



# LAND MOBILITY TRAINING COURSE

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## Module 2: Business Planning and Development

### Session 3: Business Planning and Finances

#### Description

The main focus of session three is to support participants in creating a detailed business plan and educate them on financial planning methods. The session will focus on all aspects of the business plan and participants will be provided with a coherent business plan template. Mentorship will also be provided to them at each stage. In addition, participants will be given financial planning templates to include in their business plans. They will also be provided with the knowledge and mentorship required to complete an extremely comprehensive business plan ready for presentation to a financial institute and/or organisation.

#### Learning Outcomes

On completion of session three, participants will be able to:

- Demonstrate an understanding of business planning and business plans and develop insights into their application and development
- Interpret and evaluate basic financial modelling for new Agri business ventures and have the ability to conduct financial planning, control and pricing.
- Identify resources required for venture creation
- Formulate venture creation strategies

Indicative Syllabus			
Topic	Methodology	Activities	Resources
<ul style="list-style-type: none"> <li>• Business planning and plans</li> <li>• Running a business</li> <li>• Business plan structure</li> <li>• Tips for writing a business plan</li> <li>• Presenting your business plan</li> <li>• Sources and uses of finance</li> <li>• What worries banks</li> <li>• What investors are looking for</li> <li>• Growing a business</li> <li>• Exiting a business</li> <li>• Challenges that businesses face</li> <li>• Business successes</li> <li>• Success measurement</li> </ul>	<p>A <b>Blended</b> learning approach incorporating both <b>Classroom</b> (face to face) and <b>Online</b> delivery</p>	<p>Participants will be expected to take the online lectures and the associated learning-by-doing activities sequentially.</p>	<p>New Venture Creation: A Framework for Entrepreneurial Start-Ups (2<sup>nd</sup> Edition) by <b>Paul Burns</b> ISBN: 978-1352000504</p> <p>Entrepreneurship and Small Business: Start-Up, Growth and Maturity (4<sup>th</sup> Edition) by <b>Paul Burns</b> ISBN: 1137430346, 9781137430342</p> <p>Entrepreneurship Theory and Practice by <b>Francis J. Greene</b> ISBN: 978-1137589552</p> <p>Entrepreneurship: Successfully Launching New Ventures, Global Edition (6<sup>th</sup> Edition) by <b>Bruce Barringer</b> and <b>R. Ireland</b> ISBN: <b>978-1292255330</b></p> <p>Innovation and Entrepreneurship (3<sup>rd</sup></p>

		Edition) by <b>John R. Bessant</b> and <b>Joe Tidd</b> ISBN: 978- 1118993095 How to write a business plan - <a href="https://www.finimpact.com/writing-a-business-plan/">https://www.finimpact.com/writing-a-business-plan/</a>
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## 1. Business Planning and Plans

### What is a business plan?

A business plan is a formal written document that sets out the goals of your business, how it plans to achieve those goals and the timeframe in which the goals will be achieved. Your business plan should be different from that of others as it should be specific to your particular business, tailored to your audience and aimed at the specific purpose for which you created it. Any business plan should be tailored to the scale of the business and the audience that it is aimed at. It can be as formal or informal as it needs to be, depending on its purpose. Details included in each section of the business plan may be contracted or expanded to suit the particular circumstances of your business.

Because each business is unique, every business plan will be different in the detail that it contains. Nevertheless, all business plans should be succinct, professional and well presented. A business plan should be sufficiently detailed to give you direction but should never be so rigid as to blind you to new opportunities and threats. It should be a live document that is constantly being updated to reflect changes in your business situation i.e., if the business goals have been met or evolved over time.

### Why do you need a business plan?

- Developing a business plan helps you to crystallise your business ideas and think systematically through the challenges you will face before you have to deal with them.
- The process allows you to develop strategies and strategic options that should improve your chances of success.
- It allows you to set key milestones against which to monitor your performance.
- The greater detail involved in writing a business plan means that it can stand up to greater scrutiny and things are not overlooked.
- A business plan can also act as a vehicle to attract external finance.
- All of these things mean that the development of a business plan can improve your confidence in launching into what is an uncertain venture.
- Formal plans are needed to convince others to invest in your ventures. When you need a business plan to secure a significant investment, it needs to be a more elaborate “selling document”.
- Documenting your plans enables you communicate your business plan to your wider group of stakeholders.

### Activity:

Think about the goals that you have for your business and make a list of them. This will be helpful when you come to writing your business plan later in the session.

For further information, please see the following resources:

Why You Should Write a Business Plan

<https://www.thebalancesmb.com/why-write-a-business-plan-2948013>

What is a Business Plan and Why Should I Write one

<https://www.fsb.org.uk/resources-page/what-is-a-business-plan.html>

Why a Business Plan is Important to Small Business

<https://smallbusiness.chron.com/business-plan-important-small-business-2672.html>

Why Having a Business Plan is Important

<https://www.youtube.com/watch?v=nK35hyEJils>

## 2. Running a Business

As a business owner, there are several aspects that you have to manage as part of the day to day running of your business. And as a small business in particular, you would need to get a good understanding of each of these different aspects of your business in order to effectively reach your target audience with the resources that you have available to you. Ensuring that each of these business elements are functioning properly, will result in your entire business running as smoothly as a well-oiled machine.

### The Different Aspects of Running Your Business

**Marketing** – You would need to actively market your products and services to your target audience in order to attract customers. There is no point having a fantastic product or service that no one knows about and therefore cannot take advantage of. Your marketing efforts could be done via traditional media or social media or ideally, a combination of both.

**Sales** – After you have generated leads through marketing, you need to take the necessary steps to convert those leads into tangible orders i.e., sales. This is the ultimate goal of any business.

**Product/Stock Control and Management** – You need to manage your inventory. It is essential to know what you have in stock in terms of products and or raw materials as this will inform decisions relating to when you need to reorder, as well as quantities to be ordered.

**Dispatch/Delivery/Service** – The process of getting your offering (be it product or service), to your customer also needs to be properly managed. You need to be sure that whatever arrangements you put in place for this are reliable and will not put your business at a disadvantage with your customers.

**Payment** – Reliable and convenient payment options need to be put in place and properly managed for your customers to be able to make their payments as and when necessary. Bear in mind that the easier and more convenient payment options are for your customers, the more likely it is for you to close a sale.

**Administration/paperwork/compliance** – You will also need to manage all the backend administrative aspects of your business and ensure that all your necessary paperwork is up to date.

**Finance/Legal/Insurance** – Everything to do with your finances, taxes, necessary insurances and all legal requirements also need to be put in place, up to date and filed accordingly. There are heavy fines attached to not being compliant.

**Managing People** – You would need to manage the myriad of stakeholders that are associated with your business. These include your employees (if any), suppliers, creditors, customers, board of trustees etc.

**Managing Challenges** – Running a business can be fraught with challenges so this is something that you will have to learn to deal with. From supplier delays to unhappy customers or employees who don't meet deadlines; these are not uncommon in the day to day running of a business. A particular skill to cultivate though is dealing with unhappy customers who are disappointed with your product or service. If they stay unhappy after their interaction with you, that can mean the end of your business with them (and whoever else they may decide to share that experience with). However, if you are able to turn the situation around, you can be sure of a loyal customer for life.

**Activity:**

Think through all the aspects of running a business as detailed above and how you manage them in relation to your own business.

For further information, please see the following resources:

5 Things Not to Do When You're Running a Small Business

<https://www.entrepreneur.com/slideshow/306752>

How to Make Your Small Business More Successful

<https://www.thebalancesmb.com/how-to-make-your-small-business-more-successful-4060804>

Running a Business

<https://www.crunch.co.uk/knowledge/category/running-a-business/>

Basics of Running a UK Business

<https://www.youtube.com/watch?v=fqCfQMX3nzk>

### 3. Business Plan Structure

This section details the typical structure and content of a comprehensive business plan. Keep in mind that in adapting this business plan to your particular business and circumstances, it may make sense to omit some sections as they are not relevant to your business, and/or include more or less detail in some sections. The contents of each section may also need to be adapted to the particular purpose for which you require the business plan, e.g., to seek financial investment in your business.

**Business Plan Structure:**

- **Cover** – This is the cover page of the business plan. It should include the business name as well as the business contact details. You should also consider whether to mark your business plan as “Confidential”, as it may include proprietary information.
- **Table of contents** – This is a list of the sections and sub-sections included in the business plan and their page numbers.
- **Executive summary** – This is usually spread over 1 to 2 pages and presents an overview or summary of your entire business plan. The Executive Summary should be written last, after all the other sections of the business plan have been completed. When writing this section, keep your proposed audience (e.g., potential investors), and the purpose of the business plan (e.g., to secure financial investment) in mind. It should highlight your products/services,

your target market, value proposition and competitive advantage. Also, it should appeal to the reader by highlighting the distinctive potential and capabilities of your business, especially the financial return. Most importantly, your Executive Summary should not ramble; it should be succinct and to the point.

- **Business details** – This section should be 1 to 2 pages long and should detail basic information about your business such as the business name, address, legal form and ownership. It should also include:
  - A description of your product/service
  - Your mission and vision statement
  - Your aims and objectives
  - If this is an existing (not new) business, also include a brief business history
  
- **Industry and market analysis** – In this section (2 to 3 pages), provide some background information on your industry sector and the market segments within it. This analysis should take the form of a narrative informed by academic models such as a PESTEL analysis and Porter’s Five Forces. You should conduct a detailed review of your competitors’ weaknesses and strengths. The more that you can show that you know about your industry and market and the competitors that you face, the more confidence your readers will have in your ability to compete within it. This section should include:
  - Your industry size, growth and structure (macro and micro/local level)
  - Industry and market trends (macro and micro/local level)
  - Market segments and reasons for target market(s) selection
  - Buyer behaviour across segments
  - Competitor analysis (strengths and weaknesses)
  - For an existing business, market share
  
- **Customers and value proposition** – This section should be 2 to 3 pages long and should outline your target market segment(s) and the value proposition(s) for your product/service. You should also clearly and simply articulate your Unique Selling Proposition (USP), and in so doing highlight your differential advantage over your competitors. The more points of difference between your offering and that of your competitors and the stronger and more sustainable these points of difference are, the better. This section should also include your sales targets, and if you have any firm orders for your products/services, also mention this here.
  
- **Marketing strategy** – Over 3 to 4 pages, this section should provide details of how you plan to achieve the sales targets that you set out in the preceding section. In addition to details of your marketing mix, you should also include details of your sales tactics i.e., how the products or services will actually be sold. It should cover the launch strategy, the growth potential through market as well as product development, and your competitive reaction and strategy for establishing your brand. It should include:
  - Your marketing mix i.e., price, promotion, distribution etc.
  - Your launch strategy
  - Sales tactics
  - Brand development
  - Competitive reaction
  - Product and market development
  - Growth potential and scale up plans

If the purpose of your business plan is to source external finance, note that investors pay particular interest to the pricing strategy as this is a prime determinant of the profitability of the business.

- **Operations plan** – This 2-to-3-page section should outline how your business will be run and how your product/service will be produced. The information included in this section will vary depending on the nature of your business. However, what is important is that the key activities of your business are highlighted. The Operations Plan must convince the reader that you have a thorough understanding of the operations of the business i.e., how to do whatever needs to be done to deliver your product or service. While the contents of this section are difficult to predict because of their variability, it may include:
  - Key operating activities (manufacturing processes, business model, etc.)
  - Partnerships
  - Business controls
  - IP issues
  - Scalability
  
- **Management team and company structure** – Over 1 to 3 pages, this section should outline all the people involved in your business venture, details of their background and experience and the organisational structure that you are adopting. A new venture team with an established track record in the industry or with relevant experience will definitely add credibility to any start-up. The same can be said for an experienced board of directors. Note that investors ultimately invest in people, not in products. Brief CVs of each person should be included in the Appendices section. For larger start-ups, an organisational chart should also be added in here. This section should include:
  - Key people, their functions and background
  - Business organisation and structure
  - Directors, advisors and other key partners
  - Skills gaps and plans for filling them
  
- **Resources** – This section (1 to 2 pages), should describe the business’ facilities, equipment and staff requirements. It should include:
  - Premises and facilities
  - Machinery and equipment
  - Staff
  
- **Financing** – In this section (1 to 2 pages), you should highlight the finance that you need to launch your business. Note that external funders will expect you to contribute some capital; lenders will be interested in the risks that they face and the security that they can obtain, and equity investors will be interested in the overall return they might make and how this might be realised. This section should include:
  - Founders’ contribution
  - Loan and/or equity finance requirements
  - Gearing/leverage
  - Time scale and exit routes for equity investors
  
- **Financial projections** – This should be a 1-page summary supplemented with detailed appendices. Typically, funders expect to see your business’ financial projections for three years as well as a monthly cash flow forecast for the first year. A very small-scale start-up may only provide financial projections for one year, while a five-year forecast may be

expected for a larger project where significant financial risks have not been resolved. Here you should include a one-page financial summary and put the detailed projections in the appendices. The financial details that you include in your appendices should be as long as it needs to be to provide all the required information. These should include:

- Income projections
  - Cash flow projections
  - Balance sheet projections
  - Key ratios
  - The assumptions on which your financial projections are based, particularly the basis for your sales projections.
- **Risk and strategic options** – This one-page section should identify the key risks your business faces and explain how they will be monitored and mitigated. You also need to identify your critical success factors and the strategic options you face, should these key risks materialise. Strategic options are important because circumstances can and do change. They give you flexibility in a changing environment. This section should include:
- Identified risks
  - Risk monitoring and mitigation
  - Critical success factors
  - Strategic options
- **Key milestones** – in this section (1 page), detail the key milestones for your business. These milestones should incorporate your key success factors and the metrics that measure them, and highlight the progress needed to launch and grow the business. They might include prototype completion, formalisation of partnerships, obtaining finance, securing key customers, meeting sales or profit targets and so on. Overall, this section should give an overview of the sequence and timing of important events in your business.
- **Appendices** – Any additional information that is vital but may impede the flow of the business plan should go into the appendix. A key piece of information that should be included here is the assumptions upon which your financial projections are based, especially, the sales projections. These should be made quite explicit as you can be sure that potential investors will scrutinise them closely. This section might include:
- Detailed financial projections
  - Financial assumptions – start-up costs, basis for sales projections, fixed/variable costs, profit margins
  - Background information (CVs) on key people
  - Location information (maps, layouts etc.)
  - Operations information (Gantt charts etc.)
  - Details of market research
  - Details of IP protection
  - Website screenshots
  - For an existing business – historic financial statements, brochures etc.

**Activity:**

Use one of the business plan templates provided to draft a comprehensive business plan for your business.



## Business Plan Templates:

Write a Business Plan

<https://www.gov.uk/write-business-plan>

Business Plans – Princes Trust

<https://www.princes-trust.org.uk/help-for-young-people/tools-resources/business-tools/business-plans>

how to Write a Business Plan: Step by Step and Business Plan Template Download

<https://www.simplybusiness.co.uk/knowledge/articles/2020/11/how-to-write-a-business-plan-template/>

For further information, please see the following resources:

How to Write a Business Plan

<https://www.fsb.org.uk/resources-page/guide-to-writing-a-business-plan.html>

Essential Guide to Writing a Business Plan

<https://www.startupdonut.co.uk/business-planning/write-a-business-plan/essential-guide-to-writing-a-business-plan>

How to Write a Business Plan – Entrepreneurship 101

<https://www.youtube.com/watch?v=ZEMbKzy7FD8>

How to Write a Business Plan for Small Business 2021

<https://www.youtube.com/watch?v=miv3nCBFWvw>

## 4. Tips for Writing A Business Plan

In writing your business plan, you should keep in mind that it must convince the reader that you have a good understanding of the industry, market and business that you want to establish. They need to be convinced that you have a good product/service and value proposition, that is viable and that you are capable of handling the competition that will inevitably come your way. To this end, here are 5 points to consider when you are writing your business plan:

1. **Keep it short and simple** – Aim for quality and conciseness over quantity. Your business plan should be long enough to cover the project adequately, but short enough to maintain your reader's interest. To achieve this balance, you need to prioritise and focus on the things that are important for your business. With an over-complicated plan, you risk losing that focus and the interest of your reader.
2. **It should be as realistic as possible** – Ensure that the projected sales targets, costs, milestone deadlines and the like are realistic. If such projections are unrealistic, you won't gain the trust of lenders and investors. You are better off under-estimating and over-delivering than vice versa.

3. **The plan should be clear, specific and unambiguous** – Your plan should clearly identify market segments, present objectives as concrete and measurable and ensure that targets and deadlines are made clear. Note that, your reader will most likely take a lack of clarity in your business plan to indicate a lack of knowledge or willingness to be committed.
4. **Proofread your business plan** – Check your plan for spelling, grammar and punctuation errors and most importantly financial accuracy. Having such errors in your business plan will damage your credibility, and if noticed during a presentation, can throw you off track and derail your presentation. To avoid this happening, you can make use of the grammar and spelling checks on your computer and use a spreadsheet package for your financials to ensure consistency and accuracy.
5. **Get professional advice if required** – If you are not confident about putting your financial projections together, do seek professional advice. But be sure to understand how the figures were arrived at so that you can explain this to your audience should you need to.

### Activity:

Go over your business plan draft following the tips detailed above.

For further information, please see the following resources:

Start-up Business Plan: Top 10 Tips

<https://www.startupdonut.co.uk/business-planning/write-a-business-plan/start-up-business-plan-top-10-tips>

How to Write a Business Plan

<https://entrepreneurhandbook.co.uk/business-plan/>

10 Tips to Write a Business Plan to Start Your Own Business

<https://www.youtube.com/watch?v=O2u0pPFYe2A>

## 5. Presenting Your Business Plan

Now that you have completed your business plan, you will need to present it to potential lenders and or investors to source finance. When you are invited to pitch your business plan, take particular note of the amount of time you are allotted for your presentation and make sure that you keep to it. Also check your equipment – computer, projector, software you plan to use to ensure that they are working well and won't disappoint you on the day. And be sure to brand your presentation slides with your business name so that they look professional. The main highlights that your presentation slides should cover are:

- **Why you are there** – The purpose for which you are there making the presentation. Clearly lay out the financing that you're seeking and the deal that you are offering. Keep in mind that in doing this, you should be placing a value on your business and you would very likely be asked what you intend to spend the money on.

- **The product/service offering and the value proposition to customers** – You should explain and/or demonstrate your product or service to your audience and tell them the problem customers currently have and how this will solve it for them.
- **Target market and opportunity** – With this slide, you should describe your target market segments (it would be helpful to name them specifically) and their characteristics and explain how you will reach them using your communications plan. If you already have orders for your product/service, include this also, as it will greatly boost your credibility.
- **The competition and your competitive advantage** – Your audience will expect you to name your competitors as well as their product strengths and weaknesses and highlight how your product is better than theirs. They will also want to know how you will react to competitors when they respond. Any intellectual property (IP) that you may have should also be highlighted here.
- **Marketing strategy** – Here you should outline how you will achieve your sales targets over the planning period. You should also provide details of your sales processes and distribution channels. Note that including information garnered from primary research can add to the credibility of your plans.
- **Your management team** (including board of directors, if applicable) – The important thing to highlight here is your background and experience. And if you have any skills gaps, be sure to explain how they will be filled.
- **Financial highlights** – These should be financial *highlights*, not financial details. Particularly, information on sales and profit, when profitability is achieved, capital investment, cash flow implications and breakeven. Your audience is likely to ask for details about how your sales projections and costs were arrived at, so you might want to prepare some additional slides to refer to in answering this. Remember that they will be thinking about what their share of this will be and how it might convert into business valuation.

### Activity:

Using the points detailed in this section, draft a business plan presentation for your business.

For further information, please see the following resources:

How to Make a Business Plan Presentation

<https://smallbusiness.chron.com/make-business-plan-presentation-789.html>

How to Write a Perfect Business Plan Presentation in 20 Minutes

<https://www.youtube.com/watch?v=btsKJdLmXgc>

How to Present Your Business Plan

<https://www.youtube.com/watch?v=O408tB0iasA>

## 6. Sources and uses of finance

Most new ventures require external finance to get started. However, it is important to note that not all finance is the same. Different forms of finance are suited to different purposes and not all types of finance are available to all new ventures. A lot of business owners generally prefer to start out by

**bootstrapping** i.e., using little to no outside cash, and depending instead on personal funds, savings and money coming in from their first sales. But as they grow, most businesses tend to require an external infusion of finance to move them forward.

The different forms of finance and how they ought to be used are detailed in the table below. The principle is that the term duration of the source of finance employed should be matched to the term duration of the use to which it is put. Bear in mind that strangers (investors, equity financiers), will not invest in zero. If you are unable to raise 10-20% of the finance you require from yourself, friends and family, they may not be inclined to invest.

### SOURCES AND USES OF FINANCE

DURATION OF FINANCE	SOURCES OF FINANCE	USE OF FINANCE
<b>Long and medium term</b>	<ul style="list-style-type: none"> <li>• Equity</li> <li>- Personal, family and friends' investment</li> <li>- Angel finance</li> <li>- Venture finance</li> <li>• Long and medium-term loans</li> <li>- Personal, family and friends</li> <li>- Bank</li> <li>• Lease and hire purchase</li> <li>• Crowdfunding (equity or loan)</li> <li>• Bank overdraft</li> </ul>	<ul style="list-style-type: none"> <li>• Fixed assets: land, buildings, machinery, plant, equipment, vehicles, furniture etc.</li> <li>• Permanent working capital: stock, debtors (net creditors)</li> </ul>
<b>Short term</b>	<ul style="list-style-type: none"> <li>• Short-term loans</li> <li>- Personal, family and friends</li> <li>- Bank</li> </ul>	<ul style="list-style-type: none"> <li>• Seasonal fluctuations in working capital: stock, debtors (net creditors)</li> </ul>

#### Activity:

Think about what sources of finance might be suitable for your business and make a list of them.

For further information, please see the following resources:

Sources of Finance for a Start-up or Small Business

<https://www.tutor2u.net/business/reference/sources-of-finance-for-a-startup-or-small-business>

Top 14 Sources of Finance for Businesses

<https://entrepreneurhandbook.co.uk/sources-of-funds-for-business/>

Sources of Finance for Small Business

<https://efinancemanagement.com/sources-of-finance/for-small-business>

Financing Options for Small Businesses

<https://www.youtube.com/watch?v=MYVL1XHeB74>

Sources of Business Finance Explained

<https://www.youtube.com/watch?v=DAZi6XcTZzE>

## 7. What worries banks

Banks are the main source of loan finance for a lot of small businesses. It is important to remember that banks are in business to make as much money as possible, with the least risk. Banks' lending decisions are heavily influenced by their lending policies and procedures and some banks also use computer-based credit scoring systems to produce lending "recommendations" for managers which are usually quite difficult to overturn. This leaves bank managers with very little room for discretion. So, in approaching banks for a business loan, it is necessary that you consider the following points of concern that most banks generally tend to have:

- **Frequent excesses on the bank account beyond the agreed overdraft facility.** When this happens, banks start to think that the business's cash flow is not being properly managed.
- **Development of hard-core borrowing on an overdraft facility.** In this circumstance, the bank would start to believe that a term loan would be more appropriate for your business.
- **Lack of financial information.** If the business accounts and other documents are not presented to the bank regularly, they start to worry about the business's ability to produce control information and ultimately become suspicious that all is not well.
- **Your unavailability.** If you as the business owner are never available for meetings or even phone conversations, banks will start to think that something is wrong.
- **Inability to meet forecasts.** Eventually, this will lead to the bank starting to question the credibility of your forecasts as well as your ability and understanding of the market.
- **Continuing losses, declining margins & rapidly decreasing/increasing sales.** At the end of the day, all the bank is interested in is your ability to service its loan.
- **Over-reliance on too few customers or suppliers.** In this situation, the loss of just one customer or supplier can result in a disproportionate problem for small businesses.

### Activity:

Imagine that you are planning to seek finance from a bank; how would you put your bank manager's mind at rest concerning the loan you require?

For further information, please see the following resources:

7 of the Best Small Business Loans for 2020 Compared

<https://www.simplybusiness.co.uk/knowledge/articles/2020/07/7-best-small-business-loans-2020/>

Business Loans and Funding Options for UK Businesses

<https://entrepreneurhandbook.co.uk/business-loans/>

How to Get a Small Business Loan for Start-Up

<https://www.youtube.com/watch?v=IWzd9dkTgao>

Cheapest Ways to Borrow Money in the UK

<https://www.youtube.com/watch?v=iiO1qB8BfTA>

## 8. What investors are looking for

Though business angels and venture capital institutions may look at the same range of criteria as banks, their perspective is quite different because unlike the banks, they share in the risk of the business as well. So if the business fails, they stand to lose their investment. To appropriately evaluate the business and whether it is worth their investment, investors look out for:

- **Risk & Return** – Investors are more interested in the return that they will make on their investment into your business, than the security that you are able to offer them. Typically, they aim for 30% to 60% p.a. return as a capital gain, depending on perceived risk (equivalent to multiplying their investment by 4 to 6 times in 5 years).
- **Exit Route (liquidity event)** – Investors also want to be assured that they can sell on their investment at some point in the future and in doing so, realize their profit i.e., the **exit route** (UK) or **liquidity event** (USA). Typically, they expect to liquidate their investment within 5 to 10 years.

### Activity:

If you were going to source finance for your business from an investor, how would you address these concerns?

For further information, please see the following resources:

27 Business Finance & Funding Options for Small Businesses

<https://businessfinancing.co.uk/business-funding/>

10 Ways to Find Investors for Your Start-up

<https://www.youtube.com/watch?v=p0pIF3OAV6w>

How to Find Investors for Your Small Business

<https://www.youtube.com/watch?v=WqyOvWxhcr0>

## 9. Growing a Business

All businesses, big or small, expect and plan towards growth. No business wants to remain stagnant, therefore the aim is to continue to grow. Growth for your business could mean transitioning through the following:

- **Key stages** – The development stage and start-up stage, where big decisions regarding what direction the business should go in are taken.
- **Micro/Owner Managed Business (OMB)** – Growth could come in the form of recruiting new staff that will help with achieving the business's vision or letting go of staff who are not a good fit for the business. It could also involve putting new systems in place to help the business be more efficient and deliver a better product/service to the customer.
- **Established** – As more growth is experienced, the business becomes more established and could decide to open up more site or set up a franchise.
- **Geographic** – And ultimately, the business could grow to a point where it goes global and becomes an international business. However, at this point, it is important to consider and prepare for any scalability and control issues that might arise as a result of this move.

**Activity:**

What plans for growth do you have for your business?

For further information, please see the following resources:

Richard Branson – My Four Tips for Growing a Business

<https://www.virgin.com/about-virgin/latest/richard-branson-my-four-tips-growing-business>

Growing Your Business

<https://www.gov.uk/growing-your-business>

5 Tips to Help You Grow Your Business

<https://www.youtube.com/watch?v=adNFIET7UHK>

7 Strategies to Grow Your Business

<https://www.youtube.com/watch?v=dJQn4DqzMVQ>

## 10. Exiting a Business

As mentioned earlier, a clear exit route or liquidity event is something that is of great importance to potential investors. Likewise, as a business owner, at some time in the future you may decide to exit the business either to retire or to move on to some other venture(s). In this case, there are a number of options which you may consider for exiting your business.

1. **Selling** – The first option is to sell off the business to another company, likely in the same industry i.e., **trade sale**. For this it is essential that you get a proper valuation of the business as this would inform the price at which you would sell it. You also need to consider any challenges that may arise e.g., finding a buyer on the open market can take quite some time.
2. **Transition** – Instead of selling off the business, you could transfer the ownership. This could be to a third party, family member or management team. If choosing this option, it is essential that you carefully plan the transition process and bear in mind that it could take a good bit of time to accomplish successfully.
3. **Succession planning** – With this option, you would give over the running of the business to another person, possibly a protégé who you have groomed to succeed you. Keep in mind that it could take time to both identify and prepare the person to take over from you
4. **Franchising** – This is a form of legal partnership where you would offer another individual or organisation a franchise or license to produce or sell your products or services and operate using your business name. For example, McDonalds is a franchise.

**Activity:**

Draft an exit strategy plan for your business.

For further information, please see the following resources:

How to Create an Exit Strategy for Your Business

<https://entrepreneurhandbook.co.uk/exit-strategy-business/>

How to Pick an Exit Strategy for Your Small Business

<https://www.thebalancesmb.com/small-business-exit-strategies-2947988>

Exit Strategy for Small Businesses

<https://www.youtube.com/watch?v=n2g8TUTQ7tY>

3 Small Business Exit Strategies

<https://www.youtube.com/watch?v=XjQXkOiWud8>

## 11. Challenges That Businesses Face

Small businesses face a number of challenges when they start out. It is important to both be aware of these potential challenges and to plan ways to overcome them.

**Lack of funding** – A major challenge that most small businesses face as they start out is a lack of financial capital and this could lead to them requiring external sources of finance such as investors.

**Lack of expertise** – A lot of start-ups tend to lack required technical skills and business know-how which could impact their business progress. A way to overcome this could be through outsourcing.

**Lack of planning** – As is said, failure to plan is a plan to fail. To be successful, businesses need to plan, plan and plan again. Define your vision, set out clear cut goals and work towards them.

### Activity:

Which of these challenges does your business currently face or do you think it might face at some point in the future and how do you think that you may overcome them?

For further information, please see the following resources:

7 Biggest Challenges SMEs Face and How to Overcome Them

<https://smallbusiness.co.uk/7-biggest-challenges-smes-face-and-how-to-overcome-them-2548160/>

15 Challenges Every Entrepreneur Will Face

<https://www.youtube.com/watch?v=yGejGY6J-Sw>

Top 3 Challenges for Small Business Owners

<https://www.youtube.com/watch?v=SysdiGg1Rz4>

## 12. Business Successes

While it is true that small businesses can face an uphill task in getting started and struggle to get on their feet, it is also very possible for them to become hugely successful. Here are some examples of businesses that started out small and beat the odds to become a resounding success.



- Richard Branson net worth – \$4.9B to March, 2021
- Simon Cowell net worth – \$51M to April, 2020
- Oprah – net worth – \$2.6B to March, 2021
- Elon Musk – net worth – \$24.6B 2020

**Activity:**

Can you think of any other start-ups that have become hugely successful over the years?

For further information, please see the following resources:

Small Business Success Stories

<https://smallbusiness.co.uk/starting/success-stories/>

5 UK Business Stories and The Backing That Helped Them Make it

[https://www.huffingtonpost.co.uk/entry/5-uk-business-success-stories-and-the-backing-that-helped-them-make-it\\_uk\\_5beae549e4b044bbb1a93176](https://www.huffingtonpost.co.uk/entry/5-uk-business-success-stories-and-the-backing-that-helped-them-make-it_uk_5beae549e4b044bbb1a93176)

How to Succeed in Business – 6 Secret Steps

<https://www.youtube.com/watch?v=ngYNscgi9tc>

### 13. Success Measurement

You can only know whether your business is making progress or being successful if you have indicators for measuring this. Here are the main indicators to check on.

- **Commercial success** – The financial success of your business, whether it is making profit.
- **Social success** – The difference that your business makes in the society
- **Intrapreneurs** – Intrapreneurs are employees within your organisation who act like entrepreneurs and bring innovation and entrepreneurial thinking into the business. They are generally quite proactive self-motivated and take the initiative to pursue innovative products and services. One measure of success could be the amount of intrapreneurial value you have been able to generate within your business.

**Activity:**

How would you define success for your business?

For further information, please see the following resources:

6 Ways to Measure Small Business Success

<https://www.forbes.com/sites/mikekappel/2017/03/08/6-ways-to-measure-small-business-success/>

Six Ways to Really Measure Business Success

<https://smallbusiness.co.uk/six-ways-to-really-measure-business-success-2471497/>

Measure the Profitability of Your Business – Small Business Tips

<https://www.youtube.com/watch?v=IXyT00cUAsU>

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- Burns. P (2016) *Entrepreneurship and Small Business – Start-Up, Growth and Maturity*. 4<sup>th</sup> Ed. Macmillan International HE.
- <https://www.forbes.com/billionaires/> (Accessed 28/03/2021)
- <https://www.forbes.com/profile/> (Accessed 28/03/2021)