LECTURE SIX: BUSINESS PLANNING-

INTRODUCTION

Welcome to our sixth lecture of business planning, in our previous lecture we learnt about establishing a new enterprise. A business plan is a tool that increases chances of success and reduces chances of failure. So in this lecture we shall study about a business plan, its benefits, and components of a business plan and the process of writing.

Kindly, make sure that:

* You complete this lecture before proceeding to the next one.
* Refer to the suggested additional resources to get further information on each topic
* Make notes as to simplify your study
* Complete all activities and questions as you progress
* Spend at least 3(three) hours to complete each topic for you to understand and apply the knowledge and skills acquired

Once again welcome and let us begin. Good luck

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| By the end of the lecture, you should be able to:  i. Define the terms business plan and business planning.  ii. Explain the components of a business plan  iii. Demonstrate how a business plan is written  iv. state the importance of a business plan  v. Analyse a case study.  - |

**WHAT IS A BUSINESS PLAN**

business plan is a document that describes your business, its objectives, strategies, target market and financial forecasts. It's a blueprint to your business's future. Business plans can vary enormously in length, style and content, but the key is to ensure the document is realistic, practical and regularly reviewed. It should not only set the direction for your business but act as a reference point for measuring performance.

A business plan precisely defines your business, identifies your goals and serves as your firm's resume. Its basic components include a current and pro forma balance sheet, an income statement and a cash flow analysis. It helps you allocate resources properly, handle unforeseen complications, and make the right decisions. Because it provides specific and organized Information about your company and how you will repay borrowed money, a good business plan isa crucial part of any loan package.  
Additionally, it can tell your sales personnel, suppliers and others about your operations and goals.

***PRODUCTION PLAN:***

1. Production
2. Materials
3. Machinery
4. Premises

**BUSINESS PLAN**

**MARKETING PLAN:** 1. Overall market

2. Target market

3. Competition

4. Market

**MANAGEMENT:**

1. Organization structure
2. Duties
3. Qualification
4. Personnel policies

**FINANCIAL PLAN:**

1. Cost schedule
2. Cash flow
3. Income statement
4. Projections
5. Balance sheet

**What is business planning**

Business planning is the process of setting business goals and objectives forecasting resources and developing plans which will help you achieving the goals and objectives.

Therefore, business planning has the following elements:-

* 1. Setting goals and objectives
  2. Forecasting various resources
* Materials
* Financial
* Human

c. Developing activities, allocation of resources and putting them on a time scale.

These are plans.

In business the owner/manager is mainly concerned with finances and materials

**WHY DO A BUSINESS PLAN?**

It may seem like a lot of work at the outset, but a well prepared business plan can save you time and money in the long run and help you secure major contracts or funding.

Most importantly, a business plan incorporating a feasibility study will help you determine whether your idea is commercially viable and any issues you need to address or plan for along the way. It will help you:

* apply for finance from a financial institution;
* secure investors, sponsors, suppliers and staff;
* clearly outline your goals and long-term vision;
* determine the commercial viability of your idea;
* examine your business idea from many different angles;
* test your commitment and motivation;
* identify your business's strengths, weaknesses, opportunities and threats;
* develop strategies to successfully operate and market your business; and
* establish measures to evaluate your business success.

**IMPORTANCE OF PLANNING**

1. It helps the owner/ manager to set goals and objectives. Nothing can be done without a direction or being on what action is going to achieve
2. It helps the owner/ manager to think in advance about the resources he/ she will need in the business now and in the future
3. It helps the owner/ manager allocate resources properly according to the way they are needed
4. It helps the owner manager to set the standards and targets to be met both by or anybody he/ she is working with in the business.
5. It helps put work and activities on a “time- table”
6. It helps in giving clear guidelines on how everything will be done

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| **?** | **Activity to pause and reflect**  **If you were to write a business plan what areas would you consider as critical and why?** |

**TYPES OF PLANNING**

Plans in business can be seen from two ways:-

1. In terms of time
2. Various types of business

**TIME:**

Plans are either seen as long term covering 2-5 years or short term covering between 1 week- to may be a year

The long- terms plans- are usually strategic short terms and are usually routine tactical plans

**VARIUORS ASPECTS OF BUSIENSS**

They can be seen terms of the following:-

1. Financial plans
2. Production plans
3. Management and organization plans
4. Marketing plans

Whichever way you look at the process of planning it is the same.

**PROCESS OF PLANNING**

The following is the major steps in the process of planning

1. setting of business goals and objectives
2. assessment o business environment
3. assessment of business resources
4. forecasting the resources
5. assessment of alternative causes of action to achieve goals
6. selecting the best alternative
7. listing the activities to be done in accomplishing the goal and objectives
8. developing activities in terms of time when everything has to be done

**3.3 PLANNING MARKETING ACTIVITIES**

The begging of planning in business must start with sales. Without selling all the other activities the business would be useless. Production is based on what will be sold. Even staffs are there because o profit which comes from selling:-

1. The requirements (Needs and wants of the TARGET MARKET.)
2. the products needed by customers
3. Prices
4. Distribution
5. Promotional activities

**PLANNING PRODUCTION**

The other very important are that needs to be planned is production. It provides what will be sold to give revenue and profit.

The following are areas that need planning:-

1. Units to be produced in certain periods according to the needs of the market
2. The amounts of raw materials
3. The production process or systems
4. That quality assurance

**PLANNING FINANCES**

This is also called BUDGETING

The following are some o the main plans in the area of finance:-

1. Cash flow budget
2. Sales and costs budget
3. Project of your business worth( balance sheet)

**IMPORTANCE OF A BUSINESS PLAN.**

A business plan is useful in the following ways:

(1) It is a financial tool

A good business plan should provide more information than merely what is required to secure a loan from financial institution. A separate loan package will not therefore be required. It should be objectively prepared for it to be accepted by a financier.

2) A business plan is a blueprint

A business plan serves as a blue-print for starting, expanding and/or operating a business. Just as a builder draws plans before starting the construction of a house, a businessman should plan his business operations prior to implementation.

3) A business plan reduces fire fighting. Many small business persons spend time solving small problems and they never have opportunity to do anything else. By preparing a business plan, problems can be anticipated and decision as to how they should be avoided can be determined.

4) A business plan forces owners to justify their plans of action

Often, a decision is made to do something because it ‘sounds’ or feels’ right. Alternatively, something may be done because traditionally that is the way it has always been done. Preparing a business plan forces owners to prove the validity, or explain the reasoning of the plan. The ability of management is-demonstrated. All management is involved in the planning, the budgeting, forecasting and reporting process of repairing the business plan

5) A business plan tests ideas on paper

It is much better to do a business plan and find Chat the business is likely to be. Unprofitable than to start a business and find out the same thing (i.e. that it fails).

6) A business plan indicates the owner’s ability and commitment

A well prepared business plan is an important document. It shows outsiders such as loan officers, potential partners and suppliers that the owner understands the business. The fact that the owner has spent time to prepare the business plan shows commitment to the business.

The business plan has many uses. By analysing the industry market and the firm, the owner will become aware of many important issues. These issues can be put into a clearer perspective through the preparation of a written business plan. The business plan can provide guidance to employees in the firm. The documents can also be used with banks, investors and management consultants.

**QUALITIES OF A GOOD BUSINESS PLAN**

One of the reasons why you may be compelled to prepare a business plan is when you want to get a loan either from a bank, a non-bank financial institution or any other lending institution.

To you, your business is of supreme interest and importance to a bank or fund manager, your plan is just like any other document that he finds on his desk. You must win his approval and keep his interest while reading it. For it to do this, your business plan should have the following qualities:

Simplicity and clarity

Brevity

Logical

Truthful

Be backed up with figures whenever possible.

**Simplicity and Clarity**

The person reading your business plan is busy. Quite often he has other things to think about and can be attracted and motivated to read your business plan only if it is simple and clear. The following tips will aid you in this: Keep your language simple, Avoid trying to put too many ideas into one sentence, Let one sentence flow on logically from the last, Avoid ambiguous words, Tabulate wherever possible.

**Brevity: If** the banker or manager gets bored while reading your business plan, you are unlikely to get the sympathetic hearing you deserve. So prune and shorten, keeping only the essentials of what your reader ought to be told. In short, be brief and to the point.

**Logic:** The facts and ideas you present will be easier to take in and make more impact if they follow one another in a logical sequence. Avoid series of unconnected paragraphs. Also, let your chapters and headings or sub-headings follow each other systematically.

**Truth :**The business plan, as has been seen, is not only meant for acquiring a loan, it is also a blueprint, used for monitoring the operations of the business. You should therefore tell the truth in your plan. Do not overstate your case for it may do more harp; than good.

**Use of figures :**The banker or financier reading your plan thinks in terms of numbers. Words will not impress him/her unless they are backed by figures that you have made as precise as possible. Therefore, try to quantify your ideas wherever possible

**USES OF A BUSINESS PLAN**

Business plans are commonly used to:

Obtain business finance from banks, other financiers and investors

Provide guidelines for opening a new business or expanding an existing one

Serve as a tool for managing, every aspect of a business operation

Communication to outsiders the goals, objectives and activities of a business.

**THE BENEFITS OF FORMAL BUSINESS PLANNING**

1. Encourages potential entrepreneurs to establish written goals and objectives for their proposed businesses.

2. Enables potential entrepreneurs to establish written goals and objectives for their

proposed businesses.

3. Assists is identifying the potential customers, marketing opportunities, pricing strategy, promotional activities, distribution strategy and the competitive conditions needed for business success.

4. Enables identification of the number of employees needed, the skills they should possess, the tasks they will perform and the methods of remuneration to be adopted.

5. Assist entrepreneurs to establish the financial needs of a business and suggest the possible sources of finance.

6. Helps to identify critical factors or the successful entry and growth a business in a given market.

7. Exposes entrepreneurs to the whole planning, budgeting, forecast and reporting process necessary for starting or expanding a business.

**COMPONENTS OF A BUSINESS PLAN**

Executive Summary

Business description

Marketing plan

Management and operational plan

Financial plan

1. The Executive Summary is a brief of the business venture. It summarizes the business description, marketing, organizational, operational and financial plans of proposed or for an existing business enterprise. It is usually written last during the preparation of a business but appears first.

2. The business description covers, in detail, the background of the business owner, type of business, the location of the business, the products/services offered and the entry and growth strategies of the business. The business description is the first item to be written in preparing a business plan.

3. The marketing Plan describes how the business intends to sell its product (s) or offer its service(s). It identifies the customers and the competition. It also outlines the pricing, selling, promotional and distribution strategies.

4. Management and operation plan Management plan explains how the business will be staffed and coordinated to accomplish its objectives. It shows the organizational structure. It identifies key management personnel, their duties and responsibilities. It also provides proposals regarding salaries and incentives for personnel.

5. The operational plan describes how the product(s) of the business will be manufactured. It shows a breakdown of the equipment, materials and other costs which will be incurred during the production process. For a service business, the plan indicates the requirements for providing a service.

6. The financial plan determines the financial requirements of the business. It also provide proposals for sources and uses of funds. Further financial information is contained in pro-forma income statements, pro-for-ma balance sheet and projected cash-flow statement

**Preliminary pages:** cover page, acknowledgement, dedication, Executive Summary, table of content, list of tables, list of figures, acronyms

**SECTION ONE**

**Business Description** Your background

The proposed business name and the starting date

Location of the business

Major activities of the business

Uniqueness of your product/services

What attracted you to this opportunity?

Explain your plans to exploit the opportunity

What are your plans to diversity the business?

What plans do you have for growth and expansion?

**SECTION TWO The Marketing**

Identify your consumer segments

How will your products reach the customers?

Outline your competitors, their strengths and weaknesses.

Explain your competitive edge.

**SECTION THREE The Management Team**

Outline the skills and experiences of the management team

Prepare a brief profile for each member of the management team

Indicate the number and level of the other employees you require.

**SECTION FOUR Production/Operations**

Requirements —\_output and

Controls — quality and procedure

Factors considered

**SECTION FIVE Financial Plan**

Indicate the total amount of money required to finance the business.

Where will this money come from?

How, will the money be used?

State your break-even point

Indicate clearly the feasibility and profitability of the venture Carried out towards the end but follow preliminaries