

## GETTING STARTED

### REASONS WHY

#### REASONS FOR SETTING UP A BUSINESS

1. **Independence** - prefer to be their own boss and make all the important decisions.
2. **Profit** - They will get to keep all the profit that the business makes.
3. **Challenge** - they need to be challenged and reach their full potential.
4. **Creativity** - They have the creativity of developing new innovative ideas
5. **Employment** - lost their job

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### LEGAL

#### LEGAL STRUCTURES

1. Sole Trader
2. Partnership
3. Private Limited Companies (LTD)
4. Co-operatives

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### Define

#### SOLE TRADERS

##### Definition

These are business that are opened and managed by one person. They keep all the profits and make all the decisions

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### Define

#### PARTNERSHIPS

##### Definition

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

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### Define

#### PRIVATE LIMITED COMPANIES

##### Definition

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

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### Define

#### CO-OPERATIVES

##### Definition

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

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### SOLE TRADER

#### SOLETRADER

**Formation** - Use own name or register with CRO if different

**Ownership & Control** - Owned and controlled by the owner

**Management & Finance** - Decision made by sole trader might be hard to raise finance for expansion

**Profit & Risk** - Sole trader has unlimited Liability and gets to keep all the profits

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### Partnerships

#### PARTNERS

**Formation** - Use own name or register with CRO if different and must register for TAX

**Ownership & Control** - Owned and controlled by the Partners

**Management & Finance** - Decision made by the partners, easier to raise finance for expansion

**Profit & Risk** - Partners have unlimited Liability and gets to keep all the profits (must pay Tax)

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### Limited

#### PRIVATE LIMITED COMPANY

**Formation** - Have to register with Revenue and CRO

**Ownership & Control** - Is owned by shareholders, they elect a board of directors (BOD) to run the company

**Management & Finance** - Decision are made by the BOD Finance raised by selling shares.

**Profit & Risk** - Profits are shared among shareholders, The company pays corporation tax, shareholders paying income tax, have Limited Liability.

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### CO OPERATIVE

**Formation** - Have to register with Revenue and CRO

**Ownership & Control** - Is owned by members who elect a management committee.

**Management & Finance** - Decision are made by the management committee.

**Profit & Risk** - 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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### WHERE TO LOCATE A BUSINESS

**Proximity to your market** - should be close to your target market, easy for customer.

**Proximity to your raw materials** - locate near a port/good infrastructure (deliveries)

**Transport and Communication links** - communication is important for e-commerce business

**Availability of skilled labour** - need employees than you may located near

**Cost and availability of land** - price of land and rents can be expensive

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### FOOT LOOSE

#### Definition

This is a business that is not tied down to locating in a particular area and can set up anywhere

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### FACTORS TO CONSIDER WHEN SELECTING A SOURCE OF FINANCE

1. Purpose - The finance should match the purpose of the loan.
2. Amount - The finance can vary in terms of the amount to be repaid
3. Cost - How much interest repayments and how will this affect profitability
4. Control - Some types of finance can give away control of your company.
5. Risk - Not being able to pay it back

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### SHORT TERM SOURCE OF FINANCE

1. Bank overdraft
2. Trade Credit
3. Factoring
4. Accrued Expenses
5. Invoice Discounting

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### MEDIUM TERM SOURCE OF FINANCE

1. Hire Purchases
2. Leasing
3. Term Loan

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### LONG TERM SOURCE OF FINANCE

1. Equity Capital
2. Grants
3. Debentures
4. Sale and Lease Back

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### MAIN PRODUCTION OPTIONS

1. Job production
2. Batch production
3. Mass production

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### JOB PRODUCTION

#### Definition

1. This means Producing a single product at a time usually customized to meet the needs of a particular customer.
2. When that job is finished the next job starts. It is used for relatively expensive or highly skilled items

For example - Birthday cakes

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**BENEFITS OF JOB PRODUCTION**

- 1. Easy to customised
- 2. Less disruption to production
- 3. More employees involved

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**DRAWBACKS OF JOB PRODUCTION**

- 1. Highly Skill Workers needed
- 2. Fixable workforce with many skills needed
- 3. More Expensive for Customers

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**MASS PRODUCTION**

**Definition**

- 1. This is continuous production of large quantities of identical goods.
- 2. It is very highly automated.

**For Example** - Pens

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**BENEFITS OF MASS PRODUCTION**

- 1. Reduce cost and selling price

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**DRAWBACKS OF MASS PRODUCTION**

- 1. Heavy financial investment
- 2. Breakdowns can result in slowing down the production process
- 3. Repetitive work (low moral)

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**BATCH PRODUCTION**

**Definition**

- 1. This is manufacturing a limited number of identical goods at the same time
- 2. Each stage of production will be completed in a batch before all goods are moved onto the next stage

**For Example** - cakes, breads or books.

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**BENEFITS OF BATCH PRODUCTION**

- 1. Not as skilled as Job production
- 2. More effective less time wasting
- 3. Less expensive than job production

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**DRAWBACK OF BATCH PRODUCTION**

- 1. Requires more equipment
- 2. Require more Planning, Organising and Controlling

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**OUTSOURCING**

**Definition**

- 1. The company does not produce the product they give it to another company.
- 2. The Price, quality standards and delivery dates are all agreed in advance. This means that the entrepreneur can concentrate on other areas.

**For Example** - Nike owns just one small factory - subcontract to Taiwan

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### BENEFITS OF OUTSOURCING

1. Cheaper to subcontract (Some cases)
2. Extra staff not needed
3. Suit seasonal business

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### DRAWBACK OF OUTSOURCING

1. Less control over quality
2. Subcontractor may become a competitor

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### FRANCHISING

#### Definition

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

For example, Super Macs

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### BENEFITS OF FRANCHISING

1. Proven track record
2. Support
3. Economics of Scale

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### DRAWBACKS FRANCHISING

1. Loss of control
2. Have to pay royalty Fees

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### BUSINESS PLAN

#### Definition

1. A business plan is a written statement about the business, its objectives and strategies in areas such as marketing, ownership, production, finance.
2. 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

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### IMPORTANCE OF A BUSINESS PLAN

1. Set out targets - Helps the business compare Actual performance against budget performance
2. Is needed to raise finance - From investors Banks or grant aiding bodies
3. Reduces risk - helps the entrepreneur think out their idea, anticipate problems and how to overcome them

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### USES OF A BUSINESS PLAN

1. To Inform - all involved with business where the business is going and actions needed to get there.
2. To Monitor - measuring progress against targets set out in the plan.
3. To Provide - information to banks and government for loans and grant applications.

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### INFORMATION ON A BUSINESS PLAN

1. Description of entrepreneur
2. Market Description & analysis
3. Description of the product/service - USP
4. Production Plan
5. Marketing Plan
6. Management Plan
7. Financial Plan
8. Sources of finance
9. Profitability forecast

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### PAST QUESTION



#### BEFORE CHANGING FROM BATCH TO MASS

1. Does the size of market exist?
2. Can quality be maintained?
3. Can capital be raised - Expensive
4. Will key people leave due to repetitive work? May be redundancy issues?
5. Will it be more difficult to change the product to meet needs of customer?
6. Amount of space available (machinery)
7. Impact on brand name. Will the change affect the reputation (Quality)

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### PAST QUESTION



#### OUTLINE THE MAIN SECTIONS CONTAINED IN A BUSINESS PLAN

**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)

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### PAST QUESTION



#### IMPORTANCE OF A BUSINESS PLAN FOR DIFFERENT STAKEHOLDERS (1)

**Employees** - to confirm if the business is going to survive so they have **employment security**. to see if the business is going to expand and opportunities for promotion  
**Investors** - 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

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### PAST QUESTION



#### IMPORTANCE OF A BUSINESS PLAN FOR DIFFERENT STAKEHOLDERS (2)

**Financial institutions** - use plans when seeking a loan. It helps them to decide regarding **finance approval** as they see the experience of the owners & analyse ideas.  
**Management** - use a 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

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### PAST QUESTION



#### IMPORTANCE OF A BUSINESS PLAN FOR DIFFERENT STAKEHOLDERS (3)

**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.

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### PAST QUESTION



#### BENEFITS OF FRANCHISING AS A BUSINESS START-UP OPTION

1. Tried and tested formula - reduced risk.
2. Have an existing customer base which results in guaranteed sales. can learn from other franchisees/benefit from uniform approach.
3. Low cost/ bulk discounts/ economies of scale/can share costs
4. Managerial training and support provided by the franchiser.
5. Brand recognition/ can use the name

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### PAST QUESTION

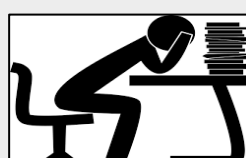


#### DRAWBACKS OF FRANCHISING AS A BUSINESS START-UP OPTION

1. High start-up costs (initial franchise fee)/Royalties are paid from profits.
2. 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.
3. 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

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### PAST QUESTION

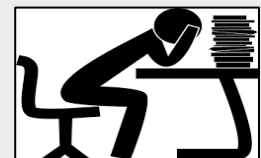


#### KEY ISSUES TO ADDRESS BEFORE SETTING UP A BUSINESS ENTERPRISE

1. Raising finance/capital
2. Production method
3. Ownership options
4. Marketing her business: Finding customers/ Market research/Deciding on brand /USP/Advertising etc.
5. Availability of services:

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### PAST QUESTION



#### OUTLINE TWO CHALLENGES OF JOB PRODUCTION PROCESS

1. The product requires highly skilled labour.
2. This will mean a higher wages bill.
3. Raw materials, equipment, tools, machinery are expensive
4. It is a small scale operation and does not benefit from economies of scale.
5. It is a very slow process.
6. Quality standards have to be very high. There is no room for error.
7. Once-off production to a specific order

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PAST QUESTION



IMPLICATIONS OF CHANGING TO ANOTHER TYPE OF PRODUCTION PROCESS.

1. Both batch and mass production are heavily automated production processes. investment in machinery will be required.
2. Finance will be required to fund the necessary investment.
3. Change of structure to a LTD in order to be able to raise finance. This involves a loss of control of business.
4. No longer making goods to order.

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PAST QUESTION



EXPLAIN THE TERM "BUSINESS PLAN".

1. A business plan is a written statement about the business, its objectives (where it wants to go) and strategies in areas such as marketing, ownership, production, finance and the identifying of opportunities.
2. It is important in the context of business start-ups.
3. And are used by financial intuition in making a decision to approve a loan to the business or not

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PAST QUESTION



THE IMPORTANCE OF A BUSINESS PLAN TO AN INNOVATIVE NEW TECHNOLOGY BUSINESS.

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

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PAST QUESTION



TWO BENEFITS OF PREPARING A BUSINESS PLAN.

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

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PAST QUESTION



FACTORS THAT SHOULD BE CONSIDERED BEFORE CHOOSING SOURCES OF FINANCE

1. Cost:
2. Purpose/Correct match
3. Amount:
4. Control:
5. Collateral:
6. Risk:

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PAST QUESTION



DRAFT A BUSINESS PLAN FOR A NEW BUSINESS USING FIVE HEADINGS

- (a) Introduction      (b) Summary  
 (c) The Main Body of the Plan
1. Description of the business
  2. Key Personnel
  3. Market Analysis
  4. Marketing Strategies
  5. Product
  6. Manufacturing, Operations
  7. Financial Analysis
  8. Investment Proposal
  9. Conclusion

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PAST QUESTION



EXPLAIN ITS ROLE IN OF BUSINESS PLANS IN BUSINESS START UPS.

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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