



Mongolia:
Enhancing Resource
Management through
Institutional Transformation

Developing a viable Business Plan

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March 2018

Presentation Format

1. Business idea
2. Environmental scanning
3. Business plans
4. How lenders evaluate business plans
5. Quality control



Starts with a business idea

A product and or service that has target customers and or market

- Does not exist now
- Not currently available
- Brand new concept or idea
- Improvement on existing
- Existing need that is not being met



Environmental Scanning

External environment – opportunities and threats

Internal environment – strength and weaknesses

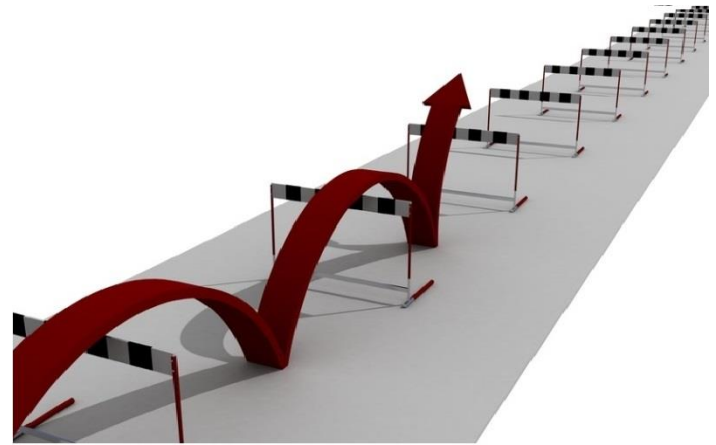


What are the external threats and opportunities for your business?



External forces impact your business

- Economic
- Technological
- Political-legal
- Sociocultural



Issues Priority Matrix

| | | Probable Impact on Corporation | | |
|---------------------------|--------|--------------------------------|-----------------|-----------------|
| | | High | Medium | Low |
| Probability of Occurrence | High | High Priority | High Priority | Medium Priority |
| | Medium | High Priority | Medium Priority | Low Priority |
| | Low | Medium Priority | Low Priority | Low Priority |

Forces driving industry competition

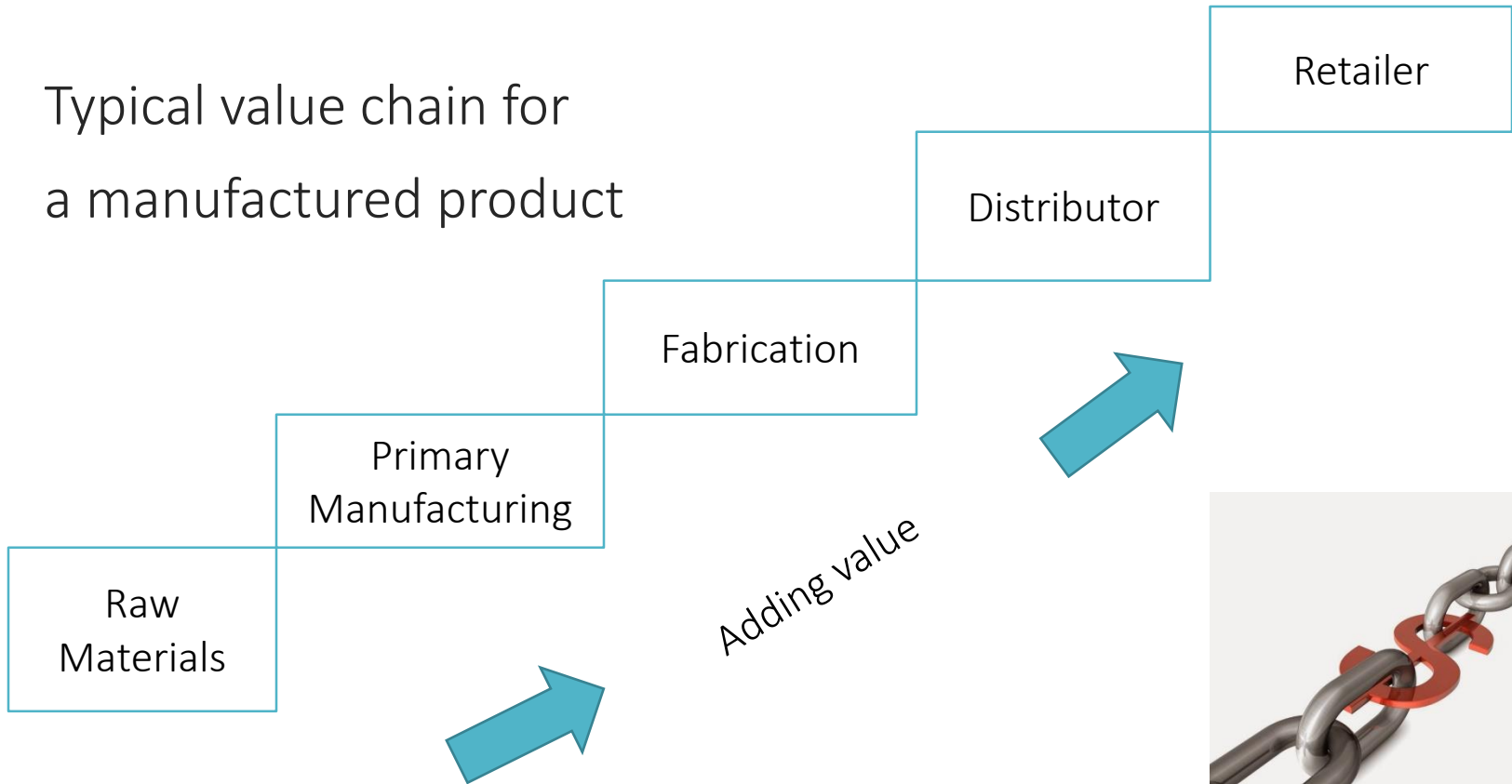


Internal environment (Your Business Enterprise)

- Assets / Liabilities
- Expertise
- Abilities
- Experience

Value chain analysis

Typical value chain for
a manufactured product



Why do you need a business plan?

- Think of your business plan as a sales document.
- It must convince readers that your venture has the potential to be successful.
- You will want to write the plan as if the reader is not familiar with the type of business you are starting



Starting a business

- Turn your ideas and capital into a viable business
- Secure financing from lenders and investors
- Identify strengths, weaknesses, opportunities, and threats



Managing or expanding an existing business

- Communicate your vision to your employees, lenders , investors, Government programs
- Develop accurate financial forecasts
- Compare planned versus actual performance
- Raise capital to expand

Business model

- Who does it serve?
- What does it provide?
- How it provides its product/service?
- How does it make money?
- What makes it better than the competition?



Business Plan sections

- Introduction
- Current Position
- Competitive Advantage
- Growth
- Marketing
- Operations
- Financial
- Human Resources (people)
- *Social Responsibility*
- *E-Business*





Introduction

- A short history of your business
- Discuss your vision and the main objectives of your business
- A description of your products and services
- The legal structure of your business — are you a sole proprietorship, a partnership, a corporation, or a cooperative?



Where are you now

- What stage of the business lifecycle is your business in?
- Is the industry growing, stable, or contracting?
- Your achievements — what have you achieved so far?



Competitive Advantage

- Your competitive advantage — what is your advantage over the competition
- Your competitors — who are they and what are their strengths and weaknesses?
- Your business model — why is it effective?
- How does your business measure up to others in your industry? (Benchmarking)



Growth Plan

- Growth timeline
- Milestones
- Goals



Marketing Strategy (Plan)

Describe the activities you will use to promote and sell your product or service:

- Product
- Price
- Place
- Promotion



Marketing strategies (continued)

- Income Diversification
- Timely market information
- Market timing



Operational plan

- Day-to-day operations
- Facility and equipment requirements
- Management information systems
- Information technology (IT)



Human resources plan

- A brief organizational layout or chart of the business
- Who does what, with a brief job description of each position
- The essential skills required for each position
- Training
- Manpower planning – How many, when will you need them, can you find people with the right skills



Social responsibility strategy

In this section you should discuss ways in which your business honours ethical values and respects people, your community, and the environment.



E-business strategy

Effectively using information technology is an important part of managing a business.



How lenders analyze your proposal

5 Cs of credit:

- Character
- Capacity
- Capital
- Conditions
- Collateral



Character

Character, integrity and reputation

- References
- Business expertise & management skills
- Your appearance
- Your interest
- Your expressions
- Are you prepared



Capacity

Debt Service Coverage Ratio

- Funds available for debt servicing / total principal payments & interest costs

Cash-flow

- Does the business generate sufficient timely cash to pay expenses over time

Capacity

Past performance

- Tax records
- Financial statements

Projections





Income statement

| | HISTORICAL | | | PROJECTED | |
|---|------------|--------|--------|-----------|--------|
| SALES ACTIVITIES | Jan-16 | Jan-17 | Jan-18 | Jan-19 | Jan-20 |
| Total Sales | | | | | |
| Total Cost of Sales | | | | | |
| <i>Gross Profit</i> | | | | | |
| Sales Expenses | | | | | |
| Admin Expenses | | | | | |
| R&D | | | | | |
| <i>Total Expenses</i> | | | | | |
| PROFITS / LOSS FROM OPERATIONS BEFORE AMORTIZATION AND TAX | | | | | |
| Amortization | | | | | |
| PROFITS / LOSS FROM OPERATIONS BEFORE TAX | | | | | |
| Taxes | | | | | |
| <i>Net income</i> | | | | | |

NOTES TO INCOME STATEMENT



Cash-flow Statement

► 7- Cash Flow

| 2019 | February | March | April | May | June | July |
|-----------------------------|----------|-------|-------|-----|------|------|
| Collection of Sales | | | | | | |
| Loans/ Investments | | | | | | |
| Sale of Assets | | | | | | |
| Other | | | | | | |
| <i>Total Source</i> | | | | | | |
| Purchases Payment | | | | | | |
| Direct Labour Wages | | | | | | |
| Repairs & Maintenance | | | | | | |
| Utilities & Taxes | | | | | | |
| Sales Expenses | | | | | | |
| Administrative Expenses | | | | | | |
| Interest | | | | | | |
| Repayment of the Debt | | | | | | |
| Other | | | | | | |
| <i>Total Application</i> | | | | | | |
| Surplus/ (Deficit) | | | | | | |
| Opening Cash Position | | | | | | |
| CASH / LOAN REQUIRED | | | | | | |

Evaluating capacity - Cash flow and income projections

- How realistic are the projections?
- Are they based on Industry benchmarks?
- Are costs realistic? - If not why?
- Is there an adequate surplus to allow for unforeseen expenses or price declines?
- Is the projected surplus reasonable
- What are the present market conditions?
- Long-term average prices should be used



Evaluating capacity - Cash flow and income projections (continued)

- Do you have access to sufficient cash to cover operating expenses?
- Do you have the people and or equipment to grow, harvest, store and market the crop?
- Do you have enough land?
- Are you growing crops that are suited for that soil type?
- Are you growing more than one type of crop.
- Outside income (Part time work, spouse)
- Are you being reasonable

Capital

- Down Payment
- Debt / Equity Ratio
- Current ratio



MERIT

Statement of Assets and Liabilities

2018

| |
|-------------------------|
| ASSETS |
| Cash |
| Accounts Receivable |
| Inventory |
| Prepaid Expenses |
| Other |
| <i>Current Assets</i> |
| Land |
| Building |
| Furniture & Fixtures |
| Equipment & Machinery |
| Other |
| <i>Net Fixed Assets</i> |
| Research & Development |
| Other Assets |
| <i>Other Assets</i> |
| TOTAL ASSETS |

| |
|-----------------------------------|
| LIABILITIES |
| Bank Loan |
| Accounts Payable |
| Accruals |
| Current Portion of L.T.D. |
| Income Taxes Payable |
| Other |
| <i>Current Liabilities</i> |
| Term Debt |
| Shareholders' Advances |
| Other |
| <i>Non Current Liabilities</i> |
| Common Shares |
| Preferred Shares |
| Retained Earnings |
| Contributed Surplus |
| TOTAL SHAREHOLDERS' EQUITY |
| LIABILITIES + S/H EQUITY |

Statement of Changes in Equity

[Your business name appears here]

Statement of changes in equity for the year ended

31st December 2017

| | Retained earnings |
|--|-------------------|
| | USD |
| Balance at 1 January 2017 | |
| Changes in accounting policy | |
| Restated balance | 0 |
| Changes in equity for the year 2017 | |
| Issue of share capital | |
| Dividends | |
| Income for the year | |
| Revaluation gain | |
| Balance at 31 December 2017 | 0 |
| Changes in equity for 2018 | |
| Issue of share capital | |
| Dividends | |
| Income for the year | |
| Revaluation gain | |
| Balance at 31 December 2017 | 0 |



Conditions

- Status of Borrower's industry
- Position within the industry
- Lender's expectations for the industry

Collateral

- Collateral refers to the different kinds of assets that borrowers pledge as security for a loan
- Adequate to support risk level



Quality Control

The seven (ISO) quality management principles are :

- Customer focus
- Leadership
- Engagement of people
- Process approach
- Improvement
- Evidence-based decision making
- Relationship management



Customer Focus

- Meet customer requirements and strive to exceed customer expectations
- Retain the confidence of customers



Actions you can take

- Meet customer needs and expectations
- Recognize direct and indirect customers
- Communicate customer needs and expectations
- Actively manage relationships with customers

Leadership

- Create conditions in which people are engaged in achieving your business' quality objectives
- Align strategies, policies, processes and resources to achieve quality



Actions you can take

- Communicate with your team
- Create and sustain shared values, fairness and ethical models for behaviour at all levels of your business
- Establish a culture of trust and integrity
- Encourage commitment to quality



Engagement

Facilitate the engagement of people in achieving the business' quality objectives



Actions you can take

- Communicate
- Promote collaboration throughout the business
- Facilitate open discussion and sharing of knowledge and experience
- Empower people

Process approach

Understanding how results are produced by your processes



Actions you can take

- Define objectives of the system and processes
- Establish authority, responsibility and accountability
- Understand the organization's capabilities
- Determine process interdependencies

Improvement

Successful businesses have an ongoing focus on improvement

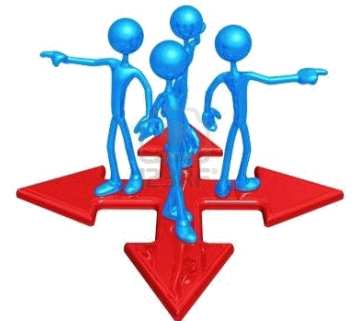


Actions you can take

- Promote establishment of improvement objectives
- Educate and train people to achieve improvement
- Ensure people are competent
- Recognize and acknowledge improvement

Evidence-based decision making

Decisions based on the analysis and evaluation of data and information are more likely to produce desired results



Actions you can take

- Make all data needed available to your team
- Ensure that data and information are accurate, reliable and secure
- Analyse and evaluate data and information
- Make decisions and take actions based on evidence, balanced with experience and intuition

Relationship management

For sustained success, a business manages its relationships with interested parties, such as suppliers



Actions you can take

- Determine relevant interested parties and their relationship with your business
- Determine and prioritize interested party relationships
- Establish relationships that balance short-term gains with long-term considerations
- Pool and share information, expertise and resources

References

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Thank you

