

My
Business Plan

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MPU-3232

ENTREPRENEURSHIP

Topic 5: Preparing a Business Plan.

The Concept of a Business Plan

- Business plan - a written document that outlines the future activity for an existing or proposed business venture.
- Business plans can be applied to any type of enterprise, small or large and can be equally useful to existing firms as well as new businesses.



The Concept of a Business Plan (cont.)

- Business plan has three main functions:
 - To communicate the future of the business
 - To convey the creditability of the business to the reader
 - And finally to act as an organizing tool that can help to sell the owner's idea and convert it into reality

The Concept of a Business Plan (cont.)

The advantages of planning

- Provides a clear statement of direction and purpose for a firm
- Provides a suitable means of periodically evaluating the performance of the firm
- Encourages managers and entrepreneurs to effectively review all aspects of their operations

The Concept of a Business Plan (cont.)

The advantages of planning

- Encourages entrepreneurs to fully research their business idea
- Can help raise finance



The Concept of a Business Plan (cont.)

A Word of Caution!!

Business plan...

- Is not a guarantee of success
- Cannot eliminate uncertainty — not possible to accurately predict the future
- May use inaccurate or out-dated information
- Reliance on a predetermined plan can actually do more damage to the business than might otherwise be the case.



Elements of a Business Plan

Title page

- Shows the name of the business
- Name of the owner(s)
- Contact details (addresses, phone, fax numbers, website URL and email addresses)

Elements of a Business Plan (cont.)

Executive summary

- It is a quick "snapshot" of the idea and is often critical in influencing a reader's judgment of the whole document
- Write this section last
- Limit to 1 page or maximum 2 pages
- Include everything that you would talk about in a 5-minute interview or pitch.

Elements of a Business Plan (cont.)

Executive summary

- Briefly summarizes the key features that are explained in more detail later on in the plan:
 - Business goals and ideas
 - Marketing
 - Operations
 - Finances

Elements of a Business Plan (cont.)

Background

- Mission statement - Purpose of the business
- Company history - founders, years in operation, nature of business and progress/milestone since incorporation
- Business goals - short-term and long-term goals. (exit strategy - important to venture capitalists and investors)

Elements of a Business Plan (cont.)

Marketing

- Market research
- Market analysis
 - Industry (Porter's 5 Forces)
 - Seasonality
- Marketing plan
- Evaluation of Marketing



Elements of a Business Plan (cont.)

Marketing

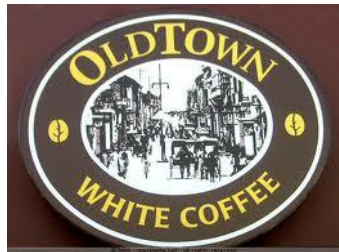
- Market analysis
 - Competitors
 - Direct competitors
 - Offer the same products and services
 - Customers often compare prices, features and deals among these competitors when they shop



Elements of a Business Plan (cont.)

Marketing

- Market analysis
 - Competitors
 - Significant competitors
 - Offer some of the same or similar products or services
 - Product or service lines overlap but not completely



Elements of a Business Plan (cont.)

Marketing

- Market analysis
 - Competitors
 - Indirect competitors
 - Offer same or similar products in only a small number of areas



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Elements of a Business Plan (cont.)

Marketing

- Market analysis
 - Potential strategic allies
 - SWOT analysis



Elements of a Business Plan (cont.)

Operations and production

- Legal and licensing requirements
- Management details
- Organizational structure and staffing
- Professional advisers
- Insurance and security needs
- Business premises
- Plant and equipment required
- Production processes
- Critical risks and contingency plans

Elements of a Business Plan (cont.)

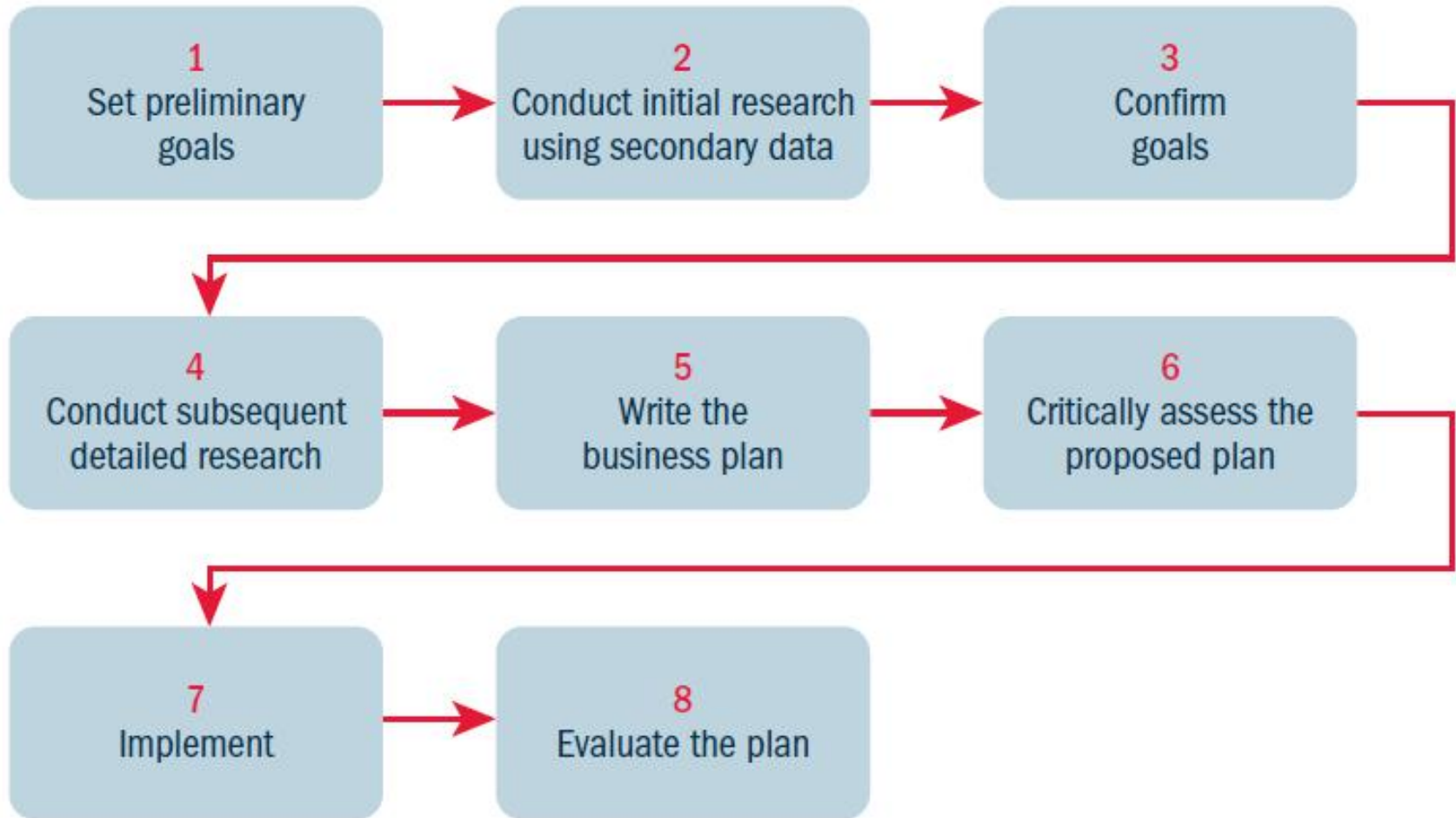
Financial projections

- Basic information - estimated income and expenses, bank account information, any loan or overdrafts outstanding and any additional funds needed.
- Financial forecasts - sales mix forecast, cash flow forecast, projected profit and loss statement, balance sheet, personal expenses, assets and liabilities and analysis of financial forecasts.

Different Types of Plans

- Not all plans follow a common template, and may vary in the following areas:
 - Specificity (amount of detail they contain)
 - Length of the actual document
 - Audience (for whom is the document being prepared?)
 - Timeframe ((how far in advance does the plan cover?))

Preparing the Document: The Business Planning Process



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