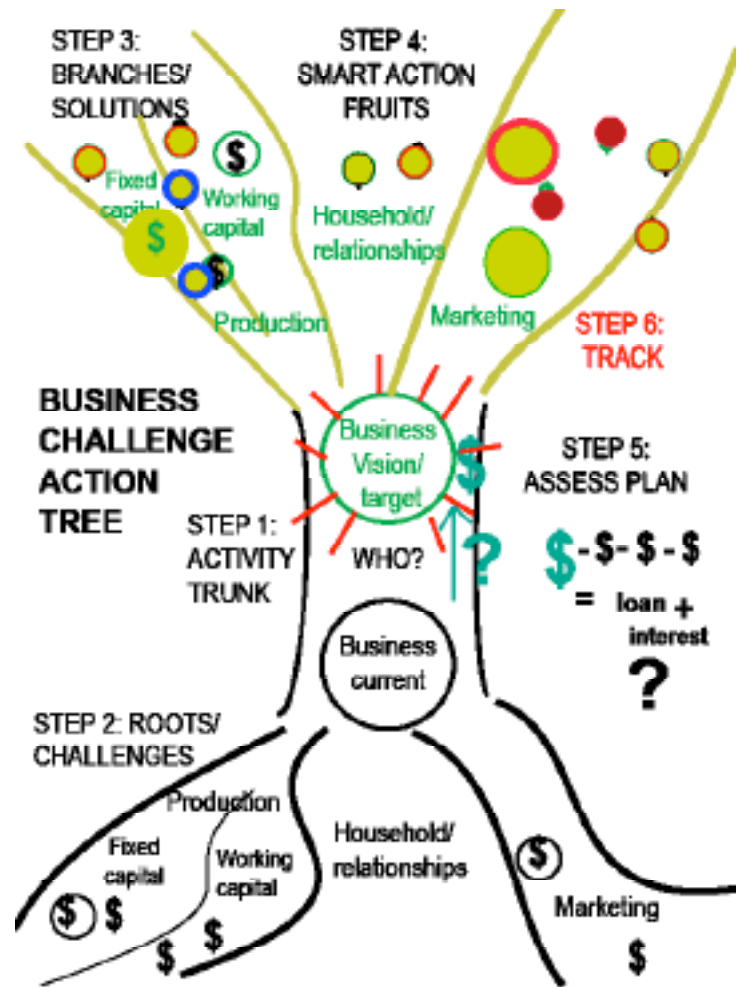


TOOL 4 BUSINESS CHALLENGE ACTION TREE



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STEP 3:
BRANCHES/
SOLUTIONS

STEP 4:
SMART ACTION
FRUITS

**BUSINESS
CHALLENGE
ACTION
TREE**

STEP 1:
ACTIVITY
TRUNK

STEP 2: ROOTS/
CHALLENGES

STEP 6:
TRACK

STEP 5:
ASSESS PLAN

Business
target

WHO?

Business
current

$\$ - \$ - \$ - \$$
= loan +
interest
?

Fixed
capital

Working
capital

Production

Household/
relationships

Marketing

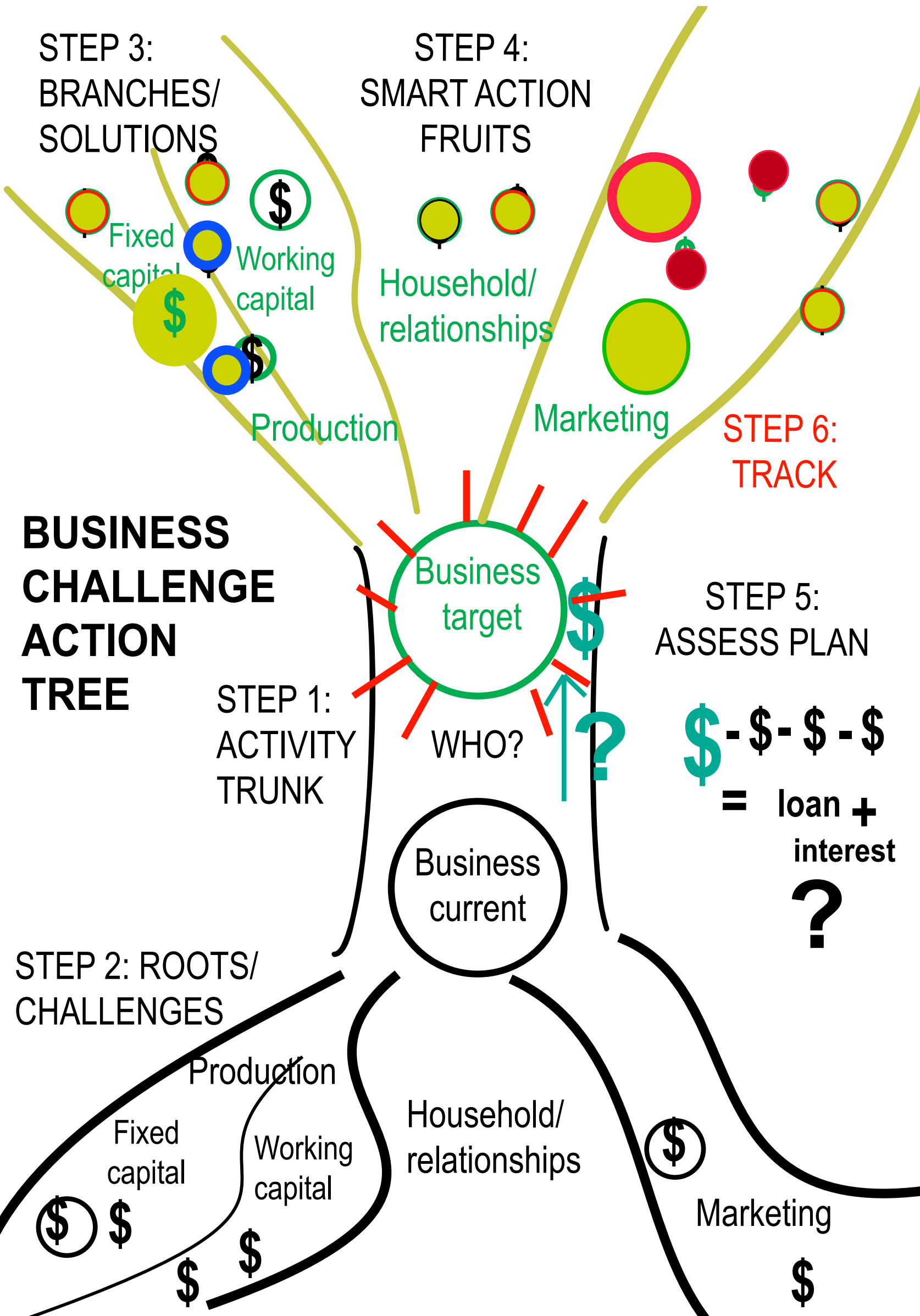
Production

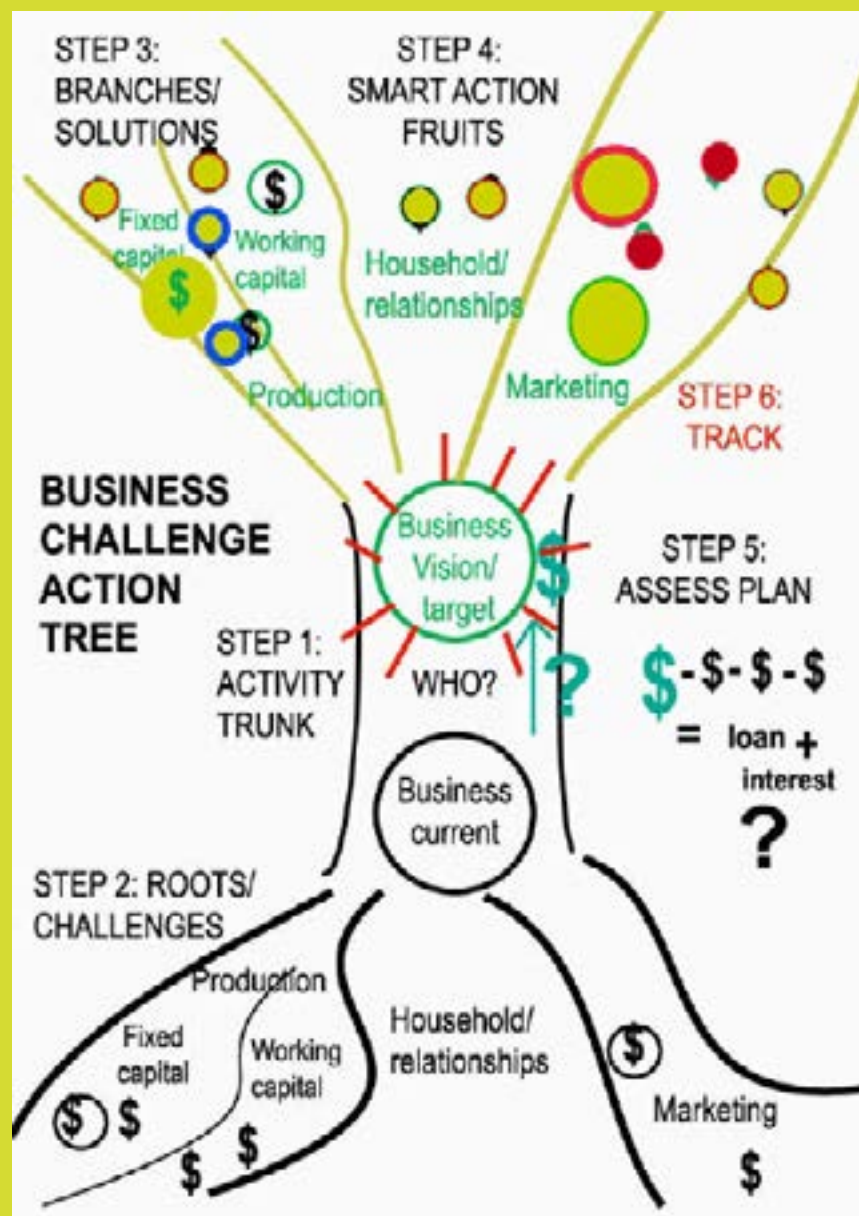
Fixed
capital

Working
capital

Household/
relationships

Marketing





A loan is a debt. It should be used very carefully to grow a business.

The Business Challenge Action Tree examines what is needed to progress from where your loan business currently is to where you want it to be by the end of the loan period.

It looks at the inputs you need for production, marketing and human resources, what you already have, and the challenges.

It then looks at the solutions - how you will address the challenges, and the role of the loan as part of that plan.

STEPS

The Business Challenge Action Tree is drafted (first in pencil) on the next double page after your previous tool. Put the book sideways so that it fits vertically across the two pages.

Remember to put your name and the date in the top left hand corner.



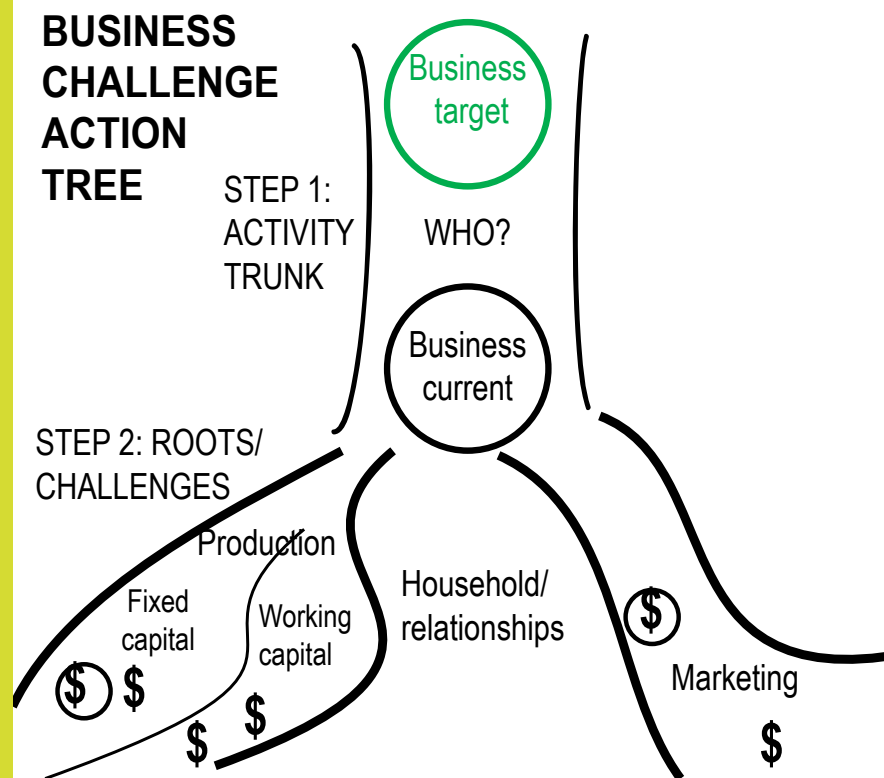
1 *Trunk: About the Loan Business*

Trunk: Draw two black lines across the middle of the two pages. This represents your business road for the business you are taking your loan for.

Target: At the top of the trunk draw a green target circle - like the target circle on your Vision Journey. Here you put how you want your business to be by the end of the loan period eg how much profit, what sort of product. Draw in green as the plan.

Current: At the bottom of the trunk draw a black circle - like the one on your Vision Journey. Here you put how your loan business is currently - how much profit, type of product. If you have very many products from the same business, focus particularly on the ones you want to increase with the loan. If you are setting up a new business, put an X in the circle. Draw in black.

Who will be owning and managing the business: Will you own and manage the business alone? With other members of your family (who will own and who will manage)? With another partner? Draw these in black, with a different symbol for man and woman, and showing type of relationship.



2 *Roots: what is needed? what are the challenges?*

Draw the roots: At the bottom of the tree draw 4 black lines to make 3 root spaces: the left root is for production challenges and costs - divide this one into a further 2 rootlets for working capital on the outside and fixed capital on the inside. The righthand root is for marketing challenges and costs. The middle root is for personal, family, relationship and human resource challenges.

Draw the challenges and costs: In the appropriate root put the challenges and costs you anticipate to achieve your target at the end of the loan period. Put as much calculation on costs as possible. In the middle root put things like skills needed, any challenges in the family like health issues, conflicts over money, other relationships like relatives asking for money, and problems getting labour etc and costs involved in those.

What do you already have? Of the things and money you need, what do you already have? Ring those things in black as achieved already. If they are only partly achieved draw a part circle in black.

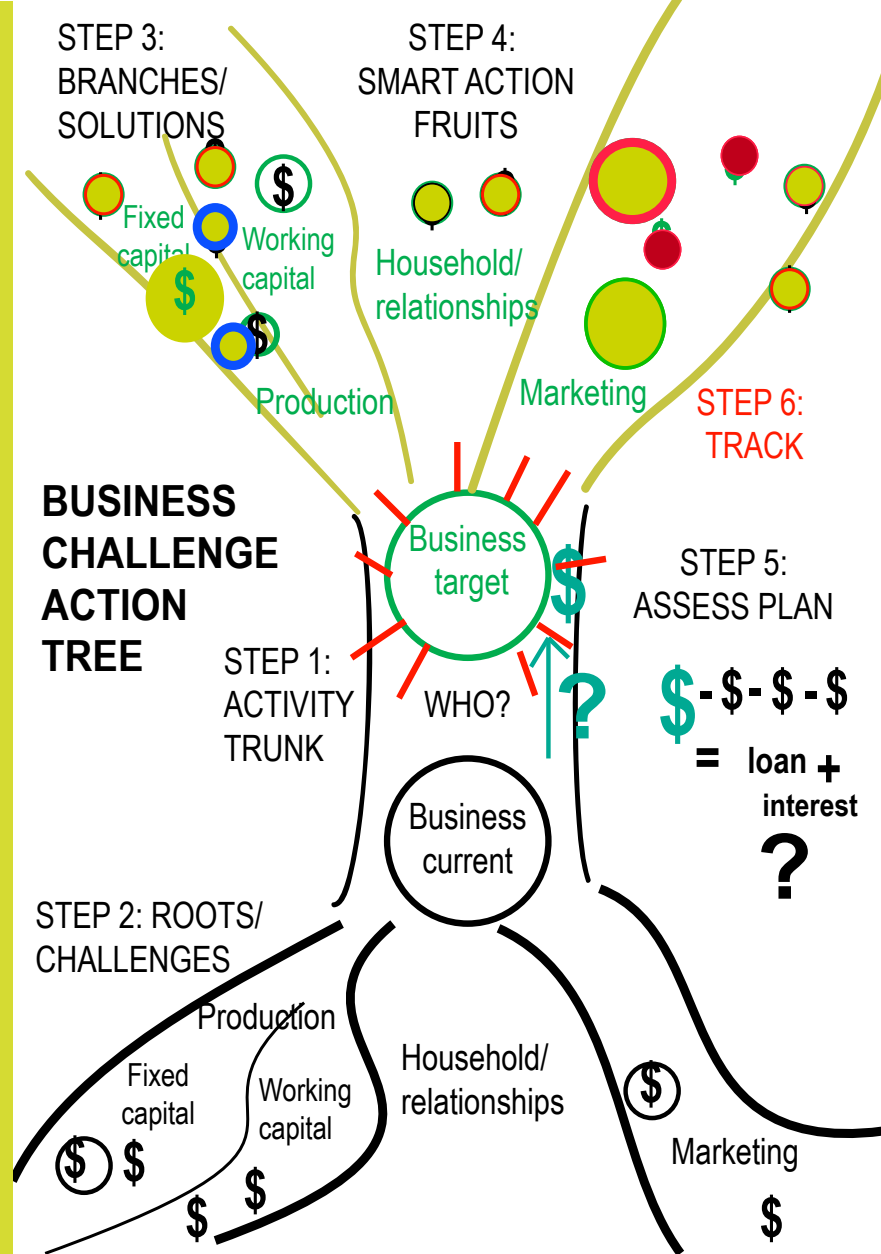


3 *Branches: what are the solutions?*

Draw the branches: At the top of the tree draw 4 green lines to make 3 spaces to correspond to the branches, and divide the production branch into fixed and working capital as before. Branches are green because they are a plan.

Which things can you already address? Look at the roots - the things and money you need to grow your business. Transfer to the branches those things you can address without using the loan. Think back to the opportunities on your Vision Journey, people and financial resources you identified on your Financial Empowerment Map, the changes in work and expenditure from the Happy Family Tree. Draw the symbols in black - you have them already, but ring in green because you plan to act to access them.

Take quite some time over this - the loan should be used for those things you cannot do in others ways. **If a loan is used wisely then maybe your business can grow even more than your target.**

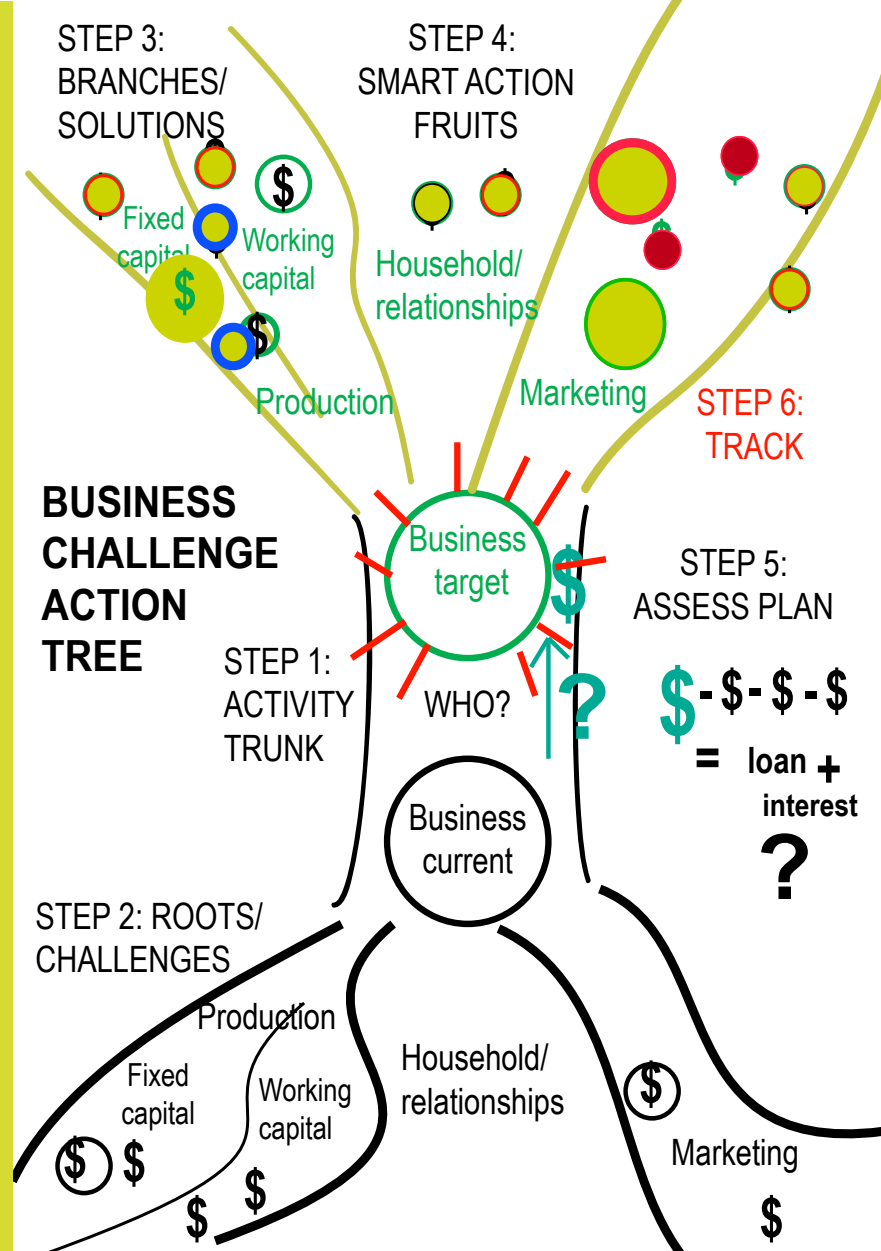


5 Assessment: is this business loan a good strategy?

Can you afford the loan? Calculate now the difference in profit (not income) between your current and target circles. Put that figure just below the target circle. Adding on interest payments, is the total loan cost more or less than the increase in profit between your baseline and target circles?

Is a loan a good strategy? If the total loan plus repayment is greater than the increase in profit, then you have to think if the loan for that business is a good idea. If your target is an investment in a business with prospect of much bigger long term profits, then look again at where you can get some of the costs and draw over the green in black.

If this is not possible, maybe think of a different business.



6 Track: are you reaching your vision?

You will use this Business Challenge Action Tree together with Tool 5: Financial Management Calendar. The Tree provides a snapshot of challenges and solutions. The Calendar makes a detailed financial plan over time. But you should continually revisit your analysis on the tree to see whether your calculations and strategies there were correct.

Are you achieving your fruits? When you get the loan, check that you are allocating it as planned - unless you have since had changes that make you change your plan. If there are changes, then you should adjust the Tree. If you allocate the loan as planned, ring those things in red as achieved. As you obtain the resources you put on the branches, ring these also in red.

Are you on track to your longer term vision? At the end of the loan period, look again at the tree and see if everything went to plan, or what changed. If you think you are now well on track to your longer term vision on your Vision Journey - maybe ready for a further business growth loan, then you can turn your green circle red and put some red lines coming from it like the sun on your Vision Journey.

MFI : FINANCIAL ACTION LEARNING SYSTEM

Loan officer monitoring

The Loan Officer only refers to this tool if there is a problem with the analysis on the Financial Management Calendar, with loan repayment, or the client has not benefited from the loan as assessed by the Financial Management Calendar. If there are problems, the loan officer should consider:

- 1) Was the **target for the loan business realistic** in view of their baseline position? Who was involved in the business? Were there conflicts?
- 2) Was the analysis on the roots of **production, marketing and human resources** realistic? Had they identified enough complementary sources of inputs?
- 3) Was the **loan targeted appropriately**? Had they aimed for savings and reinvestment?
- 4) Had the client been **tracking** on the Financial Management Calendar, and referring back to the analysis on their tree?

SPM monitoring

This tree is probably not needed for SPM. But as part of qualitative follow up can shed interesting light on gender differences in:

- **business aspirations**
- production, marketing and human resource **challenges**
- **loan allocation**
- **savings and reinvestment strategies**
- **business achievements.**

Product innovation

The Business Challenge Action Trees provide a solid basis for formation of **networks of women and men clients involved in the same business** to come together in focus groups, with a pre-prepared business analysis of business challenges and strategies that can be fed into **Product Innovation Challenge Action Trees**. These follow similar steps, but the trunk is focused on particular savings, loan and other financial products.

GENDER ACTION LEARNING

But as part of qualitative follow up the Business Challenge Action Trees can shed interesting light on gender differences in:

- **business aspirations**
- production, marketing and human resource **challenges**
- **loan allocation**
- **savings and reinvestment strategies**
- **business achievements.**