

**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. **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 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. **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. **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. **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. Your 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. **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. **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. **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. **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. **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 | XXXXXXXXXXXXXXX |

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**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **SN** | **FACILITY** | **CAPACITY**  **( level of output)** | **QUANTITY/NUMBER**  **REQUIRED** | **COST/UNIT** | **TOTAL COST** | **SOURCE/**  **SUPPLIER** |
|  | **Machines** |  |  |  |  |  |
| 1 |  |  |  |  |  |  |
| 2 |  |  |  |  |  |  |
| 3 |  |  |  |  |  |  |
|  |  |  |  |  | **Sub total** |  |
|  | **Tools and equipment** |  |  |  |  |  |
|  |  |  |  |  |  |  |
| 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:

1. Monthly Cost of Raw materials

|  |  |
| --- | --- |
| Item | Amount (Kshs) |
|  |  |
|  |  |
|  |  |
|  |  |
|  |  |
| Total cost of materials |  |

1. 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

1. Monthly Overheads costs

|  |  |
| --- | --- |
| Item | Amount (Kshs) |
|  |  |
|  |  |
|  |  |
|  |  |
|  |  |
| Total overheads costs |  |

1. 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.

* 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 | 1st month Amount (Kshs) | 2nd month Amount (Kshs) | 3rd 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 | 30th June 2013 | 30th June 2014 | 30th 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** |  |