

The Business Plan

Creating and Starting The Venture



Planning as Part of The Business Operation

- Planning is a process than never ends for a business.
- As the venture grow up to mature business, planning will continue ...

What is a Business Plan?

- A business plan is a written document prepared by the entrepreneur that describes all the relevant internal and external elements and strategies for starting a new venture.
- It is a integration of functional plans such as marketing, finance, manufacturing, sales and human resources.

Who should write the plan?

- The business plan should be prepared by the entrepreneur.
- The entrepreneur may consult with many other sources in its preparation, such as lawyers, accountants, marketing consultants, and engineers.

Who Reads The Plans?

- The business plan may be read by employees, investors, bankers, venture capitalists, suppliers, customers, advisors, and consultants.
- There are three perspectives should be considered in preparing the plan :
 - Perspective of the entrepreneur
 - Marketing perspective
 - Investor's perspective

Why Have a Business Plan?

- The business plan is valuable to the entrepreneur, potential investors, or even new personnel, who are trying to familiarize themselves with the venture, its goals, and objectives.
 - It helps determine the viability of the venture in a designated market
 - It provides guidance to the entrepreneur in organizing his or her planning activities
 - It serves as an important tool in helping to obtain financing.

Presenting The Plan

- It is often necessary for an entrepreneur to orally present the business plan before an audience of potential investors.
- In this typical forum the entrepreneur would be expected to provide a short (perhaps 20-minutes or half-hour) presentation of the business plan.

Information Needs

- Before committing time and energy to preparing a business plan, the entrepreneur should do a quick feasibility study of the business concept to see whether there are any possible barriers to success.
- Internet can be a valuable resource.

Outline of a Business Plan

- Introductory Page
 - Name and address of business
 - Name(s) and address(es) of principal(s)
 - Nature of business
 - Statement of financing needed
 - Statement of confidentiality of report

Outline ...

- Executive Summary – Three to four pages summarizing the complete business plan
 - What is the business concept or model?
 - How is this business concept or model unique?
 - Who are the individuals starting this business?
 - How will they make money and how much?

Outline ...

- Environmental and Industry Analysis
 - Future outlook and trends
 - Analysis of competitors
 - Market segmentation
 - Industry and market forecasts
- Description of Venture
 - Product(s)
 - Service(s)
 - Size of business
 - Office equipment and personnel
 - Background of entrepreneurs

Outline ...

- Production Plan
 - Manufacturing process (amount subcontracted)
 - Physical plant
 - Machinery and equipment
 - Names of suppliers of raw materials
- Operational Plan
 - Description of company's operations
 - Flow of orders for goods and/or services
 - Technology utilization

Outline ...

- Marketing Plan
 - Pricing
 - Distribution
 - Promotion
 - Product forecasts
 - Controls
- Organizational Plan
 - Form of ownership
 - Identification of partners or principal shareholders
 - Authority of principals
 - Management-team background
 - Roles and responsibilities of members of organization

Outline ...

- Assessment of Risk
 - Evaluate weakness of business
 - New technologies
 - Contingency Plans
- Financial Plan
 - Pro forma income statement
 - Cash flow projections
 - Pro forma balance sheet
 - Break-even analysis
 - Sources and applications of funds

Outline ...

- Appendix (contains backup material)
 - Letters
 - Market research data
 - Leases or contracts
 - Price lists from suppliers.

Using and Implementing The Business Plan

- The business plan is designed to guide the entrepreneur through the first year of operations.
- Implementation of the strategy contain control point to ascertain progress and to initiate contingency plan if necessary.
- Business plan not end up in a drawer somewhere once the financing has been attained and the business launched.

Measuring Plan Progress

- Entrepreneur should check the profit and loss statement, cash flow projections, and information on inventory, production, quality, sales, collection of accounts receivable, and disbursements for the previous month.
 - Inventory control
 - Production control
 - Quality control
 - Sales control
 - Disbursements

Updating the Plan

- The most effective business plan can become out-of-date if condition change.
- If the change are likely to affect the business plan, the entrepreneur should determine what revisions are needed.
- In this manner, the entrepreneur can maintain reasonable targets and goals and keep the new venture on a course that will increase probability of success.

Why Some Business Plans Fail

- Goals set by the entrepreneur are unreasonable.
- Goals are not measurable
- The entrepreneur has not made a total commitment to the business or to the family.
- The entrepreneur has no experience in the planned business.
- The entrepreneur has no sense of potential threats or weaknesses to the business.
- No customer need was established for the proposed product or service.