



*RURAL DEVELOPMENT AND ENVIRONMENTAL EDUCATION IN
MONGOLIA*

TRAINING HANDBOOK

*BUSINESS SCHEME
DEVELOPMENT*

*UlaanBataar, Mongolia
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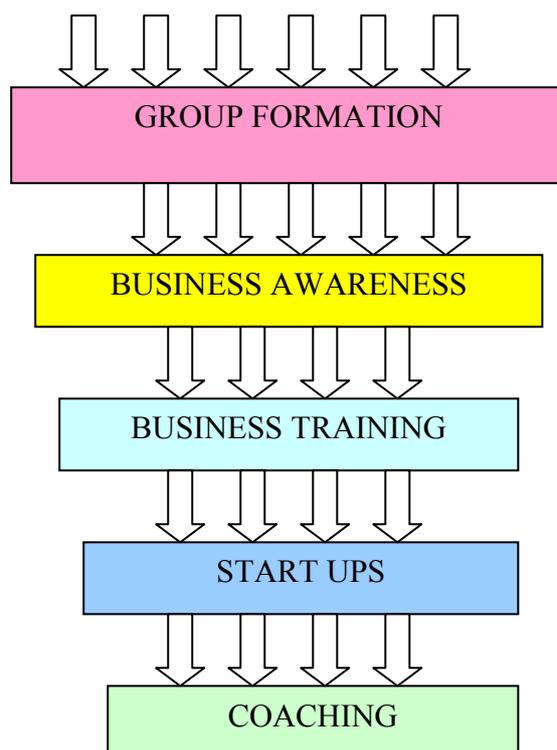
1: INTRODUCTION

This Business Scheme Development Training Handbook has been initiated within the project Rural Development and Environmental Education in Mongolia, managed by WWF, Mongolia Programme Office with the assistance from Rambol Natura AB, Sweden. The project is co-funded by Sida, Sweden and WWF, Mongolia.

The rationale to develop a separate training handbook for the business scheme development component in the project is an experienced lack of an appropriate manual, tools and working material to be used in the rural development context and in the private sector enhancement in Mongolia.

The purpose with this training handbook is to give trainers in business development and WWF staff adequate material and tools to illustrate and make business development training easily understandable and consistent. Efforts have been devoted to focus on the most essential parts of the business development concept and to explain and visualise these parts as clearly and simple as possible. The content and the examples are adapted to be as relevant as possible to newly formed community groups and maybe entrepreneurs living in the rural situation in Mongolia. The ultimate purpose with this handbook, the conducted business development training and the support and coaching organised by the project, is to enable herder community groups, and individual herders, to embark upon economical and environmental sustainable business ventures. These business schemes should generate long term surplus income to the groups and the individuals and thus contribute to improved living conditions.

The business development training should be looked upon as one phase in an integrated process of consecutive interrelated activities in which each phase is essential to achieve a successful and viable business start up.

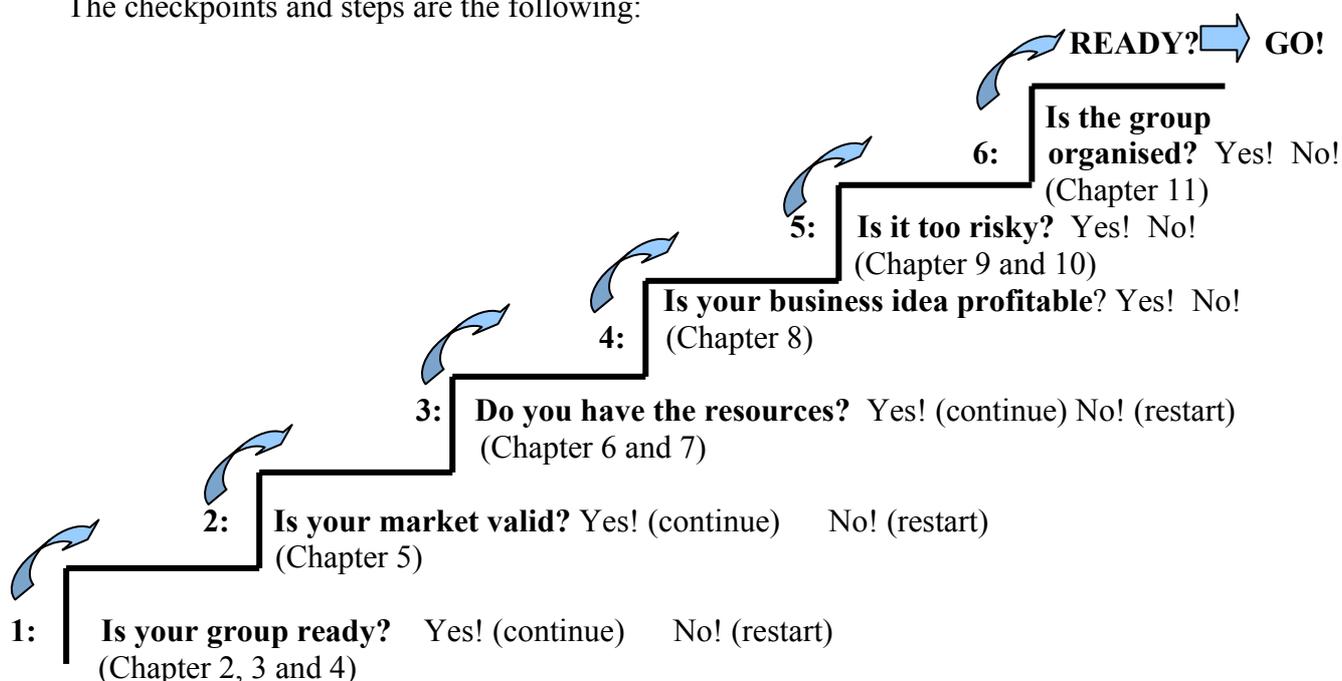


- Group formation – the community group has to be ready and mature enough to embark upon a business venture. A newly formed group needs time to establish cohesiveness and develop adequate and effective management. The objectives for the group should have been clarified and a group fund should have been started.
- Business awareness – the first step for the group/entrepreneur is to identify what options and opportunities there are for starting a business venture and to understand what risks and requirements are involved.
- Business training – intends to give the group/entrepreneur a good and realistic understanding on how a business is operated, factors to be considered before starting, risks involved and how to make plans and preparations before start.
- Business start up – a well organized and arranged start minimises risks and shortens the time before the business will generate income.
- Coaching – it is important to follow up and give support to all newly started businesses to ensure a smooth start and facilitate further development.

This training handbook is designed to give trainers in business development a better understanding about what is required and what should be done before starting up a business scheme. The handbook will give some adequate tools to be used when organising and running training for community groups and interested individuals who intend to start own business ventures.

The handbook is organised in 6 distinctive steps where each step is a checkpoint. Before moving up onto the next step, the group should fulfil all the requirements needed on the actual step. If yes - then the group can start on the next level. If no – then the group have to re-think, maybe redefine the business idea or elaborate their plans better.

The checkpoints and steps are the following:



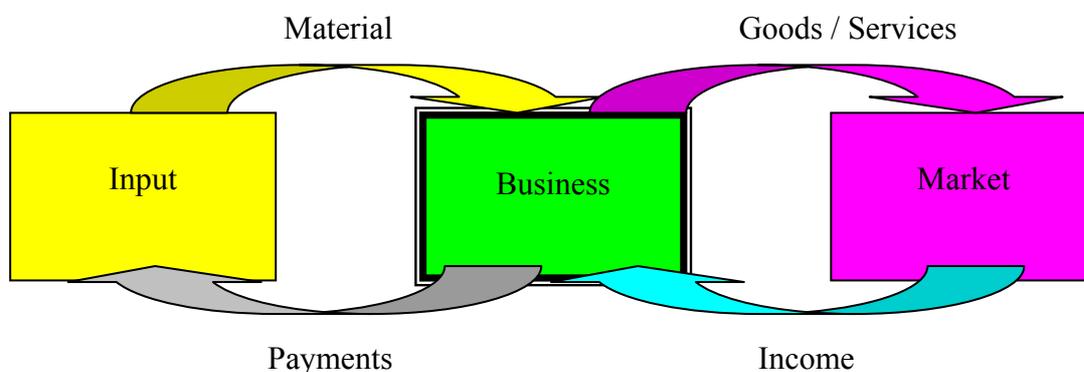
In this handbook we discuss from the perspective that we are working with community groups. The process and key methods are identical when an individual entrepreneur will start his/her business. The material will thus be applicable also for the individual entrepreneur.

2: ASSESS THE GROUP – SHOULD WE START A BUSINESS?

The success of any business depends largely on the characteristics, skills, experience and the financial situation of the community group or entrepreneur. Before starting up a business, it is important that everybody in the group has thought about, discussed and thoroughly assessed if the group have the capabilities, strength, motivation and group management required to start their own business.

What is a business?

A business activity is undertaken by a group with the purpose to generate income and a profit. A business either sells services, or makes or buys goods which after processing are sold to customers.



To make the business successful the flow of money from the market into the business has to be larger than the flow out for payment of different products and resources. A successful business goes through the business cycle repeatedly and efficiently and continues producing, selling and earning regular income for many years.

Assessing the group's characteristics and skills

Starting a business is an important step and it will influence the group and its members for a long time. To run a successful business always means hard work and it can be both satisfying and profitable. But there are risks involved, and the group should be skilled enough to manage the business properly and to continuously improve and develop the scheme to ensure the future income and profit.

The group's capabilities and skills will largely determine how well the business will develop and thrive. Some of the general characteristics needed for a successful group/entrepreneur are;

Characteristics

- **Commitment**
The group has to be truly committed to start and run a business. Commitment means that everybody involved in the business venture are prepared to work hard, sometimes long hours,

with the different tasks needed to run the business. It also implies that the group are willing to risk some of their own capital to launch and run their business.

- **Motivation**
To succeed in the business, everybody in the group have to understand the purpose, objectives, tasks and the risks involved in running the business. A true motivation to work hard and to cooperate with the other community group members in the business is required.
- **Taking risks**
There are no absolute safe business ideas. There are always risks for failures and losing money. The group has to be aware of and willing to take risks. No business idea should be started before a risk assessment is carefully carried out and all the group members have considered the risks involved.
- **Group management**
The group management has to be capable of analysing different situations and take prompt decisions on how to proceed. The information flow to the group members has to be transparent and the management will have a clear role to communicate information timely. An active and effective group management is essential if the business scheme is going to succeed.

Skills

- **Technical skills and experience**
Technical skills are the practical abilities needed to produce the product or provide the service of your business. Earlier experience of the production or service will facilitate running the business and ensure that the group avoid many mistakes and risks.
- **Business management skills**
Business management skills are the abilities the group need to run the business. Skills in selling are often the most important but other types of skills such as budgeting, management of staff and record keeping are also necessary.

Own resources

- **Own time**
A business start requires availability and willingness from the group to put in their own resources into the business. Most common is to put in lots of your own time without taking any wages or payment. This is particularly common in the start up phase when lots of time is required to initiate, get the production started and to be active on the market.
- **Cash funds**
Depending on the type of business to be started, the financial resources required for a start up varies. Usually input of own resources and money is needed to finance necessary investments and cash running capital. Without any group fund or own resources it might be impossible to acquire the needed remaining funds.
- **Material etc**
Some of the resources might be material, machines or buildings which the group already has. This can facilitate and decrease the necessary input of cash funds.

The group might not have all the capabilities and skills required for a business scheme from the beginning. Group management and motivation can be strengthened through management training and regular group meetings, where management issues and group regulations are discussed and developed. Minimum requirements before a group starts a business venture is that the community group should have decided on their group regulations, elected a management team and started their own community group fund.

Technical skills and abilities need often to be further strengthened before a business can be launched. The group members can participate in technical training conducted by the WWF project or by some other organisation to improve the members' technical abilities. Other community groups within or outside the project area, which are already running similar business schemes, will have valuable experiences to tell.

The most important factor is that the group has the right cohesiveness and motivation to work hard and carefully to succeed with the business scheme.

EXERCISE 1 – GROUP ASSESSMENT

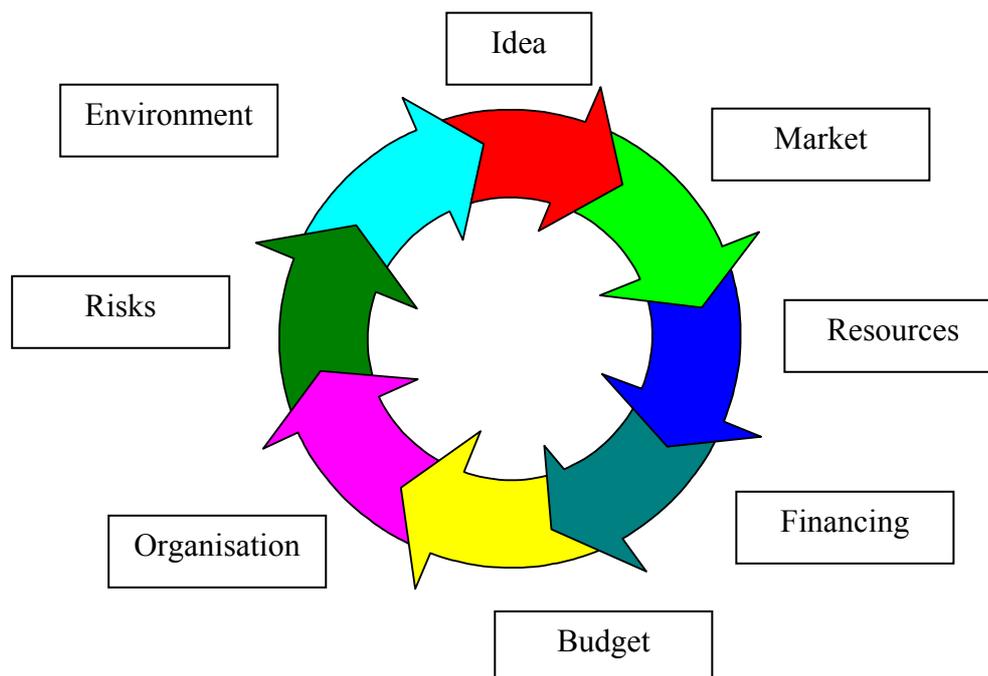
3: WHAT BUSINESS SHOULD WE START?

A successful business begins with a good business idea. Usually a business idea is chosen because some group members might have earlier experiences and skills from the type of production or service planned. Sometimes some group members might have seen some other group having a successful production or service and would like to start something in the same line. A good starting point is when there is an obvious lack of a service or a product in the market. If there exists a verified demand in the market, and the group could meet that demand with a product or service, it could be a good starting point for a new business venture.

Assess your business idea

Once the group has one or several business ideas identified which they want to get started, an assessment of each of the ideas should be carried out to see which one seems to be the most realistic and suitable.

In the following we will look at a useful method to assess your group's business idea. At the same time you will take the first steps in forming the group's business plan. This method we will call the Circle of Success and it focuses on the following key points:



1. Business idea – here you will describe what you are going to produce or what service to offer the customer. In the coming chapter we will look closely on how to describe the group's business idea

2. Without customers your business will not survive! You have to make sure that there will be enough customers for your business idea! In chapter 5 we will use different methods to clarify your market and as much as possible verify the demand in the market.
3. Resources – to make the products or produce the services, you will need some resources, eg machines, vehicle, material, premises, furniture etc etc. It is necessary to list everything needed and then investigate what it will cost. Some resources might already be a hand with the group, and some resources need to be bought.
4. When we know what resources are needed we can calculate the total financial capital we need to buy the material and equipment and for running capital. Questions we have to answer are; how much of this can the group finance themselves and how much funding is required from outside? Is it possible to apply for a bank loan, does the project have any loan or are there any grants from elsewhere to be applied for?
5. If we can finance the resources needed, we have to calculate an income and expenditure budget to see how much we can sell for and what costs will incur. With the profit and loss budget it is possible to judge if the business scheme will generate any profit or not.
6. Given that the scheme is profitable, we need to decide how to organise the work. What is needed to be done and who is going to do it – and when. Do we have enough skills for all the tasks or do we have to participate in training and get support.
7. All business schemes involve risks. Maybe there is not a sufficient market, something might go wrong with the production or there might be a new competitor which has a new product that is taking over the market. In this step we will try to list all the risks and classify them how potential dangerous they are to the scheme survival and profitability.
8. All schemes started within the project have to be environmentally friendly and contribute to the conservation of the environment. This is a checkpoint to ensure that there are no environmental hazards or dangers which could halt the scheme and damage the biodiversity.

After working through all these eight evaluation criteria the group will be able to make a sensible judgement if the business scheme has a good chance to be successful or not. If there are many and potential high risks it might be too risky to choose this particular scheme. If there are too heavy investments, adjustments in the original plan might be necessary.

Using the Circle of Success the group can get a good understanding of what is required from various business ideas. Maybe the first idea can be changed to make it more realistic. Or maybe another idea should be assessed. The above figure is a loop, indicating that the assessment of an idea has to be done repeatedly, altering and developing the idea every time to make the idea as positive and realistic as possible.

4: WHAT SHALL WE DO - DESCRIBE YOUR BUSINESS IDEA!

Every business starts with an idea. Probably your group has a general idea what the new business will all be about. Now we will define and describe the idea more precisely so it can be a guiding star when we elaborate the business plan.

A written description of your business idea should tell:

- WHAT products or service will your business sell?
- WHO is going to buy your products or service?
- WHERE is your product or service going to be sold?
- WHY are customers going to buy your service or product?
- HOW your business is going to sell its products or service?

What is special with your group's product or service? When your group is working on these questions, try to answer on each question what is special with your group's product. What is the difference between your offer and everybody else's product, which might already be available in the market? How can your product or service be better and worth more than everybody else's?

WHAT products or service will your business sell?

Think through exactly what your business will sell. Is it many different kinds of products or services, or just one? Is your product completely new or is it common and already in the market. Do you have the technical knowledge to produce the product or service?

WHO is going to buy your products or service?

People who buy your products are your customers. They can be private people or other businesses. Try to describe your typical customer as clear as possible

WHERE is your product or service going to be sold?

In what area are you going to sell your products or services. Is it in your Soum, is it in the Aimag centre or is it in the whole of Mongolia or even abroad? How big will your target group be – are there enough customers?

WHY are customers going to buy your service or product?

Try to give a clear answer why your customer will buy exactly your product or service. Are there no competitors around? Why should the customer prefer your produce?

HOW your business is going to sell its products or service?

You can sell your product or service in many different ways. How is your group planning to sell the product? Will it be directly to the customer or will you sell to a retailer? How will you get in touch with the customer and how will you get the customer to know that you have this product or service to sell?

Think through your marketing issues very carefully – it is most important if the business is going to succeed!

EXERCISE 2 – DESCRIBE YOUR BUSINESS IDEA

5: DEVELOP YOUR MARKETING PLAN!

While working with the business idea we have already asked many questions about the customer and the market. In this chapter we will further scrutinize and detail your business' potential market and the conditions for selling the product or service to the customer.

We will spend this extra effort to verify the consumer demand for your business produce since it is vital to ensure that the business venture will have enough sales and get sufficient income to generate a profit.

In order to facilitate the calculation of your business income we will first take a close look at your customer.

Who is your customer?

Who will buy your product or service? Depending on your type of business the customer will vary. A vegetable production scheme will not have the same regular customers as a leather production business or a wool production venture. A group who produce hay bales will sell to separate customers than a milk producing business.

Try to define who your regular customers will be. Are there other customers who could be interested of your product?

Once you know who might buy your product, you should try to find out what is the most important reasons for your customer to buy from you. Is it the price, or is it the quality of your product, or is it the design, or that your product is easy available and sold nearby? Usually it is a combination of these factors, but some criteria are commonly more important than others.

Once you are clear about your potential customer you should try to estimate how much each customer will buy and when do they want to buy it? This will tell you how big your potential market can be.

Do you have any competition?

Usually a business doesn't have the total market for itself but there are other businesses selling the same, or similar, products.

Investigate all your competitors who are selling the same or similar products in the market where you will be active. What is the price of their products, what is the quality and how do they sell it?

Always remember that the customers are the most important people in your business. If you provide them what they want and need at prices they are willing to accept and you are treating your customers with respect, they are likely to stay as your customers!

If you don't deliver what the customer wants, or if you are late or have inferior quality, they will soon not be your customer any longer but will try to buy from a competitor.

Why buy your product?

Usually a customer can choose between different products and different producers. Why should the customer choose your product or service, especially if your business is new and there are several well established businesses offering the same kind of products?

There are several things which can be done to improve your sales. We could summarize some of these actions under **the four “P”s**

Product

It is important that your product is fulfilling the customers demand. The product must have the right quality and maybe also the right design. For some products it is important to have good service available.

Price

The price is always important when a customer decides to buy from you. Sometimes it is not the cheapest products which sell the most though. Many factors are important eg the products availability, quality, design etc.

There are two different and main methods when deciding your product's price;

- **Produce costing method.** You must calculate all the costs you will have producing your product/service. In the costs you should include your own wage and also some risk marginal or profit. When you have carefully calculated your costs you also need to know how many products you are going to sell.
The total costs divided with number of products sold will give you the minimum price you can sell your product for. If you are selling services, you divide the total cost with the total amount of hours you will sell to customers to get the minimum price per hour.
- **Market method.** Using this method you try to determine how much your customers are willing to pay for your product. Maybe your customer can pay a much higher price because of your product's quality or that the product / service might not be available anywhere else. Sometimes a product or service increases in sales when the price is higher. If you have competitors, what prices do they charge? Can you sell for a higher price or do you have to have the same or even a lower price?

If the market price is lower than your calculated price according to the produce costing method – then you have a problem! Then you have to cut costs or increase your sales (with constant costs) otherwise you will not be able to get a profit from your business.

If the price according to the market method is higher then the costing method, then you should try to use the market method price. If you manage to sell according to budget using a market method price, then you will have a good chance to make a profitable business.

Place

The Place from where you sell your product is important. If you have a shop, in a good location at the soum or aimag centre, where there are lots of people passing every day, sales would certainly be higher in comparison to a location on the outskirts of the centre. A restaurant will most likely get more customers with a location close to a market place where there are lots of people around. Maybe you can deliver your product directly to the buyer and in that way facilitate for your customer and getting an advantage compared to your competitors.

Promotion

Even an excellent product can improve sales with good promotion! Some advertisement can make your business known in the market and speed up initial sales. An effective method is to talk to as many people as possible, letting them know that you will start your business and sell your products at a place. The very best advertisement is of course when a customer is very pleased with your product or service and tells neighbours and friends about it.

Maybe your product should be packed in a nice box. Handmade products from a community group should have product tags telling whom have manufactured the product, what materials have been used etc. A tourist venture will need an attractive brochure informing about what can be experienced and what is exciting and interesting at your place.

There are many different ways to promote your own business and it does not necessarily need to cost a lot of money. Maybe you can get an article in your local newspaper that your group is starting up a business, telling what you are going to produce and where the customers will find your products. It is important that you try to find your own marketing and promotion mix which is suitable and affordable for your business.

How much will you sell for?

When you know whom your potential customer might be, what the competition is like and how your marketing mix should be arranged you are ready to calculate the number of products or service hours you will be able to sell. You have already a good knowledge about the price you can sell your product/service for. Taking the quantity times the price will give you the estimate sales and income for your business.

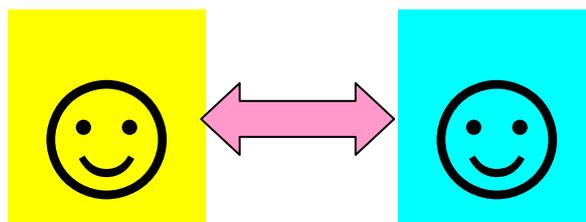
To calculate the potential income for your business is an important exercise. The more certain you can be of the possible future income for your business, the less the risk to start your business. Usually we are able to calculate the costs in detail, but the income calculation needs serious efforts and a good market research before it can be carefully decided.

With an assumed income for your business we can now start to investigate what costs and investments are needed to start up your business.

A “good” transaction!

Many people think that a good transaction is when I have earned a very good profit on a sale. This might not be a truly “good transaction”! If you have made a good profit on a particular sale and the customer is not pleased with the buy, she/he might never come back.

A good transaction is when both the seller and the buyer are pleased about the transaction! A good transaction is when the buyer wants to come back to you and buy again! After each sale we will see TWO happy faces, yours and the customer’s!



EXERCISE 3 – DEVELOP YOUR MARKETING PLAN

6: RESOURCES NEEDED

You have a business idea and through your market research you know that there are enough customers interested in buying your products or service. Now there is the question of how much money = start up capital is needed to get your business off the ground.

To define how much start capital will be needed we have to calculate the following type of capital requirements:

- **Investments** – these are procurements which will last for several years, eg a vegetable warehouse, machines, office furniture, a boat, a gear, animals etc. You will use these assets many years in your business
- **Running costs** – these are costs for raw material, working material and supplies which are used and consumed all the time you are running your business. To start your business you need enough supplies for the first working period until you have received money from customers and can buy more supplies.
- **Introduction and marketing costs** – quite often you have to spend additional money in advertising or producing marketing materials before or during the start up of the business. This is important to get your business known. Maybe you have additional start costs hiring in professionals or other services to help you getting organised.

Start capital – How much is required

INVESTMENTS	AMOUNT	TOTAL
Building / office	+	
Renovation or rebuilding	+	
Furniture	+	
Office equipments	+	
Telephone	+	
Machines for production	+	
Tools	+	
Vehicle / Animals	+	
Others	+	+
RUNNING COSTS		
Raw material needed	+	
Goods to be sold	+	
Wages for the first period	+	
Supplies	+	
Insurance	+	
Others	+	+
MARKETING COSTS		
Pamphlet	+	
Advertisement	+	
Information materials / business cards	+	
Others	+	+
TOTAL START CAPITAL		=

EXERCISE 4 – RESOURCES NEEDED

7: HOW TO FINANCE YOUR START UP CAPITAL?

After calculation of the total start capital required, the question is how can you finance the start up capital?

First of all – you have to consider what own resources are available. Maybe the community group has some of the items needed, already available and can use those in the business without any initial costs. If there is a community fund established, maybe part of that fund can be used in financing the capital need.

Own capital and resources are usually always required when starting a business. First of all it shows that the group is willing to take some risks themselves and that they believe in the future for the business venture.

For financing the remainder of the start up capital, external capital is required. For many groups, which are newly formed, bank loans are not available. Usually the banks are requiring a registered co-operative. For groups, and also for the individual entrepreneur, access to collateral is usually needed.

If bank loans are not available, a group can investigate if there are any loans or support available from any project, which is active in the area. In Khovd aimag, several projects are operating.

- The WWF Rural Development and Environment Education Programme has a loan scheme available for community groups and individual entrepreneurs living in the KUNNP area.
- The Mercy Corps are operating in the whole Khovd aimag offering training and loans in co-operation with commercial banks.
- The UNDP Altai – Sayan Eco-region project has now started in Khovd. They will be offering loans and in some cases also grants for specific purposes to community groups in the aimag.
- The ADB project with an office in Khovd has had loans for specific agricultural and business purposes available for registered co-operative.

To get a loan granted from WWF project, a loan application with the business plan included needs to be filled in and handed over to the WWF field office in Khovd.

In some cases help for financing can come from a supplier of raw material or a seller of a machine. This usually means that the material / machine can be paid later, once the business has started to make profit.

SOURCE OF CAPITAL	AMOUNT	TOTAL
Own resources - materials		
Own resources - capital		+
Bank loan		+
Loan from WWF / other projects		+
Grants		+
Loan from supplier / seller		+
Others		+
TOTAL		=

EXERCISE 5 – HOW TO FINANCE YOUR START CAPITAL

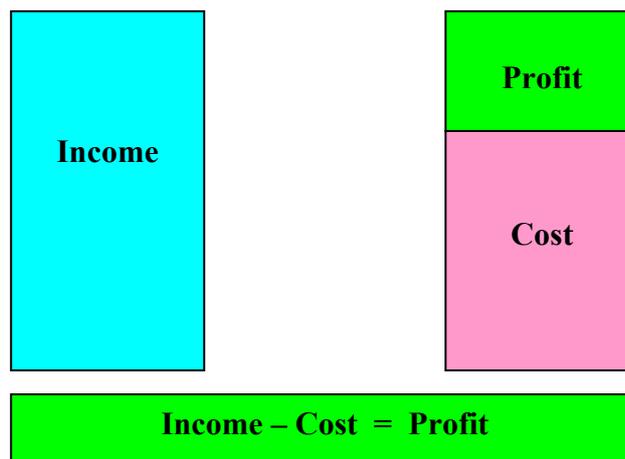
8: CAN WE RUN THE BUSINESS WITH A PROFIT?

We have earlier investigated if your business will have enough customers buying your products and if we can finance the start up capital. Now it is time to see if we also can run our business with a profit or not.

To find that out, we need to make an income/expenditure budget. In this budget we will try to calculate as carefully as possible what income we will earn and what costs we will have to pay out. Often we choose a full year as the time period for our calculations.

Profit

The business profit comes from the calculated difference between the income and the costs. To make a profit, the income has to be higher than the cost. To be able to run a business successfully for several years, the business has to generate a profit. This will ensure that there will be some reserves if something goes wrong or if the sales are low during a period. The profit also enables the business to develop new activities and invest in new equipments.



Income

Income is all the payments the business receive selling its products and/or services. To calculate the yearly income, you must know how much of each product you will be able to sell and the price you can charge for each product. The yearly income is usually quite difficult to calculate, but it is important that you have researched as much as possible about how many customers you can get and how much they are willing to pay for your product.

Income = number of products sold x price for each product

Income = number of hours of services provided x price per hour

When calculating the income the first year or two, remember that it usually takes longer than expected to reach out into the market and the customers and to get the sales going. Often you are selling less the first one or two years because not all the customers know about your business, or they might be careful to try out your products or service.

Costs

As soon as the business is started, and even during the preparation time, costs will incur to the business and they have to be timely paid.

Costs can be separated in different categories of expenditures eg:

- Cost for buying raw material or ready made products for sale
- Cost for wages and labour
- Miscellaneous costs like office space, workshop, transport, telephone, repairs, marketing materials, bookkeeping etc
- Cost for depreciation of investments
- Interest for loans

It is important that all type of costs are listed and carefully calculated. It is common, when setting up a budget, that certain costs are neglected and not included in the budget, or that the costs are too optimistic, the estimated cost is taken up much lower then the actual cost.

Note that procurements of fixed assets, like machinery, warehouse, durable tools, vehicles etc are not calculated as costs the first year you buy the asset. Instead you include a fraction of the cost, corresponding to the loss of value of the asset due to your use. For example, your group need a gear tent for a tourist camp. You calculate that after five years the value of the gear is more or less null. That means that you should include one fifth of the cost for the gear each year into your income and expenditure budget. This will give you an accurate figure of the actual cost in your business.

Total costs = raw material and bought products + labour costs + miscellaneous cost for workshop, office, telephones, transport, bookkeeping, marketing, etc + depreciation + interest

Income and expenditure budget

In the workbook you will find a format for your income and expenditure budget. Try to calculate as accurately as possible your planned income year 1 and 2. Then you estimate relevant costs which will incur during respective year. Deducting all the costs from the income you will find if there will be any profit from your business activities during the first two years.

It is common practice that you have to revise your budgets many times. New information and facts are learnt and you might get new price quotations for raw materials etc. Make the budget repeated times until you think that the budget is as adequate as you can do it.

EXERCISE 6 – INCOME AND EXPENDITURE BUDGET.

9: ESTIMATE THE RISKS IN YOUR BUSINESS!

We have earlier researched if we have enough customers for the planned business, checked how much capital is required to start and also checked if you can run the business with a profit. Given that the budget is positive and shows a fair return on your efforts, it looks like you are ready to start. But not yet – we better check if there are any obvious risks, which can offset the business easily, and causing you losing your money and your business opportunity.

All business ventures involve a certain amount of risk taking. There is always the risk that something might happen which can jeopardise the whole business venture and all the money invested. So we better make a careful risk assessment before we finally decide to start the business.

In this risk assessment, it is important that all group members take part in the analysis and discussions. Everybody should be aware of the risks involved in starting the business. The group should jointly decide what measures can and should be undertaken to mitigate the risks or alternatively, if the risks are too high, conclude that the business should not be started at all.

You can make a risk assessment as follows:

1. Try to list all possible risks which can threaten your business. Some risks are critical when you are starting up your business, other risks are more potent when you have started and got it running for some time. Let everybody participate in the discussion and list all type of risks which are mentioned, whether you think it is a big treat or only a small risk.
2. When you have listed all the risks you can think about, try to estimate how serious or strong each of the risk factors are. Rate them from 1 to 5 where 1 means that it is a very limited risk and 5 stands for a high and serious risk.
3. Now you have a list which indicates which risks are most serious and likely to happen. The third discussion which should take place is how to mitigate and hinder these risks to happen. Or if they happen anyway, how to eliminate the consequences as much as possible.

No	Risk factor	Risk potential 1 - 5	Eliminating activities
1			
2			
3			
4			
5			

Here are a few examples of possible risks;

Certain risks are obvious. If you are planning a vegetable scheme, of course the weather is a most important factor. Drought might occur – how do you try to eliminate the risk?

For a scheme like dairy production or animal rearing, sickness among the animals is always a risk. How can it be prevented or how can the risk be decreased?

What about your market opportunities and your customer relation. Are there any risks that another competitor starts the same business and your potential customers will buy from your competitor instead. Or that existing competitors lower their prices so it will be difficult for you to get enough customers? What can you do about this?

When you start up your business, it quite often takes much longer to get everything organised and in place than planned. Sometimes this means that it also will cost more to get everything ready than what you have calculated in your starting up budget. How do you manage this situation?

One of the most common risks is that the business is not managed and organised properly. Maybe your group are not in agreement about how the scheme will be run and developed once it has been started. Business management might be too weak and you are losing money and customers. What can the group do to eliminate these risks?

These are just a few examples on risks which might occur in your scheme. Your task now is to make a careful assessment and discuss your scheme's risks and the importance of each of them.

And remember, there are always risks involved in a business venture, so if you don't find any, you have not done your homework properly.

EXERCISE 7 – RISK ASSESSMENT

10: ENVIRONMENTAL IMPACT ASSESSMENT

The WWF Mongolia's vision for Mongolia's ecosystem is that the ecosystems are conserved, restored and sustainably used. All WWF project activities must support this vision and ensure the sustainability of the environment and biodiversity conservation. We must thus make sure that the resources not in any way are depleted and that the business activities do not cause any negative effects on the environment.

It is thus important to make one further assessment to ensure that the environmental resources not in any respect will be harmed, run down or negatively affected.

The following questions are examples of a checklist to clarify potential environmental effects. You can use these questions when discussing with your group and also complement with additional possible environmental issues, which are needed to be highlighted and clarified.

Will your business scheme affect:

1. The number of livestock? Yes No
If yes, detail here:
2. The balance between different livestock? Yes..... No
If yes, explain how;
3. The use of pastures or distribution of livestock during the year? Yes No
If yes, explain how;
4. The use of water resources and is there a conflict? Yes No
If yes, explain how;
5. The land use converting pasture to arable land and is there a conflict? Yes ... No...
If yes, explain how;
6. The use of chemicals (dipping, pesticides, fertilisers etc)? Yes No
If yes, detail here;
7. The environment in any other way? Yes No
If yes, detail here;

If the natural environment is negatively affected, how can the impact be reduced or eliminated?
.....

EXERCISE 8 – ENVIRONMENTAL ASSESSMENT

11: ORGANISATION AND MANAGEMENT

In the very beginning of this training handbook we discussed the importance of the group's right motivation, cohesiveness and skills to start and operate a business scheme.

In this chapter we will shortly discuss how the group is going to manage and operate the business scheme. We do this because we know that the business management is the one and most important issue if you want to succeed and make good achievements with your business.

In the following we will focus on some issues which are vital to clarify and decide upon before you embark upon your business venture.

Management of your scheme

For a group business activity, usually many members are involved in producing and managing the scheme. It is important that a management team is appointed. This team will be responsible to the group and ensure that the business scheme is operated and managed in the best way.

In most cases it is appropriate to have a business leader appointed, who makes sure that the management team is meeting regularly and that everybody is performing her/his duties as agreed upon. The business leader can also represent the group when negotiating with suppliers and important customers as well as with the bank or WWF project management.

There should be a clear division of responsibilities both between members in the management team as well as between the other group members participating in the scheme. Clarify who will be authorised to sign agreements for the business scheme. Usually this authority will be given to the business leader together with one or two of the management team.

The election of the management team, distribution of tasks and responsibilities and the authorization to sign for the business scheme should be decided in a community group meeting. It is important that the minutes of the meeting document these decisions clearly.

Bookkeeping

A clear and consistent recording of all the financial transactions related to the business is compulsory for all type of business ventures. One person responsible for the bookkeeping and taking care of the scheme's cash money should be appointed.

The cashier and bookkeeper will immediately from start record all transactions in the cash book. All income and all expenditures will be clearly recorded and the cash book shall show how much there is in cash balance after each transaction. Each transaction has to be verified with a document, a voucher. The voucher shall have a reference number and be kept in a file in the number sequence so it can be easily found and referred to. The group will also have a bank account and a bank book in which the actual bank balance is registered.

Example from a cash book

Date	Voucher number	Transaction	In	Out	Balance
12/02	10	Bought 10 hides from xxx		20 000	35 000
14/02	11	Sold 2 pairs of shoes	8 000		43 000
14/02	12	Bought tanning liquid		1 500	41 500
18/02	13	Sold 6 pairs of slippers	18 000		59 500

All group members should at any time have access to the financial documents. Information about sales, costs, cash and bank balances etc should be reported regularly at management team's meetings as well as at community group meetings.

Note that the cash balance in the cash book should be regularly checked with actual cash in the cash box.

Wages and profit sharing

When there are many group members participating in the business scheme it is important to discuss financial matters between the group members before start. Should anybody get paid wages for their labour input into the scheme? How and when should members get paid for their products they have manufactured and sold through the scheme?

If the scheme is generating profit, how is this profit going to be managed? Should part of it be put into the community fund or should the business members share all of it? Or should you save the profit in the bank account to be used for further investments and development of the scheme?

Financial issues like above should be thoroughly discussed and agreed upon by all community members before the scheme is started.

Marketing and custom relation

Once your scheme has started you can never stop working with marketing of your products. All the time you have to think and discuss how you can improve your marketing efforts and your contacts with your customers. Remember that all contacts with people regarding your business are an opportunity to tell people about your product or service, about its quality and that your business is reliable and trustworthy. A perfect customer relationship is the most important if you want your business to survive and expand.

Improvements and development

The challenge and charm with running your own business venture is that it can always be improved and further developed. As a member of a business group you can always think of how your business can be more effective, how you can reach more customers and how you can improve the quality of your products and services.

A business venture will never be ready. To make the business sustainable, continuous improvements and development is necessary to ensure that you always will deliver the best produce and a product the customers are asking for.

Do your own action plan!

Ready to go? After all these assessments, budgets and checkpoints your group should be properly prepared. After the final group resolution to start the business, it is useful to make up an action plan in order to organise and clarify who will be doing what, and when things should be done.

The action plan is an effective tool for the business management team to have an overview and control that things are getting done and that the time plan is followed.

Your action plan can look like this:

No:	Action	Ready date	Responsible	Status / Notes
1	Document business plan	15/5	Munkhbat	Started
2	Apply for loan	20/5	Chimeg	Go to Khovd on the 18/5
3	Buy seedlings	20/5	Adiya	In Khovd
4	Prepare vegetable land	25/5	Everybody	

Ready to start!

Even a 10 000 km journey starts with the first stride! GOOD LUCK on your journey. And as all experienced explorers do, ask for help and what way to choose when you are not sure!

EXERCISE 9 – BOOKKEEPING

EXERCISE 10 – ACTIVITY PLAN