

1.1 What is a business?

Tool: Business plan

What is a business plan?

A business plan is a tool used to describe a business. This could be a new business, or an existing business that is making a large change. The tool is important for a business to think through the key aspects of its operations. A business plan helps people to believe in the entrepreneur (gives them credibility), reduces risk, and inspires others to join them.

Activity

Learner profile: Risk-takers

Approaches to learning: Thinking skills; social skills; communication skills; self-management skills; research skills

An interesting long-term activity for you and your teacher would be to develop a business plan for a new business, either individually or in small groups.

You could work on the plan throughout the course, adding information as you learn about the main functions of business. Towards the end of the course, or at another suitable time, you could decide to pilot the business idea. You could also enter one of many entrepreneurship competitions that have sprung up around the world. Your teacher may have ideas about where to submit your idea.



Figure 1. A business plan is a key part of starting a new business.

Credit: andresr, Getty Images

Like any piece of writing, a business plan must consider its purpose and audience. It is very likely that an entrepreneur will have several business plans that can be used for different situations.

There are a number of different purposes for a business plan that will help determine the format of the document and there is no one format for a business plan. Plans range from very informal to very formal depending on what the entrepreneur wants to achieve and who the audience is.

In the early stages, these plans may be very simple. A simple plan can be used for an internal working group that is developing the business idea. Later, these plans will be more formal as the entrepreneur seeks partners, funding, market recognition or attempts to grow their ideas.

A business plan is a story, supported by evidence

Human beings connect with stories. We have what psychologists call a narrative bias. Narrative bias is an example of a heuristic, or mental short-cut that we use to understand the world quickly and easily. We like stories because they make sense of a complex world. Stories often provide an answer to the question, ‘why?’.

Successful business plans provide a story for the audience. An entrepreneur and their business plan needs to connect with people on an intuitive or emotional level first, to take advantage of this part of human nature.

Theory of Knowledge

Understanding cognitive biases, also known as heuristics, is important for recognising flaws in thinking and judgement as we try to build knowledge and understanding of the world around us. You will likely learn about these cognitive biases or heuristics in your Theory of knowledge course.



Figure 2. Telling a good story is key to a successful business plan.

Credit: Maskot, Getty Images

Storytelling, however, is not all there is to a business plan. Human beings often make decisions using intuition but they justify their decisions based on evidence and data. So, entrepreneurs need to provide both a story *and* evidence to win over their audience. A business plan must be able to prove that the business will be successful.

There are a number of different ways to gather evidence for your business plan. Secondary research, also known as desk research, involves using evidence gathered by others. This information can be found in news articles, research journals, company and market reports, and other reliable sources. Research that is relevant to your business, but done by others, can save time and often involve expert analysis.

If possible, however, an entrepreneur should also do primary research. This involves creating new information. This information can be gathered by you through surveys, interviews, observations, focus groups, or other methods. Primary research can be more specific for a particular product or market. It is a good complement to secondary research.

The presentation of evidence in your business plan can take a number of forms. Complex quantitative data (numerical) is best presented in simple graphics such as line and bar graphs, pie charts, or scatter plots. Qualitative data, which involves descriptions or explanations from interviews, surveys, or other methods with open-ended response types, can sometimes be quantified and presented in graphic format. You can also present anecdotes or quotes from your research to support ideas.

Activity

Learner profile: Inquirers

Approaches to learning: Research skills (information literacy)

Explore the investigation tools in the Youth Mayors Field Guide Toolkit (<https://www.sites.google.com/uwcmaastricht.nl/youth-mayors-curriculum/toolkit>).

There are instructions for a great variety of primary research methods to help you with your business plan. If you want to learn how to do full research for a changemaking project or a new business, the guide provides an explanation of how to do this.

The guide also has a number of other helpful tools to explore, including a business plan template, budget template, advice for networking and pitching ideas, among others.



Figure 3. Data and evidence are vital to support your business story.

Credit: Tom Warner, Getty Images

Starting a new business is very risky, but carrying out good research can reduce risks. Market research will be explored in greater detail in **Subtopic 4.4**. However, other types of research must also be done. This includes researching legal structures for the business, product and operations research, costs, labour conditions and competition.

In addition, before developing a business plan for an audience, you need to know who the audience is. You also need to know their interests and expectations. This will determine what information you include (or exclude) in your business plan. The audience and their expectations will also affect the format of the business plan and how formal it is.

Concept

Creativity

Creativity involves coming up with new ideas. It also involves rethinking existing ideas from new perspectives. Businesses may show creativity in their use of inputs, business processes and outputs. They also demonstrate creativity when they solve problems. The business plan is a key area to show the creativity of a business.

Elements of a business plan – The Golden Circle

The Golden Circle, described by motivation expert Simon Sinek (<https://simonsinek.com/>), is a good way of thinking about the basic elements of a business plan. The Golden Circle includes the Why, How and What of the business. The Why always comes first. But the presentation of the What and the How is flexible in the business plan.

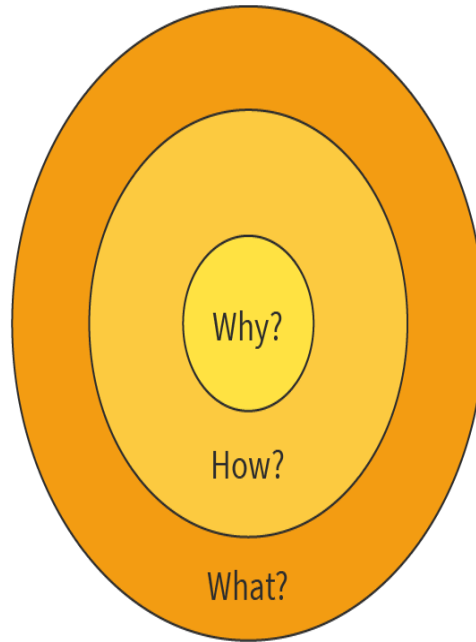


Figure 4. The Golden Circles.

Why

First, it is important to consider the inner circle, the ‘Why’ of the business. This is the purpose of the business. The purpose is important for motivating the people who are working to start the business. It is also important to build a network of people around the business who can support it. The Why of the business satisfies the human need for stories. It provides a clear, shared understanding of the goal.

To articulate the Why of the business, the business plan will typically have a:

- vision and/or mission statement, which could also be expressed as a guiding question for the business; and a
- description of the problem you are trying to solve with your product.

How and what

The ‘How’ elements of a business plan address the way you will produce your product. This could include information on the production processes. It will also include information on how the business will be set up and run.

The ‘What’ element of a business plan is about your product itself. What are the characteristics of the product you are offering?

Typically, the How and What of your business will be combined in several parts of a business plan (along with relevant sections of this course):

- Description of the solution to the problem you have described.

This would include:

- a product description (**Subtopic 4.5**)
- the legal structure of the business (**Subtopic 1.2** ([/study/app/y12-business-management-a-sl-may-2024/sid-352-cid-174703/book/the-big-picture-id-36838](https://study/app/y12-business-management-a-sl-may-2024/sid-352-cid-174703/book/the-big-picture-id-36838)))
- the human resources needed (**Subtopic 2.1** and **Subtopic 2.2**)
- the location and facilities (**Subtopic 5.4**)
- the value that your product will bring and how your business will positively affect multiple stakeholder groups (**Subtopic 1.4** ([/study/app/y12-business-management-a-sl-may-2024/sid-352-cid-174703/book/the-big-picture-id-36856](https://study/app/y12-business-management-a-sl-may-2024/sid-352-cid-174703/book/the-big-picture-id-36856))) and the environment. You will need to consider what positive impacts your business can have on the local and global scales in both the social and environmental domains (**Subtopic 1.3** ([/study/app/y12-business-management-a-sl-may-2024/sid-352-cid-174703/book/the-big-picture-id-36846](https://study/app/y12-business-management-a-sl-may-2024/sid-352-cid-174703/book/the-big-picture-id-36846)))
- Description of the market and competition or partners (social business) (**Subtopic 4.4**)
- Marketing plan (**Subtopic 4.2**)

- SWOT Analysis (**Subtopic 1.1** (</study/app/y12-business-management-a-sl-may-2024/sid-352-cid-174703/book/the-big-picture-id-36828>))
- Cash flow forecast and budget (**Subtopic 3.7** and **Subtopic 3.9 HL**)
- Sources of finance, or request for financing if appropriate (**Subtopic 3.2**)

Figure 5 provides a sample structure for a business plan.



Figure 5. Sample business plan structure.

However, there are other ways of organising business plans. The Social Business Model Canvas (<https://www.socialbusinessmodelcanvas.com/>) is a one-page summary specifically for social enterprises, which we will explore in **Subtopic 1.2**. The Flourishing Business Model Canvas (<http://flourishingbusiness.org/the-toolkit-flourishing-business-canvas/>) is another interesting format. This plan is even more oriented on the social and environmental context of a business.

As we mentioned before, there is no one structure or format for a business plan. You should choose a structure that makes sense for your business, its purpose and the audience. You may have several plans, of different lengths and formality depending on the context. Give it a try!