**Business planning**

Business planning is the process of determing what to be done in an enterprise, when and who to do it in order to achieve business goals and objectives.

A business plan is a document that summarizes the operational and financial objectives of a business and contains the detailed plans and budgets showing how the objectives are to be realised.

**Types of business plans**

1. **Formal business plan.** This is a detailed document that usually follows a standard format.
2. **Informal business plan.** This is not detailed and consists almost anything. It may involve just ideas written on paper to guide the owner.

Informal business plans are not presented to others but merely a planning tool for the business owner.

**Users of a business plan**

The users of a business plan are both internal and external.

***Internal users of a business plan include;***

1. The entrepeneur
2. Managers
3. Employees

**The external users of a business plan include;**

1. Government
2. Financial institutions
3. Suppliers
4. Customers

**Structure of a business plan/components / elements of a business plan**

***These are items which make up a business plan.***

1. **Cover page.** This gives the title of the document and other details to direct the reader.
2. **Executive summary.** It gives a brief overview of the key elements of the business plan. It summarises the key points of the business plan so as to save the readers’ time and prepare them for the upcoming content. It should be written first in the business plan after the table of contents.

**Structure of the executive summary**

1. **The background of the business.** This indicates the location, address and omwnerhsip of the business.
2. **The objectives of the business**. This explains the short term goals to be achieved by the business.
3. **The products the business offers.** This explains the main products offered by the business.
4. **An overview of the market for the products.** This explains the marketing strategies the business intends to use to sell its products.
5. **The competitive advantage of the business.** This explains the position of the business and its competitive advantage as compared to other businesses dealing in similar products.
6. **The projected growth.** This is the anticipated expansion and growth of the business.
7. **The key members of the business.** These are the stakeholders and all members included in the ownership of the business.
8. **Funding requirements of the business.** This refers to the anticipated flow of funds in the business.
9. **General description of the business.** This is a summary statement of the proposed business, type of business products, target market among others.
10. **Statement of vision, mission, goals and objectives.** The mission statement shows the purpose of the business and vision, goals and objectives, show what the business wants to achieve or be after a given period of time.

**Vision.** This shows a long term target / dream of the business. A vision is stated using To or Present continuous tense for example;

To be the leading producers and suppliers of quality Bakery products in Kampala.

**Mission.** A mission is a brief statement which indicates the puurpose of the business and how its being achieved. For example, “to provide high quality bakery products to our customers at fair prices.”

**Goals.** These are targets of a business which are achieved after a year. In other words they are medium goals. Goals must be SMART e.g. To increase business profits by 20% after one year.

**Objectives.** These are short term targets of a business. They are normally achieved before a year i.e. in months.

To increase business profits by 5% in 5 months.

To expand the market share by 8% in 9 months.

**NB.** When starting the goals and objectives , the following items are considered.

1. Sales
2. Output
3. Profits
4. Market share
5. Employment opportunities/skill development
6. Cost minimization
7. **Production plan.** This is the analysis of the projected needs for producing the proposed goods and services.

**Components/elements/areas/aspects of a production plan/factors considered when preparing a production plan**

1. **Business site or location.** This shows where the business is located and shows reasons for choice of that location.
2. **Production process, flow of work and lay out of the production process.** This shows the kind of production process followed including arrangment of machines.
3. **Plant capacity required.** This shows the capacity of the plant required to meet the needs of customers.
4. **Machinery, tools and equipment required**. This identifies the machinery, tools and equipment used by the business.
5. **Quantities of products estimated to be produced**. This shows the quantity produced by the business in a given period of time.
6. **Raw materials used and amount of stock required.** This describes the raw materials used by an entrepreneur, the quantity and where they are obtained from.
7. **Labour requirements.** This identifies the type of workers needed by the business, their skills, the work they do and how much they are paid.
8. **Utilities required.** This identifies the utilities needed by the business, the quantity and the cost.
9. **Transport facilities required.** The entrepreneur states the transport means required for delivery of raw materials to the business and finished products to the market, whether the transport means are bought or hired and the cost implication.
10. **Waste management or disposal.** The entrepreneur identifies the waste materials of the business, amount of wastes produced and how they are disposed of.
11. **Nature of packaging.** The entrepreneur identifies the type of packaging and the material required, where they are obtained from and the cost implications.

**Importance of a production plan**

1. It enables the entrepreneur to identify the suitable business location.
2. It helps in identification of suitable labour force to work in the organization.
3. It helps the entrepreneur to identify the raw materials to produce the proposed goods.
4. It helps to show the procedure for disposing of waste materials.
5. It enables the entrepreneur to identify business machinery, tools and equipment.
6. It shows the manufacturing process of business products.
7. **Marketing plan.** A marketing plan is the analysis of the possible position and opportunities of the business being planned in the present market situation.

**Components/elements/areas/aspects/item included in marketing plan/factors considered when preparing a marketing plan**

1. **Target market.** The entrepreneur identifies who his customers are, their location, their needs and how often they buy the business products.
2. **Products offered.** The entrepreneurs describe the nature of business products, how they are packaged and their benefits to the customers.
3. **Position of competitors.** The entrepreneur identifies business competitors, their strength and weaknesses in comparison with his business.
4. **Pricing strategy.** The entrepreneur identifies the pricing methods used by the business and states the exact prices of the business products.
5. **Expected sales.** Under this, the entrepreneur states the sales made by the business in a given period of time and projects those sales to be made after a given period of time.
6. **Distribution channel used.** The entreprenuer identifies the distribution channel used to reach business products to customers.
7. **Terms and conditions for sale.** The entrepreneur states the terms of sale for example discounts, cash or credit facilities.
8. **Expected marketing expenses.** This shows the costs associated with marketing of the business products for example the cost of adverts.
9. **Promotion and advertising.** This shows the different ways used by the business to communicate with its customers through advertising and sales promotion.
10. **Plan for recruiting and motivating sales persons**. The entrepreneur specifies the number of sales persons required and how they are to be recruited, how they are to be paid and motivated.

**Importance of a marketing plan**

1. It enables an entreprenuer to identify target customers and their needs. This helps an entrepreneur to satisfy them.
2. It determines the position of competitors. This helps to identify their strengths and weaknesses and find ways of out competing them.
3. It enables the entrepreneur to identify different ways of sales promotion and advertising for example using radios, television among others.
4. It helps the entrepreneur to determine the pricing strategy for example prices affordable to target customers.
5. It is used to select the distribution channel. The entrepreneur is able to identify the different ways of reaching business products to the customers.
6. It helps the entrepreneur to analyze the business products and their features.
7. It enables the entrepreneur to design and implement marketing strategies so as to expand the business market share.
8. It helps an entrepreneur to determines marketing expenses like advertising.
9. It enables an entreprenuer to determine the sales to be made by the business.
10. It helps the entrepreneur to forecast business profits. This is through the sales made by the business.
11. It enables the entrepreneur to set market objectives. This is through identifying the size of the target market.
12. It acts as a basis for getting funds for example loans from financial institutions. This is because the bank is assured of profitability of the business and ability to pay back.
13. It helps an entrepreneur to evaluate or monitor the business basing on the set objectives.
14. It guides an entrepreneur on the day to day marketing activitiess.
15. **Management plan /organisational plan/administrative plan.** This is the frame work around which people, machines, equipment and other physical parts of the plan are put together to have a moving organization.

**Elements /components/contents/areas/aspects of an organisation plan /factors considered when preparing an organisational plan. They include;**

1. **Number of employees in the business.** The entreprenuer specifies the number of employees in the business and their positions.
2. **Skills and qualifications of workers.** Under this ,the entrepreneur specifies the skills possessed by each of the employees.
3. **Duties and responsibilities of each work.** This shows the responsibilities and duties that are performed by each employee.
4. **Organisational structure.**This shows the lines of authority specifying which employee is above the other.
5. **Workers' monthly remuneration.** The entreprenuer specifies the amount of money paid to employees monthly and the total wage bill for a specified period of time.
6. **Fringe benefits offered to workers.** Under this, the entreprenuer specifies the allowances given to workers for example housing allowance, transport allowance among others.
7. **Promotional procedure.** This specifies the criteria followed to promote employees in an organisation.
8. **Monitoring and evaluation of workers' performance.** Under this, the entreprenuer specifies the ways of measuring workers' performance through performance appraisal and how often it is done.
9. **Disciplinary policy.** The entreprneuer describes the guidelines followed when desciplining employees.
10. **Staff development.** The entreprenuer identifies ways of developing employees through training and how it is done.

**Importance of an organisational plan**

1. It enables an entreprenuer to determine the number of workers needed in an enterprise.
2. It enables an entreprenuer to allocate duties and responsibilities to employees in an enterprise.
3. It enables an entreprenuer to determine the line of authority in an organisation. This helps employees to know their supervisors.
4. It helps the entreprenuer to determine and budget for monthly remuneration of employees.
5. It helps an entrepreneur to monitor and evaluate performance of employees in a business for example through performance appraisal.
6. It help an entreprenuer to determine the fringe benefits for employees for example transport allowance, housing allowance.
7. It enables the entreprenuer to define the criteria to be followed when promoting employees in an organisation.

1. **Action plan/ implementation plan.** Action plan is a management tool which involves carrying out sequenced steps towards achieving business goals and objectives.

**Components /Elements /contents /aspects of an action plan/factors considered when preparing an action plan.**

1. Time frame. This gives the time period within which each activity is achieved.
2. Activity. This shows the work to be done by the concerned people in the business.
3. Resources needed . These are inputs needed for business activities to go on smoothly
4. Indicators of success. This shows the measures of success expected to be reached after each activity.
5. Remarks/comments. These are in regards to work done or work not yet done.

**Importance of action plan**

1. It helps in monitoring business activities which help to know the progress of the business.
2. It enables the entreprenuer to get information and feed backs. This is by looking at the indicators of success.
3. It helps an entreprenuer to budget and determine how much to spend on the project. This is by looking at the resources available and the work needed to be done.
4. It acts as a time table for implementing business activities. This is through preparing the activities in a logical order following the time frame.
5. It helps to locate sources of information. This is through identifying resources needed for implementation.
6. It enables the entreprenuer to identify the strength, weaknesses, opportunities and threats of the business. This makes it easy for the entrepreneur to manage competition.
7. It helps in identification of the business barriers in advance. This enables the entrepreneur to work upon such barriers before they occur.
8. It enables the entreprenuer to remain focused on business activities. This is due to activities identified to be carried out.
9. It helps in allocating responsibilities to workers in the business. This is through making each worker in charge of a given activity,perform their duties.
10. It guides an entrepreneur in decision making, for example decision on whether to get a loan to expand the business after considering the activities already implemented.

**Steps involved in preparing a business plan**

1. Selecting the type of business to engage in for example trading business, agri business among others.
2. Carrying out market research. This aims at getting customer views about the proposed business.
3. Collecting all relevant information concerning the cost of machinery and equipment.
4. Drafting the proposed business plan.
5. Discussing the drafted business plan with knowledgeable and experienced entrepreneurs in similar business.
6. Making the final busines plan.
7. Preparing an action plan for implementation of the business plan.

**Importance of a business plan to an entrepreneur**

1. It helps the entrepreneur to test the feasiblity of the business idea. This helps him to either continue with the business or leave it and do something else.
2. It gives the business the best possible chance of success. This is because the entrepreneur is able to identify obstacles and work upon them in advance.
3. It makes business planning manageable and effective. This is because one is able to identify the goals to be achieved, when and how.
4. It enables an entrepreneur to secure funding for the business. This is because the business plan is used by financial institutions like banks as a guide when giving loans to the business.
5. It is used in tax assessment. The government uses the financial plan to determine how much tax to be paid by an entrepreneur.
6. It acts as a time table for implementing business activities for example by using the action plan.
7. It acts as a basis for obtaining permission to operate a business. The business registrar needs a well prepared business plan before giving permission to the business to operate.
8. It acts as a monitoring tool for evaluating the business performance. This is through checking how far the goals and objectives set have been achieved.
9. It helps an entrepreneur to obtain external support for example tax exemption from government and funding from donors.
10. It helps an entrepreneur to lay down marketing strategies so as to increase sales.
11. It enables the entrepreneur to determine the strength, weaknessess, opportunities and threats of a business.
12. It helps an entrepreneur to determine the purpose of the business. That's to say the vision, mission, goals and objectives of the business and work towards achieving them.

**END**