**TRAINING IN FINANCIAL AND BUSINESS MANAGEMENT FOR ROAD CONTRACTORS**

**Module Two: Business planning and projections**

**Training Sessions**

**Module Training objective:**

The purpose of module two is to enable trainees to prepare business plans and to make short-term and long term financial projections. By the end of this two day module the trainees will be familiar with the contents of a simple business plan, make realistic business assumptions and build up financial projections of income statements and cash flows. They will be able to relate how financial choices of what assets to invest in, the capital or funding structure to adopt and the distribution to owners, will influence business performance and health.

This module will enable the trainees to focus on basic financial decisions, work out projections based on realistic assumptions and understand how such decisions and assumptions affect the performance and cash flow of a business. The module will therefore enable trainees to appreciate and to participate meaningfully in the preparation of quality business plans and projections that will assist them to make more informed financial choices and relate better with finance institutions. By the end of the module each group will be expected to have a draft business plan about the case. The module is divided in 6 two hour sessions as follows:

1. Entrepreneurship development.
2. Recap of the overview to business planning session
3. Role of entrepreneurs in a business
4. Entrepreneurial attitudes essential for business success
5. Agreeing on actionable points
6. Business planning framework
7. Relating business planning to business performance
8. The structure of a business plan
9. Setting objectives and targets
10. Formulating strategy
11. Identifying and scheduling planned activity
12. Agreeing on actionable points
13. Forecasting
14. Forecasting output
15. Financial planning assumptions
16. Converting quantitative estimates into monetary estimates
17. Reviewing forecasted results
18. Creating awareness of need to review assumptions to improve results.
19. Agreeing actionable points
20. Short term income and cash flow projections
21. Construction of short term (monthly) performance projections
22. Construction of short term (monthly) cash projections
23. Analysing the implications of short term performance and cash projections
24. Agreeing actionable points
25. Long term income and cash flow projections
26. Making long term (five years) performance projections
27. Constructing long term (five years) cash flow projections
28. Analysing long term performance and cash flow projections
29. Agreeing actionable points
30. What if analysis on income and cash flow forecasts
    1. Assessing the impact of varying financial assumptions and strategy to income statements and cash flow to assist financial decisions as below:
       1. Varying cash drawings
       2. Varying trading margins
       3. Varying investment in assets (land or equipment)
       4. Increasing customer credit periods
       5. Varying capital structure
       6. Increasing supplier credit
       7. Other variations
    2. Agreeing actionable points (The group business plan)

**Session One: Entrepreneurial development (2hr).**

**Training objective:** To build on the overview of business planning session by highlighting the role of entrepreneurs, their attitudes and attributes to the success of a business plan.

**Training outcome:** By the end of the session, trainees will be able to appreciate the role of entrepreneurs in a business and to recognise desirable attributes and attitudes when in business

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| Activity | Methodology | Duration | Results |
| Introduction of module two | The facilitator introduces the training group and solicits and captures on a flip chart the participants training expectations and fears. | 10 minutes | Introduction of training team.  Expectations and fears are captured and the training climate set. |
| Session one lecture presentation | Use PowerPoint presentation for a short lecture to introduce module two objectives and making a recap of session four, module one then introduces the key learning objectives and session content. | 30 minutes | The module content and recap of M1S4.  Highlights of the entrepreneurial role in business planning, the desirable attributes and attitudes to business. |
| Reintroduction of Munaku case study and group discussions. | The facilitator reintroduces the case study. Participants do the following in groups:   1. Identify entrepreneurship weaknesses in the case study and propose how they could have been handled. 2. Identify good attributes of Munaku as an entrepreneur and evaluate how the attributes could enhance his business growth. 3. Evaluate risk and integrity challenges in the case study and how they could have been controlled. 4. Identify the opportunities that may be taken advantage of and how you could have used them to enhance business growth and sustainability. | 30 minutes | Participants discuss and make flip chart presentations on key issues. |
| Group presentations to plenary | Each group presents their findings using a flip chart.  Facilitators give overall comments and direction after each presentation | 45 minutes | More understanding and alignment of business plan contents |
| Wrap up and action points | Facilitator wraps up emphasising the importance of entrepreneurial attributes and attitude as a success factor.  Action points agreed with trainees. | 5 minutes | Summary of issues and actionable points. |

**SESSION TWO: Business planning frame work.**

**Training objective:** The trainees will be introduced to the business plan framework including the structure and contents of a business plan. They will develop objectives and targets based on situational analysis (with reference to the case study) and experiment on selecting appropriate strategy and performance indicators.

**Training outcome:** By the end of the session trainees will be aware that business planning is a prerequisite for good business performance. They will know the structure and content of a business plan as well be able to set objectives, strategize and develop an activity plan and performance indicators.

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| Activity | Methodology | Duration | Results |
| **Introduction of session objectives** | Short PowerPoint presentation | 30 minutes | 1. Awareness of the role of the business plan 2. Knowledge of the format and contents of a business plan 3. Ability to set objectives and targets 4. Ability to formulating strategy 5. Ability to developing activity plans. |
| Case study analysis and discussions | Group activity (all groups) With reference to the case study, discuss and use a flip chart to do the following   1. Review the works done in the overview to strategic planning of Munaku Contractors 2. Set a mission and vision statement for Munaku contractors Ltd. 3. Formulate possible objectives for the business for the following five years and set key targets. 4. Formulate strategy for at least one objective. 5. Develop an implementation plan for at least one objective | 30 minutes | Share experience in business planning and consolidation of knowledge using a mock case. |
| Group presentations to plenary | * Each group presents their findings. * Facilitators give overall comment and direction | 55 minutes | More understanding and alignment of business plan contents |
| Wrap up and action points | Facilitators wrap up the discussions emphasizing output of a business plan at the end. | 5 minutes | Emphasis on the business plan as an output. Agreed action points. |

**SESSION THREE: Forecasting**

**Training objective:** To introduce trainees to forecasting and financial premising.

**Training outcome:** By the end of the session trainees will be aware of the need to make realistic assumptions and to forecast future operations based on situational analysis

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| Activity | Methodology | Duration | Results |
| Introduction of session objectives and contents | Delivery of a short lecture using PowerPoint. | 30 minutes | 1. Formulated realistic financial assumptions and decisions 2. Converted operational estimates to money 3. Relating assumptions to different variables 4. Ability to revisit assumptions and plans to meet acceptable forecasted results further demonstrated in session six |
| Group discussions on case study and experience | Group activity (all groups)   1. Identify planning assumptions in the case study and identify others needed for the business to forecast output. 2. Identify assumptions necessary to develop an income and cash flow statement. 3. Identify the capital needs for Munaku Contractors and propose how it could be funded in the light of its financial position 4. Suggest how financing of the business could be improved. | 30 minutes | Understanding that business plans are informed by good knowledge of the business environment plus realistic assumptions and that they are as good as the assumptions are close to reality. |
| Group presentations | * Brief discussions are made about each presentation and * Facilitators give overall comment and direction after each presentation. | 55 minutes | Participants’ presentations made |
| Wrap up and action points | Facilitator wraps up the discussions emphasizing the challenges to road contractors in relation to business planning projections. | 5 minutes | Awareness of challenges of predicting the future. Agreed actionable points  . |

**SESSION FOUR: Short term financial projections**

**Training objectives:** The objective of this session is to offer trainees hands on experience in making short term (not exceeding one year) income and cash flow projections, noting the relationship between them and evaluating the trends they show.

**Training outcome:** By the end of the session the trainees should be able to build up a short term income statement and cash flow, evaluate the emerging patterns and suggest remedial solutions.

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| Activity | Methodology | Duration | Results |
| Presentation of session objectives and content. | Delivery of a short PowerPoint presentation | 20 minutes | 1. Formats of projection of short term income statement and cash flow provided. |
| Group activity | Group activity (all groups)   1. Basing on the case study develop an income statement for the first year. 2. Develop a cash flow projection for the initial one year. 3. Discuss the similarities or differences between the two statements. 4. Advise Munaku on what strategy he could adopt to manage liquidity. | 50 minutes | 1. Twelve months income statement and cash flow projected. 2. Appreciation of how management decisions impact on short term performance and cash position. 3. Income statements and cash flow projections differentiated and evaluated. 4. Ways of closing the cash gap identified |
| Presentation to plenary | Facilitators give overall comment and direction after each presentation. | 45 minutes | Anchoring of knowledge of short term forecasting |
| Wrap up and action points | Facilitators wrap up the discussions emphasizing the critical need for short term cash flow forecast. | 5 minutes | Appreciation of cash flow challenges. Actionable points. |

**SESSION FIVE: Long term financial projections**

**Training objective:** The purpose of this session is to expose the trainees to long term business forecasts (beyond one year).

**Training outcome:** By the end of the session, trainees should have constructed a five year forecast of income and evaluated the emerging trend there from. They would be able to identify the differences between the statements and also to evaluate the trends of each.

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| **Activity** | **Methodology** | **Duration** | **Results** |
| Presentation of session objectives and content | PowerPoint presentation of short lecture | 20 minutes | 1. Five year projections of income statement made 2. Five year cash flow projections made 3. Evaluation of the results analysed and evaluated |
| Group activity | 1. Using earlier assumptions and case study develop a performance forecast for five years basing on previous projections. 2. Make a five year cash flow projection based on the same information 3. Compare the results of the two statements and make comments. 4. Note any emerging trends and discuss the way forward | 50 minutes | Long term projection made and evaluated. |
| Group presentation in plenary | Each group presents their findings and facilitators give overall comment and direction after each presentation. | 45 minutes | Relating case study to own experience |
| Wrap up and action points | Facilitators wrap up the discussions emphasizing the challenges to road contractors of business planning projections. | 5 minutes | Summary of challenges. Action points. |

**Session Six: What ifs? To demonstrate the effect of varying financial decisions and assumptions.**

**Training objectives:** The purpose of this session is to enable the trainees to observe the impact of varying financial choices on performance and cash flow.

**Training outcome:** By the end of the session trainees will be able to appreciate the impact of a variety of financial strategies on performance and cash forecasts and to anchor their knowledge of decisions that improve or aggravate cash flow and performance.

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| **Activity** | **Methodology** | **Duration** | **Results** |
| Presentation of session objective and content | PowerPoint presentation of short lecture | 10 minutes | Demonstrating the effect of managerial decisions on profitability and cash flow in areas of credit, asset acquisition, drawings, margins and borrowing. |
| Group activity | Hands on using computers to evaluate impact of changing scenarios (Where computers are available, this should be done with each group on a computer). Using the income statement projections and cash flow projection assess the impact of the following:   1. If the price limit of shs 450m/kms did not apply 2. Taking no drawings per month. 3. Certified work paid for after two months instead of one. 4. Deferring the land purchase and hiring all the equipment instead of buying it (assume additional rental per month of shs. 6m). 5. Buying materials and fuel and hiring equipment on credit of one month. 6. The above two and introducing gearing of equity: debt ratio of 1:2. | 55 minutes | Impact of differing scenarios on cash flow and performance in the short and long term. |
| Plenary presentation and discussions | Presentation and discussion by groups | 50 minutes |  |
| Wrap up and action points | Facilitator wraps up the discussions emphasizing the cyclic nature of business planning. | 5 minutes | Every group to prepare a business plan to be presented at beginning of next module. |