

CHAPTER 14 – GETTING STARTED

PAST GETTING STARTED QUESTIONS

<p>2018 - BEFORE CHANGING FROM A BATCH TO A MASS</p> <ol style="list-style-type: none"> Does the size of market exist? Has market research been conducted? Can quality be maintained across a large numbers of goods? Capital investment required. Can sufficient capital be raised (Expensive) Will key people leave due to repetitive work? May be redundancy issues? Will it be more difficult to change/adapt the product to meet changing needs of customer?/less flexibility when producing just one product. The amount of space available (will more space be required for new machinery) Impact on the brand name. Will the change affect the reputation of the business? /status of the brand? 	<p>2017 - OUTLINE THE MAIN SECTIONS CONTAINED IN A BUSINESS PLAN</p> <p>Production - production type, Machinery required, Production plan, Targets Marketing - Marketing mix, Results of market research Finance - Forecasted Revenue and Costs, Cash Flow Forecast, Production Budgets, Projected Profits Business Details - Details of directors, Details of shareholders, Legal organisation (company/sole trader/partnership) <i>Development of points required for each section - full sentence</i></p>	<p>2017 - IMPORTANCE OF A BUSINESS PLAN FOR TWO DIFFERENT STAKEHOLDERS.</p> <p>Employees - interested in a business plan to confirm if the business is going to survive so they can have employment security. interested to see if the business is going to expand and possibly opportunities for promotion Investors - will be interested to see if the business is capable of making a profit and offering a good return on their investment. Projected sales and market research results may persuade investors to provide capital to a business.</p>
<p>2017 - IMPORTANCE OF A BUSINESS PLAN FOR TWO DIFFERENT STAKEHOLDERS.</p> <p>Financial institutions - business plans are used when seeking loan capital. It helps finance providers to make a decision regarding finance approval as they can see the experience of the owners and analyse their ideas. Management - will use a business plan as a source of control. They will use it to measure actual performance against goals and see if the business has progressed satisfactorily. IT provides benchmarks which are used to monitor actual business performance against the set targets in the business plan.</p>	<p>2017 - IMPORTANCE OF A BUSINESS PLAN FOR TWO DIFFERENT STAKEHOLDERS.</p> <p>Suppliers - will be interested in a business plan of one of its customers to ensure that the business is viable and can sustain any line of credit that is offered to them. Government Agencies - will be interested if finance or other assistance is sought by businesses.</p>	<p>2016 - ANALYSE THE BENEFITS AND DRAWBACKS OF FRANCHISING AS A BUSINESS START-UP OPTION</p> <p><u>Benefits:</u></p> <ol style="list-style-type: none"> Tried and tested formula - reduced risk. Have an existing customer base which results in guaranteed sales. can learn from other franchisees/benefit from uniform approach. Low cost/ bulk discounts/ economies of scale/can share costs Managerial training and support provided by the franchiser. Brand recognition/ can use the name or logo which is already well established.
<p>2016 - ANALYSE THE BENEFITS AND DRAWBACKS OF FRANCHISING AS A BUSINESS START-UP OPTION</p> <p><u>Drawbacks:</u></p> <ol style="list-style-type: none"> High start-up costs (initial franchise fee)/Royalties are paid from profits. No option for individual flair/lack of freedom to make changes or respond to new competition/ Must adhere to strict regulations/standards set by franchiser. Other franchisees might create negative image for the brand in the future due to poor performance or inability/maintaining the brand's integrity may be difficult. 	<p>2015 - KEY ISSUES TO ADDRESS BEFORE SETTING UP A BUSINESS ENTERPRISE</p> <ol style="list-style-type: none"> Raising finance/capital Production method Ownership options Marketing her business: Finding customers/ Market research/Deciding on brand /USP/Advertising etc. Availability of services: (Infrastructure/Utilities/Labour etc.) <p><i>Remember to make reference to the text</i></p>	<p>2014 - NAME THE TYPE OF PRODUCTION PROCESS USED BY SARAH.(i)</p> <p>Job Production</p>
<p>2014 - OUTLINE TWO CHALLENGES OF THIS TYPE OF PRODUCTION PROCESS (ii)</p> <ol style="list-style-type: none"> The product involved requires highly skilled labour. Highly skilled labour will mean a higher wages bill. Raw materials, equipment, tools, machinery are expensive It is a small scale operation and does not benefit from economies of scale. It is a very slow process. Quality standards have to be very high. There is no room for error. Once-off production to a specific order. If the customer is unable to pay (goes bankrupt) it may be difficult to find an alternative buyer <p><i>Remember to make reference to the text</i></p>	<p>2014 - DISCUSS TWO IMPLICATIONS OF CHANGING TO ANOTHER TYPE OF PRODUCTION PROCESS.(iii)</p> <ol style="list-style-type: none"> Both batch and mass production are heavily automated production processes. Substantial investment in machinery, will be required. Finance will be required to fund the necessary investment. review the ownership structure change to a private limited company in order to be able to raise finance. This involves a loss of control of business. Sarah will no longer be making goods to order. (Stock Control) 	<p>2014 - DISCUSS THREE CHALLENGES FACING BUSINESS START-UPS.</p> <ol style="list-style-type: none"> Raising finance and making loan repayments. An ownership structure has to be decided upon. A firm must choose a method of production Marketing Staff -Recruitment Competition

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<p>2012 - EXPLAIN THE TERM "BUSINESS PLAN".</p> <p>A business plan is a written statement/proposal about the business and its objectives (where it wants to go) and strategies in areas such as marketing, ownership, production, finance and the identifying of opportunities. It is important in the context of business start-ups. And are used by financial intuition in making a decision to approve a loan to the business or not</p>	<p>2012 - EVALUATE THE IMPORTANCE OF A BUSINESS PLAN TO AN INNOVATIVE NEW TECHNOLOGY BUSINESS.</p> <ol style="list-style-type: none"> 1. It sets out the short and long term strategies/plans for a Period of time 2. It is a vital document when approaching any financial institution, 3. targets are set in figures wherever possible. they can be used as the benchmarks against which the performance of the enterprise can be measured <p><i>Remember to Evaluate each point</i></p>	<p>2011 - DISCUSS TWO POSSIBLE CHALLENGES ASSOCIATED WITH STARTING A NEW BUSINESS.</p> <p>Raising Finance: The business will have to choose suitable short-term (a bank overdraft to pay wages), medium-term (leasing equipment and machinery) and long-term finance (mortgage to purchase buildings) sources of finance. The business will have to raise finance to survive.</p> <p>Production Method: The business must choose a suitable method of production e.g. job, mass or batch production. The method chosen must suit the business, guarantee quality and ensure competitive prices.</p>								
<p>2011 - DISCUSS TWO POSSIBLE CHALLENGES ASSOCIATED WITH STARTING A NEW BUSINESS.</p> <p>Ownership Option: have to choose a suitable ownership option e.g. Sole Trader, Partnership or Private Limited company. A company may be attractive because of limited liability. A partnership allows new skills to be acquired, a sole trader may be attractive because the owners retain control.</p> <p>Recruitment/Lack of expertise. must recruit suitable staff with the right skills and qualifications to achieve its objectives. Trying to find workers who can work in teams, have good communications skills and work ethic is a challenge associated with a business start-up.</p>	<p>2010 - EVALUATE FRANCHISING (BENEFITS AND RISKS) AS A METHOD OF EXPANSION</p> <p><u>Benefits:</u></p> <ol style="list-style-type: none"> 1. low capital investment 2. a more rapid expansion. By using the franchisees' capital, the franchisor 3. is able to establish a. 4. An owner will be more attentive than a manager. 5. There is strength in numbers. 6. The return on investment is much higher 7. A franchise system requires less management 	<p>2010 - ANALYSE THE BENEFITS AND DRAWBACKS OF FRANCHISING AS A BUSINESS START-UP OPTION</p> <p><u>Risks :</u></p> <ol style="list-style-type: none"> 1. Control is lost over the day-to-day management of the franchise businesses. 2. The reputation of the whole business could be affected by the actions of one franchisee /poor quality standards/staff problems 3. Maintaining a brand's integrity through the process may be difficult national/international presence. 								
<p>2010 - OUTLINE TWO BENEFITS OF PREPARING A BUSINESS PLAN.</p> <ol style="list-style-type: none"> 1. Finance/Grants: a business plan will be required when or from government agencies. 2. Performance Measurement: it can be used in the future to measure the performance of the business against the objectives/targets set out in the plan. 3. Viability: It sets out thoughtful, well presented/laid out logical steps designed to implement both short term and long term strategies over agreed time periods, e.g. one year, five years ten years 	<p>2010 - DISCUSS THE FACTORS THAT SHOULD BE CONSIDERED BEFORE CHOOSING BETWEEN DIFFERENT SOURCES OF FINANCE</p> <ol style="list-style-type: none"> 1. Cost: 2. Purpose/Correct match: 3. Amount: 4. Control: 5. Collateral: 6. Risk: 	<p>2008 - OUTLINE THE BENEFITS FOR A NEW BUSINESS OF PREPARING A BUSINESS PLAN.</p> <ol style="list-style-type: none"> 1. Guide to Future Action: Having a plan provides a focus for the business 2. Viability: In preparing a business plan all aspects of a business are analysed. A S.W.O.T. analysis may be carried out. Any problem areas can be identified and steps taken to deal with them. 3. Finance: It can be used when seeking finance for a business 4. Assessing Performance: It provides a benchmark against which performance can be measured/Targets set. If not reached then actions to fix the problem can be implemented. 								
<p>2006 - DRAFT A BUSINESS PLAN FOR THIS PROPOSED NEW BUSINESS USING FIVE MAIN HEADINGS</p> <p>(a) Introduction (b) Summary (c) The Main Body of the Plan</p> <table border="0"> <tr> <td>1. Description of the business</td> <td>2. Key Personnel</td> </tr> <tr> <td>3. Market Analysis</td> <td>4. Marketing Strategies</td> </tr> <tr> <td>5. Product (organic breakfast cereals)</td> <td>6. Manufacturing, Operations</td> </tr> <tr> <td>7. Financial Analysis</td> <td>8. Investment Proposal</td> </tr> </table> <p>(d) Appendices.</p>	1. Description of the business	2. Key Personnel	3. Market Analysis	4. Marketing Strategies	5. Product (organic breakfast cereals)	6. Manufacturing, Operations	7. Financial Analysis	8. Investment Proposal	<p>2005 - WHAT IS A BUSINESS PLAN?</p> <ol style="list-style-type: none"> 1. It sets out a thoughtful, well presented/laid out, logical set of steps designed to implement both short and long term strategies over agreed time periods, e.g. one year, five years, ten years, etc. It plans how to get where the enterprise wants to go. 2. It is a vital document when approaching any financial institution, grant agencies or other investors seeking funds (capital) for the enterprise. 3. The nature of the business plan is such that targets are set in figures wherever possible. By having these figures available they can be used as the benchmarks or standards against which the operations and performance of the enterprise can be measured. 	<p>2005 - EXPLAIN ITS ROLE IN BUSINESS START UPS.</p> <ol style="list-style-type: none"> 1. Description of the Enterprise 2. Key Personnel 3. Market Analysis 4. Marketing Strategies 5. Products or Services 6. Manufacturing, Operations and Premises 7. Financial Analysis 8. Investment Proposal
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WHERE TO LOCATE A BUSINESS

Proximity to your market - Your business should be close to your target market, so it is convenient for you customer. This is important if you are a service business like a hairdresser. This is the place element from the Marketing Mix.

Proximity to your raw materials - If your business is an iron or steel manufacturing business than it might be important to locate near a port or at least has access to good infrastructure for the goods to be delivered.

Transport and Communication links - Access to ports and road networks are critical factors in locating a business. Especially if the business is in international trade. A communication network is also important to some business trading in e-commerce. This might be a problem if you are in a rural area due to poor internet and broadband connections.

Availability of skilled labour - If your business needs employees than you may located near them, so it is convenient for them to get to work. Some businesses will located near universities so they will have access to a skilled labour force. If the business can't get skilled worker they may need to relocate at a huge cost

Cost and availability of land - Land is becoming more and more scarce which is forcing the price of land and rents upwards. This can have an added cashflow pressure on business if they locate in a city.

Waste disposal - Firms that produce a lot of waste should seek to locate near recycling or somewhere they can dispose of their waster safety especially if they use chemicals. Under an European Union Directive waste must be disposed of close to the area where it was generated. This may end the practice of Irish waster being exported

WHAT IS A BUSINESS PLAN

It sets out

1. Who is setting up the enterprise
2. What is the product or service
3. How is it going to be produced or promoted
4. Where is it going to be sold
5. Where is the finance coming from
6. How much profit its expected to

REASON TO START A BUSINESS

1. Independence
2. Profit
3. Challenge
4. Creativity
5. Employment

IMPORANCE OF A BUSINESS PLAN

1. Set out targets
2. Is needed to raise finance
3. Reduces risk

USES OF A BUSINESS PLAN

1. To Inform
2. To monitor
3. To Provide

WHAT INFORMATION DOES A BUSINESS PLANN HAVE

1. **Description of entrepreneur/ owners** - Skills, experience and personal investment
2. **Market Description & analysis** - Size competition and target market
3. **Description of the product/service** - USP
4. **Production Plan** - Premises/equipment required, production type, labour skill and raw materials
5. **Marketing Plan** - describe the Marketing strategy and marketing mix
6. **Management Plan** - how will the business be organized and controlled
7. **Financial Plan** - Premises, equipment and raw materials

KEYWORDS

Sole Traders - These are business that are opened and managed by one person.

Partnerships - These are businesses that have between 2 and 20 people. They come together to make a profit.

Private Limited companies - These are business registered with the companies Registration Office (CRO) and are owned by shareholders.

Co-operatives - These are business that are democratically owned and controlled by their members. The members may be workers, suppliers or customers

unlimited liability - This means that if they can't pay back a debt, they can lose their personal assets which will be sold to pay the money back.

Dilutes - means you lose more control and more people get a share of the profits

Limited Liability - These means that they only lose the money they invest in the business and not their personal assets.

Job Production - This means Producing a single product at a time usually customized to meet the needs of a particular customer. When that job is finished the next job starts. It is used for relatively expensive or highly skilled items (Birthday cakes)

Batch Production - This involves manufacturing a limited number of identical goods at the same time, such as cakes, breads or books. Each stage of production will be completed in a batch before all goods are moved onto the next stage

Mass Production - This Is continuous production of large quantities of identical goods. It is very highly automated. For Example, Cornflakes, Pens, paperclips

Outsourcing - This means finding a supplier to manufacture part of or the entire product for you

Franchising - This is an agreement which allows the entrepreneur to rent and existing business model. For this you get to use the franchisor trade mark, products and methods of doing business. For example, Subway

Business Plan - This is a document that shows the present position of a business.

FORMS OF LEGAL STRUCTURES

	SOLETRADER	PARTNERSHIP	PRIVATE LIMITED COMPNAV	CO-OPERATIVE
Formation	Use own name or register with CRO if different	Use own name or register with CRO if different and must register for TAX	Have to register with Revenue and CRO	Have to register with Revenue and CRO
Ownership & Control	Owned and controlled by the owner	Owned and controlled by the partners	Is owned by shareholders, they elect a board of directors to run the company and make the decisions.	Is owned by members who elect a management committee.
Management & Finance	Decision made by sole trader might be hard to raise finance for expansion	Decision made by the partners, easier to raise finance for expansion	Decision are made by the board of directors. Finance are raised by selling shares.	Decision are made by the management committee.
Profit & Risk	Sole trader has unlimited Liability and gets to keep all the profits	Partners have unlimited Liability and gets to keep all the profits (must pay Tax)	Profits are shared among shareholders ,The company pays corporation tax, shareholders paying income tax , have Limited Liability.	Profits are shared among members equally. The Co-op pay corporation tax and member pay income tax on dividends. have Limited Liability.

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JOB PRODUCTION

Job Production - This means Producing a single product at a time usually customized to meet the needs of a particular customer. When that job is finished the next job starts. It is used for relatively expensive or highly skilled items (Birthday cakes)

BENEFITS	DRAWBACKS
1. Easy to customised	1. Highly Skill Workers needed
2. Less disruption to production	2. Fixable workforce with many skills needed
3. More employees involved	3. More Expensive for Customers

MASS PRODUCTION

Mass Production - This Is continuous production of large quantities of identical goods. It is very highly automated. For Example, Cornflakes, Pens, paperclips

BENEFITS	DRAWBACKS
1. Reduce cost and selling price	1. Heavy financial investment
	2. Breakdowns can result is slowing down the production process
	3. Repetitive work (low moral)

FRANCHISING

Franchising - This is an agreement which allows the entrepreneur to rent and existing business model. For this you get to use the franchisor trade mark, products and methods of doing business. For example, Super Macs

BENEFITS	DRAWBACKS
1. Proven track record	1. Loss of control
2. Support	2. Have to pay royalty Fees
3. Economics of Scale	

SOURCES OF FINANCE

SHORT TERM	MEDIUM TERM	LONG TERM
1. Bank Overdraft	1. Leasing	1. Equity Capital
2. Trade Credit	2. Hire Purchases	2. Grants
3. Factoring	3. Term Loan	3. Debentures
4. Accrued expenses		4. Sale and Lease back
5. Invoice Discounting		

BATCH PRODUCTION

Batch Production - This involves manufacturing a limited number of identical goods at the same time, such as cakes, breads or books. Each stage of production will be completed in a batch before all goods are moved onto the next stage

BENEFITS	DRAWBACKS
1. Not as skilled as Job production	1. Requires more equipment
2. More effective less time wasting	2. Require more Planning, Organising and Controlling
3. Less expensive than job production	3.

SUBCONTRACTING

Outsourcing - This means finding a supplier to manufacture part of or the entire product for you

BENEFITS	DRAWBACKS
1. Cheaper to subcontract (Some cases)	1. Less control over quality
2. Extra staff not needed	2. Subcontractor may become a competitor
3. Suit seasonal business	

FACTORS TO CONSIDER WHNE SELECTING A SOURCE OF FINANCE

- Purpose** - The finance should match the purpose of the loan. If the loan is to be repaid before one year then short-term source of finance should be used.
- Amount** - The finance can vary considerably in terms of the amount. So, it is important that you us borrow the right amount, so you are not paying back extra in interest.
- Cost** - How much will the interest repayments be and how will this affect profitability and production costs.
- Control** - Some types of finance can give away control of your company. For example, you may need to give you premises as security for a loan. In the event that you can't pay back the loan it will be sold by the bank to make the repayments
- Risk** - Not being able to pay back a loan that is secured on an asset means losing that asset. This may result in you losing your business