

Chapter 12

The business plan

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Learning outcomes

- Understand what a business plan entails
- Identify the various aspects dealt with in a business plan
- Determine differences and similarities between a business plan and a strategic plan
- Formulate a business plan
- Identify the criteria for an effective business plan and its successful implementation
- Identify the pitfalls in formulating and implementing a business plan

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The business plan

Written road map of:

- where a business venture is headed
- what it has to do to get there and
- what it will look like on arrival

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Reasons for preparing a business plan

- Helps an entrepreneur to work more smartly rather than harder
- An entrepreneur develops and updates business strategy by assessing the efficacy of ideas and approaches
- By setting goals in a business plan, an entrepreneur develops a concern for realizing goals and showing progress, particularly if the goals are stated clearly and in measurable terms, thus allowing performance and progress to be evaluated

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Reasons for preparing a business plan (cont.)

- Setting realistic goals, helps an entrepreneur acquire an understanding of what needs to be done to start or acquire a business and manage it successfully; establishes a blueprint to effectively manage the start-up or acquisition process, and helps those involved to cope with a highly stressful situation
- Formulating a business plan has various positive effects on motivation as people trying to realise attainable goals are motivated to do so

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What business plans cannot do

- Business plans cannot predict the future
- Business plans cannot guarantee funding
- Business plans cannot raise all the money required
- Business plans cannot fool all the people all the time

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Negative effects to be noted:

- Business plans rapidly become dated
- Rigidly sticking to a business plan may result in inflexibility in starting and (or) managing the business
- There are many important events affecting a business that the formulators of a business plan cannot anticipate, thus a business plan is a blueprint of foreseeable events and can provide very little guidance if unforeseen events occur

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Negative effects to be noted (cont.)

- Formulating a good business plan necessitates the use of various resources (e.g. reliable information, plenty of time, and human resources), which may not be readily available to entrepreneurs or may be in short supply.

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3 main steps to prepare a business plan

1. Determine the present status of a business (that is, no business has been established but the venture team would like to start or acquire one)
2. Describe where you want to go with the business and develop objectives to take you there (that is, an entrepreneur describes how he or she will start a business and what objectives will be used to achieve this goal)
3. Formulate an action plan to facilitate the realisation of objectives (that is, the entrepreneur formulates a plan to implement the business plan).

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Plan of action to formulate business plan

1. Decide on format and outline of business plan
2. Decide on the specific tasks to be completed in starting or acquiring a business
3. Place the tasks to be completed on an action calendar
4. Formulate the business plan and make adjustments to the target dates and action to be completed

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Aspects to cover in a business plan

- A cover sheet
- An executive summary
- A table of contents
- A brief history of the business and its principles
- A description of the business and the market
- A discussion of products and (or) services
- A delineation of the management and organisational structure of the business

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Aspects to cover in a business plan

- A description of the objectives and goals of the business
- A pro-forma statement of comprehensive income
- A pro-forma statement of financial position
- A pro-forma statement of cash flows
- Some appendices, including organisational charts, product brochures, and detailed product, marketing, manufacturing, financial, and administration analyses

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International business plan

- Supplies a detailed analysis of competitive advantages and disadvantages related to possible competitors in a foreign country to identify actions that would optimise strengths and minimise impact of weaknesses

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International business plan (cont.)

Three important aspects:

- An entrepreneur/existing business should have a set of overall objectives
- Optimal operating strategies should be decided on
- Any business operating transnationally has to maintain control over its widespread sections

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Templates online

- The following web address provides a good template for a business plan:

<http://southafrica.smetoolkit.org/sa/en/content/en/478/How-to-Finance-Your-Business>