



## C2 REVEALING GOOD PRACTICE

# Starting a business

## At a glance

Businesses help people to earn money and improve their quality of life. This tool provides advice on what to consider in starting a business.

- Sell a product or service that people will buy.
- Sell a product or service that is different to what most other people are selling.
- Learn basic bookkeeping and how to budget.
- Sell at the right price.
- Gain skills to make the products or deliver the service.
- Ensure good-quality products and services.
- Learn business negotiation skills and collaborate with others.
- Prepare for possible family conflict over money.
- Plan access to supplies and transport.
- Understand what laws and policies may affect your business.
- Prioritise vulnerable people.
- Plan what you will do if things go well or badly. Plan for events such as changes in demand or increased supply costs.



## Why use this tool?

Starting a business helps people to earn money. Businesses can create jobs and improve quality of life. However, many good ideas fail because people do not take the time to plan before they begin, or because people lack basic business knowledge and information about markets.



## A brief description

Advice on how to start a business, and guidance on how to reduce the risk of business failure.



## The words we use

**Business** – the selling of goods or services in an attempt to make a profit

**Entrepreneur** – someone who starts a business that may earn them money but that also involves some risk

**Livelihood** – the various ways in which people earn money or provisions to provide for themselves and their families

**Profit** – the money left when you have received all of your income and have paid all of your operating costs and loan repayments

Awareness-raising

Children &amp; youth

Climate &amp; environment

Conflict &amp; peace-building

Corruption &amp; governance

Disaster risk management

Discrimination &amp; inclusion

Food &amp; livelihoods

Gender &amp; sexual violence

Health &amp; HIV

Influencing decision-makers

Migration &amp; trafficking

Water, sanitation &amp; hygiene



## Time taken

Although anyone can start to sell products or services immediately, establishing a new business that will grow and succeed takes months and sometimes years of planning, practice and learning.



## Keys to success

- **Sell products that people will buy at the right price.** Before deciding what to sell, find out what is in demand. If too many people sell the same product, the price will drop. Ensure good-quality products and services that people will want to buy. Think carefully about the packaging.
- **Basic bookkeeping and budgeting skills** are key to successful businesses. It is important to keep business money separate from personal money.
- **Learn negotiation skills to deal with traders and 'middle men':** could you form local cooperatives with other small business people to increase your bargaining power?
- **Plan access to supplies and transport:** Where will you buy your goods or raw materials from? How will you get your products to the market to sell? Will the supplies/raw materials be available in the long term? Are there enough people to do the work?
- **Try to plan for things that could happen:** Think about what events or circumstances could happen and how they can be planned for.



## What to do

Listed below are some of the important things to think about, and some of the key questions to ask, as people plan to start businesses.

### Sell products that people will buy

It is important to ask: 'Will people want to buy the goods or services that we want to sell?'

Before deciding on which goods or service to produce, it is important to find out what products sell well and are always in demand - this is sometimes called a 'market survey.'

This doesn't have to be complicated. Encourage people to visit local markets and towns to talk to stall holders and shop owners. They could also investigate markets further away if necessary. These are the sorts of questions a market survey could include:

1. What products are popular and in demand?
2. How much is the selling price?
3. How many are sold in a day?
4. Who is already making these products?
5. How and where are they being sold?
6. Would they be prepared to buy products from you?

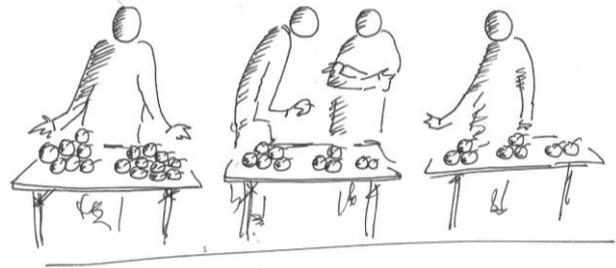
See Tearfund (2009) Footsteps 80 - *Micro-enterprise* for more information on market surveys.

### Creating a market

What if you are creating and wanting to sell a new product for which there isn't yet market demand? How could you tell people about your product and encourage people to buy it? How can you advertise and promote your product? Depending on what the product is, is there somewhere you could demonstrate to people what it does, or give away free samples for people to try?

### Sell different products

If too many people sell one product, not all will be bought, and the price will drop. Encourage the community to come up with new ideas for designs, services or food products. What can be learnt from the market survey?



These points could be considered when thinking about new ideas:

- Visit other communities or towns to get ideas of what could sell.
- Look at books and magazines if available. Visit shops in towns if possible.
- Look at everyday products and think how they could be changed to become more interesting.
- Look at nature for ideas of colour, shape and texture. Think how these ideas could be used in a new product.
- Always refer back to the market survey. Be as sure as possible that a new product will sell well before developing it.
- Is it possible to create some samples to share and test with potential customers first?

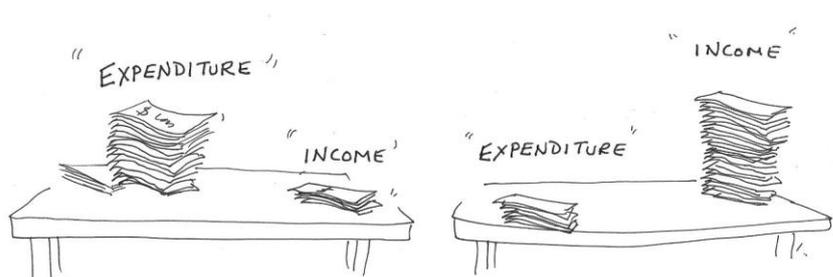
### Learn basic bookkeeping

It is important for people starting a business to have a basic idea of record keeping. Will a bank account be needed? How can business money be kept separate from personal money? What should the profits be used for? Once a small business has been set up, could a loan help to improve profits? If access to training is expensive, could a group of people in the community support one person to gain these skills? That person could then help the community with the skills acquired. It will be useful to think about these questions when starting a business or trying to improve an existing business.

See Tearfund (2009) Footsteps 80 - *Micro-enterprise* for information on basic bookkeeping.

### Learn to budget

For a business to succeed, 'income' (money coming in) must be more than 'expenditure' or 'outgoings' (money going out).



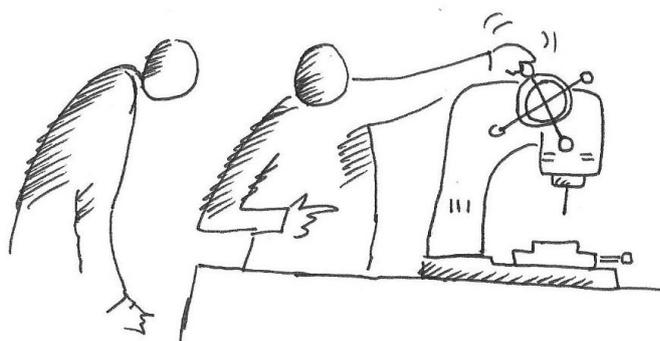
It is helpful to work out a budget for the first year of business to record the likely costs and compare them with the likely income. The first year is often the most difficult as it includes the set-up costs. What will be the cost of raw materials, labour, equipment, packaging and transport? Will payment for the rent of facilities be needed? Will all the costs be affordable?

### Sell at the right price

It is important to make sure that the product is sold at a profitable price. However, pricing a product too high can mean that no one wants to buy it. How much will it cost to make the product? What price are other people in the same area selling the product (or similar products) for? These are questions that may help determine the right price.

### Gain skills to make the products

What skills and expertise are required to start the business or make a product? Are there training schemes run by local NGOs, or government initiatives that people could attend to gain the skills required? Are there business people or groups in your area running similar businesses that you could learn from? If someone does not have all the skills necessary to start the business, it might be better to consider different business ideas.



### Ensure good-quality products and services

How can you ensure your products or services are of a good quality? Products should be stored in dry, clean areas where they will be protected from damage by water or damp and from pests such as rats or weevils. What about the packaging? Producers often give this little attention, but poor-quality packaging may result in broken or damaged goods which cannot be sold. Good-quality packaging and presentation makes products far more attractive for sale.

### Learn negotiation skills to deal with traders and 'middle men'

Sometimes, products are bought by a trader who then sells the goods on to other buyers. What are the local norms and customs when it comes to buying and selling goods? Could you form local cooperatives with other small business people to increase bargaining power with traders?

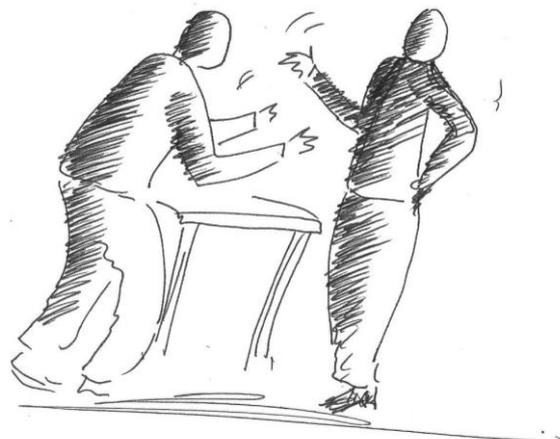


## Avoid unfair expectations from relatives to give away goods and money

For businesses to succeed, money needs to be reinvested back into the business. However, sometimes people are under a lot of pressure to give products or income away to family members. This can cause the business to struggle and sometimes fail. It is important to think about the long-term plan for the business and try to explain this to family members who may expect to be given income and products.

## Prepare for possible family conflict over money

Lack of openness over money can lead to all kinds of tension at home. People in financial difficulty can sometimes end up cutting themselves off from their friends, due to pride. Encourage people to be open with their family and to ensure good financial planning. Managing money wisely is a challenge for any household, regardless of their income level.



## Plan access to raw materials and transport

Where will the raw materials for the business come from? Try to ensure that any raw materials are being managed responsibly, and where possible sustainably, to reduce the effect on the environment. This means ensuring that people are not being exploited in the production of the raw materials, and that we do not use more natural resources (such as wood) than are being replaced. For example, cutting down trees to produce charcoal for fire briquettes can result in deforestation, local climate change and soil erosion.

How will raw materials be bought? How will goods be taken to market? You could consider joining a group of other businesses in accessing materials and transport. It might then be possible to purchase raw materials together at a lower price or share the cost of transporting goods to market.

## Plan for the long term

Encourage community members to take a long-term view regarding assets, inputs, resources and likely markets. Questions to ask include:

- Will the supplies/raw materials be available in the long term?
- Are there enough people to do the work?
- What would happen to the business if you became unwell? Could you train others to cover in your absence?
- How much demand will there be for products and services? Will people just buy them once, or will people want to buy more over time?

Starting a business can be **hard work**. People may lack discipline and the motivation to work hard for the business, because they have low expectations of success. Who are the role models of successful businesses in the community? How can they help others become entrepreneurs?

Awareness-raising

Children &amp; youth

Climate &amp; environment

Conflict &amp; peace-building

Corruption &amp; governance

Disaster risk management

Discrimination &amp; inclusion

Food &amp; livelihoods

Gender &amp; sexual violence

Health &amp; HIV

Influencing decision-makers

Migration &amp; trafficking

Water, sanitation &amp; hygiene

Water, sanitation & hygiene	Migration & trafficking	Influencing decision-makers	Health & HIV	Gender & sexual violence	Food & livelihoods	Discrimination & inclusion	Disaster risk management	Corruption & governance	Conflict & peace-building	Climate & environment	Children & youth	Awareness-raising
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## Steps

The steps of the training can be followed through the four corners of the diagram.

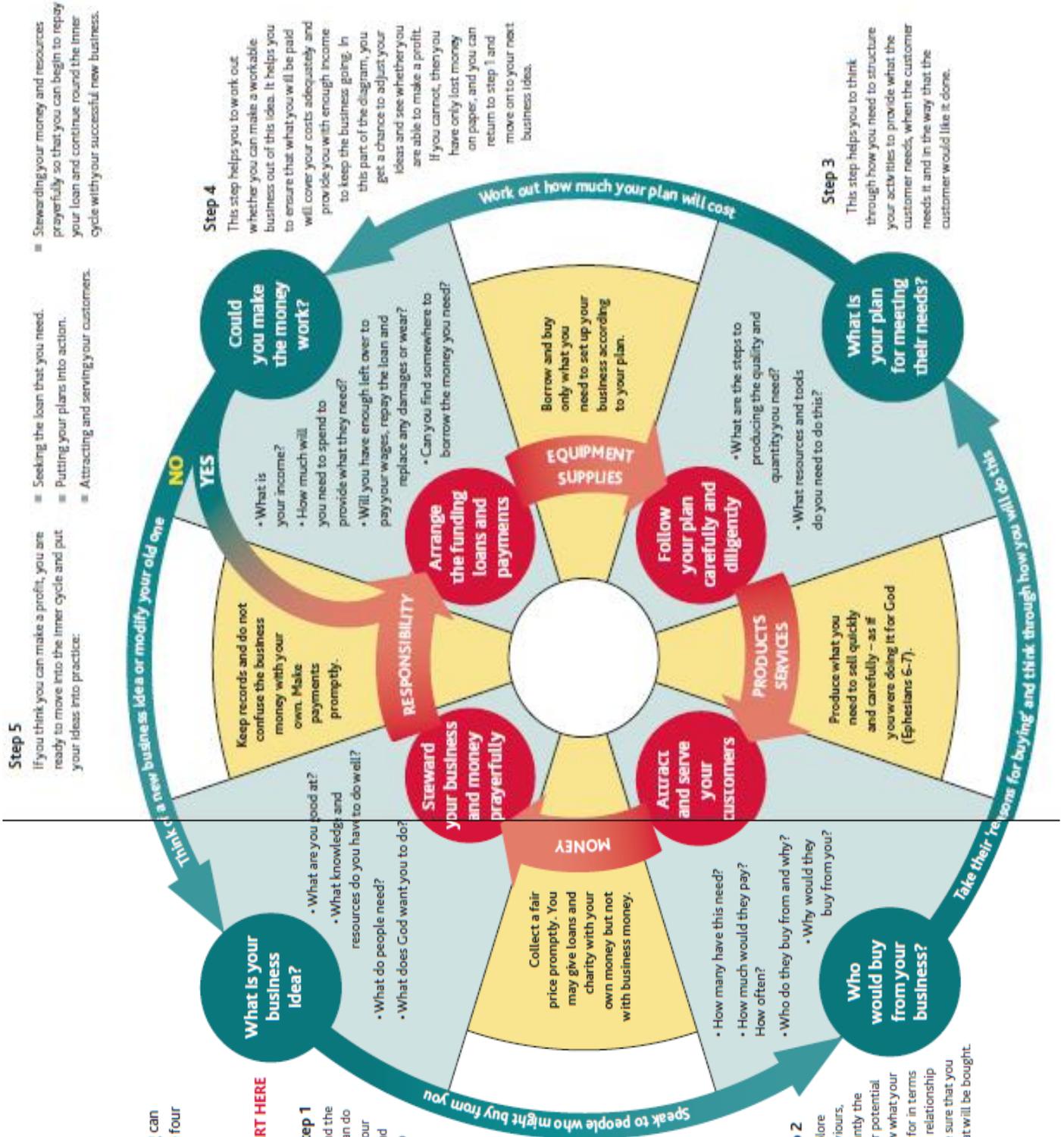
### START HERE

#### Step 1

This step helps you to find the overlap between what you can do and like to do, and what your potential customers need and want. It also helps you to test how these overlap with God's will for your life. When you have found this overlap you have your first business ideal

#### Step 2

This step helps you to explore your own buying behaviours, and more importantly the buying behaviours of your potential customers. If you know what your customers are looking for in terms of quality, timeliness, relationship and cost, you can make sure that you provide something that will be bought.



## Understand the policy environment

What are the laws and policies that may affect small businesses in the area? Could you speak with local government officials and NGOs about this?

## Consider vulnerability

Will the business exclude any groups of people, such as women, people living with HIV or people with disabilities? Do the new livelihoods or business opportunities increase the vulnerability of the community members in any way? For example, might they put family members at risk of contracting HIV or at risk from violence or crime?

## Try to plan for things that could happen

This is sometimes called 'contingency planning'. What if stock gets damaged or stolen? Is insurance an option? Could a store of surplus stock be built? What if the business premises get damaged? Could an agreement be made for alternative shared premises? What other events or circumstances could happen? How can they be planned for?



## Finding out more

- Tearfund (2009) Footsteps 80 – *Micro-enterprise*  
[http://tilz.tearfund.org/en/resources/publications/footsteps/footsteps\\_71-80/footsteps\\_80/](http://tilz.tearfund.org/en/resources/publications/footsteps/footsteps_71-80/footsteps_80/)
- Tearfund (2003) Footsteps 57 – *Managing money*  
[http://tilz.tearfund.org/en/resources/publications/footsteps/footsteps\\_51-60/footsteps\\_57/](http://tilz.tearfund.org/en/resources/publications/footsteps/footsteps_51-60/footsteps_57/)
- Tearfund and Samaritan's Purse UK (2011) *Think livelihoods! A facilitator's manual for applying a livelihoods lens when working with people, households and communities affected by HIV*  
[http://tilz.tearfund.org/en/themes/hiv/sustainable\\_livelihoods/](http://tilz.tearfund.org/en/themes/hiv/sustainable_livelihoods/)
- Tearfund (2009) Footsteps 80 – *Micro-enterprise*, article on market surveys:  
[http://tilz.tearfund.org/en/resources/publications/footsteps/footsteps\\_71-80/footsteps\\_80/](http://tilz.tearfund.org/en/resources/publications/footsteps/footsteps_71-80/footsteps_80/)

### Related tools:

- C2 – Savings and credit groups [C2: Food & livelihoods-1]
- C2 – Poultry keeping [C2: Food & livelihoods-3]
- C2 – Developing rural home gardens [C2: Food & livelihoods-8]
- C2 – Developing urban home gardens [C2: Food & livelihoods-9]