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USAID KOSOVO PRIVATE ENTERPRISE PROGRAM (KPEP)

Business Enterprise Training (Premier Advisor Program)

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Implemented by
Booz Allen Hamilton

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BUSINESS ENTERPRISE TRAINING

PREMIER ADVISOR PROGRAM

Kosovo Private Enterprise Program Business Enterprise Training – Premier Advisor Program
Contract No. No. EEM-I-07-00007-00, TO #2

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PURPOSE OF ASSIGNMENT

The purpose of the assignment is primarily **to raise the capacity of business service providers in Kosovo**. A secondary purpose it to train KPEPs own short term consultants to meet appropriate standards of output in order to meet other KPEP objectives.

BACKGROUND

In September 2008, USAID awarded the Kosovo Private Enterprise Program (KPEP) to Booz Allen Hamilton; USAID designed KPEP to build on the successes achieved to date and elevate impact by transforming Kosovo's economy through improvements in private sector competitiveness.

KPEP includes four components: 1) Private sector support to targeted sectors with potential for growth and competitiveness; 2) Identify demand driven development for business support services; 3) Improve the business working environment; 4: Workforce development. The Kosovo Private Enterprise Program will address several cross-cutting areas including: youth and minority development. Finally, the program will manage a Strategic Activities Fund (SAF) valued at \$3,760,000.

The need to build the capacity of business service providers has long been an issue for those involved in economic development in Kosovo. The market is subject to distortion created in some part by donors who have traditionally paid top rates for local experts, leaving a vacuum in the private sector. The result has been inferior service to the end user with the resultant contempt for local consultants demonstrated by entrepreneurs.

An attempt to address the issue was made by the European Agency for Reconstruction in 2004/05 with a Voucher Counseling Scheme operated through the Ministry of Trade and Industry. The operation was something of a failure due to the fact that the Ministry accredited consultants to operated under the scheme and these turned out to be a poor selection delivering less than optimal value (with a few notable exceptions) to the private sector.

At the close of the scheme, the Ministry was keen to continue it and lobbied the USAID KCBS Program for on-going support. KCBS ran the scheme a second time with better results but still hampered by the poor quality of local consultants.

A post project evaluation on the most recent incarnation of the Voucher Counseling Scheme demonstrated that many of the beneficiaries experienced that the support had been unsatisfactory.

An attempt by KCBS to support the establishment of an Association of Management Consultants failed due to lack of sustainability and failure to agree on appropriate standards that should be applied.

The concept of a Premier Adviser Program was initiated by the EAR Funded Technical Assistance Program at the Ministry of Trade and Industry who formulated a basic design but was unable to implement it before the end of their mandate. The concept nevertheless was well regarded and generally agreed as the appropriate solution to the problem.

In parallel, the EAR Funded Technical Assistance to the Chamber of Commerce began to promote the CMC qualification (Certified Management Consultant) with a plan to create an alliance with the Institute of Business Consultants of UK. The EU Funded TAM/BAS Program also has attempted to provide a home for an association of business consultants, but sustainability is questionable given the life span of TAM/BAS Program.

While many of the comments made above are subjective, they are generally accepted. It is clear that the solution has not yet been found and the quality is still of less than optimal standard. Donors have been approaching the problem in an uncoordinated manner and several years have elapsed without a cohesive approach to a resolution.

The Premier Advisor Program is designed to implant basic consultancy skills which complement other education to provide a well rounded education.

In this report, a Premier Adviser is defined as someone who can:

- Develop an accurate and robust set of financial forecasts for Balance Sheet, Profit and Loss Account, Cash Flow and Financial Ratios;
- Develop a comprehensive set of Assumptions on which these financial forecasts are based;
- Develop a Marketing Strategy which integrates to the Financial Assumptions;
- Consolidate the above into a robust and well presented business plan;
- Develop a presentation to deliver the findings of the business plan;
- Manage a consulting project using Project Cycle Management to ensure that the objectives of the consulting assignment are agreed fully with the client and delivered to the client's satisfaction.

A next stage would be an association of professionals with a code of conduct which obliged them to respect certain standards and practices. Certification would recognize core skills and standards would endeavor to prevent consultants operating outside their sphere of competence (for example, Web designers delivering accounts or accountants delivering marketing plans)

EXECUTIVE SUMMARY

The Premier Advisor Program was developed from a concept elaborated in the KPEP proposal and is designed to address the long identified problem in Kosovo of lack of capacity of business service providers.

The purpose of the program is implant consulting skills to local consultants who may be well educated in their own field but who lack specific consulting skills in the areas of:

- Business Planning
- Proposal writing
- Project Management
- Presentation skills

The materials were developed during December 2008 for delivery in January 2009. The materials consisted of Speaker notes; slides; manuals; presentations and modules and templates as appropriate to the subject. The course consists of 5 modules as follows:

- Project Cycle Management
- Financial Modeling
- Marketing Analysis and Strategy
- Report Writing
- Presentation Skills

The course was delivered to a specially selected group of local consultants who show particular aptitude and who are capable of converting the material to Albanian and of delivering it in the future. The course was run as a train the trainer program.

Training was delivered at the American University of Kosovo from January 19th – 29th 2009. In all, 12 people were trained and 6 projects were developed.

In addition to classroom training, the participants were each given a practical project for the Strategic Activities Fund in order to test their practical skills. The participants were mentored through this stage (remotely on line) and the results of this were monitored and evaluated.

Lessons for Improvement

During this pilot training some of the lessons were learnt as follows:

- Pairing of the participants carried risks which in part were borne out: It enabled some participants a certain amount of “Free riding” on the skills of the stronger partner. In addition, it is harder to evaluate individual skills learnt from the final joint output of a team.
- The course should not be delivered in one continuous input, but should be spread over a sufficient period to allow students to cope with other work and to reflect on the modules completed before rushing straight into the next module.

Next Steps

It is proposed that the course is now adapted for delivery to a wider audience by those who have already been trained. The course may be translated to Albanian and delivered by those trainees who showed an aptitude for particular modules.

ACTIVITIES TO ACHIEVE ASSIGNMENT PURPOSE

Component Objectives

The KPEP Business Support component will establish a methodology for high quality proposals with clearly articulated project plans, financial analysis supporting the proposal activity and a consistent format for easier, more transparent comparisons, monitoring and evaluation. By training BSPs in this methodology, KPEP will build their capacity to prepare strong supportable proposals for donor programs, banks and others.

Assignment Objectives

The assignment objective as stated in the Statement of Work is that the Business Training Specialist shall be primarily responsible for providing a complete curriculum and materials for the KPEP methodology and a pilot training of trainers (TOT) program. He will have the following main objectives:

1. To adapt Premier Advisers course and materials to meet the needs of SAF;
2. To develop pilot training of trainers (TOT) for the revised course;
3. To lead pilot TOT program for initial trainers (BSPs and KPEP staff)

Scope of Work

To achieve these objectives, the Business Training Specialist shall be responsible for developing the Premier Advisor Program and specifically, the Business Training Specialist shall have the following main tasks:

1. Review KPEP Strategic Activities Fund proposal process to identify needs for adaptation¹;
2. Review all existing Premier Advisors course outlines, presentations, handouts and other materials needed to teach the course;
3. Revise/Adapt existing Premier Advisor Course, presentations, handouts and other materials to meet SAD needs to proposal methodology;
4. Provide course materials, presentations etc. necessary to teach the course in English and ready for translation into Albanian;
5. Develop criteria for evaluating final projects that the course participants will undertake;
6. Develop train-the-trainer course for the new methodology;
7. Implement ToT for 10 to 15 participants (KPEP staff and BSPs) in Pristina in English
8. Mentor individuals that complete the course as needed;
9. Prepare comprehensive report on the assignment
10. Other tasks as assigned by the project Business Support Component lead.

Review all existing Premier Advisors course outlines, presentations, handouts and other materials needed to teach the course;

Existing course material was developed in outline before the Statement of Work was created in order to allow KPEP Management to take a decision on whether or not to

¹ This objective was later dropped as it was considered too burdensome and costly for SAF grant submitters to engage the services of a BSP as a precondition for consideration under SAF.

proceed with the training. This contained the structure and framework of the course and was a basis for the development of the course in accordance with the proposal methodology

Revise/Adapt existing Premier Advisor Course, presentations, handouts and other materials to meet KPEP needs;

The course was designed and adapted from the basic model to meet the needs of KPEP. Specific modules were created and all was converted to USAID format.

Provide course materials, presentations etc. necessary to teach the course in English and ready for translation into Albanian;

All documents were provided in advance although some were modified during and after training in the light of experience gained during the delivery

Develop criteria for evaluating final projects that the course participants will undertake;

Criteria for evaluation have been developed (see below under “Deliverables”). It is recommended that the criteria are continually revised. In particular, it is recommended that quality criteria are discussed with the end beneficiaries in advance of any intervention and that the project is reviewed against these benchmarks with the client as a measure of quality control. This will create a mechanism of arbitration for ensuring that consultants are paid for work which is competent and are given clear guidelines as to why they might not be paid for work which does not meet the requirements.

Implement ToT for 10 to 15 participants (KPEP staff and BSPs) in Pristina in English

A formal training course was delivered in Pristina at the facilities of the American University of Kosovo. The participants were grouped as pairs in order to combine core disciplines and to provide teams for the practical projects to be prepared for the Strategic Activities Fund as follows:



The BSP component lead and the KPEP SAF Manager also participated in the training

In addition, a local consultant, Fatmir Selimi, requested permission to “sit-in” on the classes, bringing the total trained to 15.

Mentor individuals that complete the course as needed;

This report has been delayed in order that feedback can be provided within the report on the mentoring that has been provided. On completion of training, the participants began work on the particular projects assigned to them and provided output to the Specialist remotely. The Specialist edited reports and provided feedback to try to ensure that the participants have understood the training and was capable of delivering a quality product to their clients.

Other tasks as assigned by the project Business Support Component lead.

The consultant worked with the Business Support Component lead and between them the Scope of Work was completed and the Assignment Objectives were achieved. The Business Training Specialist acknowledged the tremendous level of support provided by the Business Support Component Lead, and takes the opportunity of this report to express appreciation for all the help given.

Deliverables

According to the Statement of Work, the consultant is responsible for the following deliverables:

1. Complete set of all course outlines, presentations, handouts and other materials necessary to teach the course (one set of hard copies plus electronic files, all in English)
2. Implementation of ToT course
3. Criteria and methodology for evaluation of final projects that course participants will undertake;
4. A final report on the incumbent’s work within 15 days of completing the assignment. The final report shall include recommendations and suggested “next steps” where appropriate. Report will be approved by the KPEP Business Support lead.

Complete set of all course outlines, presentations, handouts and other materials necessary to teach the course (one set of hard copies plus electronic files, all in English)

Course materials are provided as annexes to this report. They have been delivered in hard copy and in electronic format to the participants in the form of a course CD and consist of:

Component	Slides	Speaker Notes	Manual	Template	Financial Model
Course Introduction	x		x	x	
Project Cycle Management	x	x			
Financial Modeling	x	x	x		
- Financial Forecasting	x				x
- Time Value of Money					x

- Capital Budgeting					X
- Spreadsheet Accounting System					X
Marketing	X				
- Marketing Analysis	X		X		
- Marketing Strategy	X		X		
Report Writing	X				
Presentation Skills	X				

Implementation of ToT course

Criteria and methodology for evaluation of final projects that course participants will undertake;

The following evaluation methodology was used for assessment of the final projects submitted by the participants. A score of A – E was given with “C” being established as satisfactory.

Criteria	Yes / No	Comments
Project Cycle Management		
There should be clear evidence that the project was conducted using a logical framework and a Gantt chart agreed with the client in advance		
Financial Forecasting		
Completeness		
Five years financial forecasts should be provided including: Profit and Loss Forecast; Balance Sheet Forecast; Financial Ratios Forecast; Cash Flow Forecast		
The forecast should be month by month for the first 2 years and year by year for the last 3 years		
Comprehensive Financial Assumptions are included for each line item.		
Integrity		
The Balance Sheet balances		
Cash Position on the Balance Sheet agrees with the Cash Forecast		
Forecast agrees with the assumptions		
Assumptions agree with the Marketing Strategy		
Growth rates are credible		
Depreciation rates are credible		
Loan interest is calculated correctly		
For an existing business – the current year figures are estimated.		
Presentation:		
Treatment of decimal points is consistent		
Treatment of separators is consistent		
Text is aligned to the left and numbers to the right		

Criteria	Yes / No	Comments
Page set up is correct for printing		
Report Writing		
The layout is appropriate		
There is appropriate use of graphics		
The Table of Contents is automatically inserted		
The English language is clear and unambiguous		
Headings are used appropriately		
There are no spelling mistakes		
There is an appropriate disclaimer		
Pages are numbered correctly		
There is an adequate Executive Summary		
Marketing Analysis and Strategy		
Analysis has clearly considered external circumstances (PESTEL)		
A clear strategy has been developed to take account of external circumstances		
The strategy leads to a detailed marketing budget		
Presentation Skills		
Slides do not contain too many words		
Graphics are used appropriately		

The above listing is not exhaustive and may be further developed. It is an attempt to isolate the more common defects when examining a consultant's report and to reach a benchmark of essential criteria for a competent report.

In the case of the student assignments, not all criteria were met. In fact, some were a long way from meeting all the criteria, but it should be pointed out that there were extenuating circumstances. For example:

- It was not appropriate to provide a five year forecast in some of the assignments.
- Presentations were not required for the assignments themselves, although presentation skills were tested in class

TASK FINDINGS

Pairing of the Participants

During the delivery of the course, the participants were split into pairs. The idea was that one of the pair would support the other and efforts were made to create compatible pairs with, for example, a marketing specialist paired with a financial specialist. This however had some unfortunate results:

In one case, a participant rejected the pairing and refused to work with his partner. As a result, the team was forced to carry out some diplomatic reshuffling;

Pairs tended to be unbalanced, with one strong member and one weak member and the strong member carrying the weak member as a passenger. Results were evaluated by pairs and it became clear that in some cases, the required level of competence had not been reached by the weaker member, but the net result was a pass.

In projects, the members of the pairs tended to deliver in their own specialization instead of developing new skills because the partner was able to make up this difference. This diluted the impact of the training program.

Selection of Projects

Some of the projects were not particularly well matched with the training and it was difficult to assess from the output, if the training had actually been absorbed. This created a dilemma of whether or not to grant a certificate based on inadequate information.

Course Delivery

For reasons of logistics, the Train the Trainer Program was delivered in one continuous input over a period of 10 days. 10 days continuous training is difficult to deliver effectively and difficult for the students to absorb. The modular approach is meant to allow some space between modules for recovery and introspection. Continuous delivery also causes problems with participants who have full time jobs and who are forced to meet commitments from their employers while working intensively on a training course.

COMMENTS ON PARTICIPANT'S PERFORMANCE

Conclusions and Recommendations regarding the course participants

Results of the Training and ability to deliver the course in future

Of the trained consultants, it is suggested that some have a greater aptitude for training different modules of the course. Assessments of the trainees is as follows: (Grouped in pairs with their training partners)

Driton Dalipi and Rozeta Hajdari

Driton Dalipi

Extremely strong in the discipline of marketing with good report writing skills and good Excel skills. While Driton is clearly a marketing specialist, he also has a good grasp of financial issues. He could be a good trainer. He is a Director of one of the most successful consultancies in Kosovo. He speaks near perfect English and will tend always to provide good output.

Rozeta Hajdari

Rozeta speaks good English and has a good general business education along with a willingness to be a top level consultant. She has an advantage of having worked for an International Donor and also the Prime Minister's Office. Now she is in the business of independent consultancy and will provide good work.

The project delivered by Driton and Rozeta was one of the more viable and one of the most competently put together outputs. It is difficult to tell from the output if both participants grasped all aspects of training or whether one was leading the other.

Petrit Zeka and Bahrije Dibra

Petrit Zeka

Petrit is assuredly a very good accountant and he enjoys a good reputation for this in Pristina. He appears to struggle a little on marketing issues and would do well to develop his own presentation skills.

Bahrije Dibra

Bahrije produced an output report which was somewhat inferior but this was difficult to judge because the English was poor to the point of being unintelligible. It was necessary effectively to decode much of what was written and the assessor spent much time correcting the English and re-writing. He commented that "Bahrije will need to improve her English skills if she wishes to market herself in the field of international consultancy" and received a short and angry response from Bahrije stating, "I expected feedback on technical issues – not an English lesson". There has been no further communication from Bahrije or Petrit since then and a final version of the report has not been submitted.

It is difficult to judge competence in the absence of an output document to evaluate. Comments on the inadequacy of the earlier draft were well documented and at that stage there were indications that this team would not deliver output of marketable quality. Nothing has happened to change this opinion.

Alma Xhemalaj and Halil Kaja

The pairing of Alma and Halil was somewhat unfortunate. Alma is a strong accountant and Halil is a marketing specialist. Alma was the dominant member of the team however, and it was difficult for Halil to participate. In the presentation skills element of the course, Alma makes the entire presentation and every time Halil tried to speak, he was over-ruled by Alma.

Halil submitted an output report on the project of creating an Association of Business Consultants but Alma claims that she needed to re-do all Halil's work and the final submission was Alma's work.

Alma Xhemalaj

Extremely skilled technician. Alma translated all materials of ACCA course into Albanian and this means that she has better technical accountancy skills than most ACCAs. This makes her possibly the most technically qualified accountant in Kosovo. In addition, she has completed the CFA qualification, which means that she is more advanced, undoubtedly, than any other Kosovar in the area of investment and the Time Value of Money. This combines with superb Excel and Word skills to make an individual with supreme technical qualities. As a trainer, Alma has a slightly patronizing manner and this makes the Specialist slightly apprehensive about recommending her as a trainer, but her superb technical skills outweigh these reservations. She is probably technically superior to the Training Specialist, but she would be even better if she improved her people and presentational skills.

Halil Kaja

It is difficult to assess whether or not Halil absorbed any of the financial training because he was overshadowed by Alma and was not permitted any input into the financial element of the project. It has really not been possible to assess Halil in this area, but on evidence provided, he would not be deemed to have reached an acceptable standard.

Halil also suffers from poor English writing skills which is a severe handicap if he wishes to participate in delivery of consultancy work for donors and private companies engaged in international markets.

These comments are regrettable because Halil appears to be a conscientious and willing student and an active local consultant. It is recommended that Halil is not granted a certificate at this stage until evidence of competence in the development of financial forecasts is delivered. Perhaps this could be after a refresher course of the financial module.

Zeke Ceku and Xhevat Meha*Zeke Ceku*

The marketing specialist of the pairing carried out a competent marketing exercise and delivered a well presented document. There seems no doubt that Xhevat did all the financial analysis and Zeke did all the marketing. It is not easy to tell whether or not Zeke absorbed sufficient of the financial information to prepare his own financial forecasts. It has to be said that Zeke was a willing and enthusiastic student and it seems that he will at least have developed a strong awareness of where his deficiencies may lie and he will call for help rather than to undertake work beyond his sphere of competence

Xhevat Meha

Xhevat is an accountant with an ACCA qualification. As such, he had no problem with the financial elements of the course, but at the same time, he appeared to gain benefit from developing Excel skills and presentation of financial forecasts. It is felt that he probably absorbed sufficient of the other aspects of the course to be a competent consultant although he will always have a strong financial orientation.

The output of Zeke and Xhevat was, in the end a competent piece of work, suffering slightly from some broken English. The project has been deemed marginal however, which is no fault of the consultants.

Bashkim Pllana and Kaltrina Latifi

Kaltrina Latifi

This training course is not really designed for Kaltrina. She has marketing skills, report writing skills and presentation skills superior to the rest of the class, and to most local and international consultants. She was (in the opinion of the Business Training Specialist) the outstanding pupil. Her output was beyond the level expected. If the writer were to need the services of a local consultant, then Kaltrina would be the first choice. Kaltrina struggles somewhat in the area of financial modeling, but she recognized this limitation herself and it seems that she achieved the required standard in this area as well.

The project revealed some difficulties in the area of financial forecasting where Kaltrina was unable to deliver 5 years of forecasts and to provide robust assumptions to support the forecasts. The final output from Kaltrina and Bashkim resembled more of a marketing document than a piece of analysis. Graphics were used for selling rather than for clarity which, in the opinion of the assessor is an error. Kaltrina was a little obstinate about this criticism pointing out, "I think my graphics are great and I refuse to change them".

Bashkim

Bashkim was paired with Kaltrina during the course, and as a result, the duo produced superb output. In the presentation skills module, the duo performed superbly as a team and Bashkim demonstrated that he is not overshadowed by Kaltrina. However, it is difficult to assess Bashkim on his own because of the strong partner. It is difficult to determine just how much Bashkim was helped by Kaltrina. The impression of the Training Specialist is that Bashkim is extremely good in his own right, but this is difficult to say with absolute certainty. If Bashkim had absorbed the financial training fully, then Kaltrina would have been better supported. It is difficult to say from the paired assessment if the output of Bashkim is of marketable quality.

The final delivery of the project for Bashkim and Kaltrina is of superb presentational quality. It is still somewhat damaged by the superficial quality of financial analysis. In addition, it treats the business plan as a selling document, (which it is, in some ways) but the selling thrust is so powerful that it leads the reader to mistrust the message and it loses some academic integrity. It does not appear objective.

Petrit Balaj and Blerim Prenaj

Arguably they were the best students of the class, quietly delivering competent output in every respect.

Both of this pairing appeared to grasp all disciplines of the teaching and responded well as a team in delivery. Both appeared to be skilled in all areas and the final output was a credible piece of work. Both of these are consultants who produce output to the standard that the market should accept.

Recommendations

For On-delivery of Premier Adviser Modules

- Presentation Skills - Kaltrina Latifi
- Financial Modeling – Alma Xhemalaj or Xhevat Meha
- Marketing: Kaltrina Latifi or Driton Dalipi
- Project Cycle Management:: Rozeta Hajdari:
- Report Writing - Kaltrina Latifi; Driton Dalipi

Next Steps

It is recommended that the entire course is converted to Albanian language and possibly adapted to suit the business environment (without reducing standards). Classes should not be paired in future as it makes assessment more difficult.

The course should be repeated (assuming there is a demand) using those who participated in the first course as trainers as recommended above.

Where trainees are working on projects for the Strategic Activities Fund, they should meet with the clients in advance and develop a logical framework as part of Terms of Reference, as well as to discuss and agree the evaluation criteria on which they will be judged.

After output is delivered, KPEP staff should visit the client to carry out a post project appraisal and to check off activities and output.

ANNEXES

- Annex I Speaker Notes and Slides for the Course Introduction
- Annex II Speaker Notes and Slides for the Project Cycle Management Module
- Annex III Speaker Notes and Slides for the Marketing Module
- Annex IV Speaker Notes and Slides for the Financial Modeling Module
- Annex V Speaker Notes and Slides for the Report Writing Module
- Annex VI Speaker Notes and Slides for the Presentation Skills Module



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Things “they” say about consultants;

“Someone who borrows your watch to tell you the time and then keeps the watch”

“American’s like guru’s because they can’t spell charlatan”

“An academic – Someone who knows 100 ways to make love, but has never had a girlfriend”



What is a Premier Adviser? Someone who can:

- **Plan a consulting project**
- **Write a strong proposal**
- **Make a good business plan**
- **Make the Change happen**
- **Bring the project in on time**
- **Write a good report**
- **Present the findings well**
- **Provide added value to the client**



A Facilitator of Change

- More than someone who just writes a report;
- More than someone who just advises
- Someone who leads the client to make the necessary changes



Type 1 Change : Type 2 Change

Type 1 Change	Type 2 Change
<ul style="list-style-type: none">➤ Kosovo introduces a new Consumer Protection Law➤ MTI prints and distributes 15,000 copies of the new law.➤ MTI holds conference to explain the new law;➤ MTI establishes a Consumer Protection Department	<ul style="list-style-type: none">➤ Kosovo retailers sell only goods that are fit for purpose;➤ Kosovo retailers willingly offer immediate refunds for faulty goods with no questions or arguments.

Never be satisfied with a Type 1 change



Type 1 Change : Type 2 Change

Type 1 Change

Kosovo introduces a new law to make dumping of rubbish in the street illegal

Type 2 Change

Citizens of Kosovo do not drop litter in the street because they do not like their streets to be dirty

Never be satisfied with a Type 1 change



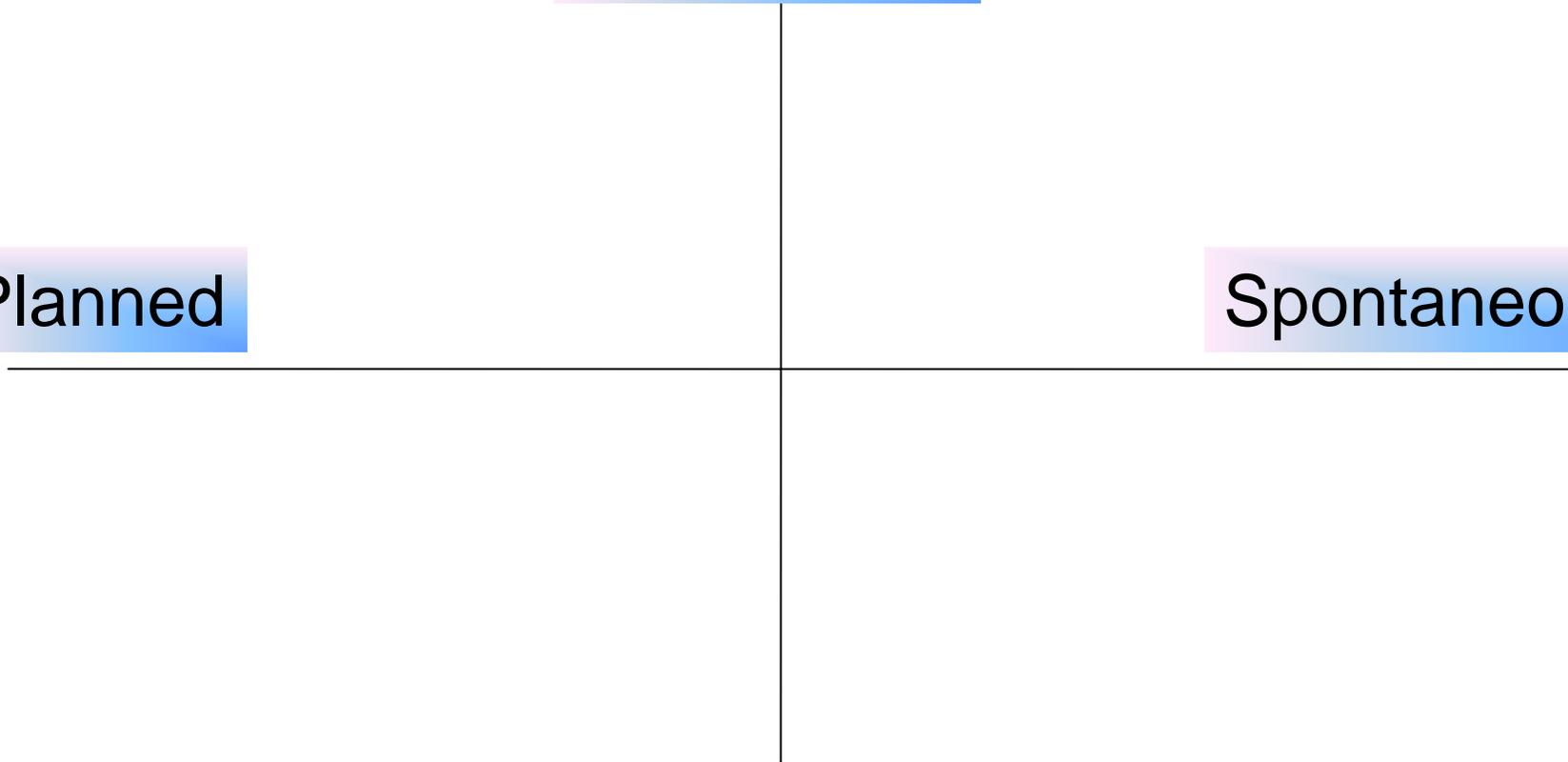
Engage with the Client

Monophonic

Planned

Spontaneous

Polyphonic





The Course Structure

- Module 1 – Project Cycle Management
- Module 2 – Developing a Marketing Plan
- Module 3 – Report Writing
- Module 4 – Making Effective Presentations
- Module 5 – Financial Modelling
- Project



What will I learn?

- Module 1 – Project Cycle Management
 - How to make a strong proposal
 - How to manage a consultancy project
 - How to be sure that you give added value
 - How to make sure that you always get paid



What will I learn?

- Module 2 – Developing a Marketing Plan
 - How to make and justify robust marketing assumptions
 - Marketing Analysis
 - Market Planning
 - Marketing Due Diligence



What will I learn?

- Module 3 – Report Writing
- Killer proposals
 - The Rationale
 - The Methodology
 - The Work Plan
- Formatting
 - Layout
 - Auto Insertion
 - Diagrams / Mind Maps
- Business plans
- Periodic reports



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What will I Learn?

- Module 4 – Making Effective Presentations
- Presentation techniques
- Presentation structure



What will I Learn?

- **Module 5 – Financial Modelling**
 - Preparing a complete set of financials: P & L, balance sheet and ratio forecasts for 5 years
 - Projecting forward accounts for 5 years
 - Understanding the time value of money
 - Capital budgeting
 - Investment appraisal
 - Principles of valuation



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What questions do you have at this time?

Pilot – Premier Advisors Training

Overall Objectives of Training

As a result of this intensive, two week training, the Premier Advisor will be able to:

- Construct a set of financial forecasts for an enterprise consisting of Projected Income Statement; Projected Balance Sheet; Projected Source and Application of Funds; Projected Financial Ratios.
- Construct a credible set of “Assumptions” on which the Financial Forecasts are based
- Assess the overall funding requirement of a proposal or business plan, and construct a capital structure (investment / equity / loan capital / grants) for meeting the funding requirement
- Develop a basic marketing strategy to support the financial assumptions
- Develop a professional looking proposal using Microsoft Word
- Present orally the points of interest to an audience
- Use Project Cycle Management for the purpose of project planning

These are all valuable components to a properly constructed and well developed business plan or project funding proposal, and KPEP will expect Premier Advisor graduates to prepare business plans, proposals, grant applications and investment briefs using what they have learned.

Module 1 - Project Cycle Management

Project Cycle Management is a valuable tool for consultants to develop, present and / or implement any project. Its use is mandatory in EU or DFID projects. This one-day module will teach the participants the value of a logical framework and how to create one and will provide practical exercises in developing logical frameworks for real projects.

Module Objective

By the end of the module, the participants will understand the use of the logical framework as a mechanism for ordering and presenting their projects and will be adept at inserting them into reports and using them as a mechanism for thinking through a chain of activities for designing, implementing and monitoring projects.

Module 2 - Developing a Marketing Plan

This two-day course will provide guidance on how to verify financial assumptions through market research and analysis. The course will provide an analysis template a marketing strategy template and a Marketing Due Diligence template and will provide practical guidelines on how to use marketing to justify investment and to minimize project risk.

Module Objective

By the end of the module, the participants will be able to work with the Marketing Analysis template and the Marketing Strategy Template in order to produce credible analysis and approach to insert into a business plan and to justify the financial assumptions of a business plan

Module 3 - Financial Modeling

During a three- day course, the participants will be taught to build a complete set of integrated financial forecasts using Microsoft Excel. Computers will be available in the classroom for use by participants. They will build a model for inputting of data to produce:

- Income Statement (month by month for 2 years and annual up to 5 years)
- Balance Sheet (month by month for 2 years and annual up to 5 years)
- Statement of Sources and Uses (Sources and Applications) of Funds
- Financial Ratios

While they are building a set of financial ratios, participants will develop strong Excel skills and a stronger understanding of how a set of accounts provides valuable information.

Participants will learn the importance of “Assumptions on which the Financial Forecasts are Based” and how to prepare credible assumptions. Without these, financial projections are worthless. They will also develop a strong understanding of Key Financial Ratios and analysis of company accounts

Module Objective

By the end of the module, the participants will be able to build a set of financial projections of arithmetic integrity and support them with valid and realistic financial assumptions. They will also understand how to use ratio analysis to evaluate the performance of an enterprise, and they will have a template for providing financial projections on behalf of clients. Finally, they will understand how to assess the funding requirement of a project and the parameters under which to work in order to make realistic and reasonable proposals to lenders or investors.

Module 4 - Report Writing

One day of the course will be devoted to report writing, addressing the aspects of Microsoft word which make for a strong presentation without effort.

The module will focus on reporting for business planning, proposal writing and project reporting. Participants will be given a standard template for a Business Plan and an Investor Brief, and will be taught aspects of formatting, auto-formatting and auto-insertion.

Module Objective

By the end of the module, the participants will be able to produce an attractive report in a logical structure. They will be able to insert tables and pictures from other software and to auto insert a table of contents, footnotes, headers, and other references. They will be able to modify the normal template.

Module 5 - Presentation Skills

One day will focus on presentation skills, standing before an audience of one or many to present ideas in a meaningful, direct and concise manner. Participants may be videotaped as they present to gain greater understanding of their presentation strengths and weaknesses.

Module Objective

By the end of the module, the participants will be to construct a 10 minute oral presentation on their proposal, concept or business that addresses key points of interest to the audience.

Practical Exercise

All participants will take part in one practical exercise either individually or with a partner. The participants will prepare a real project proposal or investor brief on behalf of a real client. Proposals will be based on concept papers submitted to and accepted by KPEP.

Course Timetable – 1st Pilot

Monday, 19th. January 2009 at AUK		
Module 1 – Course Introduction and Project Cycle Management		
Learning Objective: How to incorporate logical frameworks, Flow charts, and timetables into project planning and to use them for effective project management		
9:30	Course Registration	
10:00	Session 1 Course Introduction	Why – Premier Advisor? Structure of the course / Learning Objectives
10:45	Session 2 Project Cycle Management	Introduction to PCM Definition of a Project Benefits of PCM
11:15	Session 3	The Process Practical example Other components Other tools
12:30	Lunch	
13:30	Session 4	Group exercise 1
15:00	Session 5	Presentation of Log Frames
16:00	Reception for Beneficiaries	
Tuesday, 20th. January 2009 at AUK		
Module 2 – Marketing Analysis and Planning		
Learning Objective: Creating robust (bulletproof) financial assumptions from Market Analysis		
10:00	Session 1	Defining real example projects Creating Robust Financial Assumptions from Marketing Analysis
11:00	Session 2	Issue of Templates Marketing Analysis Marketing Strategy Marketing Due Diligence
12:30	Lunch	
13:30	Session 3	Group Exercise Analysis of the Marketing Environment Implications for our real projects

15:00	Session 4	Marketing Due Diligence Concepts <ul style="list-style-type: none"> • Assessment Product by Product • Assessment of Market Share and trend • Assessment of Market, Competition and Customers • Approach to Market • Pricing / Marginal Costing • Advertising and Public Relations
Wednesday, 21st. January		
Module 2 – Marketing Analysis and Planning (Contd.)		
10:00	Session 1	Marketing Concepts used in the Analysis <ul style="list-style-type: none"> • Marketing Philosophy • Define the Orientation of the Company • External Environment • Competition – Strengths and Weaknesses / Strategies • Assessment of Market Position • Market Share • Analysis of Market Potential • Divisions, Regions, Territories • Product ranking • Strategically critical products • Client Analysis • Pricing Analysis • Cost analysis • Channels of Distribution Analysis • Marketing Personnel Analysis • Market Targeting
11:30	Session 2	Marketing Concepts used in the Strategy <ul style="list-style-type: none"> • Marketing and Sales Objectives • Product Strategy • Pricing Strategy • Distribution Strategy • Advertising and PR Strategy • Marketing Personnel • HR Development • Advertising and Sales Promotion Programme
12:30	Lunch	
13:30	Session 3	Preparation of Marketing Budgets
15:00	Session 4	Exercise: Development of Financial Assumptions
Thursday, 22st. January 2009		
Module 3 – Financial Modeling – Part 1		
Learning Objective: Developing robust financial forecasts for business plans and developing an awareness of the time value of money and company valuation philosophy		
10:00	Session 1	<ul style="list-style-type: none"> • Setting up the Profit & Loss Account

11:30	Session 2	<ul style="list-style-type: none"> Setting up the Balance Sheet
12:30	Lunch	
13:30	Session 3	<ul style="list-style-type: none"> Setting up the Financial Ratios
15:00	Session 4	<ul style="list-style-type: none"> Linking the years together Making the model look nice
Friday, 23rd . January 2009		
Module 3 – Financial Modeling – Part 2		
10:00	Session 1	Adding a Depreciation Model
11:30	Session 2	Adding a Loan Model Dealing with VAT
12:30	Lunch	
13:30	Session 3	Setting up “Auto-translate”
15:00	Session 4	Making it Auto-translate
Monday, 26th . January 2009		
Module 3 – Financial Modeling – Part 3		
10:00	Session 1	Converting the model to handle existing businesses
11:30	Session 2	Making an Accounting Application
13:30	Session 3	Time Value of money
15:00	Session 4	Introduction to Valuation Capital Budgeting
Tuesday, 27th , January 2009		
Module 4 – Report Writing		
Learning Objective: Delivering strong reports for business planning, proposals and project reporting		
10:00	Session 1	Structure of a Business Plan <ul style="list-style-type: none"> Executive Summary; Introduction – The basic business idea; Operational Plan; Marketing Plan / Strategy; Financial Plan / Funding Requirement and Capital Structure; Annex 1 – Assumptions on which the Financial Projections are based; Annex 2: Detailed Financial Projections
11:30	Session 2	Structure of a Proposal <ul style="list-style-type: none"> Rationale – The reasoning behind the proposal Methodology – The Approach Work plan
12:30	Lunch	
13:30	Session 3	<ul style="list-style-type: none"> Building the Rationale Causal Loop Diagrams

15:00	Session 4	Microsoft tips and tricks; <ul style="list-style-type: none"> • Headings and Table of Contents • Auto-Insertion of components • Auto-Insertion of Log Frame • Templates and Style Sheets • Using MindMapper • Using Smart Draw • Identification of Practical Project
Wednesday, 28th. January 2008		
Module 5 – Presentation Skills		
Learning Objective: Delivering the final result		
10:00	Session 1	Presentation Rules and techniques Presentation Graphics
11:30	Session 2	Presentation of Consulting Services
12:30	Lunch	
13:30	Session 3	Individual Presentations
15:00	Session 4	
16:00	Wrap up – Hand over of Course Materials	

On Thursday, 29th. January, and Friday, 30th. January, the Trainer will be available to discuss individual projects with the participants.

Course Materials:

Course Overview	Power Point Presentation (Speaker Notes and slides)
Project Cycle Management	Power Point Presentation Speaker Notes Logical Framework Template Trainer Manual
Marketing Strategy	PowerPoint Presentation Template for Marketing Due Diligence Template for Marketing Analysis Template for Marketing Strategy
Financial Modeling	Completed model sample Loan Model Accounting system model
Report Writing	PowerPoint Presentation Business Plan Template Proposal Template
Presentation Skills	PowerPoint Presentation

Exercises:

The essence of achieving sustainable change is for consultants to learn to work effectively with clients and to fully engage with them, rather than delivering reports and analysis on their behalf.

Exercise 1: The participants will split into groups and will prepare a logical framework for the project concepts that they are working on. Each Group will nominate someone to deliver a short presentation of the log frame.

Exercise 2: A chosen individual or group will act as a consultant carrying out Marketing Analysis of a company. The rest of the group will act as management of the Company. The Individual playing the role of the consultant will lead the group in a workshop to analyse the external factors affecting the Company and the various strategies and tools that he Company might use to:

- Protect itself against external factors
- Take advantage of external factors

Exercise 3: Developing Marketing Assumptions

As a conclusion to the Marketing Module and a prelude to the Financial Modeling Module, the participants will develop Financial Assumptions for specific projects that they are working on, so that these real life assumptions may be used as the basis of the financial models that the participants will build during the Financial Modeling Module

Exercise 4: Building the Rationale for a proposal

The participants will be divided into groups and they will be given Terms of Reference for a project that needs a proposal. They will develop a “Causal Loop Diagram” illustrating the situation and the need for intervention, and they will present this to the rest of the participants.

Exercise 4: Presentation Skills

Each participant will develop and deliver a short PowerPoint Presentation on the project / concept that they are working on, and the rest of the participants will be asked to critique the presentation against a score chart.

Team Assignment – Presentation Skills

During the Premier Advisor Training Programme, working groups will be expected to prepare a 10 minute presentation on the selected project that they will be expected to implement. The presentation will be based on the following presentational rules and concepts:

- Maximum length of presentation will be 12 slides
- No more than 20 words to each page.
- Presentations should use pictures and graphics rather than words;
- Presentations should try to use “Sequencing”
- Presentations should make use of “visual concepts”
- Presenters should involve the audience and should find innovative methods to encourage audience participation;

- Presentations should start with an “Attention Grabber”
- Presenters should be prepared to Take Risks

Task 1 – Evaluate the Trainer

Monitor the presentation skills of the trainer during the entire Premier Adviser Course, against the criteria given above (and any other criteria you might like to develop). The trainer will try to observe “best presentation practice” but maybe he won’t be able to keep this up for the entire course. Help him to improve his training skills and yours, by developing ways to improve the message.

Task 2 - Developing a Presentation

Develop a 10 minute presentation on the subject and your approach to the selected task facing your group. Use obscure visualisations to develop and present your concepts. Be daring and take risks – Do not be afraid to shock the audience – Do not be afraid of political correctness – the only audience is your classmates. If you feel that you have gone to the limit, then try to go one step further.

Use the presentation to define exactly what you will do for the client. Use visualisations to demonstrate the concept and the task and most importantly, the expected result.

You should keep in mind that the presentation can be delivered to the management of the organisation to demonstrate to them what you will deliver from the whole exercise.

This exercise should be “Serious Fun” – Enjoy it – There will be a prize for the winning team.



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USAID KOSOVO PRIVATE ENTERPRISE PROGRAM (KPEP)

Premier Adviser Program PROJECT CYCLE MANAGEMENT MODULE

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USAID KOSOVO PRIVATE ENTERPRISE PROGRAM

Implemented by
Booz Allen Hamilton

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Task Order No. 2

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DISCLAIMER

The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government

Project Cycle Management

ACE ASESORES DE COMERCIO EXTERIOR S.L.

Mike Mann

IOM – Wednesday 24th. May 2006



Institutional Support to the Ministry of Trade and Industry
An EU-funded project managed by the European Agency for Reconstruction



Course Timetable

9:30	Registration	
10:00 – 11:30	Introduction	<ul style="list-style-type: none">•What is a Project?•What is Project Cycle Management?•What is good about Project Cycle Management
11:30 – 11:45	Coffee Break	
11:45 – 12:30	The Process	<ul style="list-style-type: none">•Defining the Project•Practical Example•Other Components•Other Tools
12:30 – 13:30	Lunch	
13:30 – 15:00	Worked Examples	
15:00 – 15:15	Coffee Break	
15:15 – 16:00	Project Monitoring	
16:00	Close	

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What is a Project?

- Walking to work
- Building a Bridge
- Building the Suez Canal
- Creating Public appreciation and support for KEK
- Building a Shed
- Winning a girl friend
- Getting a divorce
- Developing your career



Complex Projects (with sub-projects) (Integrated)

- Fixing the Economy of Kosovo
 - Tax Reform
 - Setting and raising accounting standards
 - Support to SCAAK
 - Support to the Ministry of Finance
 - Curriculum Development
 - Capacity Building at MTI
 - Regional Support
 - Support to the Investment Promotion Agency

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Complex “Integrated” Projects

- For complex “Integrated” projects, the log-frames combine to form a complete pyramid – for something such as the Kosovo Development Plan



Definition

- A Project is any task that is sufficiently complex that you should go to the effort of sitting down and writing a plan.

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The Components

- Project Objective
- Project Purpose
- Expected Results
- Activities
- Resources Needed

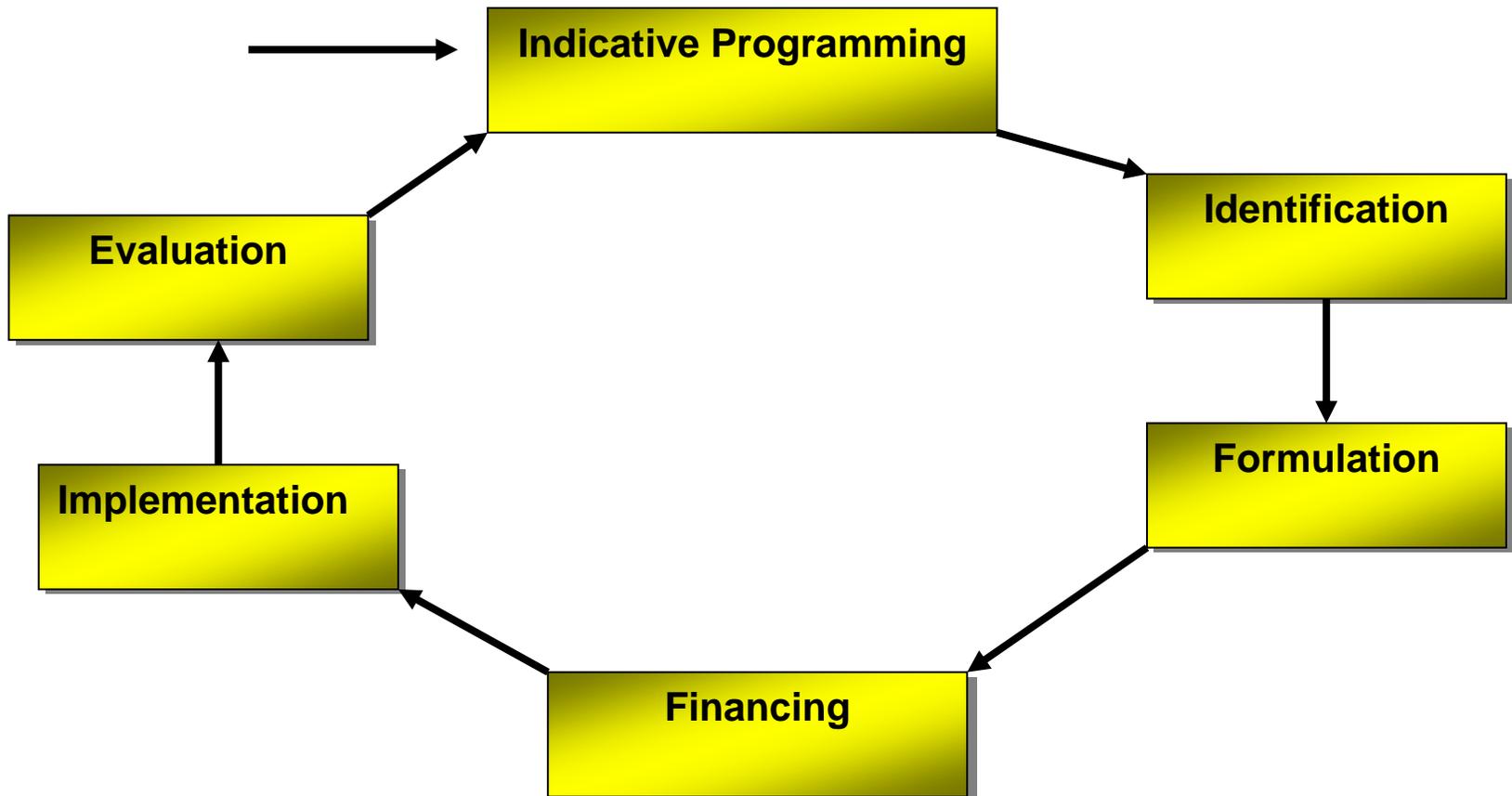
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What is Project Cycle Management

- An APPROACH to Project Management

The word CYCLE implies that it is an entire approach / philosophy, rather than just a tool

The Cycle





The Main Output – The Log Frame

		Intervention Logic	Objectively Verifiable indicators	Sources of Verification	Assumptions
Overall Objectives					
Project Purpose					
Results					
Activities			Means	Costs	
					Preconditions



PCM is an Entire Philosophy

- Logical Framework (The Main Output – The evidence)
- The THOUGHT PROCESS that is used to develop the Logical Framework (More Important)



Why Project Cycle Management?

- Instant Consultant
- Improved Thinking
- Complete Accountability
- Consistent Approach
- Easier / Faster translation and Processing

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Why Use a Log Frame? (Practical Benefits)

- A Standardised Approach
 - Enables comparison between one project and another.
 - Quicker Development
 - Quicker Translation
 - They are **MANDATORY**
-
- Tip: Use a **TEMPLATE**



Why Use a Log Frame (Wider Benefits)

- Instant Consultant
- You don't need an in-depth knowledge of the subject
- It turns you from an expert to a manager – from a functionary to an implementer
- It gives you authority and control



Why use a Log Frame

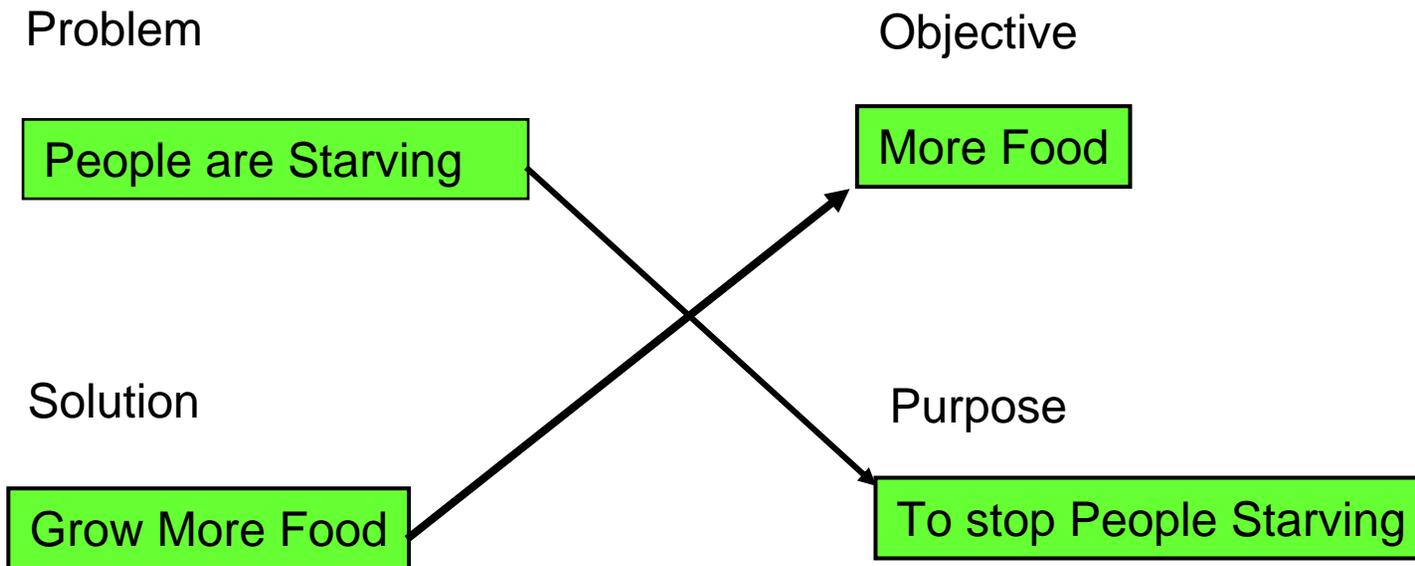
- Believe in it – Embrace it – It is a more powerful tool than it seems;
- It will give you the understanding and authority to present your projects
- It will help your career and your life
- Project Management is better than having a job.
 - **Tip: When writing a ToR or a Proposal, Start with a Log Frame**



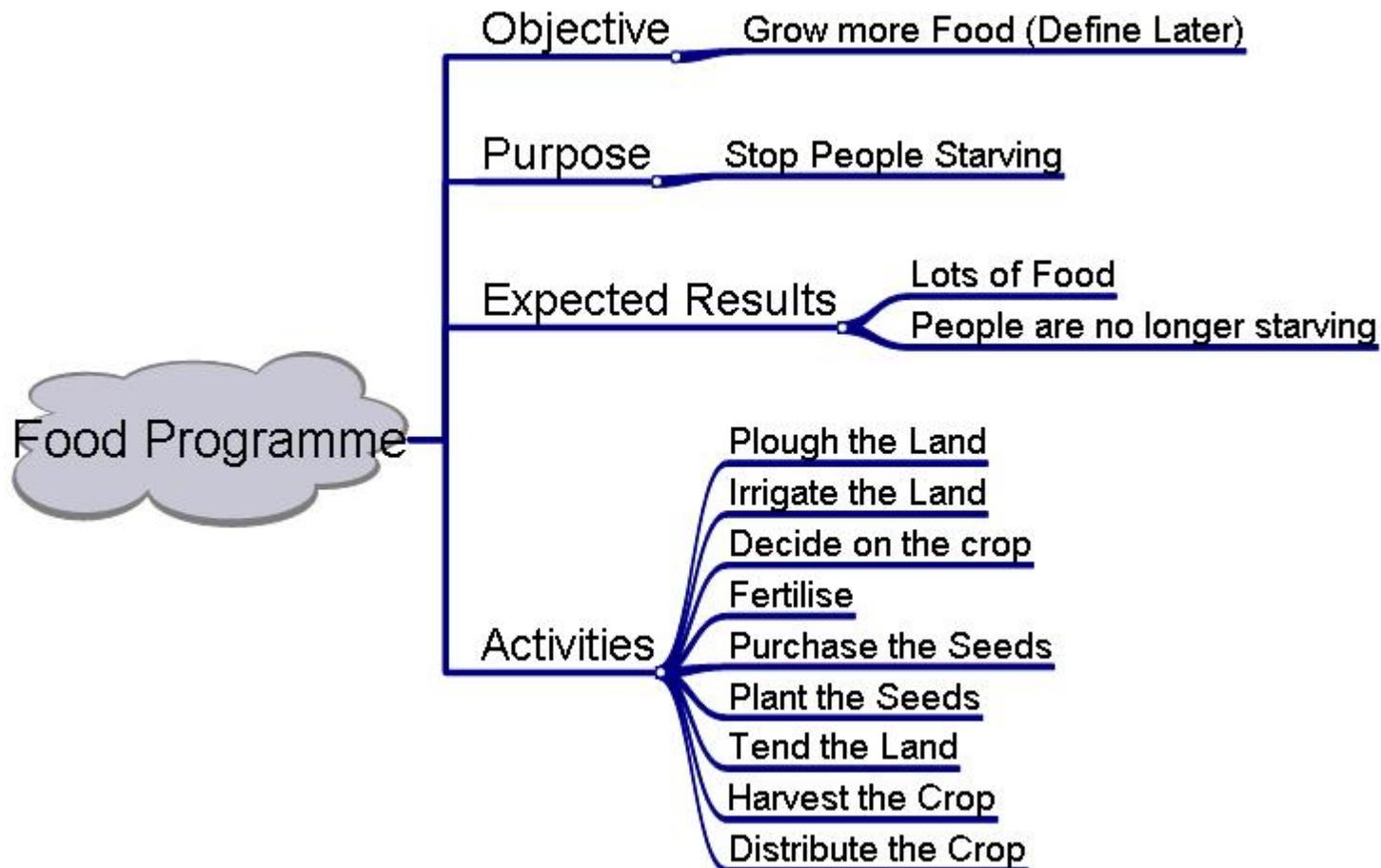
The Process – Defining the Project

- **Where** are we now? (The Reality – Current Situation)
- **Where** do we want to go? (The Vision / Dream / Objective)
- **Why?** (The Purpose)
- **How** do we get there? (The Plan / Activities)
- **When?** (The Programme)
- **What will it cost?** (The resources / Budget)

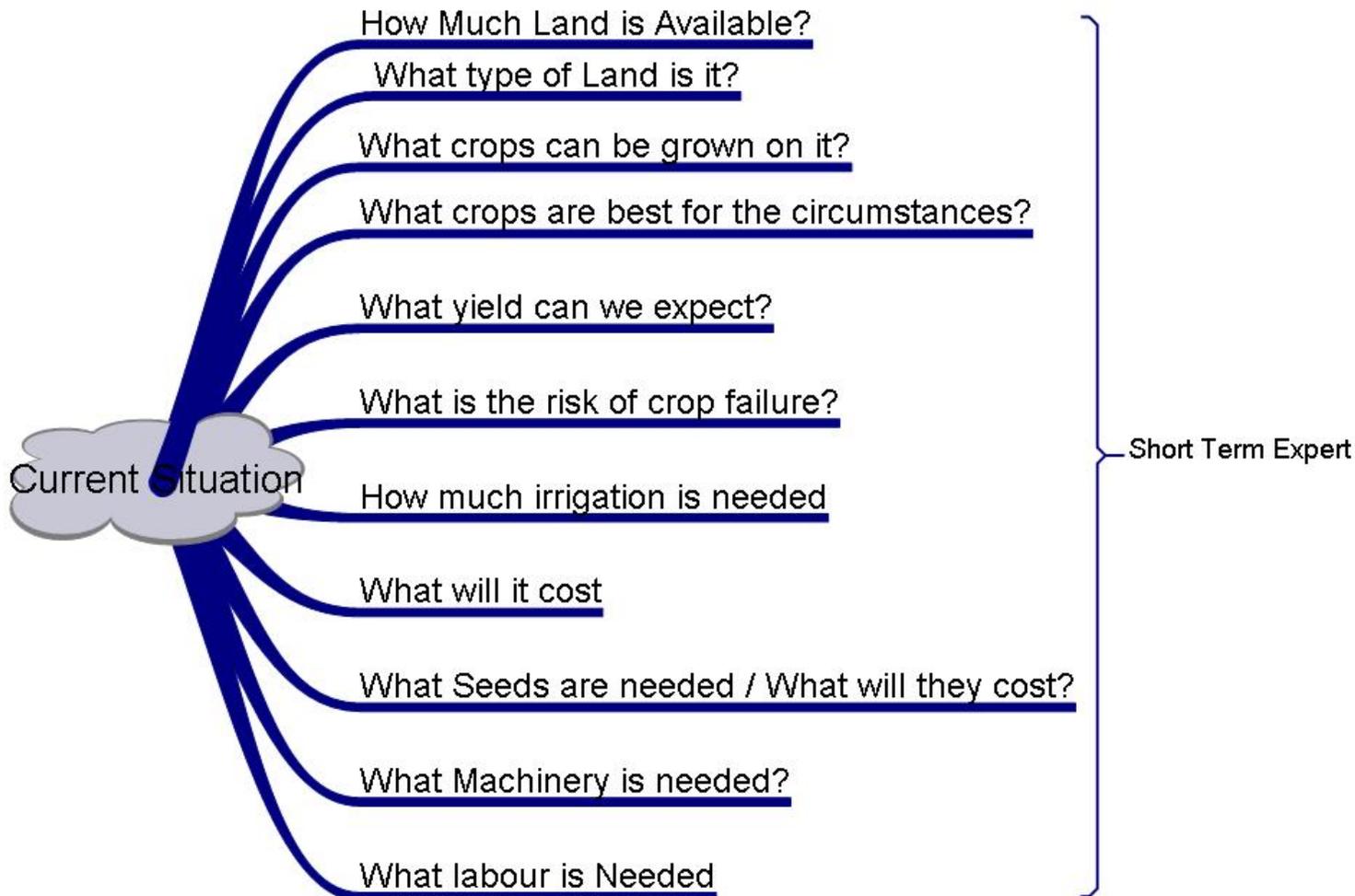
Objective v Purpose



Practical Example (Simple)



Where are we Now? (The Reality)



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Other Components

- Objectively Verifiable Indicators
- Sources of Verification
- Assumptions / Conditions

Log Frame

Intervention Logic		Objectively Verifiable Indicator	Sources of Verification	Conditions and Assumptions	
Overall Objective	Privatisation of KSEW	The sale of a controlling interest in KSEW (by shares or other means) to a private entity.	Contract of Sale	KSEW is suitable for sale and a buyer can be found.	
Project Purpose	Facilitation of the Sale of KSEW	Stage One Final Report	Output Document	Full co-operation of Contracting Authority, Project Partner and other stakeholders. Access to and availability of all data and facilities to work.	
Expected Results	1 Due Diligence Report	Output 1.1a Due Diligence Report	Annexes to Stage One Final Report		
	2 Property Survey	Output 1.2a Property Survey			
	3 Marketing Analysis	Output 1.3a Marketing Analysis			
	4 Valuation	Output 1.4a Valuation Report			
	5 Privatisation Strategy	Output 1.5a Privatisation Strategy			
Activities					
1	1	Due Diligence	Legal Due Diligence Financial Due Diligence Technical Due Diligence	Output 1.1a – Due Diligence Report	Full co-operation of Contracting Authority, Project Partner and other stakeholders. Access to and availability of all data and facilities to work.
1	2	Property Survey	Detailed Plan of KSEW Analysis of Property Condition Analysis of Property Options Property Valuation	Output 1.2a – Property Report	
1	3	Marketing Analysis	Assessment of KSEW's Products Assessment of KSEW's Markets Assessment of KSEW's Competition	Output 1.3a – Marketing Analysis Report	
1	4	Valuation Report	Asset Valuation (Liquidation) Capitalisation Valuation DCF Valuation (Based on Forecasts)	Output 1.4a – Valuation Report	
1	5	Privatisation Strategy	Executive Summary / Conclusions and Recommendations Method of Privatisation Assessment of Target Market Work-plan for Implementation	Output 1.5a – Privatisation Strategy	

Log Frame - Resources

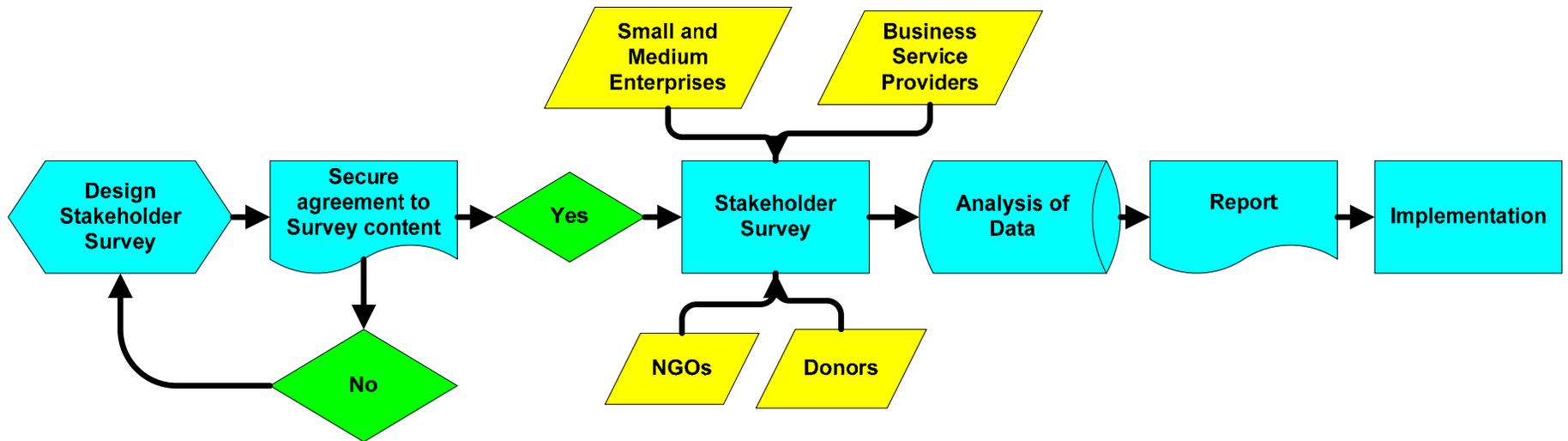
Activities			Resources	Costs	Assumptions
1	1	Due Diligence	International Man Days = 100	€xxxxx	Paid by EAR
			Local Man Days = 150	€xxx	Paid by Ministry
			Incidental Expenditure	€xxx	
1	2	Property Survey			
1	3	Marketing Analysis			
1	4	Valuation Report			
1	5	Privatisation Strategy			

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Other PCM Tools

- Flow Chart – Critical Path Analysis
- Log-Frame
- Gantt Chart
- Budget
- Monitoring System

Flow Chart



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Principles of Intervention

- Non-distortion of the market
- Demonstration Effect
- Sustainability
- Outreach

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Project Monitoring

- Realignment of Log Frame
 - Realignment of Budget – Resource Plan
 - Realignment of Timetable
 - Reporting
-
- Use of Objective methods for measuring subjective judgements

Measuring Subjective Judgments

Project No.:		Report No:	Date:				
Title:		Subject: IV	Further Comments on:				
1	The Product Range	A	B	C	D	E	A = excellent B = good C = standard (to plan) D = problems, need for action E = urgent review
							Reasons for Scores (because...)
1	Are the products in demand by the market?	<input type="checkbox"/>					
2	In general, are sales of the products in growth or decline?	<input type="checkbox"/>					
3	Are there new productsn opportunities or new market opportunities?	<input type="checkbox"/>					
4	Is the marketing personnel sufficiently qualified and willing to address the marketing challenges?	<input type="checkbox"/>					
5	Is the Product of strategic importance to the economy?	<input type="checkbox"/>					
Subtotal		<input type="checkbox"/>					

Intervention Logic		Objectively Verifiable Indicators	Sources of Verification	Conditions / Assumptions
Project Objective				
Project Purpose				
Expected Results				
1				
2				
Activities				
1				
1	1			
1	2			
1	3			
1	4			
1	5			
2				
2	1			
2	2			
2	3			
2	4			
2	5			
2	6			
2	7			
2	8			

Project Cycle Management

Session 1

Course Outline

Subject:	Course Outline	
Objectives:	To explain to the group, what the course will contain	
Format:	Group Discussion	
Approximate Length:	5 minutes	
Materials:	Flipchart, OHP 11 - 13	
Training Sequence	Content / Participation	Materials
Introduce	Introduce yourself	
Explain	Explain that it will be necessary to take a few moments to understand why we are here. What the course will contain and what will be the timetable for the day.	
OHP 1	Explain that you will:	
	<ul style="list-style-type: none"> ⇒ Define what a project is and the difference between simple and complex projects ⇒ Define Project Cycle Management – What it is / What it Does ⇒ The benefits of project cycle management 	
Explain	Explain that this is all necessary, because it is necessary to truly believe in Project Cycle Management to get the benefit from it. If you treat PCM as just doing Log Frames, then it will simply be an added chore, without benefit.	
	<ul style="list-style-type: none"> ⇒ Urge the participants to approach the subject with an open mind and an enthusiastic attitude. 	
Explain	Explain that after Coffee, we will look at the process and begin to put a log frame together as a practical example	
Explain	Explain that we will also discuss other Project Management Tools such as Gantt Chart, Flow Chart, Critical Path Analysis etc., which will take us up until Lunch	
Explain	Explain that after lunch, we will split into groups of individually prepare log-frames using a hypothetical or real project of our own choice. This will lead to a coffee break and those who finish early can have a slightly longer coffee break	
Explain	Finally, to close, we will look at mechanisms for monitoring projects as they are being implemented.	
Questions	Ask if there are any questions	

Session 1 – What is a Project?

Subject:	Definition of Project	
Objectives:	To ensure that the Group know exactly what is a project	
Format:	Group Discussion	
Approximate Length:	15 minutes	
Materials:	Flipchart, OHP 11 - 13	
Training Sequence	Content / Participation	Materials
Explain	Everything is a project, from the very simple things in life, like walking to work, to building the Suez Canal or the Channel Tunnel.	
	Obviously, you don't use Project Cycle Management for a simple task like walking to work – Unless you keep going to the wrong place at the wrong time, in which case, maybe you should.	
	Some projects don't require that you think through each detail of a task, but if the project is a little bit complex, then there is no doubt that you should think through the details.	
	PCM can be used for everything from building a shed to getting a girlfriend or getting a divorce – I'm working on these myself just now.	
	PCM can be used for losing weight – for example – There is no doubt, that if you plan it properly and then you stick to the plan, then you will lose weight. It is a certainty.	
	Even very difficult projects such as making people appreciate KEK, can be planned by PCM and I have actually seen a Log-frame for this project.	
	<p>Explain how IAS came about</p> <p>Explain how it had a difficult time but that things are improving</p> <p>Ask the participant why they think things are improving</p> <p>Draw out:</p> <ul style="list-style-type: none"> ☐ Competition between stock markets ☐ New approach of compromise <p>Explain how some countries have adopted IAS and some countries have compatible standards.</p>	
	<p>Ask the question – What are the differences between accounting standards:</p> <p>Draw out:</p> <ul style="list-style-type: none"> ☐ Differences in presentation ☐ Differences in philosophy ☐ Differences in processing <p>Explain that they are all based nevertheless on the principles of double entry bookkeeping so we can teach a computer to convert from one to another.</p>	

Group Discussion	Ask the participants what procedures they would go through as a Kosovar company raising finance on Wall Street Draw Out: Prepare accounts to KAS Prepare accounts to IAS Complete conversion form D21	OHP 1.11
	Illustrate some of the differences in accounting philosophy in different countries	
	Illustrate differences in Accounting Treatment in different countries	
Summary	Explain that there is no need to know all the differences between all the methods of all the countries. Nor is there any need to know fully all the standards of IAS and RAS. These can be found in a book or CD of standards. What is important to know is the philosophy behind the standards and to be able to access the standard when required.	1.21
Questions	Ask if there are any questions	

Subject:	Definition of Project	
Objectives:	To ensure that the Group know exactly what is a project	
Main Message:	Everything you do can be viewed as a Project	
Format:	Group Discussion	
Approximate Length:	15 minutes	
Materials:	Flipchart, OHP 11 - 13	
Training Sequence	Content / Participation	Materials
Explain	Everything is a project, from the very simple things in life, like walking to work, to building the Suez Canal or the Channel Tunnel.	
	Obviously, you don't use Project Cycle Management for a simple task like walking to work – Unless you keep going to the wrong place at the wrong time, in which case, maybe you should.	
	Some projects don't require that you think through each detail of a task, but if the project is a little bit complex, then there is no doubt that you should think through the details.	
	PCM can be used for everything from building a shed to getting a girlfriend or getting a divorce – I'm working on these myself just now.	
	PCM can be used for losing weight – for example – There is no doubt, that if you plan it properly and then you stick to the plan, then you will lose weight. It is a certainty.	
	Even very difficult projects such as making people appreciate KEK, can be planned by PCM and I have actually seen a Log-frame for this project.	

Subject:	Complex “Integrated Projects”	
Objectives:	To ensure that the Group understand how a complex project can be divided into several sub projects	
Format:	Group Discussion	
Approximate Length:	15 minutes	
Materials:	Flipchart, OHP 11 - 13	
Training Sequence	Content / Participation	Materials
Explain	With a large complex project, it should be broken down into sometimes, several sub-projects, such as tax reform etc.	
	If we want to fix the economy of Kosovo, then obviously, it must be broken into many sub-projects. It would be a joke to describe these as integrated, but some of them are.	
	Within EAR, we have support to the Ministry of Trade and Industry and we have support to Accounting Standards.	
	Within, my project at MTI, we have sub-projects for Capacity Building at the Ministry, Regional Development and also, Investment Promotion. – Even these are sub-divided into many sub-projects.	
	For the enabling of accounting standards, we have support to the Ministry of Economy and Finance, as well as support to SCAAK and Curriculum Development at the University, amongst many other things.	
	A complex project is therefore like a pyramid of smaller projects	
Ask	For an example of a large and complex project in Kosovo just now.	
Answer	Kosovo Development Plan	
Define	A project is therefore any task, where you take the trouble to sit down and plan it.	
Summary		1.21
Questions	Ask if there are any questions	

Subject:	What is Project Cycle Management	
Objectives:	To ensure that the Group know exactly what is a project	
Format:	Group Discussion	
Approximate Length:	15 minutes	
Materials:	Flipchart, OHP 11 - 13	
Training Sequence	Content / Participation	Materials
Ask	What is Project Cycle Management	
Ask	What is a Log Frame?	
Hand out	Log Frame template	
The Components	Before we go further, we better just explain quickly what a log frame is:	
	A template has been handed out and you can see that the main components are: Objective Purpose Expected Results Activities Resources	
	The Log-frame is the output – the result – the evidence, but what is more important, is the thought process that went into creating the Log-frame.	
Ask again	What is Project Cycle Management	
Explain	If we take out the word CYCLE, then we pretty well have it. It is a technique for Project Management.	
	The word “Cycle” differentiates it from other project management methods such as: Critical Path Analysis or as the German GTZ organisation uses “Object Oriented Project Planning” which is Project Cycle Management with another name.	
	The word cycle does imply something else. It implies that PCM is a philosophy rather than just a tool. It is an approach, rather than a mechanism.	
Summary	Explain that there is no need to know all the differences between all the methods of all the countries. Nor is there any need to know fully all the standards of IAS and RAS. These can be found in a book or CD of standards. What is important to know is the philosophy behind the standards and to be able to access the standard when required.	1.21
Questions	Ask if there are any questions	

Subject:	Why Use a Log Frame	
Objectives:	To ensure that the Group know exactly what is a project	
Format:	Group Discussion	
Approximate Length:	15 minutes	
Materials:	Flipchart, OHP 11 - 13	
Training Sequence	Content / Participation	Materials
Explain	This is taking some time – You will be thinking – Why doesn't he get on with it and tell us how to do it?	
	I ask you to bare with me a little longer, because it is important that you get the full value of this. You need to embrace the philosophy. Once you do that, the actual mechanism is really quite easy.	
Ask?	What is so good about a Log-frame	
Explain	There are a number of practical advantages	
	It gets everything you need to know about a project into one single table, rather than a lengthy report – It makes sure you don't leave anything out– Now that must be good.	
	Each log-frame is designed the same way and therefore each project is created the same way. – It makes it very easy to compare one project with another.	
	Imagine that you are in charge of economic development for the Kosovo Development Plan. You will have about 50 sub-projects, and you will hire 50 short term consultants to design them.	
	Each consultant will write a long report, using a different style and layout. Many of these will not even follow the disciplines of establishing the objective, the expected results etc.	
	The final result will be 50 sub-projects that are impossible to compare. Like apples and oranges. It will be a complete mess.	OHP 1.11
	Just like the Kosovo Development Plan – in fact.	
	In addition, they are easy to translate, because the format is the same and there is brevity of words.	
Explain	They are quick to produce	
	The log frame format allows you to order your thoughts very quickly. Everyone knows that a writer writing a novel, can spend days trying to figure out how to get started. There is an expression in UK, "Well begun is half done"	
	Writers know that the best way to get started, is simply to start to write. Even if what they write is rubbish, the process will begin to create orderly though and eventually, the process will gel.	
	A log frame already has the orderly thought, so it's much easier to get started right away	
	In fact, the hardest part is in setting up the table	
	But here, we have a tool to help	

Demonstrate	On this flash drive, I have a word file with a blank log-frame. It is the same file as I am now bringing up onto the screen.	
	You will see that a report containing a log frame starts with the page in Portrait format. Then it changes to landscape, to accommodate the log frame, and finally, it changes back to Portrait.	
	If I shade the entire section, starting from the page before the log-frame to the page after the log-frame, then I go to TOOLS / Autocorrect and type in a code (such as *LOGFRAME*), then every time I type this code, a log frame will appear in my document, just like magic.	
	So – There is no excuse – You can now produce log-frames quickly and easily.	
Explain	There is another reason why it is important to use Log Frames – If you work on EU projects or DFID projects, you have no choice – They are Mandatory.	
Explain	It seems that many years ago, the EU did a study to assess the impact of programs after they had been finished for a few years.	
	The study discovered that after billions of Euro had been spent, after three years, there was no evidence or even little memory that the projects had even taken place. All that money was wasted.	
	The consultants who carried out this study, did not want to have their project classified as completely useless as well, so they created the PCM concept and proposed that it is used for all projects and now it is.	
	They could claim to have invented it, but that it like claiming to have invented the two times table. It is simply a representational system which puts your thoughts in good order.	
Explain	This does not make PCM bad – On the contrary, it is very effective indeed if used properly.	
	There are wider benefits – It makes you an instant consultant.	
	You may be an expert in your subject, but this does not mean you are a good teacher.	
	Similarly, you may be an expert, but it doesn't make you a good consultant. PCM is the fundamental tool for consultancy.	
	You can work on projects without being a specialist – and do it better than the specialist who doesn't use PCM.	
	It turns you from an expert to a manager. From a functionary to an implementer	

Explain	Believe in it / embrace it / It is a more powerful tool than it seems	
	Don't just do log-frames – adopt the thought process and the philosophy.	
	It will give you a complete understanding of your projects. You will be able to present them with complete authority and no one will challenge you because you obviously know what you are doing.	
	It will change your career and your life – This is a promise	
	Project Management is better than having a job – Why do I say this?	
	If I was offered the best job in the World – Let's say Chief Executive of General Electric – I would want to turn this into a project – with a log-frame and deliverables.	
	If I deliver, they can keep me and give me a new project.	
	Unless you work on projects with measurable achievements, there is no self respect. You are just doing a job and passing time.	
	Sorry – this has taken some time. I hope I have convinced you to stay after coffee, when we deal with how you actually do this wonderful thing that I've spent so long telling you how wonderful it is.	
Summary		1.21
Questions	Ask if there are any questions	

Session 2 – The Process

Subject:	Defining the Project	
Objectives:	To ensure that the Group know exactly what is a project	
Format:	Group Discussion	
Approximate Length:	15 minutes	
Materials:	Flipchart, OHP 11 - 13	
Training Sequence	Content / Participation	Materials
Explain	There is a little rhyme at home: I kept four honest serving men – They are What, Why How and When?	
	Only questions that begin with these words give you any information. These are structured questions	
	A structured question is a question, for which it is impossible to simply answer YES or NO.	
Explain	Any project starts with a vision / a Dream if you like, of the ideal situation. Start with what you want and then figure out how to get there.	
	If you want a fast car. Assess the cost / assess you income / how can you save this money / what else can you do? If you want it enough, you will reach the goal.	
Explain	The end result of the project is therefore your Objective	
Explain	Of course, you need to start from where you are now – An analysis of the current situation	
Explain	When I was at management school, we really got fed up with the constant analysis: Where are we going Where are we now We used to joke that somewhere there is a hospital for lunatic managers who couldn't take it any more, and they all wandered around saying, "Where are we, where are we going, what the fucks happening?"	
Explain	SO we examine where we are and where we want to go. We also list the activities needed to get there. Along the way, we could consider Why we want to go there and how much it will cost.	OHP 1.11
Explain	Everyone gets confused between the objective and the Purpose, including me sometimes. The way to look at it is this.	
	Suppose you have a project to design in Bolivia, where people are starving and they need to grow more food.	
	The problem is: People are starving	
	The solution is: Grow more food	
	The Objective is: Grow more food	
	The Purpose is: To stop People starving	

Demonstrate	Now, I want to demonstrate that you don't need to be an expert on the subject, to be a good consultant / project manager.	
Select from audience	I would like to pick someone from the audience who will readily admit that they don't know very much about farming	
	Now, I'm going to demonstrate that you – with little or no knowledge of farming, can create a farming project.	
Explain	Let us assume (taking the previous situation) that the UN has put you in charge of a problem, in a remote part of Columbia, where people are starving. There is plenty of land available, but it is not used properly. You are sent to this remote place to sort things out in a sustainable way, to make these people self-sufficient.	
Ask	What is your Objective	
Answer	Grow More Food	
Explain	We'll worry about exactly what and how much later	
Ask	What is your purpose	
Answer	To stop people starving	
Explain	Again, we'll worry about the detail later	
Ask	What is the expected result	
Answer	Lot's of food – People are no longer starving	
Explain	Again – we'll worry about the detail later	
Ask	What activities do you think we should do to grow more food	
Answer and list	<ul style="list-style-type: none"> Plough the land Irrigate the land Decide on the crop Fertilise the land Buy the seeds Plant the seeds Tend the land Harvest the crop Distribute the crop 	
Explain	So it is not too difficult for the non-farmer to figure out the activities that are needed to reach the objective and to make the project, but at this point, I guess you better admit that you don't know anything about farming, and bring in a short term consultant.	
Explain	Where are we now? The start of every terms of reference you have ever seen. The background and introduction that sets the scene for all project management. The assessment of the current situation – This requires expert analysis. But it will enable you to turn your log-frame from a basic and superficial log-frame into a detailed log-frame.	

Explain	From the statement of the current situation, you can get the information to complete the columns for Objectively Verifiable Indicators.	
	From this information, you can insert how much food you can grow. How many people you can feed. How many acres of land you need to plough, How much seed you need to buy and to plant etc.	
Explain	You can also enter the sources of verification	
Ask	What is the source of verification for purchase of seeds	
Answer	Invoice / contract to supply / Payment ledger etc.	
Ask	What is the Source of verification for Plough the Land	
Answer	Visual inspection / labour records	
Explain	This leaves us with One extra column to fill – Assumptions/ Conditions	
Ask	Can anyone explain to me what this last column is for	
Explain	A benefit of log-frames that I never explained before is that it keeps you contractually correct.	
	If I am hired to do a project at the Ministry of Trade and Industry, and I can tick off each activity, then no-one can complain that I didn't do my job properly – Therefore, I can't be fired and no-one can refuse to pay me.	
	Of course, I could tick each activity and the project objective might not have been met. This means that the Log-frame was bad in the first place.	
	A well designed log-frame is one where, if all the activities are carried out, then the objective will definitely be reached.	
Explain	Of course there are risks and maybe there are circumstances outside your control. Maybe someone else should do something as well.	
	Suppose, in your conditions / assumptions, you have the assumption that the EU will pay for the seeds, but the money doesn't come.	
	The contractor can't fire you, because you did a bad job, or because the people are still starving, because you can point to the assumption and say, "It's not my fault – that was someone else's part of the deal"	
Explain	Finally, there are resources	
	Simply list again, all the activities, and put into the means columns, the resources needed – Say man days, machinery, seeds etc. and you have a budget as well	
Explain	So – now the Log frame is complete, but we are not finished yet. Maybe we should have a timetable. – A Gantt Chart	
Explain	A Gantt Chart is another component of Project Cycle Management – Simply decide on your time units and make a column for each one, and a column for activities.	
	Then, in the activities column, you can enter the same activities as in your Log-frame, and plan out the time frame.	

Ask	Is this enough? Do we need anything else?	
Explain	Maybe a flow chart would be good – Personally, I like to add a flow chart into my proposals, because I simply like visual explanations. I like pictures rather than words.	
Explain	The subject of Critical Path Analysis is big enough for another complete seminar. Usually it is not necessary and I don't propose to go into it here, except to say that it is a mechanism for ensuring that the roof does not go on before the walls are built. That the carpet isn't delivered until the windows are fitted.	
Tip	A project Management tool that you may be tempted to use, is Microsoft Project. My advice, is DON'T. It will rule your life, keeping it up to date.	
	Unless you have a hugely complex Project, then it will not be cost and time effective	
Explain	After lunch, we will split into groups, or individually if you like, to create Log-Frames for projects of your choice. These can be real, or imaginary. Maybe we can list them now, or you can think about your project during lunch.	
Summary		1.21
Questions	Ask if there are any questions	



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USAID KOSOVO PRIVATE ENTERPRISE PROGRAM (KPEP)

Premier Adviser Program MARKETING MODULE

AUTHOR: MIKE MANN

USAID KOSOVO PRIVATE ENTERPRISE PROGRAM

Implemented by
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Developing a Marketing Strategy

Module 4 – Session 1
Basic Marketing Concepts



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9:30	Registration	
10:00 – 11:30	Introduction	•Basic Marketing Concepts
11:30 – 11:45	Coffee Break	
11:45 – 12:30	The Process	•Marketing Due Diligence •Marketing Analysis
12:30 – 13:30	Lunch	
13:30 – 15:00	Worked Examples	
15:00 – 15:15	Coffee Break	
15:15 – 16:00	Project Monitoring	
16:00	Close	



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The Marketing Concept?

The Marketing Concept states that all businesses are in the business of profitably meeting customer demand.

Nothing more, nothing less.



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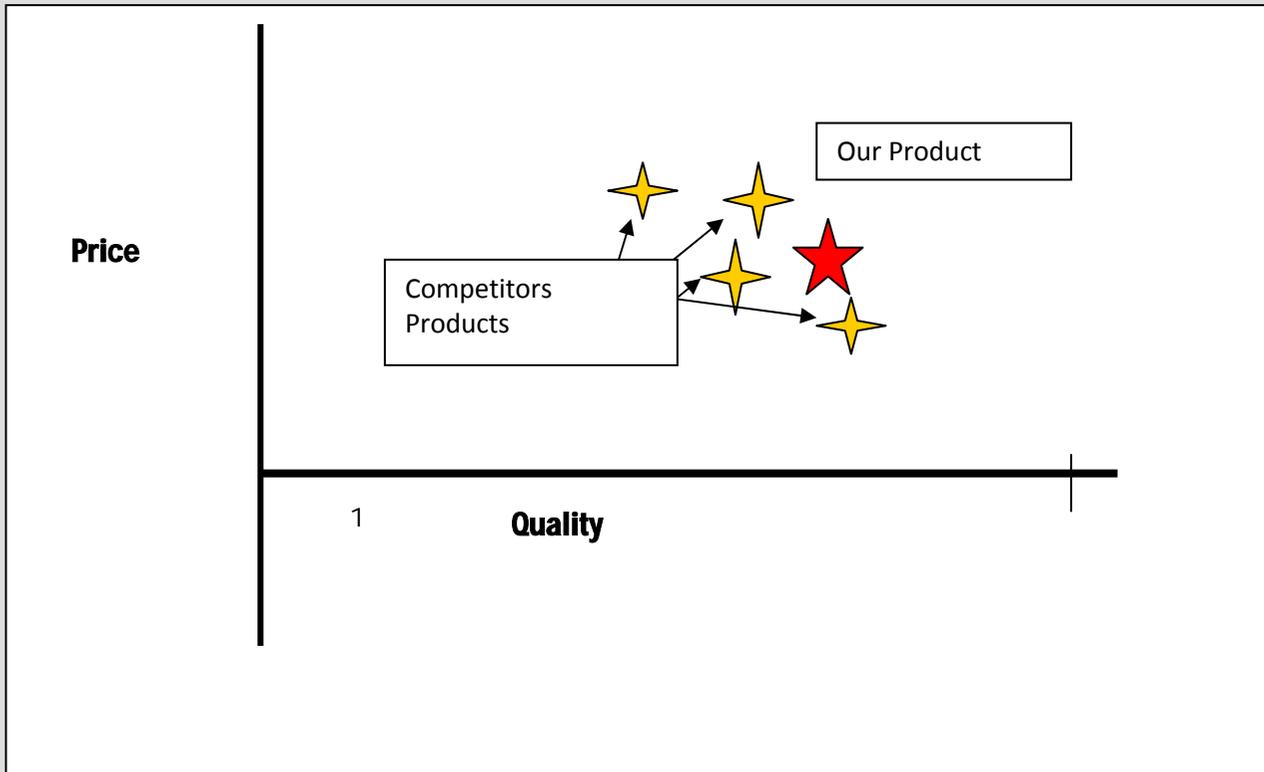
The Marketing Concept 2

Define your Organization ?

- ❖ Production Oriented
- ❖ Marketing Oriented
- ❖ Finance Oriented



Market Positioning?





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Market Targeting

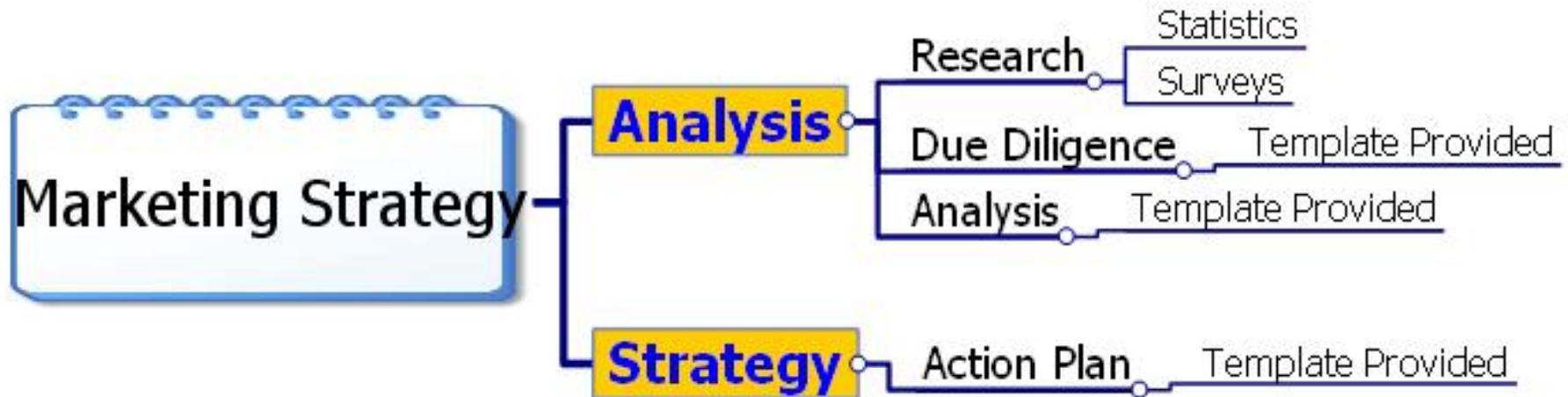
Where the characteristics of the product, and its marketing, sales and advertising strategies are designed to make the product appeal to specific sectors of the community.



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Elements of a Marketing Strategy





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Developing a Marketing Strategy

- Session 2 – Due Diligence and Marketing Analysis



Marketing Due Diligence Check List

For

Company Name

Date

This Marketing Template has been provided as a course handout during a course module of the Premier Advisor Training Program being delivered through Technical Assistance financed by USAID



Preliminary Information

Company Name:	
Company Registration Number:	
Country:	

Contact Details:

	Company Name	Bank	Advisor
Name			
Address			
Phone No.			
Fax No.			
E-mail:			
Contact Person:			
Signatures:			

Date of Marketing Interview:

Document Control

Prepared by:

Approved by:

Circulation:

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Copy 02	Bank	
Copy 03		
Copy 04	Consultant's Master Copy	

Disclaimer:

This marketing due diligence checklist contains commercially sensitive information. It is therefore confidential. It has been prepared by technical advisors to the company from information provided by the company. The advisors have prepared the plan to the best of their ability from the information provided. No attempt has been made to verify the information provided and the advisors take no responsibility for the consequences of any actions taken as a result of the information provided within this plan.

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Marketing Due Diligence Check List

PRODUCTS AND SERVICES

List all products and/or services sold by the business and the total revenues and gross and pre-tax profits each represents. Request data for last three years and year-to-date. Request copies of product literature and catalogues. Request copies of any studies on profitability of products or services.

Sales by Product or Service

	<i>Product or Service</i>	<i>Year Before</i>	<i>Last Year</i>	<i>This Year</i>
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
	Total			

Gross Profit Margin by Product or Service

	<i>Product or Service</i>	<i>Year Before</i>	<i>Last Year</i>	<i>This Year</i>
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
	Total			

Gross Profit by Product or Service

<i>Product or Service</i>		<i>Year Before</i>	<i>Last Year</i>	<i>This Year</i>
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
	Total			

Estimate remaining market life and growth potential of the major products and services. Prepare five-year forecasts.

Are any products or services threatened with technological obsolescence? Are any products subject to fads or fashion?

Does the business have products or services that are under consideration or scheduled to be phased out?

Are sales of assets and “involuntary conversions” a normal part of this business’s sales activity? If yes, determine revenues and profits.

For each line, what percent of annual revenues and profits are for after-sale service, maintenance or enhancements?

For each line, what percent of annual revenues and profits are spare or replacement parts? For each line, what percent of annual revenues and profits are expendables?

Does the business have any contracts with customers that may be difficult to fill for any reason such as pricing, available raw material, delivery or meeting specifications?

What products, services or processes are scheduled to be introduced in the next two years? Are any behind schedule? What is the cost of development and introduction for each? What revenues and profits are forecast for each?

What product guarantees are normally given? Request copies of guarantees or warranties.

How is product service provided, managed and charged?

Has any product been recalled or are any under consideration to be recalled? Have any alleged defects resulted in personal injuries?

**Are warranty costs, claims and exposure a significant factor in this business's operations?
Request a list of the major causes of warranty claims.
What is the estimated total current warranty exposure?
What is the amount reserved for warranty claims and is it adequate?
What has been the cost for warranty claims in the current year and three prior years?
Identify trends and causes.**

Are there substantial seasonal variations in the level of this business? If yes, determine how it affects all aspects of the business, production and inventory levels, employment, cash flow, profits and so on.

Is all or any portion of this business's continued operations subject to the renewal or continuance of any government permits or licenses? Request a list of all permits, licenses, consents, orders or authorizations from governmental or regulatory authorities.

Is any portion of this business dependent, either directly or indirectly, upon government subsidies or grants?

Research & Development AND TECHNOLOGY

Is this business engaged in research and development? If yes, how is the cost recorded on financial statements?

Describe the business's R&D program, including objectives, expenditures, manpower and results. Identify R&D contracted out, number and names of contractors. List significant new products introduced in the past three years. Request copies of budgets and plans.

What products, processes or services are under development and what is their expected date of commercial availability? Will any replace existing products?

Are timetables being met? Describe any R&D programs significantly behind schedule.

How is R&D organized and structured within the business? Who is directly in charge of the R&D program and what is the person's title and background?

Describe any technology or know-how, not patented or licensed, which is critical to the operation of the business or gives a competitive advantage.

--

How many graduate engineers, scientists or other professionals are employed in research or development work? How many have Ph.D.s?

During the past and current fiscal year, what was and is the estimated royalty or license income of the business? What is forecast for the next five years? Request copies of all licenses.

During the current fiscal year, what is the estimated amount to be paid to others for royalties or license fees? How long will these obligations continue? Request copies of all licenses. Are fees being paid for technology no longer in use?

Are there any licensing agreements critical to the company's financial success either as licensee or licensor? When do they terminate?

List patents owned or licensed by the business, their date of expiration, and describe their purpose and application. Which patents are active and of real value? Are any being challenged?

Do any businesses, individuals; employees or former employees have any rights or royalty income from patents used by the business?

Does the business have disputes of any kind with inventors?

Are the products being developed subject to government approval or that of independent laboratories?

Describe any research funded by the government. What is the magnitude of funding, probability of continuance, and what are the prospects for future funding?
--

Are patents all owned by the business being studied or does an affiliated company own them?

Does there exist within the business any controversy over the viability or safety of either products under development or those already on the market?
--

What security measures are taken to protect R&D and intellectual property?
--

Is this business in an industry where theft of R&D and trade secrets has occurred?
--

Has the business been accused of stealing trade secrets or has it accused others of stealing its trade secrets?

MARKETS, COMPETITION AND CUSTOMERS

Note: Subscribe to industry trade publications and request back issues. Request industry or competitor studies conducted by security analysts.

What are the markets and the main type of customers? Estimate separately the size of the domestic and international markets for each product line or service.

What is the business’s market share for each product line or service? Is the market share for each growing or declining?

Are the markets growing or declining? Locate or develop estimates of future market sizes.

	<i>Product or Service</i>	<i>Volume</i>	<i>Market Size</i>	<i>Market Share</i>	<i>Market</i>	<i>Share</i>
1					% Growing / Declining	Growing / Declining
2					% Growing / Declining	Growing / Declining
3					% Growing / Declining	Growing / Declining
4					% Growing / Declining	Growing / Declining
5					% Growing / Declining	Growing / Declining
6					% Growing / Declining	Growing / Declining
7					% Growing / Declining	Growing / Declining
8					% Growing / Declining	Growing / Declining
9					% Growing / Declining	Growing / Declining
10					% Growing / Declining	Growing / Declining

Does management plan to enter any new markets?

Are there demographic trends affecting this business?

Where are the business’s main geographical markets? Are there plans to expand into new geographical markets? Has the business withdrawn from any market?

What is the general state of the industry for each product or service line? What are the significant trends, if any, in the industry in marketing approach, products or services, manufacturing, government regulations, international activities and so on?

Are there acquisitions trends within the industries in which this business functions? Have any competitors been sold or reported to be for sale?

Identify the major competing businesses for each product line or service. Compare the business studied with the major competitors and their market shares. What advantages does this business have over competitors and what advantages do competitors enjoy? Cover such items as design, costs, methods of marketing, pricing, discounts, services, quality, delivery and so on. Request Dun & Bradstreet reports on competitors. To what degree is foreign competition a factor?

Are any competitors engaged in expansion programs? Are any competitors having major problems? How difficult is it for new competitors to start up and enter the market?

What is management's opinion of its marketing methods and cost of distribution compared to competitors?

What do competitors think of this business?

Have any competitors been formed, or are any now being managed by former employees?

Is the business obligated by, or does it hold, any non-competition agreements? Has any of importance recently expired?

For each product or service line list the 10 largest customers and percent of sales they represent. Are any in danger of being lost? Does the company have disputes with any of these customers? Are any key customers experiencing financial or other difficulties that could reduce or eliminate their purchases?

Identify for each product line or service the major new customers added in the last three years.

Identify the major customers lost in the past three years and describe the circumstances. Has the company been terminated on any jobs or contracts before completion?

How do customers view this business?

In which segment and at what level in the customer's organization is the buying decision made?

MARKETING

What is the method of selling and distribution for each product line, such as direct sales, distributors, manufacturer's rep, catalogs, telemarketing, and is management satisfied with the effectiveness of its strategy?

	<i>Product or Service</i>	<i>Distribution Method</i>	<i>Effectiveness</i>
1			
2			
3			
4			
5			
6			
7			
8			
9			
10			

List the countries in which the company conducts business on a regular basis. Request a list of foreign representatives and sales outlets and the annual volume of business of each for the past two years.

Country	Representative	Sales Outlet	Volume

What was the dollar volume of international sales by country for each product or service line during the past fiscal year, and what is expected during the current year?

What was the dollar volume of government sales for each product or service line during the past fiscal year, and what is expected during the current year? How are these products or services marketed and to which agencies or departments? Are any contracts subject to renegotiation?

	<i>Product or Service</i>	<i>Government Sales</i>	<i>Private Sales</i>	<i>Total Sales</i>
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				

Does this business have an overall marketing plan and strategy? If yes, request copies. How does this marketing strategy differ from competitors'?

Describe any major changes in the marketing methods in the past 24 months.

Determine the role, strategy and importance of the following in the marketing program. Why do customers buy the product or service?

Pricing	
Delivery	
Quality	
Credit	
Post-purchase service/Installation services	
Made-to-order products	
Advertising and product literature	
Technology level	
Rebates	
Compensation for reps and distributors	
Tariffs	
Distributor or dealer financing	
Customer financing	
Diversity of products or services	
Personal relationships	

Describe the marketing organization. Request or sketch a chart. Clearly identify all inside support personnel. Request resumes and compensation data on management and opinions on their performance and potential.

Compare the typical salesperson's education and experience with what management would consider to be ideal. Is there a sales training program? How difficult is it to employ new salespeople?

Request a list of salespeople currently employed, their sales volume and compensation. Request a copy of their compensation plan.

Does the business provide or arrange financing for customers? If so, describe in detail. Is this financing with or without recourse? If yes, what is the exposure to the business? What is the source of financing?

Does the business lease its products? If yes, what are the terms, sources of financing, disadvantages and advantages?

Is all or any portion of this business's marketing rights to any product or service dependent upon franchise, distributorship, representation or other similar type agreements? For each, estimate the probability of its continuation.

Does the business provide financing or financial guarantees to distributors, agents, retailers or dealers? What is the record and probability of recovering funds advanced and maximum financial exposure?

Request a list of distributors, dealers or manufactures' representatives selling the products or services of this business and the volume of sales each was responsible for during the past year.

What rights do distributors, dealers and retailers have to return unsold merchandise?

Is this a business where departing executives or salesmen are likely to take their customers with them? Has this happened? What defenses does the business have?

Is there an active market for used equipment manufactured by the business? If so, how does the company participate and how is it affected?

Does this company conduct business in countries where bribes and unusual commissions are commonplace?

If the business is a franchisor or franchisee, what is the total number of franchises, annual turnover of franchise ownership and failure rate? Identify areas of controversy or litigation between franchisors and franchisees.

PRICING

What is the business's general philosophy or approach to pricing? Does it have pricing policies? If yes, request copies.

How are prices actually determined? Who is responsible? What are the primary factors influencing pricing, such as cost, competition, production capacity, inventory levels, backlog and what the market will bear?

How are competitors' prices ascertained or estimated? Has there been or is there any evidence of price collusion or fixing in the industry?

What are the normal terms and discounts given on products and services sold? Are price lists rigid or only a starting point?

What cost system is used in pricing? Are overhead allocations reasonable?

What is the history of price increases or decreases and the probability of future revisions?

How easily can cost increases be passed on as price increases?

Does the business under- or overprice its products or services? Could prices be increased? Would decreasing prices increase volume and profits?

Is this business in an industry with a history of price wars? Are any in progress or threatened?

Are any of the business's products under price pressure from generic brands? Does the business sell and price its products as generic brands?

Does the business pay "mark down" money guaranteeing minimum profits if goods prove to be slow-moving and difficult to sell? If yes, what is the potential liability?

Are distributors or retailers protected from decline in inventory value if the business reduces its price?

Does this business attempt to impose prices upon those marketing its products? If yes, review the legality of such practices

Does the business have an individual or department responsible for estimating? If yes, what is its role and performance record?

Has the business been, or is it now, involved in barter arrangements or countertrading? What have been the results?

ADVERTISING AND PUBLIC RELATIONS

Does the business spend funds on advertising and public relations? What are this year's budget and the expenditures for the last fiscal year? Request copies of budgets and plans.

What are the primary advertising activities and overall policies and objectives? Identify the personnel.

What is the name of the advertising agency used and what are its annual billings to the business? Has the advertising agency been changed in the past five years? If yes, why?

Compare the advertising program to the major competitor's.

Identify the media, including all publications in which this business has advertised in the past two years. Request copies of advertisements, video tapes, recordings and all product literature.

Has the business ever been accused of deceptive advertising?

List all trade names, trademarks and logos and management's estimate of their importance. Are they registered or copyrighted?

What are the role and purpose of the public relations program? Describe its activities, recent and current assignments

Does the business retain a PR firm? What is its name and function? Has the PR firm been changed in the past five years? If yes, why?

Does PR include lobbying government agencies, bodies or officials? If yes, describe in detail.
--

--

During the past five years has this business or its shareholders or officers received major media attention for any reason, favorable or unfavorable? Request copies of any news articles.
--

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Marketing Analysis

For

Company Name

Date

This Marketing Strategy Template has been provided as a course handout during a course module of the Premier Advisor Training Program being delivered through Technical Assistance financed by USAID



Preliminary Information

Company Name:	
Company Registration Number:	
Country:	

Contact Details:

	Company Name	Bank	Advisor
Name			
Address			
Phone No.			
Fax No.			
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Signatures:			

Date of Marketing Strategy:

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Prepared by:

Approved by:

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Disclaimer:

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Marketing Analysis

Corporate Philosophy

Give a description of the general corporate philosophy of the organization. What it is - how it sees itself.

External Environment

Economic Analysis of Markets

List all the economic factors that are likely to affect the market of the organization. Be as creative as possible. Brainstorming is useful. Analyze the likely changes.

<i>Economic Analysis of Markets Served by the Company</i>					
<u>Primary Economic Conditions in the Major Markets Served by the Company</u>	<u>Likely to Improve</u>		<u>No Change Likely</u>	<u>Likely to Worsen</u>	
	<u>Substantially</u>	<u>a little</u>		<u>A Little</u>	<u>Substantially</u>
Strong economic growth					

Economic Analysis

List the economic factors again in turn and assess the effect on the markets and also the probable effect on the marketing strategy.

Primary Economic Factor 1. :	<i>a) Probable effect upon markets:</i>
Strong economic growth	<i>b) Probable effect upon Marketing Strategies:</i>
Primary Economic Factor 2. :	<i>a) Probable effect upon markets:</i>
	<i>b) Probable effect upon Marketing Strategies:</i>
Primary Economic Factor 3. :	<i>a) Probable effect upon markets:</i>
	<i>b) Probable effect upon Marketing Strategies:</i>
Primary Economic Factor 4. :	<i>a) Probable effect upon markets:</i>
	<i>b) Probable effect upon Marketing Strategies:</i>

Political and Social Environment

List the political and social factors that might affect the markets for the organization and the effect of these factors

<i>Political Analysis of Markets Served by the Company</i>					
<u><i>Political Events likely to affect conditions in the Major Markets Served by the Company</i></u>	<u>Likely to Improve</u>		<u>No Change Likely</u>	<u>Likely to Worsen</u>	
	<u>Substantially</u>	<u>a little</u>		<u>A Little</u>	<u>Substantially</u>
<i>Kosovo independence</i>				4	
<i>Change of government</i>					

Political Analysis

<u><i>Political Event 1</i></u>	<i>a) Probable effect upon markets:</i>
<i>Kosovo independence</i>	
	b) Probable effect upon Marketing Strategies:

<u><i>Political Event 2 :</i></u>	<i>a) Probable effect upon markets:</i>
	b) Probable effect upon Marketing Strategies:

<u><i>Political Event 3 :</i></u>	<i>a) Probable effect upon markets:</i>
	b) Probable effect upon Marketing Strategies:

Insert any narrative explanations as appropriate

<u><i>Political Event 4 :</i></u>	<i>a) Probable effect upon markets:</i>
	b) Probable effect upon Marketing Strategies:

Internal Organization

Describe the organization (Organization chart) and highlight the marketing element of marketing within the organization.

COMPETITION

General analysis

Describe the competition in general. Who are the main players etc?

Competitor No. 1

Describe the main competitor in as much detail as possible. Do the same with other competitors in order of their importance.

Competitor No. 2 Competitor No. 3

Competitors Production capacity

Describe the competitor's ability to produce products:

	Employees	Total	Product A	Product B
Competitor A				
Competitor B				

Information Concerning Competitive Products

Describe each competitor and their products in turn with as much detail as possible:

<i>Information concerning competitive products</i>				
Competitor A	Price	Distributor Margins	Dealer Margins	Target Markets
Competitive Products:				

<i>Information concerning competitive products</i>				
Competitor B:	Price	Distributor Margins	Dealer Margins	Target Markets
Competitive Products:				

<i>Information concerning competitive products</i>				
Competitor C:	Price	Distributor Margins	Dealer Margins	Target Markets
Competitive Products:				

Marketing Strategies of Competitors

Product Strategies

Describe as fully as possible the general product strategies of the competitors. For example, are they developing new products etc?

Pricing Strategies

Describe as fully as possible the pricing strategies of competitors.

Distribution Strategies

Describe as fully as possible the mechanisms of distribution of competitors. Example the outlets that they use etc.

Advertising and Sales Promotion Strategies

Describe as fully as possible the approach to the market taken by competitors.

Strengths and Weaknesses of Competitors

Insert known strengths and weaknesses of competitors

<i>Strengths and Weaknesses of Competitors (Describe)</i>											
<u>Strengths</u>						<u>Weaknesses</u>					
Competitor A:											
Competitor B:											
Competitor C:											
Competitor D:											

Add any narrative description

Market Potential Analysis

Market Potential Estimated (Geographical Markets)											
Product Lines		Local		EU		Middle East		Africa		Total	
		Units	€	Units	€	Units	€	Units	€	Units	€
1	Product A										
2	Product B										

Local Market Potential

Try to describe the market capacity of the local market from information available and research undertaken.

Other Markets

Describe other possible markets in as much detail as is practical.

Market Share Analysis

Product Line Market Share

Enter the estimated market share gathered from estimates or if possible market research. It is also useful to try to obtain the accounts and literature of the competitors for this.

Product A

Kosovo	
Primary Competitors Rank	1 Estimated Market Share %
1	Competitor A
2	Competitor B
3	Competitor c
Total Market Share of Competitors per cent	
Total Market Share of Company per cent.	

Add narrative

Product B

Company name	Current production capacity units	Current sales	%
1. Company Name			
2. TOTAL			

Product Analysis

Product Line

Describe the current product line

Product Line Objectives for 2009/2010

	Product A	Product B	Other products
Sales (units)			
Sales (000 €)			

Enter the target sales for the year

Product Range Objectives & Strategies

Describe the product range objectives – Plans to increase sales and to introduce new products. Product improvements etc.

Product Line Analysis – All Products sold in 2007					
	Current Products (List All)	Sales Volume (Units)	Sales Volume (000€)	Probable Market Share	Margin of Profit
1.	Product Line A				
2.	Product Line B				
3.					
4.					

Line Analysis of Old Products versus New Products

The company has recently introduced on the market etc.:

Insert narrative description of any changes to the product line.

Divisions, Regions, Territories

Describe any territorial divisions in the way that the company is organized from a marketing perspective as well as any planned changes to this. Also, below, insert data regarding the historical sales for each territory and overall sales data..

Company Name sales in 2004/2008

	2004/2005	2005/2006	2006/2007	2007/2008
TOTAL Sales million €	39,9	27,4	28,2	18,9
Growth rate		-31,3	+2,9	-33,0
Domestic sales	30,9	25,2	21,6	18,9
Growth rate	-	-18,5	-14,3	-12,5
Exports	9,0	2,2	6,6	-
% exports	22,5	8,0	23,4	-

Product A				
	<u>Units</u>	<u>€</u>	<u>% of Total Sales</u>	<u>Ranking by Sales</u>
Divisions				
A:				
B:				
C:				
D:				
E:				
Regions				
A:				
B:				
C:				
D:				
E:				

Product B				
	<u>Units</u>	<u>€</u>	<u>% of Total Sales</u>	<u>Ranking by Sales</u>
Divisions				
A:				
B:				
C:				
D:				
E:				
Regions				
A:				
B:				
C:				
D:				
E:				

Product Line Ranking

<i>Product</i>		<i>Products Lines with the highest unit sales volume</i>	<i>Product Lines with the highest Euro volume sales</i>	<i>Product Lines with the Highest Profit Contribution</i>
		Rank	Rank	Rank
1	Product A			
2	Product B			
3	Product C			

Product Line Ranking (by Percentage)

<i>Product</i>		<i>Product Lines which contribute unit sales volume of...</i>		<i>Product Lines which contribute Euro sales volume of:.....</i>		<i>Product Lines which contribute profits of....</i>	
		75% of total	50% of total	75% of total	50% of total	75% of total	50% of total
1	Product A						
2	Product B						

Strategically Critical Product Line Ranking

<i>Rank by importance of product lines</i>	
1	Product A
2	Product B

Customer – Client Analysis

A broad description of the types of clients that buy the company’s products. It is sometimes found that a large proportion of sales come from one easily identifiable group. Analyze and elaborate on this here.

Pricing Analysis

Describe the organizations attitude towards pricing. Where they see themselves in terms of market position and value for money and any strategies they adopt to gain maximum price benefit in the market.

Pricing Objectives and Strategies

Company Name uses the following pricing methods:

- ☐ pricing based on variable costs in case of governmental tenders
- ☐ pricing based on competitive prices for other sales

Price analysis of product lines sold by the Company

As above, but defined by product lines

(COMPANY NAME) COST ANALYSIS 2009/2010

Product A

TYPE	MATERIALS			Direct Labor	Indirect costs		TOTAL COSTS
	Domestic	Foreign	Total		Dept	Others	
A							
B							

Product B

TYPE	MATERIALS			Direct Labor	Indirect costs		TOTAL COSTS
	Domestic	Foreign	Total		Dept	Others	
A							
B							

Product C

TYPE	MATERIALS			Direct Labor	Indirect costs		TOTAL COSTS
	Domestic	Foreign	Total		Dept	Others	
A							
B							

PROFIT/COST ANALYSIS 2009/2010

Product A

TYPE	PRODUCTION COSTS			Market costs	Admin costs	Inst. and guarantee	TOTAL COSTS	AVERAGE SELLING PRICES
	Domestic	Foreign	Total					

Product B

TYPE	PRODUCTION COSTS			Market costs	Admin costs	Inst. and guarantee	TOTAL COSTS	AVERAGE SELLING PRICES
	Domestic	Foreign	Total					

Product B

TYPE	PRODUCTION COSTS			Market costs	Admin costs	Inst. and guarantee	TOTAL COSTS	AVERAGE SELLING PRICES
	Domestic	Foreign	Total					

Source : Annual report 1997/98 attached to the balance sheet

<i>Pricing Analysis of Product Lines sold by the Company</i>						
<u>Current Product Lines</u>	<u>Current prices to end users</u>	<u>Current Dealer prices</u>	<u>Current prices to distributors and wholesalers</u>	<u>Average annual percentage price change to end user in the last 5 years</u>	<u>Average annual percentage price change to distributor in the last 5 years</u>	<u>Average annual percentage price change to dealer in the last 5 years</u>
1.						
2						
3						
4						
5						
6						

Pricing Analysis of Our Prices versus Competitors

Try to obtain competitor price lists and enter the data below

<u>Current Products (List All)</u>	<u>Competitive Products</u>	<u>Competitors' prices to end user</u>	<u>Competitors prices to trade</u>

Add and explanation

Channels of Distribution Analysis

Describe the main channels of distribution

Sales by Main Channels of Distribution

	Direct sales through tenders Public sector	2 show rooms	Public distributors
Product A			
Product B			

Add description and / or explanation

Analysis of Channels of Distribution Currently Used

<u>Channels of Distribution</u>	<u>Sales Volume</u>		<u>Pounds / Dollars</u>	<u>Percent of total sales</u>	<u>Average monthly sales vol. per each</u>
	<u>Number</u>	<u>Units</u>			
<i>Company-owned retail outlets</i>					
<i>Independent retail outlets</i>					
<i>Salaried Sales Force</i>					
<i>Sales force on commission</i>					
<i>Wholesalers/distributors company-owned</i>					
<i>Wholesalers/distributors independent</i>					
<i>Other outlets</i>					

Analysis of Channels of Distribution Currently Used

Retail Outlets

<i>Company Owned Stores (by name)</i>	<i>Sales Volume</i>		<i>Percent of total sales</i>	<i>Ranking by Sales</i>	<i>Average monthly sales volume</i>
	<i>Units</i>	<i>Pounds/Dollars</i>			
<i>Wholesalers/ Distributors (by name)</i>	<i>Sales Volume</i>		<i>Percent of total sales</i>	<i>Ranking by Sales</i>	<i>Average monthly sales volume</i>
	<i>Units</i>	<i>Pounds/Dollars</i>			

Marketing Personnel Analysis

Describe the people and structure of the Sales and Marketing Operation

<i>Marketing Personnel Count</i>				
<i>This year's marketing personnel budget € =</i>				
<i>This year's marketing personnel headcount =</i>				
	Total	Numbers – Current Year		
		Region 1	Region 2	Region 3
<i>Salaried Managerial (List)</i>				
1				
2				
<i>Sales Force Salaried</i>				
1				
2				
3				
4				
<i>Sales Force on Commission</i>				
1				
2				
3				
4				
<i>Office – Clerical & Secretarial</i>				
1				
2				
3				
4				
<i>Other</i>				
1				
2				
<i>Total Personnel</i>				

Analysis of Sales Force

<i>Sales force members (by name)</i>	<i>Sales Force</i>		<i>Percent of total sales</i>	<i>Ranking by sales</i>	<i>Average monthly sales volume</i>
	<i>Units</i>	<i>€</i>			

Marketing Personnel Expenditures Analysis

List the details which will arrive at determining the overall cost of operating the sales force

<i>Number in sales force</i>
<i>Number of non-sales personnel</i>
<i>Total personnel in marketing dept.</i>
<i>Expenditures for sales force (Direct costs)</i>
<i>Expenditures for non-sales personnel</i>
<i>Total expenditures for marketing personnel</i>
<i>Percent of total marketing budget – sales force</i>
<i>Percent of total marketing budget – non sales personnel</i>
<i>Sales force expenditures as per cent of sales</i>
<i>Non-sales personnel expenditures as percent of sales</i>

Human Resource Development Analysis

Describe the measures taken and planned to improve the performance of the sales force, with training programs etc. and include the costs of this.

Marketing Research Analysis

Describe the market research that has been and is planned to carry out, including the reasons for it and the cost, and the benefit.

Advertising Analysis

Describe advertising and sales promotion activity, including the reasons behind it and the cost. Historic and planned.

Sales Promotion Analysis

Describe sales promotion activity, including the reasons behind it and the cost. Historic and planned.

CONCLUSIONS

Weaknesses

Enter any weaknesses identified – Use the ones below as examples

- No name recognition
- Common products
- Products with poor design and performances
- Inefficient after sales service

Internal weaknesses

Enter any weaknesses which arise as a result of internal weaknesses – Use the ones below as examples only:

- High costs
- Poor sales promotion and advertising
- No marketing knowledge
- No attractive show rooms

Strengths

Identify any apparent strength that the company has in terms of competitive advantage

Opportunities

Identify any marketing opportunities facing the company



Marketing Strategy

For

Company Name

Date

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Marketing Strategy

Marketing and Sales Objectives

Marketing Objectives

Describe the marketing objectives for next year for all product lines.

Product Line A

Objective: Example: To increase total unit sales within the North by 12%, within the South by 16%, and to initiate entry in the West and achieve at least 5% market share by the end of the year.

Product Line B:

Objective:

Product Line C:

Objective:

Sales Objectives for all Product Lines

Sales Objectives for all product lines	
Percent of sales from existing product lines	
Percent of sales from new product lines	
Percent of sales from strategically critical product lines	
Average profit margin for new product lines	
Average profit margin for existing product lines	
Average profit margin for all product lines	

Sales Objectives for Strategically Critical Product Lines

	(Ranked by Importance of strategically critical product lines)	Units	Pounds / Dollars	Market Share	Profit Margin
1.					
2.					
3.					
4.					
5.					
6.					

Sales Objectives for all Distribution Channels

	Annual Sales		Average Monthly Sales		Number of Outlets Needed
	Units	€	Units	€	
Total Sales from New Distribution Channels					
Total Sales from Current Distribution Channels					
Total Sales from all Distribution Channels (This must equal sales objectives)					
Retail Stores – Company Owned (List Locations)					
Independent Stores (List Locations)					
Wholesalers / Distributors (List Locations)					
Other distribution Channels (List type and Location)					

Sales Objectives for Distribution Channels by Month for 2009

	<u>Jan.</u> <u>Units</u>	<u>€/\$</u>	<u>Feb.</u> <u>Units</u>	<u>€/\$</u>	<u>Mar.</u> <u>Units</u>	<u>€/\$</u>	<u>Apr.</u> <u>Units</u>	<u>€/\$</u>	<u>May</u> <u>Units</u>	<u>€/\$</u>	<u>Jun.</u> <u>Units</u>	<u>€/\$</u>
Retail Stores – Company Owned (List Locations)												
Independent Stores – (List Locations)												
Wholesalers/distributors (List locations)												
Other Distribution Channels (List locations)												

	<u>Jul.</u> <u>Units</u>	<u>€/\$</u>	<u>Aug.</u> <u>Units</u>	<u>€/\$</u>	<u>Sep.</u> <u>Units</u>	<u>€/\$</u>	<u>Oct.</u> <u>Units</u>	<u>€/\$</u>	<u>Nov</u> <u>Units</u>	<u>€/\$</u>	<u>Dec.</u> <u>Units</u>	<u>€/\$</u>
Retail Stores – Company Owned (List Locations)												
Independent Stores – (List Locations)												
Wholesalers/distributors (List locations)												
Other Distribution Channels (List locations)												

Sales Objectives by Sales Force

Region	Annual Sales Objectives		Monthly Sales Objectives	
	Units	€	Units	€
Existing Sales Force Members (by name)				
Total sales expected from existing sales force				
New sales force members (Numbers needed)				
Total sales expected from new members of sales force				
Total sales expected from all members of sales force				

Sales Objectives for Sales Force by Month for 2009

Members of Sales Force	Jan	€/ \$	Feb	€/ \$	Mar	€/ \$	Apr	€/ \$	May	€/ \$	Jun	€/ \$
1												
2												
3												
4												
5												

Members of Sales Force	Jul	€/ \$	Aug	€/ \$	Sep	€/ \$	Oct	€/ \$	Nov	€/ \$	Dec	€/ \$
1												
2												
3												
4												
5												

Sales Projections

Sales Projections – All Product Lines

Provide 5 year numerical review of sales for each product line

Provide 5 year trend line for each product line. Show forecast sales for next year based on trend line projections (Example – Least square analysis)

Provide five year numerical review of profits or margins for each product line

Provide 5 year trend line of profits or margins for each product line. Show forecast profits for next year based on trend line projections (Example – least square analysis)

Sales Projections by Geography (division, region, territory ...)

Provide 5 year numerical review of sales for each product line by geographical area (Division, region, territory)

Provide five year trend line of sales for each product by geographical area. Show Forecast sales for next year based on trend line projections

Provide 5 year numerical review of profits or margins for each product line by geographical area

Provide 5 year trend line of profits or margins for each product line by geographical area. Show forecasted profits or margins for next year based on trend line projections.

Target Markets

Target Markets for all Product Lines – Consumer Demographics

Product Lines		Age	Income	Sex	Education	Race	Marital Status
1.							
2.							
3.							
4.							
5.							
6.							

Target Markets for Strategically Critical Product Lines – Consumer Demographics

Critical Product Lines		Household Size	Geographical Location	Size of City	Profession	Other	Other
1.							
2.							
3.							
4.							
5.							
6.							

Target Markets for all Production Lines – Consumer Psychographics

Critical Product Lines		Frequency of Purchase	Competitive Brands Purchased	Method of Payment	Other	Other	Other
1.							
2.							
3.							
4.							
5.							
6.							

Target Markets for all Production Lines – Industrial Demographics

Critical Product Lines		Type of Industry	Geographical Locations	Type of Companies	Size of Company	Decision Maker in Company	Other
1.							
2.							
3.							
4.							
5.							

Marketing Strategies

Describe the marketing strategies for each product line that will be used during the next year to accomplish the previously stated objectives.

Product Line A:

Strategy

Product Line B:

Strategy

Product Line C:

Strategy

Strategically Critical Product Line Marketing Strategies

Product Line A

Strategy

Product Line B

Strategy

Product Line B

Strategy

Pricing

Product line pricing objectives and strategies – 2008

Objectives – Sales Promotion

Describe the pricing objectives for each product line for 2008

Product Line A

Pricing Objective

Product Line B

Pricing Objective

Product Line C

Pricing Objective

Prices and Price Changes for Product Lines 2009

	<u>All Product Lines</u>	<u>Prices to end users</u>	<u>Dealer Prices</u>	<u>Price to distributors and wholesalers</u>	<u>Percentage price change to end user compared to last year</u>	<u>Percentage price change to distributors compared to last year</u>	<u>Percentage price change to dealer compared to last year</u>
1							
2							
3							
4							
5							
6							
7							
8							
9							
10							
11							
12							
13							
14							
15							
16							
17							
18							

Channels of Distribution

Distribution Objectives and Strategies

Product Line

Distribution Objectives

Product Line

Distribution Objectives

Product Line

Distribution Objectives

Distribution Strategies 2009

Describe next year's distribution strategies for each product line

Product Line

Distribution Strategies

Product Line

Distribution Strategies

Product Line

Distribution Strategies

Description of Channels of Distribution Needed for 2009

Channels of Distribution	Sales Volume		Pounds / Dollars	Percent of total sales	Average monthly sales vol. per each
	Number	Units			
Company-owned retail outlets					
Independent retail outlets					
Sales force salaried					
Sales force on commission					
Wholesalers / distributors – company owned					
Wholesalers/distributors Independent					
Other outlets					

Description of channels of distribution needed for 2009					
Retail Outlets	Sales Volume		Percent of total sales	Ranking by Sales	Average monthly sales vol.
	Units	€ / \$			
Company owned stores (by name)					
Independent retail outlets (by name)					
Other distribution outlets					

Marketing Personnel

Marketing Personnel Needed by Region for 2009

Next year's marketing budget € _____ Next year's personnel headcount _____

Numbers	Total – Current Year	Region 1	Region 2	Region 3
Salaried Managerial (List)				
1				
2				
Sales Force (Salaried)				
1				
2				
Sales Force on Commission				
1				
2				
Office – Clerical & Secretarial				
1				
2				
Other				
1				
2				
Total Personnel				

Marketing Personnel & Expenditures by Month for 2009

	Jan Units	€/\$	Feb Units	€/\$	Mar Units	€/\$	Apr Units	€/\$	May Units	€/\$	Jun Units	€/\$
Salaried Managerial (List)												
1												
2												
Sales Force Salaried												
1												
2												
Sales Force on Commission												
1												
2												
Office – Clerical & Secretarial												
1												
2												
Other												
1												
2												
Total												

	Jul Units	€/\$	Aug Units	€/\$	Sep Units	€/\$	Oct Units	€/\$	Nov Units	€/\$	Dec Units	€/\$
Salaried Managerial (List)												
1												
2												
Sales Force Salaried												
1												
2												
Sales Force on Commission												
1												
2												
Office – Clerical & Secretarial												
1												
2												
Other												
1												
2												
Total												

Sales Force Needed for 2009

<u>Sales Force</u> <u>Members (by Name)</u>	<u>Sales volume</u>		<u>Percent of total sales</u>	<u>Ranking by Sales</u>	<u>Average Monthly Sales Volume</u>
	<u>Units</u>	<u>€ / \$</u>			

Sales Force Needed for 2009					
<u>Sales Force</u> <u>Members (by Name)</u>	<u>Years Experience</u>	<u>Education</u>	<u>Percent of total sales</u>	<u>Commission / Bonus</u>	<u>Expense</u>

Marketing Personnel Expenditures for 2009

Number in sales force	
Number of non-sales personnel	
Total number in marketing department	
Euro expenditure for sales force (direct cost)	
Dollar expenditure for non sales personnel	
Total expenditure for marketing personnel	
Percentage of total marketing budget – sales force	
Percentage of total marketing budget – non sales personnel	
Sales force expenditure as percent of sales	
Non-sales personnel expenditure as percent of sales	

Human Resource Development

Objectives – Human Resource Development

Describe next year's human resource development objectives

- 1.
- 2.
- 3.

Strategies – Human Resource Development

Describe next year's human resource development strategies

- 1.
- 2.
- 3.

Human Resource Development Budget

Human Resource Development Budget – 2009 - €/\$ _____

	Next Year's Expenditure	Description
Sales Training Programs		
Training Aids		
Other		
Executive Development Program		
Training Aids		
Other		
Non-sales Development Program		
Training Aids		
Other		
Other		

Human Resource Development Expenditure Information

1. Human resource development expenditures as a percent of total sales

_____ %.

2. Human resource development expenditures as a percent of total marketing budget.

_____ %.

3. Human resource development expenditures versus industry average.

_____ %.

Marketing Research Program

Market Research Objectives

Describe next year’s marketing research objectives for each product line

Product Line:

Marketing Research Objective

Product Line:

Marketing Research Objective

Product Line:

Marketing Research Objective

Marketing Strategies

Describe next year’s marketing research strategies for each product line

Product line

Marketing research strategy

Product line

Marketing research strategy

Product line

Marketing research strategy

Marketing Research Budget

2009 Marketing Research Budget - €/ \$ _____

	Expenditures	Describe
Product Research		
Current Products		
New Products		
Advertising Research		
Corporate Research (image, logo etc.)		
Other research		

Marketing Research Expenditure Information 2009

1. Marketing expenditures as a percent of total sales	%
2. Marketing research expenditures and percent of total marketing budget.	%
3. Marketing resources expenditures versus industry average.	%

Advertising and Sales Promotion Program

Advertising Objectives – Existing Products

Describe next year's advertising objectives for each product line

Product Line

Advertising Objective

Product Line

Advertising Objective

Product Line

Advertising Objective

Advertising Strategies – Existing products

Describe next year's advertising strategies for each existing product line

Product Line

Advertising Strategies

Product Line

Advertising Strategies

Product Line

Advertising Strategies

Advertising Objectives – New Products

Describe next year's advertising objectives for each new product line

Product Line

Advertising Objective

Product Line

Advertising Objective

Product Line

Advertising Objective

Advertising Strategies – New Products

Describe next year’s advertising strategies for each new product line

Product Line

Advertising Strategies

Product Line

Advertising Strategies

Product Line

Advertising Strategies

Advertising Media Program & Budget - 2009

Advertising media program and budget - 2009			
Media	Annual Expenditure	Frequency	Ad size
Print			
Newspaper			
1			
2			
Consumer Magazine			
1			
2			
3			
Trade Publication			
1			
2			
Other			
1			
2			
Radio			
1			
2			
3			
Television			
1			
2			
Specialtv			
1			
2			
Direct Mail			
1			
2			
Point of Sale			
1			
2			
3			
Other			
1			
2			
3			

Advertising Expenditure by Media by Month for 2009

Media (in €)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Print												
Newspaper												
1												
2												
Consumer Magazine												
1												
2												
Trade Publication												
1												
2												
Other												
1												
Radio												
1												
2												
Television												
1												
2												
Specialty												
1												
2												
Direct Mail												
1												
2												
Point of Sale												
1												
Other												
1												
Total												

Advertising Agency Information for 2009

Agency / Agencies to be used	Product lines for which advertising agency has responsibility
In house agency	
Outside Agency	
Address Phone No.: Fax No.: Account executive:	
Describe responsibility of advertising agency	
Compensation system for advertising agency	

Advertising Effectiveness

List and describe methods to be used to measure effectiveness of advertising for 2009

Products	Method to measure effectiveness
Strategically critical product lines	
New Products	
Product line in general	
Person/s responsible for advertising effectiveness	

Advertising Expenditures Information 2009

Advertising expenditures as a percentage of total sales	
Advertising expenditure as a percentage of total marketing budget	
Advertising expenditure versus industry average.	

Objectives – Sales Promotion

Describe next year's sales promotion objectives for each product line

Product Line

Sales Promotion Objective

Product Line

Sales Promotion Objective

Product Line

Sales Promotion Objective

Strategies – Sales Promotion

Describe next year's sales promotion strategies for each existing product line

Product Line

Sales promotion strategies

Product Line

Sales promotion strategies

Product Line

Sales promotion strategies

Objectives – 2009 sales promotion objectives and strategies

Describe next year's sales promotions objectives and strategies for each new product line to be introduced.

New Product Line

Sales Promotion Objective

Sales Promotion Strategy

New Product Line

Sales Promotion Objective

Sales Promotion Strategy

New Product Line

Sales Promotion Objective

Sales Promotion Strategy

Sales Promotion Expenditures by Item by Month for 2009

Media (in €)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Type of Sales Promotion												
Trade Promotions to Dealers & Distributors												
1												
2												
Trade Shows												
1												
2												
Sales Force Promotion												
1												
2												
Other Sales Promotion												
1												
2												
Total (Must equal Sales Promotion)												

Sales Promotion Agency Information for 2009

Agency / Agencies to be used	Product lines for which advertising agency has responsibility
In house agency	
Outside Agency	
Address Phone No.: Fax No.: Account executive:	
Describe responsibility of sales promotion agency	
Compensation system for sales promotion agency	

Advertising Effectiveness

List and describe methods to be used to measure effectiveness of sales promotion

Sales promotion activity	Method to measure effectiveness
1	
2	
3	
4	
5	
6	
7	
8	
9	
10	
11	
12	
13	
14	
Person/s responsible for advertising effectiveness	

Sales Promotion Expenditures Information 2009

Sales promotion expenditures as a percentage of total sales	
Sales promotion expenditure as a percentage of total marketing budget	
Sales promotion expenditure versus industry average.	

Marketing Budget

Marketing Budget by Quarter for 2009 (Expenditure & Percentage of Marketing Budget)

Marketing expenditures	Quarter 1		Quarter 2		Quarter 3		Quarter 4	
	€/\$	%	€/\$	%	€/\$	%	€/\$	%
Advertising								
Newspaper								
Consumer								
magazine								
Trade publication								
Radio								
Television								
Specialty								
Direct Mail								
Point of Sale								
Co-op								
Other								
Sales Promotion								
Trade promos-								
dealers								
Trade shows								
Sales force								
promotion								
Other sales								
Promotions								
General and Administrative								
Clerical								
Managerial								
Secretarial								
Telephone								

Marketing Budget by Quarter for 2009								
Marketing expenditures	Quarter 1		Quarter 2		Quarter 3		Quarter 4	
	€/\$	%	€/\$	%	€/\$	%	€/\$	%
General and Admin. (Contd.)								
Travel								
Supplies								
Human Resource Development								
Videos								
In-house								
program								
Tuition rebate								
Sales force expenditures								
Motivation program								
Recruiting								
Salaries and benefits								
Telephone								
Training program								
Travel								
Marketing Research								
Computer time								
Salaries & benefits								
Supplies								
Telephone								
Travel								
Miscellaneous								

Reviews and Evaluations

Results - Unit Sales - Evaluation Calendar 2009								
	January		February		March		End of Quarter	
	Projected Result	Actual Result						
All product lines – Unit sales								
Strategically Critical lines – Unit Sales								
1.								
2.								
3.								
4.								
5.								
New Product Lines – Unit Sales								
1.								
2.								
3.								
4.								
Other Product Lines – Unit Sales								
1.								
2.								
3.								

Results – Unit Sales – Evaluation Calendar 2009

	January		February		March		End of Quarter	
	Projected Result	Actual Result						
All product lines – Unit sales								
Strategically Critical lines – Unit Sales								
1.								
2.								
3.								
4.								
5.								
New Product Lines – Unit Sales								
1.								
2.								
3.								
4.								
Other Product Lines – Unit Sales								
1.								
2.								
3.								
4.								

Results – Unit Sales - Evaluation Calendar 2009								
	April		May		June		End of Quarter	
	Projected Result	Actual Result						
All product lines – Unit sales								
Strategically Critical lines – Unit Sales								
1.								
2.								
3.								
4.								
5.								
New Product Lines – Unit Sales								
1.								
2.								
3.								
4.								
Other Product Lines – Unit Sales								
1.								
2.								
3.								
4.								
5.								

	July		August		September		End of Quarter	
	Projected Result	Actual Result						
All product lines – Unit sales								
Strategically Critical lines – Unit Sales								
1.								
2.								
3.								
4.								
5.								
New Product Lines – Unit Sales								
1.								
2.								
3.								
4.								
Other Product Lines – Unit Sales								
1.								
2.								
3.								
4.								
5.								

Results – Unit Sales - Evaluation Calendar 2009								
	October		November		December		End of Quarter	
	Projected Result	Actual Result						
All product lines – Unit sales								
Strategically Critical lines – Unit Sales								
1.								
2.								
3.								
4.								
5.								
New Product Lines – Unit Sales								
1.								
2.								
3.								
4.								
Other Product Lines – Unit Sales								
1.								
2.								
3.								
4.								
5.								

2009 Results – Variance and Correction Needed in Expected and Actual Results

Month	Probable reason for variance	Corrective action to be taken
January		
February		
March		
End of 1 st . Quarter		
April		
May		
June		
End of 2 nd . Quarter		
July		
August		
September		
End of 3 rd . Quarter		
October		
November		
December		
End Year		

End-of-Year Review of Marketing Plan

Problems with development or use of this year are marketing plan.

- 1.
- 2.
- 3.
- 4.

Changes needed to improve the marketing plan for next year.

- 1.
- 2.
- 3.



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USAID KOSOVO PRIVATE ENTERPRISE PROGRAM (KPEP)

Premier Adviser Program FINANCIAL MODELING MODULE

AUTHOR: MIKE MANN

USAID KOSOVO PRIVATE ENTERPRISE PROGRAM

Implemented by
Booz Allen Hamilton

Contract No. EEM-I-07-00007-00
Task Order No. 2

JANUARY 2009

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Module Components

Premier Advisor Program
Module 2 – Financial Modelling



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Financial Modelling

Day 1

- Session 1 Setting up the Profit & Loss Account 10:00 - 11:30
- Session 2 Setting up the Balance Sheet 11:45 - 12:30
- Session 3 Setting up the Financial Ratios 13:30 - 15:00
- Session 4 Linking the Years together
Making the model look nice 15:15 - 16:30

Day 2

- Session 1 Adding a Depreciation Model 10:00 - 11:30
- Session 2 Adding a Loan Model
Dealing with VAT 13:30 - 15:00
- Session 3 Setting up "Auto-translate" 13:30 - 15:00
- Session 4 Making it Autotranslate 15:15 - 16:30

Day 3

- Session 1 Converting the model to handle existing businesses 10:00 - 11:30
- Session 2 Making an Accounting Model 11:45 - 12:30
- Session 3 Time Value of Money 13:30 - 15:00
- Session 4 Introduction to Valuation 15:15 - 16:30



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Module Components

Premier Advisor Program

Module 2 – Financial Modelling

Session 2 – Setting up the Profit and Loss Account



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Day 1

Session 1

Setting up the Profit & Loss Account

10:00 - 11:30

Session 2

Setting up the Balance Sheet

Session 3

Setting up the Financial Ratios

Session 4

Linking the years
Making it look good

Month Headings

Setting the Columns

Select a hypothetical business

Introduce the Sales Revenue

Introduce Cost of Sales

Introduce Gross Profit

Introduce Net Profit

Introduce Depreciation

Introduce Interest

Introduce Taxation

Introduce Net Profit b/f & c/f

Label the Tab



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Summarized Profit and Loss Account

Units	100,000
Unit Cost	1.50
Sales Revenue	1,500,000
Cost of Sales	900,000
Cost of Sales %	60%
Gross Profit	600,000
Less:	
Overheads	300,000
Net Profit before Tax	300,000
Taxation 20%	60,000
Net Profit After Tax	240,000



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Definitions

Sales Revenue	The Sales you have (or expect)
Direct Costs	The Direct Costs you will have with these sales
Gross Profit	Sales less Direct Costs
Direct Costs %	Direct Costs as a % of Sales
Gross Profit %	Gross Profit as % of sales
Overheads	Fixed Costs
Break-Even Point	The level of Sales needed to produce a Gross Profit which is equal to Fixed Costs



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Harpies & Quines – P & L Account

Profit & Loss Account		Month
A	Sales Revenue	
	2,000 magazines @ £1	2,000
B	less: Direct (Variable) Costs	
	Printing Cost (2,000 x 1.25)	2,500
C	Gross Profit (A - B)	-500
	Cost of Sales %	125%
	Less: Overheads	
D	Rent /Rates / Salaries etc.	1,000
E	Net Profit before Tax (C - D)	-1,500



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Introduction to Financial Assumptions

- Every business plan includes a set of financial forecasts;
- Every financial forecast is based on **FINANCIAL ASSUMPTIONS**
- Financial assumptions should be written down, so the reader can check whether the forecasts are right and whether the assumptions are reasonable



Basic Financial Assumptions

Answers to the following questions:

- What will we sell?
- How many will we sell?
- How much will we charge?
- How much will they cost us to make / buy?
- Therefore – how much profit will we make?



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Profit and Loss Financial Assumptions Template

Sales Revenue	Mth. 1	Mth. 2	Mth. 3	Mth. 4	Mth. 5	Mth. 6	Mth. 7	Mth. 8	Mth. 9	Mth. 10	Mth. 11	Mth. 12	Year 1	Average
Units Sold														
Unit Cost														
Total Sales Revenue														
Cost of Sales														
Direct Material														
Direct Labour														
Packaging														
Delivery														
Sales Commission														
Other Direct Costs 1														
Other Direct Costs 2														
Total Direct Costs														
Gross Profit														
Gross Profit %														
Overheads														
Employee Costs														
Rent														
Rates														
Electricity														
Phone														
Internet														
Vehicle Running Costs														
Insurance														
Office Consumables														
Other Office Running Costs														
Miscellaneous Expenses														
Other 1														
Other 2														
Other 3														
Depreciation														
Total Overheads														
Net Profit before Tax														
Taxation														
Net Profit After Tax														



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Module Components

Premier Advisor Program

Module 2 – Financial Modelling

Session 2 – Setting up the Balance Sheet



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Day 1

Session 1 - Setting up the Profit & Loss Account

Session 2 - Setting up the Balance Sheet

Session 3 - Setting up the Financial Ratios

Session 4 - Linking the years
Making it look good

- Copy the Worksheet and re-label the Tab
- Delete below the Headings
- Explain the main components of Balance Sheet
- Set up Fixed Assets
- Set up Current Assets
- Set up Current Liabilities
- Introduce Net Current Assets
- Introduce Fixed + Net Current Assets
- Introduce Long Term Debt
- Introduce Net Worth
- Introduce Share Capital
- Introduce Retained Profit
- Link Retained Profit to P & L
- Backward calculate to get Net Current Assets



The Balance Sheet

Tells you:

- How much do you owe?
- How much is owed to you?
- How much do you have?



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Balance Sheet

Fixed Assets	What you Have
Current Assets	What you are owed + What you have
Current Liabilities	What you owe

Financed by:	
Share Capital	
Retained Profit	



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A	Fixed Assets			
	Property			
	Vehicles			
	etc.			
	Total Fixed Assets			
B	Current Assets			
	Cash			
	Inventory			
	Work in Progress			
	Trade Debtors			
	Total Current Assets			
			<i>Financed by:</i>	
			Share Capital:	
			Retained Profit	
			Total Equity	
C	Current Liabilities			
	Trade Creditors			
	Tax Due			
	Loans due within 1 year			
	Other Creditors			
	Total Current Liabilities			
	Less			
	Long Term Debt			
	= NETT WORTH			



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Module Components

Premier Advisor Program

Module 2 – Financial Modelling

Session 3 – Setting up the Ratios



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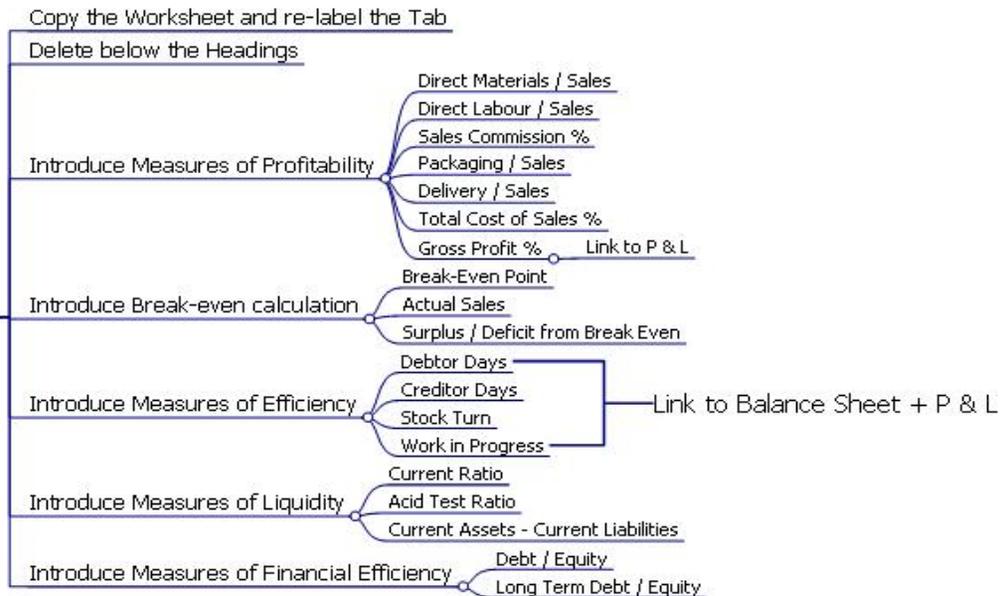
Day 1

Session 1 - Setting up the Profit & Loss Account

Session 2 - Setting up the Balance Sheet

Session 3 - Setting up the Financial Ratios

Session 4 - Linking the years
Making it look good





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Environmental Remote Sensing Services

	1998	1999	1999	2000	2001	2002	2003
	Actual	Actual	Forecast	Forecast	Forecast	Forecast	Forecast
Measures of Profitability							
Total Break Even Turnover	2,831,776	2,128,091	2,924,749	3,178,601	3,457,176	3,763,168	4,123,013
Actual Net Revenue	3,292,663	5,906,967	4,941,624	5,192,467	5,443,312	5,694,156	5,819,578
Surplus/(Deficit)	460,887	3,778,876	2,016,875	2,013,866	1,986,136	1,930,988	1,696,565
Direct Costs/Turnover	79.19%	54.80%	64.48%	64.70%	64.95%	65.22%	65.72%
Overheads / Turnover	17.90%	16.28%	21.02%	21.61%	22.26%	22.98%	24.29%
Total Costs/Turnover	97.09%	71.08%	85.50%	86.31%	87.21%	88.21%	90.01%
Ratios of Liquidity							
Current Ratio	1.05	1.36	1.57	1.73	1.88	2.01	2.13
Net Working Capital	185,998	1,688,535	2,610,436	3,526,812	4,428,444	5,306,472	6,092,565
Operating Efficiency							
Debtor Days	7.64	7.30	7.47	7.47	7.47	7.47	7.47
Creditor Days	230.43	255.82	243.12	243.12	243.12	243.12	243.12
Fixed Asset Turnover	143.24	79.84	111.54	111.54	111.54	111.54	111.54
Fixed Asset / Turnover	39.24%	21.87%	30.56%	30.56%	30.56%	30.56%	30.56%
Turnover / Working Capital	1770.27%	349.83%	189.30%	147.23%	122.92%	107.31%	95.52%
Leverage							
Total Debts / Assets	1	1	1	1	1	1	1
Total Debts / Equity	96	122	120	124	128	133	135
Long Term Debt / Equity	-	-	-	-	-	-	-
Fixed Assets / Equity	1177.26%	80.14%	50.99%	37.45%	29.69%	24.71%	21.48%
Total Assets / Equity	4463.48%	479.03%	336.08%	279.09%	247.33%	227.09%	212.38%
Return on Capital Employed							
	-1.31%	23.12%	14.18%	14.10%	13.87%	13.49%	12.11%



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Calculate the Break Even Point

Overheads	300,000
Cost of Sales %	60%

$$\frac{300,000}{60} \times 100 = 500,000$$

€500,000		333 Units
Break Even Point in Euro	=	€500,000
Break Even Point in Units	=	333 units



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Cash Flow Forecast

Income	<u>Mth. 1</u>	<u>Mth. 2</u>	<u>Mth. 3</u>	<u>Mth. 4</u>	<u>Mth. 5</u>	<u>Mth. 6</u>	<u>Mth. 7</u>	<u>Mth. 8</u>	<u>Mth. 9</u>	<u>Mth. 10</u>	<u>Mth. 11</u>	<u>Mth. 12</u>	<u>Year 1</u>	<u>Average</u>
Sales Income														
Other Income														
Total Sales Income														
Payments for Direct Costs														
Direct Material														
Direct Labour														
Packaging														
Delivery														
Sales Commission														
Other Direct Costs 1														
Other Direct Costs 2														
Total Payments for Direct Costs														
Payments for Overheads														
Employee Costs														
Rent														
Rates														
Electricity														
Phone														
Internet														
Vehicle Running Costs														
Insurance														
Office Consumables														
Other Office Running Costs														
Miscellaneous Expenses														
Loan Repayments														
VAT														
Tax Payments														
Total Overhead Payments														
Total Expenditure for Period														
Surplus / (Deficit) for Period														
Opening Cash Balance														
Plus Surplus / (Deficit)														
Closing Balance														



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Capital Structure

How Much - DEBT $\frac{1}{1}$
How Much - EQUITY $\frac{1}{1}$ Ideal Ratio ?

With any debt at all, the business is at risk – When there is no debt, and sales collapse, it is still possible to survive. – You can't go **BUST** if you don't have any debts

In Kosovo, “Access to Finance” is a hot topic, but too easy access to finance is worse than too little access to finance



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Session 1

Adding a Depreciation Model 10:00 - 11:30

Session 2

Adding a Loan Model
Dealing with VAT

Session 3

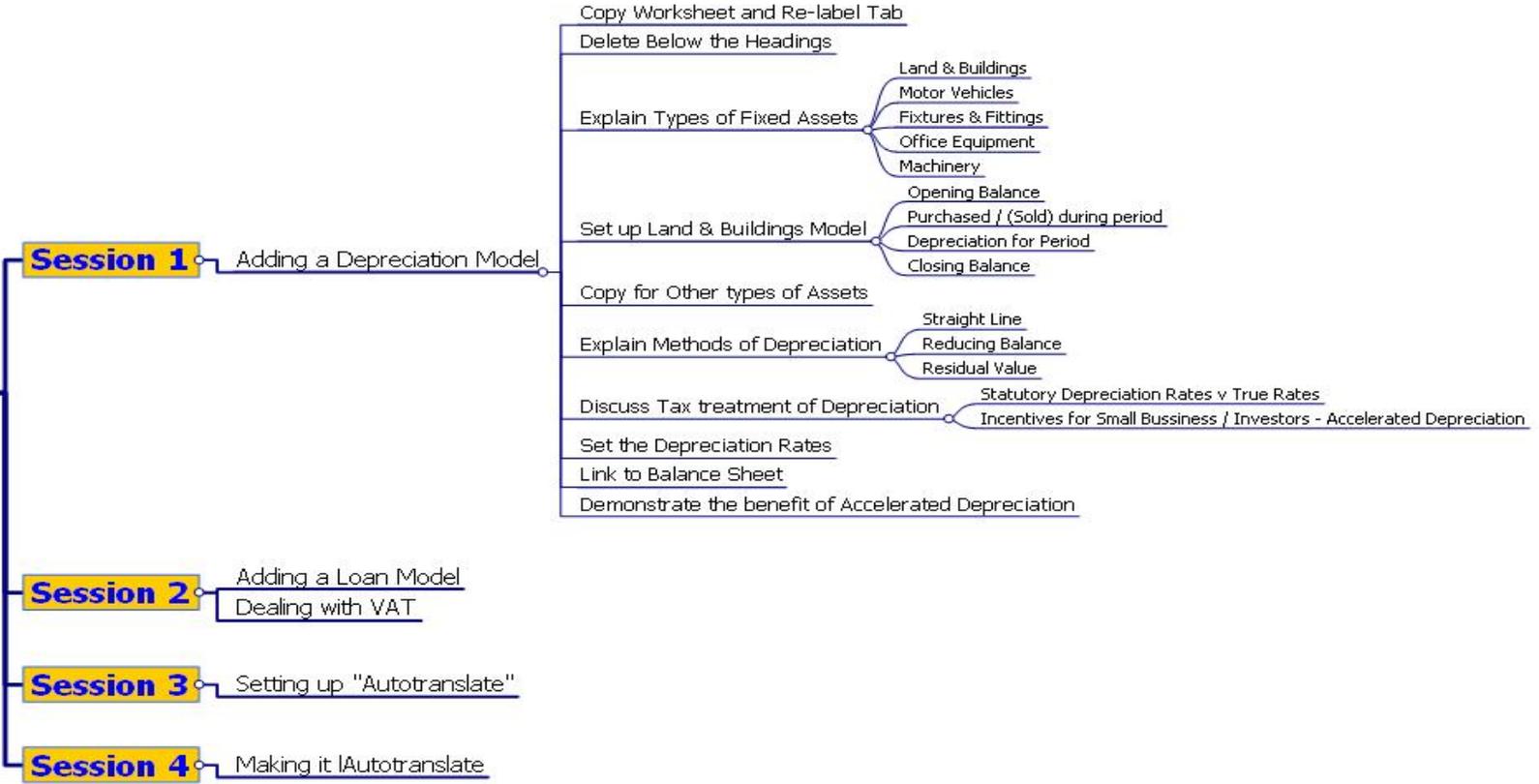
Setting up "Autotranslate"

Session 4

Making it |Autotranslate



Day 2

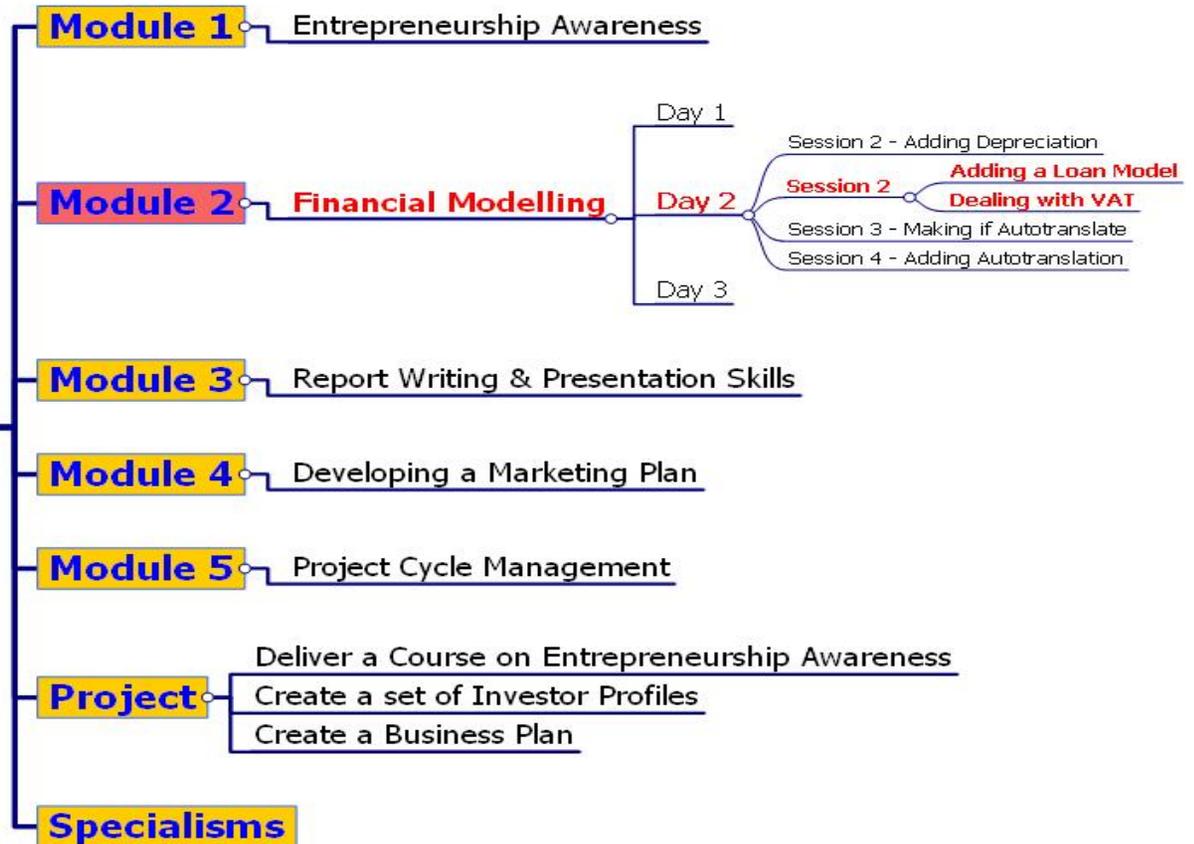




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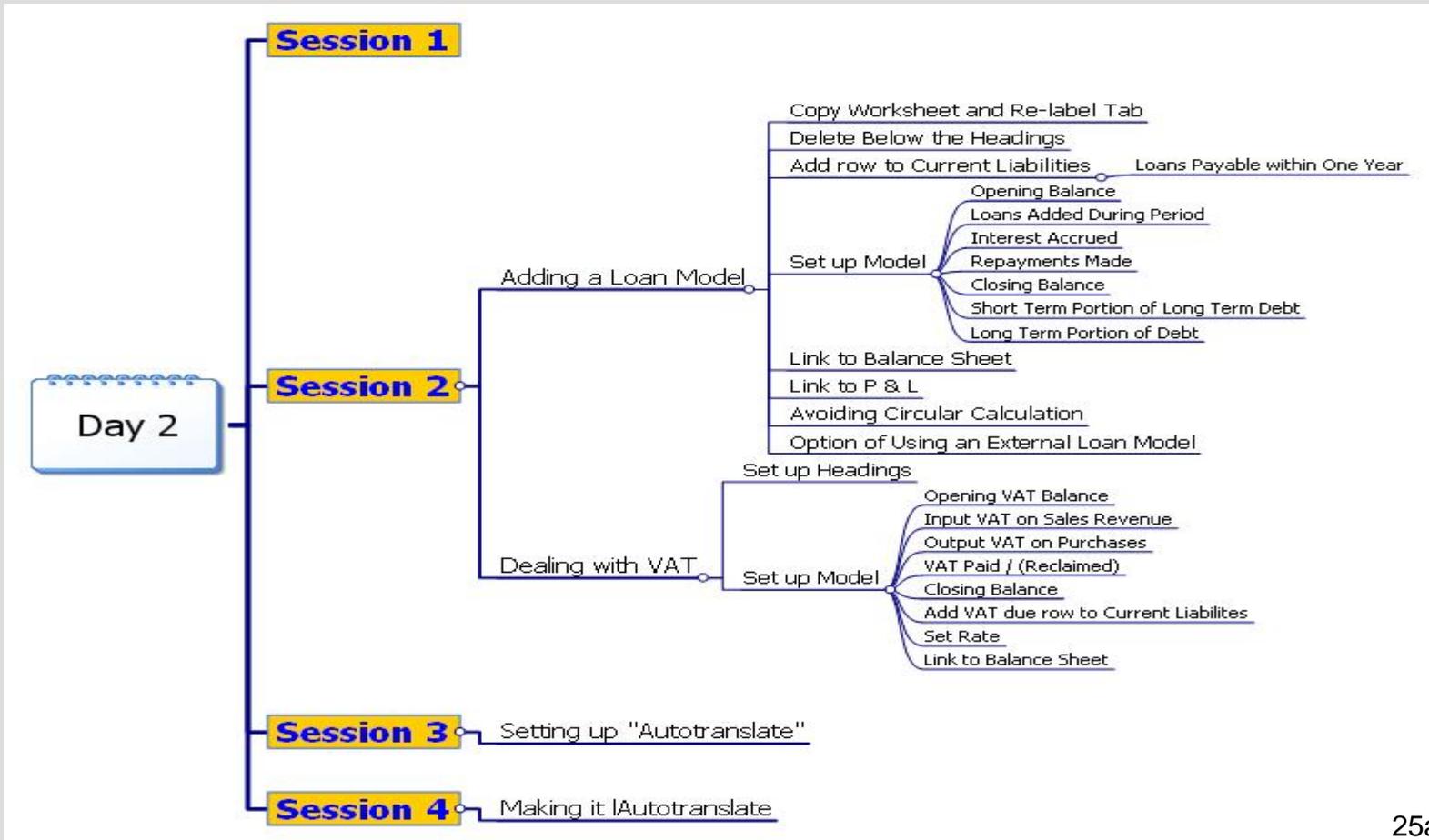
Premier Adviser Programme





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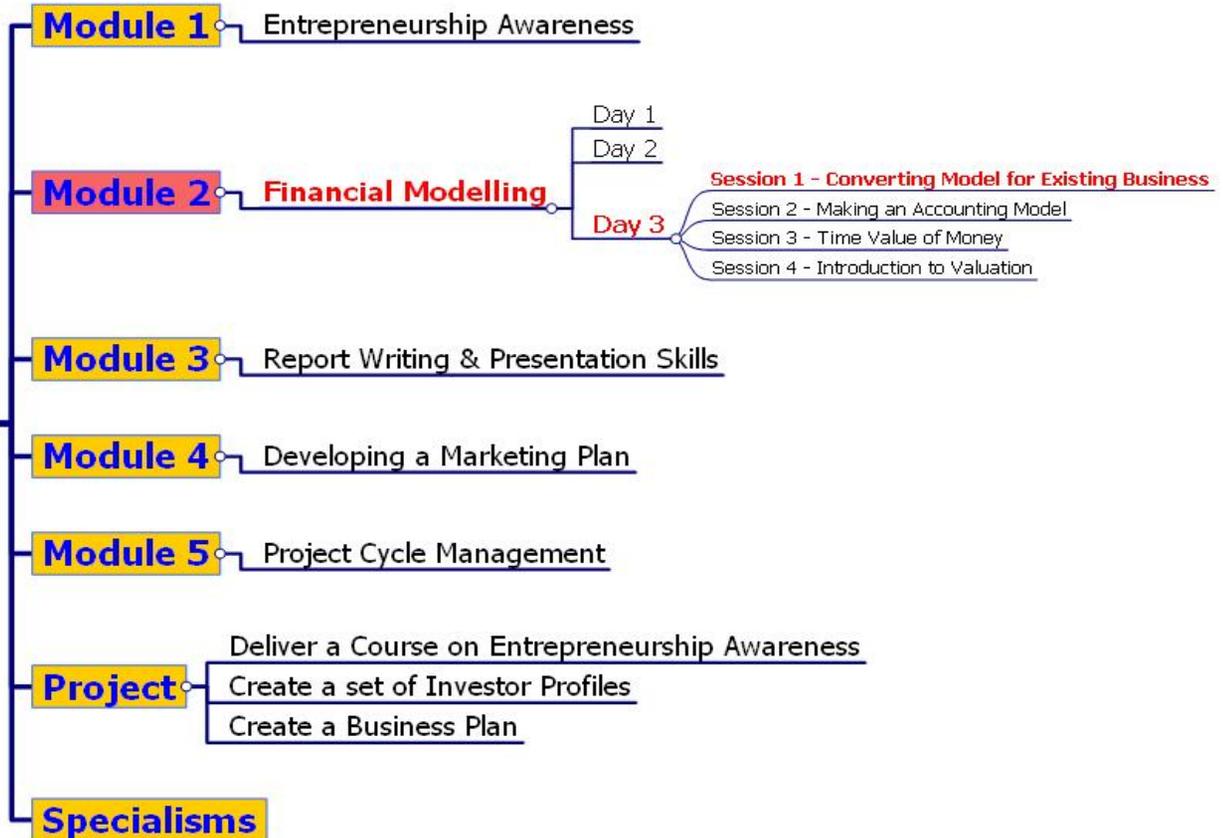




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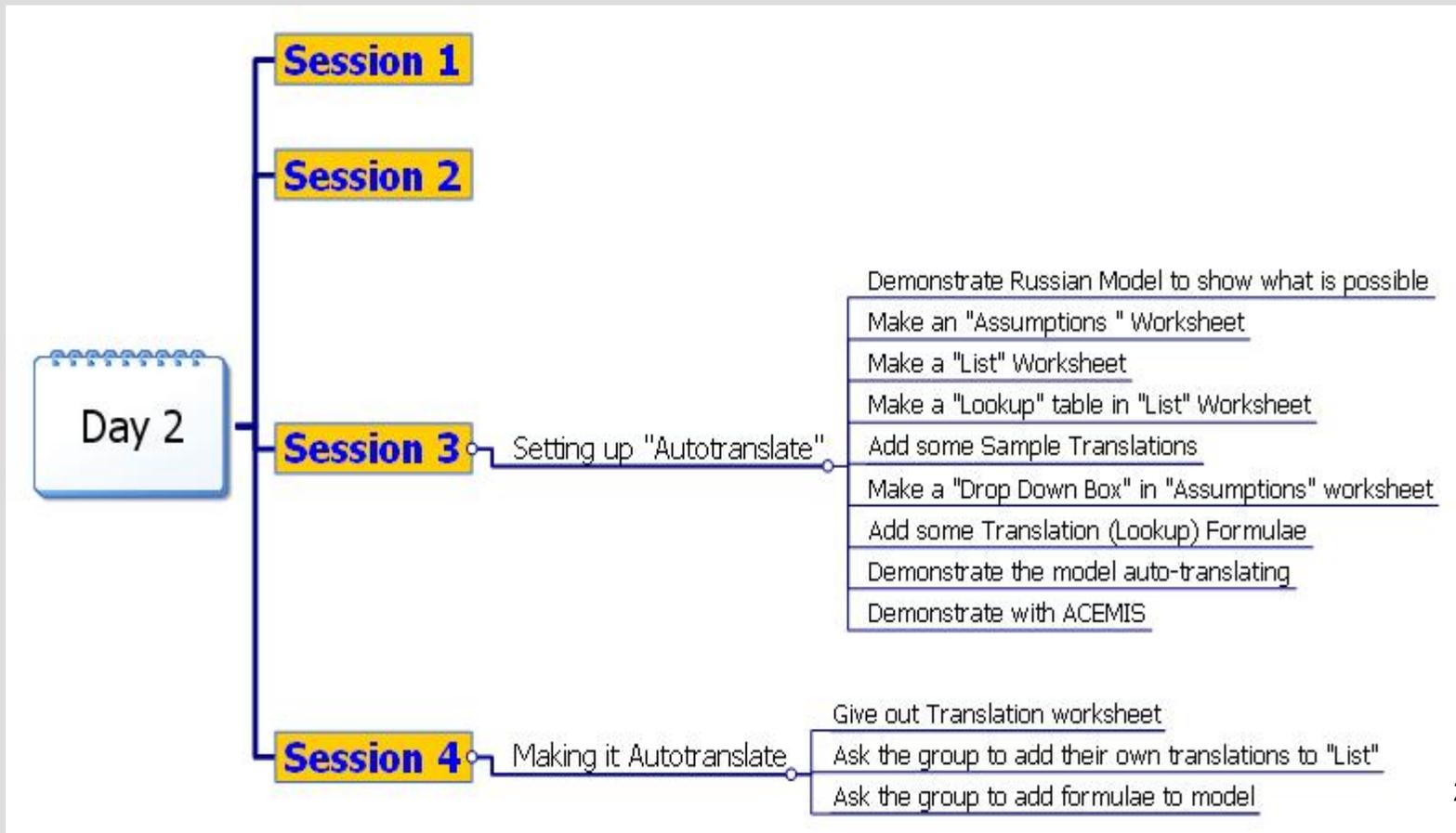
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Session 1

Making an "Existing Business" Model

Session 2

Making an "Accounting" Model

Session 3

Time Value of Money

Session 4

Introduction to Valuation



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Day 3

Session 1 - Making an "Existing Business" Model

- Save model as "Start - up" Model
- Save model as "Existing Business" Model
- Create new Columns to Introduce Historic Accounts
 - P & L
 - Balance Sheet
 - Ratios
- Calculate Ratios of Existing Accounts
- Project Forward Ratios
- Project Forward Sales
- Introduce Opening Balances
- Project forward Overheads
- Introduce Innovations that were pupose of Business Plan

Session 2 - Making an "Accounting" Model

Session 3 - Time Value of Money

Session 4 - Introduction to Valuation



Day 3

Session 1 — Making an "Existing Business" Model

Open "Start-up Model" and Save as "Accounting Model"

Delete all figures from P & L and Balance Sheet

Change Month Headings to Callander Months

Add Column for Account Codes

Add Transaction Worksheet

Set up Transaction Worksheet

Add Ranges

Add Columns to P & L for Debit and Credit

Modify Formulae in Balance Columns

Enter "Sample" Transactions

Demonstrate "ACEMIS"

Distribute copy of Modified ACEMIS

Session 2 — Making an "Accounting" Model

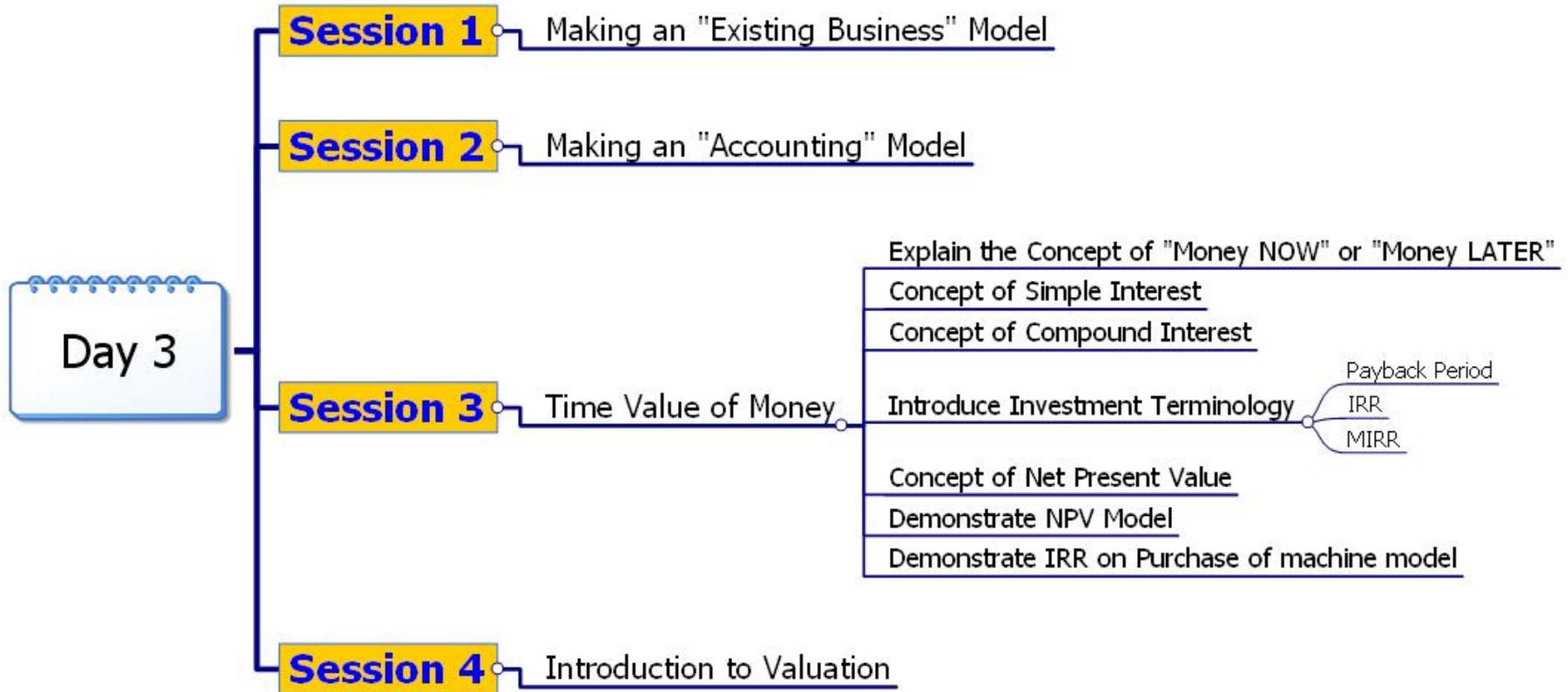
Session 3 — Time Value of Money

Session 4 — Introduction to Valuation



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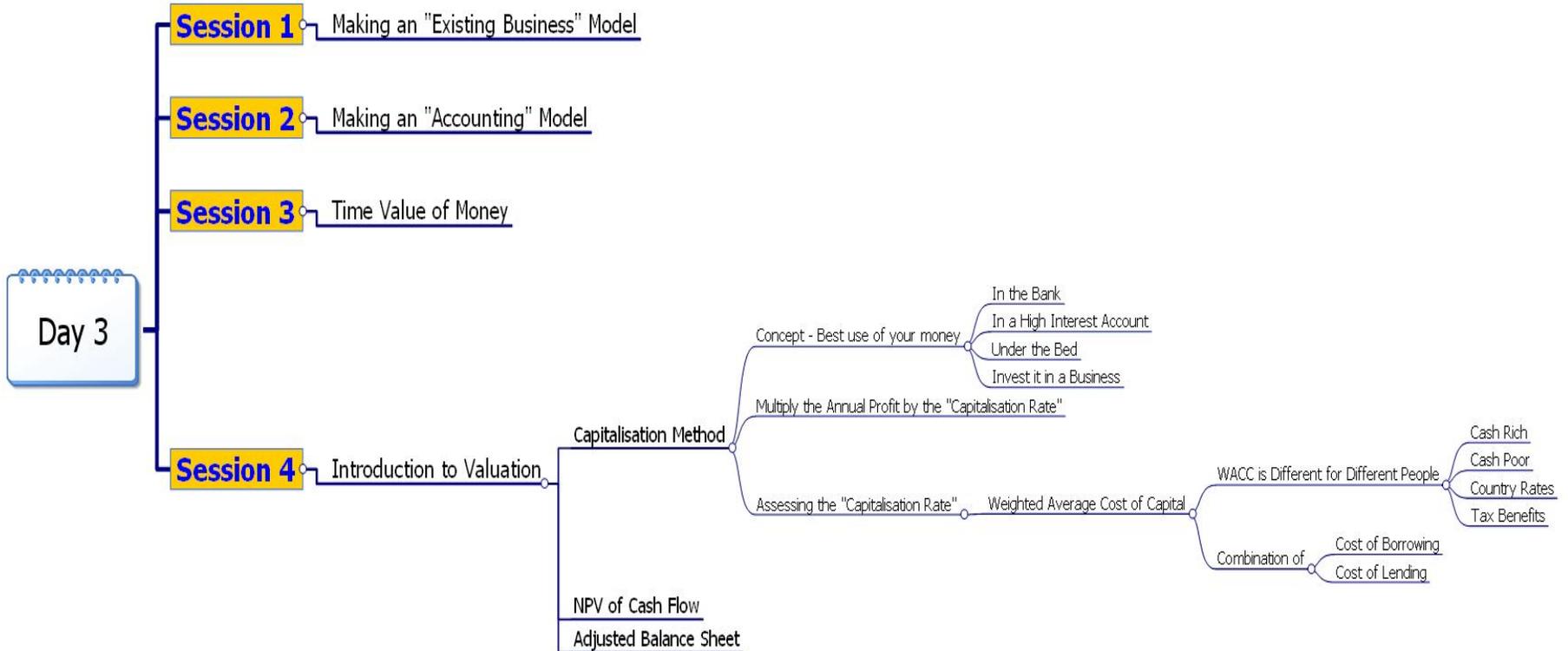
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End of Module

Financial Modelling

PREMIER ADVISOR LOAN MODEL (EXCEL SPREADSHEET MODEL)

CUSTOMIZE YOUR LOAN MANAGER

Lock/Save Sheet

Hover Your Pointer
HERE for a
Useful Tip!

Type Personal Information Here...

Family Name	A House Buyer	Phone Number	123 4567
Address	Anzherro Sudhensk	Fax Number	123 4568
City	Siberia		
State	Russia		
ZIP Code			

Specify Default Loan Information Here...

Enter the number of periods the table should contain: periods (Maximum of 720)

Formatted Information

*Insert
Logo
Here*

A House Buyer
Anzherro Sudhensk
Siberia, Russia
123 4567 fax 123 4568

Select Logo

Change Plate Font

Insert
Logo
Here

A House Buyer

Anzherro Sudhensk
Siberia, Russia
123 4567 fax 123 4568

Customize...

LOAN DATA

Name of Lender	Nationwide Building Society
----------------	-----------------------------

Total Borrowed	€ 60,000.00
Start Date	10/16/2000

Yearly Interest Rate	15.00%
Loan Period (Years)	5
No. of Payments per Year	12

Total Number of payments	60
--------------------------	----

Payment amount	€ 1,427.40
Calculated payment	

Total to be paid	-€ 85,643.75
------------------	--------------

Total Interest	-€ 25,643.75
----------------	--------------

Insert Fine Print Here

LOAN AMORTIZATION TABLE

What is the Loan Amortization Table Sheet?

Refinance/Prepay

Date

5/12/2009

Lender Name

Nationwide Building Society

Month	Date	Interest Rate	Beginning Balance	Closing Balance	Repayment	Principle	Interest	Дополнительные платежи
1	10/00	15.00%	60,000.00	60,000.00	(1,427.40)	(750.00)	(677.40)	
2	11/00	15.00%	59,322.60	59,322.60	(1,427.40)	(741.53)	(685.86)	
3	12/00	15.00%	58,636.74	58,636.74	(1,427.40)	(732.96)	(694.44)	
4	01/01	15.00%	57,942.30	57,942.30	(1,427.40)	(724.28)	(703.12)	
5	02/01	15.00%	57,239.19	57,239.19	(1,427.40)	(715.49)	(711.91)	
6	03/01	15.00%	56,527.28	56,527.28	(1,427.40)	(706.59)	(720.80)	-
7	04/01	15.00%	55,806.48	55,806.48	(1,427.40)	(697.58)	(729.81)	
8	05/01	15.00%	55,076.66	55,076.66	(1,427.40)	(688.46)	(738.94)	
9	06/01	15.00%	54,337.72	54,337.72	(1,427.40)	(679.22)	(748.17)	
10	07/01	15.00%	53,589.55	53,589.55	(1,427.40)	(669.87)	(757.53)	
11	08/01	15.00%	52,832.02	52,832.02	(1,427.40)	(660.40)	(767.00)	
12	09/01	15.00%	52,065.03	52,065.03	(1,427.40)	(650.81)	(776.58)	
13	10/01	15.00%	51,288.45	51,288.45	(1,427.40)	(641.11)	(786.29)	
14	11/01	15.00%	50,502.15	50,502.16	(1,427.40)	(631.28)	(796.12)	
15	12/01	15.00%	49,706.04	49,706.04	(1,427.40)	(621.33)	(806.07)	
16	01/02	15.00%	48,899.97	48,899.97	(1,427.40)	(611.25)	(816.15)	
17	02/02	15.00%	48,083.82	48,083.82	(1,427.40)	(601.05)	(826.35)	
18	03/02	15.00%	47,257.47	47,257.47	(1,427.40)	(590.72)	(836.68)	
19	04/02	15.00%	46,420.79	46,420.79	(1,427.40)	(580.26)	(847.14)	
20	05/02	15.00%	45,573.66	45,573.66	(1,427.40)	(569.67)	(857.73)	
21	06/02	15.00%	44,715.93	44,715.93	(1,427.40)	(558.95)	(868.45)	
22	07/02	15.00%	43,847.49	43,847.49	(1,427.40)	(548.09)	(879.30)	
23	08/02	15.00%	42,968.18	42,968.18	(1,427.40)	(537.10)	(890.29)	
24	09/02	15.00%	42,077.89	42,077.89	(1,427.40)	(525.97)	(901.42)	

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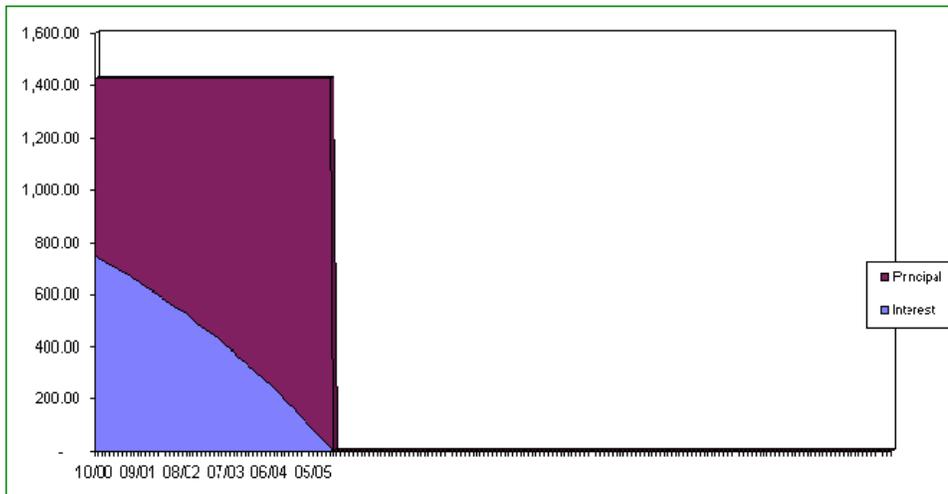
A House Buyer

Anzherro Sudhensk
Siberia, Russia
123 4567 fax 123 4568

Customize...

SUMMARY GRAPH

Change Graph



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Supplementary Documents and Files:

1. Model Business Plan (Partly completed workbook – template)
2. Loan Model
3. Acc System (Sample accounting system (no data))
4. ACEMIS (Data removed)
5. Ang2 (Previous model with Albanian translations)
6. Converter B (Translating model example with Albanian Conversion)
7. Financial Modeling (PowerPoint Presentation)

Section One

Introduction

The training Module that this document describes is the Financial Modeling content of the Kosovo Premier Advisor Training Course.

Structure of the Document

This document is effectively a training manual for the delivery of the Financial Modeling Module. It includes explanatory notes, speaker notes, slides and exercises, which must be printed in advance for use in delivery. The manual should be accompanied by the electronic version of this document including the PowerPoint presentation, and all the supplementary files listed in the Table of Contents

Workshop Introduction

Participants should be welcomed to the workshop and given an outline of the activities in which they will be involved in each session. In particular you should stress the importance of daily preparation by reading materials or obtaining data, records or information from their own organizations and the value of working in small groups and learning through discussion and observation.

Participants will introduce themselves to the rest of the group outlining their job, organization and problems faced on a day to day basis. It is a good idea to introduce yourself and your organization at this stage.

Separate the participants into small groups, 4 if possible, select participants involved in different organizations to form a group. Let each group select a team leader and let them interview each other for 5 minutes. The workshop leader demonstrates the interview with one participant, the object of the exercise is for participants to overcome the reservation of people to talk about themselves. It also provides an additional experience for the participants.

Steps:

1. Workshop Introduction
2. Introduction of each participant
3. Introduction of workshop leader
4. Select Groups
5. Group selects team leader
6. Interview

Notes

Section Two – The Course Itself

Module 2 – Financial Modeling

Session One – Setting up the Profit & Loss Account

Slide One – Introduction to session

Slide Two – Where we are in the overall program

Explain:

- We are at Module 2 of the Kosovo Premier Advisor Program:
- This Module is on the subject of Financial Modeling;
- It is a three day Module and this is Day 1
- Day 1 consists of 4 Sessions of:
 - Setting up the Profit and Loss Account
 - Setting up the Balance Sheet
 - Setting up the Financial Ratios
 - Linking the worksheets and making them look good
- This is Session One on Setting up the Profit and Loss Account

Slide Three – The Program for the Module:

- Explain the timetable over the next three days
 - Tomorrow we will add a depreciation model and a loan model
 - Loan Model
 - Tomorrow we will deal with VAT
 - Tomorrow, we will make it “auto translate”
- On the Third day, we will:
 - Convert the model to handle existing businesses as well as new business start ups
 - We will demonstrate how to make a complete accounting model
 - We will introduce “the Time Value of Money”;
 - We will give an introduction to valuation.

Slide Four – Introduction – Setting up the Profit and Loss Account

Ask the class to open a New Worksheet

Ask them to double click on the sheet TAB and label the tab “PL”

Explain that they may work in pairs or even in groups at any single computer. Anyone who is unfamiliar with Excel may be better to work with someone who is;

Explain that they may wish to group into companies to make financial projections for a business that they are interested in. – It’s all the same to you.

Switch to Excel on the screen. Open a blank worksheet on the projector screen.

Demonstrate as follows:

- Close down column A completely – It's useful later as a spare column;
- Narrow down columns B, C (for indents) and widen column C for titles;
- Close down Column D completely (It can be useful later for hiding assumptions)
- Type: "Company Name – Profit and Loss Account" in Cell "B1"
- Type: "Mth.1" in "Cell E2"
- Copy: "E2" – "F2:P2": (Month Headings Mth.1 to Mth. 12)
- Type: in Cell "Q2" "Year 1"
- Type in Cell "R2" "Average"

- Go to "B3" – Type "Sales Revenue"
- Go to "C4" – Type: "Sales A"
- Copy "C4" – "C5:C6" (They should say: Sales B and Sales C)
- Go to "D7" – Type Total Sales Revenue

- Go to "E7" – Autosum "E4:E6"
- Copy "E7" – "F7:R7"

At this point, ask the groups what kind of businesses they want to model. Let them chose anything they want, but we will try with a Pizza shop for demonstration.

- Overwrite Pizza instead of sales A
- Overwrite Drinks instead of Sales B
- Overwrite Coffee instead of Sales C

Explain: This is a very simple pizza house – It only has one type of Pizza – One category of drink and one type of coffee; Tell them: You can get more sophisticated after you have learnt to make the model.

Ask someone in each group to be the secretary – To Keep track of the assumptions;

Explain that every good business plan includes a set of financial projections and a set of financial assumptions – You can't have one without the other. Every time you make an entry into the projections, you make an assumption, and the assumptions go into the business plan as a separate annex – The Projections must agree with the assumptions.

Explain that the assumptions should (in a real business plan) be derived from a marketing strategy. It is a re-iterative process, because you may need to go back to modify the marketing strategy if the financial model tells you that the business is not viable.

Insert some data for sales based on the class's opinion. How many pizzas will they sell in a month, and at what price etc.

Slide 5 – The structure of a profit and loss account

Explain: A Profit and Loss Account has 3 main elements:

1. Sales
2. Direct Costs (or Cost of Sales)
3. Indirect Costs or overheads

Sales less Direct Costs = Gross Profit
Gross Profit less Overheads = Net Profit

Ask the class: What is the difference between Direct Costs and Indirect Costs

Ask for examples of Direct Costs

Ask for examples of Indirect Costs

Explain:

Direct costs vary in proportion to sales – If sales double, then Direct costs will probably double;

Direct costs include:

- Materials used in manufacture (Pizza dough – Pizza ingredients etc.)
- Goods purchased for sale (Cans of soft drinks etc.)
- Delivery cost
- Sales commission

Usually we can calculate Direct Costs as a % of sales – (Direct Cost %)

Explain:

Overheads tend to remain the same each month – They do not vary in relation to sales.

Overheads include:

- Rent – You pay the same rent whether you sell one pizza or one thousand pizzas
- Electricity – You pay the same electricity regardless of sales – More or less;
- Staff wages – You're still paying them whether they are serving or standing around waiting for customers.

Slide 7 – Some definitions

- Talk the class through the definitions
 - Sales Revenue – Sales you have – or expect to have
 - Direct Costs – Direct costs you expect to have with these sales
 - Gross Profit – Sales less Direct costs
 - Direct Costs % - Direct Costs as a % of sales
 - Gross Profit % - Gross Profit as a % of sales (1 – Direct costs %)
 - Overheads – Fixed Costs
 - Break Even Point – The amount of sales you need to produce a Gross Profit which is equal to your fixed costs.

Slide 8 – Harpies & Quines – Profit and Loss account

Talk the class through Harpies and Quines Profit and Loss Account:

- Harpies & Quines is a magazine for women
- They have done their research and they believe that people will pay €1 for this magazine and they expect to sell 2,000 per month – so sales revenue is €2,000.
- They have quotations from the printer that say that printing costs will be €1.25 per magazine, so in fact, it will cost more to produce each magazine than they will sell it for – In fact, they will lose 0.25 for each magazine sold.
- Direct costs on 2,000 magazines will be €2,500.

- Gross Profit will in fact be a gross loss of €500.
- The cost of sales % will be 125%
- Overheads of the magazine will be €1,000 per month.
- So net profit before tax will be €-1,500

Explain that this is a real example – that actually went ahead after doing these calculations – It produced 3 issues before going out of business with a loss of €75,000. It is amazing how entrepreneurs can be dreamers.

Slide 9 – Go back to Financial Assumptions

Make sure someone is keeping track of financial assumptions – Make sure that they are written down.

Slide 10 – Remind them what Financial Assumptions are:

Explain that Financial Assumptions are explanations regarding everything that goes into the forecasts, such as:

- What will we sell?
- How many will we sell?
- How Much will we charge?
- How much will they cost us to make / buy?
- How much profit will we make?
- Etc.

Go back to the spreadsheet

- Leave a Blank Line after “Total Sales Revenue”
- Enter the Heading “Cost of Sales” (Column B)
- Enter Cost of Sales Headings in Column C), such as:
 - Direct Material
 - Direct Labor
 - Packaging
 - Delivery
 - Sales Commission
- In column D enter “Total Direct Costs”
- Leave a blank row under “Total Direct Costs” and enter “Gross Profit”
- Below “Gross Profit” enter “Gross Profit %”

Ask the class to enter figures for Cost of sales, based on their own assumptions – Eg. A can of soft drinks sells for €1, but costs €0.50 (Keep the numbers simple) – i.e. 50%

Autosum the total Direct Costs – Copy the entire Cost of Sales section through to Month 12.

Enter the formula for calculating Gross Profit (Gross Profit = Total Sales Revenue – Total Direct Costs)

Enter the formula for Gross Profit % (Gross Profit % = Gross Profit / Total Sales Revenue) (This is expressed as a percentage, so the cell must be formatted as a %

Copy Gross Profit and Gross Profit % across to Month 12

Enter the heading “Overheads” in Column D

Insert Overhead titles in Column E

- Employee costs
- Rent
- Rates
- Electricity
- Phone
- Vehicle running costs
- Office running costs

Ask the class for examples – Don’t worry if the list is not complete – you can add more rows and categories later

Fill in some overhead costs in Month 1 against the heading – Ask the class for estimates

Add a row for “Total Overheads” and Autosum the overhead categories
Copy the entire overhead section from Month 1 to Month 12

Leave a row blank after “Total Overheads”

Make a new row titled: Net Profit before Tax

Leave a blank row

Make a new row called: “Taxation”

Leave a blank row

Make a new row called (Net Profit after tax)

Insert the formula for calculating “Net Profit before Tax” (Net Profit before tax = Gross Profit minus Overheads)

Ask the class to make an assumption for taxation (Say profit tax = 20%)

Insert the formula for calculating tax (Net Profit after Tax” = “Net profit before tax” x “Taxation” (say 20%))

The profit and Loss Account is now complete, but we want to add some final refinements

Add a row entitled: “Net profit Brought forward” or “Opening Net Profit”

Leave a row blank

Add a row entitled “New Profit Carried forward” or “Closing Net Profit”

For Month 1 – The net profit brought forward is “0” (Zero)

For Month 1 – The Net Profit carried forward is; “Net profit brought forward” plus “Net Profit after Tax”)

In other words, Net Profit carried forward is the cumulative figure

Net Profit brought forward for Month 2 is the net profit carried forward for month 1

In other words, the opening balance of month 2 is the same as the closing balance of month 1

To make the year column accurate – Autosum the rows for Month 1 to month 12 and copy down

To make the average column accurate, divide the Year 1 column by 12 and copy down

In the Year One column - The opening Net Profit Brought forward figure should be inserted as zero

You now have a complete One year Profit and Loss Forecast inserted into the range A1: R 50 ish)

Shade the entire range and copy it.

Paste it to the right of the existing range to make Year Two

Paste it again to the right of Year Two to make Year Three

Change the titles so that they say Year Two

In Year 3 sheet, delete all columns from Month 5 onwards

Overwrite the Headings “Month 1: Month 5” with “Year 1: Year 5”

Re-title the Third sheet – “Profit and Loss Summary Year 1 to Year 5”

Make the Year 1 figures equal the total figure in the Year One projection

Make the Year 2 figure equal the total figure in the Year Two projection

Extend – Project the figures for years 3 to 5.

Slide 11 – Complete P & L Account

The Profit and Loss account is complete - It should look something like this

Slide 12 – End of Module - Session One

Take a well earned break

Session 2 – Setting up the Balance Sheet

Slide 12 – Module 2 – Session 2 – Setting up the Balance Sheet

Welcome Back – We are now in the second session of the financial modeling module

Slide 13 – Position in the Module

It is the second module of the day and it deals with the layout of the Balance Sheet

Slide 14

Explain: At this stage we are simply getting the layout down with basic figures. Later, we will link the sheets together to make an integrated set of projections.

Slide 15 – What is a balance sheet

Explain: A balance sheet tells you:

- What you owe;
- What you are owed;
- How much you have

Imagine that you are a consultant assigned to evaluate a company –

You say to the Managing Director, **“How much do you have in the bank.”**

He replies, **“I’m not sure – I’ll need to get a Bank Statement”**

You say, **“You are the Managing Director – Don’t you think you ought to know?”**

You say, **“How much do you owe to your suppliers?”**

He says, **“I’m not sure – I’ll need to ask the cashier”**

You say, **“You are the Managing Director – Don’t you think you ought to know?”**

You say, **“How much are you owed by your customers?”**

He says, **“I’m not sure – I need to check”**

You say, **“I think you need some robust financial systems – You don’t seem to have the basic controls for running a business.**

A balance sheet is the basic control of what you have / what you owe and what you are owed.

Slide 17 – Basic Balance Sheet

(Write on flip chart)

I owe Arta €15 (Current Liability)

I only have €10, so I am €5 short;

But it’s OK, because Qasim owes me €10 – I can get that money from him, and I can pay Arta the €10 that I owe her and I have €5 left over.

In real terms, my net value is €5

This is one side of the balance sheet

The other side has the categories:

Share Capital

Retained Profit

The **“Book Value”** of a business is:

The **amount you started with** – or put into the business when you started – The Share Capital

Plus

The **amount you made (or lost) since you started** – The Retained Profit

This gives us the net worth, and this amount is split up into Fixed and Current Assets and Current Liabilities.

Slide 18 – Balance Sheet

You will know that both sides of a Balance Sheet must balance;

On this slide, you can see both sides – (British layout)

The figure for Total Equity is **ALWAYS** the same as the figure for Net Worth

(Except in Kosovo, where the Balance Sheet in a financial forecast almost never balances – This course will make sure that never happens with you)

You can see that the Balance Sheet is represented by two sides, but this is historic. Nowadays where we use a spreadsheet, it is more convenient to put the right hand side underneath.

You will see various layouts for Balance sheets – They are all just a matter of preference. Sometimes you see all the assets on one side and all the liabilities on the other. This views the owner’s capital as a debt from the business to the owner. Our advice is to follow the layout given – It is the clearest and simplest layout.

Go to Spreadsheet

Copy the entire PL worksheet to a new sheet

Double click on the Tab and name the sheet “BAL”

Repeat the process to make a third sheet

Name the third sheet “RATIO”

Go to BAL worksheet

Delete all content below the headings

Insert where it used to say “Sales Revenue” with “Fixed Assets”

Ask the class what fixed assets are – They are things you can kick

- Land and buildings
- Motor Vehicles
- Fixtures and fittings
- Computers
- Furniture

Add some categories and insert in Month 1, values for these items:

- I guess your Pizza house will need a car and maybe some motor bike delivery vehicles
- He'll need an oven and some fridges and a coffee machine
- Maybe he'll need a computer
- Etc – Insert values for these

Copy the values for the whole year – Ignore depreciation at this point – We'll make a depreciation model later.

Also, delete the columns for Year 1 and Average – We don't total the columns in the Balance Sheet

Make a row entitles – “Total Fixed Assets” and autosum them – Copy along to Month 12

Make a heading for Current Assets and ask the class for some categories of fixed assets:

- Cash in hand
- Cash at bank
- Inventory
- Work in Progress
- Trade Debtors (Accounts Receivable)
- Prepayments
- Total Current Assets

Let's assume that we always have €1,000 cash in hand and we keep the rest in the bank – Enter €1,000 in the cash row.

Let's also assume (Write the assumptions down) that we make prepayments (say rent) of €500. Insert this

Leave the other rows blank just now. We'll fill them in later.

Go to total Current Assets and Autosum

Copy the Month 1 column through to Month 12 for the entire Current Asset Section

Leave a blank row

Insert the Heading “Current Liabilities”

Ask the class for some examples and write them in. Examples:

- Trade Creditors
- Tax Due
- Loans Due within one year
- Accrued Charges
- Other creditors
- Total Current Liabilities

Make an assumption that Accrued Charges are €500 – We can refine this later.

Leave the rest blank and Autosum the Current Liabilities

Leave a blank row

Make a row for Net Current Assets and enter the formula (Net Current Assets = Current Assets minus Current Liabilities)

Leave a blank row

Make a row for Fixed + Net Current Assets and enter the formula (Fixed Plus Net Current Assets = Fixed Assets + Net Current Assets)

Explain what these figures mean:

Net current assets is the amount that you have on hand quickly. It is a measure of liquidity.

Remember the example:

I owe Arta €15 (Current Liability)

I only have €10, so I am €5 short;

But it's OK, because Qasim owes me €10 – I can get that money from him, and I can pay Arta the €10 that I owe her and I have €5 left over.

My net current assets are €5. I know I am safe – I can pay all my debts. If Arta becomes difficult and demands the cash, I may not have the money, but I can get it quickly – I can go to Qasim for the money he owes me, or I can sell some inventory.

If my current assets are more than my current liabilities, then I am safe – I can meet my debts.

Of course, I could always sell my car or a fridge to pay Arta, but then, I would damage my business and my ability to make money. And it would take time to do this – So fixed assets are kept separate.

Fixed + Net Current Assets are the true value of the business and take into account assets that you could turn into money if you really had to.

Unfortunately, we are not finished yet. We all know that the value of a business is its Assets minus its Liabilities, so we should by now be able to assess the value – The Net Worth.

But we have forgotten one more thing – Long Term Debt

Long Term Debt is a long term liability in the same way that fixed assets are long term assets.

Bank loans etc come into this category

Leave a Blank row

Enter the word “Less”

Go to the next row and enter “Long Term Debt”

Leave a Blank Row

Go to the next Row and Enter “Net Worth” (Bold)

Enter the formula for Net Worth (Net Worth = “Fixed + Net Current Assets” – “Long Term Debt”)

One side of the Balance Sheet is not complete

Leave a blank row

Enter “Finances By:”

Go to the next row and enter: **“Share Capital”**

Go to the Next row and Enter: **“Retained Profit”**

Go to the next row and enter: **“Total Profit”**

Make an assumption that our Pizza entrepreneur invests €20,000 as share capital into the business. Enter this in Month One.

Use the figure for “Net Profit Carried Forward” from the Profit and Loss Account to enter the retained profit.

Remember that a business is:

What you starter with (The Share Capital)

Plus

What you have made or lost since you started (Retained Profit or Net Profit Carried Forward)

Enter the formula for Total Equity (Share Capital plus Retained Profit)

We have completed the second side of the balance sheet, and we have completed the entire balance sheet layout, but we have some data missing.

- We don't know our inventory figure
- We don't know our debtors or creditors
- We don't know how much cash we have got – Except for the cash in hand

We will gradually fill in the missing data - When we calculate ratios, we will be able to complete the inventory data and also the debtors and creditors. The only one left will be the “Cash at Bank Figure” and since a Balance Sheet is an equation, we will use simple algebra to find out how much cash we have.

We start with Known Information and we can begin to construct the data backwards. – This is strange for those who have been educated as accountants. We will calculate the elements of the Balance Sheet from the bottom upwards instead of from the top down.

We know that Net Worth and Total Equity are **ALWAYS** identical.

We already inserted a formula to calculate Net Worth. We said that **“Net Worth” = “Fixed + Net Current Assets” minus “Long Term Debt”**

Now we are going to overwrite that formula and simply say that: **“Net Worth = Total Equity”**

Tomorrow, we are going to add a “Loan Model.” For the time being, let us assume that our Pizza entrepreneur borrows €10,000 from the bank, and he doesn't pay any interest or repayments, so just insets €20,000 into the row for Long Term Debt. Copy it right along for the full year.

Now –

We can calculate Fixed + Net Current Assets, without knowing all the figures that make them up:

We previously entered a formula in this row: **“Fixed + Net Current Assets” = “Fixed Assets” + “net Current Assets”**

We are going to **overwrite this formula** with: **“Fixed + Net Current Assets” = “Net Worth” + Long Term Debt”**

We already have a formula for Net Current Liabilities As **“Net Current Assets” = “Current Assets” – “Current Liabilities”**

We are going to **overwrite this** with: Net **Current Assets = “Fixed + Net Current Assets” – “Fixed Assets”**

You can see that we are gradually using the data that we know, to calculate the data that we don't know.

In the next session, we will use ratio analysis to fill in all the figures for Current Liabilities. This will enable us to calculate the Total Current Assets.

We will then use ratio analysis to fill in all the data for Current Assets, except Cash in Bank. This will be our Balancing figure, and is the final piece of the jigsaw.

Session 3 – Setting up the Ratios

Slide 19 – Welcome to Session 3

Welcome to Session 3 of this Module –

Slide 20 – Where we are in the program

Just in case anyone has lost the place

Slide 21 – Content of Session 3

Now we are going to set up a worksheet for financial ratios and to learn the value of these ratios.

Slide 22 – An example of a ratio forecast

Here we can see what we are trying to achieve – ERSS is an Egyptian Company. We analyzed the last 2 years accounts and calculated all the ratios and then we used these ratios to forecast the next 5 years.

In ratio analysis, we want to analyze:

- Measures of Profitability
- Measures of Liquidity
- Measures of Operating Efficiency
- Measures of Stability
- Measures of Investment Efficiency – ie. Return on investment

Go to Spreadsheet:

We already have the basic framework from the original Profit and Loss account.

Delete all data from below the headings

Where is used to say “Sales Revenue” Insert the Heading “**Measures of Profitability**”

Insert the sub-headings

- Cost of Sales %
- Gross Profit %

If you want, you can be more sophisticated and insert rows for:

- Direct Materials %
- Direct Labour %
- Sales Commission %
- Etc

Totaling these gives the overall COS %
And the Gross Profit %

We can enter all this data from the Profit and Loss account.

Better still, we can enter the Cost of Sales % as assumptions and rewrite the formulae in the Profit and Loss Account to take account of the ratios we have entered.

In other words, instead of calculating the ratio from a cost of sales assumption, we calculate the cost of sales from a ratio assumption.

Example:

Sales = 100; Cost of sales = 55; Therefore Cost of Sales % = 55%; (Gross Profit = 45%)

Alternatively:

Sales = 100; Cost of Sales = 55%; Therefore Cost of sales = 55

Ask the class to fill in the cost of sales section

Leave row blank

Enter the heading “**Break Even Calculation**”

Enter headings as follows:

Sales Break Even Point

Actual Sales

Surplus / (Deficit) from Break Even

Enter the “Actual Sales” from the Total Sales Revenue Figure

Enter the Break Even Calculation in the row entitled “Sales Break-Even Point”

$$\text{“Break Even Point”} = \frac{\text{Overheads}}{\text{Gross Profit \%}}$$

Example:

Sales	1,000	100%
Direct Costs	<u>600</u>	60%
Gross Profit	400	40%
Less		
Overheads	300	

Net Profit 100

$$\text{Break Even Point} = \frac{\text{Sales (1,000)}}{\text{Gross Profit \% (40\%)}} = 750$$

Enter this formula against the Break Even Point

Enter the formula for Surplus / (Deficit) – (“Surplus / (Deficit)” = “Actual Sales” – “Break Even Point”)

Leave a blank row

Enter a Main Heading for “**Ratios of Liquidity**”

Enter the sub-headings:

- **Current Ratio**
- **Acid Test Ratio**
- **Net Working Capital**

Enter the formula for Current Ratio (**Current Ratio = Current Assets / Current Liabilities**)

Enter the formula for Net Working Capital (**Net Working Capital = Current Assets - Current Liabilities**)

Explain: Remember that current assets are the net result of calculating how much you have. Again, point to the example:

I owe Arta €15 (Current Liability)

I only have €10, so I am €5 short;

But it's OK, because Qasim owes me €10 – I can get that money from him, and I can pay Arta the €10 that I owe her and I have €5 left over.

If my net working capital is more than 0, then I can pay my debts. If it is less than zero, then I am in trouble.

If the ratio of current assets to current liabilities is positive – i.e., more than 1, then I can pay my debts; if not, I'm in trouble.

Just 2 ways of looking at the same thing.

The asset test ratio is the same but with inventory removed. The theory is that some people think that inventory is not easily turned into cash. It certainly isn't when there is old obsolete inventory like in a state owned enterprise. So the Acid Test (i.e. the Real Test) is if you are still liquid after the inventory is taken out.

Enter the calculation **Acid Test Ratio = Current Assets – Inventory**
Current Liabilities

Leave a Blank Row

Enter the Sub-headings

- Debtor Days
- Creditor Days
- Inventory Turnover (Days)

Explain:

In our example, of the ERSS company, we can see that his customers pay him on average about 7 days after he has supplied them, but he takes about 240 days to pay his suppliers. This company may be in some trouble.

Trade Debtor Days

Our Pizza entrepreneur gets his money immediately from the customer at point of sale, so his debtor days should be zero and he should have a zero figure for debtors. We could just insert zero and that would be one of our missing figures.

For the sake of demonstration, Let us assume that the pizza house has the Ministry of Trade and Industry as it's only customer, and we pay the bill 15 days after we get the invoice, so on average, it takes 45 days to collect the money. Let us enter 45 into the row against the category "Debtor Days" and make this our assumption.

Let us now do to the Balance Sheet to the row titled: Trade Debtors (or Accounts Receivable). We want to enter the formula here,

$$\text{Trade Debtors} = \frac{\text{Annual Sales Revenue} \times 365}{\text{Debtor Days}}$$

If our monthly sales are 1,000
Our annual sales are $1,000 \times 12 = 12,000$
Our debtors are $12,000 \times \frac{45}{365} = 1,479$

Trade Creditor Days

Trade Creditors is calculated in the same way. Let us assume that the supplier invoices at the end of every month, and that our guy pays about 15 days after invoice, then this would amount to 45 days credit.

We make the same calculation, but this time, we use the Direct Costs Figure in place of the Sales Revenue Figure. Direct Costs being the amount purchase on which credit is received:

$$\text{Annual Cost of Direct Materials} \times \frac{\text{Trade Creditor Days}}{365} = \text{Trade Creditors}$$

Enter the assumption in the ratio sheet
Enter the calculation in the Balance Sheet

Note: Strictly speaking, getting the invoice at the end of the month and paying the bill 15 days after invoice is not 45 days credit. This would only be the case if the entrepreneur bought everything on the first day of the month. Probably 30 days average would be more likely. It is difficult to be

accurate until a pattern emerges. The consultant should always err on the safe and conservative side. This also applies to Creditor Days.

Inventory Days

The calculation for inventory days is the same as above. Let us assume that our guy goes to the supplier every week, so he might only have 7 days worth of inventory (average). We will only really know this once he has been operating for a while. We can see from some company's accounts that they have 4 years inventory.

We must make an assumption however. For the sake of discussion, let us enter 7 days.

Inventory is:

$$\text{Direct Cost of Materials (One Year)} \times \frac{\text{Inventory Days}}{365} = \text{Inventory Held}$$

Enter the assumption in the ratio and the formula in the Balance Sheet

Enter the Main Heading "Measures of Leverage"

Enter the Sub Headings

- Total Debt / Assets
- Total Debt / Equity
- Long Term Debt / Equity
- Fixed Assets / Equity
- Total Assets / Equity

These are measures of how hard the assets are working, and how stable the enterprise is in times of crisis.

The formulae are self explanatory – The reason for measuring these items is to assess if the enterprise is capable of weathering a crisis.

Example: Company A has no Debt, and is doing well. As a result, the owner makes a sizeable investment in new machinery and borrows from Raiffeisen to do it.

Shortly after the new equipment is installed, the owner takes ill and goes into hospital for several months. The staff starts stealing and running the business inefficiently.

When the owner comes out of hospital, he is heavily in debt and does not have the profit to service the debt.

The business was doing OK before it went into debt. If he had not taken the loan, he would have been able to survive, but he was unable to recover and make back the loan payments.

As a general rule, a company should not borrow more than its own equity. 50% Debt / 50% equity

Enter the formulae for making the calculations

Enter the Heading "**Return on Capital Employed**"

This is a measure of how well the business is doing. If money costs 13% from Raiffiessen then it needs to do better than this to be worth borrowing for.

Annual Profit after tax / Total Equity

Enter the formulae to make this calculation

Explain:

A word of warning about ratios. There is no such thing as a perfect ratio. It always depends on circumstances. An engineering company will have different ratios from a retail shop. You can not compare like for like. Ratios should be used with caution and good analysis takes experience and common sense.

Return to Balance Sheet

If we go back to the Balance Sheet, we can see that we now have all the current liabilities complete, and we have a total for Current Liabilities.

Since we already know:

Current Assets – Current Liabilities = Net Current Assets

Then by Algebra: (By adding Current Liabilities to each side of the equation)

Current Assets = Current Liabilities + Net Current Assets

We can then enter a formula which gives our total Current Assets figure.

Finally, we already have all the current assets except cash in Bank

Since:

Cash in Hand + Cash at Bank + Inventory + Prepayments = Total Current Assets

Then

Cash at Bank = Total Current Assets – (Cash in Hand + Inventory+ Prepayments)

Enter the formula for Cash, and our balance sheet is complete.

We can see that our entrepreneur is doing OK (or maybe not)

We can now model the balance sheet:

Maybe he doesn't need such a big loan? – Try reducing it and see what happens to liquidity and cash;

Maybe he didn't need to invest so much share capital – Try reducing it and see what happens to liquidity and cash.

What would happen if the sales were 20% less than expected – Try changing it and see what happens to liquidity and cash.

You are now at the end of Session 3 and the first day of the Financial Modeling Course.

You can see from various examples on the screen, that we could make the spreadsheets more attractive.

We could put in some colors and some lines and improve the formatting in general. Before we meet tomorrow, I would like you to save your work and to try to improve it at home.

End of Session Three

Day Two – Session Four

Day Two Session One – Adding a Depreciation Model

Copy one of the previous sheets into a new sheet
Double click on the TAB and rename the sheet – DEP

Delete all data and formatting below the headings and retitle the sheet “Depreciation Model”

- Make a Heading “**Land and Buildings**”

Type in Sub – Headings

- **Opening Balance**
- **+ Assets Added during the period**
- **Less Depreciation for the period**
- **= Closing Balance**

Use a cell somewhere along from the heading to enter a depreciation rate – For land and buildings, let’s say 1%

For Month 1 we would probably start off with a zero opening balance. In fact, we would probably rent our land and buildings, so copy the entire section down, and make a new category called Fixtures and Fittings

For Fixtures and fittings, let’s say that they depreciate over 5 years, so it is a reducing balance of 20%. Enter 20% onto our appropriate cell

Again, for Month 1, we would probably start off with a zero opening balance, and buy the equipment in Month One.

Let’s make an assumption that all the equipment costs €20,000. Enter 20,000 in the Assets added during the period.

Note:

If you only buy the equipment in month one, then it is worth revisiting the Profit and Loss account and checking whether you will be able to make the forecasted sales that you have already stated.

For Depreciation for the period, enter the formula for calculating the depreciation. Remember that it is 20% annually, so the formula is based on $20\% / 12$

The formula we want is: (“Opening Balance” + “Assets added during Period”) x (“Depreciation Rate” / 12)

Note: If you sold an asset, then you would enter a negative figure.

Enter the formula for the calculation of the “closing Balance”

The calculation is: **Closing Balance = “Opening Balance” + “Assets added during the period” – “Depreciation for the period”**

The Opening Balance of Month 2 is the closing Balance of Month 1 – Add this in and for subsequent months.

Repeat the exercise for other classes of fixed assets:

- Land and Buildings Say 1%
- Fixtures and Fittings Say 20%
- Motor Vehicles Say 20%
- Furniture Say 10%
- Computers Say 40%

Explain: We are using the **Reducing Balance Method** here. This means that the asset never actually disappears from the books, and this is useful for auditors and accountants. It prevents assets getting forgotten.

A **Straight line method** would depreciate slightly faster.

In UK, we need to justify our choice of rates and methods to the tax man. In many countries, the rates are fixed in law. In some countries and in incentive zones, accelerated depreciation is allowed, and the accountant must differentiate between the true and fair picture of the company’s position and that presented for tax purposes.

Copy one of the depreciation models below them and make another model for Total Fixed Assets.

In this model, add together the opening balance etc. from all the categories.

Go to the Balance Sheet to the row for Total Fixed Assets – Link this to the Closing Balance Cell for Total Fixed Assets in the Model.

Go to the Profit and Loss Account, to the row for Depreciation. Link this to the Depreciation Model to the row for Total Depreciation for Period.

Your Depreciation Model is complete. Improve the formatting and make it work for all five years.

End of Session Four.

Session Five – Adding a Loan Model

Explain: Building a Loan Model is very complex and requires advanced modeling skills outside the scope of this course.

Adding a loan model to the projections model can make it unwieldy and slow.

For this reason, we recommend using an external loan model and linking it to our financial projections.

In addition, it is possible that a company may have several loans. It may take one out at the beginning and then take another out at the end of Year One. These may be different types of loan at different interest rates.

By using an external loan model, it is possible to model several loans separately and then to link them together to form or develop accurate overall data.

HAND OUT – The Loan Model and ask the class to load it.

Present the Loan Model on the screen:

Note that the loan model contains three worksheets.

Worksheet One - Data Entry

Explain: Enter the loan amount, the period, the interest rate, the number of repayments, The title of the loan.

Worksheet Two – The data

Explain: Note from this worksheet that the model expands and contracts depending on the number of repayments made – Try changing the period to see what happens;

Note that the repayments are the same amount – This means that at the beginning of the loan, the payments are mainly interest, and it is only later that much principal is made. Go to Worksheet Three and see the graph illustrating this.

Note that there is a column for interest accrued and there is a column for closing balance

Link this spreadsheet to your Financial Model.

In the Profit and Loss Account:

Make a row for Interest accrued – You can include this in overheads or you can put it below before Tax, in order to illustrate financing costs separately. Link this to the interest column.

In the short term loan part of Current Assets, Insert the amount to be repaid over the next 12 months by summing the appropriate cells.

In the Long Term Loans row, link to the Closing Loan Balance, but subtract the amount of short term loan from the previous activity.

I.e., Long Term Loan = Overall Loan Closing Balance – Short Term Portion of Long Term Debt

Note: Compound interest is complex and banks are not transparent. The results may vary depending on whether payments are made monthly or quarterly and whether interest is compounded annually, monthly, daily or continuously. This is only a model, but in real life – BE CAREFUL.

Dealing with VAT

Explain: We need to make a model similar to the depreciation model, but the easiest way is simply to put it underneath the Depreciation Model

Copy the month headings down and add the title VAT Model;
Enter the following sub-headings:

- Opening VAT Balance
- Input VAT on Sales Revenue
- Output VAT on Purchases
- VAT Paid / (Reclaimed)
- Closing Balance

The opening Balance in Month 1 will be zero. The opening balance in Month 2 will be the closing balance of Month 1 and this will apply for all subsequent months;

Make a cell somewhere for the VAT Rate

Calculate the VAT on sales. **Note:** the amount in the Profit and Loss account is without VAT. Simply insert a calculation to add VAT to the Monthly Sales.

Calculate the VAT on Purchases – This is the same, but applied to Cost of Sales, but it should also apply to assets purchased and overheads, so this is a large calculation.

The amount of VAT paid will depend on the laws at the time, and the expectations of the person making the forecast – In UK, we pay VAT at the end of every quarter. In Kosovo, it takes months to reclaim VAT, so some creative adjustments may need to be made.

The simple way for the sake of a forecast is to pay the amount of the closing balance of the previous month. Closing Balance will be:

Opening Balance + (Vat collected on Sales – VAT Paid on Purchases) – Vat Paid to Authorities

Link VAT Payable in Current Assets to Closing Balance on VAT Model.

Note: While we are at it – Just make sure that we have handles Profit Tax DCorrectly. The Balance Sheet should also contain as a current liability a row called Profit Tax Due. With calculations based on assumptions regarding when this should be paid

End of Session Five

Session Six – Setting up Auto - Translate

Open up the Albanian Model to demonstrate the power of this tool

Explain that this means that a UK expert can build the model, but the Kosovo client can read it. A Kosovo expert can make the model, but an English speaking expert can check it, and the international at the bank can analyze it. It can further translate into Serbian, or Turkish to deal with minority groups.

Where we are using historic data, we can use a local accountant to enter the data, but an international expert to finalize it. Then we can present the data to two different groups already translated.

Switch from language to language to demonstrate how it is done.

Instruct the group to start a new worksheet called **“LIST”**

In the left hand column A, Insert numbers from 1 to 400

- In Cell B1 – Type the word “English”
- In Cell C1 – Type the word “Albanian”
- In Cell B2 – Type “Profit and Loss Account”
- In cell C2 – Type “Te Ardhurat”
- In Cell B3 – Type “Sales Revenue 1”
- In Cell C3 – Type “Shitja 1”
- Type the English into Column B
- Type the Albanian Translations into the corresponding cells in Column C
- If you want to add Turkish, then type it into Column C

Go to the Profit and Loss Account

Pick an empty space at the top of the worksheet to accommodate a drop down box – Probably about Cell G1

Pick a cell way off the current range and well out of sight (say xx 1) and type: **“English”**

In the cell below this, (xx2) Type: **“Albanian”**

In the cell below this, (xx3), Type: **“Turkish”**

Go to tools and add the “Forms” toolbar

Select a “Combo Down Box and create in on the sheet over the cell that you selected

Right Click on the drop down box and select **Properties**

- **Set range as: xx1:xx3 (i.e. where you typed the list of languages)**
- **Number of rows 3 (The number of rows you want the drop down box to contain)**
- **Ref Cell G1 (The cell where you want the number to appear)**

Now, when you activate the drop down box, you should see that you can choose English or Albanian
You will also see that the number in cell G1 changes depending on whether you chose English or Albanian

Now, Select the Cell where it says “Profit and Loss Account, and place in a formula instead of text.
The formula will be:

=VLOOKUP(2,List!\$a\$1:\$D\$400,\$g\$1)

- **=VLOOKUP**
- **Lookup Value 2 - (This is the number in the left hand column of the lookup table)**
- **Table Array List!A1:C400 (This is the entire range of the Lookup Table)**
- **Col-Index Num Cell “\$G\$1” (This is the number which changes when you change language)**

The Dollar sign in the formula allows you to copy the formula elsewhere in the spreadsheet without problems;
Copy the formula to wherever you want text to translate;
Change the Lookup value to the number in the table of the word you want to enter.

The words Profit and Loss will appear in the cell when English is selected and will magically change to Albanian when Albanian is selected.

The class should work through the spreadsheet substituting formulae for text and inserting the translations into the List sheet.

The exercise should stop when the class understands what they are doing and understands the concept. They may then be presented with a completed model.

End of Day 2

Day 3 – Session 1 – Making an Existing Business Model

Explain to the class – Time is now getting short and we will deal with matters more superficially, not that they have a sound grasp of the principles of financial modeling;

Our model up until now has been useable for a business start up. However, it is likely that consultants will need to deal with existing businesses. In this case, they would have a record of financial performance on which to base the future projections.

It is unlikely in Kosovo that we would be able to start with a complete set of audited accounts, but there should be some basis for entering historic data and projecting it forward.

Step One – Alter the Profit and Loss Account

Go to the Profit and Loss Account, and to the 5-year summary
Insert 3 columns to the left of Year 1 – In fact – Make it 4 columns

Narrow down the column just to the left of Year 1 – simply to make a distinction between “Actual” and “Forecast”

The idea is to insert the existing Profit and Loss Account for the past 2 years into the columns to the left of the forecast.

The problem that will be encountered here is that you are most likely doing this in the middle of a year. The last available accounts will be for last year and the year before. If you are in the middle of a year, you will need to take the existing figures for this year and try to forecast how the year end will look. – This task will nearly kill you, but you now have the skills to do it. – It is just hard work.

In case we forget to tell you – Make sure your report has disclaimers on it – This is inexact stuff and the potential for a screw up is high – You don’t want to be blamed for the fact that the client has hidden something or forgotten to mention something important.

Enter the data from the historic Profit and Loss accounts into the worksheet and forecast them forward for the next 5 years. Forecast on an annual basis rather than a monthly basis as before.

Then go back to your monthly forecast and divide the years by 12 to get the monthly forecast.

For emphasis: For a start up, we forecast month by month and then we total each year and insert it into a summary.

For an existing company, we forecast Year by Year and then break it down into month by month for the first 2 years.

This also allows us to make seasonal adjustments (important in agriculture)

Repeat the process for the Balance Sheet and the Ratio Sheet and also for the various models.

Note: If you enter all the data into the Balance Sheet and Profit and Loss Account and it doesn't Balance – Be CAREFUL – Something is wrong or something is missing – Do NOT LET THIS GO – You must find the error.

If time allows, let the class work on its own to revise the model.

End of Session 9

Session 10 – Making an accounting Model

Give out a new worksheet with an accounting model on it.

Explain: This is a little extra short exercise to introduce the class to a very powerful function called “SUMIF”

We have been focused on developing a model to make financial forecasts, but it is worth taking a little time to show how to develop a model for financial record keeping.

It is possible to keep accounting records on a spreadsheet. It is also possible to buy accounting software.

The problem with bought accounting software is “that it is all things to all men.” The same software is used for farms, retail shops, engineering companies and international technical assistance projects. It handles them with various degrees of success and each bought model needs a huge amount of set up time and skill to make them work properly.

The model that we are about to demonstrate has been used for situations that the purchased model could not cope with.

1. It was developed in Romania to keep the accounts of 16 separate legal entities which all needed to be consolidated into group accounts. A bought package could never have dealt with this.
2. It was then used for the DFID Humanitarian Aid Project in Kosovo just after the war. €200 million was spent in 9 months, for rebuilding and operating the hospital and the prison as well as rebuilding the electricity supply and the water supply and 550 assorted smaller projects. No bought accounting package could have dealt with this.
3. The third large application has been keeping the accounts of the ACE Project.

We can see from the screen that there is a transaction entry sheet with columns for date and description as well as for code and also debit and credit.

We can see also that the Balance Sheet has a code for each category in a Balance Sheet and the same applies to the profit and loss account, and that these accounts are delivered monthly.

Whenever a transaction is entered, the Profit and Loss Account and the Balance Sheet are updated, so the accounts are “Real Time”. We know instantly what our financial position is.

So let us see how this works – It is remarkably simple:

First, there is the business of allocating an account code to each row.

If we click on the plus sign at the top of the sheet, we can see that each month has an extra hidden column for Debits and Credits and the Third column takes the closing balance of the previous month – Adds the Credits to it and subtracts the debits.

The formula looks up the transaction sheet. It adds together all the amounts that have the same code as the line that it is looking for and the same month as the column name at the top of the column.

You will see that we have used “**Named Ranges**” so the Credit Column is simply called “**Credit**” The Debit Column is called “**Debit**” The Date column is called “**Date**” and so on.

We use the principle of double entry, so each transaction has an effect on two accounts.

If we take €20 out of the bank, we reduce the amount in “Bank” by €20 and we increase the amount in “Cash by €20.

If we then spend that €20 on petrol, we Reduce Cash by €20 and we increase Vehicle Running Costs by €20.

Each time we do it, we update our accounts and they are live and up to date immediately.

We have introduced filters to the transaction sheet. We can see that our bank account code is XXXXX

If we filter down on that code, we get our bank statement. If we also filter down on the month, we get the statement for the month and we can compare it with the record supplied by the Bank.

If an employee says he didn’t get his salary, we can filter down on his code and check the exact position with regard to his payments.

For our project, we have also extended this to dealing with time sheets and also for tracking details of Incidental Expenditure. – You cannot buy this, but by copying the idea, you can build an accounting system that will cope with anything.

We give this to you, with the transactions stripped out for you to do what you want and for you to develop it to suit your own circumstances.

End of Session 10

Session 11 – The Time Value of Money

It is important for any consultant to understand the “Time Value of Money.” It is a subject all on its own, but if you are going to do financial modeling, you better have a starter taste of it, to encourage you to think about it and to use it in your models.

Forgive us for some of the simplifications:

I want to give Arta €100. I say to her – Do you want this now, or do you want it one year from now.

Clearly she will say she wants it now. A lot can happen in a year – so the time introduces uncertainty, but also, it prevents her from making use of the money. If she takes the money now, she can put it into Raiffeisen Bank at 5% and it will be worth €105 in a year's time

If Arta has a loan from Raiffeisen, at 13%, she can use it to pay off some of the loan and save herself €13.

If I say to Arta, I'll give you €100 now or €110 in a year's time, the decision becomes more difficult.

Also, the value of that €100 is less in a year's time. If someone tells me that they will give me €100 in a year's time, and I want to value that in terms of what that offer is worth to me now, maybe it is only worth €90. I could say – Give me €90 now and we'll finish it right away.

So – We have established the principle that money is worth more now than it is tomorrow. This affects the value of every business proposition.

Open up the TVM Model

Let us assume that you buy a machine which costs €50,000

- This machine saves you €5,000 per year in labor charges
- You plan to sell the machine at the end of 10 years for €15,000
- In year 0 – You have an outlay of €50,000 – This really is €50,000 because it is now.
- You get back €15,000 at the end of year 10 – But that is €15,000 in 10 years time – At 10% compound interest, that €15,000 has a NET Present Value of only €6,000.
- The machine saves you €5,000 a year every year for 10 years, so it saves you \$50,000 in total – That's more than you paid for the machine.
- But that €5,000 a year has a reducing value to you now. – In year 1, that \$5,000 saving is really worthwhile – It is actually worth nearly 5,000.
- But in Year 10, that €5,000 saving is only worth about €2,000.

In terms of money changed, the Machine has cost \$35,000 in total, and it has saved \$50,000. It seems like a good deal. – It made €15,000 profit.

But in Net Present Value terms, the reality is different. The machine actually lost some money.

If that money had been invested elsewhere at the same rate of interest, the gain would have been higher.

The model – contains a number of examples of Net Present Value and Future Value and also a retirement plan workout.

Work through each model in turn until they understand them.

Weighted Average cost of Capital

Explain: The cost of money is different to each person. This is why there is a wide range of bids for say Grand Hotel. If the hotel was valued the same way by each bidder, then all the bids would be the same. But everyone has a different "Cost of Capital"

The main difference in someone's cost of capital is whether they are leveraged or not. Someone with more money than they know what to do with it, could put it on deposit at Raiffeisen Bank at 5%. If you have a business proposition that returns 8%, then they should take the money out the bank and invest.

Someone else might be borrowed up. If they want to invest in your proposition, then they will need to borrow from Raiffeisen at 13% and they will only get 8% from your investment so they are better not to invest.

In countries where there is a stock market and a perfect market for the movement of money, rich people and institutions invest in the stock market.

Companies on the stock market must do better than bank returns, or people would just leave their money in the bank.

If you are on the stock market, then you probably need to return your shareholders about 15%, or they will take their money out and invest it somewhere else. Bad returns cause a run on the shares.

The principles of “**Capital Budgeting**” tell us that every business has an investment “**Hurdle Rate**” (or Target rate). If you buy a machine that earns you more than 15% then you will improve the value of your company. If it earns less than the Hurdle rate, you damage the company. Everything you do should be judged this way.

If you buy a new BMW, then you damage the company and the return for your shareholders, because you could have bought the machine that would have returned 15% with the money.

If you have no ideas that meet the “Hurdle Rate” then you should return the money to your shareholders.

This also applies to Countries. If Kosovo borrows from the World Bank to build the road from Durres to Pristina, then they better know that it provides an economic return more than the cost. It is easy to believe that Governments think this way, but what is the return on the Marble put down in Mother Theresa Street at the cost of €1 million.

The weighted average cost of capital for each individual or company is calculated with the WACC model. Insert the bank balance and the amount of borrowings along with the interest rates paid and it gives you your cost of capital.

Bear in mind the risk factor – Money in the bank is safe – Money invested in a business is less safe. A **risk premium** should be added (say 4% or more for higher risks)

Session 12 – Introduction to Valuation

Explain: There are basically two main methods of valuing a business or valuing an investment.

- There is the **Capitalization Method**
- There is the **Discounted Cash Flow Method**

Both of these methods basically make sure that you get a better return on your money than you would if you put the money into a bank or some other institution, such as the stock market.

It must be accepted that the value of a business is nothing to do with its “Book Value” or its “Asset Value” except in a liquidation, or to an asset stripper.

A business is simply viewed as a machine for making money.

The capitalization Method

A quick rule of thumb for instant valuation

Simply multiply the annual return by a capitalization rate.

How do you get the capitalization rate?

Take the weighted average cost of capital – Add on a risk premium and take the reciprocal

E.g.:

- Cost of capital = 12%
- Add on Risk Premium = 4%;
- Cost of Capital including Risk Premium therefore = 12%
- Capitalization rate is reciprocal or $100/12 = 8.33$

- Business makes a profit of €80,000 per year
- Multiply €80,000 by 8.33
- Value of business is: $€80,000 \times 8.33 = €666,667$

A quick rule of thumb:

The Discounted Cash Flow Method

Make some assumptions:

- Year One Cost of purchase = -700,000
- Year One income = 80,000
- Year 2 income = 80,000
- Year 3 income = 80,000
- Year 4 income = 80,000
- Year 5 income = 80,000
- Year 5 Sell the company = 700,000

Was it worth it? – Use the model to calculate NPV and see!

End of Course.



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USAID KOSOVO PRIVATE ENTERPRISE PROGRAM (KPEP)

Premier Adviser Program REPORT WRITING MODULE

AUTHOR: MIKE MANN

USAID KOSOVO PRIVATE ENTERPRISE PROGRAM

Implemented by
Booz Allen Hamilton

Contract No. EEM-I-07-00007-00
Task Order No. 2

JANUARY 2009

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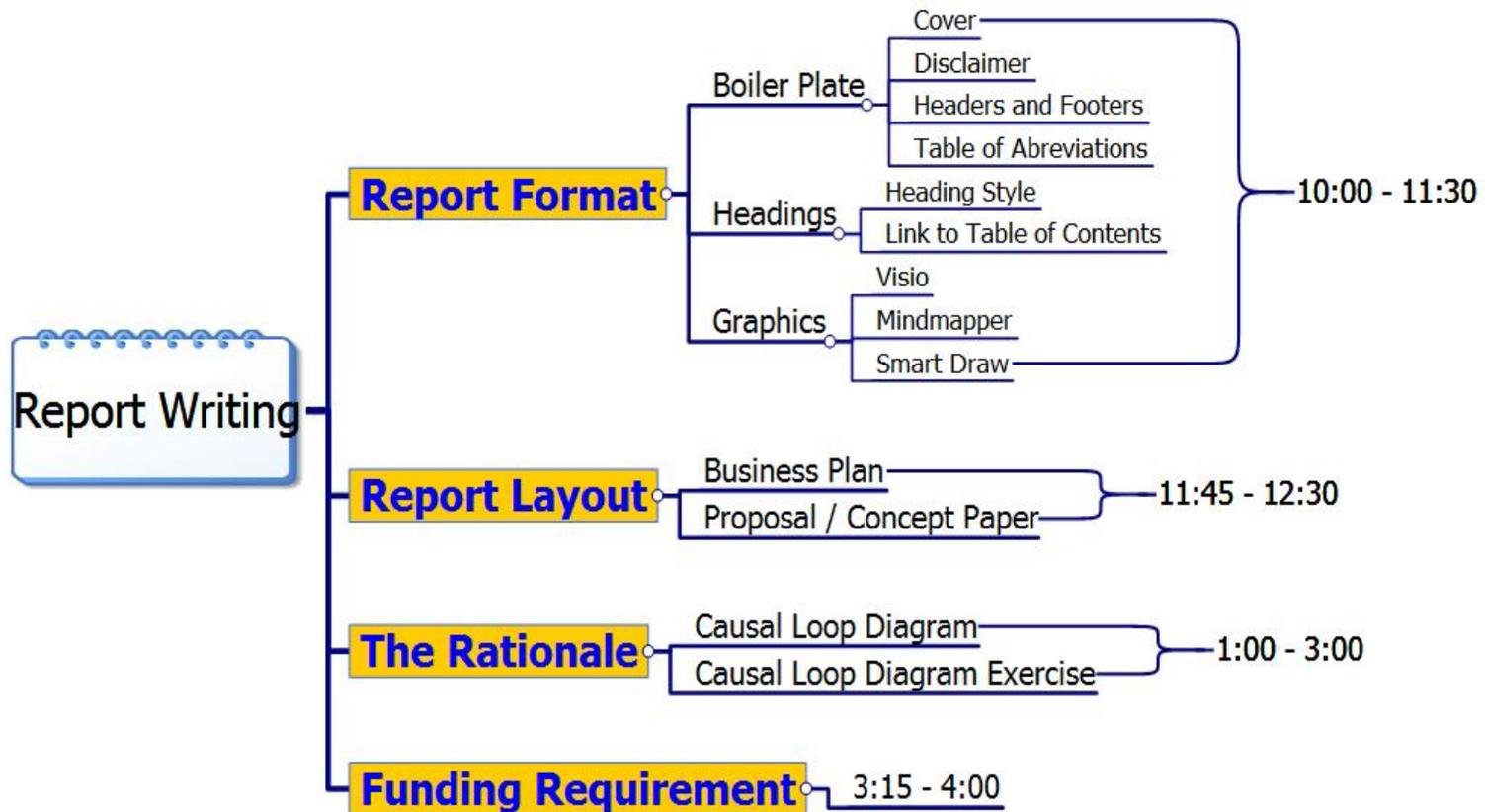
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Kosovo Premier Advisor Program

Module 4 – Report Writing

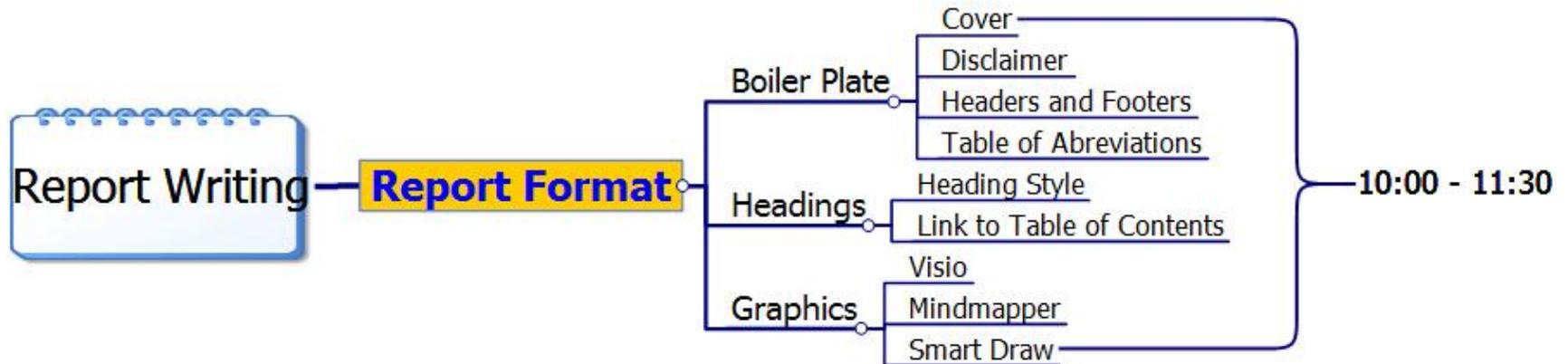


Module Structure



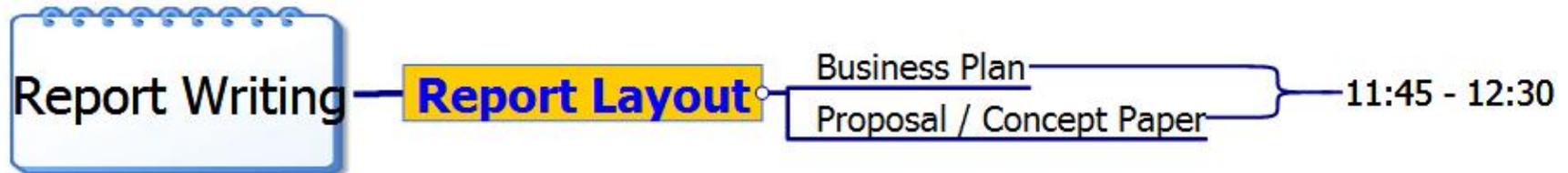


Report Formatting





Report Writing – Session 2





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BUSINESS PLAN	PROPOSAL / CONCEPT PAPER
Executive Summary	Executive Summary
Introduction	Rationale
Operations Plan	<input type="checkbox"/> Project Synopsis
Manpower Plan	<input type="checkbox"/> Beneficiaries & Stakeholders
Marketing Plan	<input type="checkbox"/> General Approach
Finance Plan	<input type="checkbox"/> Co-operation with other Relevant Programs
Funding Requirement	<input type="checkbox"/> Our understanding of the ToR
	<input type="checkbox"/> Key Issues for Success
Annexes	<input type="checkbox"/> Comments on the ToR
<input type="checkbox"/> Assumptions used in the Preparation of Financial Forecasts	<input type="checkbox"/> Assumptions, Risks & Proposed Solutions
<input type="checkbox"/> Detailed Financial Forecasts	Strategy
<input type="checkbox"/> Log Frame	<input type="checkbox"/> Overall Approach
<input type="checkbox"/> Brochures Etc	<input type="checkbox"/> Inception Phase
	<input type="checkbox"/> Implementation Phase
	<input type="checkbox"/> Close Down Phase
	<input type="checkbox"/> Project Management & Backstopping
	<input type="checkbox"/> Consortium - Complementary Roles & Functions
	Timetable of Activities
	<input type="checkbox"/> Identification of Major Milestones
	<input type="checkbox"/> Flow Chart
	<input type="checkbox"/> Gantt Chart
	<input type="checkbox"/> Proposed Distribution of Working Days
	Logical Framework



Proposal Scoring – EU System

Evaluation Criteria – Typical Example

The Rational	20 points
The Methodology	30 points
Quality of Team Leader	20 points
Quality of Key Experts	30 Points
Total Points available	100 points

Technical Proposal score is multiplied by Financial score to decide winner

Usually: Proposals with fewer than 65 technical points are eliminated, and financial proposal is not opened

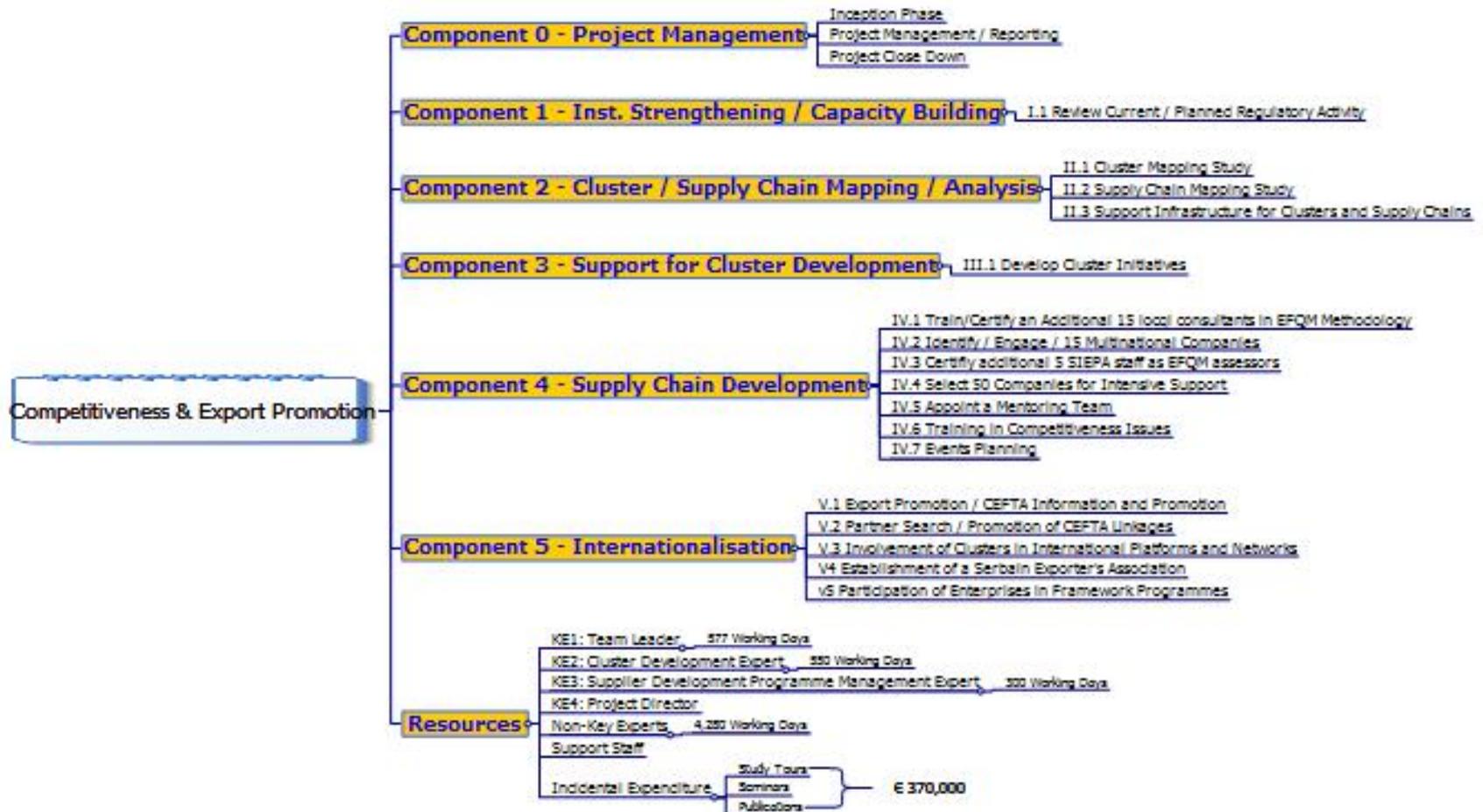


Elements of Proposal – Methodology / Strategy

- Methodology is based on Log-frame;
- Divide into components, and divide each component into activities;
- Draw Mind-map that demonstrates overview
- Provide diagram which demonstrates how each activity leads to expected results

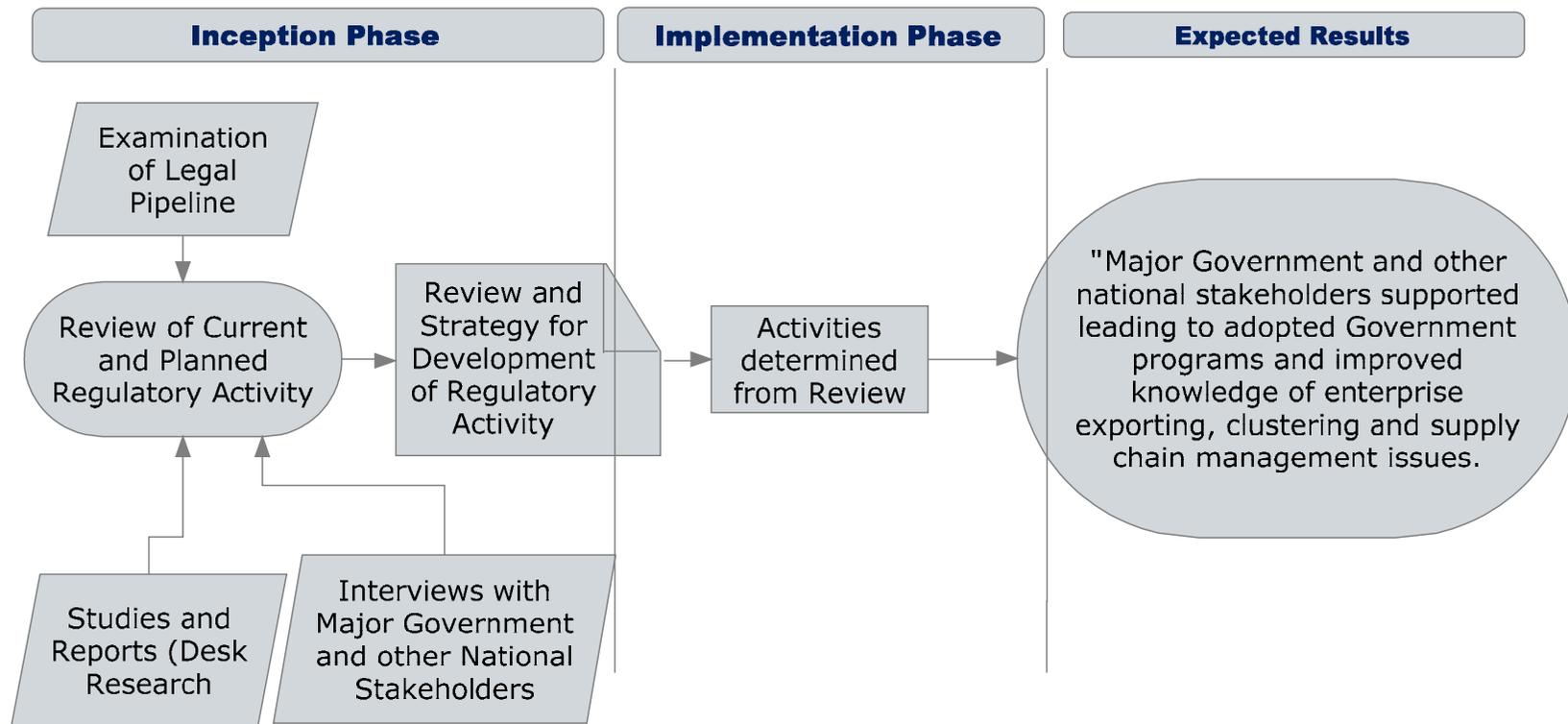


Project Overview



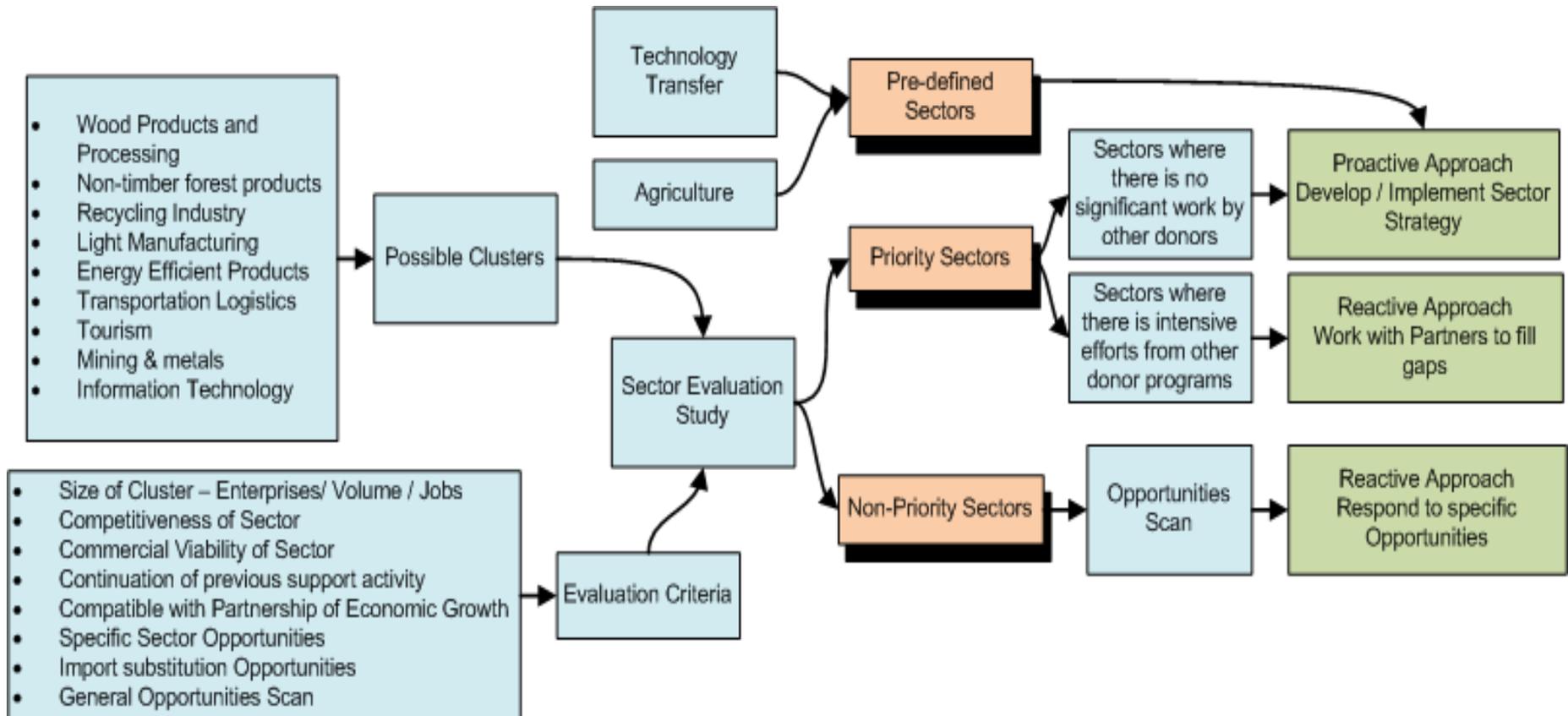


Institutional Strengthening and Capacity Building





Linking Activity to Results





Activity by Activity

Activity 1.1	Regulatory Impact Assessment
Activity Objective	Evaluate situation with regard to Legal Drafting
Method	Experts will map procedures of official legal drafting process etc.
Input	Team Leader Legal Expert
Output	Output Report 1.1b – Legal Review
Timing	Weeks 1 – 8



Rationale – Making a killer rationale

- Rationale should:
 - Establish cause and effect;
 - Show how project meets 5 principles of intervention;
 - Identify defects and problems in ToR and propose how approach will deal with them;
 - Identify Project Assumptions and Risks and describe how to minimize effects of these;
 - Identify how to make sure that “Type 2” results are achieved.

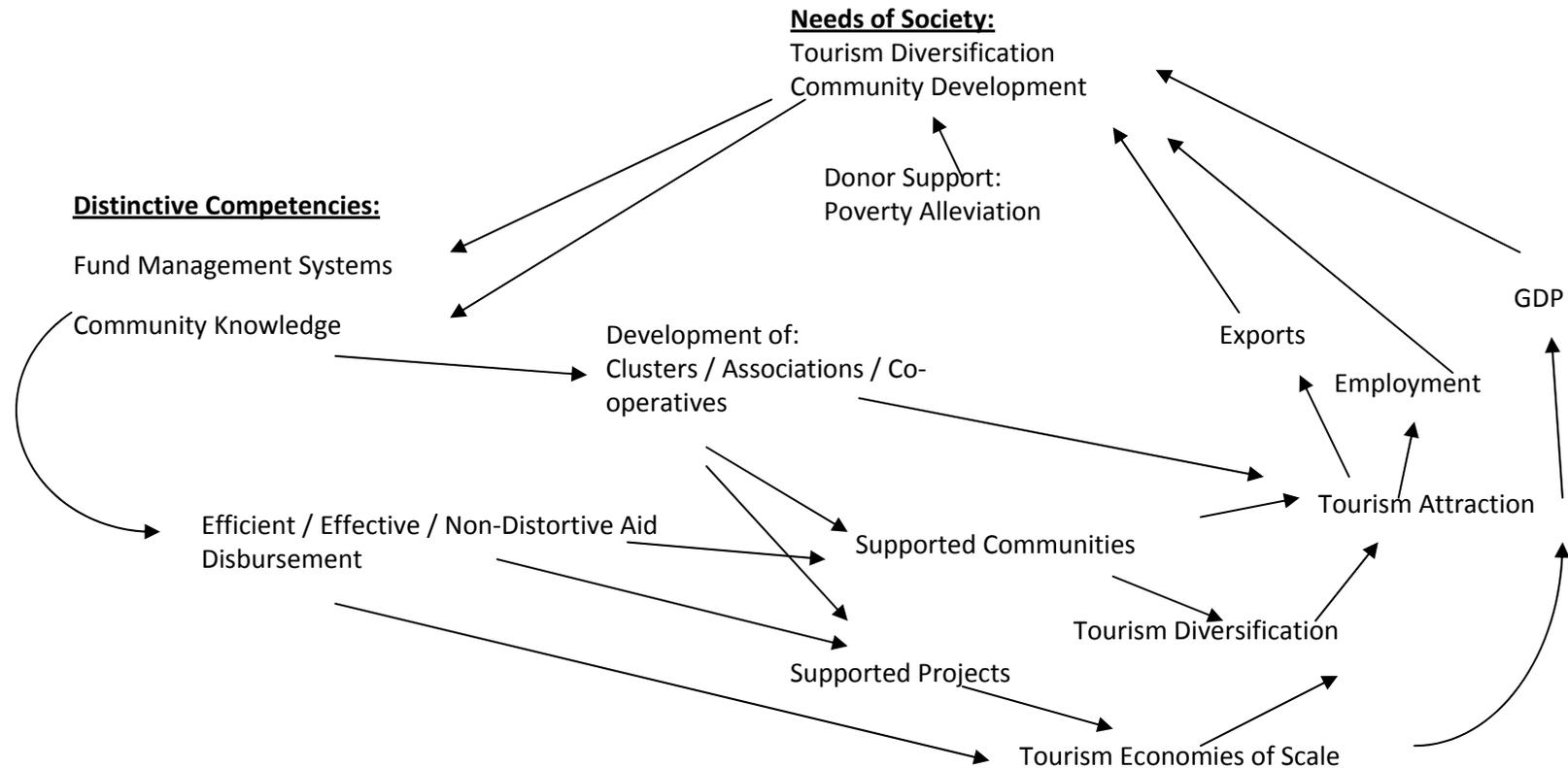


5 Principles of Intervention

- Non-distortion of Market
- Demonstration Effect
- Outreach
- Sustainability
- Avoidance of Bureaucracy



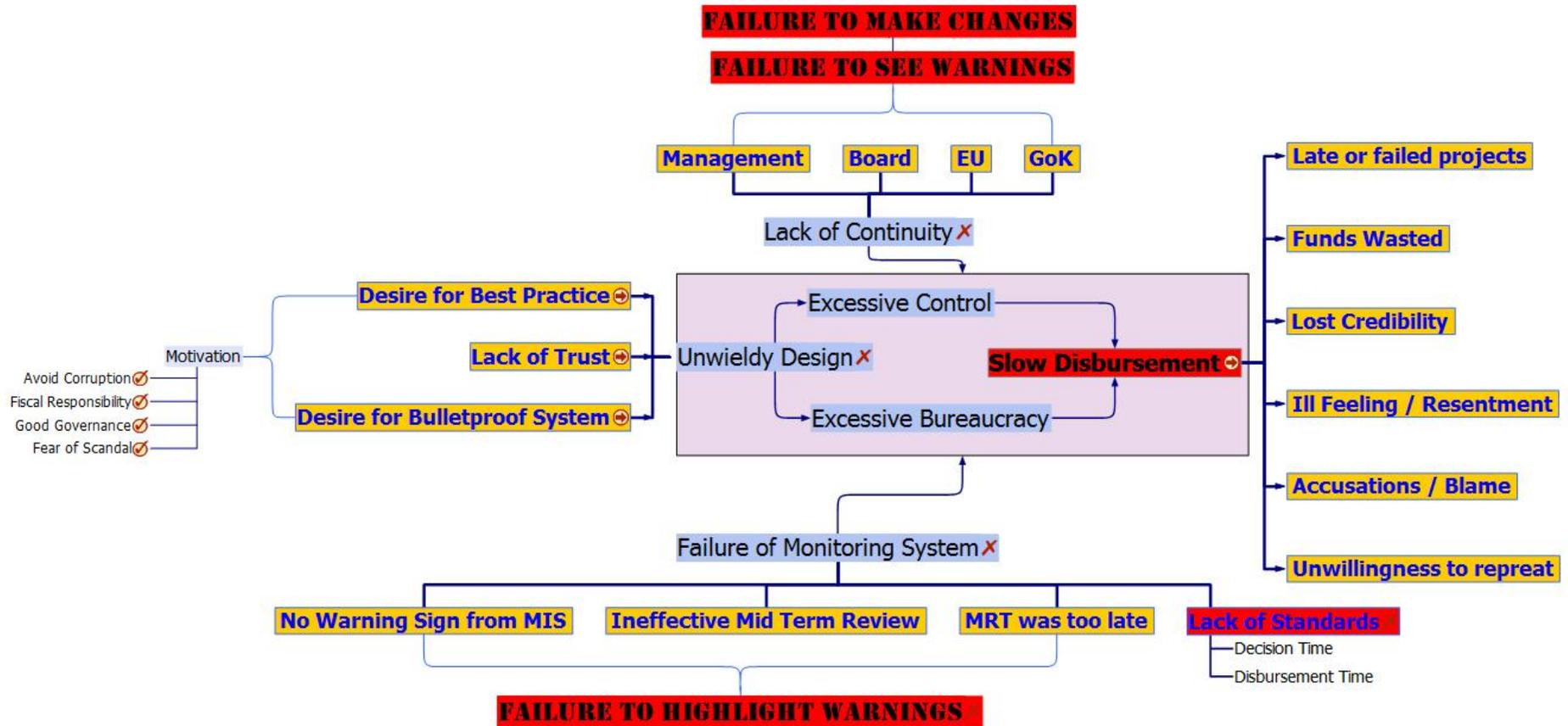
Establishing Cause and Effect – Causal Loop Diagram





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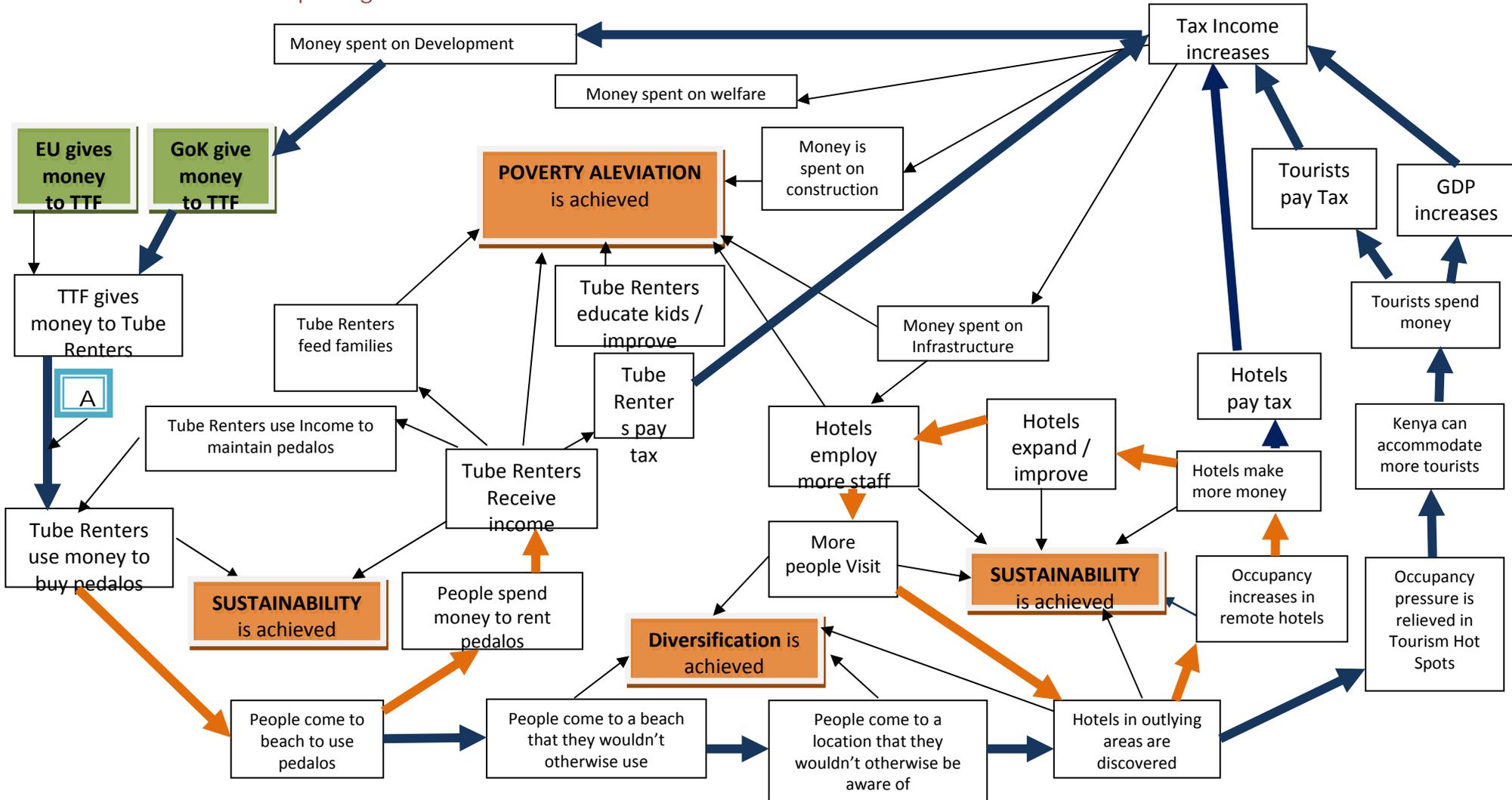
A Good Idea - Spoilt by bad Implementation?



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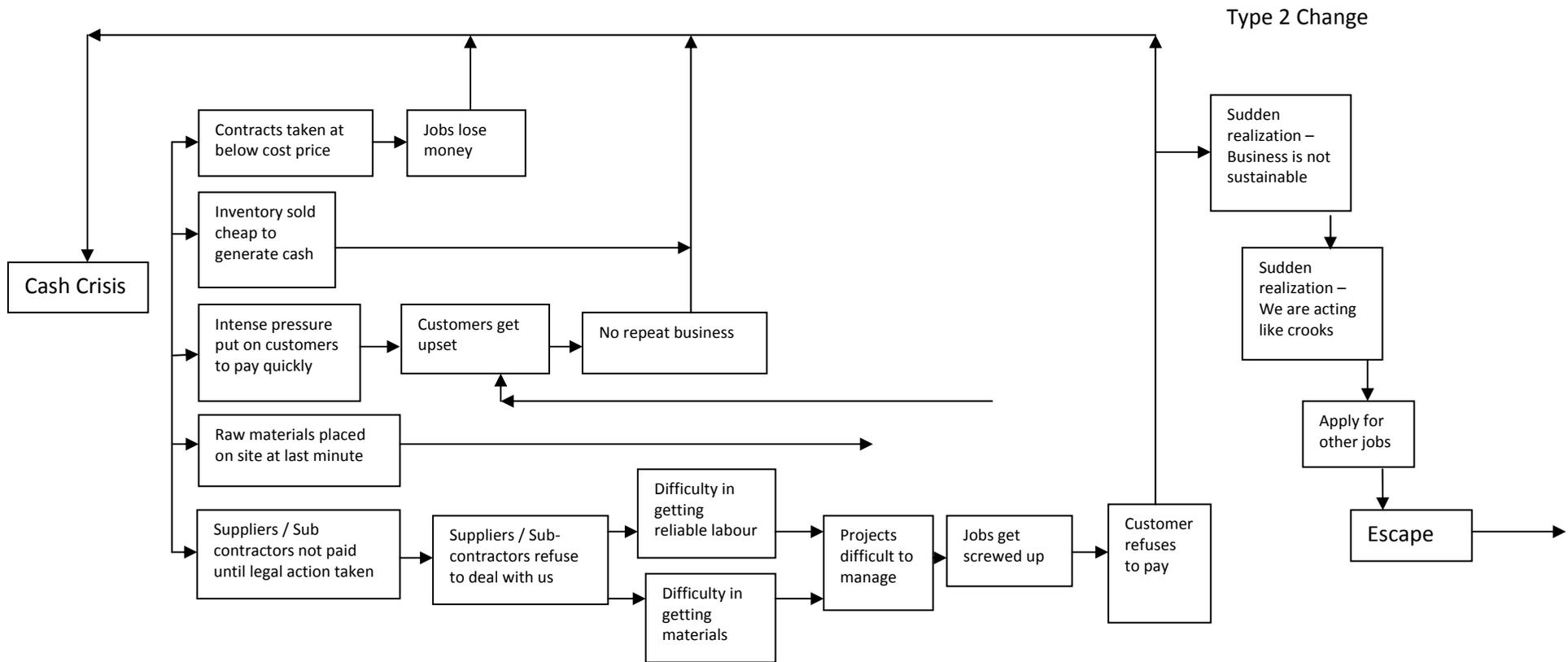
TDSDP Causal Loop Diagram





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Exercise

- Make and present “Causal Loop Diagram for your project
- In your presentation, demonstrate how project meets criteria of “5 Principles of Intervention”



Tips and Tricks

- Headings and Table of Contents
- Auto Insertion of Components
- Auto insertion of Log-frame
- Templates and Style Sheets
- Using Mind-mapper
- Using Smart Draw



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USAID KOSOVO PRIVATE ENTERPRISE PROGRAM (KPEP)

Premier Adviser Program PRESENTATION SKILLS MODULE

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Module 5 – Presentation Skills



Global Facts

Fact

79 million people are engaged in sexual intercourse right now

Fact

58 million people are kissing

Fact

37 million people are relaxing after sex

Fact

15 lonely people are in a seminar on Premier Adviser training

Hang in there guys



Make a Presentation

10 Minute Duration

12 slides - Maximum

Be as daring as you can

Be Dramatic - Energise the Group

Use Pictures and Effects

Get among them and participate

Maximum of 20 words per slide



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<http://www.youtube.com/watch?v=L8RU-QyLjT8>
QyLjT8



Use Sequencing

- **Screencast: Contrasting Sequencing with Death by PowerPoint®**

In this screencast we compare and contrast three presentation styles: "Death by PowerPoint®," "Data Dumping," and "Sequencing" in order to help demonstrate how the sequenced approach to presentations is ultimately the most effective.

[Watch the video here.](#)



Wilder Presentations

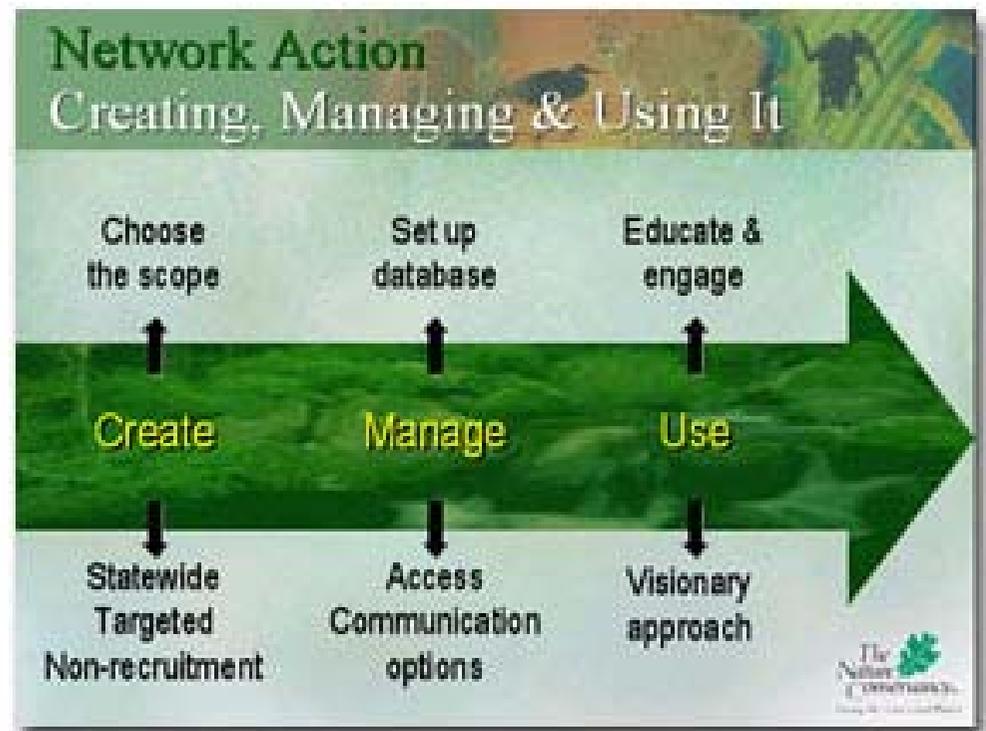
- <http://www.wilderpresentations.com/steps/4.html>



Organise into chunks

List Matching: The Essential Tool

- The list match is an invaluable tool for mobilizing your members in a targeted way, in fact it is the essential tool.
- This list will vary depending upon what is available in your state, but you should ask if the following information can be appended to your records with a file match: Congressional District, State Senate District, State House District, County Code, Date of Birth, Gender, Phone Number, Voting history.





What is Important to you?

Section Four

The Consulting Group's "Added Value"

"ADDED VALUE" TO YOU



Section Four



Use Boxes

Impact on HR Systems

- *Traditional HR Approaches Incompatible with Future HR Vision ...*
- *Centralized Command and Control to Decentralized Access to HR Information*
- *Independent HR Silos to Integrated / Coordinated HR Systems*
- *Mutual Loyalty / Sacrifice to Personal Focus / Immediate Benefits*
- *Autonomous Jobs to Team / Project Roles*
- *Long-Term Orientation to Short-Term Orientation*

Transition Occurring

Impact on
HR systems

	Present	Future
HR Information	Centralized control	Integrated access
HR Functions	Independent	Integrated
Employee Focus	Mutual loyalty Sacrifice	Personal focus Immediate benefits
Jobs	Static	Dynamic
Orientation	Long-term	Short-term



Too much text

Consulting Group Implementation Schedule

Upon hiring the Consulting Group, the following schedule of events will take place:

- Step 1) Development of Investment Guidelines based on committee input.
- Step 2) Re-deployment of assets to new managers with the assistance of the Consulting Group.
- Step 3) On-going performance evaluations by the Consulting Group with the investment committee.

Implementation Schedule

1	Develop investment guidelines
2	Consultants manage assets
3	Do performance evaluations



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The Global Facts – At any given time