

BUSINESS ACUMEN

-The Edge!

BY

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The startup ecosystem in Africa is faced with several challenges such as poor business planning, poor marketing strategies, lack of market information, unprofitable business model, inefficient management team, etc. Lot of entrepreneurs start up a business for the sole purpose of survival.

The vast majority of these startups fail within the first 3 years!

Your business is competing against several other thousands of businesses, not only in Nigeria but in 53 other African countries. And how you approach the training phase of the TEF Application would be the difference between your business and others.

The TEF training is meant to test your **business acumen** – your ability to make good judgements and quick decisions as an entrepreneur. The training will also help to structure, develop and grow your business idea. It would cut across topics such as:

- **Goal Setting:** Goals help you to be more effective by directing your focus towards activities and behaviours that are most important. Your goals must be SMART – Specific, Measurable, Attainable, Relevant and Time-bound.
- **Brand building:** A brand is the identity or personality you give your product so that customers recognize it and get emotionally attached. Some examples of well-recognized brands are MTN, Google, Facebook, Apple, etc. These companies spent many years developing successful brands resulting in increased market share and sales. The key elements of a brand include name, logo, color, tagline, and design (graphics).
- **Sales & Marketing:** Marketing is the management of the process responsible for identifying, anticipating and satisfying customer requirement profitably. It's that function of a business that's focused on understanding, attracting and retaining customers and is therefore directly related to sales and growth. While sales on the other hand is the actual exchange of goods or services for money or compensation. This involves satisfying the customer and also providing direct customer feedback. You may be required to draw up a marketing plan for your business. A typical marketing plan should contain the following sections:
 - *The executive summary*
 - *Background - Situational analysis and target market segments*
 - *SWOT Analysis*
 - *Marketing objectives*
 - *Marketing strategies*
 - *Marketing tactics*
 - *Action plan - Schedules and budgets*
- **Business Model:** A business model describes the rationale of how a company creates, delivers and captures value. It is an abstract conceptual, graphical and/or textual representation of a business. This is often represented on a visual chart called

the business model canvas, having elements that describes a business' or product's value proposition, infrastructure, customers and finances.

(Diagram of the business Model Canvas)

1. Infrastructure

- a) **Key Activities:** These are the most important activities in executing a company's value proposition.
- b) **Key Resources:** These are the resources that are necessary to create value for customers. These resources could be human, financial, physical and intellectual. They are considered an asset to sustain and support the business.
- c) **Key Partnerships:** These are the buyer-supplier relationships that enables the company focus on their core activities. For example, joint ventures, strategic alliances between competitors or non-competitors.

2. Offering

- a) **Value Proposition:** What value are you going to deliver to the customer? This could be quantitative (price and efficiency) or qualitative (overall customer experience and outcome).

3. Customers

- a) **Customer Segment:** Here, you should state who your customers are. For whom are you creating value?
- b) **Channels/Delivery:** This refers to how a company deliver its value proposition to its targeted customers. They have to be fast, efficient, and cost effective. These channels could be partners, etc.
- c) **Customer Relationships:** This refers to the type of relationship you want to maintain with each customer segment.

4. Finances

- a) **Cost Structure:** What are the most important cost drivers in your business model? These includes fixed costs, variable costs, economies of scale (costs go down as more amount of goods ordered or produced).
- b) **Revenue Streams:** This refers to the way the company makes income from each customer segment. This could be through assets sale, usage fees, subscription fee, renting, licensing, brokerage fee, or advertising).

- **Business Planning:** Every business needs adequate planning which is essential for growth and success. In Africa, most small businesses are not well planned out. Many entrepreneurs start up a business for the sole purpose of survival. These businesses ultimately close shop because they lacked direction. As part of planning your business, you will be expected to draft out a business plan. A business plan is a written document that highlights the roadmap for your business. It is a guide that

describes your business, its goals and objectives, its strategies, implementation and timeframe, revenue model, management, financing, and operations over a period of time, typically between three to five years. A business plan has many important uses like demonstrating the viability of a business, measuring success, identifying weaknesses and securing funding from investors.

A business plan typically contains the following sections:

- **Executive Summary:** The executive summary is a snap shot of the contents of the entire business plan. It should be written in a way that anyone reading it would immediately see the essence of the business plan. It is usually the last section to be written.
- **Introduction:** The introduction section gives the overview of the business. It is in the introduction section you write your vision and mission statements, your business goals and objectives, and your value proposition.
- **The Product/Service:** This is the section where you give a thorough description of the products and/or services you are producing or you will produce that will deliver the proposed value to customers.
- **Industry and Market Analysis:** In this section, state the industry or the sector of the economy (health, agriculture, construction, manufacturing, etc.) in which your business is playing. State the key features or peculiarities of the industry that make it viable or demonstrate growth potential.
- **Competition:** This is where you need to state your major (direct and indirect) competitors, describe their product and service offerings, state their competitive advantages or disadvantages, the customer segments they are focusing on and state your competitive advantage, i.e. how you can make or achieve customer loyalty – making sure your customers will always prefer your products or services.
- **SWOT Analysis:** Simply state your business' strengths, weaknesses, opportunities and threats. You would also want to include a PESTLE Analysis, where you state political, economic, social, technological, legal and environmental factors that may influence your business.
- **Operations Plan:** Describe (from production to consumption) how you will deliver the product or service to the customer.
- **Marketing Plan**
- **Management:** State and describe the functions you need to perform to run the business. Also, state the calibre of staff who will be (or are currently) responsible for carrying out core functions. And draw up an organizational structure to show the coordination and relationship lines between and within these functions.
- **Financial Plan:** This is one of the most important, as well as most challenging part of the business plan. It is always advisable to start this section by making

some key assumptions – on cost elements, current and future costing, financing options and revenues projections. The financial plan should contain your startup cost, operations cost, etc.

For more accurate financial projections, it is advisable to use a spreadsheet program (Microsoft Excel) to prepare these financial statements. The most important financial statements are:

- a) Profit and Loss statement (Income statement)
- b) Cash flow statement
- c) Balance sheet

- **Appendices:** The appendices of your business plan should hold relevant documents that supports the information in the plan. These documents vary from business to business. They can be additional charts, graphs and images.