

EBONY PARK HEART ACADEMY

WRITING A BUSINESS PLAN NOTES

Subject: Entrepreneurship

Date:

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Group:

Components of a business plan relevant to a business opportunity identified and reviewed.

Definition For A Business Plan: A written document describing the nature of the business, the sales and marketing strategy, and the financial background, and containing a projected profit and loss statement.

A business plan is also a road map that provides directions so a business can plan its future and helps it avoid bumps in the road. The time you spend making your business plan thorough and accurate, and keeping it up-to-date, is an investment that pays big dividends in the long term.

(Small Business Encyclopedia)

The instructor will discuss the components of the business plan with the learners. The business plan components are:

✓ **Executive Summary**

1. Learners should write a paragraph convincing someone that they should read the business plan.
2. State why people should be interested in participating/supporting the venture or finance it.
3. This section is a summary of the entire plan and is usually written after the rest of the plan is completed.

• ***Mission Statement***

1. The Mission Statement should explain the philosophy reason for the business' existence.
2. It should capture operators commitment to customers, environment and to staff.

3. The Mission Statement should serve as a guide to the business' development.

- ***Vision Statement***

A vision statement outlines what you want your business to be in the future. It gives shape and direction to your long-term business goals.

Your vision is something for you (and your employees) to strive for, and is a snapshot of how you want to be seen 10 years out. It should be succinct, vivid, and inspiring.

- ***Logo***

A logo is a graphic mark, emblem, or symbol commonly used by commercial enterprises, organizations and even individuals to aid and promote instant public recognition

1. A logo should be created for the business

- ***Slogan***

1. A slogan is an advertising tag-line or phrase that advertisers create to visually express the importance and benefits of their product.

- ✓ **Description of the Business**

1. This topic gives a brief account of the activities of the business throughout its existence.
2. If the business is just starting learners should explain where the idea came from, or why they are starting this business.
3. If the business is restarting learners should explain why it was closed previously and what they have learnt from that experience.

- ***Operations***

1. This section of your plan helps you to put into perspective how your business will function on a day-to-day basis.

- ***Location***

1. Give a brief description of where the business will be located. You should list the advantages of your location.

- **Industry Analysis**

1. This section of your plan analyses the business industry .
2. The analysis should take into account a description of trends within the industry.
3. How has the industry changed in the past few years.
4. Are there any government regulations that affect the industry, and who are the major players in the industry?

- **Capacity**

1. You will need to make a projection of the amount of products/services you will produce or supply on a given day, week or month.
2. This projection will be based on your staff complement, equipment, capacity and workspace.

- **Procurement**

1. This is where learners will outline the source of their equipment and supplies and also the arrangement to be made for their retention.

✓ **BUSINESS GOALS AND OBJECTIVES**

1. Goals are futuristic targets persons set for their business.
2. Goals should be specific and measurable.
3. The objectives are the methodologies you will employ to achieve the goals that have been established.

✓ **Description of Products/Services**

1. This is where learners will describe clearly the product or services they will be offering to customers.

✓ **Description of the Market/ Market Analysis**

- Describe the target market chosen for the business.

✓ **Keys to Success**

These are elements of critical importance for your business. Based on the nature of business these are areas that you believe will contribute significantly to your success. In other words – what do you have to do for your business to work? Additionally, identifying at least one unique way to create a competitive advantage will strengthen your chances of success. This unique position should be something that your competition has not included as part of their business strategy.

✓ **Marketing Plan/Strategy**

1. In this section of the business plan students will explain the strategies they will employ to create a market presence.

Promotions / Advertisement

2. All businesses need to be promoted.
3. A cost- effective plan or method should be devised to reach the target market.
4. If the target market is localized, for Example, in May Pen, advertisement on national television may not be the most efficient and cost effective method.

- ***Pricing strategy***

1. The most important variable within the business planning is the pricing strategy that will be employed.
2. If the prices are too high then it may be out of the reach of the target market and if they are too low it may give impression that the services/products are below standards.
3. The pricing strategy should take into consideration the financial position of the target market, the going price of similar products and the quality of the product
4. Product Guarantees and service warranties should be stated here.

✓ **Production Plan**

1. Give brief details of how the production process will be carried out and target productivity levels.
2. Detailed information including floor plans can be included in the appendix
3. If it is a retailing or offering services, give details of how the products or services will be organized to sell or offer.

✓ **Management/ Organization Structure**

Having described the business, the market and the product, you need to say who will make things happen in the business and how the various tasks and responsibilities will be allocated.

1. Give the names and position of each partner in the business.
2. An organizational chart can be created to display this.

✓ **Financial Data**

A business plan is future oriented, therefore the financial plan should outline the level of financing that will be needed to operate the business.

- State how the business will be funded
- Create a budget to show the cost price of each item or the cost to provide a particular service.
- Create a projected cash flow

The financial plan identifies sources and costs of finance to provide required liquidity and profitability for the business

What is a financial plan?

Long-term profit planning aimed at generating greater return on assets, growth in market share, and at solving foreseeable problems.

What is liquidity?

1. A measure of the extent to which a person or organization has cash to meet immediate and short-term obligations, or assets that can be quickly converted to do this.

2. Accounting: The ability of current assets to meet current liabilities.

3. Investing: The ability to quickly convert an investment portfolio to cash with little or no loss in value.

4. Profitability is the ability of a business to earn a profit. A profit is what is left of the revenue a business generates after it pays all expenses directly related to the generation of the revenue, such as producing a product, and other expenses related to the conduct of the business activities.

Areas to be discussed

Components of the business Plan.

1. Executive Summary
 - Mission Statement
 - Vision Statement
 - Logo
 - Slogan

2. History/Background/ Description of the Business
 - Operations
 - Location
 - Industry Analysis
 - Capacity
 - Procurement

3. Business Goals and Objectives

4. Description of Products/Services

5. Description of the Market
 - Target Market
6. Keys to Success
7. Marketing Plan/Strategy
 - Promotions/Advertisement
 - Pricing Strategy
 - Distribution
8. Product/Financial Data
9. Management/Organization Structure

Purpose of the Business Plan is Identified

A business plan serves as your blueprint for how you will operate your business. While you need to have a business plan to seek investors or get a loan for your

company, the plan is actually for your benefit. It provides a step-by-step guide as you start your new business or grow your current company, and it directs every decision you make going forward. (Lindy, 2012)

✓ Reasons for writing a business plan

A business plan is not just required to secure funding at the start-up phase, but is a vital aid to help you manage your business more effectively. By committing your thoughts to paper, you can understand your business better and also chart specific courses of action that need to be taken to improve your business.

2. To support growth and secure funding

Most businesses face investment decisions during the course of their lifetime. Often, these opportunities cannot be funded by free cash flows alone, and the business must seek external funding.

When seeking investment in your business, it is important to clearly describe the opportunity, as investors will want to know:

- Why they would be better off investing in your business, rather than leaving money in a bank account or investing in another business?

3. To develop and communicate a course of action

A business plan helps a company assess future opportunities and commit to a particular course of action. By committing the plan to paper, all other options are effectively marginalized and the company is aligned to focus on key activities. The plan can assign milestones to specific individuals and ultimately help management to monitor progress. Once written, a plan can be disseminated quickly and will also prompt further questions and feedback by the readers helping to ensure a more collaborative plan is produced.

4. To help manage cash flow

Careful management of cash flow is a fundamental requirement for all businesses. The reason is quite simple—many businesses fail, not because they are unprofitable, but because they ultimately become insolvent (i.e., are unable to pay their debts as they fall due). While the break-even point—where total revenue equals total costs—is a highly important figure for start-ups, once a business is up and running profitably, it becomes less important.

Finally, at some point, the owners of the firm will decide it is time to exit. Considering the likely exit strategy in advance can help inform and direct present day decisions. The aim is to liquidate the investment, so the owner/current investors have the option of cashing out when they want.

Common exit strategies include;

- Initial Public Offering of stock (IPO's)
- Acquisition by competitors
- Mergers
- Family succession
- Management buy-outs

Business goals and objectives are identified and documented, as a basis for measuring business goals and objectives.

According to the Iowa State University Extension website, a goal is a general statement of achievement while an objective is a specific step or action you take to reach your goal. Goals and objectives are important to the entrepreneur, as they clarify the purpose of the business and help identify necessary actions. Goals can involve areas such as profitability, growth and customer service.

Business Goals and objectives may include:

1. Financial projections
2. Goals may be short. Medium or long-term
3. Proposed size and scale of the business
4. Market focus of the business

The business plan demonstrates research into customer needs, resources and legal requirements which include health and safety issues, in accordance with business goals and objectives.

1. Customer Needs

Know your customers' needs. However good your product or service is, the simple truth is that no-one will buy it if they don't want it or believe they don't need it. And you won't persuade anyone that they want or need to buy what you're offering unless you clearly understand what it is your customers really want.

2. Resources

1. Financial Resources
2. Human Resources
3. Educational Resources
4. Physical Resources
5. Emotional Resources

3. Legal Requirements

1. Relevant industry codes of practice
2. Government legislative requirements affecting business operation
3. Registration Process

Marketing/promotion strategies, identify methods to promote the market exposure of the business.

Whether you want to promote a product or service, advertising is essential in today's competitive marketplace. When it comes to the types of advertisements that your company can utilize, the possibilities are endless. However, when creating an advertising plan and strategy, it is necessary to identify and examine the specific clientele you are targeting. Recognizing your target market will help you to choose the most beneficial type of advertisement for your specific business.

Ways to advertise:

1. Print advertising
2. Broadcast Advertising (television & Radio)
3. Online broadcasting

✓ **Directories**

There are ample opportunities online for business directory listings. Online business directories are similar to a traditional phonebook directory. Businesses are listed along with their contact information. Some are free and some charge for the listing. Google, Yahoo, and Bing are a few of the major business directories to which you can add your company.

✓ **Pay-per Click**

Pay-per-click advertising is a popular method of advertisement via websites. Unlike print advertising, pay-per-click options guarantee that people are seeing the message being advertised. Typically, in pay-per-click advertising, advertisers are only charged when a person clicks on the advertisements.

✓ **Social Net-working**

There are many ways that social networking sites can be used to advertise and promote your company. Ads can be placed on sites such as Facebook, LinkedIn, YouTube, Yelp among others.

✓ **Mobile advertising**

Mobile advertising primarily uses banner ads and poster advertising. Mobile banner ads appear at the top of your screen. Mobile poster advertising refers to the area at the bottom of your screen.

Production/Operations plan identifies methods/means of production/operation to conform with business goals and objectives.

A production plan is that portion of your intermediate-range business plan that your manufacturing / operations department is responsible for developing. The plan states in general terms the total amount of output that the manufacturing department is responsible to produce for each period in the planning horizon.

STAFFING REQUIREMENTS:

Learners should discuss the number of employees required by the company and when each is scheduled to be hired. They also place titles on each position and detail the skills needed by each successful candidate.

The duties & responsibilities of each staff member. Projected salaries and forecasted commissions should also be indicated.

Additionally, if your business will require casual laborers and specialist services from time to time to assist in product development and basic operations, they should be noted here. The company should ensure that human resources are readily available in their community or place of business.

Risk management strategies are identified and developed according to business goals and objectives and relevant legal requirements.

Risk management strategy provides a structured and coherent approach to identifying, assessing and managing risks.

Risk management strategies may include:

1. security systems to provide physical security of premises, plant, equipment, goods and services.
2. security of intellectual property

Reference: Guinness M.S. A (2004), *A guide to Entrepreneurship Text For High Schools*. 1st edition

2. Robinson, K. (2000). *Principles of Business for CXC*.
3. Curriculum Entrepreneurship Level II. Learning Management Services Department. (2010) Kingston Jamaica: HEART TRUST/NTA
5. Learning Management Services Department. (2006). Learner guide: Craft Personal Entrepreneurial Strategy (BSBSBM0021A. Kingston Jamaica: HEART TRUST/NTA.

Web Resource

<https://www.entrepreneur.com/encyclopedia>