**CHAPTER IV**

##### DEVELOPING A BUSSINESS PLAN

Chapter overview

**4.1. What is a business plan?**

A business plan is the most appropriate starting point for the planning process, as it guides a business toward success.

Business Plan Definitions  
  
• it is a document that demonstrates the business's ability to sell enough of its product or service to make a satisfactory benefit and be attractive to potential partners.  
• It is a written summary of the proposed business venture, its operational, financial details, marketing opportunities, and strategies.  
• it is a selling document that should sell the business and its executives to potential backers.  
• It is a roadmap that describes external and internal factors relevant to address issues such as where the business is, where it wants to go, and how to get there.  
• It often involves the integration of functional plans such as marketing, manufacturing, human resource, and financial plans.

A business plan is a crucial document that outlines the direction, goals, and strategies for a company to achieve its objectives. It is a result of extensive research and evaluation, and without a well-written plan, a business may struggle to forecast short-term sales, human resources, material requirements, and financial demands. A business plan serves as an insurance against potential failure or mismanagement of a potentially successful company. Entrepreneurs often struggle with writing a business plan due to lack of knowledge in planning, forecasting, accountancy, marketing, research, sales, human resource management, legal issues, and product development.

**4.1.2. Advantages of writing a business plan**

Advantages of Writing a Business Plan  
  
• Obtaining Bank Finance: A well-written business plan can help businesses secure bank financing, as it presents the business in a convincing and feasible manner. It indicates the company's seriousness and the project's potential for success Especially in this period, when many businesses are seeking financing from banks.  
  
• Seeking Investment Fund: A well-written business plan is crucial for venture capitalists and other investors to screen out potential applicants the more convincing, well-articulated, feasible in terms of profitability and continuity to be selected. For financing. Therefore it increases the chances of being financed. its like the cv for job application  
  
• Arranging Strategic Alliance: A well-written business plan can help a small business secure access to financial, distribution, and other resources. Because its their business plan that will be seen by the large companies before considering the alliance.  
  
• Obtaining Large Contract: A well-written business plan can reassure a corporation that the business will fulfill its obligations. It demonstrates the company's long-term plans which help small companies to obtain a large chunk of business from major corporation  
  
•Attracting Key Employees: Small companies often struggle to hire top-level managers due to concerns about longevity, but A business plan can serve as an indication of its long-term vision and stability  
  
• Completing Mergers and Acquisitions: A well-written business plan helps determine whether to acquire or sell a business, enabling proactive planning and guiding actions according to the plan rather than reacting to opportunities.  
  
•Motivating the Management Team: A key challenge for growing companies is effectively communicating the company's common goal. A written business plan, with input from all management team members, is crucial for aligning the team around the company’s strategy, financial, marketing, and production goals, benefiting both entrepreneurs and financial sources.

##### 4.2. Elements of a Business Plan

A business plan is essential and unique to each business, reflecting its contribution to the economy and the entrepreneur's passion for the venture. While it doesn’t guarantee success but it increases the chance of success

it will typically have 25 to 55 pages having the following .

Key Elements: Introductory Page, Executive Summary, Industry Analysis, Venture Description

Production/Operations Plan, Marketing Plan, Organizational Plan, Risk Assessment, Financial Plan, Appendix

***4.2.1.Introductory Page***

• Provides a brief summary of the business plan's content.  
• Includes company name, entrepreneur's name, business description, financing requirements, and confidentiality statement.  
• Summarizes basic information that could take time and effort to extract.  
  
**4.2.3 Table of Contents**  
• Lists all business plan sections, including major and important sub-sections.  
• Enables readers to quickly read specific sections.  
  
**4.2.4.Executive Summery**  
• Prepared after the total plan is written.  
• Encourages readers to read the entire plan.  
• Contains a brief discussion of the business concept, facts supporting the business's relevance, strategy to exploit opportunities, potential benefits, and financial feasibility.  
• Also includes other information believed to positively impact investors.

***4.2.5. Environment and Industry Analysis***

environmental analysis is essential for contextualizing a new venture. It helps identify trends and changes at national and international levels that may impact the venture.  
 Key components of environmental analysis include  
  
Economic Analysis:  
• Consider trends in gross national product, unemployment rates, disposable income, and saving habits.  
  
Culture Analysis:  
• Evaluate shifts in population and value systems towards saving health work and etc.  
  
Technology Analysis: the market is rapidly changing due to technological development so we should Consider potential changes in technology and resources allocated for technological advancement.  
• Prepare for short-term decisions and contingency for new technological developments.  
  
Legal Concerns:  
• Prepare for future legislation affecting product or service, distribution channel, price, promotion strategy, and deregulation of price restrictions on media advertisements allowing market forces to determine ad costs..  
  
Industrial Analysis:  
• Focus on specific industrial trends, including industrial demand and completion.  
• Industrial demand includes market growth, number of competitors, and potential changes in consumer needs.  
 Competition includes threats from larger corporations and the need for effective marketing strategies. Industrial analysis should include a briefing of potential customers, their profile, location, market trends, and market segment.

***4.2.6. Description of venture***

### Business Venture Description

The mission statement serves as the foundation of a business, guiding long-term decisions and providing clarity about the venture’s goals. Key components include:

**Product Line Description**: Highlighting how customers use goods and services. It should include comparisons with competitors, emphasizing unique advantages, supported by visuals, patents, and trademarks.

**Business Location**: Essential for success, especially in retail and service industries. Factors like parking, accessibility, supplier proximity, regulations, and facility availability (e.g., light, water, transportation) should be evaluated. Entrepreneurs are encouraged to move beyond their comfort zones.

**Production and Operations Plan**: For manufacturers, this involves a comprehensive description of the production process, including raw materials, suppliers, and costs. Non-manufacturing businesses require an operational plan detailing procurement, storage, sales steps, and inventory control to minimize waste and ensure product availability.

### ***4.2.7.*** *Marketing Plan*

A marketing plan defines how a business competes and achieves its goals. Key steps include:

**Defining the Business Situation**: Assessing the environment and revisiting industrial and environmental analysis.

**Target Market Identification**: Understanding the characteristics and preferences of specific market segments.

**Strengths and Weaknesses Analysis**: Evaluating the entrepreneur’s experience and the management team’s skills.

**Establishing Goals**: Setting clear objectives like market share, pricing, and promotional strategies.

**Market Strategy and Action Program**: Defining the marketing mix, including product description, pricing strategies, distribution channels, and promotion methods.

**Promotional Strategies**: Employing cost-effective channels such as advertisements, personal selling, and publicity to maximize outreach.

### ***4.2.8****. Financial Plan*

The financial plan ensures effective budget management and resource allocation. It includes:

**Capital and Operational Budgets**: Outlining financial requirements for assets like equipment and buildings, while considering investment options.

**Income Statement**: Presenting sales forecasts, costs of sales, and production expenses.

**Cash Flow Analysis**: Monitoring cash inflows and outflows to manage liquidity and short-term planning. Historical cash flow analysis aids in preparing accurate projections.

### ***4.2.9****. Organizational Plan*

The organizational plan addresses legal ownership, structure, and management. Key aspects include:

**Management Commitment**: Emphasizing full-time involvement and avoiding large initial salaries to ensure sustainability.

**Organizational Design**: Starting with a simple structure that evolves as the business grows, defining roles, responsibilities, and decision-making hierarchies.

**Job Analysis and Descriptions**: Clarifying roles, required skills, and responsibilities to streamline hiring, training, and performance evaluation. Entrepreneurs often prefer hiring skilled candidates.

### ***4.2.10****. Risk Assessment*

New ventures face challenges from industry competition and operational risks. Entrepreneurs must identify potential risks, evaluate their impact, and develop mitigation strategies to ensure stability and success.