



TECHNICAL UNIVERSITY OF KENYA

Education and Training for the Real World

SCHOOL OF BUSINESS AND MANAGEMENT STUDIES

ENTREPRENEURSHIP & TECHNOLOGY MANAGEMENT DEPARTMENT

BUSINESS PLAN FORMAT

The business plan document is divided into five (5) main chapters titled:

1. Business Description
2. Marketing Plan
3. Organization and Management Plan
4. Operational/Production Plan
5. Financial Plan

You are expected to write the business plan in the order in which it is presented to you. Do not interchange chapters or rearrange the sub-topics within chapters.

Preliminary pages

The preliminary pages of the business plan that come before chapter 1 include:

1. **Cover Page** – The first thing the reader of the document sees. The information that should appear on the cover page is as follows: title of the document, name and address of the business, business logo, name and registration number of the candidate, name of the examining body and the diploma for which the business plan is being written. See Sample Attached.
2. **Declaration Statement** – where you declare that the document you are presenting for examination is original and not copied. You also sign against your declaration and provide for your project supervisor to sign in witnessing the same.
3. **Acknowledgement** – used to thank all those who assisted you in compiling your business plan
4. **Dedication** – used to dedicate your document to anyone special to you.
5. **Table of Contents** – where all the main chapter titles and sub-titles within them are listed and the pages on which they appear in your document shown.

6. **Executive Summary** – written to summarize each chapter of your business plan, highlighting the main features and items. The Executive Summary should be written in such a way that someone who does not have enough time to read the whole document, especially the investors and financiers, can read it and understand what is contained in the whole document, by seeing the main items.

NB: All the preliminary pages apart from Table of Contents are numbered using the Roman numbers i.e. i, ii, iii etc. proper paging i.e. 1, 2, 3 of pages start with Chapter 1 – Business Description.

Appendices:

These are the attachments of supporting documents to your business plan. They may include:

- Newspaper or magazine cuttings of relevant information
- Supporting data on industry analysis
- Business registration forms or certificates
- Trading licenses or any other thing relevant
- Location map for your business, drawn to scale
- Business premises layout drawn to scale

NB: These may not be paged.

Typing and Compiling the Document

- The business plan is typed only after getting an okay from your supervisor that what you have written is acceptable.
- Typing is expected to be in font 12 of Times New Roman in double spacing or one and half line spacing. Single spacing will be penalized.
- Each chapter should begin on a new page.
- No topic should be left hanging with its contents appearing on the next page.
- Ensure the projected cash flow statement in Chapter Five is done on A4 landscape to allow enough space for all items to appear on same page.
- Cash flow statement, income statement and Statement of Financial Position must all appear on their own pages, but with all the contents appearing on same page.

The Main Document

Chapter 1: Business Description

The first chapter is a brief yet comprehensive description of the background information on the business. This provides the general information on the business ownership and the vision and mission the business owner has for operating the business venture. It is divided into the following sections:

1.1 Business Name

Select a suitable name for the business. The business name should be clear, easy to remember, and reflecting the kind of image you would want the customers to have regarding your business venture.

1.1.1 Vision and Mission Statement

A business venture is always guided by the kind of vision one has. What is your vision for your business? Put this down in a vision statement. Write the mission statement for your business. (See several examples of how companies write their vision and mission statements, then follow the trend).

1.2 Business Location and Address

Select a suitable location for your business, basing your selection on factors that will enhance your business performance. The business location is described specifically i.e. State the town/city, the street, the building, the floor and even room number. In other words, be exact. If your business is located in rural Kenya where the above do not apply, you must identify a significant landmark that your business premises will be either next to, opposite etc.

Provide the postal address and other contact information for your business, including the telephone, email address and website where applicable.

1.3 Form of Business Ownership

In this part, there are three sets of information required from you. First choose the legal form of your business ownership e.g. sole proprietorship, partnership or incorporated company. In case of a partnership, you must indicate who your partners are. Secondly, show the amount of money you plan to invest in this business, and the possible sources for your business financing. Thirdly, show the role you are going to play in the business. In case of partnerships, you must indicate the role played by each partner.

1.4 Type of Business

In this part of the business plan, what is tested is your knowledge of exactly what your business will be doing. What are the major activities of your business venture. What are the minor activities you are likely to carry out in your business. NB: Do not confuse the activities with the products or services. You simply describing what your business will be doing, in order to come up with the product or service you are putting in the market.

1.5 Product(s)/Service(s)

In this part, you must demonstrate knowledge of the products or services you are planning to put on the market. Describe these in terms of features, unique selling qualities, and benefits to customers. Ensure you describe the variety available to the customers in detail.

1.6 Justification of Business Opportunity

This tests your understanding of the business you wish to start. You are required to justify your choice of this particular business opportunity, by giving at least five (5) reasons why you selected this particular business idea/opportunity

1.7 Industry Analysis

This part tests your knowledge of the business environment within which you will be operating. Businesses are classified into industries and sectors. For example, operating a matatu falls under the transport industry, public service sector. But you must go further, and analyze the current status of the industry. Research thoroughly to get information of the performance of the industry in terms of its growth rate, the level of technology, the prospects and trends of the industry. Information on all industries and economic sectors is available in the most current “Economic Survey” prepared annually by the Ministry of Planning. Ensure you indicate the source of your information. You can also include information obtained from business journals and magazines. Be sure to show your sources. Any details that cannot be included in the document can be attached as an appendix, which will provide additional information regarding your industry analysis.

1.8 Business Goals/Objectives

Goals and objectives provide us with direction and targets that we wish to achieve. State five (5) SMART business goals based on the following: Profitability of your business, sales volume, market share, business growth and the business image. Indicate the specific targets you wish to achieve regarding these areas and show the time frame within which you plan to achieve your goals and objectives.

1.9 Entry and Growth Strategy

Finally in chapter one, you recognize that your business is new in the market, where other similar businesses are already operating. You need to strategize on how you create awareness to attract the customers and retain them. You need to strategize on how you introduce yourself to the market. What is your market entry strategy?

Secondly, you expect your business to grow. Strategize on how you plan to grow or expand your business. Be specific about action to take and indicate the time frame within which this is to be achieved.

Chapter 2: Marketing Plan

This chapter describes the market within which you will operate and the strategies you will put in place to ensure success. It is divided into the following sections:

2.1 Customers

Who exactly are your customers? What are their profiles? Where are they located? What do they do to earn income? What are their income levels? What are their buying behaviors?

2.2 Market Share

In this part, you recognize the fact that you are not the only business in the market, and so you cannot serve the 100% market available. So, what is the market share you will take? You are expected to estimate your market share in terms of % portion you are likely to capture, in comparison with your major competitors. Indicate the market share of your major competitors also. This can then be illustrated in a pie chart diagram.

2.3 Competition Analysis

Analyze your competitors individually or separately and provide information on who they are, where they are located in proximity to your business, what are their strengths and weaknesses in comparison to your business. Then show your competitive advantage over them. What strategies do you plan to put in place to ensure you cope with competition, or do better than them? The whole idea is to ensure your business performance is better than that of competitors, so you can be able to increase your market share, and your sales revenue for sustainability.

2.4 Advertising and Sales Promotion

Advertising creates awareness and sales promotion increases your sales volume and maintains customer loyalty. Indicate the methods of advertising you plan to use and the sales promotion strategies you will put in place to ensure you capture bigger market share and make good profits.

2.5 Pricing Strategy

What factors will influence your price setting? Describe your pricing techniques or strategies that will offer best value to customers, while increasing your revenue and profitability.

2.6 Sales Tactics

In this section, you are expected to describe the customer care, customer relations strategies and selling techniques to be practiced in your business. What will add value to your customers, to increase the possibility of them choosing your products/services over those of your competitors?

2.7 Distribution Strategy

Products and services must reach the final customers they are meant for. In this part, you indicate your choice of distribution channels and show the challenges you are likely to face as you ensure your products/services reach the final consumer. What solution do you propose to counter these challenges?

Chapter 3: Organization and Management plan

Chapter three is used to give an overview of how the business management will be structured, organized and managed. In this chapter, details of how the business will be operated are given.

3.1 Business Manager and Qualifications

Who will be the overall manager of the business? Specify a job title e.g. Owner/Manager in the case of a Sole Proprietorship, Managing Partner in the case of a partnership and Director or Managing Director in the case of an incorporated company. You are required to identify what is required of the top manager of the business in terms of academic and professional qualifications, the role he/she will play in the business and generally the lines of authority and responsibility to be established to ensure efficiency and effectiveness in business operations.

The second part of this section should highlight the departments relevant to the business and how they will be supervised. And finally, an organization chart is to be drawn to clearly indicate the lines of authority and communication in the business.

3.2 Key personnel

Identify all the key personnel by relevant job titles, then provide an outline of the desired academic and professional qualifications as well as other relevant skills or personality traits desired for the job. Then outline the key duties and responsibilities to be carried out by each.

3.3 Other personnel

Identify all the other personnel by relevant job titles, then provide an outline of the desired academic and professional qualifications as well as other relevant skills or personality traits desired for the job. Then outline the key duties and responsibilities to be carried out by each.

NB: Do not tabulate the information provided in 3.2 and 3.3 above. Use paragraphs and full sentences to describe the qualifications and duties.

3.4 Recruitment, training and promotion

Recruitment: What will be involved in your desired recruitment process to enable you source and employ the right people with the right skills for your business operations?

Training: Staff training and development is important for continuous improvement of the employee's skills and performance. How do you plan to carry out this important function in your business?

Promotion: All employees look forward to career advancement through job promotion. Outline your strategy in ensure your employees get the opportunity to advance in their careers as they work for you. What factors will you consider as you decide who to promote. What methods of promotion will you employ?

3.5 Remunerations and incentives

Remunerations are the salaries you plan to pay your employees. Tabulate these as follows:

SN	JOB TITLE	BASIC SALARY	ALLOWANCES	TOTAL MONTHLY SALARY
1				
2				
3				
4				
5				
ETC				
			TOTAL	XXXXXXXXXXXXXXXXXX

Indicate any non-financial or financial incentives you plan to give your employees as you motivate them to work more efficiently for your business.

NB* Salaries may not be universally uniform in all enterprises. However, there are specific trends, indicators and government guidelines on how much people in particular level/rank are likely to be paid. Ensure the figures you use are practical, relevant and legally acceptable.

3.6 Licenses, permits and by-laws

Licenses: indicate the types of licenses you must obtain for your business. Indicate where these licenses will be obtained from, for how much and what will be the duration of renewal.

Permits: some business operations require special permits from specific government regulators to enable them carry out their business operations in a particular area or under particular conditions. Identify the permits your kind of business may require to obtain, indicate where it will be sourced, for how much and duration of renewal.

By-laws: Every city, county or municipality has their own special by-laws, different from the government laws and regulations affecting business operations. Identify these by-laws that your business will be required to adhere to.

3.7 Support services

At start up, there are certain professional services that the business may not be able to afford to employ personnel to offer on full-time basis. These are outsourced, and paid for as the need arises. Identify the support services that you feel your business will require to outsource e.g. banking, insurance, legal services, technical services, management consultancy etc. For each service you identify, show the service provider by name, their address and where they are located.

Chapter 4: Operational/Production plan

This chapter first identifies the facilities required for the operation or production process of the business. Then it goes on to highlight the strategies for ensuring product development process, the supervision of operations, resource utilization with the objective of minimizing costs of production while maximizing on output and profitability of the business. A section is devoted to giving a detailed outline of the production/operation process and finally, one is required to identify those government regulations that impact or affect the decisions made on operations or production process.

4.1 Operational/Production Facilities

S N	FACILITY	CAPACIT Y (level of output)	QUANTITY/ NUMBER REQUIRED	COST/ UNIT	TOTAL COST	SOURCE/ SUPPLIER
	Machine s					
1						
2						
3						
					Sub total	
	Tools and equipme nt					
1						
2						
3						

					Sub total	
	Furniture and fittings					
					Sub-total	
					GRAND TOTAL	

The business premises layout

Describe your work station, either the shop floor, office layout etc. showing the various rooms or areas where specific activities will take place. A good business premises layout enhances the flow of work tasks, flow of information and efficiency in work organization. Summarize your write up with a layout drawing illustrating the work areas described.

4.2 Operational/Production Strategy

What strategies will you put in place to ensure efficient supervision, minimum costs and maximum output performance and profitability?

Outline the various items of monthly production costs the business will experience:

a) Monthly Cost of Raw materials

Item	Amount (Kshs)
Total cost of materials	

b) Monthly Cost of Labor

Job title	Total monthly salary
Total cost of labour	

*the details are derived from chapter 3 – remuneration table. The total reflected here should be same as that shown in chapter 3

c) Monthly Overheads costs

Item	Amount (Kshs)
Total overheads costs	

d) Total cost of production per month

Item	Amount (Kshs)
Cost of raw materials	
Cost of labour	
Overheads costs	
Total cost of production/operation	

4.3 Production/Operational Process

In this section, a detailed account of what is to be done, step by step in coming up with the product/service, and then the process of selling to the customer, i.e. what happens from the time the customers places an order or walks into the business premises up to the point where they are served, they pay for the product/service and leave. It is not just listing the activities, but giving details of exactly what will be done to maximize customer satisfaction.

4.4 Government Regulations Affecting Operations/Production Process

Identify relevant government laws, policies, rules and regulation that are likely to affect your operation e.g. taxation, statutory deductions, minimum wage, occupational health and safety and disaster management and recovery, labour laws relevant to your industry etc. (NOTE: do not repeat issues to do with business registration, licenses, permits and by-laws. These are already covered in chapter 3)

Chapter 5: Financial plan

This chapter simply outlines how the finances will be utilized, analyzed and sourced.

5.1 pre-operational costs

What costs will you incur in preparation to starting the business?

Item	Amount (Kshs)
Total pre-operational costs	

*the budget discussed earlier in class can come in handy in this part, as you outline exactly what you need to acquire before you can start the business operations.

5.2 Working capital estimations

The working capital of an existing business, as you all know from your accounting lessons is calculated by subtracting current liabilities from current assets. But in the case of a proposed business, the ideal way to arrive at estimated working capital requirements is to list the monthly expenses to be incurred by the business, for the first three months of operation. Taking the total for the three months will give a rough idea of how much to put aside for business operations, from the total invested in order to cater for the initial months, just before the business begins to generate revenue.

Item	1 st month Amount (Kshs)	2 nd month Amount (Kshs)	3 rd month Amount (Kshs)
Total working capital			
		GRAND TOTAL	

5.3 projected cash flow statements

Again, preparing projected cash flow statements for a proposed business is different from preparing cash flow statements for an existing business. In this case, one has to simply estimate in a realistic sense, how much will be received from various sources of income, and how much will be paid out to cover the operational costs. Then, it is important to calculate the net cash flow for each month and determine the opening balance for each month. The following format is adopted

Projected Cash Flow Statements for xxxx for the first three years of operation

Particulars	Jan	Feb	Mar	April	May	June	July	Aug.	Sep	Oct	Nov	Dec	Total
CASH IN FLOW													
Opening Balance or balance b/f													
Owner's equity													

Bank loan													
Cash sales													
Debtors													
Any other source (specify)													
TOTAL CASH IN FLOW													
CASH OUT FLOW													
Pre-operational costs													
Purchases													
Payment to creditors													
Salaries and wages													
Rent													
Electricity													
Water													
Telephone													
Mail													
Transport													
Advertising													
Insurance													
Loan repayment													
Interest on loan													
Taxes													
Any other expenses (specify)													
TOTAL CASH OUT FLOW													
NET CASH FOR THE MONTH													

Show for three years, and also highlight the assumptions made

5.4 Pro-forma income statement

Like said before, the business here is assumed to be proposed, not existing. In which case, the income statement is pro-forma not a real profit and loss account. For comparison purposes, it is important to estimate for the first three years of operations. This will give a clear sense of whether the planning is leading to business growth or decline.

Pro-forma Income statements of xxxx for the years ending.....

Particulars	30 th June 2013	30 th June 2014	30 th June 2014
Sales			
Less Cost of Sales			
Gross Profit			
Expenses			
Purchases			
Payment to creditors			

Salaries and wages			
Rent			
Electricity			
Water			
Telephone			
Mail			
Transport			
Advertising			
Insurance			
Loan repayment			
Interest on loan			
Taxes			
Any other expenses (specify)			
Total Expenses			
Net profit before Tax			
Tax (30% of Income)			
Net Profit after tax			

Show assumptions made

5.5 Pro-forma statement of financial position

The Statement of Financial position is also pro-forma not for an existing business. As such, you are expected to show a Statement of Financial Position as at start of business, end of year 1 and end of year 2

Statement of Financial Position for xxxx As at....

ASSETS	Start	End of year 1	End of year 2
Current Assets			
Total Current Assets			
Fixed Assets			
Item at cost			
Depreciation			
Item at cost			
Depreciation			
Item at cost			
Depreciation			
Total Fixed Assets			
TOTAL ASSETS			
LIABILITIES			
Current Liabilities			
Total Current Liabilities			
Long-term Liabilities			

Owner's equity			
Bank loan			
Retained earnings			
Total Long-term liabilities			
TOTAL LIABILITIES & EQUITY			

Show assumptions made

5.6 Break-even point calculation

Show your calculation for the break-even point

Ensure the break-even analysis is included

5.7 Profitability ratio analysis

Show the profitability ratios for: Gross profit, Net profit, Return on Assets, Return on Equity, Return on Investment, liquidity ratio, debt ratio, quick ratio and for those doing retail business, calculate the Rate of Stock/inventory turn over

5.8 Desired financing

This simply shows the amount you would wish to have for investment if everything worked out as planned.

Item	Amount (Kshs)
Pre-operational Costs	
Working capital	
Contingency funds	
Total Desired Financing	

5.9 Proposed capitalization

This simply shows the total amount invested in the business

Source	Amount (Kshs)
Owner's equity	
Bank loan	
Total Investment	