



# BUSINESS STARTUP SIMULATION

This simulation is designed to involve all participants in the Entrepreneurship program in the activities of setting up a business. It can be used for instructor training workshops or for actual students in the entrepreneurship program. It uses the knowledge presented in the *PACE\** materials and organizes the content into tasks to be accomplished in setting up and running a business. The tasks can be divided into work for three teams (Management Team, Marketing Team, and Finance Team). Also there are tasks for the entire class that will integrate the decisions of the entire business team. Depending on the number of students in your class you could have them organize one, two, or three businesses. It is more competitive if there is more than one business.

This activity is designed to give students a real experience in starting a business while they are learning about the skills and planning their own business. We recommend that the simulation be scheduled as a learning experience for the whole group after the class has studied some of the elements of starting a business. By then they will have spent time on planning their own business and learning about marketing, finance, and legal issues. At the same time they will also work on the unit on record keeping and continue to develop their own business plans during this period

You may have identified a few of your students who are having trouble getting a real business idea that they can start. You may consider putting them together in one group with the idea of using the simulation, and group thinking, to come up with an idea they can continue after the simulation.

The instructor acts as banker or potential investor for the companies, approving or not approving their decisions. You may wish to provide a small amount of seed capital for each company that should be repaid after the grand opening. Develop an appropriate contract with the group for repayment of this investment.

You may want to have a supply of colored markers and poster paper for the groups to use as well as access to a copy machine and perhaps computers. It is your option to charge the groups for use of these materials. Having them handy will facilitate the activity.

The Grand Opening of each business should be scheduled for the last day of the simulation. You will need to think about getting permission to use other teachers or students in the school as your potential customers. Of course, anyone in the community could also be the target audience. They will actually prepare for only one day of operation, but their plans will represent what the business would do for at least a year.

Each business will be expected to make a 20-minute presentation to the "potential investors" in a group session on the last day. This should be seen as a role-play demonstration of the group presenting their business plan to a real banker or investor. Actually the instructor, other teachers or community advisors will serve in this role. They should be prepared to ask the business teams some questions about their plans.

You may want to think about this simulation as an opportunity to promote your program with the local news media or with others in you school or community.

# BUSINESS STARTUP TASKS

Following is the list of tasks to be distributed among group businesses. Each group should elect a leader to coordinate activities from the beginning and to schedule meetings of the entire business team and individual and small group work schedules. Timelines should be established for each task.

<p><b>TOTAL GROUP</b></p> <ul style="list-style-type: none"> <li>• Business name</li> <li>• Business description</li> <li>• Resume of key managers</li> <li>• Prepare a business plan to present to a banker or investor</li> <li>• Produce an operations manual</li> <li>• Open the business</li> <li>• Close or sell the business</li> </ul>	<p><b>MANAGEMENT TEAM</b></p> <ul style="list-style-type: none"> <li>• Prepare job descriptions and compensation plans</li> <li>• Prepare training plan</li> <li>• Develop training materials</li> <li>• Develop evaluation procedures</li> <li>• Train employees</li> <li>• Develop purchasing procedures</li> <li>• Develop materials receiving procedures</li> <li>• Implement inventory system</li> <li>• Develop equipment list</li> <li>• Present floor plan/ business layout design</li> <li>• Develop quality control procedures</li> <li>• Select form of organization</li> <li>• Complete registration process for selected form of business</li> <li>• Determine legal/license requirements</li> <li>• Manage purchasing operations</li> <li>• Make management decisions during business operations.</li> </ul>
<p><b>MARKETING TEAM</b></p> <ul style="list-style-type: none"> <li>• Define your product or service</li> <li>• Describe target market in detail</li> <li>• Describe your competition</li> <li>• Develop your marketing plan</li> <li>• Produce your advertising and promotional materials</li> <li>• Prepare your sales approach</li> <li>• Describe the advantages of your business location</li> <li>• Develop risk management plan</li> <li>• Develop opening day checklist</li> <li>• Develop grand opening</li> <li>• Manage all sales functions during the opening</li> </ul>	<p><b>FINANCIAL TEAM</b></p> <ul style="list-style-type: none"> <li>• Prepare startup expenses</li> <li>• Develop budget</li> <li>• Prepare break-even sales level</li> <li>• Prepare cash flow projection</li> <li>• Develop loan application</li> <li>• List suppliers, prices, and terms</li> <li>• Develop financial record keeping system</li> <li>• Produce proforma income statement</li> <li>• Produce proforma balance sheet</li> <li>• Design daily cash report</li> <li>• Prepare selected management ratios</li> <li>• Establish accounting and inventory records</li> <li>• Develop one-day budget for grand opening</li> <li>• Manage cash transaction system</li> <li>• Prepare summary financial statements</li> </ul>

- **PACE (Program for Acquiring Competence in Entrepreneurship)** is a competency-based curriculum developed by the Consortium for Entrepreneurship and available from CETE at OSU. To order PACE contact CETE at 614-292-4277. For additional information about PACE check out our web site [www.entre-ed.org](http://www.entre-ed.org)