CREATING AND STARTING THE VENTURE

PLANNING AS PART OF THE BUSINESS OPERATION

Planning is a process that never ends. In the early stages, the entrepreneur should prepare a preliminary plan. The plan will be finalized as the enterprise develops.

Many different types of plans may be part of any business operation-financial, marketing, production, and sales plans.

Plans may be short term or long term, or they may be strategic or operational. All of these plans have one purpose: to provide guidance and structure to management in a rapidly changing market environment.

WHAT IS THE BUSINESS PLAN

A **business plan** is a written document prepared by the entrepreneur that describes all the relevant external and internal elements involved in starting a new venture.

It addresses both short- and long -term decision making. The business plan is like a road map for the business' development.

The Internet also provides outlines for business planning.

Entrepreneurs can also hire or offer equity to another person to provide expertise in preparing the business plan. In developing the business plan the entrepreneur can determine how much money will be needed from new and existing sources.

WHO SHOULD WRITE THE PLAN

The business plan should be prepared by the entrepreneur; however, he or she may consult many sources.

Lawyers, accountants, marketing consultants, and engineers are useful supplemental sources.

Other resources are the Small Business Administration, Service Core of Retired Executives, Small Business Development Centers, universities, friends, and relatives.

To help determine whether to hire a consultant, the entrepreneur needs to make an objective assessment of his or her own skills.

SCOPE AND VALUE OF THE BUSINESS PLAN
WHO READS THE PLAN

The business plan must be comprehensive enough to address the concerns of employees, investors, bankers, venture capitalists, suppliers, and customers.

Three perspectives need to be considered:

1. The ***entrepreneur*** understands the new venture better than anyone.
2. The ***marketing perspective*** considers the venture through the eyes of the customer.
3. The ***investor*** looks for sound financial projections. The depth of the business plan depends on the size and scope of the proposed venture.

The business plan is valuable to the entrepreneur and investors because: It helps determine the feasibility of the venture in a designated market.

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The business plan is valuable to the entrepreneur and investors because:

1. It helps determine the feasibility of the venture in a designated market.

2. It gives guidance in organizing planning activities.

3. It serves as an important tool in obtaining financing. Potential investors are very particular about what should be included in the plan. The process of developing a business plan also provides a self-assessment of the entrepreneur.

HOW DO POTENTIAL LENDERS AND INVESTORS EVALUATE THE PLAN

Potential suppliers of capital will vary in their needs and requirements in the business plan. Lenders are primarily interested in the ability of the new venture to pay back the debt and focus on the four C's of credit:

1. The entrepreneur's credit history or *character.*
2. Their ability to meet debt and interest payments (*cash flow*.)
3. The *collateral* or tangible assets being secured.
4. *Equity contribution* or the amount of personal equity that has been invested by the entrepreneur.

PRESENTING THE PLAN

It is often necessary for an entrepreneur to orally present the business plan to investors. Typically the entrepreneur provides a short (10 -20 minutes) presentation of the business plan. The entrepreneur must sell their business concept in a short time period. A venture capitalist or angel group may also ask the entrepreneur to present the plan to their partners before making a final decision.

1. To identify information needs and sources for business planning.
2. To enhance awareness of the ability of the Internet as an information resource and marketing tool
3. To present helpful questions for the entrepreneur at each stage of the planning process.
4. To understand how to monitor the business plan

INFORMATION NEEDS

Before preparing a business plan, the entrepreneur should do a quick feasibility study to see if there are possible barriers to success. The entrepreneur should clearly define the venture's goals, which provide a framework for the business plan. The business plan must reflect reasonable goals.

Market Information

It is important to know the market potential for the product or service.

The first step is to define the market. A well-defined target market makes it easier to project **market size** and **market goals**. To assess the total market potential, the entrepreneur can use trade associations, government reports, and published studies.

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Operations Information Needs

The entrepreneur may need information on:

- Location
- Manufacturing operations
- Raw materials
- Equipment
- Labor skills
- Space
- operating cost

Each item may require some research but is needed by those who will assess the business plan.

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Financial Information Needs

Before preparing the plan, the entrepreneur must evaluate the profitability of the venture through the following:

1. Expected sales and expense figures for the first three years
2. Cash flow figures for the first three years
3. Current balance sheets and pro forma balance sheets for the next three years Determination of expected sales and expenses is based on the market information gathered earlier. Estimates of cash flow will consider the ability of the new venture to meet expenses at designated times. Current balance sheet figures show the assets, liabilities, and investments made by the owner.

USING THE INTERNET AS A RESOURCE TOOL

Thanks to technology, entrepreneurs are able to access information efficiently, expediently, and at very little cost.

The **Internet** can serve as an important source of information in preparing the business plan.

Information on industry analysis, competitor analysis, and measurement of market potential can be located.

In addition, the Internet also provides opportunities for actually marketing the new venture’s products. A web site, or home page, typically describes a firm’s history, existing products, background of the founders, and other information to create a favorable image.

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The web site can be a vehicle for advertising or for direct marketing.

Many new ventures use web pages to increase sales contacts and reach potential customers.

An entrepreneur can also access competitors' web sites to gain knowledge of their strategy in the marketplace.

To gather information anonymously the entrepreneur can also investigate newsgroups. All that is needed to use these sources is a small investment in hardware and software.

WRITI NG THE BUSINESS PLAN

The business plan should be comprehensive enough to give a potential investor a complete understanding of the venture

Introductory Page

The title page provides a brief summary of the business plan's contents, and should include:

1. The name and address of the company
2. The name of the entrepreneur and a telephone number
3. A paragraph describing the company and the nature of the business
4. The amount of financing needed
5. A statement of the confidentiality of the report It also sets out the basic concept that the entrepreneur is attempting to develop.

Executive Summary

This is prepared after the total plan is written. It should be one to two pages in length and should highlight the key points in the business plan.

The summary should highlight in a concise manner the key points in the business plan. Issues that should be addressed include:

1. Brief description of the business concept
2. Any data that support the opportunity for the venture.
3. Statement of you this opportunity will be pursued.
4. Highlight some key financial results that can be achieved Because of the limited scope of the summary, the entrepreneur should ascertain what is important to the audience to whom the plan is directed.

Environmental and Industry Analysis

The entrepreneur should first conduct an **environmental analysis** to identify trends and changes occurring on a national and international level that may impact the new venture. Examples of environmental factors are:

Economy Culture Technology Legal concerns All of the above external factors are generally uncontrollable Next the entrepreneur should conduct an **industry analysis** that focuses on specific industry trends.

Some examples of industry analysis : SWOT, PEST, STEER, PORTER five forces……..

Description of the Venture

The description of the venture should be detailed in this section.

This should begin with the mission statement or company mission, which describes the nature of the business and what the entrepreneur hopes to accomplish.

The new venture should be described in detail, including the product, location, personnel, background of entrepreneur, and history of the venture.

The emphasis placed on location is a function of the type of business. Maps that locate customers, competitors, and alternative locations can be helpful. If the building or site decision involves legal issues, the entrepreneur should hire a lawyer.

Production Plan or Operations Plan

If a new venture is a manufacturing operation, a production plan is necessary.

This plan should describe the complete manufacturing process, including whether or not the process is to be subcontracted.

If the manufacturing is carried out by the entrepreneur, the plan should describe the physical plant layout and machinery and equipment needed.

If the venture is not manufacturing, this section would be titled *operational plan*. The entrepreneur would need to describe the chronological steps in completing a business transaction

Marketing Plan

The marketing plan describes how the products will be distributed, priced, and promoted. Potential investors regard the marketing plan as critical to the venture’s success.

Organizational Plan

The organizational plan section should describe the venture's form of ownership. If the venture is a corporation, this should include the number of shares authorized, share options, and names and addresses of the directors and officers.

It is helpful to provide an organization chart indicating the line of authority. This chart shows the investor who controls the organization and how members interact.

Assessment of Risk

It is important that the entrepreneur make an assessment of risk in the following manner: The entrepreneur should indicate the potential risks to the new venture.

Next should be a discussion of what might happen if these risks become reality.

Finally the entrepreneur should discuss the strategy to prevent, minimize, or respond to these risks.

The entrepreneur should also provide alternative strategies should these risk factors occur

Financial Plan

The financial plan determines the investment needed for the new venture and indicates whether the business plan is economically feasible. The entrepreneur should summarize the forecasted sales and expenses for the first three years. Cash flow figure for three years are needed, with the first year’s projections provided monthly. The projected balance sheet shows the financial condition of the business at a specific time.

USING AND IMPLEMENTING THE BUSINESS PLAN

The business plan is designed to guide the entrepreneur through the first year of operations.

- It should contain control points to ascertain progress.
- Planning should be a part of any business operation. Without good planning the employees will not understand the company's goals and how they are expected to perform their jobs.
- Bankers say that most businesses fail because of the entrepreneur's inability to plan effectively.
- The entrepreneur can enhance efficient implementation of the plan by developing a schedule to measure programs and to institute contingency plans.

Measuring Plan Progress

Plan projections will typically be made on a 12-month schedule, but the entrepreneur should check key areas more frequently.

Inventory control by controlling inventory, the firm can ensure maximum service to the customer. Production control Compare the cost figures against day-to-day operating costs.

1. Quality control Quality control depends on the type of production system used.
2. Sales control Information on units, dollars, and specific products sold should be collected.
3. expenditures.
4. The new venture should control the amount of money paid out

WHY SOME BUSINESS PLANS FAIL

A poorly prepared business plan can be blamed on:

- Goals set by the entrepreneurs that are unreasonable.
- Goals those are not measurable.

To be successful

- Goals should be specific.
- They should also be measurable and should be monitored over time.

The entrepreneur who has not made a total commitment to the business will not be able to meet the venture's demands of the venture. Investors will not be positive about a venture that does not have full-time commitment. Investors will typically expect the entrepreneur to make significant financial commitment to the business. Lack of experience will result in failure unless the entrepreneur can gain knowledge or team up with someone. The entrepreneur should also document customer needs before preparing the plan