MODULE 4 PLANNING A TELECENTRE

UNIT 6 PREPARING A BUSINESS PLAN

Structure of the Unit

6.0 LEARNING OUTCOMES

At the end of this Unit, you should be able to:

- List the elements of a business plan
- Write a business plan

6.1 INTRODUCTION

In the last Units you learned about planning for logistics, equipment, basket of services etc. for the Telecentre. You learned about what to keep in mind when you are looking for space, what questions to keep in mind and in a list. You also learned about how to develop a list of services you could offer.

Step by step, you are moving closer to setting up the telecentre. In this Unit you will learn about how to develop and write a business plan for your telecentre.

6.2 WRITING A BUSINESS PLAN

Activity: Visit two or three businesses in your community. Ask the owners of the business if they had a business plan in mind when they started their business. They may not call it a business plan, but you could ask what they had in mind when they went about starting the business. Whom did they consult? Did they make lists? Did they look at other businesses of a similar kind? Where did they get their inspiration from?

So, what exactly is a business plan?

A business plan is a document and summary of how a business owner, manager, or entrepreneur intends to organise an entrepreneurial endeavor and implement the activities necessary for the venture to succeed.

In this case it is you, the Operator or Manager of the telecentre have to develop the business plan.

There is no real magic in writing a business plan. In fact, it is quite simple set of steps, going from one to the other. The magic is in the due diligence or hard work which makes sure that your business venture will succeed because it is supported by solid research and planning.

Let us look at the different parts of your business plan.

6.2.1 The Executive Summary

The executive summary is found on the first page following the table of contents. It is a one-page summary of the key business points. The executive summary must be compelling, interesting, and convincing. The executive summary contains:

1. A description of the business (its product or service, method of operations, location, management structure)
2. Financial information (sales and revenues figures, number of employees, break-even point)
3. A closing statement on the purpose of the business plan.

The Executive Summary of the business plan should include a statement explaining the purpose of the business. It should also answer questions such as:

a. What is the name of the business?
b. Where is the business located?
c. What is the product or service?
d. Whom will you sell it to?
e. How will you sell it?
f. Who is the management team?
g. How many employees will the business have?
h. How will the business operate?
i. When will the business break even?
j. How much money do you need?
k. How will the money be repaid?

The Executive Summary is - literally - a summary of the highlights of the business plan. Even though it comes at the beginning of the plan, it is best to write it at the end. The summary is like the door which opens into the rest of the plan.

The best length for an executive summary is 2-3 pages. Include any news or important facts you don’t want anyone to miss. Emphasise the main points of your plan and keep it brief. You are luring them in to read more of the plan, not explaining every detail.

If you’re looking for investment, say so in your executive summary, and specify the investment amount required and the percent of equity ownership offered in return.

You can also add some highlights of your team and how you could be better than others that in the same business as yours.

If you’re looking for a loan, say so in the executive summary, and specify the amount required. Leave loan details out of the summary.

6.2.2 Description of the Business

This section describes your business in greater detail. It discusses your product or service, introduces market research results, and identifies unique characteristics that indicate success.

The business description makes clear what the business is – a franchisee, independent or something you have acquired. It explains how the business will operate and the work of the management team. It projects any capital requirements.

The business section answers questions such as:

- What is the product or service?
- Who is the target market?
- Is the business a franchisee, independent or acquisition?
- How will the business operate?
- Who is the management team?
- What are the unique characteristics indicating success?

6.2.3 Marketing Analysis

The section on market analysis shows the reader that there is sufficient demand and willingness to pay for the product or service. The data obtained from the market analysis forms the basis for the pro forma financial statements.

If you are in a position to do this, this section could begin with a discussion of the 'telecentre eco-system – which means its size, trends over the last few years (if it's an existing venture), its current status (stable, growing, declining), and key factors that may positively or negatively affect its business of providing services to the target group (social, demographic, economic, technological).

Next, the analysis focuses on the specific market for the business's product or service. It examines the size of the market and its growth potential, the characteristics of the typical consumer, and the competition.

The quality of the market analysis for the business must be a statistically accurate analysis that is replicable and reliable. In case of the telecentre, you have get into it through a market survey.

You may not have a large amount of money to spend on market research. Most small businesses don't. Therefore, carefully choose the type of research and the researchers that will generate the best information for the money spent. For example, you could have some qualified volunteers or college students to conduct surveys, or make a deal with a local business or management school to assist with a mass-mailing survey.

6.2.4 Marketing Plan

The next section is a marketing plan. A marketing plan is a systematic way of organising the analysis of the market, your position in the market, and your programme for future marketing activities.

It will describe how your business will attract and keep its customers and its pricing policies in relation to the competition. It details:

- The external environment (political, economic, technological, funders/backers, competition);
- The internal environment (objectives, strengths, weaknesses);

- Problems and opportunities;
- Marketing goals and targets;
- Marketing strategies relating to target segments, competitive position, and the marketing mix;
- A budget;
- A marketing action plan; and
- A monitoring system

6.2.5 Management, Personnel and Organisational Structure

The management section is probably most crucial to the business plan and to its readers.

A high percentage of business failure is attributed to managerial weakness. Therefore, the business plan must present a strong management team, and, in its absence, the ability and contacts to obtain key staff.

It spells out how the telecentre is managed; how the background and experience of the management relates to the business venture and how it will make their venture a success. It describes duties, responsibilities, reporting procedures, and decision-making authority. It may discuss salaries and benefits.

The personnel section of the business plan discusses the current and projected personnel needs of the operation. It does this by describing the number of staff, full-time versus part-time work schedules, the training required, wages, overtime and benefits, and the supply of available workers.

6.2.6 Service Delivery

This section describes the specific operational policies and plans for content and service delivery.
The main goal of this section is to show that management understands and has prepared for all the steps that are necessary to produce its services.

6.2.7 Budget

A business plan will include a budget. There are two parts to the budget:

- A start-up budget gives details of the one-time costs of setting up the telecentre
- An operating budget gives details of the on-going costs of running the telecentre.

Start-up expenses include the cost of getting everything ready before opening the Telecentre.

There are two kinds of expenses:

- **Capital expenses and one-time** expenses such as: renovations to the premises, purchase of equipment, furniture and furnishings and deposits to suppliers of electricity, telephone connections, etc.
- **Continuing expenses** that will continue once the telecentre is operational such as: salaries, rental, equipment maintenance and replacement, insurance, software and computer supplies, marketing costs, telecommunications costs, educational materials, stationery and cleaning materials, etc.

The start-up needs of a telecentre include all items, services and expenses that need to be acquired and paid for before the Telecentre opens its doors. This includes:

- Costs relating to the telecentre premises (rental deposit or purchase price)
- Equipment
- Software
- Hardware
- Supplies

The on-going needs include:

- Space (rent, utilities, security, insurance, maintenance, rubbish removal, etc.).
- Staff (including salaries, benefits and perks for volunteers)
- Marketing and promotion
- Equipment and furniture (including replacement and repair costs)
- Software upgrades and/or replacements
- Computer and office supplies
- On-line services and Internet accounts
- Publications and reference materials
- Budget for special events (such as the launch of the telecentre or an open day where refreshments are provided, etc.)
- Supplies such as tea, coffee, water, biscuits
- Maintenance supplies such as cleaning materials, bulbs,

6.2.8 Financial Plan

The financial plan is the section that pulls the projections from sale of services and cost estimates together. More specifically:

1. The business' income, assets required to generate income, and the sources and amounts of funds that are required to finance the assets; and

2. Solvency, i.e., the business' ability to cover cash outflows with cash inflows over time.

The financial plan is only as sound as the assumptions and the data on which it is based. Business projections must be comprehensive and accurate, as possible. Most financial planners suggest that the authors of plans use conservative financial projections, which underestimate revenue and overestimate expenses.

The cash flow projection serves several purposes. For one thing, it is an essential component of the business plan, and it shows an investor, lender, or interested party where the business expects to be, on a cash basis, at various points in time. It also shows the telecentre manager the same thing. For purposes of the new venture (and the business plan), planners will want to carefully examine the monthly net cash flow, to get their revenue and expenses under control.

Business planers should look carefully at the monthly cumulative cash flow. Are there enough months where revenue exceeds expense to cover those when it does not? It may be acceptable to show one or more negative net cash flow figures as long as the cumulative cash flow figures are positive.

6.2.9 Timelines

Every business plan will indicate timelines, which spell out how the plan will be carried out. Ideally, a business plan would be for a slightly longer period – like three years.

You could start by a 12 month timeline. It could be like this:

Months 1 - 4

- Form a Steering Committee for telecentre establishment and management
- Conduct the first meeting of the Steering Committee
- Conduct a community needs assessment
- Hold a community meeting
- Conduct the second meeting of the Steering Committee (with new community representatives)
- Gather in-depth information about the target group's needs and assets
- Hold the third meeting of the Steering Committee to discuss the information collected
- Decide on the governance structure for the telecentre and institute the legal arrangements
- Design a fund-raising plan

Months 5-8

- Hold Steering Committee meetings once a month
- Determine the programme focus of the Telecentre (to reflect the needs and interests of the community)
- Identify equipment needs
- Build partnerships with local institutions/organisations
- Develop a business plan
- Begin with fundraising campaign
- Develop a strategy for on-going operations and begin a pilot programme
- Find a location for the telecentre

Months 9-12

- Advertise and market the telecentre
- Hire Manager/Operator for the telecentre
- Identify software programme applications
- Acquire hardware and software
- Renovate the premises and begin to set up the telecentre
- Recruit volunteers / other staff members

- Launch the telecentre

You can see from this timeline plan that a great deal has to be thought about and done before you actually open the telecentre. Very often people do it the other way around. They open the centre and then think about what they should do about content, services, clients, income, etc. This is not the right way to get best results.

6.2.10 Supporting Documents

This section of the business plan could be an **appendix.** It serves to expand on certain aspects of the business venture by supplying the reader with supplementary information that is less appropriate to the body of the plan.

The supporting documents section, or appendix, generally includes items such as:

- Market data – statistics
- List of service offerings
- Floor plan indicating requirements for space
- Capital-equipment list
- Quotes and estimates from vendors
- Rent, lease, or purchase agreements
- Letters indicating a line of credit or loan
- Letters of intent from potential customers
- Letters of support from others in the government institutions, offices, industry, foundations and corporate offices
- Legal documents, such as incorporation papers or nonprofit status determination letter

It may seem like the Business Plan is difficult and a lot of work. This could be true. But what is truer is that this kind of rigorous thinking, research, and financial planning is essential to the success of your business.

It is through these activities that you can take meaningful and productive steps towards reaching the social and economic goals of your Telecentre.

6.2.11 Sections of a Business Plan

Let us review the sections of a Business Plan.

1. The Executive Summary
2. Description of the Business
3. Marketing Analysis
4. Marketing Plan
5. Management, Personnel, and Organisational Structure
6. Production or Service Delivery
7. Budget
8. Financial Plan
9. Timelines
10. Supporting Documents

Check your progress
Note:
a) Please the space below each question for your answer
b) Compare your answer with the one given at the end of this Unit

1. Define a Financial Plan (in about 25 words)

____
____
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2. List the 10 sections of a business plan
   i. ________________________
   ii. ________________________
   iii. ________________________
   iv. ________________________
   v. ________________________
   vi. ________________________
   vii. ________________________
   viii. ________________________
   ix. ________________________
   x. ________________________

6.3 SUMMING UP

In this unit we have learned about the importance and design of a business plan. We covered the essential elements of a business plan design. The main points are:

- A business plan is important even before you set up the telecentre.
- A business plan covers all areas of the business.
- A business plan is essential for the success of the business.

6.4 CHECK YOUR PROGRESS: MODEL ANSWERS

1. The financial plan is the section of the business plan that indicates the projections from sale of services and cost estimates together. In a financial plan, assumptions are made about data on business projections.

2. The 10 sections of a Business Plan are:

1. The Executive Summary
2. Description of the Business
3. Marketing Analysis
4. Marketing Plan
5. Management, Personnel, and Organisational Structure
6. Production or Service Delivery
7. Budget
8. Financial Plan
9. Timelines
10. Supporting Documents

6.5 DEFINITIONS

1. Break-even Point

Break-even point term is a term, used in economics and business, especially in accounting. It is the point at which cost or expenses and the earned revenue are equal; there is no net loss or gain. In terms of telecentre, when the total cost or expenses put on to establish the telecentre equals to the total revenue earned over a period of time, then it may be said that the telecentre business has reached a break-even point and the time required for this from the start of the telecentre will be called a break-even period.

2. Franchisee

The word franchisee is used for the person who does business with another person's business model. The original owner of the business model, who may be the producer of products or services, is called the franchisor. The franchisor grants the franchisee the rights to distribute its products, services, techniques and trademarks against a mutually agreed revenue sharing arrangement. Usually franchisee receives training and other support services from the franchisor.

3. Solvency

The term solvency, generally used in finance or business, reflects the ability of the business entity to pay its debts. The better is the solvency of the business, the better it is financially. Solvency is different from profitability. A business can be solvent without being profitable.

6.6 ASSIGNMENT

1. Prepare a Business Plan for the telecentre.

The presentation could be

1. A 5-7 minute cassette or CD audio recording
2. A video tape (5 minutes)
3. A written essay (1000 words)
4. A drawing
5. A poem
6. A photos essay (with about 10 photos and text)

6.7 GLOSSARY AND REFERENCES

1. Cynthia W. Massarsky. *How to build a business plan.* November 14, 2008. www.docstoc.com.
2. Roger Harris. *A Framework for Designing Telecentres.* Roger Harris Associates, Hong Kong, March 2007.
3. **www.wikipedia.org**: Definitions and background material