

MODULE SEVEN: BUSINESS PLAN DEVELOPMENT

Planning for the Business Venture

Planning is a predetermine cause of action. It is a statement outlining an organizational mission and future direction, short and long term performance, targets and strategies. Planning as a formal document containing a mission statement, description of the firm's goods and services, a market analysis, financial projections and description of management strategies together with policies for attaining the goals;

Planning is a process of determining the goals and objectives of the enterprises for a future period of time developing the strategies guiding the firms operational and utilizing the available resources towards achieving the set goals and objectives.

Planning involves;

- Predicting into the future by defining the enterprise mission statement
- Determining the organizational goals and objectives
- Formulating strategies towards achieving the objectives.
- Assigning of responsibilities and functions to carry out activities that facilitate goals achievement.
- Allocating resources
- Monitoring and evaluation
- Taking corrective action or re-designing the original.

A business plan is asset of guidelines for how to go about the operations and management of a new business venture. It is an outline of potential issues to address and a set of guidelines to help an entrepreneur make better decisions. **Alternatively it can also be defined as a document that describes your business in details and suggests how it might progress in future.**

Why is it important to prepare a business (Why Business planning is important)

It is important to a businessman in the following ways:

- Shows that the business idea is viable
- Helps people to become self employed
- Help in planning for resources
- It helps to highlight potential problems
- Helps in decision making
- Helps business people to prepare for competition
- Helps to provide an overall view of the business
- Helps to provide a personal long term guide to progress
- It guides employees to keep focused
- Helps in discovering the strength and weaknesses

Contents of a Business Plan

- **Introductory Page:** This is the cover page that provides a brief summary of the business plan's contents. It will contain the, name and address of the business, names and addresses of principle officers, nature of business, statement of financing need and statement of confidentiality of the report
- **Executive Summary:** These are three or four pages summarizing the complete business plan. This section is a marketing part and should stimulate the interest of the potential investors. It must highlight the key points of the business.
- **Industry Analysis:** This section contains an assessment of the external and uncontrollable variables that may impact the business. This includes the legal and political, economic, social and cultural, technological and competitive environments. Its contents include: Future outlook and trends, analysis of competitors, market segmentation and industry forecasts.
- **Description of Venture:** This section includes the detailed description of the business in terms of the followings key decisions: Products, services, size of business, office equipment and personnel, background of the entrepreneur(s) and location of the business.
- **Production Plan:** This part details how the products will be manufactured in terms of: Manufacturing process (amount subcontracted), physical plant, machinery and equipment and names of suppliers of raw materials.
- **Marketing Plan:** This part describes market conditions and how the products or services of the business will be marketed in terms of the following factors: Products and/ services, pricing, distribution, promotion, forecasts and controls.
- **Organizational Plan:** This part describes the form of business ownership and lines of authority and accountability for members of the new venture. Its contents include: Form of ownership, identification of business partners or principal shareholders, authority of principals, management team and background and roles and responsibilities of members of the organization.
- **Assessment of Risk:** This section identifies the potential hazards and alternative strategies that can be used to meet the business plan goals and objectives. It includes: Evaluation of the weaknesses of the business, new technologies, substitute products or services, competition and contingency plans.
- **Financial Plan:** This contains projections of key financial data that determines the economic feasibility of the venture and the financial commitment in the new venture: Pro-forma income statement, cash flow

projections, pro-forma balance sheet, break even analysis, sources and application of funds.

- **Appendix:** This contains any supporting information that is not necessary in the body of the plan. Reference to these documents must have been made in the business plan itself. It includes: Letters, market research data, leases or contracts, and price lists from suppliers.

6.2 Business Plan

Definition: a business plan is a document that convincingly demonstrate that your business idea can sell enough of its products and services so as to make products and services so as to make satisfactory profit and attractable to potential financiers.

In other words a business plan is a road map you can follow to start and manage a successful business. It shows step by step on how to start, fund, manage, monitor, and evaluate a successful business.

Business Plan as a Tool

Objective and goal creating tool

Management tool

Training tool

Promotion tool

Fund raising tool/capital

Staffing tool

Monitoring and evaluating tool

Business creation tool

Weakness/ omissions identifying tool

Measuring performance

For motivation

Why Prepare a Business Plan

To avoid silly mistakes

It defines and focus business objectives and goals

As a tool for fundraising, marketing, monitoring, evaluation, staffing

To be realistic on our intentions

To clearly communicate your vision/ ideas to other within and outside;

Who should writes a Business Plan?

It should be written by entrepreneur since he/ she is the owner of the business idea and is the custodian of the vision.

Can be written by consultants and employees.

What is a "good" Plan?

A good plan should be dynamic document which should be available for reference for decision making evaluation and future plans

It should clearly communicate visions and ideas

It should show the evidence of understanding of target customers

It should be appealing to the potential financier.

Benefits

- It forces would be entrepreneur to establish written goals and objectives for their proposed businesses.
- It enables potential entrepreneur to assess the viability of their business opportunity on paper
- It assist in identifying the potential customers, marketing opportunities, pricing strategy, promotional activities, distribution strategy and a competitive conditions needed for business success.
- It identifies the number of employees needed, the skills they should possess, the task they will perform and the methods of remuneration to be adopted.
- It establishes the financial needs of a business and suggests the possible sources of financing
- It helps to identify critical factors for successful entry and growth of a businesses in a given market place.

Components of a business plan

Business plans include details under the following main sections;

1. Executive summary
2. Business description
3. Marketing plan
4. Competitor analysis
5. Management plan
6. Business operation (production/ service, delivery plan)
7. Financial plan
- 8 Appendices

Executive Summary

This should be done last

It includes the;

Type of venture

Products/ service to be offered `

How unique

It there a major opportunity for products/ services

The business status/ stage

Legal form of business

Location of business

Target market

% share of market

Competitor strength and weakness

Strategy of entering the market

Managing staff and their qualifications and experiences

Time frame for accomplishing your goals;

How much money needed for starting and running the business?

What type of financing are seeking

Loan

Grant

The strength of the business that will make it succeed

Future plans of the business

Business Description

For a new start up business it will include

- Objectives, vision, mission statement and goals
- Specific objectives (SMART)
- Service objective (quality of service)
- Profit objective (actual % and amount targeted)
- Growth objective
- Social objectives (corporate responsibility)
- Type/form of business venture
- Date of commencement
- Physical location
- Advantages of the location
- Postal address, physical address/ street/buildings/ road
- Telephone contact/ email/ fax/website
- Brief history of the business (company)
- Experiences of the owners

Marketing Plan

- Description of the target market (customer segment)
- Description of products/ services
- Prices of products/ services
- Distribution of products /services
- Promotion of productions/ services

Competitor Analysis

Internal analysis both strength and weakness

External analysis (opportunities and threats)

Environmental analysis (political, social, economic, regulatory factors that can impact on your business)

Management and Organization

Key management staff

Their positions/ designations and responsibilities

Qualification and experience

Other staff

Their positions/ designation and responsibilities

Qualification and experience

Their number

Human resources practices

Staff recruitment

Motivation`

Training and development

Reward and recognition

Staff appraisal

Business Operation

Product/service development design and facilities;

Description of premises

Ownership status

Renovations/ facelifts/medications

Products and services to be offered

Machinery, tools, equipment and other facilities required

Implementation

Procurement

Repair and maintenance

Repair and maintenance

Future expansions

Legal requirements: business name, tax compliance, labour laws, by-laws e.t.c

Monthly overhead expenses

Professional and support services

Financial Plan

Pre-operational costs (costs before start-up

Working capital

Projected monthly cash flow statement

Projected annual cash flow statement

Projected profoma income statement

Projected balance sheet