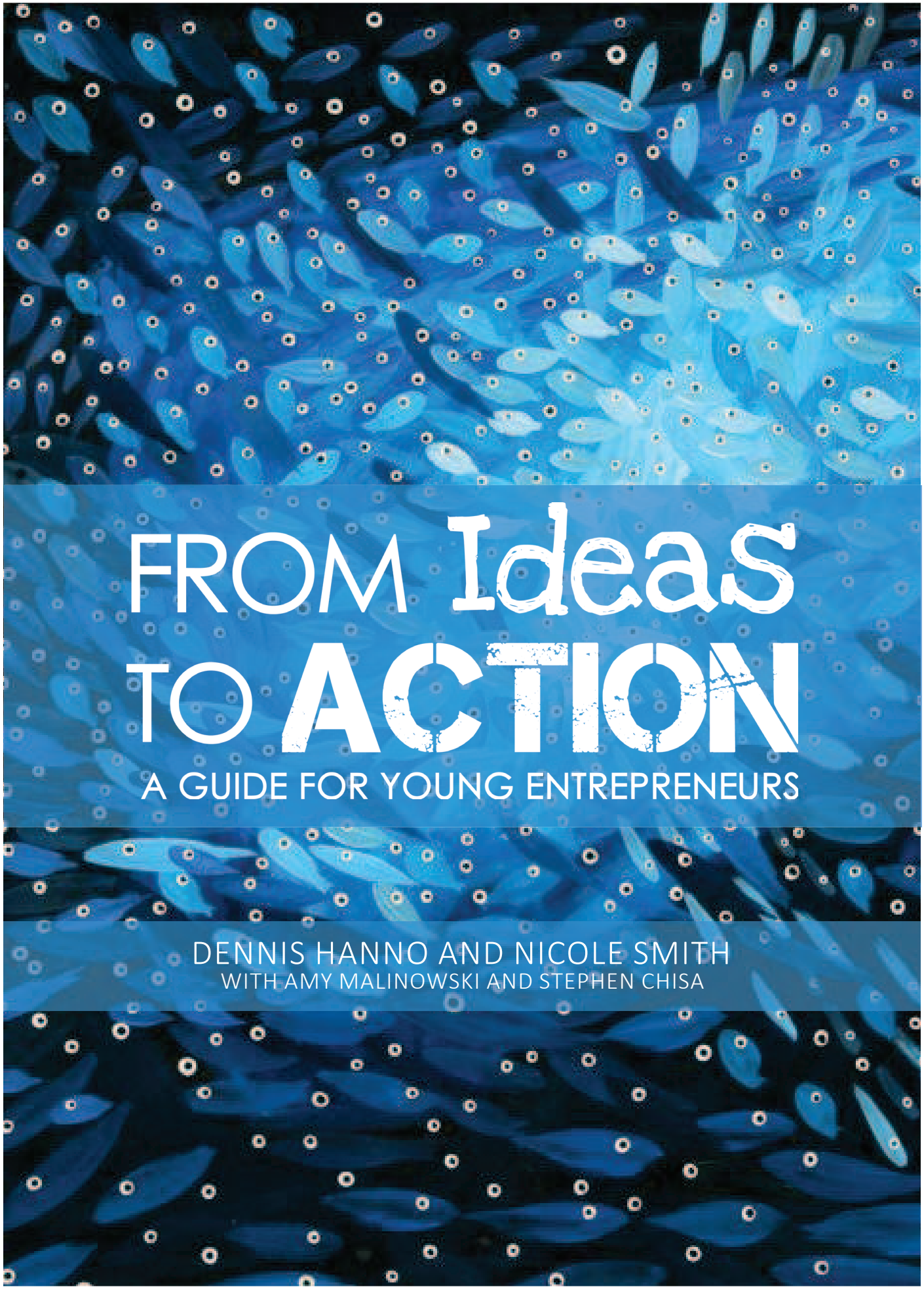

FROM Ideas TO ACTION

A GUIDE FOR YOUNG ENTREPRENEURS

DENNIS HANNO AND NICOLE SMITH
WITH AMY MALINOWSKI AND STEPHEN CHISA

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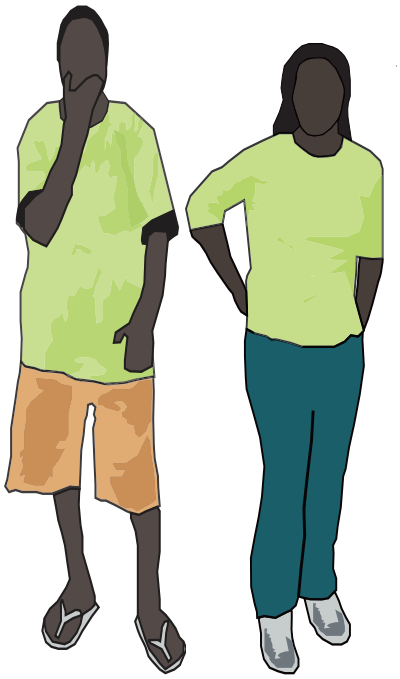

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DENNIS HANNO AND NICOLE SMITH
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This workbook is a collaborative effort that benefitted from the input and guidance of several individuals, all dedicated to developing the next generation of entrepreneurial leaders.

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Putting Your Ideas into Action

Are you an entrepreneur? An entrepreneur is someone who acts on an opportunity to create something of value. The key word in this description is act – nothing is achieved, no value is created unless action is taken. That's why this workbook is all about showing you how to create something of value by moving into action and by inspiring you to become an entrepreneur.

If you're reading this introduction, you might already have the necessary first ingredient to being an entrepreneur: an idea that you think is an opportunity to create value for you or others. If you're not there yet, this workbook will help you identify your passions and guide you in developing ideas that arise from this passion and your skills.

Moving from an idea to action is not always a simple process. Starting a business is not something that many people know a lot about. And even if you did know a lot about business, it still isn't easy to create something new because conditions change and there are always new challenges to be confronted. If starting a business was easy, then everybody would be successful at it with very little effort or planning. We know that doesn't happen.

This workbook will serve as your road map for moving from idea to action. It is full of guidance and practical exercises that you can use to help you pursue your passion as you create a new venture. The path from idea to action can be different for everyone, and the workbook is designed to make you realize that no one can give you a step-by-step guide to success. You must build success yourself. While you are likely to encounter many obstacles along the road, it will be totally up to you to figure out how to confront them and to learn from them. This workbook will offer you practical tips and support to meet the challenges all along your journey.

You should take your time and carefully work through all the lessons in this book in the order they are presented. Do all of the many exercises and think about the guidance provided in each lesson. Even if you don't see the value in a particular exercise right away, I can assure you that it will be of value to you sometime in the future. At the end of every chapter there is space for guided reflection. Take the time to do this, too, since reflection is an important part of any learning process. The end-of-the chapter reflections will also guide you in building a real business plan in Appendix I. The business plan will provide you with a planning document for yourself and for others who you want to get involved in your business. Your business plan is a valuable tool that you will probably revisit many times as you start your business and even after your business is up and running.

The ideas in this workbook have been shaped by the thousands of potential young entrepreneurs I have worked with during my career as an educator. As President of the Nyansa Project, an NGO dedicated to promoting entrepreneurship in Ghana, I have had the pleasure of working in that country with literally thousands of high school students, many who are aspiring entrepreneurs. As Executive Director of the Babson-Rwanda Entrepreneurship Center I have benefited from the perspectives shared with me by young entrepreneurs in that country. And as Dean at the leading academic institution in the world for entrepreneurship, Babson College, I have worked with entrepreneurs from all over the world.

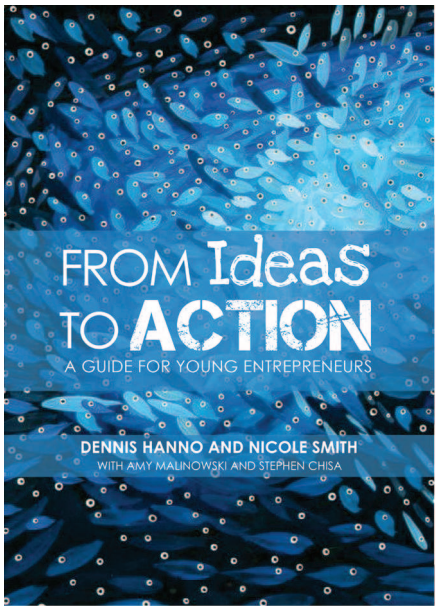
There have been many contributors to this project and they are acknowledged elsewhere in the workbook. Every one of the contributors shares my passion for entrepreneurship and believes, like me, that it has the ability to transform individuals, communities and even whole countries. This workbook is our contribution to creating a new generation of entrepreneurs who will make the world a better place. Now it's up to you – begin your journey of moving From Ideas to Action by diving into this workbook right away. I'm sure you will find the journey rewarding and enjoyable!

Dennis Hanno

Provost and Vice President, Babson College
Executive Director, Babson-Rwanda Entrepreneurship Center

Featuring Local Entrepreneurs

From Ideas to Action has been used in many different countries and continues to expand every year! Below you can see the cover art and artists from countries where the Academy has been to so far.



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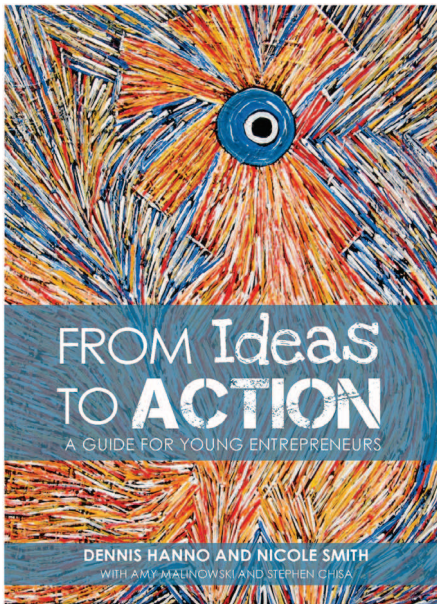
Kobina Nyarko
Takoradi, Ghana



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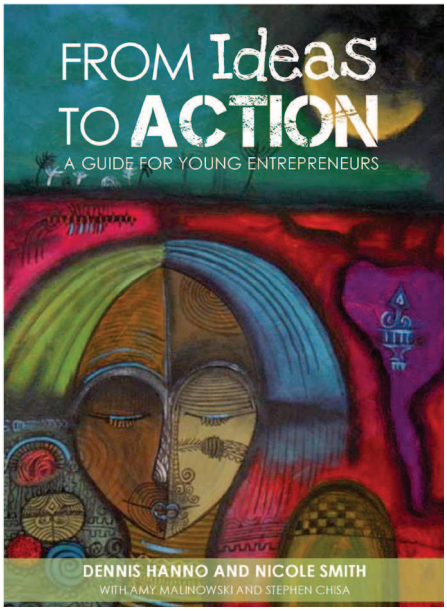

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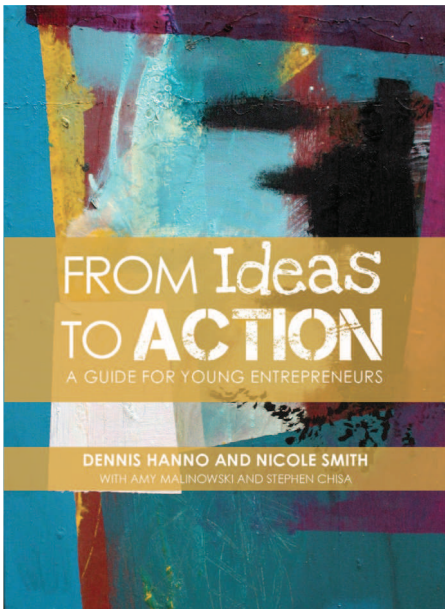

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Samuel and Grace are high school students like you! Throughout the book, Samuel and Grace will share some tips that they used to help you with your lessons. They'll also share examples from their lives and a their friends' newly-formed business, Metropolis Trash Management, that you'll use to learn concepts before you apply them to your own idea or business. Look for Grace or Samuel in the margins of your books and be sure to read their thoughts to enhance your lesson!

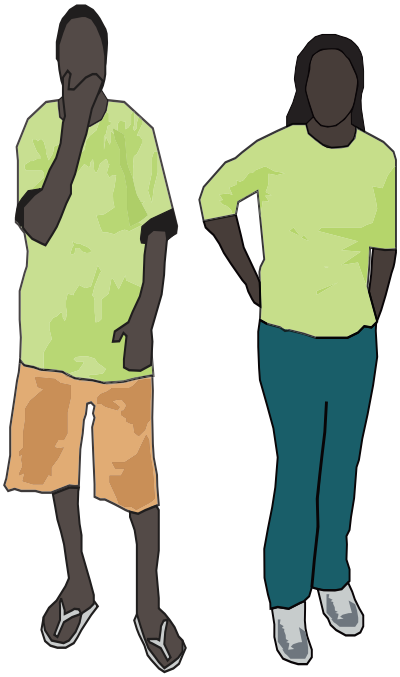
Samuel

Age: **15 years old**
Grade: **10**

Samuel is a bit shy but he's a very friendly person. He values hard work, collaboration, resourcefulness, kindness, knowledge, education, peace and communication which he feels will lead him in an exciting career as a teacher.

In his down time Samuel plays football with his friends, occasionally visits the internet café, and helps his sister with her homework. Samuel is a great student and is so strong his teacher, Mrs. Testa, has asked him to help other students with their studies. It's been Mrs. Testa's help and encouragement that has aided him in deciding he would like to teach one day and by observing her interactions with students he feels he has already learned great skills for when he runs his own classroom of students.

Samuel has a younger sister Mary who is not a very strong student but great with people – she wants to be a movie star one day! Samuel will talk about her some times throughout the book. They live with their mother, a seamstress in town and his father, a local fisherman.



Grace

Age: **16 years old**
Grade: **11**

Grace is outgoing and loud. Sometimes she gets in a bit of trouble in class because she's always talking but she means well and still gets good grades. Grace values excellence, performance, success, fun, knowledge, competence, courage, determination and empowerment.

She is very into technology and is often at the internet café or electronics store trying to learn more about new technology and how to use it. Grace hopes to improve her skills with computers and other technology as she continues through school but already she is often asked for help by peers and community members! Grace also watches local children when not at school and when their parents are working.

Grace hopes to go to a university after school and become a computer engineer. She and her brother, Thomas, are very different. Thomas wants to own a grocery store one day. Despite their differences, Grace cares for Thomas a lot and will even mention him in her stories sometimes.

Metropolis Trash Management

Metropolis Trash Management is based on a business started by real Ghanaian high school students as a result of studying entrepreneurship with Babson College. To develop the idea for Metropolis, the team determined the skills and passions they had, the needs of their community and the resources that they had that could help them get started. They then made plans for how the business would run, how people would learn about their business and how they would track the progress of their business. In short, they used the process this book identifies to help create their business. The completed business plan for Metropolis can be found in Appendix VII. Examples from the Metropolis Trash Management business are used throughout the book. This business is a great example of the ways that young people can develop a dynamic business that offers income to the owner and great value to their community!

THINKING

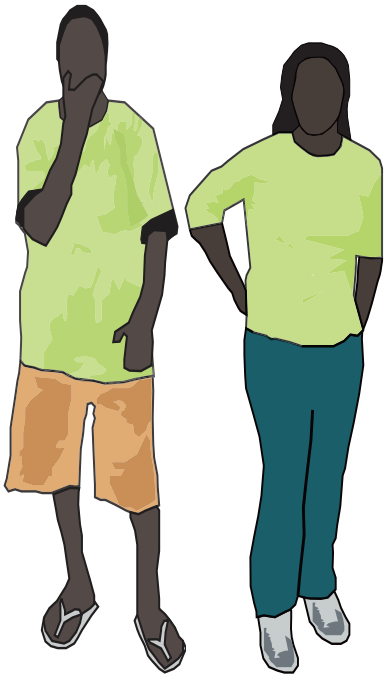
Part 1: Thinking

This part is focused on developing your business idea by getting to know yourself and your surroundings better. This part is not a linear process; you may need to repeat it a few times to develop an idea with which you are satisfied, before moving on to Part 2 and Part 3.

It is your understanding of your skills, passions, beliefs, relationships, and community that spark an idea for a great business. Your skills, passions, and beliefs drive your motivation and goals for all that you do, your relationships help build upon the skill set you have and will help you to extend your capabilities by being able to ask for help. By knowing the needs of your community and filling that need with your business's good or service you can help both yourself and the community around you.

This part has three main objectives:

- To help you identify your skills, passions and leadership style
- To identify problems in your community as potential opportunities
- To develop a feasible and implementable business idea that you will develop in the rest of the guide



Being an Entrepreneur

What is Entrepreneurship
Being an Entrepreneur
Communicating
Using Ideas to Action

1

This chapter will layout a brief overview of what to expect as you begin to turn your ideas into action. You will learn about what entrepreneurship means and what it means to be an entrepreneur.

Important Words to Know

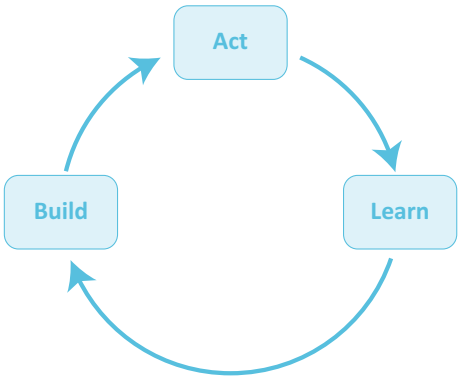
Entrepreneur: a person that utilizes problem-solving techniques to seek out new opportunities.

Entrepreneurship: a way of thinking and acting that focuses on identifying opportunities, informs action with analysis, and is driven by a passionate individual or team.

Rocketpitch: A brief presentation of a business idea used to attract investors, advisors, partners, and other collaborators.

Lesson 1.1: What is Entrepreneurship?

Entrepreneurship is everywhere. Entrepreneurship is a problem solving technique and way of thinking in which a problem, a want or need of a group of people, is identified as an opportunity. That opportunity is then approached through the practice of acting with the resources available, limiting risk by understanding one's self, available resources and relative environment, acknowledging the unknown, and then learning from the successes and failures of the action or actions taken.



Traditionally, this has been talked about as being accomplished through the development of a new business, a particular outcome of completing this book. However, entrepreneurship and Entrepreneurial Thought and Action can be applied to any existing situation to create innovative new solutions to various problems and situations. Entrepreneurship is led by people with the skillset described above; these people are called entrepreneurs.

Lesson 1.2: Being an Entrepreneur

There are many myths about the characteristics and actions of entrepreneurs that often convey entrepreneurs as risk-taking, self-confident, or wealthy individuals. The most common myth is that entrepreneurs are born – that only certain people can be entrepreneurs. This is not the case! Below is a table that compares what entrepreneurs are and are not.

What are entrepreneurs not?	What are entrepreneurs?
Have an appetite for risk	Entrepreneurs have a low appetite for risk. Instead, they are adept at reducing and spreading risk.
Visionary	Entrepreneurs often start without a sharply defined goal or vision.
Foresee the future	Entrepreneurs distrust projections, extrapolations, studies, etc. that purport to predict the future.
Creative	Entrepreneurs create new businesses that satisfy needs, but the product or service is not necessarily original. Entrepreneurs don't just suddenly have an idea--they can use the method of thinking, acting, and learning to come up with innovative ideas.
Self-confident, determined, over-controlling, decisive, and confident	Entrepreneurs may exhibit some of these qualities at times but no more than anyone else.

Entrepreneurs can be anyone – anyone willing to embrace problems as opportunities, anyone who chooses to create economic or social value.

Entrepreneurs solve problems. These problems often have social and economic impact in the communities or regions in which they are implemented. Entrepreneurs worldwide address a broad range of wants and needs. Both the community store founder, who recognizes a need for a location for community members to find household goods in one place, and the individuals, who develop water filtration systems to bring clean water to new parts of the world, are examples of entrepreneurs in action.

Entrepreneurs work to limit risk through research, as you will do. Entrepreneurs are very self-aware and define their goals and visions as part of their process, as you will do. Entrepreneurs take action, as you will do as you get into your community to understand the opportunities that surround you! In summary – you can become an entrepreneur and the tools within this book will help you develop your skillset.

Lesson 1.3: Communicating

All entrepreneurs must be able to communicate with many different people. Both verbal and written communications are important! The best way to become skilled at communicating is by practicing. There are two types of communications that will be important throughout this book: rocket pitches and business plans. A rocket pitch is a short speech that conveys one's vision, goals, and purpose; it identifies an opportunity and briefly describes the approach to that opportunity – the solution – that the entrepreneur will take. A rocket pitch is targeted to potential supporters and other interested parties. A business plan is a concise document that includes the same information as a rocket pitch and includes the research and assumptions on which your approach is based. Most importantly, a business plan will include more detail of how you will run and organize your solution.

Rocket Pitch

Entrepreneurs must learn to clearly and effectively communicate in a way that generates interest for their ideas. More often than not you may only have a very short amount of time to convey what is most important and/or impressive about you and your ideas. One way to do this is through what is called a rocket pitch – a succinct delivery of an idea or opportunity. A rocket pitch usually consists of a simple, three-minute or less presentation that explains the market potential and how your solution will address it. Because this presentation is so brief, you want to include only enough detail to interest possible supporters and highlight why your idea is special. Be as concise and straightforward as possible, but bring passion and energy to the idea so that others are inspired by you.

There are four areas that you should cover in your rocket pitch:

1. The Need
2. Product or Service Solution
3. Goals
4. Audience Call to Action

More detail about the parts of the rocket pitch can be found in the Doing section of this book.

Business Plan

A business plan is typically made up of key information including a summary of the opportunity, market research of the industry and environment of the opportunity, the description of the solution including an operations and marketing plan, goals and projected measures of those goals – financial, impact or otherwise and identification of necessary resources to get started.

A business plan is like a roadmap – there are many ways to get from point A to point B, and in many cases you will not follow the roadmap exactly. However, it provides a framework to get started and helps act as a checklist in considering important factors along the way. Your business plan will change as you begin to implement your ideas and learn from those actions That is why it is important to begin practicing or trying out your ideas as soon as possible – there's no better way to learn!

Where your rocket pitch will help spark interest from supporters, your business plan should help to solidify the help of your supporters. Your business plan will share the assumptions that your idea or solution is based on, and will show the underlying innovation and creation behind your idea. Additionally, it will clarify the measurement and projection of those goals, which will help potential supporters decide if those goals are both reasonable and in line with their objectives. Many business plans will cover the following areas, though every business plan can be different.

Executive Summary

This section will serve as a summary of your entire business plan. The goal of the executive summary is to highlight the important parts of each section in your business plan. The executive summary requires information from the other sections so it will likely be the last section of your plan that you write.

Market Analysis

Positioning: This section describes how your idea is unique and adds value relative to other businesses which may already be out there addressing the very same issue. Be sure to include a positioning map.

SWOT Analysis: This section describes internal strength and weaknesses as well as external opportunities and threats in the marketplace. Be sure to include how you will capitalize on your strengths and opportunities and minimize your weaknesses and threats.

Product or Service (Solution)

Mission Statement: This section describes your product or service idea in and its importance in a short, concise, and powerful way. Be sure to include in your description your idea, the need you are meeting, and the people who will benefit from your idea. The mission statement is the driving force behind every decision for the business.

Product or Service Description: This section describes your product or service idea. Be sure to include information about the value added by your idea and how you are positioning yourself in your business environment.

Marketing & Sales

People: This section describes in detail the people whose need your product or service is meeting. Be sure to include demographic information as well as how they use the product or service.

Promotion: This section describes your promotion strategy. Be sure to include information about your brand identity as well as information about the costs associated with your plans.

Place: This section describes the location at which you will sell your product or service. Be sure to explain why you have picked this location as it relates to what you know about your target customer.

Price: This section identifies the price at which you will sell your product or service.

Operations

Product and Distribution: This section describes in detail how you will get your product or service to the customer. Be sure to include a drawing of your supply chain and a description of each link in your chain as well as what inputs you will need and from whom you will get them.

Team: This section describes the team members who will be running the business. Be sure to include what skills each team member brings to the the business. Include a description of each team member's role in the business's operations.

Core Commitments: This section describes your core commitments to yourself, to each other (if you have a team), and to the community your business serves.

Financial Statements

Sales Budget: This statement shows what you think your expected sales revenues and expenses will be for a period of time.

Pro Forma Income Statement: This statement shows an estimation of how profitable your business will be over time.

Schedule of Start-Up Costs: This statement shows what expenses your business will incur before operations start and how much cash will be needed to cover these expenses.

Funding

This section describes what resources you need to start your business and from where you will get those resources.

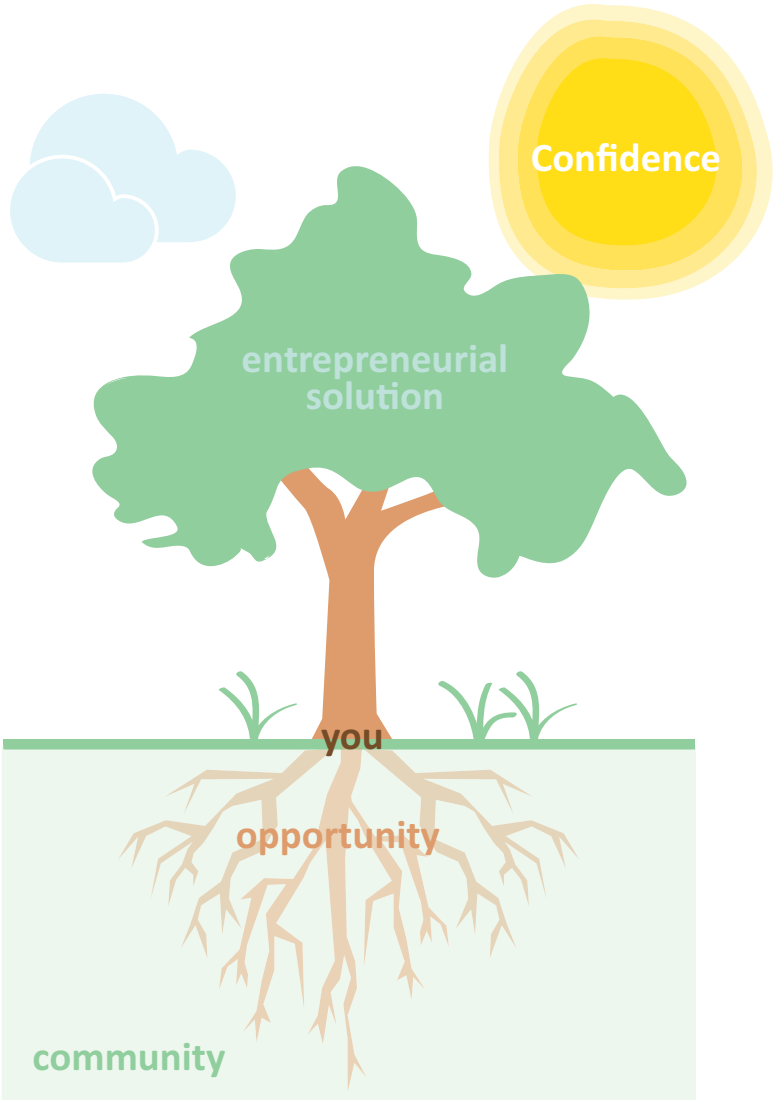
Risks

This section covers the possible risks of opening your business. Make sure to include any assumptions you are making about your business. Think of what the risks there are for opening your business and how to minimize them.

Lesson 1.4: Moving from Ideas to Action

This book is designed to help you understand and navigate the entrepreneurial process. You will move from being a high school student with an idea to a young entrepreneur ready to take action. You will have to think about yourself, your activities, and your skills in ways that are probably different from how you have thought about them before.

Write all over the book – draw ideas, take notes, underline text, do all that you need to do to help you generate new ideas. To understand how this book will guide you from ideas to action think about the way a tree grows. In the center is you, the seed and your community, the ground in which you are planted. Where your passions and knowledge meet your community's needs, you can find an opportunity to create a product or service that will make your community a better place - the tree begins to grow roots. The tree sprouts from the ground and begins to leaf once you are able to define the opportunity and take action by developing a product or service solution. The confidence you gain from understanding yourself and learning the skills from within From Ideas to Action act as the sun does to the tree – it inspires, it encourages and it enables.



It is important to always keep in mind that this is a cycle. As you change, you may need to rethink what you are passionate and knowledgeable about and as your community changes you may need to rethink what the real needs are of your community now. Just as a tree must react to changes in weather, including periods of drought or heavy rain, you too must be prepared for unexpected changes. Whenever you or your community changes, you will have to re-evaluate the opportunity and, as a result, the product or service solution, looking for ways to grow taller, stronger as the tree does or a more successful, impactful member of your community.

Follow along with the progress report as you move through the Ideas to Action Workbook. Read the Progress Statement on the left side of the table, then, in a column, check off if the Progress statement is true and add comments about what that statement means to you. This book is designed for you to use over and over again so be sure to add your comments about your progress for each time you use the book. Compare your notes – you may be impressed to see how you grow each time.

Pogress Statement	First Time	Second Time	Third Time
I believe I am an entrepreneur.			
I can identify the core values I live by.			
I know what I am passionate about and how I can spend more time doing it.			
I have built my network tree. I know of the people around me and how I can continue to meet new people and expand my network.			
I can recognize needs in my community and have identified specific needs that I may be able to help address.			
I have evaluated my ability to create solutions to the needs I have observed. My evaluation indicates that there is a demand for this solution and that the solution is the best possible one given the needs and resources of the community.			
I have researched other solutions that exist to this need and the research indicates that mine is a unique solution. I am familiar with those that will be considered competitors and other details unique to the market in which my business solution will live.			
I have developed a way that customers will learn about my solution.			
I know all of the inputs of my solution and where they will come from.			
I know how my solution will be created and will move from the materials from my suppliers to the solution for my customers.			
I know what people I need on my team.			
I have a process in place for recording my transactions and I understand how I can use that data to make decisions.			
I have identified the ways that I will get the materials I need to get started. I have a plan for how I will get any remaining resources necessary.			
I have practiced my rocket pitch with different people and have tailored the pitch to different people who might be interested for different reasons.			
I have developed a goals timeline and have an idea of the obstacles that I might face as I move to complete my goals.			
I have identified areas of my business that I can train others to do as I grow the business and take on other roles.			
I know how I can use these skills in my everyday life.			

Reflection: Being an Entrepreneur

In this chapter, you've hopefully discovered a little about what it will be like to be an entrepreneur. Can you think of a time when you have already encountered the think-learn-act process? Think about a time when you made big plans but life didn't go the way you thought it would--how did you react and revise your plans? Think about a time when you didn't have enough resources but you still took the first step--how did that work out?

Every good entrepreneur will have to revise their plans over and over again as they gain new insights. Remember to leave some space to come back, revisit your reflection, and add more thoughts as needed.

Knowing Myself

My Values
My Leadership Style
What is an Entrepreneur?

2

Above all, successful entrepreneurs are self-aware. This chapter may help you to ask questions about yourself that you have not had to ask before - take advantage of this! Challenge yourself! What are your values? What is your behavioral style? What are your strengths and weaknesses? Your understanding of your own honest answers to these questions can help you to not only develop great ideas but to know your best way to put them into action.

Important Words to Know

Reflect: to think carefully about past experiences and personal knowledge and consider what has been learned.

Core Value: key concept and ideal that guides a person's life and helps him or her to make important decisions.

Self-Awareness: being able to understand and self-regulate your emotions as they occur.

Personal Mission Statement: a small set of key concepts and ideals that guide a person's life and help him or her to make important decisions.

Behavioral Style: the behaviors you naturally exhibit while influencing others.

Entrepreneurship: a way of thinking and acting that focuses on identifying opportunities, informs action with analysis, and is driven by a passionate individual or team.

Entrepreneur: a person that utilizes problem-solving techniques to seek out new opportunities.

Lesson 2.1: My Values

Core values are those qualities that are most important to what you do. Whether you realize it or not, it is your core values that influence the decisions that you make every day. For example, if you have a core value of integrity, it will influence your decision when you are presented with an opportunity to copy your friend's homework. Your value of integrity would make you choose not to cheat this way but to choose to complete your own work, even though you might not realize exactly why you would say no.

Understanding why you do the things you do and why you value what you do will help you to realize what matters most to you and what you can and will do well. This is important in all aspects of your life, but specifically in this book, it will help your self-awareness, a key factor in developing a small business. Self-awareness and reflection will be crucial at every phase of your entrepreneurial process.

In the following exercise you will be given a list of many different traits and qualities that a person may value. Though you may feel strongly about many of them you must choose only ten that you feel are most important to you. Having to make this choice may make you ask yourself questions that you have not before – this is great! Challenging yourself and your ideas is the best way for you to uncover your true self.

Exercise 2.1: My Core Values

Circle the ten values that are most important to you.

Accomplishment	Efficiency	Intuition	Rationality
Accountability	Empowerment	Involvement	Recognition
Accuracy	Equality	Joy	Reliability
Achievement	Excellence	Justice	Resourcefulness
Adventure	Experience	Kindness	Respect
Aspiration	Expression	Knowledge	Responsibility
Attitude	Fairness	Leadership	Responsiveness
Authenticity	Faith	Learning	Results-oriented
Authority	Fame	Leisure	Risk-taking
Autonomy	Family	Love	Security
Beauty	Flair	Loyalty	Self-reliance
Challenge	Freedom	Money/wealth	Service
Change	Free will	Nurturing	Simplicity
Cleanliness	Friendship	Openness	Sincerity
Collaboration	Fun	Opportunity	Skill
Commitment	Generosity	Optimism	Spirituality
Communication	Giving/charity	Passion	Stability
Community	Global view	Patriotism	Status

Having trouble determining your top ten? I did too. Here are some questions that might help you think about what is really most important to you... that's how I got mine!

Who do you look up to? Why do you look up to them? What might their core value be?

What would you swim across the ocean for? A new football? Lots of money? If you could be a celebrity? For your family?

If you could spend one day doing anything, what would you do? Why?

Think of an object that represents you...plant, animal, food, book? What about that object makes it special?

Look for themes in your answers and see if they match the words to the left!

Still stuck? Discuss the questions above with someone close to you.

Now, one by one, eliminate values from your list until there is only one left—the value most important to you. Why did you choose this value?

My core value is knowledge. You can go anywhere or do anything if you take the time to learn about the facts before you try. I value many other traits but my other high ranking ones would be communication, collaboration and education. I think these traits are the basis of anything a person could ever want to do!

My sister, Mary, values improvement. Why? Because she wants to continually work to improve herself and those around her. Her personal mission statement is to "Go to sleep every night knowing I gave nothing less than my best."

My friend, Abraham, made his core values into the following mission statements:
Adventurer—Take risks, explore, go outside my comfort zone!
Determined—Don't just dream it...do it!
Discipline—Do what I do well!
Attitude—Bring a positive attitude!
Energy—Share my positive energy with others!

Now that you have identified your core value, let's expand on that value to create a personal mission statement. Just as a normal business that sells a good or service has a mission statement defining the business's vision, a personal mission statement is your vision on how you want to live your life. Creating a personal mission statement is a great way to:

- Force yourself to think deeply about what you value and how you want to live your life.
- Give yourself a few words of inspiration which can empower you to get through the day—even on the worst days.
- Explain who you are to others in a very short, succinct yet powerful way.
- Give yourself a rule to live by when it comes to making difficult or important decisions so that you don't lose sight of what you truly value.

Exercise 2.2: My Mission Statement

Mission statements can be anywhere from three words to three sentences—however many words you feel you need to truly convey your life philosophy. To create a mission statement, start by asking yourself "why" you picked the core value that you picked. Based on your answer, create a "rule" for your life. It doesn't need to be perfect the first time you write it down. Just put it down on paper and then review, edit, and refine your mission statement every day until you complete this guide.

Write your personal mission statement below.

Lesson 2.2: My Leadership Style

Ever wonder why some people are very outgoing while others are more reserved? Or why some people are organized while others are disorganized? In this lesson, you will take an assessment which will help you understand why people act the way they do by examining four different leadership styles. Every behavioral style has its own tendencies, strengths, and weaknesses. Understanding your own leadership style and the leadership style of others helps you to:

- Understand, regulate, and communicate your emotions
- Build on your strengths and be aware of your weaknesses
- Work with others more effectively

While this assessment can deepen your understanding of who you are, it can only do so if you are honest with yourself while answering the questions. While you might not intentionally lie about behaviors you tend to exhibit, it can be easy to become confused in two ways: (1) you confuse what behaviors you exhibit with behaviors you wish you exhibited; (2) you realize that you behave differently depending on whom you are with, whether it be family, friends, or other students. There is no easy way to avoid this confusion. Just do your best to be honest with yourself and think about how you behave most naturally. If you are struggling with the questions on the assessment feel free to talk to people you are close to but remember that ultimately you know yourself best. This assessment is designed to highlight your preferences - your tendencies and natural choice of actions. This does not mean that you can not at different times exhibit the styles highlighed in all of the leadership styles that are described. For example, try this exercise below.

Exercise 2.3: Write Your Name

Sign your name below with the hand you write with:

_____

Now sign your name below with your other hand:

_____

How did that feel?

_____

_____

_____

_____

_____

When you signed your name with your writing hand it likely felt more comfortable, was more efficient, made your hand writing look better, and allowed you to not have to focus as hard. That is exactly what this leadership style assessment measures—your preferences. You can write with both hands, but chances are you normally prefer one hand over the other. Just because you say that you are “disorganized” on the assessment doesn’t mean that you can’t be “organized,” it just means that you naturally tend to be more disorganized.

Exercise 2.4: How do you react?

The following exercise was developed to give you an idea of your style of leadership and teamwork. Read through the scenario below and respond the way you would if you were in this situation. Circle the corresponding answer. For the test to be most accurate you must be extremely honest with yourself!

You are at the Babson Entrepreneurial Leadership Academy. At the Academy you will work with teams to create a business idea. You are tasked with brainstorming ideas on your own that you will have to share with new team members. After brainstorming, you have an idea that you think could be very successful!

[A1] It's now time to share your idea. In sharing the idea that you feel will be very successful with your team you will
(1) express your energy through moving around and facial expressions.
(2) keep calm and composed.

[A2] You feel strongly about this idea because you have significant experience with the subject. To convey that, you share
(1) stories and experiences that you know support the idea.
(2) facts and data that you know support the idea.

[B1] Your teammates like your idea! One member in particular feels very passionately that your idea could be successful and also has experience in this area. That team member has offered to manage the implementation of this idea. You
(1) respectfully decline the team member's offer because you wish to take charge of the project.
(2) welcome the leadership from your teammate and look forward to participating in the implementation under that team member's direction.

[A3] The team has moved on to implement your idea. There are many tasks that need to be completed to accomplish the initial implementation. You would prefer to
(1) work as a team to complete all of the tasks together.
(2) break up the tasks and have each member of the team work individually on accomplishing each sub-task.

[B2] The team now needs to make choices about the direction of the project. One team member feels that the team should take as little risk as possible, do more research and create a list of possible options before deciding. Another of your team members would prefer to begin acting right away which may mean taking more risks. They have asked you to share your opinion on the best process moving forward. You share that you are more interested in
(1) beginning right away and taking larger risks to learn through trial and error.
(2) spending more time planning and developing a list of options.

[B3] The team has begun implementing the project and has come across some challenges. You disagree with a team member. You
(1) talk to them openly about the issue.
(2) avoid talking to that person about the issue.

[A4] Another of your teammates who was not involved observes the disagreement and asks you how you feel. You
(1) share your feelings with that team member and are grateful to have an outlet.
(2) brush it off and manage your feelings inside of you.

[A5] The same team member who asked you how you feel tries to help mediate the conflict between you and the other team member. They begin to ask you to explain your position on the issue. You
(1) tell the group exactly how you feel.
(2) sit quietly and choose not to share your thoughts.

[B4] The team member with whom you disagreed has left the team. In their place, a new member has been added to your team. You
(1) approach them to get to know them and to help them get caught up on the project.
(2) wait for them to approach you about any questions they have.

[A6] With the new team member caught up and your project underway, the team begins to judge how successful the project is. You prefer to judge this based on
(1) the success based on how well the team worked together.
(2) how many sales the team was able to make.

[B5] The team and your business has been recognized by the directors of the Academy as a model project. You
(1) are disappointed that directors did not recognize you personally for the original idea.
(2) congratulate your team members for making the business what it is through all of their effort.

[A7] Having completed the project your team must fill out peer evaluation forms. You expect that your team members will describe you as
(1) playful and fun loving.
(2) serious and thoughtful.

Now transfer the number you circled to the lines that correspond to the question numbers listed below. Then total all of the numbers to arrive at a total for Questions A and a total for Questions B.

Questions A	
[A1]	
[A2]	
[A3]	
[A4]	
[A5]	
[A6]	
[A7]	
TOTAL A:	

Questions B	
[B1]	
[B2]	
[B3]	
[B4]	
[B5]	
TOTAL B:	

Now graph the numbers you received from the last page to see where you fall on the Leadership Style graph. First start with the total you received for the "Questions A" column. If the total you received is between 7 to 10, then you are either an Expressive or a Supportive. If the total you received is between 11 to 14, then you are either a Driver or an Analytic. Then, find the total you calculated for the "Questions B" column. If the total you received is between 5 to 7, then you are either an Expressive or a Driver. If the total you received is between 8 to 10, you are either a Supportive or Analytic. Using both your A Total and your B Total, figure out which of the four leadership styles you fall into. Read about the typical characteristics of leaders with your style.

NOTE: This analysis of leadership styles is not intended to be used as an excuse. For example, just because you are a Driver doesn't mean it is okay for you to boss your friends and siblings around. This analysis is also not intended to put you or others in "a box." Just because you may be an Analytic, doesn't mean the only thing you are good at is accounting. You are capable of anything anyone else is capable of no matter what your leadership style! This is true of others as well. Be careful of assuming the style of someone else and what they are capable of. People grow and change and it is important you give them the space to do that.

Expressive

A total = 7 to 10

B total = 5 to 7

Focus: idea, dream, energy, and vision

Likes: appreciation and aid for their dream

Dislikes: isolation

Risk: often takes risks

Approach to decision making: greatly influenced by testimonials

Approach to life: quick and impulsive

Approach to conflict: attacks the issue

When working with a expressive...listen to them and present positive alternatives and ideas

You will most enjoy...the thinking section

Supportive

A total = 7 to 10

B total = 8 to 10

Focus: people and feelings

Likes: friendship and relationships

Dislikes: conflict

Risk: tends to avoid taking risks

Approach to making decision: needs safe-guarantees and clear specific solutions

Approach to life: unhurried, slow-paced, agreeable

Approach to conflict: complies without protest

When working with a supportive...ask them for their opinion and create a safe environment.

You will most enjoy...the marketing/communication section

Driver

A total = 11 to 14

B total = 5 to 7

Focus: productivity, action, results, structure

Likes: accomplishing tasks

Dislikes: not taking action

Risk: often takes risks

Approach to decision making: needs to see options and possibilities

Approach to life: efficient; do it now

Approach to conflict: works independently

When working with a driver... avoid ignoring or competing with drivers; display results

You will most enjoy...the doing section

Analytic

A total = 11 to 14

B total = 8 to 10

Focus: facts, principles, rules

Likes: be right, predictable patterns

Dislikes: involvement

Risk: tends to avoid taking risks

Approach to decision making: needs evidence and see a good future

Approach to life: disciplined and accurate

Approach to conflict: avoider

When working with an analytic...address procedures; enlist them in the planning process

You will most enjoy...the accounting section

Exercise 2.5: Strengths and Weaknesses

After reading the description of your behavioral style, answer the questions below.

What have you learned about yourself? Do you agree with the description?

What are some strengths of your behavioral style? Do you think it captures some of your strengths?

What are some weaknesses of the behavioral style? Are they your weaknesses? If you were creating a team that was well balanced, what other behavioral style might you want your teammate to have?

My leadership style is mostly Supportive. The qualities listed describe me as "a people person" and that's true. I do like to be around others but sometimes I'm afraid to jump in to a conversation when it looks like everyone but me is comfortable. Since I've learned this, I've taught myself to voice my thoughts more and make sure that people hear my ideas.

I have an Expressive Leadership Style! This isn't the first time I've been told I'm a dreamer but, wow, do I hate being by myself. I love to be able to tell stories and pretend. Sometimes I do jump too quickly into my ideas, without planning carefully. I think that being aware of this will help me to make sure that I write my ideas down first and get advice from my friends before taking action.

I'm a Driver. It's not my fault if no one else wants to make a decision, right? I do tend to choose what my friends and I will do when we are together. Sometimes they mention that they think I am too bossy this way though. Being able to notice this in my interactions will make sure that I am careful to get others' opinions before making the calls.

I am analytical, so, yes, I believe I do have an Analytical Leadership Style like this assessment says. I do very well in my Business Accounting course and I hate to turn my assignments in late. Sometimes when I deduct a solution from the details of a problem, I have a hard time seeing any other solutions. Knowing this helps me to remember that I need to brainstorm a lot of different ideas before coming to a conclusion.

Lesson 2.3: Am I an Entrepreneur?

Entrepreneurship is a way of thinking and acting that focuses on identifying opportunities, informs action with analysis, and is driven by a passionate individual or team. The entrepreneur is that passionate individual or part of that team. An **entrepreneur** can have a variety of core values and have any of the leadership styles. The best thing an entrepreneur can do is to be self aware of how they operate by understanding their personal values and style. An entrepreneur will be able to leverage their strengths and compensate for their weaknesses by either careful moderation or consulting with people that are stronger in those areas. It is important that you know what the entrepreneur that you want to be looks like so that you can reference this later when you may be questioning yourself. Below you have the opportunity to do just that.

Exercise 2.6: Draw an Entrepreneur

From the outside, it is easy to spot a successful entrepreneur because of the business they have built around themselves. But what is going on inside an entrepreneur? What makes them successful? What do they have in common? Use the space below to "build an entrepreneur." Be creative! You might include something they would say, something they would do, objects associated with them, or use different body parts to symbolize a behavioral attribute. Draw their surroundings, environment, or anything you think the entrepreneur needs to be successful. What core values do you think are important to an entrepreneur?

For my entrepreneur I drew:
Big brain — curious, problem-solver, sees big-picture
Big heart— passionate, wants to move and shake the world, hopeful
Big hands — seizes opportunities, motivated, works hard
Big feet — centered, self-assured, confident

What about yours?

Exercise 2.7: Define an Entrepreneur

After reflecting on yourself as an individual, now it's time to think about yourself and your potential as an entrepreneur. Answer the following questions.

What is your personal definition of an entrepreneur?

What attributes of an entrepreneur do you think come more naturally to you? Use your core values and behavioral style in your answer.

What do you see as potential obstacles to becoming an entrepreneur? What is holding you back? How could you overcome these obstacles?

Reflection: Knowing Myself

In this chapter, you've hopefully discovered a little about who you are and what you think it takes to be a successful entrepreneur. Use this space to reflect on how your values and skills might help you to be a successful entrepreneur. Do you see areas where you will need to acquire new skills or improve yourself? Below, summarize some of the opportunities your skills and passions may provide you in developing a business.

Every good entrepreneur will have to revise their plans over and over again as they gain new insights. Remember to leave some space to come back, revisit your reflection, and add more thoughts as needed.

Finding My Passion

What is Passion?
Passion Can Be Identified
Finding my Passion
Passion in Practice

3

Now that you have a better understanding of whom you are on the inside, it's important to understand how you interact with the outside world. How do you choose to spend your day? What are you passionate about? How can you use your knowledge to develop a business opportunity?

Important Words to Know

Passion: What drives, motivates, and defines what you do.

Opportunity: An idea, activity, or event you can choose to pursue.

Commitment: Activity or responsibility you are required to pursue.

Balance: The intersection between opportunities and commitments. Allows one to be responsible yet have the option to participate in other activities, events, or ideas.

Lesson 3.1: What is Passion?

Passion is an intense desire or enthusiasm that drives and defines a person. In From Ideas to Action, your passion will help you identify entrepreneurial opportunities based on the things that you know and love.

Everyone has to make money to support their life and many people accomplish this through starting a business. But what kind of business can they start? Many people start businesses based on what they know or are willing to learn. That thing they know or are willing to learn, in many cases, is their passion. When someone has a passion, we say they are passionate. We believe this motivation is one of the primary factors of a successful entrepreneur.

People can be passionate about all kinds of subjects from learning in school to helping others to solving problems or growing fruit. A person's passion is something that they wouldn't want to live without if they had a choice. Having a passion for the activities that you do, can help you do them better - because you're motivated. For example, a student may be passionate about learning math. If that student is able to use that knowledge and interest to build more often in their life, they will most likely be happier each day. The same student may be less passionate about learning languages, but still skilled. More often than not, that student will be a better tutor in math, than language. This is the case, excitement is contagious. If you can find your excitement, your passion, you may be able to use that to become more successful and happy too.

Often people do things in life without passion. Simply get it done from those who excel, those who excel do it with passion. For example, the professionals below may have the passion on the right.

Professional	Possible Passion
Newspaper Producer	Editing
Artist / Gallery Owner	Painting
Math Teacher	Math
Computer Sales Person	Technology
Seamstress	Clothing

These professionals may have other or different passions that drive them to do what they do. Sometimes, a passion can be as abstract, and only the person pursuing that passion can see the connection between their passion and the activities they do day-to-day. Passion is personal, but important for you to identfiy so that you can work towards loving what you're doing and feeling good about it.

Exercise 3.1: Passion in your Community

Think about people you know who you believe to be passionate about what they do. Interview at least two of them. Take notes about how they describe their passion and how it influences the work they do.

1. _____

_____

_____

2. _____

_____

_____

Lesson 3.2: Passion Can Be Identified

It is important to recognize how your day-to-day experiences, your knowledge, and what you are passionate about can impact who you are as an entrepreneur. Building a business around your passion means that you can share that passion with others, and be happy about the work that you do.

You know a lot and do a lot of different things, probably without ever realizing it. The following exercises will help you think about the things you do and how they define who you are. It will also help you identify those things that you love to do – your passions.

Exercise 3.2: A Week in the Life of Me

Using the boxes below, list the activities you participated in over the past week. An activity is anything you spend your time doing. For example, activities include going to school, playing, reading, etc.

Day of the week	Activities
Sunday	
Monday	
Tuesday	
Wednesday	
Thursday	
Friday	
Saturday	

It's great to know what your passions are but really important to continue to engage in activities that will help you to develop your passions more. As a student, son or daughter and community member you have many commitments and responsibilities in your life. It is important that you maintain those responsibilities. It is your free time that you can control – the time when you are not working to keep up with those commitments and responsibilities. You must examine how you spend your free time when you have options to choose different things. The calendar that you filled out at the beginning of this section will help you to realize how much of your free time you might be able to dedicate to learning more about those things you think you are passionate about.

Exercise 3.3: Using My Time Wisely

Based on the calendar exercise, answer the following questions.

What activity did you spend the most time doing?

_____

_____

_____

Were you surprised at how much (or how little) time you spent doing certain activities? Why or why not?

_____

_____

_____

What are some of the things you are responsible for? This could be helping your family, taking care of siblings, cleaning, etc.

_____

_____

_____

_____

Here's the goal: try to use your downtime wisely so that you can explore and improve the skills you wish to obtain. Do you feel you have a balanced schedule? What do you think you could give up time doing, if anything, to focus more on your passions? Finish these sentences to help you develop goals about using your time!

I currently spend a lot of time _____.

I wish I knew more about _____.

I wish I could _____ more often.

I could probably stop doing so much _____.

Now, write down the goals you have for your time based on the way you finished those sentences.

_____

_____

_____

Here's how I found balance: After looking at my calendar I realized that I was playing with my friends often during my down time. As much as I like and want to work with computers, almost none of my time was spent working on them or learning about them. I decided I could find better balance by spending half of my down time playing with my friends and half of my time reading about computers from the library or by visiting an internet cafe.

Lesson 3.3: Finding my Passion

Sometimes your passion can be exposed by thinking about questions or concepts that aren't asked everyday, by thinking about your past and dreaming about your future. We think about and do things everyday that we don't often spend time analyzing. If we stop to think about these things, we may be able to identify themes and patterns that point to specific passions.

Exercise 3.4: Ask Myself...

Answer the following questions to learn some more about yourself. Asking these theoretical questions sometimes makes people think in ways they have not before.

What was your favorite thing to do when you were five years old?

What do you think you are good at doing?

If you could change three things about your community or the world, what would they be?

Imagine yourself in 20 years... Where will you be? What will you be doing?

Having trouble? Think back about core values. Often we are happiest when our core values and what we do day-to-day are in harmony.

What is your favorite subject in school? What do you like about it?

Who do I most admire as role models and why do you admire them?

If you could visit anywhere in the world, where would it be and why?

What skills do you need to become the person you want to be?

What is your favorite quality of your community?

What is your favorite place to visit and why?

It's common that you may realize you have multiple passions, even passions that are not related. This is perfectly normal - most people will have more than one passion, more than one thing that drives them.

You may realize from the previous ex. that you have multiple passions that do not seem related. However, you might be able to find connections between them. it is where these connections occur that help you to identify how you might act on your passions.

Exercise 3.5: Common Themes

Below, list the most common words (other than common words like the, a, is, me, etc.) or themes from Exercise 3.3. These words may be completely unrelated

1.. _____

2. _____

3. _____

4. _____

5. _____

These words might help you to identify the things that really matter to you. Think about how these relate to the way you answered the other questions in this chapter. They might tell you something about what you really feel passionate about. Write a sentence or two about the passions.

_____

_____

Lesson 3.4: Passion in Practice

Those who truly excel, often find a way to link their passion with what they do in their lives. What does that mean for you? The best way to truly excel at something is to find a profession where you can practice your passion everyday. It may take you a while, years even, to gain the experience and background you need to do what you want to do, but having a goal in mind will help you to shape your activities even early in your life. For example, if you want to be a math teacher, you can't become one tomorrow but you can decide you will go to university and that you will pursue your public speaking skills.

It's important that you continue to seek out new interests and keep learning. What you have identified as your passion should shape the opportunities you choose to pursue. While we can't always do something we love, we can find something we love in everything we do. Looks for ways to infuse your daily activities with the passions that you have identified.

Exercise 3.6: Acting on My Passion

Can you think of professions where you most of all of the themes you identified above would be put into practice? List them below and comment on how they relate to your passion.

_____

_____

_____

Reflection: My Passion

Below, summarize some of the opportunities your skills and passions may provide you in developing a business. In this chapter, you've identified the things that you are good at and the things that you are passionate about. Think back to the core values you identified in Chapter 1. Are your core values and the things you like to do consistent with each other?

Every good entrepreneur will have to revise their plans over and over again as they gain new insights. Remember to leave some space to come back, revisit your reflection, and add more thoughts as needed.

Building My Network

Identifying My Network
Using My Network
Talking to My Network

4

It is important to learn how to identify a network of people and resources who can help you pursue opportunities and find your passion. You can learn to create that network through the many interactions you have on a daily basis.

Important Words to Know

Networking Tree: A diagram that displays the relationships of people connected to you.

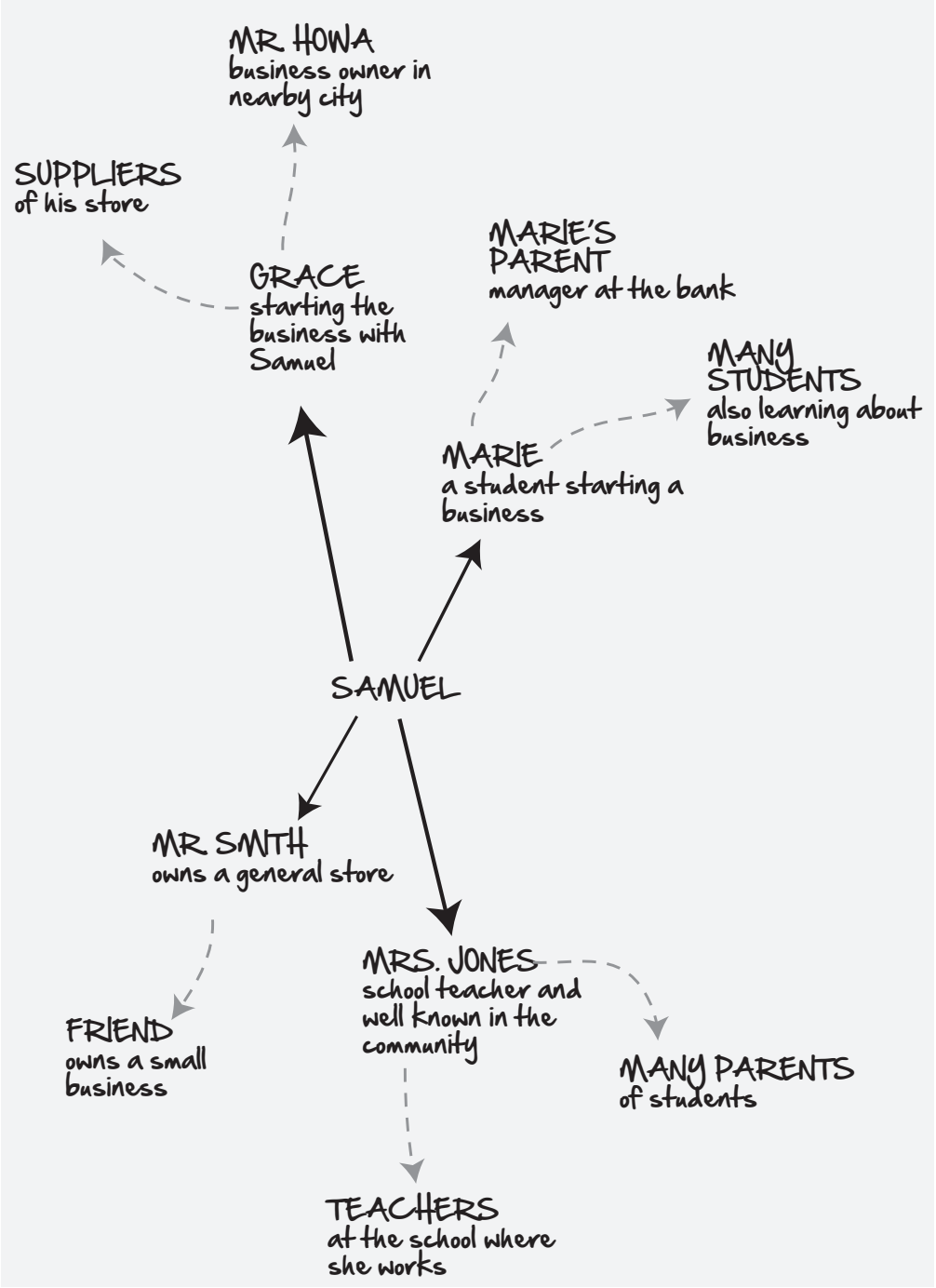
Personal Pitch: A way to concisely explain who you are and what you value to someone else.

Lesson 4.1: Identifying My Network

In the business world, we often rely on a team of people to work with us. Whether it is to supply raw materials for our products, work in our businesses, purchase our goods, or simply offer industry advice - we need other people to participate in our business to be successful. By creating a "Networking Tree" you can see the importance of truly understanding how to identify "whom" you know, and how they can help you.

Your network enables you to identify those people you would go to first with an idea, to seek support, or for just about any advice or help. Remember that your network will probably change over time. It will hopefully grow and you will have even more people to help and support you.

You are in the center of the network. Write the names of the people that you know well around you. Then add arrows and names of people who these people know, or what industry they may know about.



Samuel's network tree is specific to an idea about computers. If he targeted this to another idea he would probably include different people and their affiliations.

Exercise 4.1: My Network Tree

Use the space below to draw your own "Networking Tree."

In the space provided below, write any key observations and information that you learned from this exercise.

Key observations, information, or things to remember:

_____

_____

_____

_____

_____

_____

Lesson 4.2: Using My Network

Once you know who is in your network, you have to be able to understand how they can help! For example, if you needed help understanding a new language, you would want to approach some one in your network that had skills in that area. Understanding who to approach is a big part of understanding your network.

Remember! You should be adding value to your relationships! You don't want to be using your friends for how they can help you—you want to make sure you can help them too! Keep reading Lesson 4.2 for more information!

Samuel and Grace's friends are hoping to start a trash removal business in their community. In order to figure out who they could talk to, they made a list of friends in network and a list of their business needs. Now they need to figure out which of the friends in their network will be most helpful with each need.

Friends in Network	Business Needs
a. Marie, a friend also starting a business using the From Ideas to Action Guide Book	a. Gaining an understanding of the market for trash pick up
b. John, a friend who's parent has experience in the trash removal industry	b. Help understanding a chapter of From Ideas to Action
c. Mr. Smith, a local business owner	c. Finding customers
d. Mrs. Jones, a friend of Sam's mother's who has many friends around the municipality	d. Gaining an understanding of the regulations around trash disposal

When thinking about who to talk to, it is also important to think about what you can offer that person in exchange for their help. Marie would probably be the best person to talk to about understanding the chapter of *From Ideas to Action.* In exchange, they could offer her help with learning how to In exchange for her help, Sam's friend could offer to help her with a subject that she doesn't understand as well. John likely has the best understanding of the regulations around trash disposal because of his experience in the trash removal industry. Mr. Smith might be able to help in gaining an understanding the market for trash pick up since he is a local business owner. In exchange for his insight, the team could agree to buy their supplies form his general store. Mrs. Jones may be able to help in finding customers since she knows many people through her job teaching at the school. In exchange, the team could promise to give her a discount for their trash removal services.

Lesson 4.3: Talking to My Network

At the end of this section, you will be better equipped to talk about your skills, ideas, and your passions. This will be extremely helpful in relationship building, both business and personal. To fine tune this skill, you can develop what is called a personal pitch. This is a practiced speech about yourself that is no longer than three minutes and that includes your name, what you are doing, and what you would like to do in relationship to your skills, passions, and core values. For example, if you accidently end up in a taxi with a person who owns a business that you would like to work for, having a practiced speech such as this will give you an advantage in the conversation.

Exercise 4.2: Your Personal Pitch

Use this space to write an outline for your three minute personal pitch. This outline should identify those points about yourself that you think would be important for someone just meeting you to know. Remember, this should include some background on who you are, what you're good at, and what you are passionate about. Refine it by practicing it by yourself and with friends and family, and make changes as your skills and passions develop.

Make sure your personal pitch is always up to date because you are always learning new skills that you will want to share!

It is important to personalize your pitch when interacting with different people. Understanding how to do so will help you to adapt to new situations and help you to expand both your skills of communication and your network by relating to new people.

Exercise 4.3: Custom Pitch

Choose two people from your networking tree in Exercise 4.2 and make notes about how you might need to customize your pitch to each of those people based on your needs and their expertise or help:

Person #1:

_____

_____

_____

_____

_____

_____

_____

_____

Person #2:

_____

_____

_____

_____

_____

_____

_____

_____

Lesson 4.4: Expanding My Network

You may have some ideas for a business you want to start but you may feel you lack certain knowledge to move your idea to the next step. There are people out there who may have the knowledge you need such as lawyers, accountants, and engineers. You may not personally know someone with these backgrounds but you may know someone who can connect you with them. This lesson will help connect you with those people!

Exercise 4.4: Connectors

Chances are you know someone who knows someone you would like to know. Use the space below list your connectors and the people they can connect you with.

Now that you have your list of who you would like to know, think of why the person you want to be connected with will want to help you. Chances are they won't help for free. You may need to offer something for their help. Brainstorm some ideas to have the person be more invested in your idea. Maybe you can offer them a discount of your future product or service?

Lesson 4.5: Your Personal Brand

Everything you do and say effects your personal brand. Your personal brand is how others view and think about you. You want to make sure that your actions line up with your values and send a positive message to others.

Do you use Facebook or Twitter? These are great applications to help promote your personal brand to your network and the world. It is also very easy to promote your brand negatively through these applications. It is important to remember that anything you post on the internet can be seen by anyone using a computer!

Through this exercise you will develop an action plan to build your personal brand in person and through social media.

Exercise 4.5: Your Personal Brand

Imagine you just met someone new. When your conversation is over, what do you hope the other person will think about you? Will they think you are passionate? Funny? Kind? Remember you want to show your values!

Write a paragraph on what actions you should start taking to promote the personal brand above. Now use this plan to promote your personal brand!

Exercise 4.6: Social Media

Think of the last few things you posted using social media. If a stranger read those posts, what would they think about you?

What type of posts will effect your personal brand in a positive way -- develop some guidelines to make sure everything you post online promotes you in a positive way.

Reflection: My Network

Below, summarize some of the relationships and resources available to you that may help you in developing a business. Use this space to list some of the things you have learned about building networks and their importance. Discuss some of the ways your network can help you build a better business.

Every good entrepreneur will have to revise their plans over and over again as they gain new insights. Remember to leave some space to come back, revisit your reflection, and add more thoughts as needed.

Knowing My Community

What do I know?
What don't I know?
Completing the Picture

5

In this lesson, we will consider what you know about the people, needs and wants of your community to help you identify potential business opportunities.

Important Words to Know

Community: A social group of any size whose members reside in a specific locality.

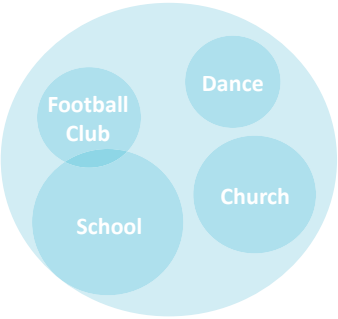
Area of Opportunity: A good position, chance, or prospect, as for advancement or success.

Community Needs: Something that is necessary to improve the quality of life in the community.

Assumption: Something you think to be true which may or may not be true

Lesson 5.1: Knowing My Community

Knowing your community is about understanding how your values, passions, and skills match with the needs or wants of your community. Previous chapters in this book, helped you to know your values, passions, and skills. Knowing yourself requires knowing who you are, what you care about, and what you have access to. Now it is time to do the same with your community. The first step is listening. Even though you may have lived in your community for a long time, you may be surprised by the new things you will learn when you listen closely to those around you. This chapter will challenge you to really listen and engage with different people in your community in order to identify an area of opportunity where you could have a positive impact on your community.



Your Community

Who is your community? At first glace, you might think it is your entire immediate living community. But looking further, you may realize that there are many different smaller communities of which you are a member--for example, your school community, your church community, your soccer community, community of women or community of men, or your musician or dance community.

What does it mean to know a community? Knowing a community means understanding their needs. A need is a lack of something. Common community needs might be a lack of education, food, housing, entrepreneurial spirit, transportation, communication, health care, clothing, sense of community, sanitation, energy, or unemployment and underemployment. Knowing a community also means understanding key characteristics such as location,

How does knowing your community create an area of opportunity? Opportunity comes from a match between you and your community. Identifying an area of opportunity is the first step to generating a product or service idea. A good idea in one place in the world may not be a good idea in another place. For example, a product targeted at those who fish might work well in a community by the ocean but not in a community in the mountains. This is because the needs and resources of each community are different.

As you change or as the community undergoes changes, the opportunity will change. It is an iterative cycle. This is why it is so important to continually reflect on your community's needs as well as your own knowledge, passions, and skills and as a result, reshape the opportunity. It is simply not possible to keep the same product/service solution forever and assume the opportunity is the same as it was 20 years ago. Things change. This is where most companies fail--they don't reflect on how they and their communities have changed and adapt. Below is an example of how a business fits in this model.

You	Your Community		Area of Opportunity	Product or Service Solution
	Key Characteristics	Needs		
Value: hard work **Skills:** biking, accounting **Passion:** nature and conserving the environment **Network:** small business owners, other bikers	Enjoy playing football--especially young children after school.	There is trash everywhere. There are recycle facilities but no one uses them. People get sick from lack of sanitation.	Provide small business owners with something to do with their trash	Waste management service which picks up trash, compostables, and recyclables from small business owners

You have already identified your values, skills, passions, and network as an entrepreneur. In this chapter, you will get to know your community and identify areas of opportunity. In the next chapter, you will turn those areas of opportunity into a product or service solution. While you will not be thinking about potential product or service solutions in this chapter, it is important to realize why truly understanding and developing a strong area of opportunity is crucial when beginning to generate business ideas in the next chapter. Most importantly, an area of opportunity is different than a product or service solution. An area of opportunity is a goal which is intentionally abstract yet specific in order to allow you to think more creatively about potential product or service ideas. For example, if you identify that education is a need in your community and you state your area of opportunity as "starting a school," you leave no room for you to generate any business ideas other than starting a school. If you identify that health care is a need in your community and you state your area of opportunity as "lack of medical facilities," you leave no room for you to generate business ideas other than building more medical facilities. It is tempting to see a need and automatically think of a solution to that need--but remember to suspend this!

Exercise 5.1: Test Your Understanding

Now it is time to check your understanding. Take the list of statements below and organize them in the appropriate compartments in the table below.

- I have someone in my network who manufactures footballs.
- Provide more time for doing schoolwork
- I have mechanical engineering skills
- I am passionate about education.
- Football that holds a battery charged by motion. After playing during the day, can put the charged battery in a light to study by.
- Enjoy playing football--especially young children after school.
- Many students drop-out of school. Many students have chores they have to complete during the daylight and run out of time to do homework.

You	Your Community		Area of Opportunity	Product or Service Solution
	Key Characteristics	**Needs**		

Now that you understand the terms and the way in which you and your community can come together to create opportunity, use the exercise below to try thinking of businesses you know of which are both successful and unsuccessful in finding this harmony.

Exercise 5.2: Think of Examples

Think of a successful product or service solution you know of in your community or country. Fill in the chart below for the business.

You	Your Community		Area of Opportunity	Product or Service Solution
	Key Characteristics	Needs		

Why do you think this company is successful?

_____

Think of an unsuccessful product or service solution you know of in your community or country. Fill in the chart below for the business.

You	Your Community		Area of Opportunity	Product or Service Solution
	Key Characteristics	Needs		

Why do you think this company is not successful?

_____

Lesson 5.2: What Do I Know?

Now that you understand the concepts of this chapter, it is time to apply this to your life and your community. In this lesson, you will begin to generate a rich source of information about your community. By the end of this lesson, you will have identified four different areas of opportunity. You might think you know a lot about your community but you will likely discover a lot more throughout this chapter.

Exercise 5.3: What I Know

Answer the questions below about your community to collect information that will be helpful to you in the future. If you do not know the answer to each question, make your best guess or ask those around you and summarize their answers.

What is the name of your city or community?

_____

About how many people live there?

_____

What is a place where many people come together in your community?

_____

_____

What is a popular store?

_____

What is a popular sport, activity or game?

_____

How do most people travel?

_____

Where do people go to school?

_____

Where do people work? What is a common business?

_____

Is there anything else that is significant to remember about your community?

_____

_____

I live in a large city where many thousands of people live as well. We like to meet at the church or sometimes at the market. People here tend to walk to many places. I hear that in the Capital, there is more transportation by car. I think that if more people traveled by car where I live; vendors would not be able to sell as much on the streets where walkers tend to pass.

Based on your current knowledge, what might be needs in your community? Here are some common community needs to help you get started thinking: education, food, housing, entrepreneurial spirit, unemployment, transportation, energy, water, waste, sense of community, clothing, communication, health, unemployment and underemployment. Be specific about whose need you think it is and where the need takes place.

Potential Community Needs

For example, Sam and Grace identify littering on the roads nearby small businesses as a need in their community.

Based on what you have written about your community above, what are four potential areas of opportunity you want to investigate further?

Area of Opportunity #1:

_____

_____

Area of Opportunity #2:

_____

_____

Area of Opportunity #3:

_____

_____

Area of Opportunity #4:

_____

_____

Keep an open mind about potential solutions--for now, just focus on the problems you want to solve. This chapter is about knowing your community. You will focus on idea generation in the next chapter. Your area of opportunity will be a jumping point for idea generation in the next chapter so it is important to do research now. This is one of the most important parts of entrepreneurship and something people often don't do.

Lesson 5.3: What Don't I Know?

When you understand the needs of your community, you understand the opportunities within your community; every need that exists is an opportunity for your business to fulfill that need. This is why it is so important to have a thorough understanding of your community and the area of opportunity you are addressing. In this lesson, you will think about what else you still need to learn, how you will obtain this information, and then actually go get it.

Identify Your Assumptions

One of the most important skills of an entrepreneur, is being able to identify your own assumptions. We make assumptions everyday. Being aware of our assumptions and actively conducting small tests to see whether they are true or not, is critical to a business's health. Too many assumptions can cause a businesses to fail. There is a big difference between a business failing because of many assumptions and a business succeeding but having many assumptions that have been intentionally tested and shown to be wrong. No understanding of your community is going to be perfect from the beginning. At this moment, you have assumptions about your area of opportunity--some of which are correct and some of which are likely not.

For example, when Sam and Grace were working on their trash management idea, they realized they made the assumption that small business owners don't understand the importance of sanitation and recycling. After talking to many small business owners, however, they realized that this is not true. Small business owners understand the importance of recycling but simply don't have the time to do it. This

realization completely changed Sam and Grace's approach. Before, they thought they were going to run an awareness campaign as they were dealing with a problem of awareness and education about the importance of recycling but now, they realize that they don't need to do this. Sam and Grace made a wrong assumption but because they were able to correct it, they were able to run interviews as a small test and move on with a stronger understanding of their area of opportunity.

Exercise 5.4: My Assumptions

On the lines below, identify three key assumptions you have right now about your area of opportunity. Then generate ideas on how you might test these assumptions.

Gather information

One of the best ways to understand the needs of the community and how to best address those needs is to ask those who are most effected: the people of the community. Do this through interviewing them both formally and informally and then analyzing their responses to refine your statements of areas of opportunity.

Before interview, think about what questions you want to ask. During the interview, take notes, sketch, or even take pictures. After the interview, circle key insights you learned from the interview. After completing all the interviews, you will want to go back through your notes and identify common themes or trends from your interviews. You will take all the information you have captured and group it into categories that make sense. This will be important as it will lead up to your ability to define a strong area of opportunity for a product or service.

There are three main methods to learn about people in your community: observe, ask, and try.

Observe. A great way to start learning about your company is by observing. For example, Grace and Sam wanted to learn more about what small business owners did with their trash so they asked to shadow a shop owner for a day. You will be surprised what you learn when you

Ask. Asking questions is another great way to get specific answers. Generally, the following are good tips for interviewing:

- Ask the person you are interviewing to tell you stories that share examples of their reactions in situations.
- Always ask "why?" even when you think you know the answer.
- Don't suggest answers to the questions you are asking - let the person you are interviewing speak first.
- Make sure your questions are not "yes or no" questions- all should be open-ended letting the person you are interviewing share as much as they like.

Try. This can be a great way to try to understand what things are like from someone else's point of view. When asking questions and observing, you are still very much looking at your community through your own lenses. Trying to do something that you community does can force you into their shoes. For example, when Grace and Sam wanted to learn more about what it is like to be a small business owner, they asked to shadow a local shop owner and offered to recycle his trash for him. In doing this, they had to carry the trash a long distance to the recycling facility and realized for the first time just how inconvenient it was to properly dispose of the trash.

Exercise 5.5: Gathering Information

Interview at least eight people in your community. Before you begin, identify what questions you might want to ask? What do they think the community needs? What is missing? What are problems they are having? Record notes from the conversations you have below.

Interview different people in your community who experience the needs you have identified. Make sure you get many perspectives to help you understand all aspects of your area of opportunity.

Group information

Now that you have gathered information about your community and their needs specific to an area of opportunity, it is important to group that information and decide how it impacts your current understanding of your areas of opportunity. Go through your notes and circle the things that you think are significant, surprising, or different than what you expected. Group the notes you have circled to identify themes or patterns in your findings. For example, one theme that Sam and Grace found through their interviews was that small business owners feel like trash takes away from customers visiting their shop. Now it is your turn to identify important themes in your research about your community.

Exercise 5.6: Grouping Information

In the space below, draw common themes from your interviews. Are there any emerging patterns in your findings? What surprised you? What is different than expected? How does what you have learned impact your area of opportunity?

Now that you have a better understanding of your community, it is time to reassess the areas of opportunity you developed previously. An area of opportunity is not a description of a product or service idea--instead it is a description of what is needed or desired. Areas of opportunity are important because they will guide you later when it is time to generate ideas for a product or service to meet that need.

Exercise 5.7: Refining Areas of Opportunity

Review your notes for your interviews and refine the four areas of opportunity for your community that you wrote previously.

Area of Opportunity #1:

_____

_____

_____

Area of Opportunity #2:

_____

_____

_____

Area of Opportunity #3:

_____

_____

_____

Area of Opportunity #4:

_____

_____

Lesson 5.3: Completing the Picture

Now that you have developed statements about areas of opportunity, it is important to dig deeper into each of these opportunities. In order for you to be able to later generate ideas to meet these needs with an innovative product or service, you will need to have to make sure you have thoroughly researched each of these and that you understand why each of these is an opportunity in your community. One method to capture what you know about each area of opportunity, is to create an empathy map which describes in detail the person who has the need. Another method is creating a journey map which describes the experience the person has with the need.

What is a persona? A persona describes how the person whose need you are solving typically thinks, feels, talks, and acts. Making a persona allows you to relate more closely with the person in your community whose need you are trying to solve and forces you to step into their shoes. For example, Sam and Grace made a persona of small business owners who could benefit from finding ways to get arid of their trash.

They named their persona "Business Bob," drew a picture of him, and described him as someone who works very hard and efficiently as the only person who keeps his business running. He cares about his customer experience and he cares about proper trash disposal but he has no time to do it himself. This helped Grace and Sam better understand how to design a product or service for "Business Bob."

What is a journey map? A journey map is a way that you can understand how the person you are trying to help experiences their needs. For example, Grace and Sam drew a map of the process that "Business Bob" has to go through in order to dispose of his trash. Drawing the map helped them realize all the different ways that Bob thinks about trash disposal and all the ways in which his current process is painful for him.

Exercise 5.8: Going Deeper

It's important that you are able to understand the whole challenge your potential customer is facing. For each of your areas of opportunity, identify who has the need and draw that person. Based on the interviews you have conducted, include details about what that person says, does, thinks, and feels about the problem that they need solved. It's equally important that you are able to understand the environment, behaviors and activities of your potential customer. Use the space below to draw an image of your observations of how your potential customer behaves each day in regards to the area of opportunity based on the interviews you conducted.

In order to get the information for this, you may need to go back out and conduct more interviews--observe more, listen more, try more. You can even have the person in engage with you by drawing what they think.

Area of Opportunity #1:

_____

_____

Needs Met:

_____

Persona:

Journey Map:

Area of Opportunity #2:

Needs Met:

Persona:

Journey Map:

Area of Opportunity #3:

Needs Met:

Persona:

Journey Map:

Area of Opportunity #4:

Needs Met:

Persona:

Journey Map:

Reflection: My Community

How do the areas of opportunity you have now differ from the ones you started with at the beginning of the chapter? How do the areas of opportunity you have developed connect with your core values and what you are passionate about?

Every good entrepreneur will have to revise their plans over and over again as they gain new insights. Remember to leave some space to come back, revisit your reflection, and add more thoughts as needed.

Generating Great Ideas

Interests, Relationships, and Environment
Creating Ideas
Developing Ideas
Idea Feasibility
Refine Your Idea

6

In this lesson, you will use the information you have learned about your relationships, skills, and resources to develop and evaluate your business ideas.

Important Words to Know

Raw Ideas: Ideas that are still in the process of becoming complete ideas.

Ideate: A system for generating and creating new ideas.

Positioning: The process of setting a specific perception of your product in your customer's mind set (think about the quality, price, service, and other strengths of your business or product).

Lesson 6.1: Interests, Relationships, and Environment

Great ideas can come from many different places. They can come from random thoughts about a topic, a desire to attempt something new, or the drive to create something better for others. The cycle of turning these thoughts into a vision, and visions into a reality, is a process which may take many attempts and much thought. Developing a business idea can be very intimidating even for the most driven individual because of how uncertain it can be that you have the "right" idea. Although it may seem difficult to come up with a great idea, the following section will help you to identify potential opportunities, and give you a number of approaches to use to generate a good idea for yourself and your community.

When trying to be creative and think of new ideas remember that there really is no such thing as a "new idea." Innovation and breakthrough concepts are the result of a new *connection* between already known ideas. So when you are trying to be creative, one of the best ways to start is by looking inside yourself and at the needs in your community--you may realize new connections that could result in a product or service idea with great potential.

Exercise 6.1: Making Connections

In the previous chapters, we've already discussed how self knowledge and environmental context will play a large role in the development and execution of your business idea. Below, list your passions, core values, community issues, and relationship affiliations (knowledge or jobs held by the people on your network tree.) After filling in the columns below, draw arrows between those things in the different columns that seem related to each other in some way.

#	Core Values	Skills & Passions	Areas of Opportunity	Relationship
1				
2				
3				
4				

Lesson 6.2: Creating Ideas

Ideation is a term used to describe how new ideas are generated. This lesson will expose you to two different ideation processes. These processes are not guaranteed and not designed to work every time. For example, you may find that brainstorming worked well one day but did not work another day. It is important to try each of these ideation methods out because they might lead to different insights. Although some of these processes might not work for you this time, they may be beneficial to know in the future. There are other ways to create and generate these ideas, and these exercises will hopefully help you to develop your own approaches. Ultimately, each method is just trying to help you look at the world in different ways so that you might see a connection you did not see before.

As you begin your ideation process, here are some general guidelines to follow that may help you:

- **Don't judge your ideas too harshly.** When you first start to brainstorm, it is important to not judge your ideas at the same time that you are generating them. If you are too critical when you are thinking of new ideas, you will most likely become stuck because you will feel like no idea you think of is worth writing down. Don't become constrained by your own judgement or the judgement of others. Make sure idea generation and idea evaluation are two separate steps.
- **Everyone can be creative.** Sometimes it is easy to think that there are people who are creative and people who aren't creative, but really anyone can be creative! It is all about trusting a creative process, doing lots of research, and finding ideation methods that work for you. Trust that you will gain insight from each ideation method you will try in this chapter--if you don't, you might miss out on creative ideas you could have come up with!
- **It takes time.** Be cautious of ideas that you can think of right away. Sometimes it is tempting to cling to the first idea that we think of, but it is likely that those ideas are created based on surface knowledge about a problem and may not be that great. Be open to new insight! Really investigate the need you are trying to solve and get to know the people who are involved. It takes time to do this kind of research. Be patient.
- **Identify the problem you are trying to solve.** Really great ideas aren't useful to people in your community if they are not solving a real problem. One way to get past your surface understanding of a situation and to get down to the real problem is by continuing to ask "why?" When you ask why people act the way they do or think the way they do, you may realize that the problem you thought you were trying to solve really isn't a problem and that there is a much more interesting, less obvious problem that needs to be solved. Hopefully because you have taken time to get to know your community in previous chapters, you will have already developed an understanding of real needs of people in your community. Use those need statements as you move forward into ideation.

Remember these guidelines as you begin to work through the exercises in this lesson.

Think of Many Ideas

Brainstorming is a method to generate a large quantity of ideas in a short period of time. First you need to choose one of the need statements you created to use as a framework. All of the ideas you generate should focus on solving this need. Next, you need to set a time for how long you will brainstorm. You should aim for about 20-30 minutes per session. The next step is just writing down all the ideas you come up with. This can be done by yourself or in a group. It is important to remember not to criticize or critique any of the ideas you generate while brainstorming...even the ones that seem impossible. It is important to just let your creativity flow! The focus of this exercise is quantity not quality of ideas.

Exercise 6.2: Brainstorming

In the space below, first write down the areas on opportunity that you developed in Chapter 3. Then brainstorm ways to meet those needs.

Area of Opportunity #1:

Areas of Opportunity #2:

Area of Opportunity #3:

Area of Opportunity #4:

Think In New Ways

Word connections are an idea generation method that will help you develop ideas that are out of the ordinary. Pick a word to describe the problem you are currently trying to solve. That word will be your object. For example, if the problem is that a village lacks clean water, your object word might be water. Next, use either yourself or a dictionary to come up with a list of random nouns not directly related to your object--these will be your response words. It is important that there is not already a connection between the object and response word. If water is your object word, fish would be an example of a bad response word. An example of good response words for water would be: bike, documentation, and fashion. After you have your object and response words it is time to start generating ideas. Try to connect your object word to your response word in terms of the problem. Write your explanation, or narration, of your thought process for the connections.[1]

Grace and Sam's friends have realized that they want to create a business idea that addresses the need to clean up the trash in their community. Sam and Grace suggested they try the word connections method for generating ideas. They used "trash" as their object and narrated how this connects to their response words.

Object	Response
Trash	Food
	Car
	Chair

Food. The consumption of food generates trash that will need to be collected. A trash collection company could target restaurants and market establishments as customers.

Car. Cars are a large part of transportation to far away destinations. Often, much trash builds up in peoples cars. As a way of promotion, the trash collection company could offer special deals for cleaning out cars to help get the name of the company out.

Chair. The trash collection company will need to consider how it will dispose of large items such as furniture including chairs. To better address this issue with as little trouble as possible throughout the year, they might choose to have a specific day on a regular basis that is meant for picking up large items so that they can better manage the burden of transporting large items.

Through this exercise they have come up with new ideas for their trash removal business or new features of that business just by thinking about these words that they thought had nothing to do with their idea! They may use these ideas or they may not but this definitely got them thinking creatively about their business.

Exercise 6.3: Word Connections

Insert a word related to your need statement in the object column and come up with a list of unrelated words. Then write down ways in which your object and response words connect. You may find that you want to try this exercise a couple times for each need you have identified.

Area of Opportunity #1:	
Object	Response

Area of Opportunity #2:	
Object	Response

Area of Opportunity #3:

Object	Response

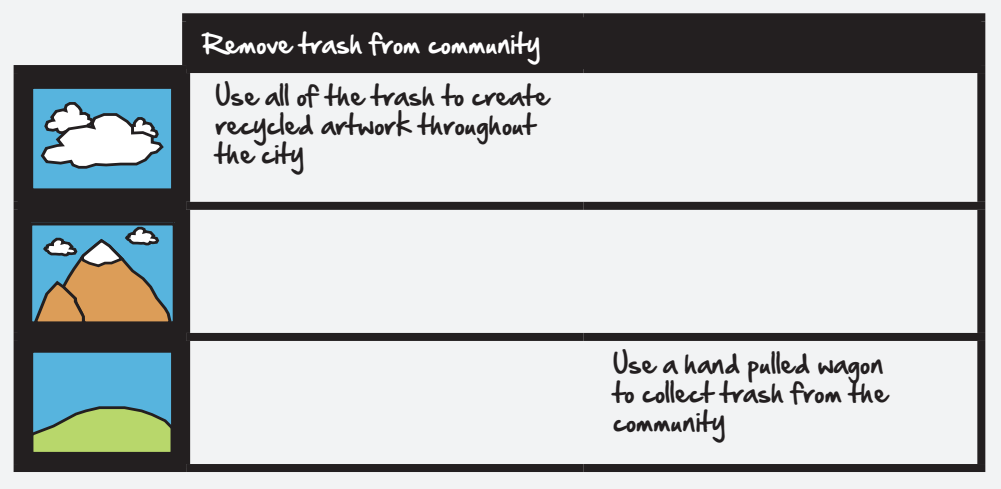
Area of Opportunity #4:

Object	Response

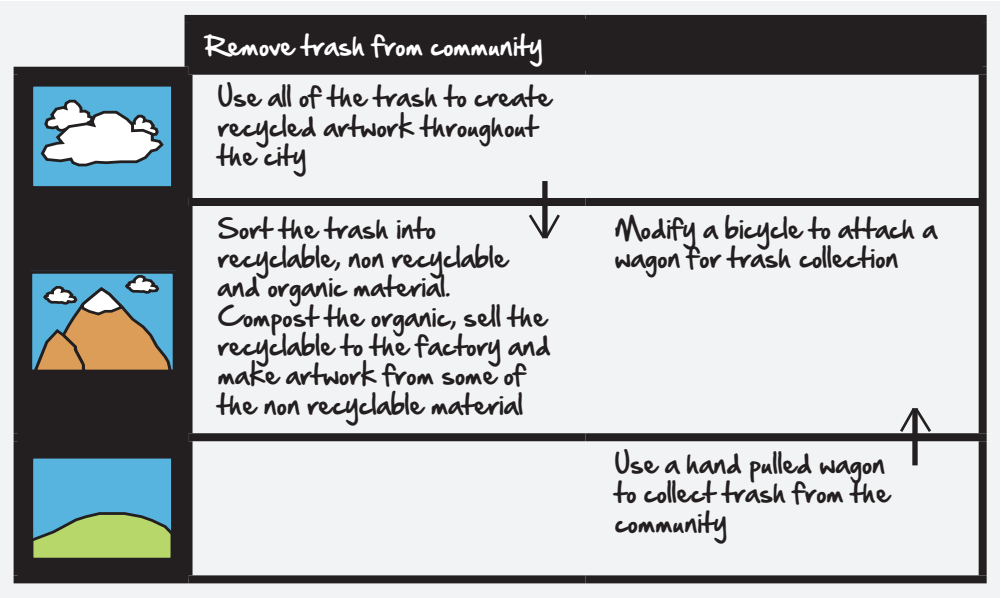
Mapping and Evaluating Your Ideas

Now that you've developed some ideas, you now need to evaluate them. Evaluation will allow you to remove some ideas in order to focus on the good ones. In this evaluation method, you need to classify your ideas into three separate categories. These categories are: ground, horizon, and sky. "Ground" ideas are the most basic solutions you can come up with but that are not very innovative. "Sky" ideas are wild and crazy ideas that you can reach for but that are too difficult to obtain. The space in between the ground and sky is the horizon. Ideas that fit into the "horizon" category are ideas that you can see but that you can't get to right away. They are achievable ideas--not too basic and not too unrealistic--that you can make a plan to get to. After mapping your ideas into these categories, you can begin to brainstorm ways to move ideas up or down into the "horizon." You can think about ways of making "sky" ideas more realistic and "ground" ideas more innovative.

Sam and Grace helped their friends map two of the ideas that they have generated so far. They decided that one idea fit the "sky" category and one idea fit the "ground" category, but that none of their ideas really landed in the "horizon."

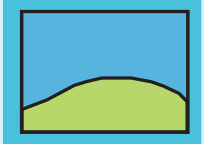


Sam and Grace helped their friends reassess the ideas on their map. Together they brainstormed ways to make their "ground" ideas more exciting and their "sky" ideas more achievable. Through this process they were able to generate two new ideas that were in the "horizon."



Exercise 6.4: Idea Mapping

Write a short description of each need statement in the space provided at the top of each column. Then, in the space below, map all the different ideas you have come up with for each area of opportunity. After mapping all the ideas, identify ways to move the ideas up or down into the "horizon."

	Area of Opportunity #1	Area of Opportunity #2	Area of Opportunity #3	Area of Opportunity #4
				

In this chapter, you have already developed several ideas to meet needs you have identified in your community. Now it's time to choose three of those ideas and develop them into more complete ideas. The ideas you choose to develop should fit into the "horizon" category on your idea map.

If you are unhappy with your ideas after filling out the map you might want to go back to the beginning of the chapter and generate some more ideas. That's okay! The idea generation process is filled with revising and rethinking.[2] If you think the ideas in the "horizon" of your idea map have a lot of potential, then move forward into the next exercise.

Exercise 6.5: Moving Forward

Pick three ideas from the "horizon" on your idea map that you think have the most potential. Briefly summarize each of your ideas:

_____

_____

_____

_____

_____

_____

Lesson 6.3: Developing Ideas

Now that you have three solid ideas that you think have potential, it is time to refine and develop those ideas. There are many different ways to go about this but two of the best ways are by acting out your idea and getting feedback from people in the community whose need you are fulfilling.

Try It Out

A great way to derive new ideas is by physically getting up and experiencing your product or service solution. This requires setting up an experience--complete with necessary artifacts and people--and physically "testing" it. Your goal is to focus on the way you interact with your environment and the choices you make while in it. When you are physically acting out an idea, it is easier to get in your customer's shoes and generate ideas you might not have realized by talking or drawing.

Grace and Sam's friends decided to try this method to explore their trash removal idea more thoroughly. They visited homes and local small businesses and observed how people generate trash and dispose of it (or don't dispose of it.) They also visited the local trash disposal facility and walked through what it would be like to bring trash there to dispose of it. What they learned was that while many people wanted to dispose of their trash properly, they didn't know how to sort the different trash items nor did they have the time to bring it all the way to the trash facility and recycling factory.

Exercise 6.6: Act it out

After acting out each of your ideas, record any insights you have gained below. Has aspects of your ideas changed? Why or why not?

Insights for idea #1:

Insights for idea #2:

Insights for idea #3:

Get Feedback

When you are developing all of your ideas, it is important to remember that they are only opinions unless you actively go out into the community and do research. You have already done some research when you developed need statements through interviews with people in your community in Chapter 3. Since then you have developed ideas to fulfill those need statements and it is time to gather feedback on those ideas. A great way to minimize the probability of failure is by checking your ideas against reality. One of the best ways to obtain feedback is by conducting surveys and interviews with people from your intended market.

When preparing for interviews with people from your community, it is important to remember while you want to capture unexpected insights from your potential customers, you also need to do some preparation to help start those valuable conversations. Here are some topics that you may want to develop questions for and discuss:

- **Show your idea.** If you have a product idea, you may want to make an example of your product to show to the person you are interviewing. It does not need to be real but could be made out of paper or recycled materials or could even be just a drawing. The point is not to show exactly what your product is with all the details and features, but rather to show the overall concept. Show them the product and ask them how they would use it. If you have a service idea, you may want to have your customer re-enact the experience with you. Bring important objects to help you set the scene. In either case, don't jump in right away if your customer is using your product or experiencing your service in a way you didn't predict. Instead, observe what they do and ask them to tell you about their thought process.
- **Talk about your idea.** What do you like about it? What don't you like about it? What attributes of your product or service are most important to the customer?
- **Ask about solutions they use already**. Do you use something similar already? If so, what? When do you use it? What do you like about it? What don't you like about it?
- **Ask about purchasing process**. If you already use something similar, how did you find out about it? Where did you buy it? How much did you pay? Did you purchase it? Did someone purchase it for you?

When conducting the interviews, there are some techniques you can use to make sure you are obtaining useful feedback.

- **Encourage storytelling.** One of the best ways you can gain insights about your customer and their needs is by listening to stories. Encourage the people you are interviewing to tell you stories about the problem you are trying to solve or stories about products or services they have used in trying to solve that problem.
- **Learn from negative feedback.** If someone gives you negative feedback, don't be upset. Ask why they don't like it or wouldn't use it. This can often lead to the most incredibly useful insights!
- **Don't just stick to the questions you have prepared.** Don't be afraid to let the person you are interviewing move the conversation in a direction you didn't expect or plan. Think about how the answers to these questions will help you to make decisions about your product – you might need to change the questions you ask as you go.
- **Look for what is not obvious.** Look for the details that are not so obvious—what do they wear, how do they act, what is their age, gender, attitude on life, habits, etc. This will help you organize your feedback based on demographic and different sub-groups.
- **Look for inconsistencies.** Make note when the person you are interviewing says one thing but then does something else. Noticing these inconsistencies can lead to great insights.
- **Be okay with silence**. You may feel a need to fill in every silence with questions and more explanations of your product or service idea. Instead, give pause for the person you are interviewing to talk. Remember that you are there to hear what they have to say, not to tell them what you already know.
- **Take notes**. Make sure to record the answers that you receive from each person, and use additional pages in your notes section if necessary. It may be helpful to write down the person's name and all of their answers separately so that you can quickly reference who gave you each answer.

Exercise 6.7: Doing Interviews

Prepare to interview people in your community who experiencing the problem your product or service will solve. Use the space below to develop what questions or topics you will want to be sure to cover during the interviews.

Interview a minimum of ten people. Use the space below to capture all your notes from your interviews. If you need more space, turn to the extra notes pages in the back of the book.

In the space below, summarize your findings and insights from your interviews. What did you learn from your interviews that surprised you? What didn't surprise you?

Exercise 6.8: Develop Your Ideas

Now that you have had the opportunity to try out your idea and gather feedback, it is time to further develop your ideas based on what you have learned. The feedback you have received might have verified your idea or it may inspire you to slightly alter or completely rethink your ideas. You may need to go back to the beginning of the chapter and review the need you are trying to solve, alter your product/service you developed to solve the need, or maybe your ideas are great the way they are and are ready to move forward.

If you need to do anymore ideation about your idea before moving forward, use the space below to do so. At the end of the exercise, you will be asked to briefly summarize your final three ideas.

Now that you have refined your ideas more, briefly summarize each of your ideas:

Lesson 6.4: Idea Feasibility

Now that you have three solid, well-developed ideas it is time to see which idea has the most potential and can actually be put into action. There are many factors that should you should consider when making this decision to make sure you pick the idea that is most feasible for you to start given who you are and what resources you have available to you.

Exercise 6.9: Idea Feasibility

Write a short description of each of your ideas in the space provided at the top of each column. Carefully analyze each idea as they relate to skills, resources, time, passion, and money. For each category, analyze the statements below and pick one which best relates to your idea. Write the points given for that statement in that idea's column. Do this for all three ideas. At the end, sum up the columns to arrive at a total score for each idea. An idea with a higher number is more likely to be easier for you to start in the short term given your current resources.

	Idea #1	Idea #2	Idea #3
SKILLS: People who I know have the skills necessary to be able to help me. (3 POINTS) The people who I know do not have the skills necessary to help me; I need to meet new people. (1 POINT)			
RESOURCES: The materials I need to start this business will be of low cost and easy for me to obtain. (3 POINTS) Some, but not all, of the materials I need to start this business will be challenging for me to obtain. (1 POINT) The materials I need to start this business will be difficult for me to obtain. (0 POINTS)			
TIME: The business idea can be started within a month. (3 POINTS) The business idea will take longer than three months to start. (1 POINT)			
PASSION: I am excited about this business idea and it will help my community! (3 POINTS) I am not as excited about this business idea. (0 POINT)			
MONEY: I can start this business with the money I saved. (3 POINT) I need to go to the bank to get a loan to be able to start this idea. (1 POINT)			
TOTAL SCORE			

This method helps identify which business ideas might be the easiest for you to start given your resources, skills and other constraints. These factors are all important in the operations of a business, but they are also very important in identifying which business opportunity would currently be the best fit for your circumstances.

Lesson 6.5: Refine Your Idea

Now that you have picked one idea to continue to develop, it is time to begin to refine your idea. While you have likely thought about this before, it will be important to first formally identify how exactly your business adds value and how it is positioned in the context of competitors. This is important because you may realize that your idea's value-added is already be satisfied by a competitor. If this is the case, it may be time to go back to the beginning of this chapter and brainstorm more ideas. Knowing your business' value-added is also critical as you begin to make decisions about how to operate your business.

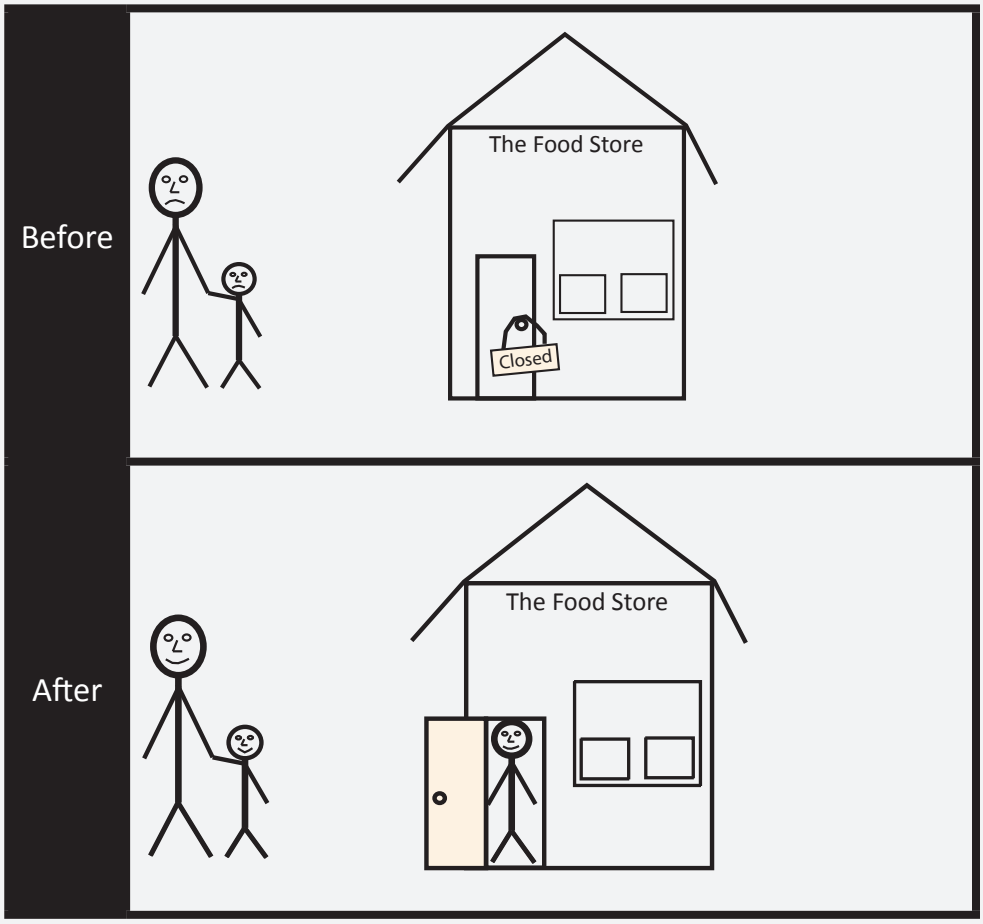
To identify your business' value-added, start by defining the potential customer served by the idea and the need the idea will address. Then, identify how their experiences change before your product or service exists versus after your product or service exists through creating "before" and "after" drawings. [3] You can include in your drawings what you think your customers will say or do. After you have your pictures, determine if you think there is enough of a difference made between the before picture and the after picture to justify your business. Sam and Grace's friends wanted to capture characteristics or images of what their customers will look like before and after the introduction of their trash removal business.

IDEA: Collect trash from local businesses to promote healthy environments

DEFINE YOUR CUSTOMER: Small Business Owners, especially food stores and restaurants

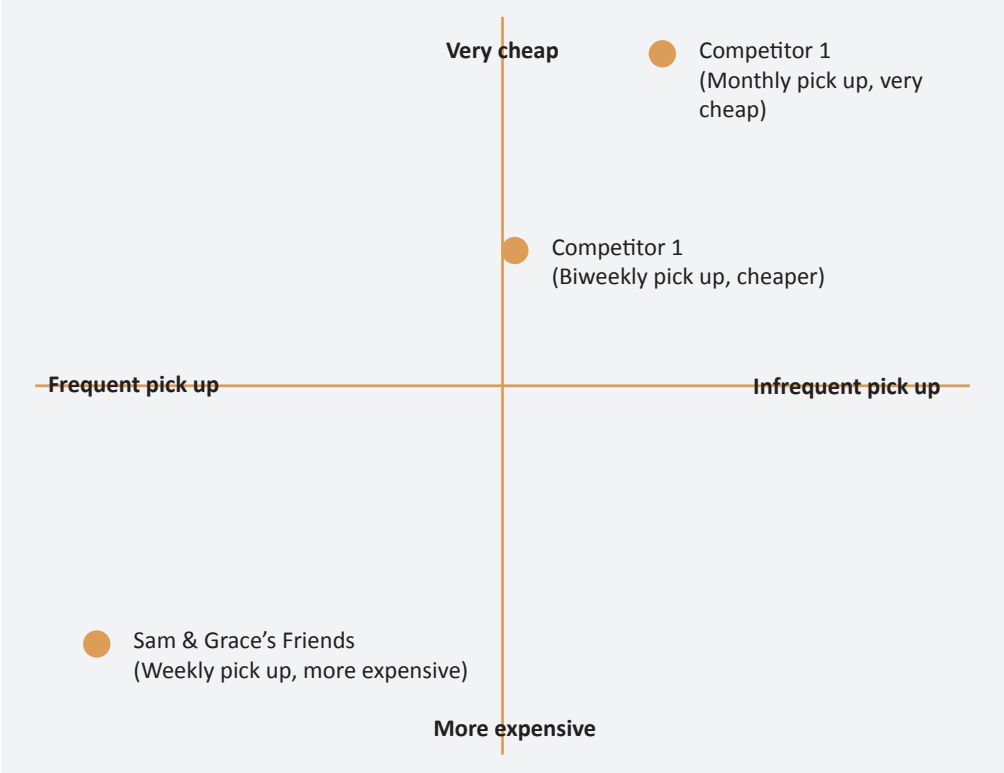
NEEDS BEING ADDRESSED: Some businesses have poor reputations because customers can become sick from eating their products. This hurts many families in the community who are dependent on those businesses.

VALUE ADDED: Frequent pick-up of trash



After understanding you business' value-added, it is important to understand how that translates into your business' position in the context of your competitors. One way to do this is by actually mapping out how your competitors add value through a positioning map. To create a positioning map, first identify two dimensions which are important and relevant to your business or industry. Place those dimensions on the graph. Then graph where you think each of your competitors lies and why. This is a great way to check and make sure the product or service you offer is not already offered by someone else.

The positioning map below is specific to Samuel and Grace's friend's business. They have graphed two of their competitors who happen to have very different positioning statements.



If Samuel and Grace's friends decide to position their business based on the frequency of trash pick up, their positioning statement might look like this: "Most Reliable and Frequent Trash Removal Service." If the cost of their services is an important selling point of the business, Grace and Samuel could focus their efforts and money on developing that further.

In creating their positioning statement, our friends must consider their target customer: what is the age, income, and how often do they buy this product or service - what are they looking for? To understand this they'll have to do research; they know they can't assume!

Exercise 6.10: Understanding Where You Fit In

Whose need are you addressing?

_____

What is the need you are addressing?

_____

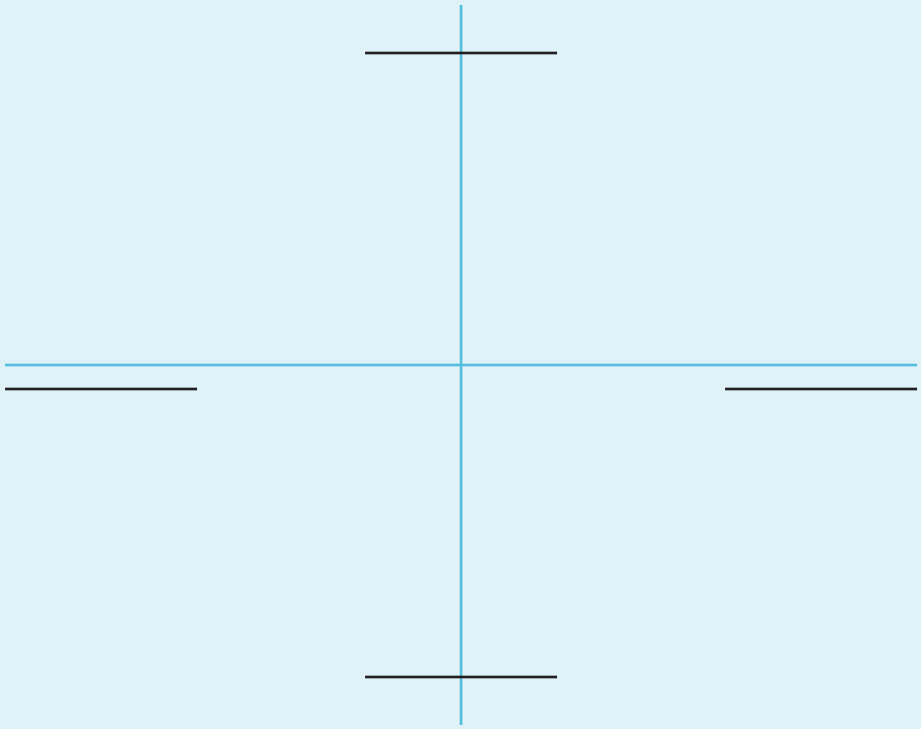
What value are you adding?

_____

Now illustrate in the space below how your product or service solution addresses the need.

Before	
After	

Now create a positioning map for your business. By creating this map you should be able to show how your idea solves a need that is not met (or not met well) by competitors. Think of two qualifying characteristics of the competition and how your product or service idea compares. Label those two characteristics on the axis points of the chart (the positive values should be at the top and left ends of the axis). Complete the labels on each side of the positioning map with labels that are relevant to your business then plot yourself and at least two competitors on the map.



My product offers the following benefits: _____

_____ to the following customers:

_____

_____

Based on your answers above, write your own positioning statement.

_____

_____

_____

_____

_____

_____

_____

Your Business Plan

Once you have completed **Exercise 6.10**, turn to the back of the book and write a summary of the following in your business plan:

Market Analysis:
Positioning

This section describes how your idea is unique and adds value relative to what ideas may already be out there addressing the very same issue as you.

Now that you understand you business' core value-added and you understand how you are positioned compared to your competitors, it is important to recognize the strengths, weakness, opportunities, and threats of the positioning you have chosen. To do this, many entrepreneurs use a tactic called a SWOT analysis which stands for Strengths, Weaknesses, Opportunities and Threats. Strengths and Weaknesses are considered internal factors while Opportunities and Threats assess the external factors of the business environment you are trying to enter. Conducting a SWOT analysis is important because part of picking a position in a competitive landscape means that you cannot be everything to everyone and that you will have weaknesses and threats. Having weaknesses or threats doesn't mean your idea is bad, instead it is important to be aware of them so that you can work towards minimizing them and make the most of your strengths and opportunities.

Grace and Sam have suggested their friends create a SWOT analysis to help them be more aware of what they do well as a business and what is more challenging.

STRENGTHS	WEAKNESSES
High quality disposal process; Existing relationship with manager at recyclable material factory	Transportation challenges
OPPORTUNITIES	**THREATS**
Founder has space for sorting process; High demand for art and jewelry made from recycled materials	Overwhelming need in the community; Government infrastructure may ultimately overtake services

Exercise 6.11: Your SWOT

Use the space below to complete a SWOT analysis of your business.

Strengths What are your product's strengths? What makes your product different from others?	**Weaknesses** What is something your product or service does not do well?
Opportunities What are the opportunities in the marketplace? What can you take advantage of to introduce your business?	**Threats** What are the threats in the marketplace? What will make it difficult to introduce your product?

Your Business Plan

Once you have completed **Exercise 6.11**, turn to the back of the book and write a summary of the following in your business plan:

Market Analysis:
SWOT Analysis

This section describes internal strengths and weaknesses as well as external opportunities and threats in the marketplace.

Exercise 6.12: Your Product or Service

Now that you have developed a solid product or service idea, it is time to move towards planning how to execute your idea. In the space below describe you product or service as clearly and efficiently as possible. Be sure to include what need you are addressing, who the customer is, and the value that your product or service adds compared to your competitors. This description will guide the development of your business plan in the next chapters.

Your Business Plan

Once you have completed **Exercise 6.12**, turn to the back of the book and write a summary of the following in your business plan:

Product or Service Solution:
Product or Service Description

This section describes your product or service idea. Be sure to include information about the value added by your idea and how you are positioning yourself in your business environment.

Reflection: Generating Great Ideas

Use this space to reflect on your business idea and the "thinking" that led up to it. You may want to discuss your values, skills, community needs, and relationships that contributed to your idea.

Every good entrepreneur will have to revise their plans over and over again as they gain new insights. Remember to leave some space to come back, revisit your reflection, and add more thoughts as needed.

PLANNING

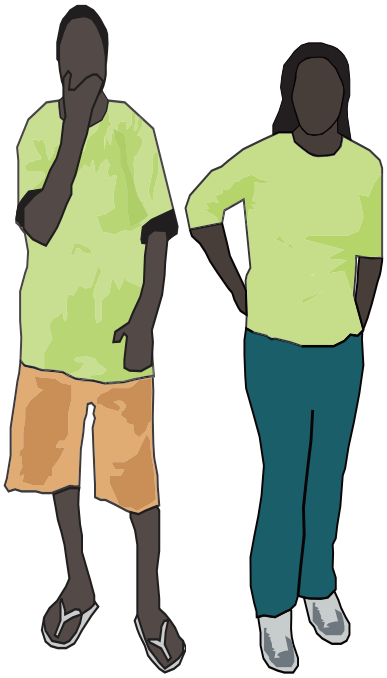
Part 2: Planning

This part is focused on developing the business idea you generated in Part 1. This part will guide you through the process of making your idea a reality. Like Part 1 part this section is not a linear process; you may need to repeat it a few times to develop a plan with which you are satisfied, before moving on to Part 3.

It is your understanding of marketing, operations, accounting, and finance and how each of these impact your business that will allow your product or service to become a reality. It is important to have a plan before jumping into action so that you effectively use resources and are successful. Throughout this section you will be directed to Appendix I to complete different sections of your business plan. By the end of this section, you will have a completed business plan.

This part has two main objectives:

- To help you look at your business idea from marketing, operations, finance, and accounting perspectives
- To develop a feasible and implementable business plan that you are ready to put into action



Developing a Marketing Plan

Product or Service
People
Promotion
Place
Price

7

Marketing is an essential component to any business. In Part I, you identified a group of people in your community who shared a need or problem and generated a feasible product or service idea that would fill that need. Once you further develop the unique value that your idea adds, you must think carefully about how to convey that story to that group of people so that they buy your product or service. You will learn to convey that story through a deep understanding of People (whose need are your solving?), Product (what is your solution?), Promotion (how will you communicate your solution?), Place (where can they buy your product?), and Price (at what price can they buy your product?).

Important Words to Know

Mission statement: Conveys your product or service idea and its importance in a short, concise, and powerful way.

Marketing Mix: The mix is made up of the 5 basic elements known as the 5 P's: Product or service, Price, Place, Promotion, and People.

Target: The population or group of people who wants to buy your product or service. These are the people you will direct your marketing messages to.

Networking: Utilizing the people and places around you to market your business.

Reach and Frequency: Reach is the number of people you touch with your marketing message or the number of people that are exposed to your message. Frequency is the number of times you touch each person with your message. Remember this rule when considering your reach vs. frequency options: Reach without Frequency = Wasted Resources. It may be more effective to touch a small number of people many times than to touch a large number of people only once.

Lesson 7.1: Product or Service

In Part I, you went from having an idea on how to solve a community need to verifying, slightly altering, or completely rethinking that idea based on direct feedback from people. Now that you have a solid idea, you will develop a marketing strategy that will help allow you to clearly communicate through everything you do how exactly your idea provides unique value to that group of people. The first part of developing this strategy is being able to clearly state what you are striving to do and why. This is called building a mission statement. This conveys your product or service idea and its importance in a short, concise, and powerful way. A well-written mission statement can be the guiding foundation for a business.

Exercise 7.1: Your Mission Statement

Based on the information you have from Part I, create a mission statement that describes the idea you developed along with the community need it fills.

_____

_____

_____

_____

_____

_____

_____

_____

Your Business Plan

Once you have completed **Exercise 7.1**, turn to the back of the book and write a summary of the following in your business plan:

Product or Service Solution:
Mission Statement

This section describes your product or service idea in and its importance in a short, concise, and powerful way. Be sure to include in your description your idea, the need you are meeting, and the people who will benefit from your idea.

Lesson 7.2: People

Who are the people who will benefit from your product or service idea? Based on the information you gathered when conducting interviews, you should be able to talk about the following:

- **Personal information:** Gender, income, age, occupation, education, family, life cycle, geographic region, lifestyle, attitudes
- **Problem:** Needs/benefits sought by them.
- **Purchasing process:** What does the decision making process involve? What sources of information are sought to make a decision? What is time line of purchase? Who makes the purchase?
- **Product usage:** Who is using the product? Why do they use it? When do they use it? How is it used?

It is critical to understand your target market as the picture you have of them will guide all of your marketing strategy decisions going forward. Everything you do should be grounded in information you know about the target market rather than based on gut feeling or what works for another business.

Exercise 7.2: Who are they?

Use the questions above to think about the people in the market for your idea. Use the space below to record your answers.

In the space below, draw a detailed picture of those people. You may include things they are thinking, saying or doing in your picture or diagram.

Exercise 7.3: How do they use the product?

Provide a description below that explains how they interact with the product or experience the service.

_____

_____

_____

_____

_____

_____

_____

In the space below, illustrate the above description.

Your Business Plan

Once you have completed **Exercise 7.3**, turn to the back of the book and write a summary of the following in your business plan:

Marketing Plan:
People

This section describes in detail the people whose need your product or service is meeting. Be sure to include demographic information as well as how they use the product or service.

Lesson 7.3: Promotion

Brand is the identity of a specific product, service or business. A brand is everything that your business communicates about itself to others from its name, logo, and color palette to its flyer, signs, and marketing campaigns. A legally protected brand name is called trademark. All your decisions about your marketing strategy should be based in the brand that you have defined. In this lesson will learn how to define, communicate, and promote your brand.

Defining Your Brand

The most powerful way to communicate who you are as a business is by building a strong and thoughtful brand. Every part of your brand whether it be the logo or the colors you use on the flyer, should be decided based on what you know about the people whose need you are meeting through your product or service. Your brand identity is like your business' personality. For example, a business that sells a soda product might have a fun or "bubbly" personality, so you might create a mascot or icon that demonstrates that characteristic or character. If your goal is quality, then you may have a more expensive product and your messaging should reflect its benefits instead of its price.

While defining your brand is a crucial first step, it is then necessary that you consistently use that brand in all your messaging. That means if you use a logo, always use the same logo, in the same format, whenever it is printed. If you use a slogan, make sure it is always written in the same way. As you plan for advertising or special promotions, make sure that it is consistent with your image.

One example you may be familiar with is Mr. Price, the clothing group of a South African retailing giant. Mr. Price covers all genders in clothing, intimate wear, footwear and accessories that are aimed towards fashion conscious and value-minded families. As the CEO of the company describes, the company brings fashion at everyday low prices to their consumers. Thus, the name "Mr. Price" is the perfect name to reflect the value that the company provides low cost clothes to its customers.

Exercise 7.4: Branding

Can you give three other examples of branding that are familiar and recognizable in your community? What images, colors, sounds, textures, smells, or words do you associate with that business?

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Exercise 7.5: Developing Your Brand

Draw what images, colors, sounds, textures, smells, or words your product or service idea makes you think of. Circle those which you think best communicate your business. Then, based on what you have circled, develop guidelines for your brand identity. What colors, logo, slogan, or images should you use to communicate your business? These guidelines are important as you will reference these as you make decisions about communicating and promoting your brand.

Communicating Your Brand

Now that you have developed a sense of your brand identity, it is important to start thinking about how to communicate this identity. There are many different marketing materials you can make--some which may cost more than others. There are many different ways you can communicate your brand but you will probably only make use of a few of them or maybe none at all--it really depends on what is most in line with your brand identity. Here are some different ways you can communicate your brand:

Brochures, Fliers, and other handouts. Producing brochures or fliers is a great way to provide the most information about your product in one document. Fliers are usually one page in size and can be one-sided or two-sided. There is less room for great detail on a flier than in a brochure, so you must choose the most important and significant information to include. Whether you are making a flyer, brochure, or some other handout, it is important to make sure you have a clear message and goal before you start making it. Before you start, consider these elements:

- Who will read the brochure?
- How will the readers get the brochure?
- What do you want your readers to learn from your brochure and do once they have that information?

When considering the use of printed materials, you must keep in mind what it will cost to produce and distribute these items. Printed materials almost always require some form of word-processing software if you plan to create your piece on a computer, a resource for copying or making many copies of the same document, and a large quantity of paper. Although this may seem like it will cost too much when you are first starting-up, be creative about finding resources for these items. Maybe you know someone who can supply you with ink or paper at very low prices, or you can trade services with someone to help you mass produce the items. If you have a computer at school or in your community, you can probably access word-processing software for a very low cost or no cost at all. You should also consider how and where you would distribute each type of printed materials. Community events and public areas are great places to share your information at no cost to you (after printing costs.) You should always find out if you are allowed to display or distribute material in a given location before doing so.

Packaging. If you are going to be selling a product that requires packaging (a box, wrapping, bag or other package type to keep your product in), be sure that your design is consistent with your brand identity. Packaging can be as simple as a square box, or it can stand out with improved resealable elements, recyclable materials, or provide some sort of lasting quality beyond the product's own characteristics that can be beneficial to customers. Make it stand out. Your choice may be as simple as an attractive color or image, or may be as complex as designing a container that can withstand reuse. If you are going to create a unique package for your product, you should focus on making sure that it is using the least amount of materials possible (while still communicating your brand and protecting the product) so that it is low-cost and consuming less of the earth's resources. It will also be important to think about how your packaging is different or improved from that of your competitors.

Website and emails. Today, companies are increasingly using the Internet to market their products and services. At a basic level, the web could be used to communicate with your customers and market new product offerings and price information to them. If you have access to an Internet café or have a friend who has a computer with Internet access, you should use that to create an email account for yourself. It is very easy to set up an email account, and it is free of cost. You could collect email addresses of your customers or even prospective customers. You may choose to use their email addresses to send out weekly or monthly information about your business to them. Be sure not to over-communicate, and only email them when you have valuable information that you think they would be interested in learning.

What communication methods you decide to use really all depend on your brand identity. For example, the Metropolis Trash Management team was at first really excited to create a set of flyers, brochures, and signs with lots of details and images describing their business. But after defining their brand, they realized that their identity was all about being clean and protecting the earth. They decided that there will not be a great need to create all these materials as they will likely only really need one simple flyer to explain their business idea that can be passed out. They also want to be sure that they are being sustainable and minimizing the amount of waste that they create.

Exercise 7.6: Brochures and Fliers

Visit some businesses in your community and collect three or four brochures and use them to answer these questions. You may want to save them for reference as you develop your own documents.

What elements do the documents have in common (design, information, quality, etc.) that make them effective?

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What are the strengths and weaknesses of each brochure?

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Where have you seen fliers for products?

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List a few places that you might be able to distribute you own fliers for free.

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What stood out to you about a flier you might have seen recently? Do you remember what the product or service was that was being advertised?

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Exercise 7.7: Communicating Your Brand

What if any of these methods of communicating would you like to use for your business? Use the space below to write or draw what you would want your communications to look like. For example, if you plan on making a flyer, plan what information would need to be included as well as how you plan to make it.

Promoting Your Brand

After you have thought about ways to communicate your brand, it is important to think about how to promote your brand. In promoting your brand you will likely make use of any materials you created to help you communicate whether that be a flyer, brochure, website, or email. Some of these marketing methods are completely free to use while others require some resources. What is most cost-effective for you depends on your brand identity and what is the most appropriate for your specific business. Here are some different ways you can promote your brand:

Word of Mouth. Word of mouth is developed when people become aware of your business, have an interaction and then share their experiences with others. Word of mouth could be positive or negative. This means that ensuring a positive experience for your target customers is crucial--especially in businesses that offer a service. Good quality and good service are some ways to generate positive attention. Get your customers to talk about you. You can do this through networking, and playing a role in highly visible events. Tie yourself into a community organization that does something to improve the quality of living in your area, and people will associate you and your product with good ethics and behaviors of those people and organizations.

Networking. Networking is the act of developing new relationships, with the a goal of creating new opportunities. It can take place anywhere; such as in your own community with people you interact with on a day-to-day basis, at trade shows or with people who are involved in your business like customers, friends of customers and people to whom your employees are connected. Don't ignore a seemingly small discussion - it could lead to a new customer! Use any opportunity in a highly visible public setting to talk about your business to anyone who might be interested. Every experience counts!

Engage with your community. A great, cost-effective marketing method is to participate in events and activities in your community. Sporting events, seasonal festivals, and holiday activities are great examples of low-cost marketing opportunities. Networking at these events allows for direct contact and communication with your target. You want to look out for occasions and events where your target group gathers in large numbers, so as to achieve your greatest reach. Set up a booth, table or cart (any type of mobile display) to showcase your product or service and have some printed materials available for customers to take with them so that they can come back to your regular place of business at a later date. If you don't have the ability to set up a station, use your team to hand out printed material, give out free samples, and have face to face conversations with potential customers. The awareness of your brand or product will increase dramatically with each interaction you have with your target.

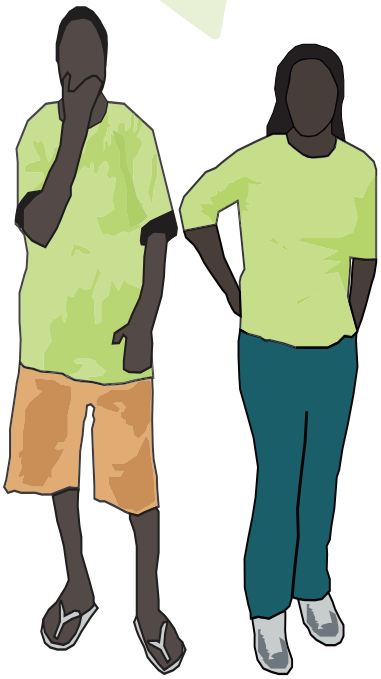
Do something unexpected. Using non-traditional, unconventional method of marketing that is captivating and gains your customer's attention, while also building awareness of your business or brand can be a great way to get your business known in the community. Most often, these methods are exceptionally creative and resourceful ways of sending a message or grabbing your target's attention. The key ingredients are time, energy and imagination – rather than large budgets or excessive use of resources. Essentially, the goal of is to generate a buzz about your business or brand, which will then become widely known. Typically, this method of promotion is spontaneous and often interactive. People will become very involved in the random activity or event that happens, and will then spread the word about the event to everyone with whom they communicate. When considering these marketing tactics, you should be careful to retain your original image and not put yourself, your team, or any potential audience members in a dangerous or compromising position. The activity should be fun and entertaining, while also educational and informational – leading customers to want to know more about you and your business. Street campaigns and demonstrations in public venues are examples of this promotion method.

Premium or Referral Program. Customer referral programs and discounts work by rewarding current customers for bringing in some of their own friends and contacts to you as new customers. You can offer rewards to the old customers like discounts on future purchases, or specials when they make a purchase with a friend or other new client (buy one, get the second at half price, etc). Another example would be rewarding a repeat customer by giving them a discount for every third purchase they make. The message you send with your reward program should remain consistent with your brand – giving too much away could affect the perception of quality and it could set an unreasonable expectation for lower prices in the mind of your customers.

Newspapers, Magazines & Community Publications. Do you read the newspaper regularly? Can you think of a well-known popular publication in your community? Chances are that these publications sell space in their issues to companies and brands who want to advertise their products or services. Determine if your target market reads these publications before moving forward with this method. Print ads may be a great way to market your product to a larger audience. You must very carefully analyze the cost of advertising, as not all forms are inexpensive. But with creativity, you may be able to find cost-effective ways to advertise.

My friend Philip works at PrintTech, a local print shop. He produces fliers, brochures and postcards for many businesses in my community. We arranged that Philip would supply the Trash Removal business with a small amount of paper to help them print their first round of marketing materials. In return,we arranged for him to have a few months of free trash removal services.

That's a great way to save money and help other businesses in our community. We could also tell the costumers about PrintTech and their great services. That's word of mouth in action!



What methods you choose for promotion entirely depend on your specific business and its brand identity. Grace and Sam are trying to help Metropolis Trash Management develop their plan for promotion. Some marketing methods that Grace is interested in adopting are advertising through radio commercials, and putting ads in printed newspapers. Grace believes that being a new business, the initial marketing goal for the Trash Removal business should be to reach and inform a large number of target customers about the business at one time. Grace understands that methods such as radio and newspaper advertisements can be expensive, and are one-time methods of reaching the customers. However, at these beginning stages, Grace believes that this investment will be worth the money, since it will allow the business to generate awareness and create a buzz. Samuel, on the other hand, does not believe that expensive marketing methods such as radio and newspaper advertisements are necessary to generate awareness about Metropolis Trash Management. Samuel feels that at these initial stages, the business should focus on saving money for day-to-day expenses as well as for any unforeseen or unanticipated costs that might come up as the business opens. Samuel thinks lower cost methods will be more effective such as creating brochures and fliers to put up around the community where the target customers will see them. Samuel also believes that leveraging friends, family members, and other members of the community to promote information about the service through word of mouth, would be a good way of creating buzz and awareness of the business. If necessary, people who do a great job of using word of mouth to promote the service might also get some coupons or discounts. Samuel feels that these methods would not only be cost-effective, but will generate repeated awareness and will not just be one-time announcements.

Exercise 7.8: Free Ways to Promote

Can you think of specific events or organized activities where you might have the opportunity to participate and promote your business for free? Below, describe two events or occasions and how you might market your business:

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What kind of unconventional methods could you use to promote your business? Describe a situation that might capture your target's attention in a spontaneous way that will have them wanting to know more. Where and when would this event happen? What materials or resources might you require to accomplish your method? Will you need a team to help you accomplish this effort? Describe below.

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Exercise 7.9: Local Advertising

Collect a few printed publications from your neighborhood and find out who the publisher or editor is. Inquire with that person about their advertising rate. You should gather information from two or three publications that tell you how much it would cost per size of ad and number of times it is published. It might be worth comparing the price of your local newspaper, to prices of other newspapers near the area which might allow for negotiating or getting a better price.

Based on your own cost estimates, can you afford any of these ad spaces in your marketing plan?

Does your church or community center publish a weekly newsletter or other informational document? Find out if they offer free or very low cost space for small businesses to advertise.

Who reads these publications? Does it make sense for you to advertise this way based on your target market?

Exercise 7.10: Your Promotion Strategy

Now that you have thought about different options for promotion, it is time to make decisions about your promotion strategy. When you first start your business, how do you plan to promote your brand and attract those first customers? How much will the different elements of your promotion plan cost?

Your Business Plan

Once you have completed **Exercise 7.10**, turn to the back of the book and write a summary of the following in your business plan:

Marketing:
Promotion

This section describes your promotion strategy. Be sure to include information about your brand identity as well as information about the costs associated with your plans.

Lesson 7.4: Place

Where will your product be sold? Where will it be made? Is this the same place? Customers might not actively be seeking your product at first, so you should choose a highly visible location when you first introduce your product. If it is successful, you might choose to remain in that location. You must always refer back to what you know about your customers to make decisions such as the placement of your product. Knowing who your customers are and where they spend their time should play a large role in these decisions.

Exercise 7.11: Where to sell?

Where will you sell your product or service and why? If you are selling a product, how does this location relate to where your product is made?

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Your Business Plan

Once you have completed **Exercise 7.11**, turn to the back of the book and write a summary of the following in your business plan:

Marketing:
Place

This section describes the location at which you will sell your product or service. Be sure to explain why you have picked this location as it relates to what you know about target customer.

Lesson 7.5: Price

Price is the cost of your product to the consumer. Pricing dictates how your product price compares to the prices of competitors' products. If your price is more expensive, you might want to focus on marketing the benefits of your product. In addition, for such products you might offer an initial discount, coupon, or sample to influence your customers' buying decision. Price promotions should be short term, for specific periods of time and should achieve specific goals (such as attracting new customers or encouraging them to try new products.)

Profit = Selling Price – Cost Price
Selling price = cost price + desired profit

When entering a market, the following are some pricing strategies:

- **Price Skimming:** High initial price for higher initial margins, and then lower prices over time.
- **Penetration Pricing:** Low price compared to competitors initially. This helps to gain quick market share before competitors. Here, promotional strategies tend to be greater.

Pricing is important because it dictates how consumers will perceive your product's position in the market place. To understand how to price your product you must understand three things:

- How much is the item costing you to produce or serve? (You'll learn more about how to assess this in Chapter 7 & 8) You wouldn't want to sell your product for less than it costs you to make it.
- What will your target pay for this service or product? You should collect information from your feedback.
- What are your competitors charging? It's okay to have, and you probably will have, a different price structure than your competitors. You must be able to explain why your product or service is more expensive (if that's the case) or you if your prices are lower, you must understand why you are able to price lower than them.

Remember that your price is set based on the important factors above. Sometimes, depending on your business, you may have to engage in negotiations of your price when someone is trying to get you to sell your product or service for less money. Remember the factors such as cost, competitors and target market if you consider lowering your price in those situations. Also, as described earlier in this chapter, word of mouth is a powerful tool. This means that if someone shares that you lowered your price for them, news of that will travel and other customers will expect the new lower price. Be careful in your negotiation!

Exercise 7.12: At What Price?

Thinking about the competition, your goals and costs, what will your base price be?

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Will you offer any special introductory discounts? What is the offer and time frame?

_____

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_____

Your Business Plan

Once you have completed **Exercise 7.12**, turn to the back of the book and write a summary of the following in your business plan:

Marketing:
Price

This section identifies the price at which you will sell your product or service.

Our friends decided that they would have a price for a one time pick up and another price for customers who purchased services for a year at a time. Additionally, they could do some custom programs to help local businesses!

Reflection: Marketing your Business

Use this space to reflect on the following questions: How will you make your target market aware of your product? What are the forms of communication that your target uses most often? What communication tools will you choose? Where will your target market learn about, see and purchase your product or service?

Every good entrepreneur will have to revise their plans over and over again as they gain new insights. Remember to leave some space to come back, revisit your reflection, and add more thoughts as needed.

Developing an Operations Plan

Map of Process
Supply Chain
Team and Talent
Developing Your Team

8

In this chapter you will think about how to efficiently run your business by identifying the materials and tasks you need to produce and distribute your product or service. This chapter provides you with the opportunity to dive deep into how your company will function. You will examine the creation, distribution and management of your product or service. Operate your business in the most efficient way possible to maximize the value you add to your customers and in turn the value you create for your business.

The best way to explain the operations of your business is by looking at the supply chain. The supply chain provides a picture of what your inputs are, where you will get them, how you will use them to create your product or service, and how you will distribute this product or service to your customers.

Important Words to Know

Efficiency: Using good quality materials, reducing costs, speeding up production time, and putting needs first over wants.

Inputs: The raw materials needed to make your product or service. For example, an input of a dress shop is fabric.

Outputs: The finished product or service you will be selling to your customer.

Suppliers: Vendors you purchase your inputs from.

Supply Chain: A channel of distribution beginning with the supplier of materials or components, extending through a manufacturing process to the distributor and retailer, and ultimately to the consumer.

Supply Chain Management: The management and coordination of a product's supply chain for the purpose of increasing efficiency and profitability.

Lesson 8.1: Map of Process

Now that you have identified an opportunity to create a product or service that serves a need in your community, it will be critical that you figure out how to make that idea transform from just a thought on paper to a real operating business. In the following exercises you will begin to think about the process by which you plan to produce and distribute your product or service. Mapping out your day to day operations is not only important so that you have a plan when you do start your business, but also because how you distribute your product or service is in itself an opportunity to think creatively, be innovative, and reinforce your business's strategy. Just as your marketing plan is entirely shaped by your target market, your operations plan should be just as carefully crafted to match the need you are serving. For example, there are two restaurants that both serve similar foods and are both very successful but are completely different in thier strategy and in their operations plan. One restaurant's strategy is to serve customers quickly and cheaply. Their operations plan reflects this by having customers stand in line and order at a counter, arranging small tables close together, and by providing the option of packaging for food customers want to eat on the go or at home. The other restaurant's strategy is to serve customers an experience with a nice atmosphere and high quality food. Their operations plan reflects this by having customers sit down, look at a menu, and then order through a waiter. Both restaurants serve similar food, but their services are very different--one meets the need of getting food fast and the other meets the need of having a special dining experience. Because their services are different, their strategies are different and thier operations plans are aligned to reinforce this.

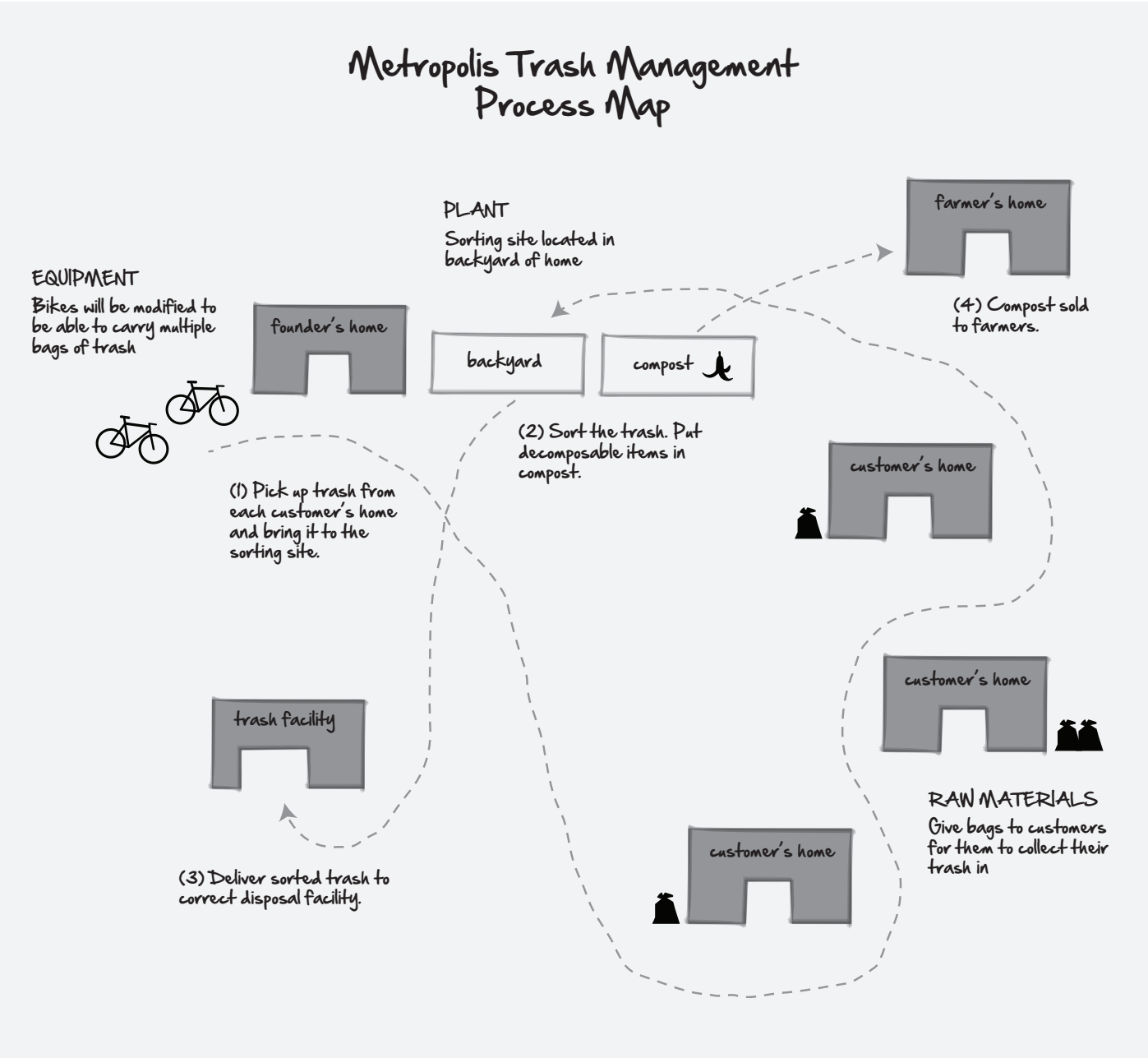
As you map out your operations plan, it will also be important to begin to identify what inputs you will need to produce and distribute your product or service and what characteristics each input should have. Inputs are all of the materials you will need to produce and distribute your output--the product or service you are creating. There are a five basic categories of inputs:

- **Raw materials:** the basic materials needed to make your product or service. Wood is an example of a raw material needed to make a chair.
- **Plant:** the building or place where you will produce your product or service. A factory is an example of a plant needed to manufacture steel. A painting studio is an example of a plant needed to create artwork.
- **Equipment:** the tools you will use to produce and distribute your product or service. A hammer is an example of equipment needed to build a house.
- **Labor:** the people who will produce and distribute your product or service. A cashier is an example of the labor needed to operate a store.
- **Skill or Knowledge:** the skills or background knowledge necessary to produce and distribute your product or service. Teaching how to read and write requires having knowledge of reading and writing.

It can be helpful to categorize your inputs when thinking about what it costs to produce and distribute your product or service. How to keep track of these costs in your accounting records will be discussed in the next chapter. You will most likely end up needing all types of inputs but you might need one in greater quantity than others. You most likely will need different inputs at different parts in your operations process. It will be important to not only identify your inputs, but also to identify where in your operations process you need each input.

It is time for Sam and Grace's friends who want to start up Metropolis Trash Management to make an operations plan. They know that littering is a problem in their community and they have discovered that there is a need to help homes and small businesses properly dispose of their trash. They have decided to visit people's homes to pick up their trash, sort it, and deliver it to the correct disposal facility. Furthermore, they realize that when they sort the trash, they can pull out organic items to be composted and then sell the compost to nearby farmers. The Metropolis Trash Management team is really excited about thier idea but they now need to sit down and figure out how exactly they will run this business on a daily basis. Sam and Grace suggested that they start by drawing a map of their day to day operations and include what raw materials, plant, and equipment they will need at different parts of the process.

When Metropolis Trash Management first starts up, the team will need to enlist homes and small businesses in the nearby community to hire their trash management services for a monthly fee. The first step in their operations plan is to use two modified bikes to ride to the homes of their clients, pick up their trash, and supply their clients with new trash bags. The team will then bring the collected trash bags back to their plant site which is located in the backyard of the founder where it will be processed. The team will sort the trash, repackage it, and deliver it to the correct disposal facility by bike. Organic items which can be composted will be collected in a small plot of land near the sorting site. This compost can be purchased by nearby farmers. As you can tell from the map, Metropolis Trash Management will need plastic bags as a raw material, two modified bikes for equipment, and the founder's backyard as the plant site.



Exercise 8.1: Your Map

In the space below, draw a map of all the business activities that are required to produce and distribute your product or service. This map should include everything from gathering supplies to delivering your product or service to the customer. After you draw the map, identify the raw materials, plant, and equipment needed at different parts of the process.

Now that you have a map of your process and have written down the raw materials, plant, and equipment that you will need at different points in that process, it might be time to step back and think about what you *want* versus what you really *need* to start your business. Because of resource constraints, it is usually not possible to have everything you want for your business, but in order to make sure you can operate you need to be clear on what you absolutely need in order to produce your product or service. At this point it will be important for the Metropolis Trash Management team to re-assess each item identified on the map and ask, "Do we really need this, or is there a way we can design our operations so that we can get started without this item?" For example, Grace and Sam's friends may think that they want to have five bicycles to start with but they probably only really need two bikes to start with. This exercise will help you be able to start up your business more quickly, on a smaller budget, and with less risk.

Exercise 8.2: Wants Versus Needs

Go back to your process map in the previous exercise and circle all of the inputs (raw materials, plant, and equipment) you absolutely *need* in order to get started and write a brief statement about each item that explains why you cannot do without it. You may find that you actually need very little of what you put on your map or you might find that you need all of it.

Now that you have a map of your process and you know what raw materials, plant, and equipment you will need, it is time to identify where you will get those supplies from. Suppliers are the people and organizations from whom you will get all of your inputs. You may have one supplier or you may have many different suppliers. Here are some important aspects to consider when evaluating your potential suppliers:

- **Cost:** Identify how much money your inputs are worth paying for in relation to your finished product. Remember, some costs may not be obvious at first such as delivery costs and set up fees. While it is important to look for ways to reduce cost, it should not be what makes your final decision on which supplier to buy from. It is important to look at all aspects of the supplier both to ensure you are creating a quality product or service experience for your customers as well as to be sure you are maximizing your positive impact on both the environment and society.
- **Reliability:** It is important to choose a supplier that you know you can trust to be on time and consistent in what they offer you.
- **Quality:** The inputs you choose will contribute to the quality of your product or service experience. Just like how you want to buy from suppliers who are reliable, your customers want a product or service they can trust. Research the quality of the inputs you are looking for and seek out a supplier that meets your quality expectations.
- **Social and environmental impact:** As you continue to develop your plan to start up a business, it is important to remember your core values and that you started this business with the intention of creating a solution for a problem in your community and the world. Your product or service is not actually a *solution* if in the process it is creating more problems for the community. For example, if you are selling a product that makes your customer's life easier but you are buying the raw materials to make that product from a supplier which is known for treating its workers unfairly, you may be creating more problems in your community than you are solving. Just as customers can vote with their money what businesses they choose to support, you can vote with your money by choosing which suppliers to buy from. While it may not always seem easy to do, it is important to be a leader in your community by encouraging your customers to support ethical businesses as well as by selecting and encouraging the suppliers you buy from to think about impact. Ultimately, it is all about ensuring your business's presence makes the world a better place.

After evaluating these different aspects of each supplier, you will need to think about what trade-offs make the most sense in order for you to meet the goal of providing customers in your community with a product or service that makes their lives better. Metropolis Trash Management needs to buy plastic bags for their business and they cannot decide what supplier to use. Grace and Sam have helped the team create a table that will allow them to more easily compare potential suppliers.

Item: plastic garbage bags

Supplier	Cost	Reliability	Quality	Environmental & Social Impact
Local business well-known in the community	Cheap	Not very reliable or consistent	Not as high of quality	Business owner is very supportive of the community
Larger store located further away	More expensive	Very reliable and consistent	High quality	Business owner is very supportive of the community

Samuel wants to go with a local business which is well known in the community. Although this supplier is well known, Grace shops for her personal products there and often notices that his products frequently change and his hours are irregular. Instead, Grace would like to go with a larger store located far away from their location. Although this supplier is far away, he could supply consistent products to them as he does others in their city. Samuel does agree the products from that supplier are better quality, but they are also much more expensive and he is nervous that the costs are higher, especially because they are just opening their business. Grace and Sam must help Metropolis Trash Management choose between quality products and consistent hours or convenience and cost savings. Just like Grace and Sam's friends, you may be faced with trade-offs when deciding on a supplier.

Exercise 8.3: Comparing Suppliers

Now it is time to go out and start looking for suppliers for your business. Use the chart below to list all of the items you will need for day to day operations. Then research the suppliers in your community who will be able to provide you with each item and record what you learn in the tables below.

Item:

Supplier	Cost	Reliability	Quality	Environmental & Social Impact

Which supplier will you buy this item from? Why? _____

_____

_____

Item:

Supplier	Cost	Reliability	Quality	Environmental & Social Impact

Which supplier will you buy this item from? Why? _____

_____

_____

Item:

Supplier	Cost	Reliability	Quality	Environmental & Social Impact

Which supplier will you buy this item from? Why? _____

_____

_____

Item:

Supplier	Cost	Reliability	Quality	Environmental & Social Impact

Which supplier will you buy this item from? Why? _____

_____

_____

Item:

Supplier	Cost	Reliability	Quality	Environmental & Social Impact

Which supplier will you buy this item from? Why? _____

_____

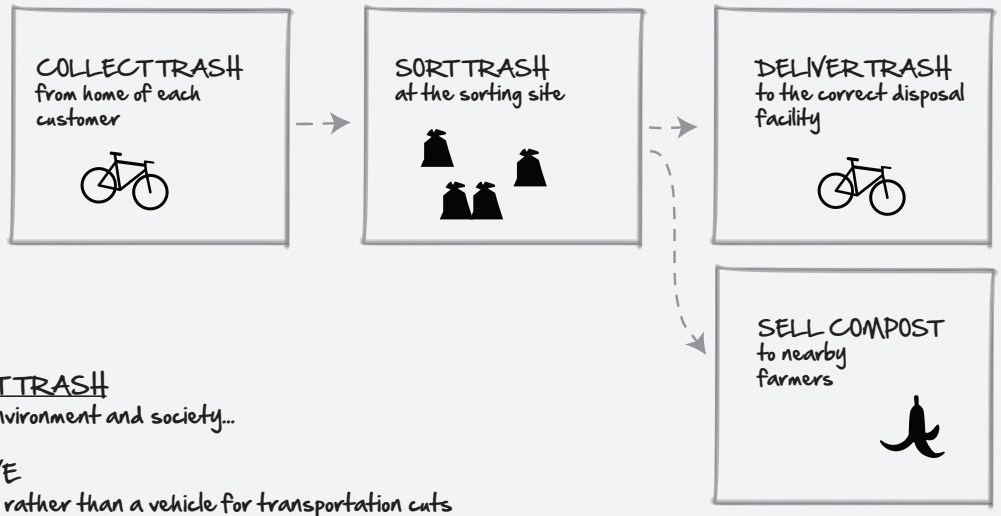
_____

Lesson 8.2: Supply Chain

A great way to summarize your operations in a picture is through your supply chain. Your supply chain is a chain of activities that captures the movement of the product or service from the supplier to the customer. In this case, your supply chain will be a summary of the process map you previously created. By analyzing the links in the value chain, you can identify ways to reinforce your business strategy and in doing so increase your competitiveness.

After you have mapped out your supply chain, it is important to evaluate your social and environmental impact at every link of the chain. After all, it is no good to offer customers a product or service solution if to do so you need to pollute the earth or treat your workers poorly. Even a business like Metropolis Trash Management which works to help their community properly dispose of trash must always be thinking about how thier operations also create waste or impact society. After mapping out their supply chain, Metropolis Trash Management assessed their potential positive and negative impact on the environment and society at each link in the chain. Then Grace and Sam helped their friends brainstorm ways to increase their positive impact and minimize their potentially negative impact.

Metropolis Trash Management Supply Chain



COLLECT TRASH
Impact on environment and society...

>> POSITIVE
Using bikes rather than a vehicle for transportation cuts down on the use of fuel and on the release of carbon emissions.

>> NEGATIVE
Using disposable plastic bags to contain trash is not the most ideal as they are usually only used once. Is there an alternative type of bag that is reusable which can be used to collect trash?? At the very least, after sorting the trash we can plan to reuse bags when repackaging the trash to be delivered to the disposal facilities.

SORT TRASH
Impact on environment and society...

>> POSITIVE
It is important to sort the trash so that it can be disposed of properly according to the material that it is made of. Some items may be able to be recycled!

>> NEGATIVE
It will be important to protect our team from the trash while they are sorting it. We can develop policies for how to handle the trash safely and make sure we train anyone we hire.

DELIVER TRASH
Impact on environment and society...

>> POSITIVE
Using bikes rather than a vehicle for transportation cuts down on the use of fuel and on the release of carbon emissions.

>> NEGATIVE
Properly disposing of trash is important to keeping our water and our land clean. Even better than disposing of trash is finding creative ways to reuse trash such as making jewelry or art. Perhaps we can find someone who would want to take some of our trash for reuse?

SELL COMPOST
Impact on environment and society...

>> POSITIVE
Collecting decomposable items to be composted creates rich soil which can be used for growing fruits and vegetables.

After thinking about ways to minimize their negative impact on the environment and society, the Metropolis Trash Management team did some research about what they could do with recyclable materials they collect. They quickly learned from a friend that there is a recycling plant in their community that they can sell recyclables to. The team decided to incorporate this into their operations strategy right away.

Exercise 8.4: Your Supply Chain

In the space below map out your supply chain. Then, at each link in your chain, identify positive and negative social and environmental impacts your business operations might have on the community and world as a whole. After you have identified these potential points of impact, brainstorm ways in which you can increase your positive impact and minimize your negative impact. After brainstorming, circle the ideas that you commit to making part of your operations strategy going forward and, if necessary, update the picture of your Supply Chain.

Your Business Plan

Once you have completed **Exercise 8.3**, turn to the back of the book and write a summary of the following in your business plan:

Operations:
Production and Distribution

This section describes in detail how you will get your product or service to the customer. Be sure to include a description of each link in your supply chain as well as what inputs you will need and from whom you will get them.

Lesson 8.3: Team and Talent

Now that you have a sense of what you need to do in order to operate your business, it is time to figure out if you have all the knowledge, skills, and/or labor necessary to do those activities. To figure out what team and what talents they need to have, Sam and Grace suggested the Metropolis Trash Management team make a table. First they need to identify what activities need to be completed as part of daily operations of the business. Then they need to identify what skill, knowledge, or labor is necessary to complete each of those activities. Lastly, they need to assess their own team and figure out who will be responsible for what activities. They may find that there are activities which those on their team do not have the time to do which means they may need to enroll more people on their team. They also may find that there are activities which those on their team do not have the skills or knowledge to do which means they will either need to acquire the knowledge or skills or enroll someone on their team who has the knowledge or skills to complete the task.

Task	Skill or Knowledge Required	Team Member
Pick up trash from homes and bring to sorting site	Physical strength and learn the route to homes	Mary
Sort trash	Training in how to sort	Mary and Isaac
Deliver trash to waste facility	Physical strength and learn the route to waste facility	Mary
Sell recyclable trash to Recycling plant	Physical strength and learn the route to recycling plant	Mary
Move organic materials to the compost	Training in how to compost	Mary
Sell the compost	Sales skills and good with people	Isaac
Handle the accounting	Accounting knowledge	?
Recruit homes to participate	Sales skills and good with people	Isaac
Create flyers or other promotional materials	Computer knowledge or drawing skills	Isaac

Mary and Isaac are excited because they have realized that they almost have all the skill and knowledge already to run thier business. Mary is loves to go on long bike rides and knows the community neighborhoods well so she will handle all the transportation of trash. Mary will be the leader of business operations as she well be responsible for picking up the trash from their customer's homes as well as delivering the sorted trash and recyclables to the correct disposal facilities. Isaac and Mary will share the responsibility of sorting the trash. Isaac is good at drawing and making signs and flyers. He is also very good at interacting with customers from growing up watching his mother run a tailoring shop. Isaac will be the leader of marketing and sales as he will be responsible for creating promotional materials, recruiting homes and small businesses to buy thier services, and selling the compost to nearby farmers.

Mary and Isaac realize that neither of them have any knowledge about how to keep accounting records for the business. They realize that this will either need to be something that they learn or that they recruit someone else on to thier team to do. They decide that while they are just starting up their business Isaac will learn the basics of accounting from their friends Sam and Grace.

Exercise 8.5: Your Team

First, translate your process map into a list of tasks or activities that need to be completed for the daily operation of your business. Then identify what skills or knowledge are required to complete those tasks. Lastly, go through the list and identify which tasks you have the time to do and the talent to do. If you have teammates, identify which tasks each person on your team has time to do and the talent to do. Circle any tasks left which you (or your team) either doesn't have the time to do or does not have the talent to do.

Task	Skill or Knowledge Required	Team Member

Your Business Plan

Once you have completed **Exercise 8.5**, turn to the back of the book and write a summary of the following in your business plan:

Operations:
Team

This section describes the team members who will running the business. Be sure to include a description of each team member's role in the business's operations.

Is there any skills or knowledge which you don't have now (and no one on your team has now) that you will need in order for your business to operate? If so, briefly write how you plan to either learn that skill or knowledge or enroll someone on your team with that talent.

_____

_____

_____

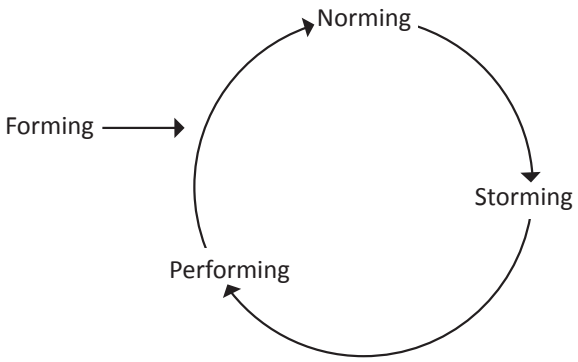
_____

_____

_____

Lesson 8.4: Developing Your Team

Whether or not you have found that you will be able operate your business by yourself, you will hopefully at some point need a team as your business grows. In this lesson, you will be introduced to the art of team building and develop core commitments that you and your team agree to uphold as a business. Even if you don't have a team at this point, it will be important to read through this section and develop your own core commitments as they can always be updated if people are enrolled on your team in the future. Often times we give very little thought to team development and instead jump right into the details of the project we are working on. Building teams that work together successfully, however, takes intentional thought and action. In order to figure out how to build your team, it can be helpful to think of your team's process as going back and forth between four different modes--forming, norming, storming, and performing.



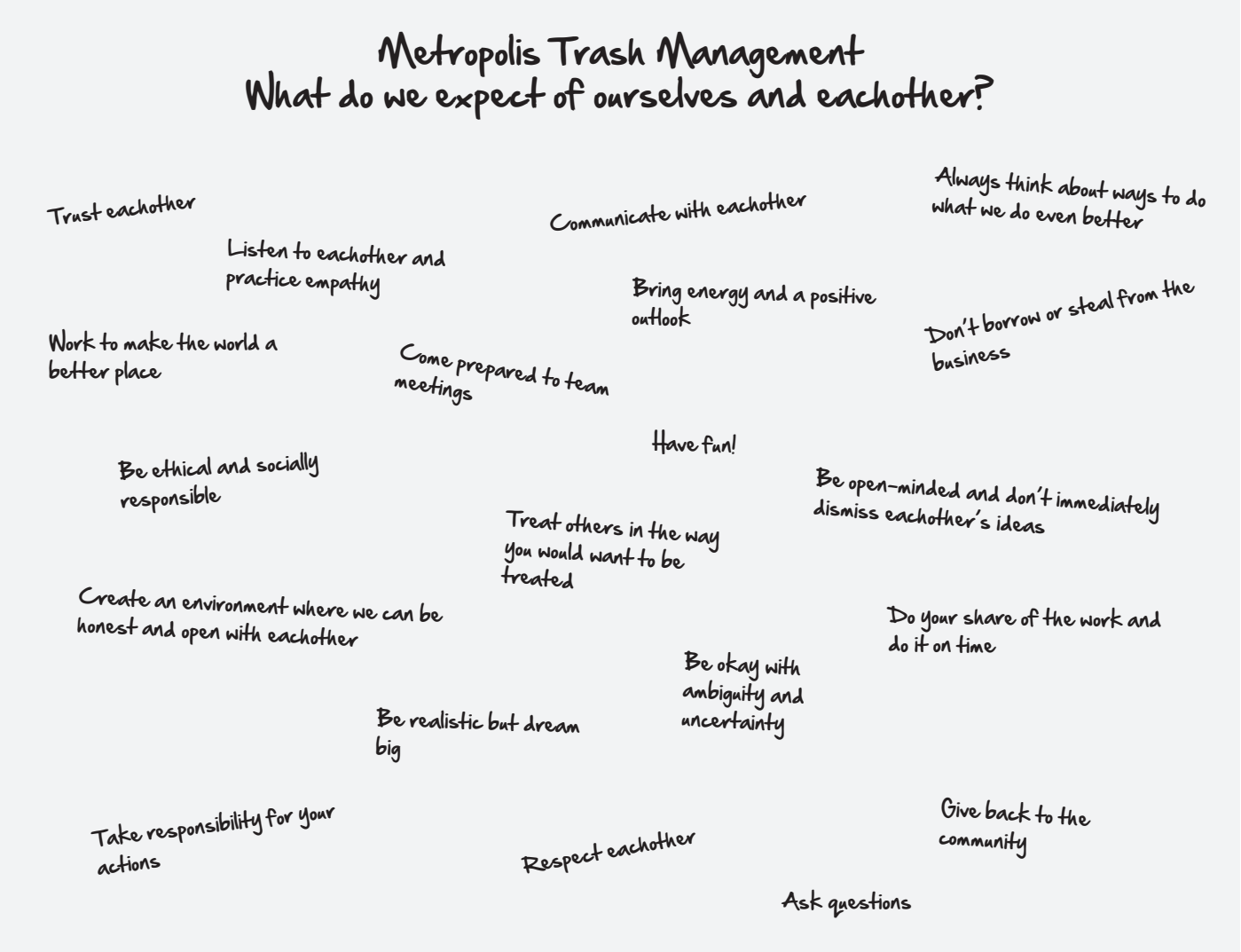
The first step to using this model of team development is recognizing what mode your team is in and what you can do to help facilitate movement towards performing. Some modes may last longer than others and teams that do not function well might never move out of norming or storming and into performing.

- **Forming:** This is when the team first comes together to work on the project. It is at this point that team members begin to develop impressions about eachother and hte project that they will be working on. As a leader, facilitate introductions and encourage teammates to talk about who they are and what they are passionate about. Play games and hang out in informal settings. Share knowledge about this model with your team so they can participate in the team development process.
- **Norming:** The team begins to develop a culture and rhythm. Have a formal discussion with your teammates about what each of you want to get out of starting this business and develop a list of core commitments to yourselves, eachother, and to the community your business serves. Develop specific actionable ways in which your team can fulfill those commitments. It can be helpful to develop a plan for what to do when feel like you are not fulfilling the commitments.

- **Storming:** As teams begin to dig deeper into the task they are trying to complete, members will bring different ideas to the table and must confront the disagreement Sometimes storming can be resolved quickly while other times teams are unable to move out of this mode. Tolerance and understanding is key. Rely on the foundation you have set in forming and norming by revisiting your commitments to see if they still hold up or if they need to be adjusted. Recognize that this is a mode and that it is necessary but that it is also important to move towards performing.
- **Performing:** Teams that work well together can reach a time when they are truly performing. This means they are able to function as a team and find ways to complete tasks effectively and without too much conflict. Diversity of opinionion and discussion is always healthy but it is important that it is always constructive. At this point, team members are knowledgeable about their own role on the team as well as the roles of other team members and able to keep themselves and others motivated. As a leader, help your team reflect on their process and what is working. Even high-performing teams may go back to storming and norming as they are faced with new challenges or changing circumstances such as adding a new member to the team.

If this model of team development shows anything, it is the Importance of communication and establishing shared expectations within the team. This is important so that when you are in the storming mode you have a common ground to revisit that you have all agreed upon at one point. Having open communication and constantly setting expectations and revisiting those expectations allows members of the team to feel engaged and motivated. Open communication and creating an open team culture is the best way to prevent both fallout within the team as well as keeping everyone on the team honest.

Metropolis Trash Management definitely needs to start thinking about how to build thier team. Grace and Sam started off by helping the Metropolis Trash Management team take a few minutes to brainstorm everything that they wanted to get out of their experience starting the business. What they expect from themselves as well as what they expect from eachother. At this point because they are just collecting ideas, no idea is wrong and they wrote down everything that was offered in the discussion.



After capturing everyone's ideas, the team realized that many of the ideas were very similar and could be categorized and consolidated. Grace and Same helped the team sorted through all their ideas and refined them into three main ideas that everyone on the team was excited to commit to.

Metropolis Trash Management Core Commitments

Our team agrees to the following core commitments to ourselves, to eachother, and to the community our business serves.

Empower eachother to be the best we can be individually and as a team.

We will strive to be leaders in our community as we continually grow in knowledge and skill and embrace challenges. We will create a team culture full of positive energy, communication, and honesty. We will always act with conscience and no regrets.

Make our community a better place.

We will create solutions to real needs in our community. We will strive to make these solutions self-sustaining and long-term.

Constantly learn and innovate.

We will listen to our community to deeply understand their needs and always think about new solutions. We will embrace opportunities to learn from our own experiences, from eachother, and from others in our community.

If at any point someone on our team feels that we are not upholding these commitments, it is necessary that the team member take action by bringing it to the attention of the other members of the team.

Once the Metropolis Trash Management team created their list of commitments, Sam and Grace suggested that they now brainstorm ways in which they can actively work towards fulfilling those commitments. It is important to not only develop commitments that everyone can agree on, but also to put those commitments into action so that they are not just something that is on paper and never thought about again.

Metropolis Trash Management
How can we act on our Core Commitments?

Empower eachother to be the best we can be individually and as a team.

Take time to develop team culture by having fun together in our free time.

Take time to do talk about our behavioral styles and our team process.

Hang the list of Core Commitments on the wall whenever we have meetings as a reminder of our agreement.

Make our community a better place.

Find ways to give back to the community by going into schools and giving workshops on how to sort and dispose of trash properly. Sponsor awareness campaigns about the issue of littering.

Constantly learn and innovate.

Meet with customers after they have participated in our services and ask how well we are meeting their needs. Meet with people who have chosen not to pay for our services and ask why. Improve our services based on their feedback.

Do research on other waste management services in our community and in similar communities around the world.

Set up monthly brainstorming sessions where we meet and talk about what is working and what we can do better.

Exercise 8.6: Core Commitments

In the space below, brainstorm everything that you (and your team) expect from yourself (and from eachother.) Be specific and remember that at this point there are no bad ideas.

After capturing everyone's ideas, categorize and consolidate your ideas into your core commitments to yourself, to eachother (if you have a team), and to the community your business serves. If you are creating this list with a team make sure everyone agrees to the final list of commitments.

Now that you have a list of commitments, it is time to brainstorm ways to actively work towards fulfilling those commitments. Once you create the list, circle the ideas that you agree to put into action.

Your Business Plan

Once you have completed **Exercise 8.6**, turn to the back of the book and write a summary of the following in your business plan:

Operations Plan:
Core Commitments

This section describes the core commitments to yourself, eachother, and the community your business serves.

Reflection: Operating your Business

Use this space to reflect on the decisions you have made about your business's operations. Include how you think this will effect or change any of the choices you made when developing your marketing plan.

Every good entrepreneur will have to revise their plans over and over again as they gain new insights. Remember to leave some space to come back, revisit your reflection, and add more thoughts as needed.

Using Accounting as a Tool

Why is Accounting Important
What is Accounting About?
The Mechanics of Accounting
Looking to the Future

9

In this chapter, you will learn how to record, organize, report, and analyze your business's financial information. In this chapter, you will learn about the accounting process, how accounting information is communicated to you and other interested persons through financial statements, and how to "see into the future of your business" using accounting projections.

Important Words to Know

Transaction: buying, selling, or trading something for goods, services, or other resources in a business deal. Transactions often deal with money flowing into and out of your business.

T-account: a tool that, when drawn, looks like a "T" and is used to help separate and keep track of your accounting transactions. Each T-account has an account title, two sides (+ and -), and amounts for any transactions that increase or decrease that account.

Assets: resources your business controls and owns to create value for your business. Assets can be "tangible" (can be seen, touched, etc.) or "intangible" (not visible, not touchable, etc.)

Liabilities: money your business owes to people, organizations, or other businesses.

Equity: the ownership interest in your business. Equity can come from money you or others contribute to the business, or from profits that are re-invested into your business.

Financial Statements: reports that show your business' financial health; two of the most common financial statements are the Balance Sheet and the Income Statement. The Balance Sheet shows the assets, liabilities and equity of your business on a specific date. The Income Statement shows how profitable your business was over a period of time.

Lesson 9.1: Why is Accounting Important

Accounting is often called "the language of business," because it is the way that you can communicate to others the results of your operations. Without accounting, it would be difficult for you or others to see the financial health of your business. Accounting is the process of recording and organizing transactions to track money earned and spent, reporting the information to yourself, lenders, investors, suppliers, and others and analyzing the financial information to make wise decisions.

You, as the business owner, you need to know how your business is operating and accounting will provide you that information. Many other individuals and institutions may want accounting information too. Potential supporters who may be interested in your business and could provide you with resources may want your accounting information to help them learn about your business. This could be banks, other kind of lenders or investors who own stock in your company. Governments want accounting information for tax reasons, for legistlative and legal reasons and other initiatives related to your business's impact on the financial, social and environmental community. And finally, the public as a whole may want your accounting infomration because they are your customers, they are your employees and your business effects the entire community around you. The general public will be interested in knowing what you are doing and how you are contributing to the community.

All of these groups, need or want this information that can be provided from accounting.

Lesson 9.2: What is Accounting About?

To run a business, you need resources. Accounting simply keeps track of those resources – where they come from and how they are used.

We capture this in what is called the Accounting Equation. The accounting equation is made up of three types of transaction items – Assets, Liabilities and Equity.

Assets are resources that you use to run your business. They come from one of two sources. One source is from money that you borrow from those sources like banks and other lenders which are called "Liabilities" because you are required to pay it back. The other source for generating resources are things that you put in yourself or money that the business makes – profit from sales of product or services. These are called Equity. Your resources have to come from somewhere. They must come from Liability or Equity. Therefore, we end up with a very fundamental relationship here. Assets have to equal liabilities and equity because they are the only potential source of resources.

That is the accounting equations, Assets = Liabilities + Equity. This will help you to understand most accounting statements from your book and concepts as we move forward.

Assets = Liabilities + Equity

Every transaction of your business relates to the accounting equation and it must always balance. The "Assets" side represents the resources your business owns or controls. The "Liabilities + Equity" side represents where those resources came from. For example, if you go to a bank and borrow $500, your cash (an asset) increases by $500. So too does your debt (a liability) by $500. Let's also assume you contribute $500 to your business from your own savings. The example below illustrates how the Accounting Equation balances:

$1,000 = $500 + $500
(Cash) (Debt) (Your Contribution)

The accounting equation is the basic for most accounting reports. Understanding this concept, will help you to understand most accounting statements from your book and concepts as we move forward.

Lesson 9.3: Mechanics of Accounting

The mechanics of accounting involve basically understanding a way of capturing information that you can use consistently and that allows you and others to compare information from one company to another so that everything looks basically in the same format. Some of the key things that you need to understand is 1. Transactions. Think of something that increases or decreases the resources of your company as a transaction. Something that has an impact on your business, an example of a transaction might be a sale to a customer – a transaction that increases your resources. So the first thing to think about in building an accounting system is how you are going to capture information about the transactions that occur.

The second term is that you need to be familiar with is the term "accounts" Accounts are a system of organizing transactions that are similar to each other so that you can readily summarize them. In your accounting system, you will create an account for something like sales, one of your resources. The account will be a way that you can put all of the transactions that affect your sales together.

The standard when you create an account such as sales is to set it up in what is called a "T-Account" this is a mechanism for capturing the increases in the account on one side, and decreases in the account on another so that you can readily see where things came from and where they went. You'll often also hear the words Debit and credit when we talk about accounting systems. These are simply words to help state which side of the T-account transactions are being recorded. A debit means that things are being recorded on the left side of the T-account and credit means that it is being recorded on the right side of the T-account.

For example, if you have a T-account for Family cash. You put in 200 of your own cash, 100 of your family cash, a sale of 75 and an expense of 50, then the T-account would look like this:

Family Cash

Debit(+)	Credit(-)
200	50
100	
75	

In formal accounting, the next step is to summarize all of the entries that are in your T-account. We often call this a general ledger where we summarize all of your accounts.

Exercise 9.1: Understanding My Transactions

What are some common transactions that any business would need to keep track of? Think back to the Marketing and Operations Chapters.

What transactions will your business need to keep track of?

The illustration below shows three T-accounts, and how they fit into the Accounting Equation. For practice, record the transactions mentioned previously in the appropriate T-accounts (you borrow $500 from the bank, and contribute $500 from your own savings, both in cash).

Assets		=	Liabilities		+	Equity	
Cash			Long-Term Debt			Contributed Capital	
Debit(+)	Credit(-)		Debit(-)	Credit(+)		Debit(-)	Credit(+)

There are many things that the different audiences may want to know about your business and there are standard methods of sharing the information they commonly want. .The following are the basic reports that may be asked of you: the balance sheet, the income statement, the cash flows statement and, when you're first starting out, the Schedule of start up costs.

The Balance Sheet

People want to know what you owe and what you own at any given time. Think of this as taking a picture of your business. The picture is one that will convey to someone exactly what is happening at your business at the time that the picture is taken. So with accounting, you are trying to capture what you own and what you owe and you do that with a statement called the Balance Sheet. The Balance sheet is the picture of what a company owes and owns at a particular point in time.

The Balance Sheet shows the financial condition of a business at a specific point in time. The Balance Sheet is basically the Accounting Equation (Assets = Liabilities + Equity), only more detailed. Think about the equation and balance sheet this way: all the resources of your business have to come from somewhere, so the summary of your resources (the assets) must equal the summary of how you obtained those resources (the liabilities plus the equity). This concept even applies to huge companies and even their balance sheets must (and do) balance! This is why it is called the "balance" sheet. Below is a balance sheet for Metropolis Trash Management.

Metropolis Trash Management
Balance Sheet
As of December 31, 2012

Assets		=	Liabilities		+	Owners	
Cash	$400		Accounts Payable	$150		Contributed Capital	$150
Computer	$300		Long-Term Debt	$0		Retained Earnings	$440
Inventory	$40						
			Total Liabilities	$150		Total Owners' Equity	$590
Total Assets =	$740		Total Liabilities and Owners' Equity =			$740	

Let's walk through the balance sheet above starting with the assets column. Cash is money that is on hand. This is money the business can use to purchase more assets. The computer is equipment and has a value of $300. The inventory is the $ amount the business paid for their inventory. Now lets look at Liabilities.. Accounts payable is money the business owes. This could be supplies purchased on credit with their supplier. Long-Term debt is for loans the business received from a bank. Finally, look at Owners Equity. Contributed Equity is money the owners have invested in their business. Retained earnings is the profits that stay within the business.

Your Plan

Once you have completed this exercise, turn to the back of the book and write a summary of the follwing in your business plan:

Projections:
Balance Sheet

This statement shows the assets, liabilities and equity of your business on a specific date.

The Income Statement

People also want to know how the business has been doing. They want to know what is happening as an outcome of your business operations. Think of this as the movie of your business because the movie will show over a period of time, such as one year, what has transpired at your business. We do this in a statement called the Income Statement.

The Income Statement shows the profit or loss of the business for a period of time. There are two important sections of the Income Statement: revenues and expenses. Revenue reflects the resources, usually money, earned from the sale of goods or services. Selling school supplies is an example of a good. Tutoring people in computers is an example of providing a service. Expenses are the costs that a business must pay to operate, like rent expense, wage expense, and purchasing inputs (Cost of Goods Sold).

Revenues minus expenses equals net income for your business. This is an important number. If revenues exceed expenses, the business will have a net income (a profit). If expenses are greater than revenues, you will have a net loss. To be successful, your business must generate net income eventually and hopefully consistently. Below is an Income Statement for Metropolis Trash Management.

Metropolis Trash Management
Income Statement
Year Ending December 31, 2012

Revenues:			
	Sales:		
	Removal Appointments	$400	
	Bags and Supplies	$70	
	Total Sales		$ 470
Expenses:			
	Cost of Goods Sold:		
	Supplies	$(30)	
	Wagon	$(50)	
	Advertising Expense	$(100)	
	Total Expenses		$ (170)
Net Income			**$ 300**

Assume that the Trash Removal Business purchased 30 bags for $1 each from a local supply store. They then sold 20 of those bags to their customers for $2 each. The 20 customers paid them a total of $300 for their trash removal appointments. Grace also paid $30 to create fliers to advertise their friend's business. All of these transactions occurred in the same period. Prepare an Income Statement using this information for the period (year)

At the end of the period, after the financial statemdsents have been prepared, your revenue and expense accounts will be "closed out" to the Retained Earnings account. The Retained Earnings account represents the cumulative profit or loss that has resulted over the life of your business (less some items such as distributions to the owner). Closing out the revenue and expense accounts at the end of each year also ensures that all of these accounts are set to zero and ready to accumulate the transactions for the next year. Thus, the amount recorded as net income on the income statement will be added to the amount already in the Retained Earnings T-account at the end of each year.

Your Plan

Once you have completed this exercise, turn to the back of the book and write a summary of the follwing in your business plan:

Projections:
Income Statement

This statement shows how profitable your business was over time.

The Cash Flow Statement

The next thing that people are interested in knowing is where is your cash coming from and where is it going. It may the same as an income statement but most times, cash is not the only resource that people provide. What we have to remember in terms of running the business is that you cannot pay the bills unless you have cash. To measure this, you would need to create a different statement that shows how the cash is being used and where it is coming from – this is called the Cash Flow Statement.

There are many different resources that you need and will use in your business, but perhaps the most important is cash. Your business needs cash to survive. Understanding how much cash is coming into and out of your business is very important. If the money your customers owe you (called "Accounts Receivable") is not collected, but bills, loans, and wages that you owe are due, you have a problem. Even if your business has revenues coming in, if those revenues are not cash, they cannot be used to pay off your debts, purchase materials, or hire workers.

Metropolis Trash Management
Cash Flow Sheet
Year Ending December 31, 2012

Cash Flow - Operations		
Net Income	$ 500.00	
Increase Accounts Receivable	$ (100.00)	
Increase Accounts Payable	$ 200.00	
Total Cash Flow from Operations		$ 600.00
Cash Flow - Investing		
Acquisition of new equipment	$ (50.00)	
Total Cash Flow from Investing		$ (50.00)
Cash Flow - Financing		
Repayment of Long Term Debt	$ (50.00)	
Issued Stock	$ 15.00	
Paid in Capital	$ 100.00	
Total Cash Flow from Financing		$ 65.00
Total Change in Cash		$ 615.00

Cash is commonly categorized into one of three areas: cash from operations, cash from investment and cash from financing. Cash from operations includes your day to day activities. sales and daily expenses are captured in the Net Income line, your cash decreases when your accounts recievable increases because though you've made the sale and it's recorded in your net income, you have not yet gotten the cash for that sale yet. Similarly, if a supplier has given you materials for your product but you have not yet paid them, your cash increases because you've recorded the expense in your net income but you have not yet taken the cash from your account and given it to the supplier. Cash from Investing includes mostly one time or irregular purchases that contribute to your business's assets. Mostly in From Ideas to Action, you'll use this area to record purchases or investments in property, plant or equipment. Finally, cash from financing includes any loans you take out or pay back, any money that you or others contribute to the business in exchange for ownership, or equity. The final number, or "total change in cash" should be the amount of cash you have in your business's bank account.

Exercise 9.2: Cash and Cash Flows

How will you keep your business' transactions separate from your personal transactions?

_____

_____

Where will you keep your business' cash? Will you use a bank account?

_____

_____

List three ways your business can obtain more cash or save cash.

_____

_____

List some benefits and drawbacks to selling goods or services on account (accounts receivable). What steps can you take to increase the likelihood that your customers will pay you?

_____

_____

_____

Lesson 9.4: Looking Toward the Future

To get someone to invest in your business, you need to be forward looking. Based on past history or even if you don't have a past history but you have an opportunity to think about what your business might look like, armed with the knowledge of what the income and balance sheets look like, and you can develop a projection of what the business might look like. What is the primary weakness of this? That you may have to guess – with assumptions.

So how can you get someone to believe your guess? It is important to carefully document your assumptions - the guesses that you've made in terms of where your resources will come from and how they will be used - because someone can then analyze your assumptions and then see if they agree with you. Despite that it is is a forward looking statement and not a definite truth, it does give a potential investor a look into what your business might become and how it might be successful.
Now, you might ask, will these projections come true? The truthful answer is, they will never all come true because things will change. However, they do provide a best guess and a plan for how to move forward.

There are two common reports that others may want you to share. One, the Schedule of Start Up Costs is created only when you are starting your new business or project. The other, the Proforma Income Statement shares your predictions of your business's success for the upcoming month or yea

The Proforma Statement or Projections

Another kind of information that people are sometimes looking for is "what is going to happen to this business in the future?" These are called projections or sometimes the word "Proforma" is used. The other three statements - the Balance Sheet, the Income Statement and the Cash Flow – looks at what is happening with the business currently or at a previous period of time but, the future is also of interest to people. You can use the information from the past to get an idea of what will happen and so we would put together financial statements that are put together based on those visions of the future and we would call them "projections".

To create a Proforma Income Statement, you will first need to estimate your projected expenses and cash disbursements. To do this, think back to the day-to-day operations of your business (the tasks and activities your business will need to perform to sell products and services). How much does each task or activity cost daily, weekly, monthly, or yearly? What specific expenses will be incurred to conduct these tasks and activities? Once you know this, you can use simple math to calculate the expense amounts. If you notice that you won't have enough cash to handle all of your expenses, you may need to make adjustments to your planned operations. Reevaluate which expenses are really needs as opposed to just wants. If you decide that you can't make further cuts to your operations and expenses, you may still be able to get additional cash through loans or investors. To do this, you will need to show strong evidence that your business can and will be profitable. As an example, your pro-forma income statement may look something like the blank chart below before you begin to enter your transactions.

Use a template like the one below for Metropolis Trash Management to draft your statement.

Metropolis Trash Management
Pro Forma Income Statement
2013

Sales

Cost of Goods Sold

Gross Margin

Operating Expenses:
- Advertising
- Rent
- Wages

Total Operating Expenses

Net Income Before Taxes

Income Taxes

Net Income

If all goes according to plan, the actual revenues, expenses, and cash flows of your business should be close to the budgeted amounts. If there are large differences, you should consider why this might be and make decisions about the business accordingly. You should know that your projects will almost never be exactly as you expected - costs rise, unexpected expenses occur and consumer behaviors influence how well your product does on the market.

Your Plan

Once you have completed this exercise, turn to the back of the book and write a summary of the follwing in your business plan:

Projections:
Pro Forma Statement

This statement shows how profitable your business was over time.

The Schedule of Start Up Costs

Before deciding where your business will get its funding, you must first calculate how much money you will need (refer back to the discussion of "wants vs. needs" in the Operations section), and what specifically that money will be spent on. The schedule of start-up costs shows what expenses your business will incur before operations start, and how much cash will be needed to cover these expenses. This schedule will enable you to understand how much money (or other resources) you must raise to get this business up and running. We will use a few major categories to develop our schedule of start-up costs. They include:

- One-time organizational costs (business license, fees, etc.)
- Deposits and prepaid expenses
- Property and Equipment
- Initial Inventory
- Cash needed for the first few months of operation (called Working Capital)

Exercise 9.3: Preparing a Schedule of Start-Up Costs

You would like to start a business, but need a loan to cover beginning expenses. The bank has asked you to prepare a schedule of start-up costs to determine how much money your business will need. Complete the schedule of start-up costs below using the following assumptions:

- You intend to hire a friend to create a logo for your business, which will cost $100.
- The building you want to rent requires a $100 deposit up front.
- You plan to spend $50 in pre-opening advertising for an ad in Sekondi-Takoradi Times.
- Supplies for your business will cost $50.
- You will need a truck, costing $1500, to deliver your product to customers.
- You will need 50 units of inventory for first quarter sales. Each unit will cost you $1.
- You would like to have $560 in Working Capital, as well as a 10% contingency (buffer).

Metropolis Trash Management
Schedule of Start-up Costs
2013

One-time Organizational Costs:		
Logo Creation	$100	
Deposits and Prepaid Expenses:		
Rent Deposit	$100	
Pre-Opening Advertising	$50	
Supplies	$50	
Property and Equipment (Truck)		
Initial Inventory		
Working Capital		
Contingency/Buffer		
Total Start-up Costs		

Your Plan

Once you have completed this exercise, turn to the back of the book and write a summary of the follwing in your business plan:

Projections:
Schedule of Start-Up Costs

This statement shows how profitable your business was over time..

Accounting is a financial reporting tool and is important for you to utilize to ensure you always know of the financial health of your business. Your accounting statements and the records they reflect are the foundation of every business decision you will make, to be coupled with decisions of your business's values and intentions, its community impact and the business's long term goals for growth and development..

Reflection: Costs and Record Keeping

After compiling the projected financial figures for your business, you may start to feel overwhelmed about the expenses you will incur as a part the start up or operation of your business. Take a few minutes to revisit Chapters 6 & 7. Are there costs that you may be able to cut down on? What other thoughts do you have about the organization, operation and start up of your business, now that you have learned more about recording the business transactions.

This will help you if you have to change your idea!

Funding your Business

Non-Monetary Funding
Loans and Interest
Equity Financing
Cost of Capital
Funding Your Business

10

In this chapter, you will be introduced to different funding options and learn how to evaluate them to determine the best way to fund your business. While finding the funding for the start-up costs of a business can be a challenging task, entrepreneurs use their knowledge, skills, and motivation to meet this challenge head-on.

Important Words to Know

Principal: The amount of loan money borrowed.

Interest: The cost of borrowing money, usually calculated as a percentage of the principal.

Partnership: Two or more people who come together, pooling their money, knowledge, time, and other resources to start and operate a business.

Investors: People who contribute money or other resources to your business. Investors usually expect to make a profit from their investment and often look for the ability to ask for their money back at some point in time.

Cost of Capital: The cost to your business of obtaining money and resources from various sources (loans, investors, etc).

Lesson 10.1: Non-Monetary Funding

Many people assume that money is required for all purchases. However, it is sometimes more beneficial to both parties when a direct exchange of goods or services occurs. For instance, if you need to buy soap for your cleaning business, you may offer the local soap seller an exchange of cleaning their office for the products you need. Bartering is the process in which goods or services are directly exchanged for other goods and/or services without the exchange of money. Bartering can be done with businesses, neighbors, friends and community members. Especially when you are just beginning your business, it might be necessary to think of ways that you can barter with others to obtain the resources you need since your cash resources may be very limited. An advantage of engaging in a bartering transaction is that the person you are trading with does not need to rely on a promise from you to make payment in the future. They usually obtain what they want – the goods or services you provide – from you immediately without having to worry that they might end up with nothing from this transaction.

Exercise 10.1: Bartering Examples

List at least three other examples of bartering (one of which could be used by your business).

_____

_____

_____

_____

_____

_____

_____

_____

Lesson 10.2: Loans and Interest

After you have exhausted all bartering opportunities, you may still need to borrow money to start your business. Money can be borrowed from banks, friends, other business people and family. In order to secure loans from others, you must be able to convince them that your business idea will be a profitable one since lenders normally expect the loan to be paid back along with interest. This is where projections become useful. You can show potential lenders that your business will have the ability to pay them back by coming up with realistic and believable projections that show positive operating results.

When considering the option of taking out a loan, check your projections to ensure you can pay back your loan principal with interest in the designated amount of time. Loan principal is the amount of money you borrow. Loan Interest is the expense of borrowing money. Interest is usually stated as a percentage of the principal and usually determined through negotiations between the borrower and lender.

Simple Interest

It is important to understand what simple interest means when you are considering borrowing money. It is likely that a deal with a community member will use simple interest. The following formula will help you calculate simple interest when you know how much you will borrow (principal), the interest rate for your interest expense (a % of the loan's principal), and how long you'll take to pay it back (time).

Interest = Principal x Interest Rate x Time

For example, if you borrow $50 for 3 years at 5% simple annual interest and you wanted to know the total amount you would pay for the loan, you would calculate it in the following way:

Interest = Principal x Interest Rate x Time
$7.50 = 50 x 0.05 x 3

Interest + Principal = total amount you will pay for the loan
50 + 7.5 = $57.50

Exercise 10.2: Calculating Simple Interest

Assume you borrow $250 for 1 year at 6% simple annual interest.

What is your principal?

_____

What is your interest rate?

_____

What is the time period?

_____

How much interest will you pay over the time that you have the loan?

_____

How much will you pay in total for the loan?

_____

Compound Interest

If you choose to take a loan from a bank, the bank will likely charge compound interest. With compound interest, the amount of unpaid interest at the end of a period is added to the previous principal balance to calculate a new balance on which interest for the next period will be calculated. In essence, your principal balance is recalculated after each time period - every day, week, month or year. Here's an example of how compound interest works.

Interest year 1 = principal x interest rate x time
Interest year 2 = (principal 2 = principal 1 + interest1) x interest rate x time
Interest year 3 = (principal 3 = principal 2 + interest2) x interest rate x time

For example, if you borrow $50 for 3 years at 6% interest compounded annually (yearly), the calculation of the compound interest will be as follows:

Interest year 1 = principal x interest rate x time
3.00 = 50 x .06 x 1

Interest year 2 = (principal 2 = principal 1 + interest1) x interest rate x time
3.18 = (50 + 3.00) x .06 x 1

Interest year 3 = (principal 3 = principal 2 + interest2) x interest rate x time
3.37 = (53 + 3.18) x .06 x 1

Interest + Principal = total amount you will pay
50 + 3.00 + 3.18 + 3.37 = $59.55

Contrast this with the total amount you would owe if simple interest is used instead:
$50 x .06 x 3 = $9.00, or a total balance owed of $59.00.

Exercise 10.3: Calculating Compound Interest

You borrow $250 for 5 years at 6% annual interest compounded annually.

What is your principal?

_____

What is your interest rate?

_____

What is the time period?

_____

How much interest will you pay over the time that you have the loan?

_____

How much will you pay in total for the loan?

_____

Lesson 10.3: Equity Financing

Another way to fund your business is through what is called "equity financing." Unlike a loan where you make regular principal and interest payments until the amount you borrowed is repaid, in equity financing, "investors" or "partners" put money into your business in exchange for a share of its profits and a say in the day-to-day operations of the business. In other words, those who provide equity financing become part owners of the business. The investors receive their profit (return) from distributions of the profits from the business, or when they sell or redeem their ownership interest in your business for more than it was worth when they gave you the money. Investors often contribute money or other resources to your business only in exchange for a share of your profits without getting involved in the day-to-day operations of the business. However, in a partnership, two or more people pool their money and/or services together to form a new kind of entity in which all both own and co-manage the business. Although forming a partnership means that you must give up some control over your business, your partner(s) may bring knowledge, skills, or other needed resources to the business that otherwise might not be there.

Exercise 10.4: Equity Financing

In the space below compare equity financing with borrowing money to start a business

What are some of the advantages and disadvantages of each?

_____

_____

_____

_____

Which do you think will work best for your business and why?

_____

_____

_____

_____

Lesson 10.4: Cost of Capital

"Capital" is a term used to refer to all of the resources you will need to operate your business and generate a profit. This typically includes cash, but also refers to all other types of resources such as inventory and property. As we have seen already in this chapter, there are many funding options available for small businesses to acquire needed capital. However, not all funding options cost the same. A loan from a bank that charges interest will not cost the same as an investor who gives your business money in exchange for a share of the profits. These costs can be calculated. However, interest and profit-sharing are not the only "costs" you need to consider. Giving up some control over your business is a non-financial cost that should also be considered. You must also assess the risk that goes with each source of funding. If your business does not do so well in its first year or two, a bank that requires fixed loan payments may be less forgiving than a family member who invested money. The following exercise helps you to think about some of the things you should compare when considering the cost of obtaining capital.

Exercise 10.5: Comparing Funding Options

To start your business, you calculate that you will need $1,000 to purchase equipment. You go to your local bank and request a loan for $1,000. The bank gives you the following terms:

- Interest Rate: 10% (compounded annually)
- Repayment Time line: 10 years
- Payment will be made annually, with an equal payment each year. The payment will first be applied to the interest due for the year and then to the principal.
- Based on these terms, the bank calculates that an annual payment of $163 will retire the loan at the end of 10 years.

You think that perhaps you can get a lower interest rate than this from another lender, so instead of automatically taking the bank loan, you go to a family friend (an investor) and ask if he would be willing to loan your business $1,000 to start-up. He will do this, but in return he will expect to receive 10% of all the profits made by the business for each of the next ten years. Over the next 10 years, you project that the profits and losses for the business will be as follows:

Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10
$100	$200	$300	$0	$200	$500	$800	$1,000	$1,500	$2,000

Using these assumptions, calculate the Cost of Capital for both the $10,000 bank loan and the $10,000 equity investment from your family friend. Don't worry about calculating cost of the loan for each year below, but using the information above you should be able to calculate the cost of the loan over the entire ten-year period.

	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10	Total
Loan Cost	$100										
Equity Cost	$10			$0							

How much would the bank loan cost you in total interest? How much would the investment from your family friend cost you? Discuss which option you would be inclined to pursue. Remember to think beyond the numbers and consider ALL factors such as risk and ease of obtaining the money.

_____

_____

_____

_____

After 10 years, your cost for using the investor's $1,000 is **$660.** Had you taken the bank's offer, the total amount of interest would have been **$630**. So the bank loan is the better deal, right? Well, that depends. Although your financial cost of capital was higher using your family friend's money, it was less risky than taking the bank's loan. This is because had your business performed poorly (as it did in Year 4), the investor's share of profits would have simply decreased to zero. The bank, on the other hand, would have still charged you the same $163 per year, which you may not have been able to pay. And as you might have guessed, failing to pay back a bank loan can mean that your business may actually be shut down.

In the above scenario, the costs were fairly similar between equity (investor) and debt (bank loan) financing. But in the real world, the costs will probably differ by much more. This is why it's important to calculate the cost of each option, and consider as many factors as possible in your decision.

Exercise 10.6: Revisiting Needs vs. Wants

Part A: At first, Samuel & Grace's friend has determined that they will need a car to transport the trash, an office for people to come to schedule pick ups, cleaning supplies including bags and marketing materials in order to begin this business. Very quickly, they began to think that they would not be able to start this business, because they could not afford these things.

Not wanting them to give up, Samuel started to think about the difference between wants and needs, which he learned in Chapter 7. Samuel determined that although they might want a car to transport the waste, they did not need it to begin small in their close community. Grace's brother, Thomas, worked at a cleaning supply store, and helped them understand the pricing of their required supplies. Suddenly, the friend began to see that they also wouldn't need an office until their business grew significantly – they had learned in their market research that people did not want to come to them but rather preferred that a representative visit the client.

This left them to find funding for the cleaning supplies and marketing materials. This made Samuel and Grace's friend feels better about the amount of money they would need for startup capital but they still did not have any of their own money to get the business going. Samuel and Grace decided that they would make a list of all possible options for obtaining these things, making sure that they referred back to Part I of this workbook to consider their own resources and skills as well as their network's resources.

What are some options that Samuel, Grace, and their friend might put on their list of possible sources for their needed funding? Make sure you consider who they know and what they need.

_____

_____

How might Samuel or Grace's friend help? What opportunities for bartering do you see?

_____

_____

Explain why Samuel determined he would not need to fund an office or a truck.

_____

_____

Part B: Samuel and Grace determined that they would be able to solve their friend's need for marketing materials based on the list in Part A – Grace's brother was able to talk to his manager and loan the materials to them until they started making money! They now need to determine how they will obtain the marketing materials. Samuel has the option of borrowing the $40 he needs from a friend in the community or going to the bank for a loan. The bank loan would be for a period of 1 year with a 10% interest rate while the loan from the friend would be for 6 months with a 7% interest rate. Samuel is nervous about borrowing money from anyone, so he uses his projections he calculated earlier to make sure that he would be able to pay the loan back in a short amount of time.

Which loan is better for Samuel? Why? If more information is needed, please explain.

_____

_____

What other information might you need to determine if a loan is right for you?

Part C: Samuel has connected with a local business man who is willing to make the loan to Samuel's friend. Samuel wants to make a contract with this business man to ensure that they both know when payments are due and are clear on any other obligations or commitments to each other.

What information should Samuel include in the contract?

Lesson 10.5: Funding Your Business

Now it is time to apply the lessons you have learned from this chapter to your own business. So far in this chapter we have discussed how to determine what you need to operate your business, some of the possible options for securing the capital you require and how to compare these options. Just like any part of operating a business, obtaining the funding you need is challenging and is not a sure thing. However, just like any part of your operations, careful planning and consideration of all of the possibilities and relevant factors can make obtaining funds easier for you.

Exercise 10.7: Advice from Experts

Interview someone in your community who has either borrowed from a bank or an individual who has granted someone a loan. You could also interview someone who works at a local bank since they are in the business of lending money to others. Ask them for guidance on what lenders look for before deciding to make a loan. What kind of information is needed? What are the factors that help someone to decide whether or not to make a loan? Do they have any advice for you based their experiences? Is there anything else that you learned from them about the process of acquiring capital to start and run your business?

The knowledge and techniques covered in this chapter are important and helpful tools to use when trying to obtain capital. However, even with these tools many entrepreneurs find it difficult to raise capital. Think of it this way: if it was easy to raise capital then how would good ideas from motivated and skilled entrepreneurs stand out to potential lenders from all of the possible ways they could invest their money? No one can offer you an easy and certain route for obtaining capital, but there are several pieces of advice that will help you in the pursuit of the resources you need.

Most entrepreneurs start very small by using their own labor and whatever resources they can save on their own or easily acquire from close friends and family. This means that it is very important to design a process for your business idea that relies on as few resources as possible. Perhaps the most important part of acquiring needed capital is to decide what you can live without until the business grows and generates capital itself.

Even seeking resources from family and friends is not an easy task. They may have very limited resources, too. This is why many entrepreneurs actively try to expand their circle of friends. The more friends you have, then the greater chance you have that someone will be interested in your business ideas and consider investing in them. To the best of your ability, seek out friends who are like-minded and try to develop a network that includes people who are interested in business and who are potential investors.

Banks are usually very unwilling to lend capital to new businesses, particularly when the person seeking a loan has limited resources to begin with and very often no experience that proves they can pay the loan back. However, there are many groups and organizations today that are willing to make small loans to start-up businesses. These micro-credit organizations can be sponsored by the government, NGOs, or other entities such as community groups, churches, and universities. They can even be found on the internet, with organizations such as kiva.org supporting small entrepreneurs around the world. You must be very proactive in seeking out and exploring all of the types of organizations that might possibly lend you the resources you need.

No matter where you seek out your needed resources, you will never obtain them unless you can convince others that you have a great idea and the passion and skills to deliver on that idea. This is the true secret to how successful entrepreneurs obtain their needed resources. It isn't only about your idea and who you are, but it is also about how you communicate your ideas and present yourself to others. There are many ways to communicate your ideas, and the rest of this guide will focus on ways to do this effectively, whether it is with a formal business plan or a quick pitch of your idea to a friend or potential investor. But remember, the most important factor in obtaining resources is YOU. You must develop the idea, you must have the passion and commitment to pursue it, and you must have the skills needed to move that idea into action. If you realize that all of this is under your control and take action, soon resources will come your way because others will want to be a part of something that is successful and creating value.

Your Business Plan

Once you have completed this exercise, turn to the back of the book and write a summary of the follwing in your business plan:

Funding:

This section describes what resources you need to start your business and where you will get those resources from.

Reflection: Funding your Business

Use the space below to think about the funding options available to you. You may think of ideas for bartering agreements, places where friends may have gotten loans or other ideas for how to acquire the start up costs needed for your business idea.

Every good entrepreneur will have to revise their plans over and over again as they gain new insights. Remember to leave some space to come back, revisit your reflection, and add more thoughts as needed.

DOING

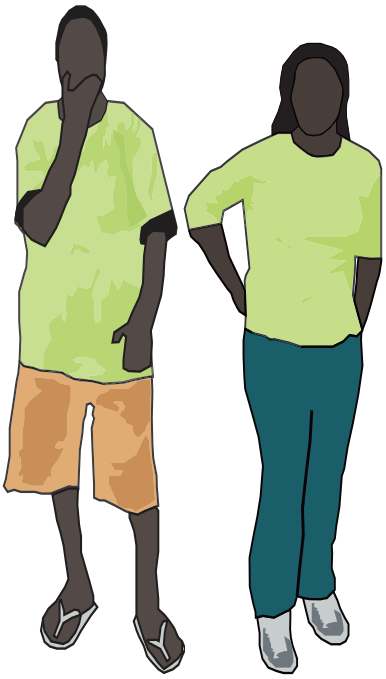
Part 3: Doing

This part will not only help you act on your business plan and start-up your business, but also encourage you to think long-term about opportunities for growth and how your business can demonstrate responsible leadership in your community. After completing this part, you will walk away with a better idea of what potential obstacles you might run into in the start-up process and how you can overcome them as well as a long-term vision for the future.

While it is important to have a solid plan before taking action, it is easy to get caught up in planning and never act! It is all about balance. This part will help you balance everything you learned in Part 3 with a process of action-react-revise.

This part has three main objectives:

- To help you create a realistic and implementable goals timeline to start-up your business
- To understand the importance of long-term thinking about responsible leadership and business growth opportunities
- To empower and encourage you to follow your passion, work hard, and overcome obstacles in orer to make the world a better place



Sharing Your Idea

Rocket Pitches
Drafting your Pitch
Making your Rocket Pitch

11

After hours of research and reflection, you have successfully written a business plan. Now it's time to share it! This chapter will teach you how to leverage your plan as a tool to attract partners, investors, and other supporters.

Important Words to Know

Investor: Someone who offers money, equipment, expertise, and/or other resources for a profitable return.

Rocket Pitch: A brief presentation of a business idea used to attract investors, advisors, partners, and other collaborators.

Visual Aid: A tool used to better explain a concept, communicate key information, or engage an audience.

Lesson 11.1: Rocket Pitches

Being able to share your business plan with others in a way that generates their interest is very important! More often than not, you won't have to convey all of the information in your business plan, but you may also only have a very short amount of time to convey what is most important and/or impressive about it. One way to do this is through what is called a rocket pitch – a short delivery of a business idea or opportunity. A rocket pitch usually consists of a simple, three-minute or less presentation that explains the market potential and how your business model will capitalize on it. Because this presentation is so brief, you want to include only enough detail to interest investors and highlight why your business idea is superior. Be as concise and straightforward as possible, but bring passion and energy to the idea so that others are inspired by you.

There are areas that you should cover in your rocket pitch as well as guidelines for its delivery:

The Need

- What is the need?
- Who has the need? Who is the target market? How big is this market? Is it growing?
- How is this an opportunity?

Product or Service Solution

- What is the product or service?
- How does your product or service address the need in a way that it is not by anyone else? Mention who your competitors are and how your solution is different.
- How will you make a profit? What is your business model?

Goals

- How much do you project that you can make? How did you arrive at this projection? You will want to reference totals from your Pro Forma Income Statement.
- What do you need to get started financially, socially, and otherwise? You will want to reference totals from your Schedule of Start-Up Costs.
- How and when do you plan to start your business? What is your action plan?

Audience Call to Action

- What can the audience do to help you get started? Do you have immediate needs (e.g., capital, equipment, expertise, word-of-mouth advertising, etc.)? **H**ow can the audience fulfill these needs and get involved right away?

Presentation Guidelines

- Total presentation time lasted 3 minutes or fewer
- Presenter immediately captured the audience's attention
- Presenter spoke loud enough for everyone in the room to hear
- Presenter spoke clearly and slowly enough for audience to understand
- Presenter had an effective and memorable closing
- Presenter was confident
- Visual aids were used effectively (if applicable)

When making your rocket pitch, using visual aids may help you reach your objectives by emphasizing the key information you present. Pictures and diagrams, for example, are used to raise the audience's level of understanding by clarifying your message and creating excitement. Other examples include drawings, charts, graphs, and props. Here are other tips to keep in mind:

- Identify what you want to accomplish with your visual aids first.
- Keep visual aids simple and brief – do not overload them with too many words or graphics.
- Make sure that they can be understood by everyone in your audience.
- If information does not increase learning or understanding, do not include it.
- Do not allow visual aids to take your attention away from the audience.
- Reference all borrowed material.

Exercise 11.1: Your Outline

Create an outline of the structure of your rocket pitch and the information you want to convey in it in the space below.

1. Need

a. Description of the need statement your business is addressing:

_____

_____

b. Who has the need? Who is the target market? How big is this market? Is it growing?

_____

_____

c. How is this an opportunity?

_____

_____

2. Product or Service Solution

a. Clear, concise explanation of your product or service and business model including how you intend to make money:

_____

_____

b. How does your product or service address the need in a way that it is not by anyone else? Mention who your competitors are and how your solution is different.

_____

_____

c. How will you make a profit? What is your business model?

_____

_____

3. Goals

a. How much do you project that you can make? How did you arrive at this projection? You will want to reference totals from your Pro Forma Income Statement.

_____

_____

b. What do you need to get started financially, socially, and otherwise? You will want to reference totals from your Schedule of Start-Up Costs.

_____

c. How and when do you plan to start your business? What is your action plan?

4. Audience Call to Action

a. What can the audience do to help you get started? Do you have immediate needs (e.g., capital, equipment, expertise, word-of-mouth advertising, etc.)? **H**ow can the audience fulfill these needs and get involved right away?

Lesson 11.2: Drafting your Pitch

Before you create and present your rocket pitch, you should be sure that you have an understanding of who you are talking to, what their needs are, and what you want to achieve as a result of your conversation with them. If you don't consider these factors, your rocket pitch is likely to yield few results. Your pitch should consider who you are talking to and the purpose of the pitch. For example, will it be family members, professional investors, or a bank? Each party requires a different approach and presentation style. For professional investors, you may need a detailed presentation complete with pro-forma financial statements and details on logistics. However, family members may only require information on the business model and payback date. You must know your audience in order to create the most impact. Edit your rocket pitch to the specific person or group you are targeting. If you are not sure who this will be, focus first on who you think will be able to solve your most important needs.

For example, Samuel and Grace have offered to pitch the Trash Removal business on behalf of their friend. They have identified who they will target, what their desired payback is, - both tangible and intangible - and what business information their potential investor will require in the presentation.

Potential supporter #1:
Family Member

Their needs:
$20 for startup costs

Reason for presentation:
To seek funding for all start-up costs

Supporter's needs:
1. Amount of money requested
2. Plan for how the money will be spent
3. Assurance of payback within two years
4. To create sources of employment for family members

Information to include in presentation:
1. Outline of how the money will be spent
2. Projected financials to demonstrate projected breakeven point and profit
3. Payback schedule
4. Summary of employees needed and which positions will be reserved for family members (if applicable)

Other reasons for funding could be to secure partial funding, advice, partners, employees, or other collaborators

Now that they have identified this information, Samuel and Grace have been able to draft a rocket pitch for this audience. You can find their rocket pitch in the Metropolis Trash Management business plan in Appendix VI.

Exercise 11.2: Adjusting Your Pitch

In the space below, identify what person or group you will target with your rocket pitch, what you expect to achieve with the pitch, and what specific information you think each audience will expect you to include in your presentation. Be as detailed as possible.

Potential Supporter #1: _____

Your needs:

_____

_____

Reason for presentation:

_____

Supporter's needs:

_____

_____

Information to include in presentation:

_____

_____

_____

_____

_____

_____

_____

Potential Supporter #2: _____

Your needs:

_____

_____

Reason for presentation:

_____

Supporter's needs:

Information to include in presentation:

Potential Supporter #3: _____

Your needs:

Reason for presentation:

Supporter's needs:

Information to include in presentation:

Exercise 11.3: Drafting Your Pitch

Using your Rocket Pitch outline and one of the potential audiences that you identified in the last exercise, draft one complete Rocket Pitch below.

Being able to make an effective rocket pitch is perhaps the most important step in getting your business started. However, it's almost certain that your pitch will not be perfect the first time you make it. You need to practice it.

Exercise 11.4: Rocket Pitch Feedback

Using the outline you have developed above and armed with the knowledge of who your audience is, practice your pitch on three different individuals. Ask each of these individuals for feedback on your pitch. Each time you make your pitch, try to focus on different suggestions mentioned on the previous page. In the space below, summarize what you found to be most difficult in making your pitch. Was this the same each time? What kind of feedback did you receive from those to whom you presented? Refer back to the "Rocket Pitch Checklist" presented earlier in this chapter. Document the feedback you receive below.

Exercise 11.5: Editing Your Pitch

Edit your rocket pitch based on the feedback you received.

Lesson 11.3: Making Your Rocket Pitch

There is only one way to achieve the goals of your rocket pitch and it is simple: practice, practice, and more practice. Rehearse your presentation with friends and family every chance you get. Since this pitch is about something that you are passionate about, you should know it well and be able to deliver it at a moment's notice.

Here are some things to keep in mind as you make your rocket pitch.

Attitude

- When you make your presentation, remember that first impressions matter. Dress appropriately and deliver your pitch from the beginning with confidence and energy.
- Always show your excitement and passion for your product to your audience

Storytelling

- Try to engage your audience right from the beginning with something simple and attention grabbing that keeps your audience interested.
- While you only have a small amount of time to make your pitch, do not speak fast. Make sure you have practiced what you are going to say and say it with authority and confidence.
- Don't use language or visuals that will be confusing to your audience. In most cases, simple is better so that you can be sure everyone in your audience understands what you are trying to convey.
- Don't rely too much on your visuals. This should be your story, and your words and actions are more important than any visual representation of the idea.

Reflection: Sharing Your Idea

Who do you plan on sharing your rocket pitch with? Why, how, and when?

Every good entrepreneur will have to revise their plans over and over again as they gain new insights. Remember to leave some space to come back, revisit your reflection, and add more thoughts as needed.

Taking Action and Overcoming Obstacles

Develop a Goals Time Line
Planning for Obstacles
Overcoming Obstacles
Commit to Your Goals

12

So now that you've taken the time to think about your business, write a business plan, and work on your business plan presentation. It's time to take some action and get your business up and running! Without any action (even small steps of action), you will never obtain results, never learn anything new, and never grow your business like you want to. But, before you jump into it, you'll want to make an action plan and a goals time line so that you stay organized and on-task. And, even with an action plan, things will often go a little differently than you imagined. You'll need to work through these obstacles, stay focused, and learn from your mistakes.

Important Words to Know

Goals: Identifying all of the tasks you need to do in order to accomplish something.

Goals Timeline: A tentative schedule of when to complete certain tasks by in order to accomplish something.

Flexibility: Being able to adjust what you are doing, when you do it, and how you do it as unexpected variables arise.

Obstacle: An unexpected variable that prevents you from reaching a goal.

Lesson 12.1: Develop a Goals Timeline

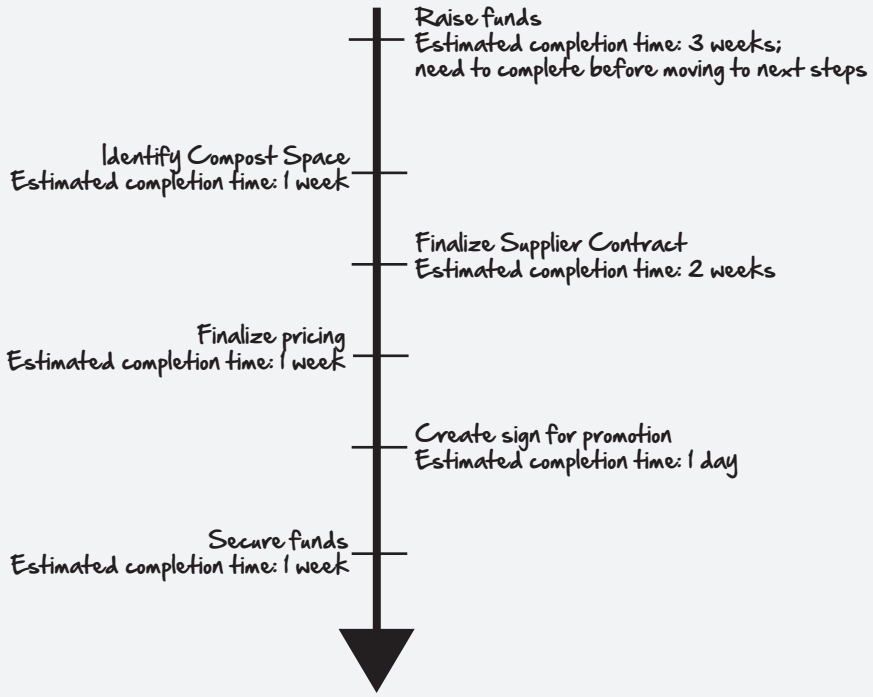
To create your action plan, you will want to sit down and make a list of exactly what needs to be done in order to get your business up and running. You should have already thought through these needs in the business planning phase, but now you will want to take another look at what action items you need to complete before you can open up your business to customers. Make sure you pay attention to details and try to think of all the small action items that you will need to take care of in order for your business to start smoothly.

In order to stay on track and keep yourself motivated to get your business started, you will also need to create a goals time line that helps you prioritize your action items and sets a time line for when you want your goals to be completed. You should use the goals that you developed to come up with a goals time line.

For example, the owners of Metropolis Trash Management may have a set of goals and a time line that would look something like what is below.

Metropolis Trash Management Goals and Timeline

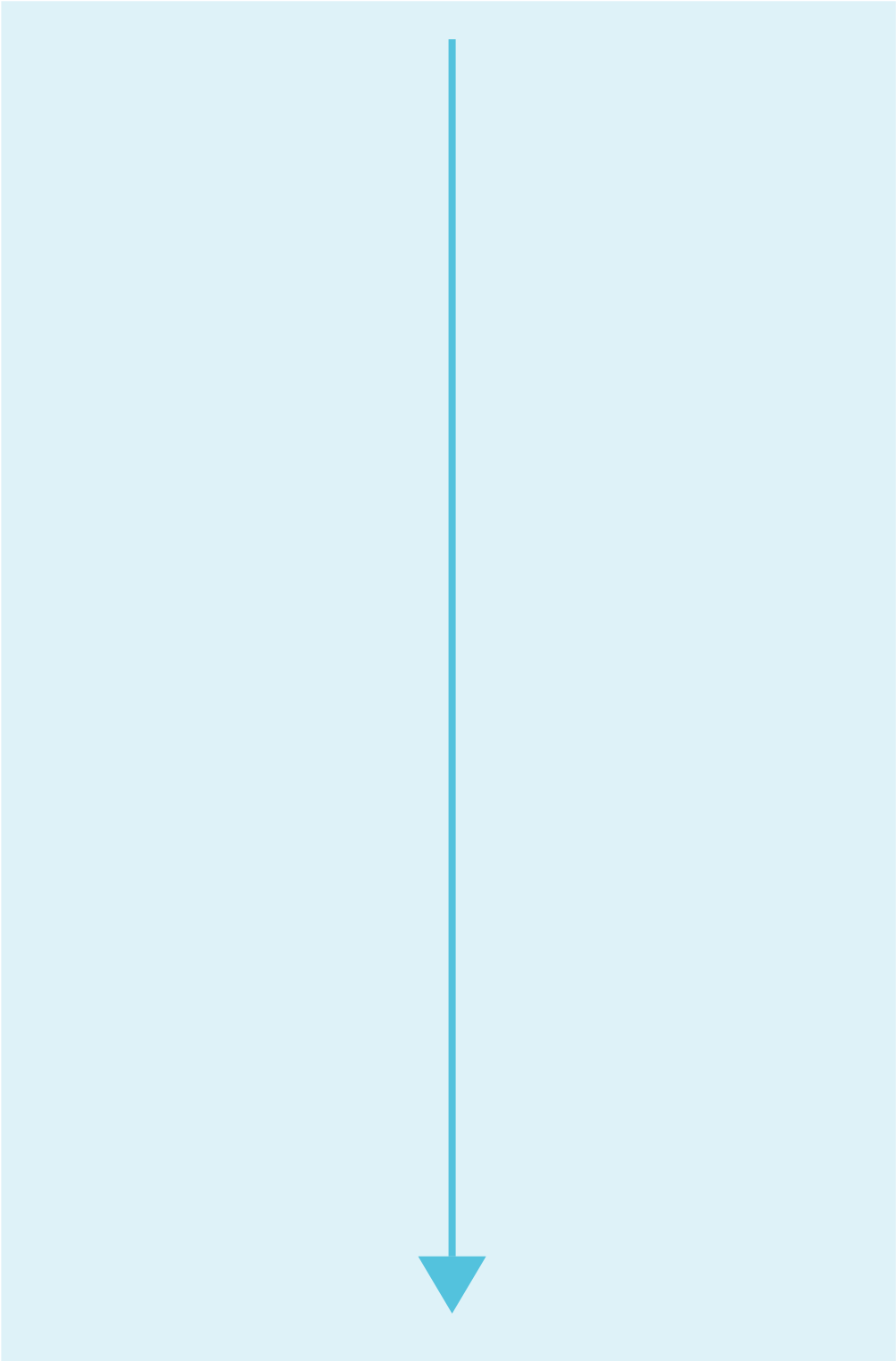
- Raise funds by pitching business plan to potential investors, partners, or other supporters
- Need to identify compost space
- Finalize supplier and costs
- Finalize the price of services
- Make a sign to display at markets and local businesses for promotion



Exercise 12.1: Develop Your Goals Timeline

Using the business idea that you have chosen to pursue, develop an action plan and goals time line that you could foresee for a business of this type. Use the following templates to develop your action plan and goals time line.

Make a list of what you need to do to start and run this business?



The entrepreneurial process is about finding a balance between thinking, planning, and doing. It's not worth it to try to predict and plan for every possible obstacle because soon you would be overwhelmed with everything that could go wrong and end up never taking any action. It's also not efficient to just take action without having some kind of plan in place because without a plan it will be difficult to know if you are even headed in the right direction. Instead, make a plan with the knowledge that you likely will have to be flexible and adjust your goals time line as you go. Begin to act on that plan as soon as possible and then continually go through a cycle of acting and revising and acting and revising. Remember that a failure is only a failure if you learn nothing from it. The entrepreneurial process, which takes you from ideas to action, is one of constant learning and problem-solving. At times it may not feel like you are making any progress or that you can't go any further, but you just have to keep going and think creatively. Embrace the challenge! And remember to always keep a positive attitude!

Lesson 12.2: Planning for Obstacles

One way to prepare for obstacles you may face is by brainstorming potential challenges and thinking of ways that you would work to overcome them. Remember, it is okay if you haven't considered every obstacle you run into, but having a plan to overcome some of the potential obstacles will help you to feel more prepared when starting your business.

For example, Grace and Samuel have brainstormed and identified the following potential obstacles and potential plans for overcoming those obstacles for their friend's Trash Removal business.

Obstacle	Plan to Overcome Obstacle
Clients have indicated that they would like to utilize the removal service for items larger than the bicycle wagon can hold.	Schedule one day a month or every few months that you can borrow or rent a larger vehicle to transport the large items in a way that will still be profitable.
Some local competitors have lower prices for their trash removal services.	Metropolis will stay on top of research and the price structure of their competitors. Additionally, at times when competitors lower their prices and Metropolis can not, Metropolis could initiate a loyalty program or a promotional campaign.
Their cleaning supplies supplier turns out to be unreliable and does not get products to them on time.	Metropolis will have a backup list of suppliers in the area to use in case of emergency. This list will help to determine a new supplier going forward.

Exercise 12.2: Your Obstacles

Think about some of the obstacles you think you might encounter as you develop your business. It might be helpful to discuss your business idea with someone else and ask them to help you brainstorm about the obstacles you might encounter. Sometimes we become too focused on our own goals and can't see things that others might see. List some of the potential obstacles you have identified below and generate possible plans to overcome these obstacles in the space provided.

Obstacle	Plan to Overcome Obstacle

Lesson 12.3: Overcoming Obstacles

While it can be useful to think about potential obstacles, you will never be able to plan and prevent every obstacle. The key instead is to have a positive mind-set and the flexibility to react to obstacles as they arise. This is easier said than done. Overcoming an obstacle might mean doing something all over again, which can be frustrating and perhaps make you feel like giving up. Note that both of these feelings – frustration and desperation – are driven by outside forces but come from within you. You might be unable to control what obstacles arise, but you can control the way you react to those obstacles. There are ways that you can prepare yourself to handle obstacles and react more positively when you encounter them. The following exercises provide some examples.

Exercise 12.3: Build a Support Network

Knowing you have others who are supportive of you and want to see you do well in life is probably one of the best ways to help you feel capable of overcoming obstacles. Sometimes just having someone else who believes in you is enough to make you feel like you can change the world. For this exercise, ask three important people in your life, preferably older than you and in a position of some authority, to be part of your support network. These should be people you can go to when you are feeling like giving up. They do not need to know anything about entrepreneurship or your business—they just need to be there to listen to you and give you words of encouragement. List the names of people below after they agree to support you.

Name: _____ Relationship to you: _____

Name: _____ Relationship to you: _____

Name: _____ Relationship to you: _____

Exercise 12.4: Pick Me Up!

When confronted with obstacles, it is easy to lose confidence in yourself and forget the passion you once held for your ideas. In this exercise, write words of encouragement to yourself below. This could be a compliment to yourself, a compliment someone else said to you, your vision for the future, or perhaps a quote that you find particularly motivating and uplifting. This way whenever you are feeling like giving up or when you are dealing with a particularly difficult obstacle, you can just turn to this page and hopefully these words will remind you of how great you are and help you feel ready to conquer the world again!

_____

_____

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_____

Lesson 12.4: Commit to Your Goals

Developing goals and a time line for meeting these goals is great, but actually achieving them is certainly another thing. How can you be sure that you achieve these goals or at least are headed in the right direction? The truth is that no one can guarantee this. But the one thing that is needed is commitment on your part. You have to believe in yourself and believe that you can reach your goals. To believe in yourself, you have to have a realistic understanding of your capabilities and consider what you really can achieve given these capabilities and your resources. It doesn't pay to commit to goals that are unrealistic or not achievable – it will only create frustration for you.

While you may know your capabilities better than anyone else, before you commit to goals you might want to discuss them with family or friends. They also know you well and probably know what you are capable of achieving. Discussing your goals with them might even spur you on to bigger goals since they may have even more confidence in you than you do in yourself. Family and friends can also serve as a reality check and make sure that you are not setting yourself up for failure by aiming too high with your goals.

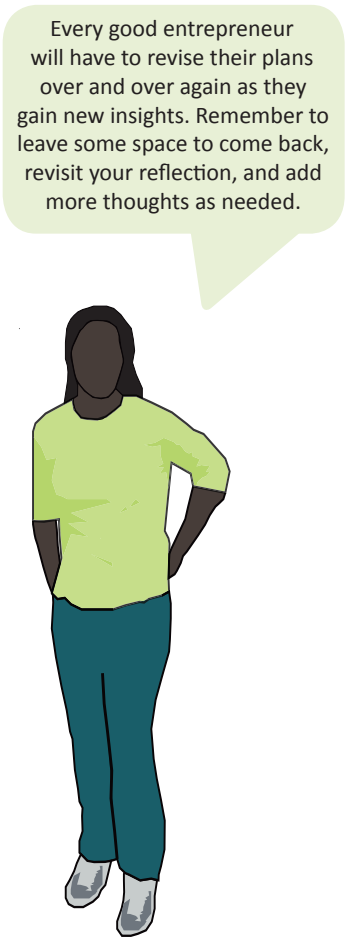
In the end, achieving your goals really comes down to you. You know yourself better than anyone else and the motivation to achieve your goals must come from within. Others can offer advice and support, but your actions are all that matter. While you need to listen to others to help you shape your goals, don't be deterred by those who may not share your passion and commitment. Move from ideas to action by setting goals and make a commitment to yourself to achieve those goals.

Exercise 12.5: Commit to Yourself

In the space below write a message to yourself about what personal and professional goals you would like to accomplish in the next six months. Be specific and realistic and make sure the goals you list are things that you will pursue with passion and energy. Come back to this page in six months and review these goals. Evaluate your success in reaching them and think about the reasons you were or were not successful. Based on this review, would you have done anything differently as you pursued these goals over the past six months?

Reflection: Taking Action

After learning about action plans and goals time lines, why do you think it is important to complete both of these steps before working on getting your business started? What was your most important takeaway from this chapter? Discuss the potential obstacles that you think you will confront in starting your business and how you might overcome them. Are there any plans for overcoming obstacles that stand out in your mind as good ideas that you could potentially use in the future?



Growing Your Business

Create A Process
Adapt
Diversify

13

Once you have your business up and running, almost immediately you will need to start to think about ways to sustain and grow your business. There are many ways to do this once you have established yourself in the market. This chapter will present you with some ideas about how you might be able to expand your business.

Important Words to Know

Complementary products: products that improve the experience of the other or are commonly sold or bought as a pair.

Employee: a person who works in the service of another under a contract that gives the employer the right to control the details of the work performance.

Customer log: a record of what a customer buys, when they buy it, how much they pay and other relevant information that will help the business identify patterns of customer behavior.

Diversifying: a strategy to increase profitability by focusing on offering new products or services, expanding into new customer markets, or identifying other ways to expand what the business offers.

Lesson 13.1: Create a Process

As your business grows, it will probably become increasingly difficult to satisfy the demand from your customers. You need to find a way to deliver a consistently high-quality product or service without having to be personally involved in every detail of the business operations. For example, pretend that you started selling handmade necklaces a few weeks ago, but now everyone is buying your necklaces and you keep running out. You need to hire other people to help you make necklaces. But before you can do that you need to create easy to follow, consistent instructions for making necklaces so that those you hire can produce the same handmade quality product. You need to make it so that someone else can be trained to complete all the tasks/processes you do on a day-to-day basis efficiently and with a high standard of quality. Doing this also gives you more time to think about the vision of your business rather than being caught up in the details of day-to-day operations. Your business may or may not have started with multiple owners or employees. Either way, there may come a time when you will need to add more members to your team.

Exercise 13.1: Analyzing Your Business

While you may not yet be ready to focus on growing your business and building your team, can you think of processes or tasks that you have already identified in your own business that you might be able to standardize and train others to do? Why do you think these tasks are the best to potentially assign to others?

_____

_____

_____

_____

_____

_____

_____

_____

After you have started your own business and you begin to become well-established in your market with a solid customer base, it is time to think about expanding. There is only so much that one person can accomplish on his or her own, so it might be time to think about adding employees who could help you grow your business. For example, if the Trash Removal business is running successfully and growing, they might consider hiring the following employees to free some of their time to focus on growing their business even more rapidly:

- **Additional sorters:** Another sorter could move the process along more quickly and efficiently.
- **Marketing associate:** Someone with extensive knowledge in marketing who can help them run a more intense marketing campaign for their services.
- **Book keeper:** Someone who can help them compile data on their business, including sales and purchase data, which will be one less task they have to complete on their own.

Deciding to grow your team and expand your business is not something that should be taken lightly, as new employees add more risk (are the people you are letting into your business reliable and trustworthy?) and add more expenses (new employee salaries) to your business model. Before hiring a new employee, make sure that your business can afford it (weigh the current risk of adding a new salary to your payroll versus the potential payoff in the future if adding the employee enables you to expand your business), extensively interview that person, and check his or her credibility and reliability with outside sources.

Exercise 13.2: Your Team

Think of potential employees that you could hire in the future as your business grows. In the chart below, list these employees, identify the role you would expect them to play in your business, and note some of the skills you would expect them to have.

Employee Title	Role Employee Should Play	Expected Employee Skills
Example: Bookkeeper	Compile data on the business, such as purchase amounts and prices, sales amounts and prices, other expenses, daily profit, etc.	General accounting knowledge; organizational skills; previous bookkeeping experience

Lesson 13.2: Adapt

Another way to grow your business is to carefully analyze what you observe happening and acknowledge what is and is not working the way you want it to. This is certainly easier said than done. Keeping a customer log is one way to see what is working. A customer log is not necessarily a formal part of your record keeping or accounting system, but it is simply a way to help you keep track of what your customers buy, how often they are buying and any other observations you might make about their purchasing behavior. Just jotting down some notes in a notebook can serve as your log and help you to see which products are popular and which are not. Remember, you can only see patterns over time so keep doing this. Do not jump to conclusions after the first day of sales. After some time has passed, you can begin to see what are your most popular products and begin to analyze why. If you find that something isn't working well, don't give up on it completely! There may be ways to change the product or service to improve it, and suggestions for these changes are likely to come from what you observe about your successful products or services. In the end, however, make sure you are objective in your decision making process. You might love something you are trying to sell, but if it is unprofitable and your customers do not seem to like it… it might be time to get rid of it or modify it.

The trash removal business is doing relatively well and they have been compiling data on their customers and their habits in purchasing. They start to review the data that they've compiled over the few months the business has been open and determined the following:

	Number Sold (A)	Cost per product or service (B)	Selling price per product or service (C)	Individual profit per product or service (D)=(C)-(B)	Total profit (A)x(D)
One time only scheduled pick up	12	4.00	8.00	4.00	48.00
5 month pick up package	15	10.00	25.00	15.00	225.00
Special time pick ups	7	10.00	30.00	20.00	140.00
Bags	36	0.10	0.50	0.40	14.40
Other Cleaning Supplies	24	1.00	2.00	1.00	24.00

Collecting data like this is very important. It can help Metropolis identify products they should eliminate, stock more or promote more often. As your business grows, you will want to create a similar system to track how your products are selling and for what profit each is responsible.

While a customer log is a great way of capturing the profit from a transaction, it may not be completely reflective of the strength of each product or service. Before the business stops providing any service or selling any products, they have to consider whether their customers will choose to use their other products or services if the current one is discontinued. For instance, Metropolis has learned from their customers that customers who purchase the low margin trash bags are more likely to pay for their higher-margin pick up services. Therefore, Metropolis will want to continue to sell the bags.

Remember that identifying the strengths and weaknesses of your business is an ongoing process. You will want to continually evaluate your operations and determine what is working and what isn't and develop an action plan for addressing your weaknesses and focusing on your strengths.

Lesson 13.3: Diversify

Once you identify the strengths and weaknesses of your business, you might consider diversifying your business. To diversify your business means to expand the kinds of products or services that you offer. When you do this, be sure to build on your strengths and avoid taking actions that might weaken what you are already doing.

One example of diversifying is to offer new products or services that complement your core business. This means that you will add products or services that you think your existing customers could use or that what add something that is closely related to what you already offer. For example, the Trash Removal business may one day decide to extend their services to include additional cleaning services. Soon, they might become known as the owners of a business that can address multiple cleaning needs in the community. Remember, however, that diversifying your business will cost money. There are always additional expenses incurred when adding new products. Make sure you look back to other chapters of this book as you consider diversifying to guide your decision process with your mission, market research, and your financial situation.

Exercise 13.3: Complementary Products

This exercise is to help you think about ways that various businesses could expand into different product lines. Identify three complementary products that each of the following businesses might offer:

Fisherman

_____

_____

_____

Hair Salon

_____

_____

_____

Art Store

_____

_____

_____

Your Business

_____

_____

_____

Once you start thinking about complementary products or services for your business, you will need to do research and come up with a plan for implementing the new product or service. For example, you need to identify a supplier, develop the processes for selling this product or service, determine how much you will sell the product or service for, etc. In a way, it's almost like going back to the beginning of this workbook and starting all over again for this new part of your business. Once you have implemented the new product or service, you will need to continually analyze what is happening to determine if it is a successful addition to your business. Remember, not every product or service will be a success – even if it sounded like a great addition to your business, it may not work out the way you want it to. Be ready to adapt and change!

Reflection: Growth

Growing your business is not an easy task. It takes a lot of evaluation and a lot of work. You need to look at all the pieces of your business – not just your products! You might find that the pricing needs to change, or that your marketing plans aren't working for one reason or another. The business planning process never ends. It is important to constantly evaluate your business and make sure that every piece makes sense. Use this space to reflect your ideas for future growth.

Every good entrepreneur will have to revise their plans over and over again as they gain new insights. Remember to leave some space to come back, revisit your reflection, and add more thoughts as needed.

Entrepreneurship of All Kinds

You are an Entrepreneur
Practicing Entrepreneurship
Entrepreneurial Leadership

14

In this chapter, we'll discuss the ways you can apply the skills you've gained throughout this book to your everyday life!

Important Words to Know

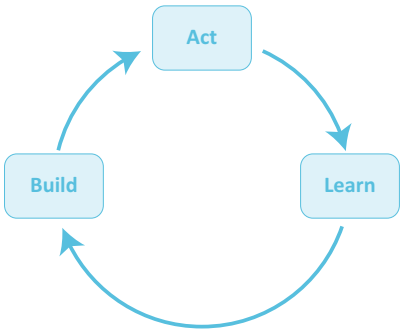
Entrepreneurial Leadership: A form of leadership that practices the skills of an entrepreneur in every aspect of life to bring innovation and action to all that you do.

Lesson 14.1: You Are an Entrepreneur

Entrepreneurship is everywhere. Entrepreneurship is a problem solving technique and way of thinking in which a problem, a want or need of a group of people, is identified as an opportunity. That opportunity is then approached through the practice of acting with the resources available, limiting risk by understanding one's self, available resources and relative environment, acknowledging the unknown, and then learning from the successes and failures of the action or actions taken.

Entrepreneurs solve problems because entrepreneurs see problems as opportunities. We all face problems in all areas of our lives - both work and personal. The skills you've learned in this program are LIFE skills, which you can use in any project you under take, or within any organization in which you take part.

Entrepreneurs address opportunities using the resources they have on hand - both when they're starting a venture, AND in their everyday life. In doing so, entrepreneurs take small steps - everyday actions that move them a bit closer to their goals - and then learn from those actions. They repeat this process, continually moving forward using the lessons they've learned, in a more informed way.



The "Act > Learn > Build" model - which we talked about in Chapter One - can be used in everyday life. How can you use this process outside of creating a business? Let's look at a few examples.

Let's imagine that you want to start walking to school taking a different route than you normally do, but you're unsure about the amount of time it will take to get there. Rather than taking the risk of being late to class the first time you try, you choose to test your possible new route on a Saturday. You plan 20 minutes for your walk, and leave at the same time you would normally leave for school.

By the time you arrive to school, you realize that 35 minutes have passed. You now know that you will need to leave 15 minutes earlier, or go back to your old route. Either way, you haven't lost much because you are not late to school!

In this example, the opportunity is a new route to school. You decided to ACT - you took a small, relatively easy step by trying out your new route on a Saturday. You LEARNED that it takes you longer to get to school on this new route. Now you're ready to BUILD... next time, you'll either need to leave earlier to take your new route, or continue taking the route you normally take to school.

Act

You took a small, non-threatening step - saying 'Hello'.

Learn

From his response, you now know he is a nice person.

Build

Finally, in the future, you'll spend more time with him.

Let's look at another example: Imagine that there is a student in your class who is always alone, and tends to be very quiet. It's very likely that everyone thinks that this student does not want to make friends.

Asking him to play soccer with you and your friends seems like too much before you know him, but what if you decided to take a small step and just say 'hello' to him today. When you do, he responds very kindly, and asks about your day.

Given his positive response and attitude, you learn that he's a very nice person. The next time you see him, you may ask him if he wants to join you at the local internet café after school. It's as simple as that! What did we learn in this example? Your OPPORTUNITY is the potential to make a new friend. You ACTED by taking a small, nonthreatening step - saying 'Hello'. From his response, you LEARNED that he is a nice person. Finally, you decided to BUILD; in the future, you'll spend more time with him.

Act

You took a small, relatively easy step by trying out your new route on a Saturday.

Learn

It takes you longer to get to school on this new route.

Build

Next time, you'll either need to leave earlier to take your new route, or continue to take the route you normally take to school.

As you can see, the Act - Learn - Build model isn't just for business; there are many ways that you can apply this model to your everyday life!

Lesson 14.2: Practicing Entrepreneurship

Living entrepreneurially requires practice and reflection. Your future is made up of the results of many decisions that you will make along the way. As you go through your life, consider the following eight practices for living well and making good decisions, taken from the lessons of From Ideas to Action.

Know yourself – your skills, passions and values.
In the From Ideas to Action chapters 'Knowin Myself" and "Finding My Passion". you identified your strengths, values and passions, all of which impact how you think and the way you make decisions. The foundation for all of the decisions that you make - in business and in life - are rooted in your passions and core values... and your general self-awareness.

Know and Grow your Network.
Meeting new people is the single greatest way to find new opportunities, and solve problems at home and at work.

Know Your Audience - or Community!
Entrepreneurs make decisions that affect people every day. The more you understand the people who are affected by your decisions, the more successful you will be. Knowing what is important to them, their challenges and how they get their information will contribute to your success.

Look for Connections.
The methods of making connections described in the From Ideas to Action chapters about your community and Idea Generation can help you see the way you - your skills, interests, and values - fit into any scenario.

Develop Processes and Good Teams.
Effective decision-makers must be able to understand and create processes, and identify and engage other people's talent in an effective way.

Create Systems to Measure your Progress
No matter what you are tracking - money, grades, goals or other things - developing a system for measuring and recording your progress is the best way for you to manage information - which you can then use to make decisions!

Use your Resources Efficiently
Recognizing the resources you have and knowing how you can use those resources to take action on your ideas is one of the most important skills of being an entrepreneur.

Communicate Effectively
Regardless of the task, your ability to communicate is extremely important. Being clear about you and your goal can help you and others to accomplish your objectives better. Remember your Rocket Pitch! One of the most important everyday functions of entrepreneurs is the ability to consider all of the skills mentioned above, and use the information gathered to make informed decisions - what we call strategic decision making.

Exercise 14.1: My Goals for Practicing Entrepreneurship

Use the space below to make notes about your goals for each of the eight principles of practicing entrepreneurship.

Know Yourself – your Skills, Passions and Values.

_____

_____

Know and Grow your Network.

_____

_____

Know Your Audience - or Community!

_____

_____

Look for Connections.

_____

_____

Develop Processes and Good Teams.

_____

_____

Create Systems to Measure your Progress.

_____

_____

Use your Resources Efficiently.

_____

_____

Lesson 14.3: Entrepreneurial Leadership

The skills that we've talked about here are not just important to entrepreneurs; these core skills are often the same used to describe a great leader. People who use and practice these skills are often described as inspiring others; being passionate; confident; and skilled at what they do. This combination of entrepreneurship and leadership will enable you to take your ideas further than you could imagine. Your idea will become important, not only to you, but to others as well.

Your idea could change your community and beyond! It's important to remember that as an entrepreneurial leader, you should be consistent in your values across all that you do. Be honest with yourself about your goals and intentions; be open to change, and be sure to always empower others to do the same. These skills - emphasized throughout this workbook - are the core of entrepreneurial leadership.

Remember that you are an entrepreneurial leader EVERY DAY. Continue to practice it, because you can change the world.

Reflection: Entrepreneurial Leadership

You've come a long way! Use the space below to reflect on your journey From Ideas to Action. What actions will you take now?

My Business Plan (Annotated)

Use this guided template to create a draft of your business plan as you work through the exercises in the book. When you are done, go to Appendix II and write the final draft of your business plan.

I

Name of Business: _____

Name of Entrepreneur(s): _____

Date: _____

This will be your cover page. Feel free to add artwork relevant to your business or a logo but be sure to include the name of the business, the name(s) of those starting the business, and the date.

Summary

This section will serve as a summary of your entire business plan. It will likely be the last section of your plan that you write.

Market Analysis

Positioning

This section describes how your idea is unique and adds value relative to other businesses which may already be out there addressing the very same issue. Be sure to include a positioning map.

SWOT Analysis

This section describes internal strength and weaknesses as well as external opportunities and threats in the marketplace. Be sure to include how you will capitalize on your strengths and opportunities and minimize your weaknesses and threats.

Strengths What are your product's strengths? What makes your product different from others?	**Weaknesses** What is something your product or service does not do well?
Opportunities What are the opportunities in the marketplace? What can you take advantage of to introduce your business?	**Threats** What are the threats in the marketplace? What will make it difficult to introduce your product?

Product or Service Solution

Mission Statement

This section describes your product or service idea in and its importance in a short, concise, and powerful way. Be sure to include in your description your idea, the need you are meeting, and the people who will benefit from your idea.

Product or Service Description

This section describes your product or service idea. Be sure to include information about the value added by your idea and how you are positioning yourself in your business environment.

Marketing and Sales

People

This section describes in detail the people whose need your product or service is meeting. Be sure to include demographic information as well as how they use the product or service.

Promotion

This section describes your promotion strategy. Be sure to include information about your brand identity as well as information about the costs associated with your plans.

Place

This section describes the location at which you will sell your product or service. Be sure to explain why you have picked this location as it relates to what you know about your target customer.

Price

This section identifies the price at which you will sell your product or service.

Operations

Product and Distribution

This section describes in detail how you will get your product or service to the customer. Be sure to include a drawing of your supply chain and a description of each link in your chain as well as what inputs you will need and from whom you will get them.

Team

This section describes the team members who will be running the business. Be sure to include a description of each team member's role in the business's operations.

Core Commitments

This section describes your core commitments to yourself, to each other (if you have a team), and to the community your business serves.

Financial Statements

Cash Flow Statement

This statement shows your use of cash and ultimately the amounf of cash that you have available.

Cash Flow - Operations	
Net Income	
Increase Accounts Receivable	
Increase Accounts Payable	
Total Cash Flow from Operations	
Cash Flow - Investing	
Acquisition of new equipment	
Total Cash Flow from Investing	
Cash Flow - Financing	
Repayment of Long Term Debt	
Issued Stock	
Paid in Capital	
Total Cash Flow from Financing	
Total Change in Cash	

Pro Forma Income Statement

This statement shows an estimation of how profitable your business will be over time.

Schedule of Start-Up Costs

This statement shows what expenses your business will incur before operations start and how much cash will be needed to cover these expenses.

Funding

This section describes what resources you need to start your business and where you will get those resources from.

My Business Plan

II

Name of Business: _____

Name of Entrepreneur(s): _____

Date: _____

Summary

Market Analysis

Positioning

SWOT Analysis

Strengths	Weaknesses
Opportunities	**Threats**

Product or Service Solution

Mission Statement

Product or Service Description

Marketing and Sales

People

Promotion

Place

Price

Operations

Product and Distribution

Team

Core Commitments

Financial Statements

Cash Flow Statement

Cash Flow - Operations	
Net Income	
Increase Accounts Receivable	
Increase Accounts Payable	
Total Cash Flow from Operations	
Cash Flow - Investing	
Acquisition of new equipment	
Total Cash Flow from Investing	
Cash Flow - Financing	
Repayment of Long Term Debt	
Issued Stock	
Paid in Capital	
Total Cash Flow from Financing	
Total Change in Cash	

Pro Forma Income Statement

Schedule of Start-Up Costs

Funding

My Notes

Glossary

IV

Assets: resources your business controls and owns to create value for your business. Assets can be "tangible" (can be seen, touched, etc) or "intangible" (not visible, not touchable, etc).

Balance: the intersection between opportunities and commitments. Allows one to be responsible yet have the option to participate in other activities, events, or ideas.

Behavioral Style: the behaviors you naturally exhibit while influencing others.

Commitment: activity or responsibility you are required to pursue.

Community Needs: something that is necessary to improve the quality of life in the community.

Community: a social group of any size whose members reside in a specific locality.

Complimentary products: products that improve the experience of the other or are commonly sold or bought as a pair. Ex. Peanut Butter and Jelly

Core Value: a small set of key concepts and ideals that guide a person's life and help him or her to make important decisions.

Cost of Capital: the cost to your business of obtaining money and resources from various sources (loans, investors, etc).

Efficiency: Using Good quality materials, reducing costs, speeding up production time, putting needs first over wants.

Entrepreneur: a person that utilizes problem-solving techniques to seek out new opportunities.

Entrepreneurship: a way of thinking and acting that focuses on identifying opportunities, informs action with analysis, and is driven by a passionate individual or team.

Equity: the ownership interest in your business. Equity can come from money you or others contribute to the business, or from profits that are re-invested into your business.

Ethics: Study of right and wrong, a code of ethics defines a business's professional behavior.

Executive Summary: an overview of the main points of a business plan or proposal

Financial Statements: reports that show your business' financial health; two of the most common financial statements are the Balance Sheet and the Income Statement. The Balance Sheet shows the assets, liabilities and equity of your business on a specific date. The Income Statement shows how profitable your business was over a period of time.

Flexibility: being able to adjust what you are doing, when you do it, and how you do it as unexpected variables arise

Goals: identifying all of the tasks you need to do in order to accomplish something

Goals Timeline: a tentative schedule of when to complete certain tasks by in order to accomplish something

Ideate: a system for generating and creating new ideas.

Inputs: The raw materials needed to make your product or service (example: an input of a dress shop is fabric).

Interest: the cost of borrowing money, usually calculated as a percentage of the principal.

Investor: Someone who offers money, equipment, expertise, and/or other resources for a profitable return.

Investors: people who contribute money or other resources to your business. Investors usually expect to make a profit from their investment and often look for the ability to ask for their money back at some point in time.

Liabilities: money your business owes to people, organizations, or other businesses.

Marketing Mix: the mix is made up of the 5 basic elements known as the 5 P's: Product, Price, Place, Promotion and People.

Mission statement: conveys your product or service idea and its importance in a short, concise, and powerful way.

Networking Tree: a diagram that displays the relationships of people in connection to yourself

Networking: Utilizing the people and places around you to market your business.

Obstacle: An unexpected variable that prevents you from reaching a goal.

Opportunity: a good position, chance, or prospect, as for advancement or success.; an idea, activity, or event you can choose to pursue.

Outputs: The finished product or service you will be selling to your customer.

Partnership: two or more people who come together, pooling their money, knowledge, time, and other resources to start and operate a business.

Passion: what drives, motivates, and defines what you do.

Personal Mission Statement: a small set of key concepts and ideals that guide a person's life and help him or her to make important decisions.

Personal Pitch: how you can concisely explain who you are and what you value to someone else

Positioning: The process of setting a specific perception of your product in your customer's mind set (think about the quality, price, service, and other strengths of your business or product).

Principal: the amount of loan money borrowed.

Raw Ideas: ideas that are still in the process of becoming complete.

Reach and Frequency: Reach is the number of people you touch with your marketing message or the number of people that are exposed to your message. Frequency is the number of times you touch each person with your message. Remember this rule when considering your reach vs. frequency options: Reach without Frequency = Wasted Resources. It may be more effective to touch a small number of people many times than to touch a large number of people only once.

Reflect: to think carefully about past experiences, personal knowledge and consider what has been learned.

Rocket Pitch: A succinct presentation of a business idea used to attract investors, advisors, partners, and other collaborators.

Self-Awareness: being able to understand and self-regulate your emotions as they occur.

Social Responsibility: Idea that a business has a duty to community members, not just the business.

Suppliers: Vendors you purchase your inputs from.

Supply Chain: a channel of distribution beginning with the supplier of materials or components, extending through a manufacturing process to the distributor and retailer, and ultimately to the consumer.

Supply Chain Management: The management and coordination of a product's supply chain for the purpose of increasing efficiency and profitability.

T-account: a tool that, when drawn, looks like a "T" and is used to help separate and keep track of your accounting transactions. Each T-account has an account title, two sides (+ and -), and amounts for any transactions that increase or decrease that account.

Target Market: the population or group of people who wants to buy your product or service. These are the people you will direct your marketing messages to.

Transaction: buying, selling, or trading something for goods, services, or other resources in a business deal. Transactions often deal with money flowing into and out of your business.

Visual Aid: A tool used to better explain a concept, communicate key information, or engage an audience.

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V

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Sample Business Plan

This sample business plan was adapted from a real submission to the Entrepreneurial Leadership Academy.

VI

METROPOLIS TRASH MANAGEMENT

Summary

After a critical look at unmet needs our community we saw that most households and businesses find it difficult to get rid of their accumulated trash properly because current waste management services do not frequently attend to our neighborhoods. This accumulated trash poses a threat to the health of residents and the community at large and doesn't take advantage of ways to reduce the amount of trash disposal through recycling and composting. Hence, we saw the opportunity of starting Metropolis Trash Management for collecting and effectively disposing of waste both to help our neighbors and help protect our earth.

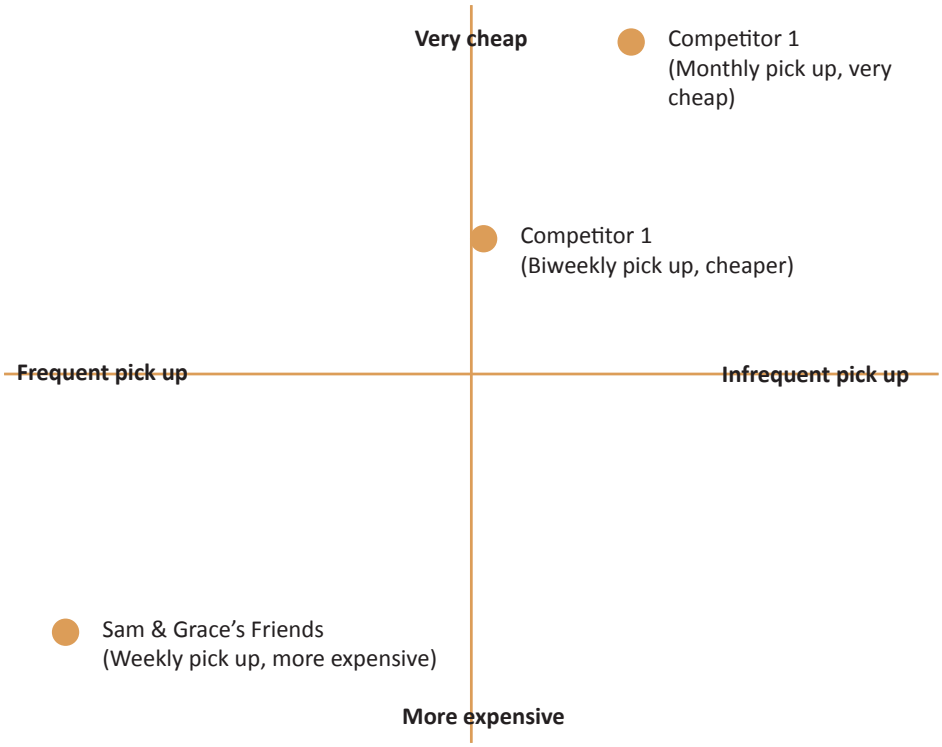
Metropolis Trash Management will collect rubbish from homes and firms which find it difficult to dispose of trash properly. The rubbish will be sorted and cleaned the recyclable materials from the nonrecyclable trash and organic materials. The cleaned recyclable trash will be sold to a recycling factory in our community, it will be transported to that factory using the bicycles. The nonrecyclable trash will be dumped at a government refuse dump in our locality. The organic trash will be buried at a compost site, for now the backyard of a founder's home, and the compost will later be sold to agricultural businesses at an affordable price.

Market Analysis

Positioning

There is another company in the community offering trash management services, but they are unable to meet the entire need of our large community. Furthermore, their focus is primarily on businesses rather than residential ares and their pick-up times are infrequent.

The Metropolis Trash Management team feels that their business adds value through providing a consistent and frequent pick-up of trash. Since they have decided to position their business based on the frequency of trash pick up, their positioning statement is "Most Reliable and Frequent Trash Removal Service."



Strengths, Weaknesses, Opportunities, and Threats

Strengths	**Weaknesses**
High quality disposal process; Existing relationship with manager at recycling factory	Transportation challenges
Opportunities	**Threats**
Founder has space for sorting process; High demand for art and jewelry made from recycled materials	Overwhelming need in the community; Government infrastructure may ultimately overtake services

Product Service Solution

Mission Statement

Metropolis Trash Management provides small businesses and homes around their community the ability to affordably live in a healthier environment and to work together to minimize their community's environmental footprint through the correct disposal, recycling, and composting of waste materials.

Product or Service Description

Metropolis Trash Management will collect rubbish from homes and small firms which find it difficult to dispose of trash properly. We will enlist homes and small businesses such as internet cafes, tailoring shops, and food joints to hire our trash management services for a monthly fee. The Metropolis team will use two modified bikes in all transporting of trash. The team will bike to the homes or small businesses of their clients and pick up their trash. The team will bring the trash bags back to their plant site where it will be processed. The team will then sort the trash, repackage it, and either deliver it to a disposal facility or sell it to a recycling plant. Organic items which can be composted will be collected in a small plot of land near the sorting site. This compost can be purchased by nearby farmers.

There will be a growing demand for our services because we are fast, effective and reliable. Individuals will always have trash in their bins to be collected so our customers will be anxious to dispose of their trash through our services. Metropolis will be sustainable because there is a constant supply of waste from homes and businesses.

Marketing and Sales

People

Our target market is made up of residents in the community as well as small businesses and firms such as internet cafes, tailoring shops, and food joints. Our customers will need our services because they currently find it difficult to dispose of their trash properly. Especially in our community, the current solution is overwhelmed and unreliable.

Promotion

Since we are a service business, we recognize the importance of focusing our promotion around building trust and relationships with our customers. Our early promotion methods will be low cost because we will simply go door to door to share information about our services. Once we have begun generating revenue, we will invest in stickers and posters to hang around our community to grow our business more. Our bicycles will be brightly decorated to call attention to our business.

Place

Metropolis Trash Management will be operated out of the home of one of our founders. Additionally, the backyard of one founder will serve as our plant site at which trash is processed. This backyard will also serve as the original compost site for organic materials collected. Customers will not come to our site, they will see our bicycles in the community which will spread our name further.

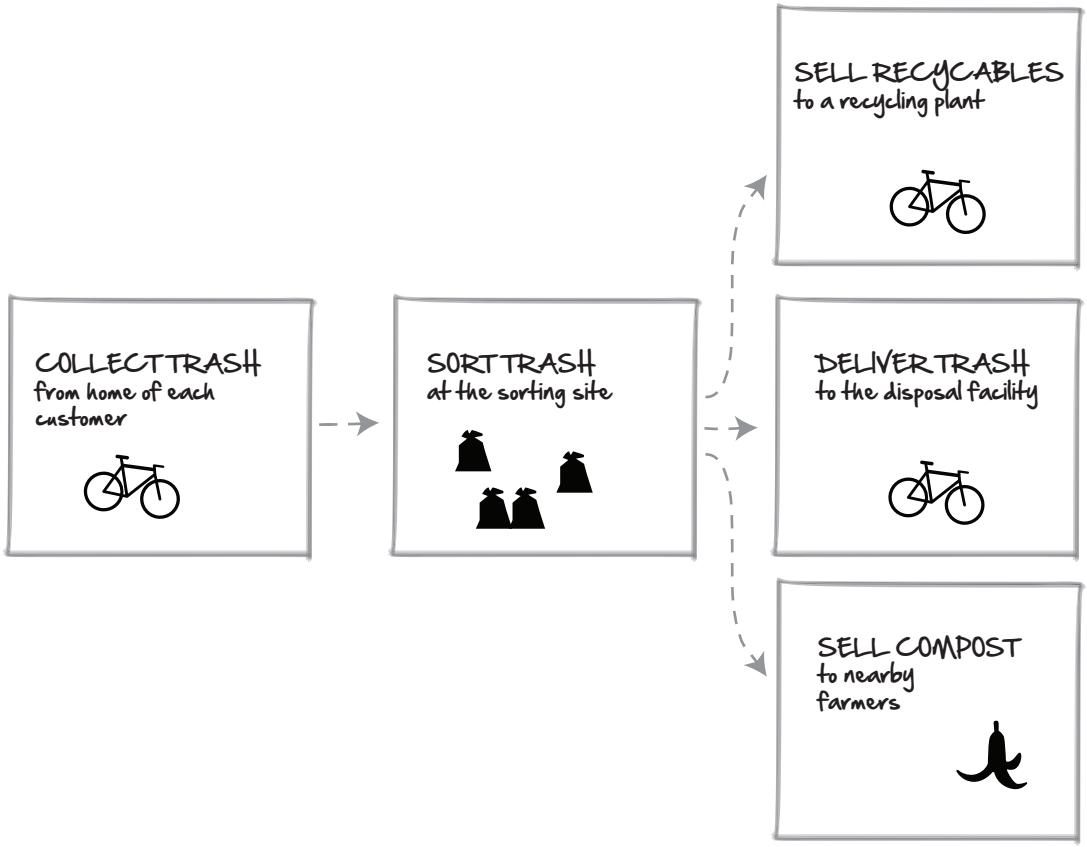
Price

Our prices are affordable. Each customer will pay a monthly fee for regular pick up services. There will be multiple pricing packages depending on how often the customer would like the pick up services.

Operations

Production and Distribution

Metropolis Trash Management will enlist homes and small businesses such as internet cafes, tailoring shops, and food joints to hire their trash management services for a monthly fee. The Metropolis team will use two modified bikes in all transporting of trash. The team will bike to the homes of their clients, pick up their trash, and supply new trash bags. The team will bring the trash bags back to their plant site which is located in the backyard of the founder where it will be processed. The team will sort the trash, repackage it, and either deliver it to a disposal facility or sell it to a recycling plant. Organic items which can be composted will be collected in a small plot of land near the sorting site. This compost can be purchased by nearby farmers.



Team

Metropolis Trash Management is a joint partnership founded and lead by Mary and Isaac. All decisions about the business will be made together.

Mary
Director of Operations

Mary loves to go on long bike rides and knows the community neighborhoods well so she will handle all the transportation of trash. Mary will be the leader of business operations as she well be responsible for picking up the trash from their customer's homes as well as delivering the sorted trash and recyclables to the correct disposal facilities. Isaac and Mary will share the responsibility of sorting the trash. Her backyard will serve as the sorting site and composting site.

Isaac
Director of Sales, Marketing, and Accounting

Isaac is good at drawing and making signs and flyers. He is also very good at interacting with customers from growing up watching his mother run a very successful tailoring shop. Isaac will be the leader of marketing and sales as he will be responsible for creating promotional materials, recruiting homes and small businesses to buy their services, and selling the compost to nearby farmers.

Core Commitments

Our team agrees to the following core commitments to ourselves, to each other, and to the community our business serves:

- **Empower each other to be the best we can be individually and as a team.** We will strive to be leaders in our community as we continually grow in knowledge and skill and embrace challenges. We will create a team culture full of positive energy, communication, and honesty. We will always act with conscience and no regrets.
- **Make our community a better place.** We will create solutions to real needs in our community. We will strive to make these solutions self-sustaining and long-term.
- **Constantly learn and innovate.** We will listen to our community to deeply understand their needs and always think about new solutions. We will embrace opportunities to learn from our own experiences, from each other, and from others in our community.

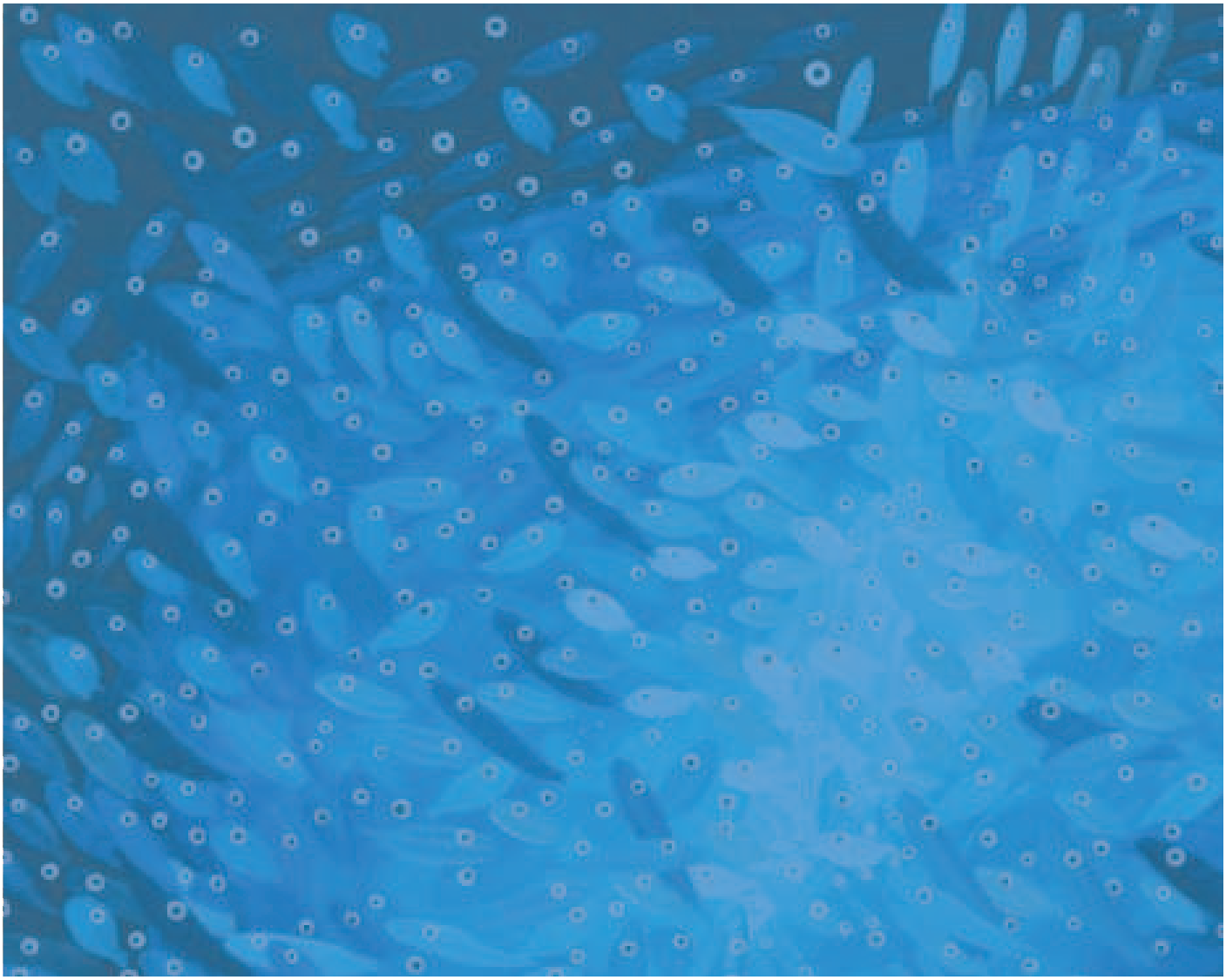
If at any point someone on our team feels that we are not upholding these commitments, it is necessary that the team member take action by bringing it to the attention of the other members of the team.

Financial Statements

Refer to Chapter 8 for sample accounting statements.

Funding

Metropolis Trash Management will acquire most of our necessary resources through our families. Our main equipment needs are taken care of by one founder's family allowing us to use their home as our plant and sorting area. Additionally, both founders already own bicycles that will be the first two bicycles of our company. The only additional cost will be what it costs to modify our bikes and the bags that we will need to provide to our customers. We will borrow a small loan from one founder's father's business to cover our initial costs. We will pay the loan back with 3% interest over the next 6 months.



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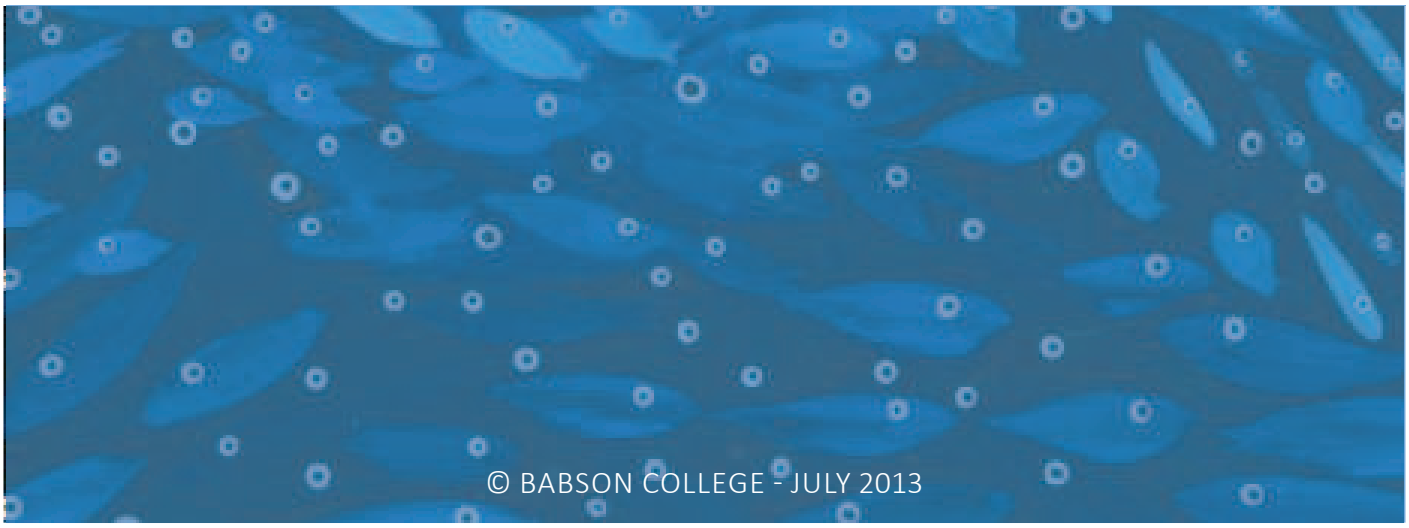

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