**BUSINESS PLANNING**

**Plannin**g is the decision making that is, deciding what to do, how to do it and when to do it. It involves determining the future course of action.

**Business planning** is an activity that involves the organisation, implementation and follow-up the different business activities right from the beginning of the business. It is normally done in a more organized way through preparing **a business plan.**

**BUSINESS PLAN**

**A business plan** is written document that summaries the operational and financial objectives of a business and contains the detailed plans and budgets showing how the objectives are to be realized.

**Or**

**A business plan** is a document that reviews the operations, finances and objectives of a business.

**TYPES OF BUSINESS PLANS**

**Formal business plans**. A formal business plan is a detailed document that usually follows a standard format. They are necessary for securing outside funding for a business.

**Informal business plans**. These are ones that consist of almost anything. Informal business plans are not presented to other people/organisations. They are merely a planning tool for the business owner.

**USERS OF THE BUSINESS PLAN.**

**Internal users/internal stakeholders.**

* **The entrepreneur/management.** The business plan is used by the entrepreneur to enable him/her be aware of the variable that can affect the business success or failure and in anticipating market for his/her products.
* **Employees.** The business plan shows each employee duties and responsibilities which help the work towards accomplishment of set goals or targets. Therefore, workers use it to know where the business is going and their role in it.

**External users/external stakeholders**

These are users of the business plan who come from outside the business. They include;

* **Financiers.** Financiers such as banks, individuals and investors require the business plan to enable them understand the business itself, the type of goods/services it is planning to produce, the nature of market and qualifications of the entrepreneur and staff.
* **Suppliers**. A business plan serves as an effective tool to use with prospective suppliers. With it, suppliers can extend trade credit which is a source of funds to the business. A well-presented business plan can be helpful in gaining a supplier’s trust and securing favourable credit terms.
* **Government**. Government departments such National Environment Management Authority and tax authorities require a business plan to monitor and control the various activities of the business like environmental protection against pollution.
* **Customers**. A well-presented business plan can assure customers and if they are convinced that a business or a company will exist for many years, they will gain confidence and become loyal to its products.

**FEATURES OF EFFECTIVE BUSINESS PLANNING/PLAN**

* Planning for the business should be a process not an event to ensure focus, commitment and understanding.
* The business planning process should be continuous, frequently reviewed and updated for example, after a year of successful business operation.
* It should directly involve every one accountable for implementing the business plan to secure deep understanding and commitment.
* Business planning should be led but not constrained by strategy.
* Should be made in simple and clear language to ensure effective communication and action.
* Should have a good understanding of clients, the target market, competitors and macroeconomic factors affecting the organisation.
* It should attempt to balance the analysis of the external environment with clear understanding of its internal resources and competences.
* The organisation’s strategic purpose and intent should derive from decisions about how best to manage its resources and competences in order to prosper in the environment in which it operates.
* The business planning process should seek to capture what the organisation has learned from its past, from its competitors, suppliers and customers and from its own people.
* Plans should be defined in terms that are measurable, but also ensuring that frequent reviews examine progress and plans themselves.

**STEPS INVOLVED IN PREPARING A BUSINESS PLAN**

* Selecting a business opportunity or type of business to engage in. This involves scanning the environment to generate many business ideas to choose from.
* Conducting market survey for the selected type of business. This involves checking whether the entrepreneur’s chosen business idea can be developed into a profitable business in terms of fulfilling the market needs.
* Collecting all the relevant data concerning the different aspects of business and establish the costs of different items like machinery and equipment, raw materials, transport etc.
* Drafting the business plan to be discussed with experienced people. This business plan enables the entrepreneur to know how the business will be organized, establish the amount of money needed to start and run the business before starting it.
* Discussing the drafted business plan with technical/knowledgeable or experienced people in similar business.
* Making a final business planning after having discussion with knowledgeable people.
* Finalizing the business planning process by preparing an action plan for implementation of the planned activities.

**STRUCTURE/COMPONENTS/ELEMENTS OF A BUSINESS PLAN**

These refer to the essential elements that make up an effective business plan. These include:

**Executive summary**. This refers to the brief description of the key points of the business plan.

**General description of the business/company overview**. This gives information about the name, address, location, type, products, target market and SWOT analysis of the business being planned.

**Statement of mission, goals and objectives.** This gives the purpose of the business, its long term and short term targets.

**Marketing plan.** This is an analysis of the possible position and opportunities of the business being planned in the present market situation.

**Production plan**. This is an analysis of the projected needs for producing the proposed good or service.

**Organizational/management plan**. This is an analysis of the management philosophy of the business, the legal form of the company, key management personnel and key employment policies and benefits.

**Financial plan.** This is an analysis of the financial requirements and source of funding of the proposed business.

**Action/implementation plan**. This refers to the time table for implementing the proposed business activities in a logical order.

**DETAILED ANALYSIS OF THE ELEMENTS OF THE BUSINESS PLAN**

**EXECUTIVE SUMMARY**.

Executive summary refers to the brief description of the key points of the business plan.

**OR**

It is a summary of the most important information from each section of the business plan.

**STRUCTURE OF AN EXECUTIVE SUMMARY**

***(Content of an executive summary)***

The content of the executive summary varies between startups and established businesses.

**CONTENT OF THE EXECUTIVE SUMMARY** ***(for a startup business)***

* **The back ground about the business/overview of the business**. This indicates the name and nature of the business, its location, address and ownership of the business, when it was started and the insights about the industry.
* **Description of the founders and their backgrounds**. This looks at the key members of the business, their backgrounds and roles.
* **Statement of mission, goals and objectives.** This looks at the main reason what the business exists, its long term and short term targets.
* **Target market.** This looks at the likely customers of the business being planned and need/problem the business seeks to solve.
* **The products/ services the business offers**. This explains the key products or services that the business intends to offer to serve a need.
* **The competitive advantage of the business**. This explains the conditions that will put the business in a favourable position over its competitors.
* **Overview of sales and marketing strategy.** This explains how a company intends to promote and distribute its product and how to get the particular customer to buy the product.
* **Growth projections**. This looks at the company’s revenue growth rate, customer growth rate and other indicators of a company’s success.
* **Financial requirements of the business**. This looks at the how much money is needed to finance the proposed business activities, how the money will be raised and how it will be used.
* **Future plans**. This looks at where the business is heading, what expansion plans exist and what the business will look in future like in the next five years.
* **Implementation plan.** This shows how you intend to get the business from planning to opening.

**CONTENT OF THE EXECUTIVE SUMMARY** ***(for an established business business)***

* **The back ground about the business/overview of the business**. This indicates the name and nature of the business, its location, address and ownership of the business, when it was started and the insights about the industry.
* **Description of the founders and their backgrounds**. This looks at the key members of the business, their backgrounds and roles.
* **Statement of mission, goals and objectives.** This looks at the main reason what the business exists, its long term and short term targets.
* **Target market.** This looks at the likely customers of the business being planned and need/problem the business seeks to solve.
* **The products/ services the business offers**. This explains the key products or services that the business intends to offer to serve a need.
* **The competitive advantage of the business**. This explains the conditions that will put the business in a favourable position over its competitors like cost saving techniques and industry ties.
* **Growth projections**. This looks at the company’s revenue growth rate, customer growth rate and other indicators of a company’s success.
* **Financial requirements of the business**. This looks at the how much money is needed to finance the proposed business activities, how the money will be raised and how it will be used.
* **Future plans**. This looks at where the business is heading, what expansion plans exist and what the business will look in future like in the next five years.

**Importance of an executive summary**

* Summarises the key points of business plan for the readers.
* Indicates information that investors need to see without having to read the entire business plan.
* Gives a foundation for writing the entire business plan.
* Helps to condense the business plan and focus on key issues in developing the business.
* Helps to identify the most important parts of the entire business plan and hence prioritize.
* Helps to distinguish an organisation from others.
* Creates a memorable first impression.

**STATEMENT OF MISSION, GOALS AND OBJECTIVES**

**Mission statement**. This is a brief statement that indicates the purpose of the business. A mission is a very reason why an organisation exists.

The mission statement seeks to answer the why and how questions that is, what the business intends to solve and how it will achieve this objective.

Example of the mission statement: e.g. To provide quality dairy products while ensuring that our customers are satisfied, our employees are in a conducive working environment and that our shareholders are expecting good returns from their investment.

**Uses of a mission statement**

* It indicates / defines the purpose of the business
* It helps to distinguish an organisation from others
* It helps to keep an organisation focused.
* It helps in communicate the direction of the organisation
* It helps to make day-to-day operating decisions
* It helps to motivate employees by indicating their objectives as a team.
* It attracts people who support it.
* It creates action rather than reaction.
* It attracts opportunities and helps an enterprise to maximize them.
* It enables an organisation to gain strength and stand chances in the market.

**GOALS STATEMENT.**

A goal is a long-term target that a business intends to achieve in a given period of

time using a given amount of resources.

Or

It is a target that a business seeks to achieve in a period above one year.

**EXAMPLES OF GOALS IN BUSINESS**

* To increase sales by 20% in two years.
* To increase profits by 30% in five years.
* To increase output by 25% in three years.
* To increase market share by 50% in three years.
* To reduce costs of production by 30% in two years.

**OBJECTIVES STATEMENT.**

Objectives are short term targets that an entrepreneur sets to achieve the established goals.

OR

They are specific targets that must be achieved in a specific period.

**EXAMPLES OF OBJECTIVES IN BUSINESS.**

* To increase sales by 10% in one year.
* To increase profits by 5% in one year.
* To increase output by 10% in nine months.
* To increase market share 15% in one year.
* To reduce costs of production by 10% in one year.

**QUALITIES/CHARACTERISTICS OF GOOD BUSINESS GOALS/OBJECTIVES**

**Should be specific.** A good goal should be clear on what should be achieved to guide the manager’s action. For example, To increase profits by 15% in the next 5 months.

**Should be measurable.** A good goal should be able to measure and compare performance to the set standards for example if one targets a 10% increase in sales, there is a way of measuring it.

**Should be attainable/Achievable.** This means an entrepreneur must project something that is within his/her capabilities for example an objective to increase sales by 10% must be something he/she may have achieved before or based on efficiency and effectiveness of the firm’s marketing strategies.

**Should be realistic.** A good goal should be achievable given the available resources, entrepreneur’s capacity and legal regulations. It must be based on certain known paramaters.

**Should be time bound.** It should have a target time within which it should be achieved for example increasing sales by 10% in 1 year.

**IMPORTANCE OF SETTING GOALS IN BUSINESS.**

* Goals provide guidance and direction.
* Facilitate planning.
* Motivate and inspire employees.
* Help organisations to evaluate and control performance.
* Help in proper resource allocation
* Help in prioritizing business activities and expenditure.

**ACTION STEPS**

Action steps refer to the efforts that are made to reach set goals.

**CHARACTERISTICS OF GOOD ACTION STEPS**

* Should take into account external factors and constraints.
* Should have a single and clearly defined objective.
* Should be simple.
* Should be clear.
* Should be comprehensive.
* Should be flexible.
* Should be economical.
* Should be practicable.
* Should be concrete.
* Should establish standards to be achieved.

**NEED FOR ACTION STEPS**

* To stay focused on achieving the set goal.
* To decide on workable ways to reach set goals.
* To save time, energy and resources in the long run.

**MARKETING PLAN/MARKET ANALYSIS**

A marketing plan is an analysis of the possible position and opportunities of a business being

planned in the present market situation.

**OR**

It is an analysis of the marketing objectives, strategies and activities to be followed so as to have improved marketing of the proposed good or service in order to fight competition.

**FACTORS CONSIDERED WHEN PREPARING THE MARKETING PLAN.**

**(*Elements/components/areas/aspects covered by the marketing plan)***

**The target market**. Under this, the entrepreneur establishes who his/her most likely customers are, where they are located, their needs and how often they buy goods and services of the entrepreneur.

**Market survey/market research.** This involves identifying on going trends and opportunities in the industry like consumer habits, current sales, market size, market growth or decline and any other current trends in the market.

**Product or service to be offered**. Here, the entrepreneur describes his/her main products or services and their value to the customers, establishes how the products are packed and the features which make his products or services from those of competitors.

**Position of the competitors**. Here, the entrepreneur establishes the position of firms dealing in similar products like his/hers and those firms dealing in products that may be substituted for his/her (indirect competitors) in the market he is trying to enter. He/she also analyses their weakness and strength.

**Pricing strategies and policies**. Under this aspect, the entrepreneur determines the prices at which he/she is to offer his/her products or services while putting into consideration the current market prices of similar or substitute products.

**Sales targets**. The entrepreneur establishes the total projected sales per a given period of time for instance per week, per month etc.

**Distribution strategy**. This involves selection of the best distribution channels for goods and services in respect of reaching many customers and are cost effective.

**Sales promotion and advertising strategy**. This involves selecting the various ways through which entrepreneur will communicate and influence the customers.

**Terms and conditions for selling**. Here, entrepreneur establishes the terms of sale he is going to adapt for instance selling on credit, cash basis or installment selling.

**Projected marketing expenses**. Here, the entrepreneur has to establish the expenses he/she is likely to incur in marketing his/her products or services for example advertising and sales promotion expenses, commission paid to sales representatives etc.

**BENEFITS/MERITS/IMPORTANCE OF PREPARING A MARKETING PLAN TO AN ENTREPRENEUR**

* Used to analyse the possible position and opportunities of business being planned in the present market situation.
* Used to analyse the marketing objectives, strategies and activities to be followed in the proposed good or service in order to fight competition.
* Gives a foundation for writing the entire business plan.
* Used to determine ongoing trends and opportunities in the industry.
* Helps to establish the entrepreneur’s target customers and their needs.
* Helps to identify the product to be offered to the market and its attributes.
* Determines the position of the entrepreneur’s competitors in terms of their strength and weaknesses.
* Used to determine the prices at which the entrepreneur is to offer his products or services.
* Used to establish the total projected sales per a given period of time for instance per month.
* Used to establish the total projected profits per a given period of time basing on sales forecasts.
* Used to select the best distribution channels for goods and services in respect of reaching many customers and are cost effective.
* Used to establish the best sales promotion and advertising strategies to influence the customers.
* Establishes the terms of sale the entrepreneur is going to adopt for instance selling on cash, credit basis or installment selling.
* Used to draft marketing budgets basing on projected marketing expenses per a given period of time.
* Enables the entrepreneur to set marketing objectives.

**THE PRODUCTION PLAN/OPERATIONS PLAN**

A production is an analysis of the projected need for producing (manufacturing) the proposed

goods or services (product). It involves how the entrepreneur is going to carry on production of the proposed goods and services.

**FACTORS CONSIDERED WHEN PREPARING THE PRODUCTION PLAN.**

**(*Elements/components/areas/aspects covered by the marketing plan)***

**Business site and its location.** Under this aspect, an entrepreneur will have to establish where to locate his business as well as the cost of land (site) and its size. He/she will have to give reasons as to why he chose this location and estimate the cost of putting up the business buildings.

**Production/ manufacturing process, flow of work and layout**. Under this aspect, the entrepreneur is expected to show the flow of work and layout, how the machines will be laid

down and how they will be used.

**Plant capacities required**. This involves establishing the abilities of production

machines in relation to meet the demands of the market both in the short and long run.

**Quantities to be produced or services to be provided and their delivery** **at different schedules**. Quantity to be produced is determined by the target market one is serving that is, the number of customers for business.

**Machinery and equipment to be used in production.** This involves establishing the type of machinery and equipment to be used while considering various factors likecost, machinery and equipment, their production capacities etc.

**Raw material to be used**. Here, the entrepreneur establishes the type of raw materials he/she will use to make his/her product(s) while considering various factors like the cost of raw materials, their quality etc.

**Labour requirements**. Here, the entrepreneur establishes the type of workers he/she will use in production, the skills, how much will be paying them, other incentives and safety of workers during production.

**Packaging**. Under this aspect, the entrepreneur establishes how the products are to be packed, where to buy the packaging materials and their costs, how much will be required per production cycle, how much to stock and how much the packaging materials will be stored properly.

**Utilities that will be needed by the business.** Here, the entrepreneur establishes whether the business requires utilitiese.g. water, power, telephone and at what cost.

**Means of transporting raw materials and finished products**. Here, the entrepreneur establishes how raw materials will be moved to the production centre and how finished products will be delivered to the target market.

**Inventory control plans for stock, work in progress and finished goods(products).** This aspect requires the entrepreneur to establish tools he/she will control inventory for example lead time, re-order level etc.

**Disposal of the waste products**. Here, entrepreneur establishes the amount of wastes he has, how waste products will be disposed off and at what cost, can the waste converted into other products that is, can they be recycled?

**Production control requirement**. Production control refers to the activities under taken to ensure that the product is produced in the shortest time possible and at the right time using the best and cheapest method but of the correct quality.

**The level of finance required for investment in production of the intended products.**

**Research and development plan about department s in production and new methods of production.**

**IMPORTANCE/BENEFITS OF PREPARING A PRODUCTIION PLAN**

* Helps to establish the projected needs for producing the proposed good or service.
* Gives a foundation for writing the entire business plan.
* Guides in selecting strategic location for the proposed business.
* Helps to implement the planned process in such a way that maximum output is achieved.
* Used to plan and manage the materials and capacities based on customer needs.
* Enables the company to meet customer demand and achieve other goals efficiently and with high quality.
* Promotes good public image through meeting customer demands efficiently.
* Helps to organize production facilities like machines and labour to achieve stated production objectives.
* Helps in optimum scheduling of resources like materials, labour, production machines and time.
* Ensures effective use of machinery, tools and equipment.
* Helps to coordinate with other departments relating to production to achieve regular production flow.
* Helps to make adjustments in production in line with changes in demand and orders.
* Used in coordinating work schedules to ensure customer satisfaction.
* Reduces idle time and associated costs through work scheduling.
* Facilitates better control of inventory in business.
* Facilitates proper waste disposal in business.
* Identifies the production standards and quality objectives to be maintained during production.
* Facilitates research and development plans about new methods of production.
* Helps in monitoring changes in technology that can affect the production process.

**ORGANIZATIONAL PLAN/ADMINISTRATIVE PLAN/HUMAN RESOURCE PLAN/MANAGEMENT AND OPERATIONS PLAN.**

An organizational plan is analysis of the frame work around which the people machinery/equipment and other physical products of the plan are put together to have a

moving or successful organisation.

Or

This is an analysis of the management philosophy of the business, the legal form of the company, key management personnel and key employment policies and benefits.

**COMPONENTS OF AN ORGANIZATIONAL PLAN**

**Organizational structure/chart.** This looks at the reporting relationships, tasks and responsibilities of the workers.

**People working in the organisation**. This looks at number of workers to be employed their qualifications, experience, skills and age.

**Tasks, duties and responsibilities of workers.**

**Workers’ qualifications.**

**Workers’ pay/salaries and wages.**

**Fringe benefits to be given to workers** like allowances such as medical, transport, lunch, housing etc.

**IMPORTANCE OF PREPARING AN ORGANIZATIONAL PLAN.**

* Defines the management philosophy of the business.
* Defines the legal form of the company.
* Defines the key management personnel and key employment policies and benefits.
* Gives a foundation for writing the entire business plan.
* Facilitates organizational recruitment by specifying the people to work in the business and the required qualifications.
* Helps to determine workers’ pay and fringe benefits.
* Helps to minimize overlapping of functions by specifying tasks, duties and responsibilities of workers.

**THE FINANCIAL PLAN/FINANCIAL SUMMARY**

A financial plan is analysis of the financial requirements of the proposed business.

Or

Financial planning is a section of the business plan that deals with estimating the business operations in monetary terms.

**CONTENTS OF A FINANCIAL PLAN**

* Sources of business funds like own funds, grants, trade credits, short-term loans etc.
* Business startup costs.
* Fixed capital requirements
* Working capital requirements
* Projected business sales
* Profitability statement of the business that is, gross profit, net profit and breakeven point
* Projected statement of financial position
* Balance sheet showing the financial position of the business
* Projected cash flows statement of the business.
* Sensitivity analysis
* Breakeven analysis of the business.

**IMPORTANCE OF PREPARING A FINANCIAL PLAN**

* Defines the financial requirements of the proposed business.
* Gives a foundation for writing the entire business plan.
* Defines the business start-up costs, ongoing costs and plan for financing the business.
* Includes financial statements that help to forecast future financial stand of the business.
* Helps an entrepreneur to get financial assistance from banks or individual investors.
* Defines the projected statement of financial position of the business.
* Defines the projected cash inflows and cash outflows of the business.
* Helps to establish when the business is to breakeven.
* Used in calculating taxes to be used by the business.

**Note.**

The financial plan therefore focuses on the estimation of the total capital requirements of a business. Businesses require different forms of capital that is, fixed capital requirements, working capital requirements, start-up costs and overheads.

1.**STARTUP CAPITAL/INVESTMENT CAPITAL/PRE-OPERATING COSTS**.

This means money that a person starting a business will have to pay before his/her business starts operating. The money needed for these payments is invested in the business as long as the business is operating.

**Examples of investment capital**

* Buying land
* Site preparation costs
* Construction of buildings
* Purchasing machinery, tools and equipment and office furniture
* Machine installation costs.
* Installation costs for utilities like water and electricity
* Staff training costs (machine operators)
* Insurance premiums
* License fees
* Legal fees
* Company formation and registration expenses
* Consultancy fees about the project.
* Publicity and advertisement costs
* Feasibility study costs
* Market survey costs
* Production trial costs
* Recruitment costs
* Management of project implementation costs

2. **FIXED CAPITAL**.

This refers to the money held up in permanent fixed assets of a business. Fixed capital consists of property held permanently for continuous use in the production process usually for more than one year.

**EXAMPLES OF FIXED CAPITAL ITEMS**

* Land
* Buildings
* Machinery, tools and equipment.
* Furniture
* Motor vehicles
* Fixtures and fittings

**3. WORKING CAPITAL/INITIAL OPERATING PAYMENTS**.

This is money used in the day-to-day running of the business. It is the net of current assets and current liabilities.

**Examples of working capital**

* Direct raw materials
* Stocks
* Supplies of stationery
* Fuel/transport
* Direct labour costs
* Spare parts
* Cash for uncertainties.
* Marketing expenses

**4. Overheads/indirect costs**.

These refer to the costs met by a firm regardless of the level of output produced.

**FORMS OF OVERHEADS**

**Selling and distribution overheads.** These are indirect expenses incurred during the selling and distribution of goods and services. These include:

* Advertising
* Sales promotion
* Delivery expenses
* Wages to sales men
* Insurance of delivery vans
* Free gifts and samples

**Indirect expenses**

* Rent
* Insurance
* Electricity
* Telephone
* Office expenses,
* Operating license

**Administrative over heads**. These are indirect costs incurred by the business during the formulation of organisation policies, direct control, management and supervision of its affairs. Examples include:

* General expenses
* Administrative salaries and allowances
* Postage and stationery
* Depreciation of office equipment
* Telephone expenses
* Heating and lighting

**BUSINESS IMPLEMENTATION PLAN (ACTION PLAN)**

**An action plan** is a management tool that involve laying out a series of sequenced steps that enable an entrepreneur to implement the planned activities of the business in a sequenced way so as to meet its set targets.

Or

**An action** **plan** refers to the timetable for implementing planned business activities in a logical order.

**Format of an action plan**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Activity** | **Time frame** | **Resources needed** | **Person in charge** | **Indicators of success** | **Remarks** |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |

**IMPORTANCE OR USES OF AN ACTION PLAN TO AN ENTREPRENEUR**

* Helps and guides the entrepreneur to remain focused during implementation of his business activities.
* Helps an entrepreneur to identify business obstacles in advance and take appropriate measures to overcome them.
* Helps the entrepreneur to locate the various sources of information and the resources needed for a business.
* Helps an entrepreneur to identify strength, weaknesses, opportunities and threats of the business and those of competitors.
* Helps in allocating responsibilities to workers in the business.
* Guides the entrepreneur in decision making.
* Helps the entrepreneur to budget and determine how much to spend on the project.
* Helps the entrepreneur to obtain information (feedback) on the progress of the business.
* Acts as a timetable for implementing business activities in a logical order.
* Helps in monitoring business activities during implementation.

**Conditions/circumstances under which a business plan may be required.**

* When seeking funding, investments or loans.
* When searching for a new partner or co-funder
* When experiencing slow growth and need a change.
* When there is need to attract, hire and retain top talent.

**RATIONALE FOR WRITING A BUSINESS PLAN (OBJECTIVES, AIMS AND**

**PURPOSE)**

* To communicate who the business is, what it plans to do and how it plans to do it.
* To attract, hire and retain top talent.
* To test the feasibility of the business idea that is, whether or not an idea for starting a business is possible with the available resources.
* To give the business the best possible chance of success. This is through paying attention to both the operational and financial objectives of the business such as budgeting and marketing planning.
* To secure funding such as bank loans or individual lenders to keep operating or to expand it.
* To attract investors. Investors normally need a well-written document they can take away and
* study before they make any investment commitment.
* To make business planning manageable and effective by defining the specific goals and objectives of the business.
* To provide the entrepreneur with information about where the business is going.
* To control and monitor the performance of the business overtime
* In order to calculate and pay the exact amount of tax to the government.
* To encourage the entrepreneur to think about it in systematic and focused way.
* To develop a timetable for implementation of various business activities in a sequenced way.
* To assist the entrepreneur to select the most suitable business opportunity based on his/her ability to meet the business needs.
* To identify challenges in advance and lay strategies of overcoming them.
* To enable the entrepreneur to obtain permission operate legally.
* To aid investment decision making such as merging.

**IMPORTANCE OF PREPARING A BUSINESS PLAN**

* Helps in adequate preparation for the business. It encourages an entrepreneur to think through his business thoroughly in order to prepare for identified sensitive areas which will need more attention.
* Helps an entrepreneur in defining specific goals and objectives which serves as a bench mark to measure the progress of the business in implementing the plan.
* Facilitates business monitoring based on the set goals and objectives as a standard of measurement such that any deviation from the set plans can be detected from and corrected in time.
* Encourages an entrepreneur to be and remain focused by thinking about the business he/she is in now and business he/she wants to have in future.
* Acts a time table for implementing business activities in a logical manner
* Helps an entrepreneur in accessing financial assistance from the lenders. It is through the business plan that lenders will determine whether to fund the project or not and how much it will inject in.
* Eases the work of an entrepreneur as his/her employees will use it to know the business objectives or targets in terms of production, profitability, it will also clearly state their duties and responsibilities plus their related remuneration.
* Facilitates easy decision making as it clearly spells out the expected cash inflows and outflows of the designed business.
* Shows the feasibility and viability of the business thereby enabling an entrepreneur to determine whether to carry on with the opportunity or try other
* business alternatives.
* Enables the government and local tax authority to determine the tax revenue to be paid by the business and likely effects of the business to the environment.
* Assists the entrepreneur to select the most suitable business opportunity based on his/her ability to meet the business needs.
* Helps the entrepreneur to identify challenges in advance and lay strategies of overcoming them.
* The business plan enables the entrepreneur to obtain permission operate legally.
* Used to aid investment decision making such as merging.

**MONITORING OF BUSINESS OPERATIONS**

Monitoring of business operations involves the activities of managing and controlling the business properly so as to obtain the desired objectives of the business like profit target.

After planning and setting up a business, the entrepreneur has to closely monitor and control all aspects of his/her business operations to ensure that the desired objectives of the business are being achieved. This is done through employing various techniques usually referred to as monitoring tools.

**MONITORING TOOLS USED IN A BUSINESS**

These are the established techniques that an entrepreneur can use to monitor and control the performance of his business.

Monitoring tools vary from one type of business to another. These include the following:

**Sales targets.** The entrepreneur uses sales targets by periodically comparing the planned sales of the actual sales and find ways of how to overcome the weaknesses in case of failure to achieve the set targets.

**Production targets.** These help the entrepreneur to monitor the business by periodically comparing the planned output and each actual output and devise ways how to overcome the weakness in case failure to achieve the set targets.

**Stock record.** Stock records helps and entrepreneur to monitor the inflow and outflow of the stock in the business by keeping update records regarding stock. It involves the use of tools for effective store management like stock taking, use of stock cards. Through stock records an entrepreneur will be able to know the amount of stock sold and the stock that has remained in the business.

**Cash flow statement.** This enables an entrepreneur to know in advance his/her likely cash position that is, whether a deficit or surplus and prepare accordingly. A cash flow statement shows whether the business will have enough cash to cover its projected expenditure or not.

**Books of accounts.** Examples include cash books, purchases day book, sales day book, receipt books among others whose records can be audited daily, weekly or monthly to monitor the performance of the business for example cash balances in the cashbooks.

**Departmental reports.** These help the entrepreneur to compare the actual performance with the set targets and make strategies to overcome the weaknesses in case of failure to achieve them.

These involve making of written information by departmental heads about the performance of each department in relation to set goals.

**Sources of business funds like loans.** The lenders always have a keen interest in the borrowing business to ensure that the borrowed funds are managed effectively and repaid promptly. Failure to pay the borrowed funds according to the loan installment agreed upon indicates poor performance in the business.

**Balance sheet.** This serves as a monitoring tool drawn to show the financial position of

the business as at a particular period of time usually at the end of trading year. It shows

the relationship between the business assets and liabilities for instance the working capital of the business at a particular time.

**Work order forms.** These are monitoring tools purposely prepared to keep an accurate record of customer’s orders and allocate the work to the workers. They help the entrepreneur to maintain control on the work to be done.

**Format of a work order form**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Date | Customer Name | Name Description  Of Work | Employee  No. | Start  Time | End Time | Work  Order No. |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |

**Work schedules.** These are particularly made to help an entrepreneur in proper management of time by the workers. Worker schedules must be carried out on a daily basis and they should be flexible to adjust to different forms of changes/ descriptions. They indicate the date, activity to be done when to start and finish it, the person in charge as well as the person who will supervise the assigned work. After preparing the work schedules all workers should get a copy. Work schedules help entrepreneurs to keep the workers busy on the job as well as satisfying his customers since their work will be completed well and on time.

**Format of work schedule**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Date | Activity/Description  Of Work | Worker | Supervisor | Start Time | End Time |
|  |  |  |  |  |  |
|  |  |  |  |  |  |

**Importance of scheduling work in an enterprise**

* It helps workers to complete assigned task/ work on time
* Scheduling of work facilitated sequencing of time as certain jobs needs to be completed before others within the trade on entrepreneur
* It helps the entrepreneur to co-ordinate / compare the work in his business with those of the competitors
* It helps to avoid overlapping of function on organization
* Promotes efficiency among the workers
* It enables an entrepreneur to meet the demands/ orders of his customers on time

**Operating budget**. This is statement which shows a summary of the projected incomes in monitoring his business. An operational budget assists an entrepreneur in monitoring his business performance and operations by looking at the planned income and expenditure. An operational budget may be prepared for different period for instance weekly, monthly, quarterly or annually.

**Steps involved in preparing an operational budget**

* Settling the business goals and objectives for the period to be budgeted for
* Setting the activities to be carried out, their time table
* Estimating the sales to be made
* Estimating the cost of goods or services to be used
* Calculating the gross profits
* Estimating the operating expenses
* Determining the net profit
* Determining tax payable (if any)
* Determining the retained earnings/profits

**IMPORTANCE/USES OF AN OPERATIONAL BUDGET TO AN ENTREPRENEUR**

* Helps an entrepreneur to estimate/ calculate his cost of production in advance by considering the anticipated items of expenditure in a given period
* Helps an entrepreneur in prioritize expenditure basing on his income since the budget shows all the items of expenditure in a given period.
* Helps an entrepreneur in pricing his products appropriately basing on the estimated production cost so as to get his desired profits.
* Helps an entrepreneur to calculate his estimated expenses, profits or net sales by considering his total estimated expenses and comparing it to the planned gross profit.
* Helps an entrepreneur in monitoring his business operations since it provides the business with direction and purpose e.g. estimated sales.
* Helps an entrepreneur to know the source of his income or capital for his/her business where an entrepreneur may plan in advance where he is going to get funds e.g. banks, loans, personal savings.

**Challenges faced when carrying out budgeting**

* Inadequate release of funds by the financiers
* The too long time lag which makes the objectives to even change
* Setting of unrealistic targets/ objectives which makes some employees give up
* Absence of flexibility which exhibits rigidity in the budgets
* Limited participation of all the stakeholders which results into resentment by these to whom it is imposed

**Reasons for monitoring business operations.**

* To monitor and control the performance of the businesses.
* To monitor the inflow and outflow of stock in business by keeping up-to-date records regarding stock.
* To forecast the cash position of the business using a cash flow statement that is, whether a deficit or surplus and prepare accordingly.
* To compare the actual performance of departments with the set targets and make strategies to overcome the weaknesses in case of failure.
* To establish the financial position of the business at a given period of time.
* To control the work to be done by keeping an accurate record of customers’ orders and allocating the work to be done by the workers.
* To ensure proper management of time by workers through scheduling of work.
* To avoid overlapping of functions in an organisation.
* To enable an entrepreneur to meet the demands/orders of his/her customers on time.
* To calculate estimated net profit/loss by considering total estimated expenses and comparing it to the planned gross profit.
* To assess the extent to which sales targets of the business are being achieved.
* To assess the extent to which production targets of the business are being achieved.

**FACTORS THAT LIMIT SUCCESSFUL IMPLEMENTATION OF BUSINESS PLANS IN UGANDA.**

***(Account for the frequent failure of business plans in Uganda)***

1. **Limited funds**. This limits the acquisition of necessary resources for starting and operating the planned business.
2. **Limited market for the products/high level of competition for market**. This limits the level of profits made by the business which discourages more production and business expansion and at times causes loss due to wastage output making the business to collapse.
3. **Economic instability e.g. like inflation.** This increases the cost of purchasing and hiring the necessary resources necessary for implementing the business plan and this lowers the profits.
4. **Natural calamities like floods, hail storms and drought**. These destroy agricultural farms and business property and this discourages production and causes losses to the entrepreneurs.
5. **Under developed infrastructures like poor roads**. This leads to high transport costs and limits mobility of inputs and finished goods to the market and this limits large scale production.
6. **Unfriendly government policies of high taxation**. This increases the cost of production which limits production leading to low profits levels.
7. **Limited commitment to the business by the** **entrepreneur** leading to laziness thus unable to perform the required and planed activities.
8. **Limited market assessment/survey about the business**. This makes some entrepreneurs to take up unprofitable businesses and thus cannot survive in production for so long.
9. **Political instability in some parts of the country**. This creates fear among investors about loss of property and lives thus unable to implement their business plans.
10. **Unreliable sources of raw materials**. This increases the cost of producing the intended product which reduces the profit margin.
11. **Change in customer tastes and preferences**. This leads to low sales and losses to entrepreneurs which limits production.
12. **Limited skilled labour**. This limits labour productivity and efficiency in plan development and implementation.
13. **Unrealistic targets set by the entrepreneur**. This means planning far beyond the means/resources, thus resources become insufficient to finance to intended business plan.
14. **Industrial unrest / strikes**
15. **Inadequate planning by the entrepreneur**
16. **Failure to involve stakeholders in decision making.**
17. **Limited experience in the planned business by the entrepreneur.**
18. **Loss of key team members due to death or to competitors.**

**FACTORS DETERMINE/AFFECT/INFLUENCE THE SUCCESS OF BUSINESS PLAN IN UGANDA.**

* Availability of funds
* Level of competition for market
* Degree to which stakeholders in decision making
* Government policy of taxation and subsidization
* Level of market assessment about the business
* Political climate
* Level of planning by the entrepreneur
* Availability of raw materials
* Level of inflation
* Level of experience and skills of the entrepreneur
* Nature of targets set by the entrepreneur.
* Conduciveness of natural factors
* Size of the market
* Level of commitment to the business by the entrepreneur

**MEASURES THAT CAN BE TAKEN TO ENSURE SUCCESSFUL IMPLEMENTATION OF A BUSINESS PLAN.**

* Involving stakeholders in decision making.
* Conducting thorough market survey so as to select profitable business opportunity.
* Ensuring political stability to protect economic activities.
* Identifying reliable suppliers of raw materials.
* Ensuring economic stability for instance stable prices for goods and services.
* Employing effective planning by the entrepreneur.
* Setting realistic targets that are attainable within the given time period.
* Employing skilled and experienced workers capable of implementing the business activities.
* Lobbying government support through Associations for tax holidays/subsidization.
* Ensuring availability of funds needed to start and operate business.

**SAMPLE QUESTIONS**

1. (a) Explain the elements of a business plan.

(b) What are the uses of a business plan to an entrepreneur?

2. (a) Distinguish between a marketing plan and a production plan of a business.

b) Explain the factors that should be considered when designing a marketing plan.

3a) Describe the components of a marketing plan.

b) Explain the importance of a marketing plan to an entrepreneur.

4a) Explain the importance of a business plan to an entrepreneur.

b) Describe the structure of a good business plan.

3a) Explain the importance of an action plan to an entrepreneur.

b) What challenges are faced by entrepreneurs when implementing business plans?