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ENTREPRENEURSHIP GUIDE FOR HERBAL WORKERS

AN ENTREPRENEUR'S GUIDE TO STARTING A NEW AGRICULTURAL BUSINESS





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*“My biggest motivation? Just to keep challenging myself. I see life almost like one long university education that I never had - every day I’m learning something new.” **Richard Branson***

*„Every time you state what you want or believe, you’re the first to hear it. It’s a message to both you and others about what you think is possible. Don’t put a ceiling on yourself.” **Oprah Winfrey***

*“A person who never made a mistake, never tried anything new.” **Albert Einstein***

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INTRODUCTION

Aspiring farmer entrepreneurs face different challenges, which affect their decision to start or continue in businesses. Some of these are unique to smallholder farmers. Entrepreneurs need to plan well for their business. They need to be aware of the implication of their good planning or lack of it, decisions and actions they make to their well being, their family, their society, the environment and global community at large. Their business, family and personal well being and the environment form a tripod. All the three must be in a good balance. Entrepreneurs, herbal farmers, need to learn how to keep their ventures consistently competitive and sustainably operating, for their well being and that of the environment; a value highly upheld by Herbs4Youth and is consistently emphasized in this guide.

This guide is for herbal farmers building businesses. The focus of the manual is on the skills to build successful and sustainable entrepreneurial ventures related to herbal activities (raising, harvesting and processing). The manual presents basic business skills to start and maintain a business, it is aimed at helping the herbal workers to start, manage business and approach their small enterprise with confidence and enthusiasm. Themes include general introduction to entrepreneurship, planning a business, identifying business opportunities, basic record keeping, marketing products and services, planning, financing and managing a business.

Entrepreneurial skills and a well-written business plan provide a strong foundation for the business the future entrepreneurs hope to run. The business plan guides the herbal workers to consider in advance all the elements of running a profitable business and helps them to monitor their progress. The entrepreneurial skills on the other hand are a great asset in implementation of this plan. This guide addresses the skills the herbal worker needs as well as provide a business plan template for their planning.

Major components of the manual are tasks which need to be undertaken in and outside of the training sessions. These are a link for transitioning from business skill acquisition to the business plan implementation. At the end of each skill, to herbal workers needs to be allocated tasks. These are aimed at assisting them apply the acquired skill to their own business and they will guide you in developing and actualizing their own business plan.

A vital component of the training will be to provide insight on access to local resources, while equipping herbal workers with basic skills to handle the challenges of running a business.

The guide objectives are to:

- Understand entrepreneurship
- Understand how to start and develop CAWT related business
- Prepare and implement business action plans while managing risks
- Understand and apply business management skills to ensure sustainability and profitability.



UNDERSTANDING PERSONAL BACKGROUND AS A FARMER ENTREPRENEUR

The purpose of this chapter is to have you establish your entry background regarding basic business best practices. This will assist you to organize and focus on setting personal goals for your business and for the subsequent training sessions. There are five key questions you need to ask yourself:

1. WHAT ARE THE PERSONAL GOALS FOR MY BUSINESS?

- People become entrepreneurs for different reasons. These may be for income generation, having a unique idea, or by seeing other people do well in business.
- Think through your personal reasons and write down the reasons why you want to start a business. These reasons form the basis for your initiative and the driving force for your hard work. Later they will form a standard for measuring your success.

Why do I want to be an entrepreneur?

2. WHAT ARE MY IDEAS IN HERBS?

- Businesses originate from generated ideas. The best business ideas have enough focus to translate the idea into reality and to begin its implementation.
- State your business idea in specific terms. You don't have to give the details at this point. For example, 'aromatic plants' is too general for a business idea. 'Establish nursery project to raise aromatic plants seedlings for pharmacy industry' is a specific idea.
- You may have many ideas. Write them down and evaluate which is most compatible with your skills, experience, resources and personal goals.



My business ideas

3. WHAT ARE MY TRAINING GOALS?

- People start entrepreneurial ventures with different levels of experience, knowledge and skills. Some are trained; others have been previously employed in someone else's business or have run their own businesses, yet others have no prior training or experience. In either case everyone has questions about how to be a successful entrepreneur.
- Write down your questions about starting and succeeding in business. Highlight the ones you hope to address through this training.
- You may have some concerns which are not captured in this training. Discuss them with the trainers and other farmers you meet. Try as much as possible to find solutions to your questions so as to minimize any doubts as you progress with the training.

What do I want to know about business?

4. DO I HAVE A HABIT OF KEEPING RECORDS OF HOW I USE MY INCOME?

- Recording incomes and expenses is a basic business practice. It is also the basis of business and personal budgeting.
- Reflect on your average income per week (especially the last week before the start of this training session), record all the money you received and spent. Begin with the cash money available to you in your home. Then enter your expenses for example, if you bought vegetables enter them in the column OUT.



Date	Detail	IN	OUT	DESCRIPTION

5. HOW DO I ASSES MY PROGRESS IN BUSINESS SKILL ACQUISITION?

- During this training and as you begin the business; you will want to build your skills. These are same skills you will gain from the training session. Many more will be acquired with experience.
- This training is aimed at increasing your business skills, confidence and knowledge and certainly enhances your competency. There is a self-assessment tool (Refer to Appendix I) to help you evaluate your learning needs. It will help you identify weaknesses in your competency and show you what to concentrate on during the training and afterwards.
- Complete it at the beginning of the training and refer to it regularly to assess your progress and redirect your training efforts



FUNDAMENTALS OF A SUCCESSFUL ENTREPRENEUR

DEFINITION OF ENTREPRENEURSHIP

Entrepreneurship is a process of identifying and starting a business venture, sourcing and organizing the required resources and taking both the risks and rewards associated with the venture.

Entrepreneurship is the process of designing, launching and running a new business, which is often initially a small business, and the people who create these businesses are called entrepreneurs.

Entrepreneurship has been described as the "*capacity and willingness to develop, organize and manage a business venture along with any of its risks in order to make a profit*". While definitions of entrepreneurship typically focus on the launching and running of businesses due to the high risks involved in launching a start-up, a significant proportion of businesses have to close due to "lack of funding, bad business decisions, an economic crisis, lack of market demand - or a combination of all of these.

Source <http://en.wikipedia.org/wiki/Entrepreneurship>.

Entrepreneurs are innovators who use a process of changing the current situation of the existing products and services, to set up new products and new services.

Source: www.econlib.org/library/Enc/Entrepreneurship.html.

STARTING A BUSINESS

LEARNING OBJECTIVES

- Be clear about your reasons for wanting to start a business.
- Understand the pillars to turn your vision into reality.
- Test your business idea.

BUSINESS SKILL

There are two kinds of entrepreneurship ventures:

1. Those that succeed.
2. Those that fail.

Everyone dreams that his/her business will be successful. We should look at the foundation of building up a good business; there are four pillars that could ensure that a business succeeds.

PILLARS OF ENTREPRENEURSHIP SUCCESS

What makes a successful entrepreneur?

1. An idea and market
2. Skills/knowledge and experience
3. Resources
4. Motivation and hard work

Successful entrepreneurs have these four attributes. Without any of them, your business will be unstable.

AN IDEA AND MARKET: An idea is the kind of business you want to do and market is the people who will buy your products or services. A good idea is the basis of a successful venture while the availability of a market is the indicator of the sustainability of the business venture.

SKILLS/KNOWLEDGE: This refers to several business skills. (We need both theoretical and practical skills). Do we know how to produce quality products for our market? We also need business management skills. Do we know how to keep basic records so that can assess the profitability of our business?

In addition we know something about our **MARKET**. Do people want our service or product? How are we going to inform people that we have what they want? Who will be our customer? And how will our goods get to the market?

HARD WORK: working consistently every day. Making money in business largely depends on you. Are you there to open your business every day? Can people rely on you? Do you sell a quality product or service?

RESOURCES: How much **MONEY** do you need to start your business? The money you use to start your business is called your capital. It often takes a lot less money than you expect, the profits to be realized is what you should use to grow your business.

Starting small is the key for great entrepreneurs. Most people only talk about the business they want to start. Take some time and reflect on these things before you start.

CASE CONSIDERATION

Some farmers came together to form a local group. They wanted to establish a fruit canning and processing plant so that they could process their produce and then sell them at a nearby town as finished products. They considered everything they might need; including a medium - sized processing machine and a building to set up the plant.

They wrote a grant proposal seeking to find a large investor to help them fund their start-up Capital. They failed to get an investor for three years and eventually gave up on the project.

Were they TALKING or STARTING?

“Many great Ideas wind up before they are actualized because the owners want BIG MONEY to start great” But these farmers could have started small, and as they learn more about running the business and made some money, they could grow their business using their profits.

The foundation of any successful entrepreneurship is like a four legged - stool illustrated in Figure 1. If one of the legs is missing, then the venture will not be stable.

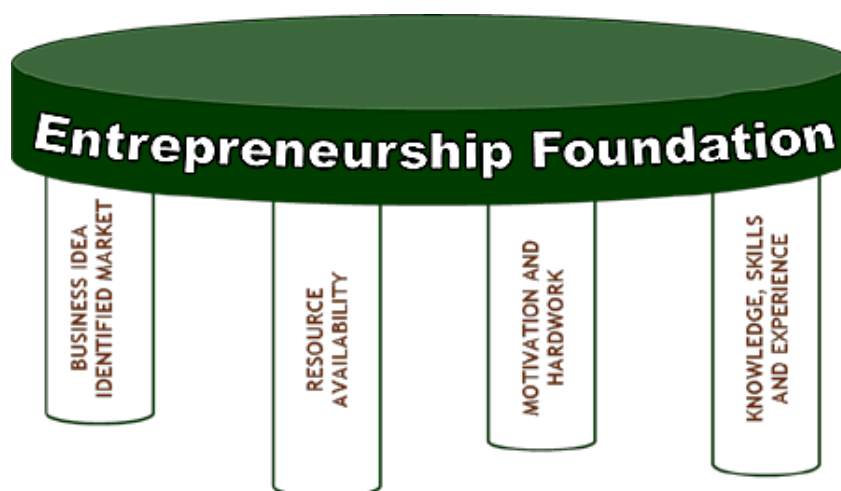


Figure 1

PLANNING

LEARNING OBJECTIVES

- Understand key planning questions.
- Prepare a basic start-up plan for your business.



CASE CONSIDERATION

Mary, a single lady owned three acres of land. Her husband had planted mango trees in a section of the farm while he was still alive. When the trees started producing fruits she thought of launching a mango business. So she went to the market to see what other traders were selling, and for how much. She noticed that most of the people were coming to sell mangoes at a very low price to visiting traders who in turn transported them to other towns and to fruit canning industries. She recalled that when she had visited her friend, she had been served with a glass of homemade mango juice. She thought of producing quality mango juice and perhaps selling it at a lower price, than those available in market shops.

Because she was just starting her business, she decided it would be best if she worked at home. Then she wouldn't have to pay rent. But if she did that, how would people know she was in business? So, she blended some juice and took to the local schools and requested headmasters to allow her to supply it to the school. She prepared a brief write up on how nutritious and healthy her juice was and how it was important for the whole family.

She further asked the headmaster to allow her to distribute the flier to the students to take to their parents. She did the same thing at the local churches asking the pastors to recommend her work to their members. She did not stop there; she gave samples to all her friends and invited them to buy her product.

Lastly, she looked around for someone who might be able to help her if her business was successful. She would run the business on her own to start with, because that would save her paying a salary, but she hoped very soon she could afford help, and she would need a friendly person who would be good with the customers to help her.

BUSINESS SKILL

Before you start your business, you need to make a plan. A good business plan is a product of a homework done well. There are basic questions that need to be answered before you start.

Answer these basic questions.

- What does Mary want to do or sell?
- Who will buy her product?
- How much will it cost her to make her product?
- What price will she charge her customers?
- Where will she sell her product or service?
- How will people know she is in business so they can buy her product?

Second, look at Mary's experience starting her agri-entertainment business. Read this carefully.

1. Why did you choose this business?

Because of the need for a natural quiet retreat centre away from town, I also chose this business because it serves as a community service and conserves the environment. Both the community and I can benefit.

2. What are the challenges you faced in getting your business started? And what are challenges you are facing now?

Getting the licence from the city council because I had not processed the title deed for the piece of land, second; getting people to know of the existence of my business.

3. How many employees do you have?

Because the business is still small, only my husband and I currently run the business since both of us are retired and still strong.

4. Do you think you are successful? What is the reason for your success?

I am at the early stages of operating the retreat farm; I hope that my business will be successful, but I believe that I have planned ahead very well. However, I am flexible and ready for surprises.

5. What is your advice to other people thinking of starting their own business? What are the lessons learnt?

They should enter into business with an open mind to new ideas and lessons because there will always be new lessons! Also, they should have a time frame in which to work in; they should set targets, and always expect minimum profit, at least at the beginning of your business. But most importantly I would advise that anyone who wants to work in a business to fully familiarize him/herself with his/her line of business.

6. How did you market your business?

I put adverts in daily newspapers (in the classified section which is cheaper) and distributed brochures in several places like companies and organizations that conduct team building events. I also placed advertisement posters on notice boards of the library, colleges and the gym that are in town.

Now, is your turn to define what business you would like to do to by answering the simple questions below:

What do you want to do or sell?



Who will buy your product or service?

How much will it cost you to produce your product?

What price will you charge your customers?

Where will you sell your product or offer your service?

How will you inform people that you are in business so they can buy your product?

Are you sure that you have done your planning well?

Do you think you need to research on something else regarding your business?

UNDERSTANDING THE CONCEPT OF PROFIT

LEARNING OBJECTIVES

- Define profit.
- Understand the difference between income and profit.
- Understand that in business, profits are meant to support the entrepreneur, his/her family and business.

CASE CONSIDERATION

There was a young man who attended an entrepreneurship skills training. He was very excited because he had just started a business of going to the city to buy second hand shoes for 200 € per pair and later sell them in his home town at 300 €. He thought he had a brilliant business idea and he would make lots of money.



He was asked by the trainer:

- How he was getting to the city, he replied, by train.
- If he was spending the night in the town and his reply was. Yes, in a hotel he added.
- If he bought some food while in the city he answered, yes.
- How he got the shoes from the market to the hotel where he was spending the night. He replied by taxi he said.
- If he was paying the city council fee, his answer was yes.

The trainer asked the participants to add up all his expenses. They found out that the cost of each pair cost was actually 280 € and not 200 € and so his profit on each one was 20 € and not 100 €.

Let's think about why most people want to do business. They want to earn a living. They want to support their family, to pay school fees for their children, to have money for entertainment, to build good houses, to pay hospital bill when they are sick. They do business to make a **PROFIT**.

$$\text{INCOME} - \text{EXPENSES} = \text{PROFIT}$$

But what is profit? You may think it is the money you make when you sell something. That is income. **Income** and **Profit** are different.

We always need to remember those expenses. Do we have to pay rent for the space where we make or sell our product? Do we need to pay for transportation? Do we pay salaries to the people who work for us? Those are some of the expenses of doing business.

Sometimes we do things that affect our profit, usually reducing it, without realizing it. If we run a aromatic plants shop in the community, and we let our friends and relatives take some for free, we reduce our profit.

Always remember this; we make profit It is to support ourselves, our family, and more importantly, our business. Savings are vital to sustaining and expanding a business. Remember that, the measure of success in business is when we make profit in the confinement of the larger well being of our family, business, society and environment.

PERSONAL CHARACTERISTICS OF AN ENTREPRENEUR

LEARNING OBJECTIVES

- Understand practices to manage business cash
- Understand the basic records to manage business cash
- Understand the use of cash book or cash flow statement
- Start and practice record keeping with personal finances



CASE STUDY

Some women started rearing chicken to sell the eggs. Each day three different women were in charge of collecting and selling the eggs. However, some sold eggs to their friends on credit without recording and sometimes they used money earned from the sales to buy drinks for their families. Several of them took eggs without paying for them or making a record.

The treasurer collected money without recording it. Sometimes she sent someone else to collect it. Sometimes no one collected it and the sales ladies took it home. Sometimes it was lost or stolen before it could be handed over to the treasurer. One day the treasurer's husband borrowed the money she was keeping, and there was none left to buy feed for the chickens. At the weekly meeting, someone asked how much money they were making, but no one knew. Some women got very angry and left the meeting.

After reading, answer the following questions:

Does this story relate to your experience?

Is this the right way to manage a business?

Will it lead to profit or loss?

Can you suggest any changes?

CASE STUDY

A group of six men decided to start a business of selling timber. Before they started, they organized their business. They agreed to work in turns, three people per day. They also laid down the rules for controlling the money. When they made any sale, they recorded the sale. They only gave credit to members of the group and that was recorded. The treasurer collected the money everyday checking the amount against their receipts.

They all signed a book to prove the money had changed hands. On the way home, the treasurer called on the group's secretary, who checked the money and recorded it in a cashbook. Twice a week, they took the money to the bank. At every meeting they reported on the cash in hand, and at the end of every month, they read a statement summarizing the income, expenses, profit and bank deposits they had made.



What happened in the above case study?

Is this the right way to manage a business?

Will it lead to profit or loss?

Can you suggest any changes?

You need to **'manage'** your money. Entrepreneurs need to systematically adopt practices to control their money.

CHARACTERISTICS OF A GOOD ENTREPRENEUR (GOOD BUSINESS PRACTICES)

- Keeping daily records: With cashbooks, we should always know how much money we have and how much we spend.
- Keeping money safe: It should be banked frequently and cash locked up safely while it is within the business premises.
- Avoid giving credit as much as possible: There will be exceptions to this, but if the base line is 'no credit', then the business can establish records to track credit and practices to collect money owed to the business.
- Collecting long standing debts.
- Routinely preparing a profit/loss statement to look at the expenses and income. At the beginning, this is done weekly, then monthly or quarterly.
- When the business grows large enough, look for professionals like financial officer or treasurer to maintain daily records and check cash receipts against the records.

Business skill to learn

1. Keep a daily RECORD

This record will track where the money comes from and where it goes. This record is called a cash book and it will help you to know how your business is doing. Without records, you can never know whether we are making a profit or a loss.



2. Put money in SAVINGS regularly

You should not wait till the end of the month to start saving. By then there is usually nothing left to save. Try to set aside a small amount each day. This becomes very useful during emergencies. Banks can be a safe place for your savings, but in some of the bank fees may be more than the interest to be earned. In that case, a look for cheaper options available to you.

3. Avoid selling your products /services on credit

If someone has no money and cannot pay for the item, some entrepreneurs are afraid they will lose the sale if they do not give credit. But it is not a sale until it is paid for. In such a case you lose both the money you invested and the profit. Giving people credit does not make them friends. When you give so much credit to your customers that you do not have enough cash to restock, the customers will go to other enterprises and your business will fail.

4. Don't allow long standing DEBTS

Money owed to you by people is yours, and you need it to support your enterprise. Sometimes business is done with credit, but this leads to delayed payments. You need to set your terms up front and have a plan to collect payment. Sometimes you can sell your product on credit and wait for the payment for a very long time as a result you lack products to sell to other customers.

5. Check if you are making a PROFIT OR LOSS

This should be done on a regular basis. This can only be possible if you keep records.

SOURCING FOR FUNDS FOR BUSINESS

LEARNING OBJECTIVES

- Know the steps to looking for funds
- Understand the differences between lenders

BUSINESS SKILL

As a wise entrepreneur you need to start small. As you learn more about running the business as well as making money then you grow your business using profits.

Depending on your business idea sometimes your own resources may not be enough at the start. You need funds for equipment purchases and operating expenses. The starting capital needed is determined from your business plan. If you decide to seek additional funds, you should be prepared with a business plan and know the alternative sources.



Steps to looking for funds:

- What is your business plan? Your lender needs to know your plan.
- What funds do you need for your business? A detailed budget is most important. It convinces potential lenders that you have done your homework. It confirms that this is a good business idea.
- What resources do you have?
- Go back to step one. Are you convinced that your business plan is realistic?
- List the sources of funding available to you. Consider family, banks, credit unions, village lending programs, cooperatives and any other money lenders.
- Prepare the loan application.
- If you get the loan, put the money in a safe place and begin working according to your plan. Do not divert funds to other needs. You have to build a successful business and repay the loan.
- If you do not get the loan, ask the lender why not? What can you learn from that? What can you change for the next application?

You can also access micro-credit. These are small loans for short periods, up to 4 months for example. When the loan is repaid, a second loan may be offered to you. In most cases you will succeed if you have skills to do business and manage money well. Avoid temptations of using the loan on other things other than the intended business and also you should only get a loan if you are sure it will produce enough income to pay back the loan and interest within the time allowed.

Source	Available amounts	Features	Risks
Own Savings	Depends on what you have saved from other sources	No interest	Have least risks but if the business fails it depletes family savings
Micro-finance	Small amounts available usually for small business	Interest rate high May include training	Comes with supportive environment and may provide discipline for repayment
Bank loans	Larger amounts available especially for business with experience	High interest rates Security/collaterals may be required	Consequences exist if loan is not repaid
Family loans	Funds may be limited	You may not be obliged to pay more than you borrowed	Moral obligation to family. May cause strain in family relationships if not paid
Money lender	Funds often available	Very high interests	Consequences are high if the loan is not repaid
Grants from /donors Government or NGOs	Amounts depend on the granting body.	In most cases it comes with training and close monitoring and evaluation. No interest	Comes with supportive environment but largely depends on the donor satisfaction for continuity.



MARKETING YOUR PRODUCT OR SERVICE

Know the 5 'P's

CASE STUDY

A certain man decided to open a shop for leather bags near his home. He decides to make really beautiful bags that ladies can use when going to parties, weddings and even work. He had noticed when he was in town buying one for his wife that the bags were very expensive so he thought he could make a big profit if he sold them.

To keep his costs down he decided to open the shop in his home, even though he lived some distance from the town. His wife regularly used the sample bag whenever she went to town. Her friends would ask her of where she had bought the bag and she would direct them to the husbands shop. They were excited to come and buy the bags. The man became very busy because he started getting so many orders. He had to employ someone to assist him in the business.

What is the product?

Where did he sell it?

Who did he sell it to?

How did he set the price?

How did he attract customers?

How did he plan the business?

Where did he get his idea?

Business skill

The focus of any successful business is the customer. As an entrepreneur you have to understand the customer's needs. The four 'P's of marketing are your decision about the **Product, Place, Price** and **Promotion**. These four revolve around the fifth 'P' which stands for the **People** - your customers.



5 'P's	Marketing questions	Business Skills
PEOPLE	Who are my customers?	State your major target customers. They should be enough to consistently buy your product/service. These are people who you will ensure are the first to know you are in business and their purchases forms the foundation of your sales. They can be individuals, companies, and other entrepreneurs, organization, local, regional, national or international. Target customers. They should be enough to consistently buy your product/service. These are people who you will ensure are the first to know you are in business and their purchases forms the foundation of your sales. They can be individuals, companies, and other entrepreneurs, organization, local, regional, national or international.
	What do they like? What do they need?	Services/product that will make them happy because their needs have been met/their problem has been solved.
	Do they have money to buy my products?	Consider the capacity of the people to afford your service/ product. This largely determines their interest (interest + affordability is known in business as demand).
PRODUCT	How do I make or get the product?	You should make your product in such a way you reduce the cost of production while maintaining standards of high quality.
	Does it meet the customer's needs?	A product that solves a problem/need among the people is what will be bought. Such can only be developed after you conduct a market research (market need assessment).
PLACE	Where will I start my business?	Very important to consider the location. First, it must be easily accessible to customers, Second, consider the impact of location to your overall cost of business (do you have to pay rent? Are your products safe?).
	Is it convenient for the customer?	Customers will always spent their money at a place that is convenient to them (they never want to feel extra - burdened to spend) consider distance from the customer or availability transport.
PRICE	How much will it cost to get the product to the customer?	The cost of production must be the minimum possible for production of a quality product. This will ensure your prices are competitive while at the same time raising profits.
	How much will they pay?	Determine your price after considering your overall expenses of production, the other prices in the market and profit you want.
	Will I make profit?	This is determined after you have taken into account all the costs involved until the product gets to the customer and comparing the market price by your competitors.
PROMOTION	How will I let people know that I am in business?	Use the most effective and affordable means of advertisement. This depends on the type, distribution and exposure of your customers and also the type of product/service.
	How will I attract them to my business?	Things that attract people to business are simple: Use of good language while talking to customers. Showing interest in them when you are talking to them (simple gestures like a smile means a lot) good packaging, display and presentation of your products. Talk to people positively and confidently about your product.
	How will they know my product is better than another?	You should try to have samples or demonstrations of your product or service and confidently tell people that your product is the best.



COST OF BUSINESS

MARKETING STRATEGIES

LEARNING OBJECTIVES

- Determine how to get the customer to buy your product or service and not someone else's product or service
- Presentation practice

BUSINESS SKILL

As you plan to start your business your marketing strategy is what will give you to your first customers, retain them and progressively give you more, How you will get the consumer to buy your product or service more than someone else's.

1. You should understand your customers very well

Recall that shop owner in your market centre or town who you can simply make a phone call to and he will give your children what they need when you are far, or a barber (kinyozi) whom you don't have to struggle explaining to how you want your hair or your child's done. This entrepreneur understands you and that retains you as his/ her customer.

Have you ever received a call from a business lady/man informing you that she has just arrived with your favourite dresses, perfume or even vegetables? Do you have a service person who understands your equipment, car or electronic so well that you only trust them to fix or service it? Without him you will wait until they come back from a two weeks journey? Such a business person understands his /her customers and this does two things:

- It retains the current customers.
- It increases your customers because customers that are happy with you will refer their friends to you and hence effectively promoting your business.

2. You should endeavour to satisfy their needs

Recall an instance when you walked into a shop and asked for an item only to discover that the shopkeeper has never stocked it or even he doesn't know it. But the story doesn't end there, this lady/man engages you in a conversation about the product you asked. Asking you about why you like it, how good it is, at what price have been buying it, how often do you use it, then he says that he has had several people requesting for it and for that reason he assures you will get it the following day.

How?

Talk positively and confidently about your service or product at any slightest opportunity you get to everyone you meet.

Make business cards brochures that have all you contacts and give them to potential customers you meet.

Identify influential people within the society (local leaders, religious leaders and managers and heads of institution, companies and organizations) and introduce them to your business and request them to tell to those under them.

Have an interest in lives of your customers (this is what large companies call 'social responsibilities' a customer who saw you attend or contribute when he/ she lost a beloved one is most likely to buy your services/ product than buying from one who did not show concern.

Pillars of successful marketing strategy

1. Be self-reliant;
2. Be diplomatic when dealing with people;
3. Be determined and never despair;
4. Be proficient and honest;
5. You have to study the market and know where the appropriate place you can work in and succeed;
6. Evaluate yourself according to your talents and abilities and choose what you want;
7. Be aware of what is going on around you;
8. Study the market before you make any step;
9. To be a successful entrepreneur you should be a good accountant and manager.

OPERATING BUDGET

LEARNING OBJECTIVES

- Itemizing the expenses to run a business
- Compiling these into a budget to plan for the business

BUSINESS SKILL

Making a budget of expenses

For raising business funds, we will have to prepare a budget.

To set fair prices, we need to know our expenses. To operate efficiently, we have to monitor our actual expenses against our Budget.

To test our business idea, we work out a budget of our first year expenses and compare this to what we hope we can earn.

You must remember that the first year will be the most challenging as you set up and learn about the business.

By now your business idea must begin taking a definite shape towards implementation.

On a separate worksheet list all the expenses you expect when you launch the business. For each, estimate how much it will cost. Try as much as possible to list all the items you can think of to run your business.

NOTE: Refer to your business plan worksheet which you had completed in our previous session.

MANAGING PRODUCT AND OPERATING COSTS

LEARNING OBJECTIVES

- Use cash records to reduce production and operating costs

There are two types of costs.

1. **Direct costs**

2. **Indirect costs**

Direct costs are those costs involved in production. They include things like raw materials, labour costs, and transportation. These costs determine the production of one unit of production. To a farmer they include seed, fertilizer, pesticides, paying workers, and fuel for machines.

Indirect costs are those costs that you must incur; they have no direct relation to the amount of units produced. They include licence fee and market levies.

Business skill

1. You should compare your cost to the price you set for your product or service to ensure that your business is profitable. This means you should cover all costs and get surplus. We emphasize the need to keep records because they will point to you areas you spend more and guide you in reducing costs through careful planning.



2. You should keep your costs low. (This ensures high profits) these can be done by:

- Buying raw materials in bulk at wholesale price
- Buy and make products that people like
- Reduce travelling
- Reduce non business expenses
- Keep clear records

NOTE: Your efforts to reduce costs should not result in reduction on quality of your product or service

Your business idea is taking a definite shape.

	DIRECT COSTS	INDIRECT COSTS
1		
2		
3		
4		
5		
6		
7		
8		
9		

Select a few that you think you can reduce the cost without reducing the quality of your product or service. For each try to state what you will do to reduce the costs.

PRODUCTION COSTS

Write down the materials you need for each product or service you plan to sell. Find out which costs are directly related to production, such as fertilizers, buying of land or any other permanent asset and write them down.

Facilities

Write down the recurring costs, such as rent, utilities, licence fees, banking expenses, marketing expenses?

Equipment and Hardware

- Machines for production
- Vehicle for transportation
- Do you need office equipment and stationary
- The cost of renting an equipment
- Include equipment maintenance costs.



Furniture & Fixtures

List down the furniture you may require and other fixtures like water pipes and taps.

Labour

- Number of employees
- The amount of salaries, wages and benefits
- Your salary if you choose to pay yourself (you must make this decision from start)

Taxes, Other statutory levies

- Taxes must you pay (Sales or VAT)
- License Fees

Operating Budget

- Record and total the operating expenses needed to make your product or provide your service
- Use the Cash Flow Tracking Tool (template provided) to record operating expenses
- Summarize the detail on the Cash Flow Summary (template cash flow summary sheet provided)

Refer to your sales forecast and check if your sales will cover your expenses and give you profit

PRODUCT AND SERVICE QUALITY

For any business to do well there are important things that you need to put in place, they include:

Safety in the work place

- Identify safety and health hazards in the work place.
- Understand how they affect the business, cost money, and reduce worker output.
- List plans to correct safety and health hazards.

You need to look at your work place and keep it safe for you and your workers and, certainly, your customers.

Product and service quality

- Know the difference between a good product and a bad product.
- Identify ways in which you can improve your product or service.



MISSION AND VISION

MISSION STATEMENT, GOALS AND OBJECTIVES

LEARNING OBJECTIVES

- Develop a mission statement for your business.
- Develop realistic goals and objectives.

BUSINESS SKILL

Mission Statement describes the overall purpose of the organization. It may include statements such as: To operate profitably so as to create career opportunities and financial rewards the youth in our society.

Goals describe the long-term results, which you hope to achieve. These might be profit, employment or community service.

Objectives specifically state what you plan to accomplish in a set period of time.

These might be, for example I want to achieve sales 1 million Euros at the end of the year.

IDENTIFY POTENTIAL BUSINESS RISKS AND PLANNING FOR TRANSITION

BUSINESS SKILL

Imagine you fall sick today and are hospitalized or you are not able to work hard and run your business due to an unforeseen circumstance. What will be the source of income for your business, family and employees once a calamity befalls you? You need to put in place measures that would ensure continued operation of your business. Always get prepared by:

Always have someone you trust involved in your business.

- Get a person who is trained to run the business.
- Get the person you trust to know where your business papers, licenses, and cash are and how to maintain them.
- Let him/her have access to you property.
- Introduce Him/her to your suppliers are and how to access them.
- Train the person in preparation for them to assume responsibility for the continuation of my business.



Induct the person with skills to meet the requirements of your customers

- Delegated to him/her sufficient authority like signing power for your bank accounts
- It is best to have all of the documents required for your business in a single file or notebook. The files should be available in case of emergency but kept confidential and in a safe place.
- You must have some of the documents on public display
- Consult with someone you trust to protect your interests, your lawyer, your accountant, or your bank
- You may want to give signing power to a spouse or someone within your immediate family.

CONCLUSION

In general, once a business is profitable it should cover its expenses from its revenues. However some businesses are seasonal. Expenses will be incurred in one month or quarterly. Revenues will be realized later. For example, farmers collect revenue when crops mature. Ideally the business will earn enough money to carry it through the periods of low revenue. It is easier to sustain the business through those periods if there is a plan to save cash for that purpose.

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