CHAP III. THE TECHNICAL STUDY

1. The technical and organizational capacity of the company

The company's capacity for something is the company's ability to do it.

So, the **technical capacity** of a company refers to the type, quality and number of machines and other materials that are used in that company. It can be increased through the optimization of existing equipment by improving them, or by replacing old equipment with the latest machines that are more efficient and can produce more output.

The **organizational capacity** of a company refers the way the company is organized in terms of people's alignment by taking into account their skills and expertise. It is usually referred to as the company's chart.

2. The production capacity (Goods and/or services)

- The production capacity refers to the level of output (goods or services) that can be produced by a company in a certain time period.
- Production capacity is essential as it allows the company to match the demands of the customers.
- Nonetheless, expanding capacity generally needs additional resources and thus it is vital to prevent excess capacity which will increase the unit costs of the organization.
- It allows the business to fulfill the level of demand for a product.
- If there is increasing demand then a large production capacity will enable a business to match customer demands.
- Likewise, inadequate capacity would mean that the organization might lose some of its customers in the short term.

2. The production capacity (Goods and/or services) (2)

- Some specific industries have seasonal products or demand such as farming and tourism.
- Therefore, these industries should have sufficient production capacity to manage high periods of production/demand

3. The sales plan

- A sales plan is a plan that features the development of a company’s sales activity with set objectives within a particular time frame.
- In other words, it’s a strategic plan where one specifies sales goals, tactics, challenges, target market and steps you will take to execute the plan.

3. The sales plan (1)

1. Setting sales goals

You can either set a revenue-based goal (e.g. to achieve $10 million in revenue by the end of the first year) or a volume-based goal (e.g. to sell 12,000,000 units product; or increasing customer base by 5,000 by the end of this year).

3. The sales plan (2)

2. Tactics (strategies)

For instance, if your goal is to achieve $10 million in revenue, you will have to ask yourself the following question: what are the sales strategies you are going to use to achieve this goal?

Your sales plan, then, may include the following tactics:

- Introduce aggressive selling strategies
- Tap in new markets
- Give deep discounts
- Retarget customers
- Cross-sell products to existing customers, etc.

3. The sales plan (3)

3. Sales team capabilities

For example, if your sales team is tiny, you should think of expanding it to meet new sales targets. So, think of hiring new salespersons; and include plans relating to compensation packages, commission rules, leave policies, etc.

3. The sales plan (4)

4. Budgets

An essential element of the sales plan is the budget for the year. How much are you willing to spend to achieve your sales goals? This would include salaries, bonuses, commissions, training costs, team building activity costs, etc.

3. The sales plan (5)

5. Sales in figures

This is a process of estimating what will be sold over a certain period, for example on weekly, monthly, or yearly basis.

E.g. if your goal is to sell 120 units product by the end of the first year of operating your business

- You can forecast your sales on a monthly basis as follows:

Months	1	2	3	4	5	6	7	8	9	10	11	12
Sales in unit products	10	10	10	10	10	10	10	10	10	10	10	10

4. The investment plan

- An investment plan is a process of thinking through and/or looking for something to fall back on, in times of crises or post-retirement.
- It is never advisable to spend every cash you have whenever it comes in.
- It is prudent to save and invest a percentage of your income, no matter how little.
- In developing an investment plan, you will have to assess your current financial situation to enable you to save and invest a portion of your income.

4. The investment plan (1)

Investment planning is the process of aligning your financial goals with your investment resources.

There are generally three steps that have to be involved in an investment plan namely:

- Reviewing the current financial situation
- Deciding on the risk appetite
- Deciding on the type of investments

4. The investment plan (1): Steps

Step 1: Reviewing the current financial situation

Before you invest, review your financial situation.

Reviewing your current financial situation gives you an idea of what you have to kick-start your investment plan with.

Write down what you owe (your debts) and what you own (your assets).

Writing down what you own and what you owe will help you see what savings you can invest.

It will also help you see how you can diversify your new investments.

4. The investment plan (2): Steps

Step 2: Deciding on the risk appetite

As the saying goes, the higher the risk, the higher the return.

Low-risk investments usually have low returns and you have to decide what your risk appetite is for the investment journey.

Your retirement age also determines your risk appetite.

For example, if you aim to retire at the age of 45 or below, depending on how old you are and how much you make, you may have to invest aggressively to be able to sustain the post-retirement lifestyle you desire.

However, you can always review your investment plan when your financial situation improves. The more your income, the more you can afford to invest.

4. The investment plan (3): Steps

Step 3: Deciding on the type of investments

This step is crucial to the survival of your financial plan and it is what determines how soon you achieve your financial goals.

There are different types of investments in which you can put your money to help achieve your goals. The most common include:

- Stocks
- Investment Funds
- Bonds
- Retirement Plans
- Annuities
- Certificates of Deposit (CDs)
- Cryptocurrencies

i. Stocks

- This gives you a stake in the ownership of any public company offering it.
- The returns on shares are known as dividends or you can sell your stakes when it has appreciated over a period.

ii. Investment Funds

- These are known as a basket of stocks managed by a designated fund manager.
- This option is for those that do not have time in taking the investment decisions themselves.
- A known disadvantage is that the fund manager will be paid commission from your returns which may affect your total profit.

iii. Bonds

- Bonds are like loans to the government or individual companies in exchange for returns over a long period.
- This is a long-term investment with a modest return of 2% to 3% annually.
- For those planning to retire at a young age, this may not be the best option.

iv. Retirement Plans

- A retirement plan is a savings plan in which part of the money that you earn is invested in the plan for you to use when you retire.
- Your employer can sponsor or co-sponsor retirement plans or you can make your own individual retirement plan.

v. Annuities

- They are usually referred to as a supplement to the normal retirement income.
- It is a contract between an investor and an insurance company whereby the investor pays a lump sum in exchange for periodic payments to the investor after retirement.

vi. Certificates of Deposit (CDs)

- A certificate of deposit (CD) is a very low-risk investment.
- You give a bank a certain amount of money for a predetermined amount of time.
- When that time period is over, you get your principal back, plus a predetermined amount of interest.
- The longer the loan period, the higher your interest rate.

vii. Cryptocurrencies

- A cryptocurrency is a digital currency.
- Even though Bitcoin (the first cryptocurrency to exist) is most recognizable cryptocurrency, there are countless others, such as Litecoin, Ethereum, etc.
- Cryptocurrencies are a fairly new investment option.
- How you can make money: Cryptos often have weird fluctuations, making them a very risky investment.

5. Case study 3

- Taking into account what we’ve just seen in this chapter, perform a technical study of your business idea.