



Introduction

The youth guide that this association is trying to promote, in cooperation with CIPE, is a genuine new attempt to relate a cooperative message to the civil society as well as NGOs on one side and to the youth on the other.

The association lives a full conviction that the youth in each society are the primary instigators of any economy and are the main supporters and motivators. From here, we are aware of their need to solidify these energies via utilizing information, facts and businessmen's expertise.

It is a genuine message of partnership to the businessmen, their institutions, chambers of industry, commerce and agriculture and the commerce association of Lebanon. It is addressing them to motivate them to organize round table discussions for the Lebanese youth to listen to them, understand their problems, suffering, vision their dreams and prospects and reach common grounds i.e., set annual plans that aim at providing them with successful experiences that are worthy of successful businessmen.

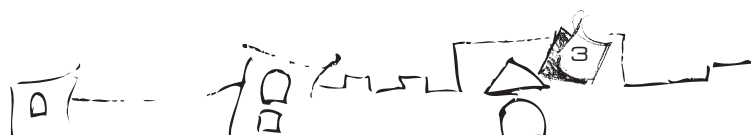
Also, expose them to previous bad experiences, reasons for their failure and ways to avoid same fate in the future. Additionally, build their capacities to grasp the institutional work and its entire stages as well as setting off new institutions and making possible liaisons to sponsors and successful management; i.e., attempt to adopt creativity and projects with potential.

This guide also plays a role of an open invitation to the youth to relate to the private sector, bridge with it and open to participation in dialogue and meet with businessmen.

This guide does not neglect to mention the role of the government and its ministries in catering for the youth and their concerns in their annual plans.

In addition to shedding light on concerns of the youth, work on setting a national policy to cater for their ambitions and dreams, putting an end to their migration, contribute to finding them job opportunities that would evolve their talents and capabilities, make loans, information and the market possible to them and realize development, for the human capital- especially youth- is the actual access to development.

Fadlallah Hassouna
Executive Manager



Entrance 2 Enterprise

A practical guide for
Lebanese entrepreneurs

Dalil



Dalal



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1. Entrance to Enterprise Guide

Lebanese people pride themselves on being world class traders. The story goes that ever since the Phoenicians ruled this country, trade was a prominent economic activity. Trade in the Mediterranean was largely started with the Phoenicians and this tradition is maintained even to our own times.

This tradition lives on as Lebanese are fond of telling and recounting stories of successful relatives in and outside of Lebanon starting off with nothing and making millions of dollars overseas depending solely on their wits and charm.

This identification with trade is a good starting point for potential entrepreneurs, but doing business cannot be summed up by this single word. Rather, starting an enterprise means engaging in wealth creating activities by providing certain services or products to others. This can take the form of establishing manufacturing or trading enterprises, restaurants, tourism services, or numerous other areas of legitimate, commercial activity. This enterprise culture also applies to professionals. Engineers, doctors, and even plumbers can reap substantial benefits if they run their operations as a business. This means more than just counting the costs and income generated by their activity; it encompasses keeping the customers happy, bringing in new clients, and projecting the activities in a professional manner. This even works on the level of charities as effective business dealings are measured and professional, allowing for more foresight and less reactionary responses to changing circumstances.

In talking to people, [especially to youth] one gets the impression that despite Lebanon's enterprising spirit, people want to be employed by someone else or work abroad. This is understandable given that economic conditions are difficult and risk taking often appears not wholly rewarded in Lebanon. Nonetheless, opportunities for financial success are out there for those willing to work hard to find them.

Of course, such an effort is often accompanied with a natural fear of taking risk, but it cannot be allowed to overpower one's enterprising spirit. A mix of caution, resolve, belief in oneself, commitment, and optimism will effectively counterbalance the fear that comes with trying something new and committing oneself to its successful conclusion.

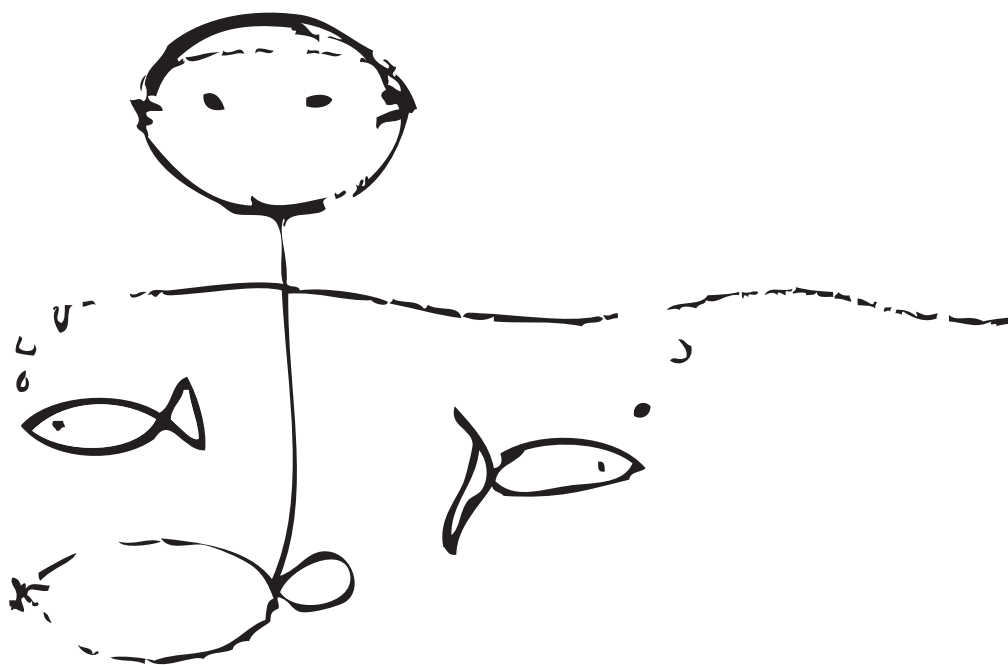
Spirit and dedication are only parts of a larger picture. Learning the basics of doing business is of crucial importance and badly needed in Lebanon. Banks often complain that people approach them for loans without having seriously thought through the means to pay them back. The faith in one's success is insufficient for a lender to risk a loan default for an unjustified venture. Accordingly, building the cornerstones of a sound enterprise demand tools to develop and communicate a business idea in the form of a plan and to manage its operations and finances when realized.

This course is designed to give you these basic tools so that you can formulate a business plan with financial assessments and projections. In essence, this course will provide you with the tools to better articulate your business idea and to accurately estimate your financial needs and your ability to pay it



back. This is essential to accessing capital as most banks in Lebanon are asking for business plans and financial forecasts prior to approving loans. Moreover, the course will equip you with a base familiarity with existing legal structures for businesses in Lebanon and the type of repercussions this has on deciding the form of business that best fits your ambitions and needs. Finally, this course will outline the small business resources that currently exist in Lebanon, so that you'll have an idea of where to turn as you start your own business.

In summary, this guide will attempt to provide those of you who are thinking of starting a business with some of the elementary skills that you need in order to develop ideas in a coherent matter. In support of this end, it further affords the knowledge for basic financial projections and cash flow statements necessary for effective bookkeeping.



2. Entrepreneurs

Entrepreneurs drive business. They formulate new ideas that when realized create jobs, improve the quality of living, and help provide the funds that governments need to serve their people. These ideas may become actual in the form of improved products of services, or perhaps as newer and faster means of their production. Sometimes the idea isn't new, but rather the entrepreneur's identification of an undiscovered market where the idea will thrive.

Enterprise is extremely rewarding for the entrepreneur who nurtured his concept into a successful business, for the employees who profit from the work opportunities created, and for the public that enjoys the direct benefits [new or improved product or service] and the indirect gains [revenues for public services] resulting from the entrepreneur's hard work.

If an entrepreneur is to succeed, he or she needs to have basic entrepreneurial skills, such as knowing how to manage finances and communicate well. The need for effective entrepreneurial training is even more profound in places like Lebanon, where traditional educational systems rarely provide it – if at all. To address this problem, this course will help to encourage those of you who have untapped entrepreneurial potential to start thinking like the entrepreneurs you are and work towards formulating a feasible plan for effectively running your own business.

What is an Entrepreneur?


The short answer is that: Entrepreneurs are usually people who believe that there is a better way to get things done, and they translate their belief into action. But who entrepreneurs are and the kind of spirit they embody takes much more than this single sentence.

We all have our own ideas about what makes a “good product” or what is “quality service.” We go into stores or find ourselves in a restaurant and by the end of the transaction have determined what we'd do to improve things if the business was our own. Other times, we're in a similar situation, and we find ourselves pleasantly surprised, if not inspired by the appearance of a shop, the standard of professionalism demonstrated by its employees, of the degree of innovation that went into the good or service we're purchasing. These kinds of experiences spark ideas that some successfully turn into profit making businesses. The people that make them happen are known as entrepreneurs and these are some of the characteristics they exhibit:

Creativity

Too often, many enterprising individuals simply imitate the already established business rather than working to distinguish their own product or service, thereby making it unique and, consequently, more competitive in the marketplace. By way of example: A new store opens and turns a good profit. Consequently, seven or eight other stores immediately open offering the same or similar products at comparable prices. The market then becomes saturated, ensuring that, at best, only one or two stores will survive. In





short, while there are those willing to take risks, many unfortunately do so while neglecting the foresight necessary to innovate and leverage advantages available to them.

Creative thinking as to how a good or service can be marketed, produced, or improved is essential to starting a competitive business. The aim is to innovate and not to imitate. Imitation yields less chance of return, as the imitator is at a disadvantage. The imitator lacks the competitive advantage needed to find a place in a market that another has already occupied, whereas the innovator makes that space for himself. If the imitator had instead been an innovator, she would have either surpassed the original idea with her own improvement on the good or service, or perhaps have started with a completely new type of activity.

Realistic

It's not uncommon that an enterprising individual conceives his business venture first and foremost in terms of profit, and less so as to how much they'll need to work to make it. Such an approach prevents the potential entrepreneur from realistically estimating the commitment needed to succeed in the long term. In essence, this line of thinking indicates works to ensure the eventual failure of the business, as the entrepreneur isn't thinking ahead as to their business goals and how to realistically achieve them. To avoid this, the entrepreneur must keep to practical expectations. He or she must determine beforehand what a business can be expected to generate and what resources are needed to do so; these are prerequisites for success.

Commitment

Complementing forethought is commitment. Those thinking about starting their own business must be prepared to devote amounts of time, effort, and concentration expected of leaders, as leadership is itself a key component of entrepreneurialism. Prepared to dedicate oneself to hard work and long hours in order to turn a business idea into a reality, an individual will better enter into a business that stands as a truly viable option.

Forward-Looking

Sustainability follows forethought, commitment, and adaptability.. Entrepreneurs maintain their competitive edge by continually looking for ways to improve their good or service, more effective means for its production or provision, new customers and markets, and access to affordable financing. They do so by listening and responding to their clients needs, staying well informed of their competition's activities and market trends, and by staying organized. Having done so, a business owner or managers is best positioned to develop a realistic strategy for growth. Put simply: an entrepreneur rests little, opting instead to build on what he or she has already accomplished.



Communicative

Entrepreneurs are able to realize their own ideas. They are also skilled at convincing that their ideas are strong and viable. Communicating a well-thought out vision to others is not only important in trying to access finance, but it is even more important in terms of securing sales, finding suppliers, and making long term arrangements with customers. This communication skill is the bridge between your, or your business, and the ingredients the business needs to succeed.

In summary, an entrepreneur:

- Keeps patience and perseveres. Successful entrepreneurs are normally willing to work long, hard hours and willing to weather the highs and lows of business.
- Loves a challenge and are driven by a need to challenge one's self.
- Has a high tolerance for ambiguous, unstructured situations.
- Possesses a desire for change and constant improvement. Entrepreneurs frequently monitor social trends and adopt new technologies.
- Stays action-oriented.
- Thinks positively and quickly gets over failures.
- Learns quickly, enjoys feedback, and is able to learn from mistakes.
- Both listens and communicates well.
- Is Independent and extroverted.
- Maintains self-confidence and determination to succeed. Entrepreneurs should be comfortable with having final responsibility for success or failure rest upon them.
- Is creative, innovative, and open-minded.¹

¹ The Business Link Characteristics of successful entrepreneurs Government of Alberta-Canada
http://www.cbsc.org/servlet/ContentServer?cid=1104766631404&pagename=CBSC_AB%2FCBSC_WebPage%2FCBSC_WebPage_Temp&c=CBSC_WebPage



In addition to these characteristics, the following box extracted from the same website above gives a sample set of questions to help you assess how entrepreneurial you are:

Self-Analysis Questions

Personal Resources

- Do I have the energy to tolerate long hours and concentrated effort?
- Do I have the self-direction to work alone?
- Do I have techniques in place to control potential stress?
- Do I have the confidence to accept any failures and turn them into opportunities?

Lifestyle

- Can I communicate my feelings and dreams positively to my family?
- Will I keep my family informed and involved?
- Will I be able to say "no" to holidays or leisure activities if necessary? Will those who go without you understand?
- Will I be able to maintain a personal and family life as well as run a business?
- Can I prepare myself to not have a personal life for some time?

Finances

- Will I be able to budget my business expenses and stick to the limits I set?
- Do I understand financial statements and why they are important to my business?
- Do I appreciate the importance of tracking and controlling expenses, inventory and debt?
- Are alternate sources of income available for living expenses?
- Am I realistic about household and life expenses and sources of income that can be depended on until the business gets established?

Stability

- Is my home-life financially stable?
- Am I healthy, with energy reserves, and emotionally prepared for my business and family stress and success?
- Does every family member appreciate my objectives and how important the business is to me, to us? Do they support you?
- Will my home life remain stable if my business fails?

Professionalism

- Am I willing and able to work long hours for future benefits?
- Am I realistic about how long success may take, and committed to making the business work?
- Are my planning skills and sense of responsibility strongly developed to build a successful venture
- Do I have the knowledge to make this particular business succeed, or should I be securing that knowledge before moving to a business basis?
- Do I want business success enough to set and keep high standards of product and service?

3. What legal form should my company take?

The legal structure of a business is important, it determines to a large extent the taxation regime that the business will be subjected to, in addition to the auditing methodology as well, and it will also determine the liability exposure of the owner.

3.1 Why register a business in Lebanon?

Many people in Lebanon do not see the need to register a business, especially, businesses operating from small towns or that are neighborhood based. The question many will ask, what do I get from registering a business? If I register my business, I will have to pay taxes and be subject to the legal authoritative apparatus, so it is best not to register. Why pay money and register while I can safely operate my business without registering?

While it is true that many companies in Lebanon go unregistered, that doesn't make them a cheaper or a safer alternative to registering. Taxation will simply not go away, even in Lebanon, nor will the liability issue go away either. That is, a company is liable to get inspected even if the tax department doesn't know about it, and in this scenario, the company can be subject to severe penalties and back payments requests.

Moreover, the liability associated with not registering a company and operating a business is severe. There are in this instance several levels of liabilities. The first is to the customers, the product needs to be safe and tested, in order to do that registration is required. Another important liability is to the employees who must be registered, and in order to do that as well, the company must be registered, not only with the ministry of finance and trade register, but also with the national social security fund (NSSF). Moreover, being in debt to the bank, partners, family members or suppliers, puts all of the individual's assets at risk. If the enterprise is not registered, then the liability extends to everything the person owns, including the belongings of his/her spouse. The only way to limit that is to register a limited liability company.

In addition, accessing funds, especially the funds subsidized and guaranteed by the credit guarantee agency Kafalat, require the business to be registered. This is very important for businesses that want to expand or even for start ups. Kafalat is a credit guarantee company that issues guarantees on loans, and allows entrepreneurs to receive subsidized loans, usually, 5 or 6% below the actual market rate. Moreover, Kafalat has a start up funding function, where as most banks in the country don't making Kafalat a very important institution for existing and potential entrepreneurs. In order to apply for Kafalat guarantees, especially for the start up one, a company must be registered or going to register pending the approval of the guarantee.

In fact, most traders are aware of some of the issues associated with being unregistered; the most immediate ones for their concern are VAT inspections, NSSF inspections, and the ability to import or export. For the latter, smaller trader usually use the business name of another registered client, and they share the cost of the shipment without registering. For the



other two problems, traders depend on a mix of lack of government control and bribery. At best, this approach is temporary and quite costly, as the cost of bribery can be substantial. At worst, this approach is subject to failure since the new VAT taxation system is difficult to bribe through and is more forcibly and easily enforced, and if the extent of the infraction is grave, then even bribery might prove insufficient in terms of protection to the firm and owner.

3.2 The most important reasons to register

The most important reason to register is to establish legitimacy with customers and suppliers. Registration indicates that you are serious about your business and want things done properly. This is very important in terms of structuring a relationship with customers and suppliers, and with future customers and suppliers.

The second most important reason to register is liability. Registering gives you various liability options. In some cases, your personal liability doesn't change because of registering, but in many other cases [such as registering an SARL form] your personal liability is much better protected by the act of registering the company. Normally, if a person has a loan and is not registered in a limited liability corporate shell, he or she will be subject to seizure of personal assets in case of bankruptcy or payment problems. However, a limited liability form limits the exposure of the personal asset of the owner and the family.



3.3 What types of registration are there and what are the benefits for each?

Therefore,, in order not to be in a situation similar to the one illustrated above, it is advisable to register an enterprise,. The following chart illustrates in rough estimate the procedures, requirement and costs of registering the various types of companies in Lebanon.

Type	Subject	Attributes	Requirements	Costs	Sequence of file
Trader	Trading activities, no address required unless if the trader is representing another supplier	Very general, allows one person to be registered, not an establishment	No capital required, no address required, no NSSFv v registration required	1,200,000 LBP (800\$), One day	<ul style="list-style-type: none"> Ø Application lodged at the trade register [local or Beirut] Ø Go to Ministry of finance to pay dues Ø Come back to trade register, have documents signed by the chief of the register [he signs only on Tuesdays and Thursdays]

Trading establishment	Trading activities, an address is required	General establishment, however, more formal as it is treated as an establishment rather than a trader	<ul style="list-style-type: none"> Ø No minimum capital Ø NSSF discharge required Ø Trade record required 	1,200,000 LBP (800\$), 4 days	<ul style="list-style-type: none"> Ø Application lodged at the trade register (local or Beirut) Ø Go to Ministry of finance to pay dues Ø Set up a physical inspection of the premise Ø Come back to trade register, with inspection report and pictures have documents signed by the chief of the register (he signs only on Tuesdays and Thursdays)
Société en Nom Collectif (SNC)	Partnership, requires two or more people	Allows for shares, for transfer of rights, but has unlimited liability against all partners, thus, a partner's personal assets are subject to action by creditors in case of defaults or bankruptcy	<ul style="list-style-type: none"> Ø Capital is required, (no minimum indicated) Ø The company's bylaws signed before a public notary 	1,200,000 LBP (800\$), 1 day	<ul style="list-style-type: none"> Ø Application lodged at the trade register (local or Beirut) Ø Go to Ministry of finance to pay dues Ø Come back to trade register, have documents signed by the chief of the register (he signs only on Tuesdays and Thursdays)
Société en Commandite Simple (SCS)	At least two partners	Allows for two types of partners, some with limited liability and others with unlimited	<ul style="list-style-type: none"> Ø Capital is required, (no minimum indicated) Ø The company's bylaws signed before a public notary 	1,200,000 LBP (800\$), 1 days	<ul style="list-style-type: none"> Ø Application lodged at the trade register (local or Beirut) Ø Go to Ministry of finance to pay dues Ø Come back to trade register, have documents signed by the chief of the register (he signs only on Tuesdays and Thursdays)

So- ciété à res- pon- sabi- lité limitée [SARL]	At least three partners	Limited liability, but shares are not open to the public	<ul style="list-style-type: none"> Ø Minimum capital is 5 Million LBP (around 3000\$) Ø Company's ByLaws Ø Minutes of meeting detailing the decision to create the company 	1,600,000 LBP (al- most 1060\$) One to two days	<ul style="list-style-type: none"> Ø Application lodged at the trade register [local or Beirut] Ø Go to Ministry of finance to pay dues Ø Come back to trade register, have documents signed by the chief of the reg- ister [he signs only on Tuesdays and Thursdays]
So- ciété Ano- nyme [SA]	At least three partners	Limited liability, shares are open to the public	<ul style="list-style-type: none"> Ø Minimum capital is 30 Million LBP (around 20000\$) Ø Company's By Laws Ø Minutes of meeting detailing the decision to create the company 	1,600,000 LBP (al- most 1060\$) One to two days	<ul style="list-style-type: none"> Ø Application lodged at the trade register [local or Beirut] Ø Go to Minis- try of finance to pay dues Ø Come back to trade regis- ter, have docu- ments signed by the chief of the register [he signs only on Tuesdays and Thursdays]

The above are the most common types of businesses available in Lebanon, in addition to the above, there is the offshore company form, which is designed so that the business cannot operate in the internal market, and the holding company form, which is a company that owns a plethora of other companies and cannot engage in any other activities other than what is specified in the law which is mainly, buying shares in other companies, making loans to these companies and managing the companies.

3.4 How to choose the correct legal structure?

Choosing the correct legal structure is completely dependant on the needs of the entrepreneur. Thus, someone who is interested in trading and wants to go to business on his own, without having to do cumbersome accounting and auditing, will not look for an SA or SARL structure, rather, this person will be more inclined to choose either the trader designation, or a trading company or a possible partnership. Some of the issues to be considered in selecting an appropriate form are:

1. Finance, is there a need to use the Banks or Kafalat to finance the business? If yes, then in most cases, the business has to be registered. For example, in order to obtain a loan without the use of collateral [by utilizing Kafalat Plus programme], then the enterprise needs to be a limited liability enterprises, that is, either an SARL or an SAL.

2. Will additional finance be obtained from family and friends? If yes, then there is a need to think about safeguarding their contribution. They can become partners. If a friend is willing to partner with you but doesn't want to be exposed in terms of a liability, then the SCS form becomes a possibility in addition to the other two limited liability forms [SAL and SARL]
3. How much money will be declared in the company's capital? This has implications as the limited liability forms of legal businesses are more expensive because of the higher registration costs, substantial capital requirements [\$3,000 in SARL, \$20,000 for the SAL form] and the need to retain a lawyer [around \$3,000 a year] and an accountant for your bookkeeping.
4. How much assets can be tied up to the loan? Generally, the Bank will ask for a collateral equaling around 150% of the total value of the loan if not a little more. Therefore, substantial assets need to be tied to the loan. However, if there is a bankruptcy involving numerous lenders, then all of your assets, not just those that are tied to the loan, and the assets of your spouse, can become subject to redistribution. Thus, in order to limit this type of exposure, an SARL or an SAL form is needed.
5. Are there requirements for transporting goods? Then you need to have at least a trader's registration and you need to register your van with the chambers of commerce so it can safely operate on the roads
6. Where will the business be in 5 years from now? In 10 years? Thinking about the future of the business will also determine what kind of business type you can have or you should have. That is, if you want to expand into another legal form, from a trader to an SARL or even to an SAL, then a full inspection by the NSSF is needed, meaning that the business can face significant additional delays and costs before being able to have the desired form.
7. How important are taxes for the business? This is an important question, if you think you are able to write off many expenses then the taxation issue could be negligible. However, if income increases, then taxation becomes an issue, income tax in Lebanon for companies is set at 21%, however, this rate is only 15% for the SAL form. Thus, if the difference is enough to justify the increased costs, then this consideration needs to be taken into account.

All of the above issues play a role in deciding what type of legal shell the business should have. In essence, an innovative business can change legal shell and can take more appropriate form as time goes by. However, some problems, such as having to obtain a discharge from the NSSF will persist. In the end, the idea and the drive behind the business are far more important than the legal shell.



3.5 What do Bankers want to see in order to consider giving you money?

Bankers have a somewhat difficult job, they are tasked to make money, while at the same time, being very risk averse. Bankers want to see how you plan to guarantee their money, and pay them back on time.

Everything they do, the decisions they make, are based on these two premises. Thus, when you want to go the bank, you must demonstrate that you can make money, have the ability to pay the bank back on time, and actually do pay the bank back on time.

Thus, they look for your credit history, they look at your household financial situation, and they look at what type of security you can offer the bank. Here are some issues that will be important to a banker.

- a. The collateral offered against your loan: can the bank easily sell it? If not, they might ask for more guarantees such as personal guarantees.
- b. Your credit history: do you have payment issues with anyone else? Do you have any returned cheques?
- c. Ability to repay the loan with cash from the business. You need to show that you can sustain your family needs, pay your workers, and pay the bank plus interest.
- d. Amount of money you plan to put into the business: this indicates that you believe in your business idea and are willing to invest in it. This ensures commitment.
- e. Managerial ability of owners: does the bank perceive you as a person who can actually deliver what you promised in the business plan? Your managerial abilities might be the most important factor deciding the success or failure of the business.
- f. Reference from others: do other businesses believe you, do you pay them on time, do you pay your other banks on time, why are you choosing this bank rather than another? They want to be able to trust you.
- g. Industry trend: are you proposing an enterprise in a dying industry? Do you want to open a textile factory for example? This might be profitable but some banks might see it as risky since this sector has suffered tremendously in Lebanon in the past few years.

3.6 A List of support services in Lebanon

Please review our website for continuous updates on this section.

Support does exist for those individuals who seek to venture into opening a business. There are two types of basic support available, support in access to finance, and support in developing technical skills to run the business and ensure success. We will begin with access to finance organizations.

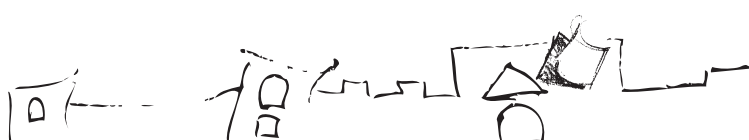
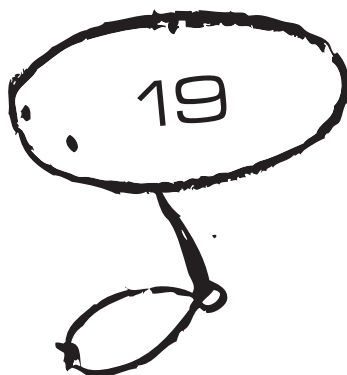
Access to Finance institutions			
Name	Activity	Contact information	Details
Kafalat	Guarantees loans to existing and start up enterprises	http://www.kafalat.com.lb/	Guarantees from 75-90% of loans, 0-400 thousand dollars
ESFD	Is helping small businesses access loans through programmes run jointly with banks	www.cdr.gov.lb	Loans up to 20,000 Euros, at interest rates of 10.5-11%
CHF Ameen	Offers Micro credit financing	www.ameenchf.org	0-7500\$ loans
El Majmoua	Offers Micro credit financing	www.almajmoua.com	0-7500\$ loans
AEP	Offers Micro credit financing	www.aep.org.lb	0-7500\$ loans
YMCA	Offers project financing	www.ymca-leb.org.lb	Project grants, project support
ADR	Offers Micro credit financing	www.adr.org.lb	0-7500\$ loans

In addition to the above, scores of other Non Governmental players offer micro credit to clients in Lebanon, however, the above represent the majority of micro credit providers in the country and the most important supplier of subsidized credit, Kafalat.

Getting business support is nearly as important as having access to finance. Without adequate business preparation, the finance that is obtained might be wasted. What's more, without adequate business preparation, accessing this finance will be extremely difficult. Below is a list of some of the major business support institutions in Lebanon. Some will charge fees in exchange for their services.



Access to Business support			
Name	Activity	Contact information	Details
The federation of the Chambers of commerce	Basic business training to SMEs	www.ccib.org.lb	
Business development centre Beirut	Business incubation and skill development	Nicolas Rouhana 04-533-070	
Business development centre Bekaa	Business incubation and skill development	Mr. Atef Idriss Tel: 01-343-141	
Business development centre Tripoli	Business incubation and skill development	Nasri Mouwaed 06-425-600	
Business development centre Saïda	Business incubation and skill development	Mr Karim Hammoud Tel: 07-725-948	
ELCIM	Helps existing business develop restructuring plans	www.elcim-lb.org	Company has to contribute 20 of the costs
IRI	Testing for products	www.iri.org.lb	Needed in order to properly export your products
LIBNOR	Gets specification for products in different countries	www.libnor.com	Needed in order to properly export your products



Entrance 2 Enterprise

Business Plan Example



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The Business Plan

The business plan is the blue print for realizing your idea. The business plan is a detailed study of what you want to do in order to translate your idea into reality. The business plan structures your ideas, tests them against the market and estimates your financial commitments. A successful entrepreneur will be greatly assisted with a clear business plan, it forms part of her communication strategy and potential.

Several common characteristics of successful entrepreneurs were discussed above. Two of particular importance are the entrepreneur's commitment to organization, foresight and strategic planning. A good business plan gives these elements a meaningful structure that serves as a road map for an idea's realization and expansion. It is a written document that describes all relevant internal and external elements involved in a commercial venture, along with a strategy for managing them.

It is important to keep in mind that a business plan isn't only a document to help you organize your thoughts and plan accordingly. Of equal importance, it is a document that allows you to communicate your business vision, and in doing so, convince others as to its viability.

It is often that we better remember information that is communicated to us in the form of a story. A business plan is no different. The writer should look at the plan – in essence- as story about a company. But to write this story, the right questions need to be first asked. By doing so, the story can be told in an organized manner that is comprehensive yet precise.

Why is a business plan important?

A solid business plan provides an entrepreneur a means to test the market potential of an idea prior to investments of time and money. As explained above, undertaking to establish your own business is no simple matter and should be taken with great seriousness and forethought. By first putting together a business plan, the potential entrepreneur can better forecast the demand for the envisioned product or service and how to sustain it. With all the background, costs and data on the competition in front of you, you're much better able to determine the likelihood of success or failure and identify potential niche markets.

Which leads to the second key importance: strategy. As its very name suggests, a business plan helps to establish a strategy so that an entrepreneurial idea can be successfully implemented. In forecasting your chances of commercial success, your attention will be drawn to those specific challenges you'll face in pursuit of your goals, and thereby better position you to find ways to prepare for and overcome them. Preparation is, after all, one-half the battle. Furthermore, the business plan should provide milestones, so that you can accurately track the firm progress and thereby better respond to difficulties and develop next steps.



Threats to success – issues that can be resolved or improved through the business plan

1. **Not knowing how to manage and operate a small business:** Running a small business is not an easy task, it requires diverse skills, and an understanding of issues such as marketing, finance, personnel, as well as having the skills to plan, guide and monitor day to day activities of the business.
2. **Lack of strategic planning:** essentially, a lack of vision and a plan for your business. The business planning process is the remedy for these shortcomings as it flushes out the detailed problems, obstacles and opportunities for your business vis-à-vis other competitors in existence.
3. **Lack of cash.** It is very important to estimate how much cash is actually needed, especially in the first few critical months. It is important to make realistic assumptions so as not to find yourself running out of business due to shortage of cash rather than lack of opportunity. Initially, personal savings, family help and other personal sources of finance are generally used to obtain needed cash.
4. **Not having a competitive advantage:** a competitive advantage is the attribute that sets you apart from the rest. It is your selling point. Customers need a meaningful reason to choose you and stay with you over the long term. Your competitive advantage is the promise you have for your customers that you will be satisfying their demand in a fashion that makes you a better client than your competitors for this specific product or service.
5. **Lack of focus:** there is a danger in trying too much at the same time, and diluting your overall effectiveness. Instead, you should focus on few outstanding products/services that are better than what is currently available through your competition.
6. **Trying to go it alone:** too much rigidity and control can harm the business. As a result, you may be overwhelmed with the required tasks of running the business that you don't have the time to focus on the bigger issue of growing. By doing it alone, you also miss out on the opportunities that exist in having new skilled employees and partners.
7. **Poor communication skills:** you need to communicate very clearly to your customers what your product is, why it meets their needs, and why is it better than the competitor's product. Similarly, you need to communicate with your suppliers the correct delivery of your needed items, and with your employees on your vision and to motivate them to help you achieve your goals.
8. **Failure to recognize weakness:** this is equally important as recognizing strengths. One small weakness such as marketing, record keeping, finance, or strategic planning can become a significant barrier to profitability and growth and may cause fatal problems.
9. **Growing too fast:** the requirements for growth are important. If the company is growing too fast, then it can be giving little attention to finance, production, management, or quality control. Any of the above are liable to deflate the growth and cause serious harm to the future prospect of the company. Thus, having the proper resources to accompany growth is essential for the safe development of the business.
10. **Failure to innovate:** if you don't innovate, your competition will. In order to stay ahead, you must stay on top of the changes taking place in your markets and industry by developing and introducing innovative products or services and finding ways to dramatically improve service or cut costs.

Source: NationsBank, Small business success sessions

Finally, a business plan provides investors information essential to determining the economic potential of a business. Few – if any – of us are able to start a business without some financial assistance, either in the form of a loan or as partial ownership of a firm. And even fewer are willing to part with their money unless they are especially confident that they'll see it return with a profit. Your business plan is the foundation for the confidence the lender needs to support your vision and strategy. Without it, he or she will wait to share their capital with another better prepared and more convincing as to the feasibility of their idea, leaving you in what may be a longer-than-necessary search for financing.

Ten Steps Before Writing a Business Plan

1. Ask yourself why you are writing a business plan. Is it primarily to raise capital or as a guide for running the business?
2. List your goals for starting the business and where you see the business in three to five years.
3. Clearly define your target audience.
4. Write a table of contents so you'll know exactly which sections you'll need to research and find data to support.
5. Make a list of the data you'll need to research. For example, you will need statistics on your demographic audience, your competition, the market, etc.
6. List research sources that will be most helpful.
7. List your management team. If you're not sure as to their composition yet, list projected management staff and qualifications.
8. Start compiling all of your key financial documents. [You can later determine which ones you will use in the business plan].
9. Read sample business plans [see below] and draw from them. Look for plans for businesses most similar to your own. Also consider talking to other business owners who have written plans before and are willing to share their experiences with you.
10. If you're seeking capital, research your potential investors. What kind of investments do they make or loans do they provide? To what amount? What can you sense in terms of their expectations? It's important to know precisely what your potential lender or investor desires, so that you can draft a plan that best suits them and you.

A detailed business plan should help you to do the following:

1. Summarize what you intend to accomplish by being in business
2. Helps you identify and plan your resources to meet your goals
3. Identifies the amount of financing you need
4. It helps you to hone your idea further clarifying your plans
5. Assists in defining your customers, market area, pricing strategy and the competitive conditions under which you operate
6. The process of doing the business plan itself can help you discover new competitive advantages that you may not have thought off
7. last but not least, it helps you raise needed finance by specifying in financial terms acceptable to lenders and investors, how your idea will make money, for you and for them



A. The Executive Summary

The executive summary is where you make your sale pitch in 5 minute or less. This is very important as it demonstrates the clarity of the idea in your head and the justification for the idea. The executive summary should summarize your idea and why is it good.

The executive summary should be written last, after the business plan is outlined in details.

It should be concise, so two pages or less would be sufficient to explain the idea.

You should include everything that you would cover in a five-minute interview.

Explain the fundamentals of the proposed business: What will your product be? Who will your customers be? Who are the owners? What do you think the future holds for your business and your industry?

Make it enthusiastic, professional, complete, and concise.

If applying for a loan, state clearly how much you want, precisely how you are going to use it, and how the money will make your business more profitable, thereby ensuring repayment.

Example of an executive summary:

Fantastic Sandwiches and Snacks SARL (FSS) is a deli/cafeteria style eating and catering establishment opened in Tyre, in order to benefit from changes in market conditions. The venture will target new market groups (Unifel forces, NGO community, young Lebanese and expatriates), to deliver quality European/north American style food to a growing market in the south. The emphasis is on authentic tastes and experiences that are similar to what might be found in a European cafeteria or a North American deli. Our research shows increased potential in this market and few competitors operating in the area. As such, a great opportunity presents itself.

The venture will be largely self financed in addition to a \$10,000 loan from the local banks. The profitability of the business is very good, especially following the first 12 months, and the IRR is 14.8%.

B. Company profile

The company profile section is where you get to describe the specifics of your company. We suggest that in this section, you start by describing your company, the composition, the management, the legal structure.

1. Mission statement

The mission statement outlines the purpose of the business. It states why the company exists, what does the company strive to do and possibly, how will it get to where you want to be. For example:

AT&T mission statement: we are dedicated to being the world's best at bringing people together – giving them easy access to each other and to the information and services they want and need –anytime, anywhere.

Avon products, Inc: to be the company that best understands and satisfies the product, service and self fulfillment needs of women – globally.

Example of a mission statement:

Fantastic Sandwiches and Snacks SARL (FSS) will be the South's foremost cafeteria offering authentic European and North American exotic food.

2. Goals and Objectives

These are more specific than the mission statement and include an introduction to some of the services and the products you plan to deliver to the market and for what purpose. These statements might be elementary at this stage as some might be further elaborated in other sections of the Business plan

For example:


The main objective is to become a leader in providing alternative food to a wide range of customers in the southern Tyre region. It is our intention that within a six month period, FANTASTIC SANDWICHES AND SNACKS (FSS) is the main reference point for healthy, European/North American tasty snacks with a Lebanese twist. Our strength in this field lies in the many years of experience the two managers have in European and American snacks as well as an extensive knowledge of the local market.

3. Company strengths and core competencies

What factors will make the company succeed? What do you think your major competitive strengths will be? What background experience, skills, and strengths do you personally bring to this new venture?

For example:

The main strength of the company lies in its management team. The two managers are experts in European and American style euro-snacks, having owned and managed similar business in France and the US for more than 10 years. In addition, the products that will be sold have very few direct competitors in the area. Moreover, the products have all of a sudden an



immediate and pressing need from the presence of the Unifel forces and from the international NGO community. The location of the restaurant is also important being close to the French and Italian contingent and close to one university and two high schools, and well as being within 5 minute drive of a 50,000 population centre. This centre will be served through our delivery service.

In addition to the management, location, and customer base, the price of the products, just slightly below the main competitor "pain-d-or", the soup-sandwich-salad combination is a new innovation in Lebanese fast food restaurant tradition and will provide the foreign customers with a nostalgic meal and the Lebanese customer with a new experience.

C. Products and Services

Describe in depth your products or services [technical specifications, drawings, photos, sales brochures, and other bulky items belong in *Appendices*].

What factors will give you competitive advantages or disadvantages? Examples include level of quality or unique or proprietary features. [a competitive analysis guide is included later]

What are the pricing, fee, or leasing structures of your products or services?

For example:

Bagels, 6 inch baguettes, salads and soups and chilly are the main course offered at the restaurant. The sandwich are based on cold cut combinations, smoked meat varieties [Montreal smoked meat], cheese and labneh and zaater sandwiches [Lebanese taste]. The soups are based on mushroom soup, onion soup, minestrone [vegetable soup] and hearty chilly. The salads are centered on garden salads, wild leaves salads, Cesar and taco salad. [please see attached menu]

The customer can opt to either order out or enjoy our 50m² terrace and indoor facilities for dining. There is a seating capacity for 40 people within the restaurant and on the terrace. Prices will range between 2\$ for some small bagels to 30\$ for some specialty meals, such as salmon or fillet of fish.

D. Marketing plan

The marketing plan lays out in details how you plan to sell your products to the public. The plan should demonstrate your knowledge of the terrain you're working in, your competitive edge, your knowledge of your customer base, and your promotional campaign, or how you plan to enter the market. The marketing plan is supposed to convince the lender, or a possible partner, of your business knowledge and ability to translate your idea into profit. The marketing plan varies, but must have the following categories: Industry trend, competitiveness analysis, customer base and promotion campaign.



Example of marketing plan:

The marketing plan is composed of an advertising campaign that will use direct flyers delivered to the intended customer base, as well as promotional activities linking FSS to the Unifel forces (sponsorship of local football tournaments) and to the universities nearby by offering special discounts for students. In addition, the delivery vehicles will display the logo of FSS prominently for clear identification purposes.

Our Unifel and NGO focus group has determined that taste and choice of menu is more important than price overall, but for the sub group of students, the price factor was important, thus, FSS will offer prices that are competitive with the major competitors such as Baquette, Subway and pain d'or.


1. Industry trend

This section must demonstrate that you know your industry. Some basic questions that need to be answered are:

- What is the total size of your market?
- What percent share of the market will you have? (This is important only if you think you will be a major factor in the market.)
- Current demand in target market.
- Trends in target market—growth trends, trends in consumer preferences, and trends in product development.
- Growth potential and opportunity for a business of your size.
- What barriers to entry do you face in entering this market with your new company? Some typical barriers are:
- And of course, how will you overcome the barriers?



Example of industry review worksheet



Industry _____ **SIC Code** _____

Customer demand

- What is the current demand for products and services of the type you will be providing? Has this demand been increasing or decreasing? By how much?
- How is demand expected to change in the future?
- What are the reasons for these changes in demand?
- Are there any major demographic trends-trends having to do with age, income, gender, race, occupation, size of family, or other measurable, personal characteristics - that will affect total demand for your products and services in the future?

Economic trends

- What is the general economic outlook for your geographic area [city, state, region] for the foreseeable future?
- How will these changes in the economy affect demand for your products or services?

Government and Legislative trends (including environmental issues)

- What are the local, state, and federal regulations governing your industry?
- Are there any proposed changes to these in the future? if so, how will these affect your business?

Technological trends

- Are there any technological advances or improvements that will have a significant impact on the way you produce or distribute your product or services? How will these advances change the way you do business?

Production factors

- Are there any factors that may affect your ability to produce your products or services in sufficient quantity in the future? These factors might include the costs and availability of skilled labor or the raw materials needed to manufacture a product.

Financial factors

- What are financial ratio averages for businesses similar to yours?
- Are these ratios healthy and showing improvement? What are the reasons for the trends?

Source: NationsBank Small business success sessions

Example of industry trend analysis:

The taste for European and North American food is growing. It is growing due to the increased presence of European troops and European and North American representatives of international organizations and NGOs, and it is also growing because of growth in local taste, especially among the youth. In addition, the existence of expatriates who frequent the area on a yearly

basis influences demand in this category of food.

The restaurant industry is well established in the area with most restaurants offering sandwiches such as "Philadelphia" and club sandwiches, however, these establishments lack several elements in terms of taste requirements that are needed to approximate the original taste, presentation skills are generally poor, selection is also poor with most sandwiches having similar taste, and there is virtually no emphasis on soups or chilly and the availability of salads is limited and what does exist is virtually found in all of the local restaurants.

The closest competitor in this regards is "pain-d'or", however, this establishment still suffers from taste issues, authenticity of presentation and taste, and is poor on providing the soup-sandwich-salad combination.

The other competitors are mainly in Beirut, especially through the Subway chain, which is not very well developed with no single store operating in the south.

Thus, we believe there to be room for competition and we believe that this niche of this industry is set to go.

The market is divided into two key segments, foreigners and Lebanese. The foreigners are in turn divided into Unifel, and then international organizations/ NGOs. The Lebanese side is mainly composed of university and high school students. The Unifel force in the vicinity of the location amount to 10,000 troops, 8,000 of whom come from European countries, mainly France, Spain and Italy and these countries share similar palettes when it comes to food, and this is an aspect that FSS is targeting. These troops go out two days a week and spend at least 20\$/week each on food. We plan to capture 1% of this market a year.


In addition, there are other NGOs and international organizations present in the area with a rough presence of 1000 European and American nationals in the area. Around 50% of this sample resides within a 10 minute drive of our establishment, enabling us to capture 1.5% of their weekly expenditure on eating out [estimated at 30\$/week per person].

Moreover, there are 12000 individuals within 10 minute drive between the ages of 18-35, with an estimated weekly eating out budget of 10\$. Our marketing research estimates 1.2% share in this market.

Over the coming year, our goal is to increase the share of the local market to 2% in 2008-2009 and 5% in 2009-2010 periods. Local recognition, increased presence among the youth, and increased presence among the formal functions and events in the region are the main instruments by which we aim to increase our share.

The major obstacles we face in realizing this plan is the lack of some of the basic ingredients, mainly in dills, smoked meats, and deli products. Some brands of cheese and bread are also missing. The plan is to substitute everything





we can substitute through local production, or through local processing of dills and pickles for example. Agreements with World vision, and YMCA, who operate agricultural cooperative in the region has been reached to ensure supply, minimize cost and replace some non-existing items.

In order to arrive at the estimates, a thorough study was done utilizing focus group settings, and desk research. Focus groups covered Unifel forces, NGO personnel and international organizations staff, university and high school students and local inhabitants.

Desk research covered issues such as the number of residents per town, the age distribution of the population, the numbers of school with the number of students in the schools, the average income per category of occupation and other basic information about the marketplace.

2. Target market

This section identifies the customers, their age group, their gender characteristics, their family composition, their income levels, and their geographic distribution or any other information that is pertinent to the success of your product being delivered to the target market. You may have more than one target market, in this case, you need to identify them all, with priority being given to the most important ones.

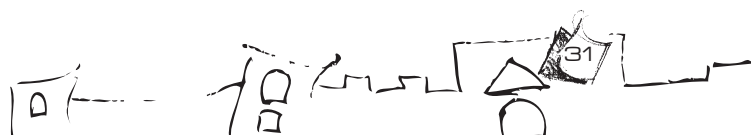
Example of target market analysis:

Three target markets have been identified, the Unifel forces, the NGO community and the local student population.

The Unifel troops are most males, aged between 21-35, located in and around Tyre.

The NGO community is much more diversified, with the sample being distributed almost evenly between males and females. In addition, the NGO representative tend to be more conscious about the health characteristics of their food as well as being receptive to food acquired through local purchases.

The student community is almost evenly split as well, with males opting for taste over health in food selection and a preference for meat rather than light snacks. The female students are more conscious about the health characteristics of the meals. Both are sensitive to the price of the items.



3. Competitiveness and niche analysis

The competitiveness analysis will demonstrate your knowledge of your competition and will identify exactly how you plan to compete and on what basis will your product/service be attractive to your clients. You need to demonstrate that you know your market and you know your customers and that you have an advantage in certain aspects that are important to your clients over some of your competitors. In essence, you are identifying how you will compete on the market and succeed.

The first thing you need to know is who are your major competitors? You need to know their names and addresses

How will they compete with you, across all of your activities or only through certain products or services? And how will your products and services compare to theirs'?

Example of competitiveness analysis:

Direct competitors are limited, with a local subway (competitor A) and pain-d'or (competitor B) located nearby.

Factor	Me	Strength (X = Very strong, x = somewhat strong)	Weakness	Competitor A	Competitor B	Importance to Customer (5 extremely important, 1 not important)
Products	Baggels, baguettes, soups and salads	XX		X	X	5
Price	From 2500-30000 LBP	X		XX	X	3
Quality	High quality	XX		X	X	4
Selection	Unique selection	XX		X	x	4
Service	Exceptional service	X		x	X	4
Reliability	High reliability	X		XX	X	3
Stability	High stability	x		X	X	3

Factor	Me	Strength [X = Very strong, x = somewhat strong]	Weakness	Competitor A	Competitor B	Importance to Customer (5 extremely important, 1 not important)
Expertise	High expertise	XX		X	X	4
Company Reputation	Working on establishing a good reputation	x		X	X	4
Location	Well located	X		X	X	3
Appearance	European style deli	X		x	X	3
Sales Method	Direct, delivery and banquettes	X		X	X	4
Credit Policies	For banquettes only, 50% upfront, 50% after banquette	X		x	X	3
Advertising	Flyers and billboard	X		Xx	Xx	3
Image	As in appearance	X		x	X	3



Quality, expertise, selection and the products themselves are the strongest points that FSS will have compared to its major competitors. All of these areas are either extremely important to our customer base or important. Currently, the niche market is the foreigners who are present in Lebanon at this time, in addition to university students and those looking for a different experience. However, the future niche, although inclusive of those, will also target inbound tourism from the rest of Lebanon and a more solid local base, based on the local Diaspora and developing the local taste of university and high school students as well as focusing on business banquets.

4. Sales forecast

The sales forecast projects how much you are going to sell for at least the first year in business. The sales forecast usually has an optimistic scenario, and a pessimistic scenario. For a business to succeed, even the pessimistic scenario must illustrate capability to repay investment. The sales forecast are based on previous sales records for your own business, or if this is a start up, then the sales forecast must be based on the market research you did to determine the potential size of the demand for your product and your competitor's sales

Example of sales forecast:

As has been shown above, the Unifel market is estimated at \$8.3 million/year in eating out expenditure, the marketing plan assumes a 1.0 % share of this market, translating into roughly \$83,000 a year. In addition, the NGO market was estimated at \$156,000, and we plan to capture 1.5% of this market or roughly speaking \$23,400. The local market is estimated at \$6.24 million, and we plan to capture 1.20% of this market, or \$74,880. Thus total sales are estimated at approximately \$181,280 for the first year of operations.



Sales forecast for FSS

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	total
Product 1 units sold	900	900	900	1000	1000	1000	1200	1200	1200	1250	1250	1250	
Product 1 price	3,5	3,5	3,5	3,5	3,5	3,5	3,5	3,5	3,5	3,5	3,5	3,5	
Total sales product 1	3150	3150	3150	3500	3500	3500	4200	4200	4200	4375	4375	4375	45675
Product 2 units sold	400	400	400	500	500	500	600	600	600	625	625	625	
Product 2 price	6	6	6	6	6	6	6	6	6	6	6	6	
Total sales product 2	2400	2400	2400	3000	3000	3000	3600	3600	3600	3750	3750	3750	38250
Product 3 units sold	250	250	250	300	300	300	350	350	350	400	400	400	
Product 3 price	10	10	10	10	10	10	10	10	10	10	10	10	
Total sales product 3	2500	2500	2500	3000	3000	3000	3500	3500	3500	4000	4000	4000	39000
Product 4 units sold	150	150	150	200	200	200	250	250	250	300	300	300	
Product 4 price	15	15	15	15	15	15	15	15	15	15	15	15	
Total sales product 4	2250	2250	2250	3000	3000	3000	3750	3750	3750	4500	4500	4500	40500
Product 5 units sold	40	40	50	50	60	60	75	75	80	80	90	90	
Product 5 price	20	20	20	20	20	20	20	20	20	20	20	20	
Total sales product 5	800	800	1000	1000	1200	1200	1500	1500	1600	1600	1800	1800	15800
Monthly sales	11100	11100	11300	13500	13700	13700	16550	16550	16650	18225	18425	18425	179225

E. Operational Plan

The operational plan explains how the business will run, from production, to running the business, to hiring employees, and so on. An operational plan usually has 5 subsections. These are:

- Production
- Location
- Legal and administrative matters
- Personnel
- Inventory and Suppliers

1. Production

In this section, you need to analyze how your product or service will be produced. This section helps clarify where you stand in the production cycle, and what type of production system do you need to get your product to the market. Does the product require health inspections, if so, how do you ensure compliance. These are some of the questions you have to answer in this section. A broad outline may include:

- Production techniques and costs
- Quality control
- Customer service
- Inventory control
- Product development


Example of Production section:

One of the most important factors identified in the competitiveness analysis was the product. The production technique must deliver a product that is authentic to the deli style European taste. At the same time, production techniques must safe guard against any possibility of transmitting diseases and ensure highest standards of hygiene.

As such, careful training and separation of tasks will be implemented between people who are handling various stages of cooking and others handling other aspects of the operation.

In addition to production techniques, the type of products that will be produced are important. These are divided into 5 rough categories:

1. bagels and small deli sandwiches: variety of bagels, and using oatmeal bread, brown bread, black bread Italian and regular white bread for the delis
2. large deli sandwiches and hot meat sandwiches: such as smoked meat sandwiches, sausages, especially Italian, and various clubs combinations
3. soups and salads: basic mushroom soup, sea food soup

- 
4. salads: various salads such as Caesar, taco and garden salads
 5. sea food and hot platters: using the fresh ingredients available locally, and imported ingredients for meals based on salmon, mussels, oysters and other sea food delicacies, as well as fillet mignon, and the various available stakes.

Quality control is to be ensured through management supervision and careful training and education of the employees.

Inventory control is very important, inventory is to be updated on a daily basis through the development of inventory control sheets and procedures, as much as possible, we want to keep low inventory, covering no more than 3 days consumption of any particular item, and less when it is warranted.

2. Location

What type of physical location do you need, area? What is the proposed design? How close will you be to your market, what type of location do you need? If your production needs an assembly line, then it probably will not be located in the centre of the city, however, if you are producing reports and information, then it can.

This section needs to specify what qualities you need in your location.

Example of Location analysis:

The location chosen satisfies three requirements, it is close to the Unifel forces, it is close to major universities and residential areas, and it is close to the city centre of Tyre where most NGO representatives living or working in the south reside. In addition, the location offers sea view near the fishermen, which adds some charm to the building. The building itself is an old Lebanese house with a garden that will be transformed into a terrace in order to have an inside and outside eating areas.

Total area is 500m² with a parking lot of 200 m² outside of the restaurant.

The location is within 10 minute walk from 3 universities and 3 high schools and is one block away from a major road.

3. Legal and administrative issues

What is the legal form of your business? In addition, you need to detail the regulations that pertain to you getting your product or services delivered to your intended client. For example, if you are an exporter of olive oil, you need to find out that the regulations are for olive oil in your destined market, whether Lebanon or abroad.



Example of legal and administrative issues

The business is an SARL with the majority holding belonging to [owner 79%] and another 20% of shares belonging to spouse and 1% belonging to lawyer. Quarterly inspections by the ministry of health and consumer protection agency will be done.

4. Personnel

This section will detail your plans to hire people needed for the operation.

You need to list the type of employees that you need for the success of the business. Where do you plan on finding these employees? What qualifications do they need? What role will they have? How much do you plan on paying them?

If the job is essential, a preliminary job description might be useful to include in this section.

Example of personnel section:

The restaurant will start with a staff of 4, increasing to 5 after 6 months, and then increasing to 6 after another 12 months. In principle, one manager and one vice manager will be appointed to run the shifts. The manager and the owner are the same person.

Training for cooking, health and safety, and customer service will be given prior to starting operations, and then reminder interventions will take place at regular intervals of 6 months.

5. Inventory

You need to demonstrate that you know your inventory needs, and have planned for getting the correct amount of inventory, at the right time, to deliver your product to your client as forecasted in your sales forecast

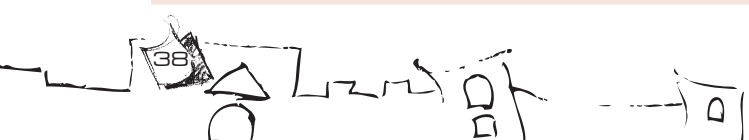
Example of inventory plan:

Approximately 95% of all ingredients are available locally; with wide spread supply within one day delivery service. Some of the smoked meat has to be imported from outside [Montreal, Canada]. The imported inventory will be flown in once a week, a DHL deal has been reached so that shipping costs are minimized.

F. Management and Organization

The Management and organization section will outline how you plan to manage your companies and with what set of skills. If the company is likely to be a small start up [less than 10 employees], then the management structure can be simple, if it is a limited liability company, then a board of directors is a must.

This section will outline the responsibilities of the manager and the staff and other parties that might be involved such as accountants, lawyers, or specialists



Example of management section:

Management decisions will be centered in the general manager. In addition, an employee will be trained as an assistant manager to be able to share the workload and responsibilities. As for the employees, motivation is key, so employee performance rewards will be established to create a positive attitude and lower employee turnover rate.

G. Personal financial statement

Your personal financial statement will detail what you have, what other liabilities do you have, what assets you have and can bring in to the venture, and what do your partners have as well.

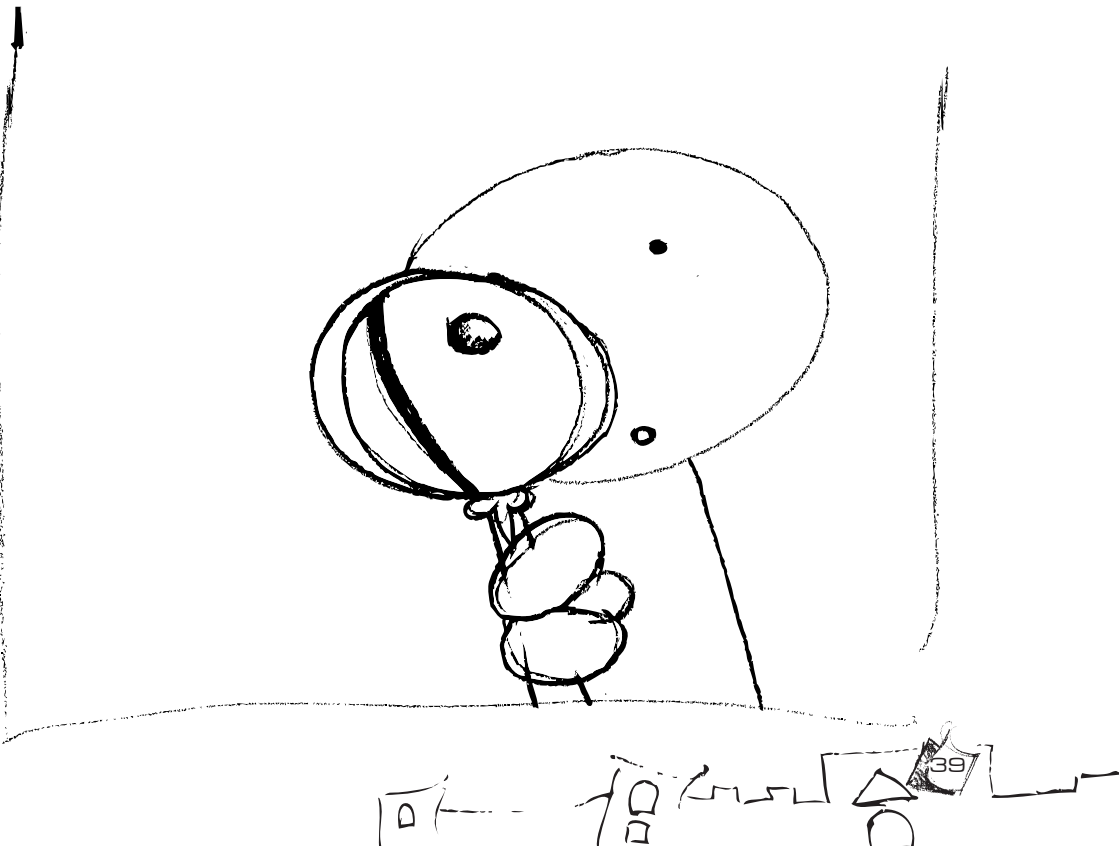
The personal financial statement has to be filled up by all the partners.

The statement is useful on two levels. First, it is useful as a realistic planning guide to indicate how much of your assets can be used to support your business, and second, how much of a loan can you support with your existing assets and liabilities.

Bankers and investors are usually interested in this information.

Examples of personal financial statement:

Current household financial income is \$2500 a month, 500 of which goes to savings. Start up assumptions assume loan payments of around \$300 dollars a month, this can be taken out from the savings account. In addition, a land plot worth \$38,000 has been sold in order to finance the venture.



Personal financial statement				
Family Income	Month 1	Month 2	Month 3	Total
Wages	\$1,800	\$1,800	\$1,800	\$5,400
Spouse Wages	\$600	\$600	\$600	\$1,800
Other wages	\$0	\$0	\$0	\$0
Interests and rent payments	\$100	\$100	\$100	\$300
Miscellaneous	\$0	\$0	\$0	\$0
Total income	\$2,500	\$2,500	\$2,500	\$7,500
Family expenses	Month 1	Month 2	Month 3	Total
Auto expenses (gas, maintenance....etc)	\$250	\$250	\$250	\$750
Auto Insurance	\$20	\$20	\$20	\$60
Auto payments	\$200	\$200	\$200	\$600
Cable	\$10	\$10	\$10	\$30
Electricity	\$30	\$30	\$30	\$90
Generator	\$30	\$30	\$30	\$90
Land phone	\$30	\$30	\$30	\$90
Cell phone	\$100	\$100	\$100	\$300
Child care	\$0	\$0	\$0	\$0
Family support	\$0	\$0	\$0	\$0
Clothing	\$60	\$60	\$60	\$180
Entertainment	\$60	\$60	\$60	\$180
Credit card payments	\$0	\$0	\$0	\$0
Personal loan payments	\$100	\$100	\$100	\$300
Rent	\$0	\$0	\$0	\$0
House payments	\$0	\$0	\$0	\$0
Home repairs	\$50	\$50	\$50	\$150
Savings	\$500	\$500	\$500	\$1,500
Life/medical insurance	\$25	\$25	\$25	\$75
School payments	\$200	\$200	\$200	\$600
University tuition	\$0	\$0	\$0	\$0
Maid	\$100	\$100	\$100	\$300
Vacations	\$100	\$100	\$100	\$300
Municipal taxes	\$0	\$0	\$0	\$0
Food and groceries	\$435	\$435	\$435	\$1,305
Other	\$200	\$200	\$200	\$600
Other				\$0
Total expenses	\$2,500	\$2,500	\$2,500	\$7,500
Net cash Remaining (needed)	\$0	\$0	\$0	\$0


H. Start up expenses

The start up expenses indicates how much you need to actually start up your business. This is usually a significant amount and very important in estimating how much money you need to start the business. Remember, less money needed is not necessarily better. So it's important not to underestimate the costs involved in starting a business since this can lead to under-financing and eventual failure. Since contingencies are bound to happen, these are likely to drive your costs up. It is recommended that you include a contingency budget line in your forecast. The rule of thumb is that contingency budget line should be around 20% of all your other anticipated costs.

Your figures and cost estimate should be backed up to reflect accurate market rates, thus, for renovation you should consult a contractor, for equipment, the supplier...etc.

Example of start up expenses section:

The venture is going to cost \$47,500\$ as is shown below, reconstructing the building, getting a specialized van, and initial advertising and raw materials are all expensive items.



Breakdown of start up expenses	
Accounting and legal	\$1,000
Advertising	\$5,000
building construction	\$15,000
Car, delivery, travel	\$10,000
Contingency	\$5,000
Insurance	\$50
Interest	\$60
Internet	\$50
Miscellaneous	\$200
Office supplies	\$500
Other	\$500
Owners' withdrawal	\$0
Payroll expenses (NSSF)	\$0
petty cash	\$0
Principal loan payment	\$240
Purchases [other]	\$200

Purchases of capital equipment	\$3,000
Purchases of raw materials	\$5,000
Rent	\$500
repairs and maintenance	\$1,000
Taxes	\$0
Telephone	\$200
Wages	\$0
Total	\$47,500

I. Financial Plan

The financial plan is where you translate all your ideas and research into a model that illustrates that your idea is business worthy.

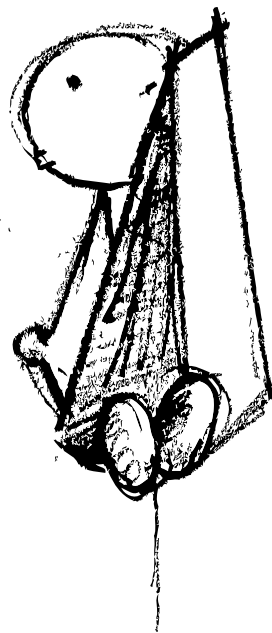
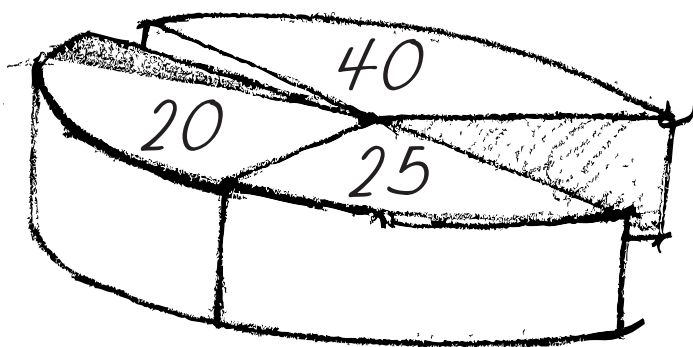
The financial plan consists of a 12-month profit and loss projection, a four-year profit and loss projection (optional), a cash-flow projection, a projected balance sheet, and a break-even calculation (the profit and loss form provided includes in it the breakeven analysis). Together they constitute a reasonable estimate of your company's financial future. More important, the process of thinking through the financial plan will improve your insight into the inner financial workings of your company

1. Cash flow forecast

The cash flow shows how much cash is actually on hand. The cash flow calculations illustrates when you are going to be short on cash and when will be ok. This will then help you structure your cash flow so as to limit the damage from tight cash flow and ensure supplies and deliveries to customers.

Example of cash flow forecast

The set up of the venture is going to cost around \$47,500. However, the expected cash flow of the venture is quite positive. The sales assumptions made earlier indicate that the cash at hand situation will remain difficult for about 7 months, due to the initial slowness is achieving high sale volume. Following that, the cash at hand situation will improve drastically.



Cash flow analysis for the first 12 months

	pre -start up	Month 1	Month 2	Month 3	Month 4	Month 5
Cash on hand Beginning of the month]	\$35,700	-\$2,245	-\$1,470	-\$1,695	-\$2,280	-\$1,825
CASH RECEIPTS						
Cash sales		\$11,100	\$11,100	\$11,300	\$13,500	\$13,700
Cash receivables						
Loans/other cash injection	\$10,000					
Total cash receipts	\$10,000	\$11,100	\$11,100	\$11,300	\$13,500	\$13,700
Total cash available	\$45,700	\$8,855	\$9,630	\$9,605	\$11,220	\$11,875
CASH PAID OUT						
Purchases of raw materials	\$5,000	\$2,220	\$2,220	\$2,260	\$2,700	\$2,740
Purchases of capital equipment	\$3,000	\$300	\$300	\$300	\$300	\$300
Purchases (other)	\$300	\$300	\$300	\$300	\$300	\$300
Wages	\$0	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000
Payroll expenses (NSSF)	\$0	\$400	\$400	\$400	\$400	\$400
Office supplies	\$500	\$200	\$200	\$200	\$200	\$200
repairs and maintenance	\$1,000	\$100	\$100	\$100	\$100	\$100
Advertising	\$5,000	\$500	\$500	\$500	\$500	\$500
Car, delivery, travel	\$10,000	\$400	\$400	\$400	\$400	\$400
Accounting and legal	\$1,000	\$250	\$250	\$250	\$250	\$250
Rent	\$500	\$500	\$500	\$500	\$500	\$500
Telephone	\$200	\$200	\$200	\$200	\$200	\$200
Internet	\$50	\$50	\$50	\$50	\$50	\$50
Insurance	\$50	\$50	\$50	\$50	\$50	\$50
Taxes	\$0	\$1,110	\$1,110	\$1,130	\$1,350	\$1,370
Interest	\$67	\$67	\$67	\$67	\$67	\$67
Principal loan payment	\$278	\$278	\$278	\$278	\$278	\$278
Owners' withdrawal	\$0	\$500	\$1,500	\$2,000	\$2,500	\$2,500
building construction	\$15,000					
Other	\$500	\$500	\$500	\$500	\$500	\$500
Contingency	\$5,000	\$200	\$200	\$200	\$200	\$200
Miscellaneous	\$500	\$200	\$200	\$200	\$200	\$200
TOTAL CASH PAID OUT	\$47,945	\$10,325	\$11,325	\$11,885	\$13,045	\$13,105
Cash Position	-\$2,245	-\$1,470	-\$1,695	-\$2,280	-\$1,825	-\$1,230
IRR						

	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Total
	-\$1,230	-\$636	\$974	\$2,584	\$4,264	\$6,547	\$8,969	\$47,656
	\$13,700	\$16,550	\$16,550	\$16,650	\$18,225	\$18,425	\$18,425	\$179,225
								\$0
								\$10,000
	\$13,700	\$16,550	\$16,550	\$16,650	\$18,225	\$18,425	\$18,425	\$189,225
	\$12,470	\$15,914	\$17,524	\$19,234	\$22,489	\$24,972	\$27,394	\$236,881
								\$0
	\$2,740	\$3,310	\$3,310	\$3,330	\$3,645	\$3,685	\$3,685	\$40,845
	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$6,600
	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$3,900
	\$2,000	\$2,400	\$2,400	\$2,400	\$2,400	\$2,400	\$2,400	\$26,400
	\$400	\$480	\$480	\$480	\$480	\$480	\$480	\$5,280
	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$2,900
	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$2,200
	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$11,000
	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$14,800
	\$250	\$250	\$250	\$250	\$250	\$250	\$250	\$4,000
	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$6,500
	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$2,600
	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$650
	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$650
	\$1,370	\$1,655	\$1,655	\$1,665	\$1,823	\$1,843	\$1,843	\$17,923
	\$67	\$67	\$67	\$67	\$67	\$67	\$67	\$875
	\$278	\$278	\$278	\$278	\$278	\$278	\$278	\$3,611
	\$2,500	\$3,000	\$3,000	\$3,000	\$3,500	\$3,500	\$3,500	\$31,000
								\$15,000
	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$6,500
	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$7,400
	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$2,900
	\$13,105	\$14,940	\$14,940	\$14,970	\$15,943	\$16,003	\$16,003	\$213,534
	-\$636	\$974	\$2,584	\$4,264	\$6,547	\$8,969	\$11,391	\$23,347
14.8%								

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Cash on hand turns positive after 8 months, and the cash situation drastically improves with improved sales. The anticipated IRR for the first 12 months is 14.8%, well above the average interest rate of 11%. In addition, owners' withdrawals are substantial in this model, and can be amended in order to help with the cash flow situation if needs be.

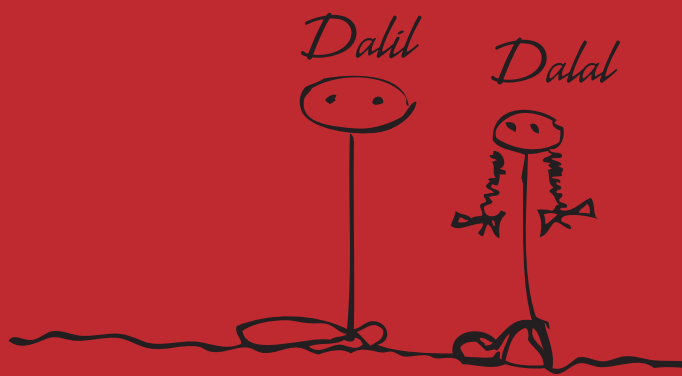
2. Profit and loss projection

The profit and loss projections are the heart of the business plan. If the profit projections are not good, then this is a good sign that the scheme should be abandoned if they are good, then it is a good indicator of possible success. The projections depend largely on the research that has been done and on the projected sales elaborated earlier.

Example of profit and loss projection:

The business is expected to make a profit of around \$14,000, in the first year; however, these profits will be realized from the 4th month onwards. Overall, the average profit rate for first year will be 8%, which is a positive sign since first year is exceptionally difficult.



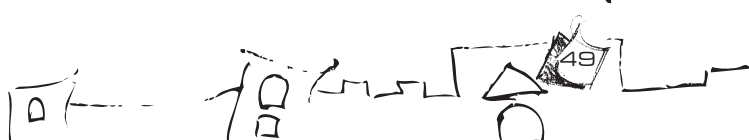


Profit and loss projections

	Month 1	Month 2	Month 3	Month 4	Month 5
Revenues					
Cash sales	\$11,100	\$11,100	\$11,300	\$13,500	\$13,700
Receivables					
Total	\$11,100	\$11,100	\$11,300	\$13,500	\$13,700
Variable Costs					
Wages (50%)	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
owner withdrawal	\$500	\$1,500	\$2,000	\$2,500	\$2,500
raw materials	\$2,220	\$2,220	\$2,260	\$2,700	\$2,740
Total Variable costs	\$3,720	\$4,720	\$5,260	\$6,200	\$6,240
Gross profit (sales-Vcost)	\$7,380	\$6,380	\$6,040	\$7,300	\$7,460
GP as a % of sales	66	57	53	54	54
% of variable cost to sales	34%	43%	47%	46%	46%
Fixed costs					
Purchases of capital equipment	\$300	\$300	\$300	\$300	\$300
Purchases (other)	\$300	\$300	\$300	\$300	\$300
Payroll expenses (NSSF)	\$400	\$400	\$400	\$400	\$400
Wages (50%)	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
Office supplies	\$200	\$200	\$200	\$200	\$200
repairs and maintenance	\$100	\$100	\$100	\$100	\$100
Advertising	\$500	\$500	\$500	\$500	\$500
Car, delivery, travel	\$400	\$400	\$400	\$400	\$400
Accounting and legal	\$250	\$250	\$250	\$250	\$250
Rent	\$500	\$500	\$500	\$500	\$500
Telephone	\$200	\$200	\$200	\$200	\$200
Internet	\$50	\$50	\$50	\$50	\$50
Insurance	\$50	\$50	\$50	\$50	\$50
Taxes	\$1,110	\$1,110	\$1,130	\$1,350	\$1,370
Interest	\$67	\$67	\$67	\$67	\$67
Principal loan payment	\$278	\$278	\$278	\$278	\$278
Other	\$500	\$500	\$500	\$500	\$500
Contingency	\$200	\$200	\$200	\$200	\$200
Miscellaneous	\$200	\$200	\$200	\$200	\$200
Total Fixed costs	\$6,605	\$6,605	\$6,625	\$6,845	\$6,865
Net profit	\$775	-\$225	-\$585	\$455	\$595
Net profit as a % of sales	7	-2	-5	3	4
Break even point	9,934	11,492	12,395	12,659	12,607
Total Costs	\$10,325	\$11,325	\$11,885	\$13,045	\$13,105
Net cash flow	\$775	-\$225	-\$585	\$455	\$595



	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Total
	\$13,700	\$16,550	\$16,550	\$16,650	\$18,225	\$18,425	\$18,425	\$179,225
								\$0
	\$13,700	\$16,550	\$16,550	\$16,650	\$18,225	\$18,425	\$18,425	\$179,225
	\$1,000	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$13,200
	\$2,500	\$3,000	\$3,000	\$3,000	\$3,500	\$3,500	\$3,500	\$31,000
	\$2,740	\$3,310	\$3,310	\$3,330	\$3,645	\$3,685	\$3,685	\$35,845
	\$6,240	\$7,510	\$7,510	\$7,530	\$8,345	\$8,385	\$8,385	\$80,045
	\$7,460	\$9,040	\$9,040	\$9,120	\$9,880	\$10,040	\$10,040	\$99,180
	54	55	55	55	54	54	54	55
	46%	45%	45%	45%	46%	46%	46%	
	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$3,600
	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$3,600
	\$400	\$480	\$480	\$480	\$480	\$480	\$480	\$5,280
	\$1,000	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$13,200
	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$2,400
	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$1,200
	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$6,000
	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$4,800
	\$250	\$250	\$250	\$250	\$250	\$250	\$250	\$3,000
	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$6,000
	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$2,400
	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$600
	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$600
	\$1,370	\$1,655	\$1,655	\$1,665	\$1,823	\$1,843	\$1,843	\$17,923
	\$67	\$67	\$67	\$67	\$67	\$67	\$67	\$808
	\$278	\$278	\$278	\$278	\$278	\$278	\$278	\$3,333
	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$6,000
	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$2,400
	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$2,400
	\$6,865	\$7,430	\$7,430	\$7,440	\$7,598	\$7,618	\$7,618	\$85,543
	\$595	\$1,610	\$1,610	\$1,680	\$2,282	\$2,422	\$2,422	\$13,637
	4	10	10	10	13	13	13	8
	12,607	13,603	13,603	13,583	14,015	13,979	13,979	154,583
	\$13,105	\$14,940	\$14,940	\$14,970	\$15,943	\$16,003	\$16,003	\$165,588
	\$595	\$1,610	\$1,610	\$1,680	\$2,282	\$2,422	\$2,422	\$13,637

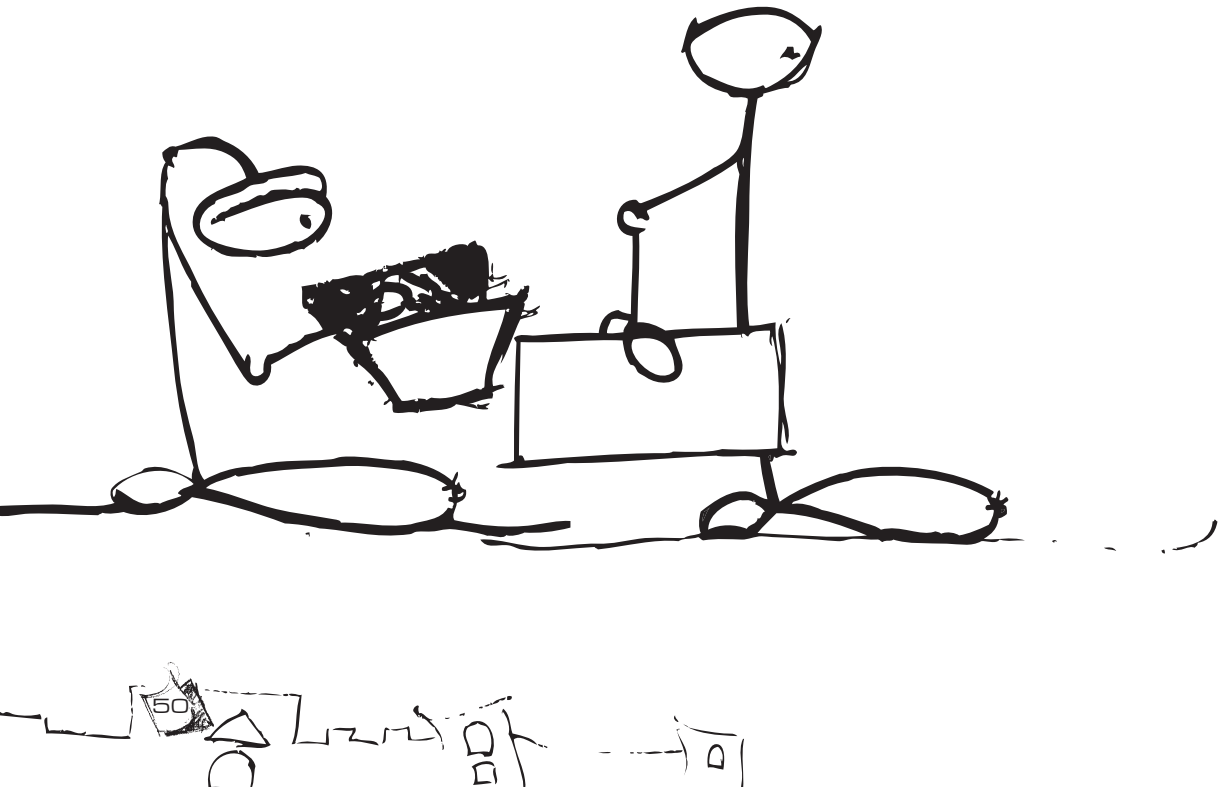


3. Breakeven analysis

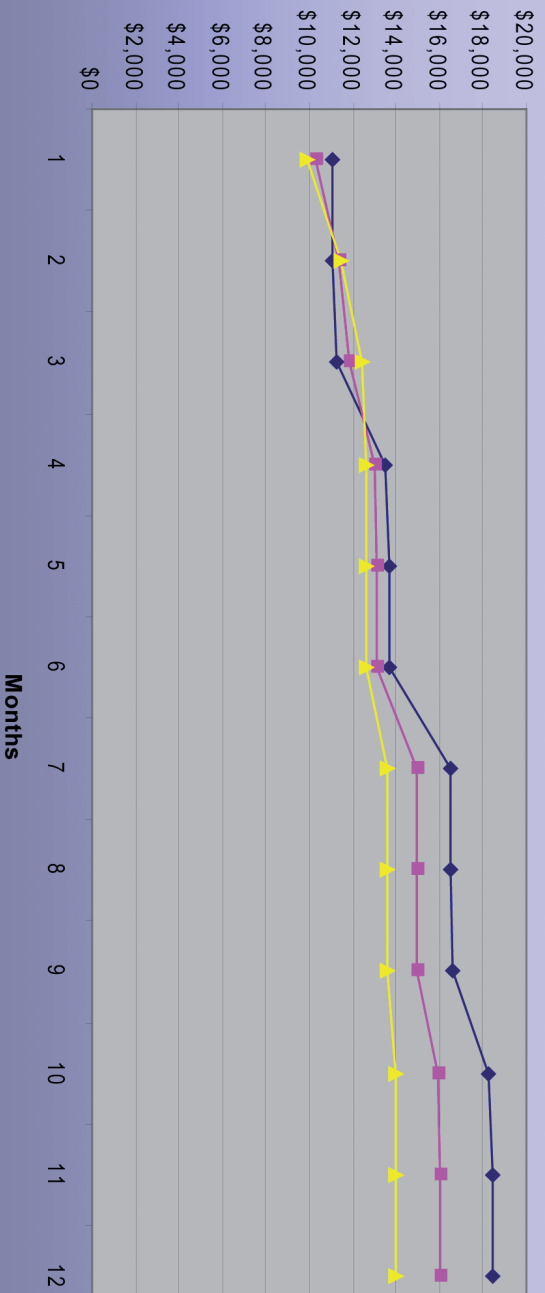
The breakeven point is the point that separates profits from loss. It is the point of operation where sales equal the costs of items produced. Selling at less than this figure means that the business is operating at a loss and will not survive long.

Example of breakeven analysis section:

As is illustrated above, breakeven point is given on a monthly basis, the yearly break even point is \$154,583.



Monthly breakeven graph



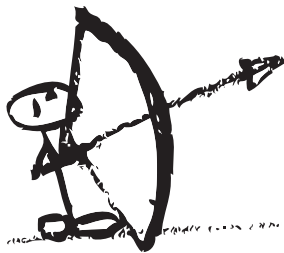
The graph above illustrates that in all but three months, the projected sales will more than the breakeven point, following that, the breakeven point stabilizes just below the \$14,000 vis-à-vis projected increases in sales.

4. Balance sheet

A balance sheet is one of the fundamental financial reports that any business needs for reporting and financial management. A balance sheet shows what items of value are held by the company (assets), and what its debts are (liabilities). When liabilities are subtracted from assets, the remainder is owners' equity.

Example of Balance sheet calculations:

The company's assets show that from 2008 to 2009, a positive change will be noticeable on the assets of the company while a decrease is registered in the liabilities side.



Balance sheet for 2008-2009

Assets	2008	2009
Current Assets		
Cash in bank	\$ -	\$ 10,000
Accounts receivable	-	-
Inventory	5,000	3,000
Prepaid expenses	-	-
Other current assets	-	-
Total Current Assets	\$ 5,000	\$ 13,000
Fixed Assets		
Machinery & equipment	\$ 3,000	\$ 3,000
Furniture & fixtures	5,000	7,500
Leasehold improvements	-	-
Land & buildings	10,000	7,500
Other fixed assets	2,000	2,000
[LESS accumulated depreciation on all fixed assets]	[2,000]	[1,600]
Total Fixed Assets (net of depreciation)	\$ 18,000	\$ 18,400
Other Assets		
Intangibles	\$ 5,000	\$ -
Deposits	-	-
Goodwill	-	5,000
Other	-	-
Total Other Assets	\$ 5,000	\$ 5,000
TOTAL Assets	\$ 28,000	\$ 36,400
Liabilities and Equity		
Current Liabilities		
Accounts payable	\$ 5,000	\$ 2,000
Interest payable	2,160	1,440
Taxes payable	-	-
Notes, short-term [due within 12 months]	-	-
Current part, long-term debt	12,250	4,500
Other current liabilities	-	-
Total Current Liabilities	\$ 19,410	\$ 7,940
Long-term Debt		
Bank loans payable	\$ 12,250	\$ 8,650
Notes payable to stockholders	-	-
LESS: Short-term portion	[12,250]	-
Other long term debt	-	-
Total Long-term Debt	\$ -	\$ 8,650
Total Liabilities	\$ 19,410	\$ 16,590
Owners' Equity		
Invested capital	\$ 35,700	\$ 35,700
Retained earnings - beginning	-	-
Retained earnings - current	-	12,000
Total Owners' Equity	\$ 35,700	\$ 47,700
Total Liabilities & Equity	\$ 55,110	\$ 64,290

We missed Dalil "guide" who went out of guide 2 page 47

Did he go out looking for Dalal?

Did he go out looking for his inner self?

*Or did he go out to have some relaxing time,
so he can meet up with Dalal as guide3?*

