

# Chapter 01

## *Business Plan*

This chapter discusses the followings.

- 1.1 Introduction to a business plan
- 1.2 Composition of a business plan
- 1.3 Need for a business plan



## 1.1 Introduction to a business plan

### *Failing to plan means the same as planning to fail"*

The above statement shows the importance of planning with regard to success in the field of management. A plan is essential for success in anything. In Grade 10, you studied how to select a business opportunity through various methods of assessment. Now you should prepare to start up and implement your business. In fact, drawing up a plan to transform a business idea into a real business, and implementing it, is a main function of an entrepreneur. This chapter will give you a basic understanding of what business plans are.

The following activity will help you check your understanding of business plans.



### Activity 01

Read the given statements and indicate whether they are true (✓) or false (✗).

No.	Statement	✓ / ✗
01	Every person and organization has certain targets to accomplish.	
02	Every business that is started will be successful.	
03	The only way to be successful in a business is to put in a lot of money.	
04	Business plans should be modified according to the changes in the environment.	
05	If you want to assess how a business is performing, you need a plan.	
06	In business planning, you cannot be sure of the predictions regarding the external environment.	
07	As the factors of the environment keep on changing, preparing business plans is not necessary.	
08	A plan is necessary to succeed in any goal.	

Before making a business plan, you should study the business environment well. If you prepare your business plan that way, it would guide you to succeed in your business through using limited resources and suitable strategies. If not, you may not achieve your goals and the resources could be wasted as well.



Figure 1.1

Your school is an educational institution where various plans are being implemented. You would have seen the Year Planner in the main office of your school. It is a plan that includes the activities scheduled by your school for the relevant year. Your class time table is another example for a plan.



A business plan is a formal document that presents, in a structured and well-organized manner, the targets you expect to reach and the various activities that you will carry out at the start-up of a business and while running the business.

Based on this description, you can verify your answers for the Activity 01.

## 1.2 Composition of a business plan

There are several elements of a business plan. Out of them, let us focus on the following elements.

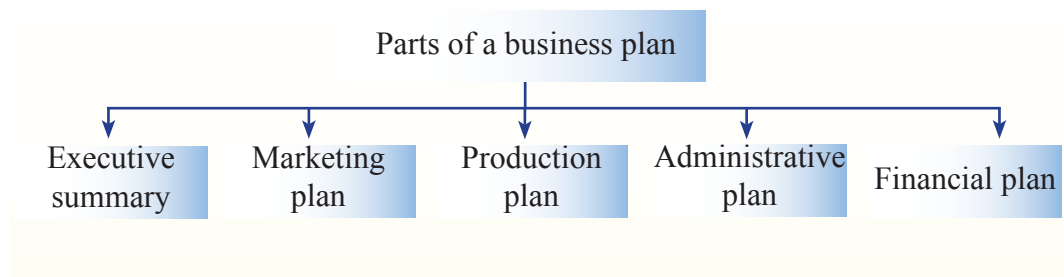


Figure 1.2 - Composition of a Business Plan

Let us take a brief look at each of them.

## 01. Executive summary

The executive summary is a summary of the entire business plan. It summarizes the most important information regarding the business for the benefit of the reader.

When a person reads the executive summary, he/she should be able to create a mental picture of the business based on the information presented there. The executive summary is usually about one page in length.



*Figure 1.3*

### **The following information is summarized in an executive summary:**

- ▶ The name of the business, the industry that it belongs to, etc. (described very briefly)  
The name of the business that the entrepreneur wishes to start, and information regarding the nature of the business.
- ▶ A summary of the Marketing plan, highlighting its most important points  
Target customers, expected demand and supply, price of the product, unique features in distribution and promotion, strategies for gaining competitive advantage, etc.
- ▶ A summary of the Production plan, highlighting its most important points  
Production process, production cost, unique features of the production process, etc.
- ▶ A summary of the Administrative plan, highlighting its most important points  
Administrative structure, administrative processes, etc.
- ▶ A summary of the Financial plan, highlighting its most important points  
Funds needed by the business, how the funds will be acquired, expected profitability of the business, etc.

- Uniqueness of the business (described very briefly)
  - How the business organization is different from its competitors in terms of the uniqueness of the product, uniqueness of distribution, etc.
- Goals and objectives of presenting the business plan (in brief)
  - Whether the entrepreneur wants to start a new business venture, to get a bank loan to expand an existing business, or to manage the future activities in a methodical way through a self-investment should be included.

After the executive summary, the very next page should have a detailed description giving general information regarding the business. It will give information about the business and its owner or owners.

## 02. Marketing plan

This section details how the sales targets will be achieved. The following forecasted information has to be included here: the goods or service expected to be sold, the demand for the goods or service, marketing strategies, sales expenditure and sales income.

## 03. Production plan

Marketing plan mentions the quantity of goods or service that will be offered to the market. Production plan estimates the cost needs to be incurred when producing that quantity of goods or service.

## 04. Administrative plan

This section includes information on the human resources required for the business and the related costs.

## 05. Financial plan

Financial plan gives details regarding the sourcing of funds. It also includes estimates of income, expenses and profit.



Figure 1.4

By now, you would have gained a basic understanding about what a business plan is. Next, let us examine why an entrepreneur needs a business plan.

## 1.3 Need for a business plan

01. To make the business idea clear

A business plan gives details about the proposed goods or service to be offered and its uniqueness, to the persons who are interested of the business.

02. To understand the business environment

Business environment keeps on changing all the time. Changes occur in the internal environment of a business, as well as in the economic, social, political and technological conditions and the natural environment. All of these changes can be identified early through business planning.



*Figure 1.5*

03. To guide the business

It indicates what activities should be done by each party involved in the business.

04. To indicate the future direction of the business

The business plan clarifies what status the business should achieve in future.

05. To raise the necessary funds

Investors prefer to put their money into profitable ventures. A business plan displays the proposed activities and expected benefits of the business. A business plan is essential for organizations such as banks when making investment-related decisions.

06. To make a good estimate of the demand

The market demand is a main factor determining the success or failure of a business. It is necessary to be well aware of the competitors and substitutes, as well as their market share and strategies; and to form suitable strategies to face them. All of these require planning.

07. To identify the resources required for the business

A business plan identifies the physical and human resources necessary for business activities.

08. To find out the success of the business

If you forecast your business activities before starting up the business, you can see what outcome you will be getting by the end of a given period of time. If you have successfully forecasted your business plan, you can understand today whether your business will be a success or a failure in future. This will help you to face future uncertainties successfully.

09. To get an overall image of the business

A business plan gives details about the various activities of the business for a given period of time in future. So it provides a clear view of how the business will be in future.



### Activity 02

Given below are some details that should be in a business plan. Against each of them, indicate the section of the business plan where it should be included.

Index No.	Description	Section
01	Marketing strategies of the competitors	
02	Types of employees needed for the business	
03	Summary of the entire business plan	
04	Financial needs	
05	Estimated salary for office employees	
06	Estimated promotional expenditure	
07	Minimum qualifications for each type of employee	
08	Forecasted electricity charges for the factory	
09	Nature of the business	
10	Inward and outward financial flow of the business	
11	Cost of a unit of production	
12	Location of the business	
13	Sales forecast	
14	Targeted sales area	
15	Annual requirement of raw materials	

## Let's Answer

01. What do you understand by a “business plan”?
02. Name the elements of a business plan.
03. Indicate the parties that would benefit from a business plan.
04. What are the difficulties that a business may face when there is no business plan?
05. Explain the importance of the executive summary of a business plan.

