

# 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 an 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.