your different customer segments will help you communicate with each group more effectively. For example, a dress shop might sell wedding dresses with a message about quality and beautiful design; and everyday dresses with a message about being long lasting and good value.

PAIRS EXERCISE: *with one other person, help each other think about who your customer groups might be, the main reasons why each would buy, and whether you need a different version of your product or service for each group. Write a list of your "customer segments" in your exercise book and the reasons they would buy.*

10 How much will customers pay?

What is the market price for your offering? What price will maximise your profits?

Many businesses set a price that is a bit more than the cost of producing the product or service. But what is more important is what competitors are charging for a product or service of a similar quality. For some items, especially if they are new or unusual or beautifully designed or difficult to get hold of, customers might pay much more than the cost. It's not what it costs but how much it is worth to the buyer and what competitors charge for the same quality.

What is your strategy? Are you trying to sell a lot at a low price or a few high quality items at a high price? You might want to have different versions of your product for different customer segments: a basic version at your cheapest price and a higher quality more expensive version for those who are happy to pay more.

The most common mistake is to charge too little. For some products or services, a low price can put customers off. They assume that cheap means not very good. Do you want to buy the cheapest wedding dress? Or hire the cheapest mechanic to fix your motorbike? Paying more for a good mechanic might be better value if their repair lasts longer.

If you are selling your time, be especially careful not to undercharge. Allow for the unpaid time you need for selling, providing a quotation, administration, sickness, etc. plus extra costs like renting an office.

Do you think that changing the price will have a big effect on how much you sell? This is true for easily comparable products (like fuel at a petrol station). If so, reducing your price a little could increase sales so much that you make more money. If changing the price does not have a big effect on how much you sell, increasing your prices could make you more money.

PERSONAL EXERCISE: *on your own, thinking about your competitors' price and the value of your offering to your customers, what do you think is the right price to charge? If your customers want a high quantity, will you offer a discount? Write this down in your exercise book.*

11 How will you find your customers?

Now that you have an idea of your customer profile in each of your customer segments, you can begin to think about how best to tell potential customers ("prospects") about what you are selling. It is vital to find customers quickly when you start the business.

At this planning stage, the important thing is to have an idea of how you will find customers and how much this will cost.

Who do you need to talk to?

Some businesses don't sell direct to their "end users" and instead sell to manufacturers or resellers such as shops, agents or restaurants. The advertising message to these groups will be different from the message to end users.

For social enterprises and some other businesses, you may need to communicate with several groups of people: "beneficiaries" who use your services; funders such as governmental organisations or NGOs, who may be paying some or all of the cost; and perhaps other "stakeholders" (for example, colleges might need to communicate with parents and with local employers).

What's the best way to find customers?

GROUP DISCUSSION: *What's the best way to tell potential customers about your business? Make a list.*

Your mix of sales activities depends on the customer profile in each of your customer segments. Which marketing approach will be the most cost effective for each customer segment?

It also depends in part on "lifetime customer value". If a new customer is likely to buy from you again and again, it's worth spending quite a lot of money to win their business, even if you make a loss on the first sale. But if you are only likely to sell to each customer very rarely (for example, selling them a stove), then that sale must cover the cost of finding that customer.

Your sales activities also depend on your product and type of business you are in. For example, a dress shop might offer to take a picture that their customer could post on social media sites and a guesthouse might encourage customers to write a review.

You can do the following for free.

- Tell your family, friends and neighbours.
- Ask your friends and first customers to tell their friends who might be interested about your new business (a "referral"). Or ask them who they suggest you talk to about your business.
- Promote on social media, encourage customers to 'like' your page and encourage them to show how they use your product.
- Write a blog on something related to your product and publicise it in your social media.
- Contact the local radio stations to tell them about your new service and perhaps ask them to tell your story.

Options that have a cost include the following.

- Provide something free so people try you out; for example, a juice shop might let customer taste the juice in a small cup; a motorbike mechanic might advertise a free check-up and then offer advice on what needs to be fixed.
- Attend events where you might meet potential customers and have a card or leaflet to give to people who are interested.
- Print and distribute leaflets.
- Employ an agent, i.e. pay someone a commission if they find a customer.
- Give a reward or discount to customers to recommend you to their friends.
- Work with another business selling a complementary but not competing product. For example, each offering a discount voucher for the other's product.
- Some businesses would benefit from having a web site or selling through an internet shop or on-line advertising.

PART 2 HOMEWORK

Complete the lists, short list and business idea in section 7 if you have not yet finished this.

Conduct the research action from section 8 and from this, put together a table of competitors with their prices, strengths, weaknesses and how they find customers.

Does this research confirm your business idea or do you need to research a different idea from your short list?

Reflect on the information and ideas in section 11 and decide on the following. Write your answers in your exercise book.

- *Will you sell direct to end users or through a reseller or both?*
- *Thinking about your customer segments (section 9), what sort of message will each group listen to and be influenced by?*
- *How will you get your message across to them?*
- *What action do you need to take, when do you need to do this, and how much will it cost?*

PART 3: FINANCIAL PLANNING

12 Process planning and set up cost

Step by step

You have selected a business start-up idea and begun to research the market. Now we need to get to grips with costs and find out if the business is viable.

There are several costs to consider. The first is “set up cost”. This is the cost of the equipment etc. you will need to pay for before you begin to offer your product or service.

A good approach to this is to break down each part of the business process into a series of steps. For example, if you are making chapatis, step one is buying ingredients; step two is measuring out ingredients; step three is mixing ingredients, etc. If you are offering a service it may be easier to breakdown the stages as a customer journey. For instance, if you are running a café, step one is taking a booking; step two is welcoming the customer; step three is giving out the menu, etc.

Thinking about each step will help you know what is needed and therefore what the cost will be.

Preparing a process plan

To prepare a process plan, make a table with six columns on a big sheet of paper or a computer.

- Down the first column, write down your business process as a series of steps, as described above.
- In the next column, against each step, write down any tools and equipment you need for this step.
- In the next column, against each step, write down the people and skills you need.
- In the next column, against each step, think about and write down any ideas you have for doing this step better than your competitors.
- It is important to keep costs low; so in the next column, think about and write down simpler and cheaper options to complete this step. For example, can you borrow, hire or buy second hand rather than buy new?
- Finally, in the last column, against each step, write down the cost of anything you will need to pay for before you start your business.

The total of the final column is your set up cost. If you plan to have a website or produce sales material you will need to add these costs to your set up cost.

GROUP EXERCISE: use one business idea to begin to prepare a process plan together as an example or use Appendix Table A at the end as an example.

PERSONAL EXERCISE (30- 40 minutes): Prepare a business start-up action plan for your business: write a process plan as described in section 12. Also consider who can help you operate the business and where you can get the tools, equipment and supplies you need. Where will the business be? If you are renting a shop or building, what needs to be done to prepare the building? If you need helpers, how will you recruit and train the workforce? What other actions are needed before your start? From all this, write a list in your exercise book of the actions required to start the business, together with the cost of each action and target dates. If necessary, finish this as part of your homework.

13 What are the risks?

Plans are great but not everything will go according to plan. A good rule of thumb is that everything will take longer and cost more than you think!

What could go wrong with your action plan? What can you do to prevent it going wrong or deal with it when it does go wrong?

Entrepreneurs are thought to be risk takers. But good entrepreneurs do all they can to minimise risk and plan for the kinds of things that could go wrong.

The parable of the talents in the Bible (Matthew 25: 14-30) is a story Jesus told to teach us how God isn't pleased with people who are too scared to take any risks with the resources they have. God wants you to make good use of

the money and skills you have and use them to generate wealth (which remember comes from a word meaning “well-being”).

To prepare a risk analysis, make another table, this time with four columns.

- In the first column, list all the things that might go wrong.
- In the next column, write what you could do to prevent it going wrong or deal with it when it does go wrong.
- In the next column, estimate the likelihood of this happening – high, medium or low.
- In the next column, estimate the impact of this thing going wrong; how bad will it be? Again, give this as high, medium or low.
- In the final column, think about how you could minimise the possibility of each risk happening. Pay particular attention to risks that are high likelihood and high impact.

GROUP DISCUSSION: *use one business idea to begin to prepare a risk analysis together as an example or use Appendix Table B at the end as an example.*

PERSONAL EXERCISE: *Use this section to prepare a risk analysis for your business idea (complete as homework if necessary)*

14 Operating costs

We have looked at set up cost, the cost for equipment etc. that you have to pay for before you start your business.

The next costs to look at are operating costs, the costs you will have to pay every month as you run your business.

Unit of Sale

First you need to know your “Unit of Sale”. Your unit of sale is what is on your price list: it might be per item (e.g. per dress); or per pack (e.g. per pack of 10 biscuits); per glass (of juice); per bottle, per kilo, per tonne, per litre, per hour, or per day.

PERSONAL EXERCISE: *Write down the unit of sale for your business in your exercise book.*

Fixed and variable costs

There are two sorts of “Operating Cost”, fixed cost and variable cost. It is important to know the difference.

Some costs are “fixed”. These are the costs you have to pay even if you don’t produce anything at all. For example, the rental on your shop; or a monthly fee you might pay for Internet access. You have to pay them even if you have no customers.

Some costs are “variable”. For example, your ingredients if you are making a food product; the cost of material if you make dresses; and the cost of packaging and delivery. They are the direct cost of your sales. They increase in line with level of sales. If you sell twice as many dresses, you will need twice as much material.

Confusingly, some costs are either or both. Wages can be fixed (if you’re paying a fixed monthly salary regardless what is produced) or variable (if you’re paying per item produced). An electricity bill might have a fixed monthly charge and a meter charge, that increases the more you produce.

A good test is: If you sell twice as much, will this cost also double or at least increase a lot? If so, it’s a variable cost.

The distinction is important. Knowing your variable costs means you can work out your cost per “unit of sale”.

Knowing your variable cost per unit of sale means you know whether to take an order at a particular price. If the price is lower than the variable cost, turn it down: you will lose money on it. If it is higher than your variable cost per unit then there will at least be some surplus contributing to your fixed costs (though you will need to sell enough to completely cover fixed costs).

Working out “realistic” variable costs

Your variable cost per unit is easy to work out. For example, if making 100 biscuits costs \$10 and you are selling the biscuits in packs of 10 (your unit of sale), then the variable cost is \$10 divided by 10 packs so \$1 per pack.

However, this is just the “ideal” cost per unit. Unfortunately, some of the biscuits you are making will break or be nibbled by rats or go stale before anyone buys them. Or, if you are offering a service and have timed appointments, some of your customers will not turn up, so this time is wasted.

So, out of every 100 units of sale, how many will you actually get paid for (on average)? Divide your cost for 100 units by the number of units for which you will actually be paid. This is your “realistic” variable cost per unit.

In the biscuit example above, suppose you are only paid for 90 out of every 100 biscuits you make (because 10 are broken, damaged by rats or go stale), then the realistic variable cost is \$10 divided by 9 packs, which is \$1.11 per pack.

PERSONAL EXERCISE: *calculating fixed and variable costs*

1 List all your fixed costs and estimate the total fixed cost per month.

2 List all your variable costs.

3 Estimate your cost per unit.

4 Out of every 100 units of sale, estimate how many you will actually get paid for (on average). Use this to calculate your realistic variable cost per unit. Repeat this for any other products (perhaps the biscuit maker will also make cakes).

Complete as homework if necessary.

15 Revenue and profit

You have already thought about what price to charge per unit of sale, drawing on your competitor research. Hopefully this is more than the variable cost per unit that you have just calculated. The next stage is to calculate revenue and add in the fixed and variable costs you have estimated.

GROUP EXERCISE: *use one business idea to begin to fill in a table line by line (see below) or use the example in Appendix Table C.*

Calculating revenue

- How many units do you think you will sell per month in the first month of trading? Probably not much, because it takes a while to find customers. What about month 2? Most business gradually build up sales in the first few months of the business. Make this the first row of a table.
- Multiply the number of units you think you will sell each month by the price, to give total revenue per month. This is the 2nd row.
- Also multiply this number of units by the realistic variable cost per unit, to give total variable cost per month and put this in row 3.
- The revenue each month minus the variable cost gives you “gross profit”. This is the money you use to pay the fixed costs. Put this in row 4.
- Write in the fixed cost (which will be the same each month) in row 5.
- The gross profit per month minus the fixed costs give you your “Operating profit” (or operating loss if it is negative). Put this in row 6.

Break-even point

Whether or not you appear to be profitable, it is helpful to know your “break-even point”, the minimum amount you need to sell to make an operating profit.

Your break-even point is where the gross profit first meets all the fixed cost.

In the example in the Appendix Table C, the price is \$10 per dress and the variable cost is \$7, so the gross profit per dress is \$3. This means that every dress sold contributes \$3 towards your fixed costs. Fixed costs in this example are \$15 / month, so the business has to sell 5 dresses (15 divided by 3) to break even.

PERSONAL EXERCISE: *Complete a similar table for your business and calculate the break-even point.*

16 Cash flow

Why a cash flow forecast is vital

The most important question at the planning stage is to find out whether your business idea is viable: will your business succeed or fail?

This comes down to two questions:

- do you have enough cash?
- will the business be profitable?

These are not the same: fast growing companies can run out of cash and therefore fail even though they are making a profit.

To see how much money you need and to make sure you don't run out of money, you need a cash flow forecast.

What is a cash flow forecast?

You might sometimes see financial statements, such as a bank or mobile phone statement. Typically, at the top, these say "Opening Balance", the amount you had in your account at the beginning of the month. Then there will be a list of any money that was paid in during the month ("credits"), and also everything that has gone out during the month ("debits"), the payments you have made. At the bottom of the statement, it will say Closing Balance – the money you have left. This becomes the Opening Balance the next month.

A cash flow forecast is simply a best guess at what your statements will look like in the coming months. What will your opening balance be when you start your business? What will you have to pay for during that first month? Will you receive any income during the month? What will be left over?

A simple cash flow forecast

There is an example of a simple cash flow forecast in Appendix Table D. This is the same business as the dress maker in Appendix C. In this example, the business buys the material the same month the dresses are sold, and receives payment when the dress is sold. So the numbers are the same. What has been added is the set up cost - \$200 for a sewing machine. And, of course, the opening and closing balance for each month.

GROUP EXERCISE: Go through a simple cash flow forecast. Prepare a blank table using the example in Appendix Table D, and add the figures in line by line (without looking at the answers!). Then check against Table D.

One of the useful things this table shows is how much money the business needs to start. The start-up cost is the set-up cost (\$200) plus the losses made in the first few months. This business will need at least \$212 (see month 2). To be on the safe side, the business should have access to more money than this – say \$300 - in case the sales estimates are too optimistic.

A more realistic cash flow forecast

However, a cash flow is different from a simple list of your income and costs because it takes into account when you pay and when you will be paid. This may not be the same as sales for the month: some businesses do not receive payment from their customers when the sale is made. Instead, they raise an invoice which might not be paid until the following month or later.

In the example in the Appendix Table E, the dress maker has decided to switch to making business uniforms. The good news is that in this example the business is more profitable than dress making because the uniforms sell at \$12 but the cost is \$8. So the gross profit is now \$4. But the bad news is that the material has to be purchased the month before the uniforms are made. It is more realistic that materials or ingredients have to be paid for before the business receives payment for the product they sell. Also, in this example, the customer does not pay until one month after delivery. This is common for businesses selling to other businesses.

GROUP EXERCISE: Prepare a blank table using the example in Appendix Table E, and add the figures in line by line (without looking at the answers!). Then check against Table E.

Note that although this business is more profitable, the start-up cost is higher. The faster the business grows, the more cash is needed. The business needs at least \$348 (month 4) but probably over \$400 to be on the safe side.

PERSONAL EXERCISE: Prepare your cash flow forecast, similar to the example. You may be selling several different products. Give each one a row then add up the total sales revenue. Complete as homework if necessary.

Cash flows can be done on paper but is easiest using a spreadsheet such as Excel if you have access to a computer. There is a free template to use at www.tencommunity.net/resources/mind-your-own-business-. The first tab is an example with some notes, the second is for you to add your own figures. You can then delete the first tab and use this as part of your business plan. The template starts with an optional section listing predicted sales from different products or services, together with their selling price. This is to help you add the income figures and to make it easy to alter price or the number of units sold.

How much money do you need?

Normally, cash flow closing balances for a start-up are increasingly negative. Then - if the business is profitable - the negative balance starts to reduce, and eventually the balance is increasingly positive.

How negative is your worst month? This amount (and add more as a safety margin) is what you need to start the business. This is the “start-up cost”. The start-up cost is the set-up cost plus the money you need to cover initial losses.

Is it a realistic amount for you to invest or borrow? If you are paying interest, add the interest payment to your cash flow forecast, so the total you need to borrow will be higher.

17 Will your business be profitable?

In the last section we asked whether your business was viable and said this comes down to two questions. The first was “Do you have enough cash?”, answered with the cash flow forecast. The second is “Will the business be profitable?”

We have worked out operating profit but this is not the end of the story.

To work out if your business is profitable, there are other costs to consider. Your profit needs to cover the following.

- Your salary: work out how much you need to draw out. If you have a job, maybe you can carry on working while you build up the business so you don't have to draw out any pay for yourself.
- The cost of any loan you have taken out.
- Equipment replacement costs, known as “depreciation”. Depreciation will not affect initial cash flow, but it affects profitability. If you are not making enough money to replace worn out tools the business will eventually fail.

PERSONAL EXERCISE: Equipment replacement plan

1 List each item of equipment you will be purchasing for the business: tools, computers, printers, vehicles, etc. Don't include anything you are hiring (that should already be in your operating costs).

2 For each item, write down how long you expect it to last before it needs to be replaced.

3 For each item, what is the cost of replacement?

4 The amount you should set aside each month to replace your equipment is the replacement cost divided by the number of months you expect it to last. For example: if you are buying a piece of equipment costing \$500 that you think will last 5 years, the annual depreciation is \$100 per year or \$8.33 a month.

Now, take your monthly revenue and deduct operating costs, loan costs, salary and depreciation. Will there be any money left?

Becoming more profitable

You now know if your business idea will generate enough money to be successful. If the business looks profitable, go ahead and make it happen!

However, if the business is clearly loss making, choose another idea and repeat the research and financial forecast. But it may be somewhere in the middle. In which case, think about how it could be more profitable.

SMALL GROUP EXERCISE: *in your group, chose one or two of the business ideas and think about how it could be more profitable. How could it increase sales revenue or reduce costs? List your ideas and share as a wider group.*

Here are some ideas to make a biscuit-making business more profitable.

- Are there any other income streams you can generate? Could you also sell cakes? Or set up a café? Or run classes in biscuit making?
- Could you sell more? For example, by selling to shops in nearby towns?
- Could you increase your price? For example, make a luxury biscuit at more profitable higher price? Or if you plan to sell to shops, also sell direct to the public?
- Can you reduce your costs? For example, if you are renting your premises, can you negotiate with your landlord to reduce rent or have the first month rent free? Can you buy equipment second hand, or rent or borrow it?
- Can you reduce the loan amount you need by paying suppliers later or obtaining customer payments earlier?

Be realistic: if the business looks like it will not be profitable, it is better to know that now, when you are planning, than when you have started spending money.

If it doesn't look profitable even after considering the points above, think of a new idea and check whether the new idea is profitable.

18 Business structure

Many small businesses are started on a small scale without any formal structure. You are a “**sole trader**” meaning you and the business are the same thing. Any money you make is your income. Equally, any problem is your problem, for example if a customer is demanding compensation for a bad product or service. Check whether you need to register your business or whether you need any kind of licence. Also make sure you keep your business money separate from your personal money. If you use up the business money for personal needs the business will run out of money and fail and not generate any income to help anyone.

If you decide to start a business with someone else (or several people), you have a **partnership**. This can be a good idea because it brings more skills, time and resources to the business. It also means you can cover for each other if one of you is ill. But it also means you have to share the profits. If you set up a partnership, make sure you agree in advance how you will work together and write this down. What will each person contribute to the business and what will they get in return? Who will keep the accounts? What happens if someone decides to leave? This is called a partnership agreement.

Limited Companies are organisations that are a different legal “body” from the owner, a legal entity separate from you. This means that if there is a problem, the company, not you, will be taken to court (though you have some legal obligations as a company director). Companies are normally registered with the Government. The business is owned by shareholders according to the number of shares they own. A company may have to pay tax on profits. All or some of the rest of the profits can be distributed to shareholders (called “dividends”). If there are several shareholders, work with a lawyer to draw up a shareholder agreement. This protects minority shareholders and specifies the decisions that need the agreement of all shareholders.

Social enterprises and charities usually have different forms in different countries. Check out what is available if you plan to start a “not-for-profit” or co-operative organisation.

19 Naming your business

What will you call your business? A good name can help communicate what your business does. Here are some considerations.

- Using you own name keeps things simple but it could be awkward if you sell; and does your name mean anything to potential customers?

- Names like “Apple” may work for big corporations that can afford to advertise. If not, the name will mean nothing to potential customers.
- Instead consider a name that says what you do: Yummy chapatis or Sharon’s cakes. Then potential customers will immediately understand what you offer. But make sure the name covers all the things you plan to offer.
- Consider whether a play on words would attract attention as well as explain what you do: *Tailor Made* for a clothing shop; *Mind Your Own Business* for a business workbook.
- Avoid anything similar to an existing brand. You could be sued for “passing off” i.e. pretending to be a well known company.
- If you might need a web site, check there is a suitable name available. If you might create a limited company, check the name is available.
- In most countries, some names require permission because they might mislead (like “Royal” or “International”).

PAIRS EXERCISE: *with one other person, help each other choose a good name for your business.*

20 Sources of funding

When you know how much you need to start up your business, think about where to find the money. This can be loans, on which you normally pay interest and need to be repaid; or investment capital (“equity”), where you sell a share of the business.

Your own savings or assets – the starting point is your own savings and those of any partners, plus the sale of anything you have that is not essential. What are your “loaves and fishes” (section 2) that God can multiply?

Family and friends – loans from family and friends are great for small amounts. They are usually quick to arrange and they may not expect interest. But you risk damaging relationships if you can’t pay the money back when expected. When friends and family don’t need the money back quickly, and believe your business will be successful, they may be willing to invest in your business by owning a percentage, as partners or shareholders.

Community associations or NGOs – e.g. savings and loan schemes. Usually low interest.

Micro-finance Institutions – can be short term and can be quite high interest.

Banks – not usually available to start-up businesses without any other assets and the interest rate is usually high.

‘Peer to peer’ lending – loans or equity from individuals via an internet platform. Some countries (South Africa, Nigeria) have several options, others have none, but it is a growing areas. See <https://businessideas4africa.com/p2p-lending> for a list of platforms in Africa or search the Internet for your country.

Crowdfunding and crowdsourcing - the future

Until recently, entrepreneurs relied on friends, neighbours and family for loans, ideas, market research and first customers. Now you can do all these things by talking directly to over three billion people who are online, joining or developing “communities of interest” on almost anything.

Crowdfunding sites can be used to ask for donations (e.g. Justgiving); business loans (e.g. Fundingcircle); equity funding (e.g. Crowdfunder) or to offer a reward in return for funding (e.g. Kickstarter, Indiegogo). At present, most sites are geared towards developed countries but this will change. Keep an eye on what is available to you.

How does Kickstarter (www.kickstarter.com) work?

Suppose you wanted to start a business offering an African homestead experience for tourists and the cost to develop the guest room was say \$1,500. Let’s say the direct cost (collection from the local town, food, etc.) was \$20 for two people for 24 hours and you were planning to charge \$60 for 24 hours for two people. You could propose this on Kickstarter offering investors one 24 hour stay for two people for every \$50 invested (a discount for them) and set a target of \$2,500. If you reached this target with 50 investors contributing \$50 each, then you would have the money to develop the guest room and the cost for 50 visits, so the project could proceed. The money is only taken when if you reach or exceed the target on the closing day. If you don’t reach the target then nobody is charged, you don’t get the money, and there are no fees.

What is Crowdsourcing?

Here's a real example: two nineteen-year-old unemployed designers met through an online T-shirt design competition. They decided these competitions should happen more often, so they created a website to do this and built up a community of followers. The website community voted, the winner got a small cash prize and the T-shirt was put up for sale. It turned out that people *really* like to submit designs and vote for them. Today, www.threadless.com is one of the largest T-shirt businesses in the world with annual profits of over £15m.

PERSONAL EXERCISE: *Think about how you will find the funding you need.*

21 Business planning

It is helpful to collect all your thoughts, research and your financial forecast together in a business plan. This helps you be clear about what you are doing.

If you have investors, you are likely to be asked for a business plan, which will build their confidence in you. A template for a business plan and for a cash flow forecast can be found at www.tencommunity.net/resources/mind-your-own-business-.

For a small business, this might be just a few pages: one page would not have enough detail and more than 10 pages is probably too much.

Here is a suggested list of contents.

- Business name
- Your name and contact details
- Brief description of the business – what exactly are you selling
- Purpose of business
- Target customers
- Competitors and other market research you have conducted
- How you will be different
- How you will find customers
- Premises and equipment required
- You and your team – describe each person's role and their skills
- Risk analysis
- Financials: set up cost, fixed costs, variable costs, sales forecast, cash flow forecast
- Funding needs and expected source of funds.

PERSONAL EXERCISE: *prepare your business plan, obtain finance and launch the business!*

Bible reflection

One of God's key concerns is for us to have good, healthy relationships with those around us. When asked what the most important commandment was, Jesus replied "Love the Lord your God with all your heart and with all your soul and with all your mind and with all your strength". And he added, "The second is this: Love your neighbour as yourself" (Matthew 22: 37,39). How we deal with colleagues, employees, customers and suppliers will impact us, them, their families and our communities. As the founder of a new enterprise, you have a brilliant opportunity to set the tone and create a context for human flourishing, not just a way of bringing in money.

PART 3 HOMEWORK

Complete all the exercises in Part 3 if necessary: your business start-up action plan (section 12), risk analysis (13), fixed and variable costs (14), revenue forecast (15), cash flow (16), equipment replacement plan (17). Decide on the name, structure and funding and prepare a business plan.

PART 4: RUNNING A BUSINESS

This not part of the main start-up course, but is a reference section of useful information for those in business.

22 Keeping records

Keeping records helps you check your progress against your plan. For example, it helps you see if your sales and cash flow forecasts were accurate. If you are falling behind, it means you can take financial decisions to save money or borrow more in good time rather than too late.

Good records also tell you what products are selling best or making you the most money, so you can focus your attention on those and improve your business.

These are the most important ones, though some might not be relevant to your business.

- Keep a list of all your income and all your expenses each month.
- Keep your cash flow forecast up to date by replacing forecast figures with the actual figures then recalculate the forecast.
- Keep a record of your orders and prices charged so you can see what is working well. How profitable are each of your products or services (and would you make more money by ditching the least profitable line)?
- Keep a list of your customers and their contact details. Then if you have a bad month and need to boost your sales, you can contact them with an “exclusive” discount for the rest of the month. Look out for customers that seem to have stopped buying from you (and try to find out why).
- Keep a record of enquiries, people who have shown an interest, so you can contact them and remind them of their interest.
- Keep a record of production, jobs done and time taken.
- Keep a list of suppliers and prices paid.
- Keep all agreements e.g. partnership agreement, rent, loans, etc. in a safe place.
- What sets you apart from your competitors? If it’s say, fast delivery, how are you monitoring this?
- What goes wrong and has a significant impact on your success? What aspects of quality are critical? If your scrap, discard or no-show rate varies and has an important impact, measure it to focus on improvements.

23 Building a website

Businesses run from home can now compete with Nike or MTN. The Web means you can have a shop front in the planet’s busiest high street.

You can use your web presence to display your wares; have a conversation with your customers; demonstrate and share your knowledge; sell them a product, service or appointment; and take down the contact details of prospects. Before you start, decide which of these you are trying to do.

Find some websites you like and work out why. You may not be able to afford anything as fancy but you can still pick up good ideas. Think about your customer profile and look at websites serving similar groups of people to see how their design is tailored to your type of customer. Make sure your web site will work with different types of access – mobile phones and tablets as well as laptop/desktop computers. You may want to get help but it’s not difficult to build a simple website yourself using software such as WordPress.

Options for a web presence

You don’t necessarily need your own website. You could instead use www.facebook.com, www.instagram.com, or www.pinterest.com to connect with customers. Or go www.etsy.com/uk to sell craft supplies or hand-made goods. List your holiday let with www.airbnb.co.uk or use www.eventbrite.co.uk to sell your event or training. Photographers could consider a Flickr Pro account: www.flickr.com/account/upgrade/pro for \$50 a year. If you want a web shop that takes payments, try www.shopify.co.uk or www.ekm.com from \$30 a month.

If you want your own site, decide on your own memorable, easy to spell, unambiguous web domain. Register your domain yourself so that you own and control it.

A Content Management System will provide you with a framework into which you can quickly add your content without having to learn web programming. By choosing a different “theme” you can transform the look of your

website in minutes not days. WordPress is the most popular. It offers lots of good free themes and “Plugins” which add extra features. Web hosting companies usually offer a quick way to install it. Google “best web hosting companies” for your country, or see, for example <https://sourceforge.net/software/web-hosting/africa/>.

Writing for the web

Plan out the kind of pages you want, and write the text that will appear on each one. Ask someone to proof read it, checking the English including spelling, spacing and use of capital letters carefully.

When it comes to writing the web site, avoid block capitals for large amounts of text as this is hard to read. And keep the contents fresh: if you have a news section, add an article at least every month.

Finally, keep page titles to 65 characters or fewer (including spaces) and keep summaries to 140 characters or fewer. Otherwise Google’s search results will stop in mid-sentence. For more help, Google “Writing for Gov.uk”.

Be user and search friendly

More than half of all searches are done from a mobile device. Choose a “responsive” theme to allow your website to be readable on mobiles and tablets. Visit <https://testmysite.thinkwithgoogle.com/> to check how mobile-friendly your website is.

Use <https://gtmetrix.com/> to see how fast your website loads and for tips to improve it. On e-commerce sites, 40% of visitors abandon a website that takes more than 3 seconds to load.

24 Developing sales

Finding new customers and retaining old ones is the key to growing your business.

The starting point is networking: getting the word out to family, neighbours, friends, friends of friends (via referrals), and attending any events where the participants are likely customers.

At an event, arrive when the doors open and bring business cards that say what you do. Go up to individuals and small groups, introduce yourself briefly, and ask what brings them there (or whatever is appropriate). Show an interest in them and they will ask about you. Explore connections. The greatest success comes as a by-product of generously helping others. Nevertheless, if they are not a prospect, draw the conversation to a close at a suitable point and meet another person or group.

Can you succinctly describe what you offer? What is it, what’s special about it and how does it benefit the customer? Benefits are quite different from features: e.g. the edges are rounded (feature) for a comfortable grip (benefit); all our technicians are members of the trade body (feature) for complete peace of mind (benefit).

Field sales

Some businesses will require ‘field sales’ i.e. going out to meet prospects. This is especially true for selling to businesses. It’s difficult to generalise but here are some tips. The approach for high value telesales would be similar.

- See yourself as a consultant: ask your prospect questions to understand the underlying problem they need to solve. For example, they might say they want a solar panel but find out what they want to achieve so you can recommend the best equipment for them, even if you don’t supply it all. Also find out who is involved in the decision and what the budget is.
- If possible, outline your proposed work with them and give them an idea of the cost to check their reaction. Then write a proposal, take this to them and go through it.
- People buy three things: you, your business, and the deal you are offering. If they like and trust you, and your business looks credible, they will be less concerned about getting the cheapest price.

Don’t forget to keep in touch with existing and past customers as they will be the easiest to sell more to; and ask them to suggest other customers and how they think you could do better.

Designing your sales material

Think about your customers when planning your promotional materials such as signs, fliers, brochures, advertisements, letters and your website.

- Where are they most likely to see your materials? On the side of a bus? Online? On a flier? With a free sample at a stall?
- How will you get their attention? (e.g. photos, or ask a question).
- Focus on the benefit not the product or feature (e.g. “Earn good wages by training in Carpentry” not “Join our carpentry course”; or “Look like a film star” not “Try our latest dress designs”).
- State your specialism and tell them what makes your product or service better.
- Make sure you include the action you want them to take e.g. “visit us” or “call us”. Ideally add a “compelling reason to buy” e.g. book “before the price rise” or “while we still have spaces available”.
- Include quotations from happy customers.

25 Promotion

There are lots of different ways to communicate what you have and persuade people to buy from you. Here are some further approaches.

- **Social media:** if you are selling creative products (say natural wool or craft kits), encourage clients to share what they have done with them on your Facebook page and also on Pinterest / Instagram / WhatsApp / TikTok. If you are offering expertise, tweet your advice and follow and reply to others in the field to build your own followers. Write a blog and tweet the link.
- **ENews:** issue a regular eNews; there are several websites where you can do this, e.g. www.mailchimp.com .
- **PR:** try to get an interview on your local radio station especially if you have a new product. Respond to news that affects your business sector and try to become the “go to” expert for your local or trade media.
- **Exhibitions:** is there a trade show or event you could go to? Consider sharing a stand with complementary but not competing businesses. Ask everyone walking past a question that will identify your customers (“Are you involved in...?”); keep clear notes on all prospects you speak to. Follow up leads promptly.
- **Premises:** if you have a premises that your customers visit, does it look smart? If people walk past, do you have a sign that attracts attention and explains what you do and a benefit of using you?

Sales promotion

Depending on your product or service, one of these may help.

- Contact a local club or association and ask if them to distribute an introductory discount voucher for your product or service to their members.
- Offer a free product sample or a free check-up.
- Offer a money back guarantee to reassure new customers.
- Offer existing customers a reward for finding a new customer.
- Run a competition through a local radio station with some of your product as a prize.
- Offer a gift version of your product with a free gift card.
- If you sell through a shop or other distributor, offer an additional discount or other reward for achieving a certain level of sales.
- Is there a business selling a product or service that doesn’t compete with you but is sold to a similar market to yours? Maybe each of you could give away a sample or voucher for the other company?

26 Other matters

- **Grow your business through product development:** if you have customers who like you, what else could you sell to them?
- **Grow your business through market development:** if you have great products, are there other types of customers who might be interested in them?
- **Grow your business by handling complaints well:** a well-handled complaint leaves the customer more likely to recommend you than before the problem. So listen carefully to customers who have a complaint and be generous in your response.
- **Grow your business through customer research:** ask your customers what they like and especially what they don’t like about your business – how could it be better?

- **Talk to any lost customers:** ask them why they left and how you might win them back.
- **Keep up your competitor research:** keep checking out what your competitors are doing, what new things they are introducing and how much they are charging.
- **Check whether your price is still right:** If you think a price rise will lose business, soften it by adding something (say a money back guarantee or a bigger pack) and / or offer existing customers a money off voucher.
- **Stay safe on the Internet:** if you are using the Internet, use strong passwords, take back-ups, use a PIN on your phone and watch out for scams.
- **Comply with local regulations:** make sure that you comply with any local laws, regulations and tax.
- **Consider exporting:** Are there opportunities for export? But remember that quality standards expected in the West are very high. Take advice and work with others.
- **Can you sell your business?** If a business is bigger than just your time and skills, it may be possible to sell it and use the funds to start another more ambitious business.

27 Top tips

Finally, here are my top tips for running a successful business.

1. Do not get your business money mixed up with your personal money.
2. Keep your financial records up to date.
3. Keep control of your cash and keep your cash flow forecast up to date.
4. Be nice to customers, they are the only reason your business survives.
5. Treat your staff and suppliers with respect.
6. Use some of your time and profits to find ways to improve your business and find new ways to attract more customers.
7. Allow for the fact that it will always take longer and cost more than you think.
8. Do something that adds value to lives of your customers.
9. Do something that is different from others.
10. Proceed with humility (always listen to others) and self-belief (you can do it!).

A blessing from the Bible

The Lord bless you and keep you

The Lord make his face shine on you and be gracious to you

The Lord turn his face toward you and give you peace.

(Numbers 6:24-26)



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APPENDIX

TABLE A: Example process plan (section 12)

A simplified process plan for a chapati maker

Step	Equipment required	People / skills required	Better?	Cheaper?	Initial cost?
1 Buy Ingredients	Shopping bag, bicycle		Use good quality ingredients from trusted sources	Use own bag. Borrow bike. Negotiate a trade discount or free credit on ingredients.	\$0 (Ingredients included in variable cost)
2 Mix ingredients	Mixing bowl		Wash or sanitise hands before mixing	Initially borrow this from family	\$0
3 Cook	Pan	Concentration to avoid burning	Use a heavy skillet for even cooking.		\$10
4 Display products for sale	Table, table cloth, and large plate	Good customer service	Use a net to protect from insects. Always sell or use chapatis same day. Offer fillings or sources.	Borrow table. Buy table cloth, net and plate. Make own sauces or buy from family	\$8
TOTAL SET UP COST					\$18

TABLE B: Example risk analysis (Section 13)

Part of a risk analysis for a chapati maker Key: H = High; M = Medium; L = Low

Risk	How likely?	What impact?	Mitigation
A customer gets sick	M	M	Sanitise hands; put net on ingredients.
Business owner gets sick	H	H	Look after personal health and hygiene; find someone willing to step in at short notice if owner is sick.
Pan is stolen	L	H	Identify a pan that could be borrowed if necessary.

TABLE C: Example revenue, cost and profit forecast table (Section 15)

Example for a dress retailer. For this table, the dresses sell at \$10. Variable cost is \$7 per dress. The only fixed cost is rent at \$15 / month.

Month:	1	2	3	4	5	6
A Sales (no. of dresses)	2	4	6	8	9	10
B Sales revenue (\$) (Ax\$10)	20	40	60	80	90	100
C Variable cost (Ax\$7)	14	28	42	56	63	70
D Gross profit (B-C)	6	12	18	24	27	30
E Fixed cost	15	15	15	15	15	15
F Operating profit (D-E)	-9	-3	3	9	12	15

TABLE D: Example simple cash flow forecast (Section 16)

Example for a dress retailer. Dresses sell at \$10, variable cost is \$7 per dress, fixed cost is \$15 / month, set up cost is \$200. Sales receipts and costs are paid in the same month.

Month:	Set up	1	2	3	4	5	6
A Cash carried forward (=H)	0	-200	-209	-212	-209	-200	-188
B Set up cost	200						
C Sales (no. of dresses)		2	4	6	8	9	10
D Sales revenue (\$) (Ax\$10)		20	40	60	80	90	100
E Variable cost (Ax\$7)		14	28	42	56	63	70
F Fixed cost		15	15	15	15	15	15
G Cash change in month (D-E-F)	-200	-9	-3	3	9	12	15
H Cash at end of month (A+G)	-200	-209	-212	-209	-200	-188	-173

TABLE E: Example cash flow forecast (Section 16)

Example for a uniform maker. Uniforms sell at \$12, variable cost is \$8, fixed cost is \$15 / month, set up cost is \$200. Costs are paid a month in advance, sales are paid a month in arrears.

Month:	Set up	1	2	3	4	5	6
A Cash carried forward (=H)	0	-216	-263	-302	-333	-348	-347
B Set up cost	200						
C Sales (no. of uniforms)		2	4	6	8	9	10
D Sales revenue (\$) (Ax\$12)		0	24 ¹	48	72	96	108
E Variable cost (Ax\$8)	16 ²	32	48	64	72	80	80 ³
F Fixed cost		15	15	15	15	15	15
G Cash change in month (D-E-F)	-216	-47	-39	-31	-15	1	13
H Cash at end of month (A+G)	-216	-263	-302	-333	-348	-347	-334

¹ This is payment for the two uniforms sold in month 1

² Payment for the material for the two uniforms made in month 1

³ It is assumed that month 7 sales are 10 uniforms