



# **Generate Your Business Idea**

## **Module 1: Basic Business Principles**

March 2023

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Zwolle, the Netherlands  
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# Module overview

## Objectives

- To get to know each other
- To learn key characteristics of a successful business
- To learn the basics about how a business works
- To identify the different money flows in a business and the importance to balance them
- To know the difference between products and services
- To understand the key elements of a good business idea

## Materials

- Flipcharts and markers
- Figure with roadmap towards a successful business
- Diagram of shoe-making business
- Figure of the 3 elements of a good business idea

## Duration

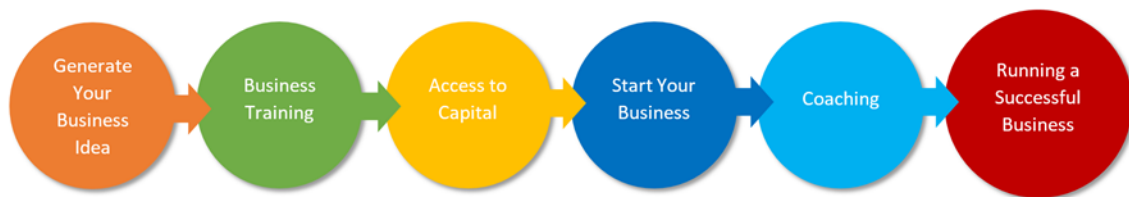
Element	Duration
Introduction	15 minutes
1. Hopes and Concerns	30 minutes
2. Basic Business Principles	45 minutes
3. How Business Works	60 minutes
4. Products and Services	30 minutes
5. Successful Business Ideas	60 minutes
Closure	15 minutes
<b>Total</b>	<b>4 hours and 15 minutes</b>



# Introduction

- Welcome the participants and make sure everybody feels at ease.
- Introduce the session of today to the participants and go through the objectives of this module.
- Show them schedule of the day, including the breaks.
- Explain the ground rules of the training.
- Make sure that everybody understands how the current module fits within the total picture of the 'Generate Your Business Idea' training (make reference to the below roadmap towards a successful business).

## Roadmap to a Successful Business



# 1. Hopes and Concerns

## Introduction

Mention that we all come from different backgrounds and have different personal experiences. Some have more experience with business, other less. The hopes and concerns of the training may therefore differ. This is totally fine. But it is good to know from each other which hopes and concerns each one of us has. Probably they will recognize and identify with some hopes and concerns from other participants.

## Exercise

- Divide the class in groups of 4-5 people.
- Give each group a large piece of paper and some markers.
- Let the students choose a place to sit (groups sit together).
- Within each group, students tell who they are, if they have any business experience, and mention their hopes and concerns about setting up a business.
- Let each group write their main hopes and concerns on the piece of paper.
- Let each group take 2 hopes and concerns from their piece of paper and write them on the flipchart in front of the class.
- Discuss the hopes and concerns with the students and explain how the sessions will fulfil their hopes and help them to overcome their concerns.



## Reflection

Recognize that there are many shared hopes and concerns. Mention that we will keep the hopes and concerns flipchart on the wall and come back to it during the following sessions.

## 2. Basic Business Principles

### Introduction

Read the first paragraph of the theory 'Basic Business Principles' (till ■) and tell participants that they will now look at experiences from their own environment.

### Exercise

- Make small groups of 4-5 people.
- Give each group one flipchart and a marker.
- Ask participants to discuss the following questions and write down the answers:
  - Does someone know someone with a successful business? Why is this business successful?
  - Does someone know someone whose business failed? Why did it fail?
- Do a feedback round and let every group mention some of their points. Summarize these points on a flipchart or blackboard.
- Plenary question: what can we learn about making a successful business?



### Reflection

Read the last part of the theory about the 4 points that we can learn about making successful businesses. Compare these 4 points to the answers given by the groups and add any missing bullet point to the flipchart or blackboard.

## Theory: Basic Business Principles



Setting up a business is not difficult, but it is hard work and it does need you to think about things carefully. People have been setting up businesses for thousands of years, to meet their own life needs. Many of them with no schooling at all. Some have succeeded, some have failed. Those who have succeeded followed a few important rules, either by accident or by planning, and those who failed, often did not follow those rules. If we want to succeed, it is very important that we learn from their experience. ■

What we can learn is that those who succeeded in business:

1. Made something or did something that people wanted so much that they were happy to pay for it.
2. Did it well enough and often enough, that people came to them to buy it from them, rather than going to someone else.
3. Made it or did it in such a way that, even though it cost them some of what people paid for it, they always had a little left over.
4. Took care of the bits left over, and ensured they not only paid for food and shelter for themselves and their families, but also for replacing all the tools they were using in their business, usually with newer and better ones.



# 3. How Business Works

## Introduction

Explain that to understand how a business works, you have to understand the different money flows that go around in a business.

## Exercise

- Draw the diagram of the shoe-making business (see theory) on a flipchart or blackboard.
- Ask the students what the diagram means. Write some (good) answers on the flipchart or blackboard.
- Explain each loop, referring back to the answers provided by the students.
- Make small groups of 4-5 people.
- Give each group one flipchart and a marker.
- Each group of students takes a business idea of one of their members (if no one has a business idea, they can invent one) and together work on creating a similar diagram, noting down what ideas they got to get the money to balance out.
- Answer any questions and concerns until you are sure that everybody has a basic grasp of this concept.



## Reflection

Read out the last paragraph of the theory (from ■) and stress again the importance of keeping this balance in the business. Mention that in the coming trainings the focus will be on the different loops shown in the diagram. Mention that the training will also help you to achieve a balanced business.

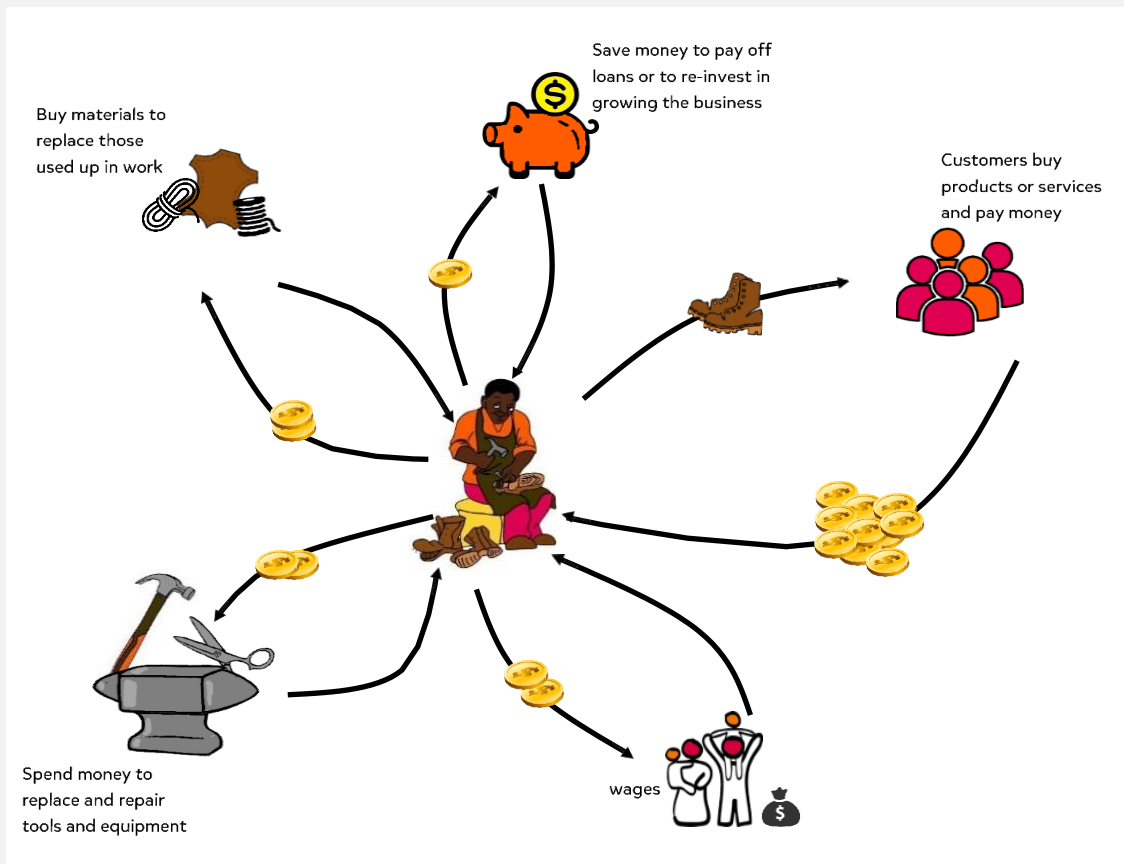


## Theory: How Business Works



The picture below is the diagram of a shoe-making business. It depicts in a simple way how a business works by showing the different money flows that go around in a business. The image shows in the middle somebody making a product (in this case shoes) and distinguishes between different money flows represented by particular loops. The right hand loop represents the income from selling shoes to the customers. The other loops represent different type of expenses related to the business: wages (including your own salary), tools and equipment needed to produce the product or service, materials (inputs) used up to manufacture the product, and loan repayment and investments.

■ In a successful business there has to be a good balance between the different money flows. For example: income received from the sales has to be high enough to pay for salaries, for maintenance of equipment, for materials and for the loan repayment. If this is not the case, either income from sales has to increase or costs have to decrease.



# 4. Products and Services

## Introduction

Explain the theory 'Products and Services'. Tell the students that they will think about examples of products and services. This will stimulate them to see possibilities for their own business. As facilitator you might have to guide them a bit. Examples of products are: shoes, clothes, food, soda, toys, books, cell phones, furniture. Examples of services are: deliverer, cook, cleaner, hairdresser, mechanic.

## Exercise

- Make two columns on the flipchart or blackboard. Name them 'products' and 'services'
- In a plenary session ask the students to come up with examples of products. Write the answers in the 'products' column.
- Ask the students to come up with examples of services. Write the answers in the 'services' column.



## Reflection

Look back at the answers provided and ask students to think for a second in which column they would rather see themselves. Ask some of them why they chose one or the other.

## Theory: Products and Services



Starting a business is not an easy task. It takes a lot of work and a lot of planning. The effort and money it takes to start a business may all be lost if you do not start the right business. When we talk about the 'right business' we mean a business that will allow you to generate a steady flow of income which is high enough to pay yourself and your employees a satisfactory salary, while at the same time being able to guarantee the successful continuation of your business now and in the future. Think also back on the session about a balanced business.

To be successful, businesses have to do things that somebody else wants enough that they are willing to pay for it. These things could be products or services. Products are things you can touch and see and hold, which you can make or grow and which you can pass on to someone else. For example shoes are a product. A service is where you do something for someone else; where you provide effort, work and skill to work for other people. For example: transporting people in a taxi, or cleaning someone's house is a service.



# 5. Successful Business Ideas

## Introduction

Read and explain the theory 'Successful Business Ideas'. Tell the students that the following exercise looks at the 3 key elements and at how each one of them determines the success of a business.



## Exercise

- Divide the students into groups of 4-5 people.
- Give each group a piece of paper and a pen.
- Give each group the following 3 cases:

*1. John likes to repair bicycles and is also very good at it. However, in his community there are hardly any people who own a bicycle.*

*2. Sarah noticed that in her community there is a big need for child care services. Sarah knows how to take care of little children because she often has to take care of her little brother and sister. But she really doesn't like to do it.*

*3. Youssef would love to start a fish farm. People in his community really like to eat fish and they currently travel long distances to buy fish in the bigger towns. However, Youssef doesn't really know the process to grow fish.*

- Tell the students to look at each case and identify which of the 3 elements of a business idea are present and which are missing.
- Suppose that John, Sarah and Youssef decide to start their business. Ask students to discuss in their groups the following question: Which business would probably be most successful and which least successful? Why?
- Conduct a plenary discussion and ask the groups about their findings.

## Reflection

Probably the least successful business will be the bicycle repair business, as there is not really a need for it. Tell the students that the need is the most determinant element for business success. The most successful business (at least in the short run) would probably be the child care service. The question is whether Sarah will be able to do something she doesn't like for a longer time. The fish farm has the potential to be successful, but if Youssef starts the business without proper knowledge he sets himself up for failure. To be successful he would first need to follow a training or course on fish farming.



## Theory: Successful Business Ideas

Before you can start a good business you need to have a clear idea of the sort of business you want to run. In other words: a good business starts with a good business idea. There are 3 very important things you need to consider when thinking about a business idea:

1. **Needs:** Someone has to want what you provide, and want it enough so that they are willing to pay for it.
2. **Abilities and Resources:** You have to have the ability and resources (eg. tools and buildings) to provide what people want, when they want it, and how they want it.
3. **Motivation:** You should be happy or at least content to provide whatever it is you provide. It shouldn't be something that doesn't make you happy, or even something that you feel bad about doing. For example: if you do things against the law or things that indirectly hurt others in some way, you should not continue doing it.

This is depicted in the figure below. A good business idea combines the 3 above mentioned elements. These can also be found in the diagram of the shoe-making business.



# Closure

## Evaluation

Discuss the lesson with the students. What went well, what could have gone better, and what have they learned?

## Follow-up

*This is the end of module 1 of the 'Generate Your Business Idea' training. Continue with module 2: 'People and Needs'.*

