

Purpose of a business plan

If you are preparing to start a business, you should first write a business plan. A good business plan acts as a dynamic blueprint for running and expanding your business. To write a business plan you can use, however, it is necessary for you to understand the main purposes of one.

It helps maintain business focus: A business plan contains all of your product information, manpower and financial estimates and your plans for the future. As you look to grow your business, you should refer to your business plan. When you decide to make changes to your business, those changes should be reflected in your business plan. When you make updates to your business plan, you get to see how your proposed changes will affect your entire business. Your business plan reminds you of why you started your business in the first place, what your original goals were and how business changes will affect your original vision.

Securing finance: As you start your business, and even as your business moves along, you will constantly need to concern yourself with financing your business. Financing concerns begin with the start-up costs and then continue with business expansion and new product development. When you look for outside financing, one of the first things the investor will want to see is your business plan. Private investors, banks or any other lending institution will want to see how you plan on running your business, what your expense and revenue projections are and whether or not your plans for the future are attainable with the business you have created. All of this can be answered by a well-written and thorough business plan.

Mapping Growth: Starting your own business can seem like a daunting task if you have never done it before. When you break down your business into a business plan, it can motivate you because it presents the business in an organized fashion. When you spend the time to outline your business in detail, you begin to understand what it will take to get your dream off the ground. Following a business plan can help you to map out the growth of your company and give you confidence when you need it.

Enlightening Talent: As your business grows, you will need to consider adding help to your team that can assist you to move your company in the right direction. A business plan will

help executive talent see your business vision and determine whether or not your company is a worthwhile investment of time and resources.

List of people who can read your business plan.

Business plans are detailed written overviews that outline the ways in which a business will ideally be operated. Comprehensive plans include market research, competition analysis, strategic marketing and operating objectives, financial outlooks and short- and long-term goals. While many business plans are written for the express purpose of attaining small business financing, they can be used for a variety of other purposes as well.

1. **Lenders:** Before authorizing a small-business loan, a financial institution will want to read a well-crafted business plan. This helps the lender assess if the business objectives are sound and if you've accurately anticipated various expenditures and projected revenue. The business plan is usually read in conjunction with the business loan application, and the lender uses the plan to help them judge whether your business represents a sound financial risk for the bank.
2. **Investors:** If you decide to take on investors at any point, they will want to read your business plan before making a commitment. The business plan spells out anticipated revenue streams, earning projections and researched plans for reaching your target demographic. It also details the specifics of your products and services and the potential for growth and expansion, and your financials reflect the performance of the business to date. Reading your business plan, in essence, allows potential investors to get a glimpse into your business's potential future.
3. **Partners:** If you decide to bring on a partner or hire someone in a high-level executive position, he will want to read your business plan. Reading the plan will help a potential executive employee understand your objectives, your operating procedures and their own potential for career growth and development. This will help both you and your prospect decide if they are a good fit for your organization and share the same business philosophy and professional approach.
4. **Smart Business Owners:** Ideally, you will regularly read and review your plan to help keep your small business on track. Your business plan should contain goals, objectives and measurements that set the course for your business. Regularly

measuring the real-life progress of your business against your business plan goals will help you determine what parts of your operation need to be tweaked. For example, if revenues are not as strong as anticipated, revisit the marketing plan and review the factors you based your initial projections on. Ask yourself if the market has changed or if there are internal measures to take to redirect the business's course.

Importance of Following a Business Plan

It is important to follow a business plan for many reasons. Business plans help obtain financing for projects, simplify decision-making processes, allow an entrepreneur to meet goals, and help improve the business. This makes success more likely.

Function

Business plans are complex documents that acutely detail how one intends to operate and organize a business. In most cases, an entrepreneur and/or an outside investor or lender will have a financial investment and interest in the success of a business. A business plan assists a lender in deciding whether to invest in a business or idea and provides an organizational framework for the entrepreneur. Business plans are important for several reasons. They assist in getting financing for a project, help in the decision-making process of whether to proceed with a business, help an entrepreneur stay on track and meet goals, and allow for business improvements. Know and be aware of all the parts of the business plan. A lot of planning and research are necessary to write one. The Small Business Administration recognizes that every plan should include the following aspects: executive summary, market analysis, company description, organization and management, marketing and sales management, service or product line, funding request, financials, and appendix. Follow the steps and details outlined in the plan. The Small Business Administration recognizes the importance of a business plan. Revise the business plan as necessary. Business plans are not static, but rather should be a continuous work in progress. Depending on the scope of a business, it may be necessary to consult business and legal experts to assist in planning and writing a business plan. There are many types of business plans. Research which type is best suited to the business. This will save time and revision later in the business planning process.

Stages in the Process of Starting a New Business

When you start a new business, you develop your idea in stages. Creating a comprehensive plan using the correct process for starting a business is essential to success. Planning a business in stages, and in the correct order, helps to ensure that you cover all of your bases and develop a solid business foundation. Conduct Preliminary Research before you can start planning your business. You first need to establish what kind of business you would like to start and then develop a list of business ideas, and then begin applying practical questions to determine which ideas offer the best opportunity. Research your ideas to find out if there is a demand for your business, what the legal hurdles may be in getting started, how much competition there is and whether you feel comfortable dedicating your resources and efforts to that business. One of the initial stages of any new business is the business plan. Your business plan outlines the kind of business you will be starting, how much start-up capital you will need, what kind of facilities you will need to house your business, how much staffing you will need and revenue projections for the first few years. Your business plan becomes your blueprint on how you want to build your business. It provides you with guidance on how much financing you will need and it becomes the document you present to investors that may be interested in giving you the capital you need to get started.

Financing

Before getting started, you will need to secure financing for your business. Follow your business plan to determine how much start-up capital you will need. Before speaking to investors or lenders, determine how much of your start-up cash you can provide on your own. A personal savings account can offer start-up money. If you are still working a full-time job, then start cutting down your expenses and apply the savings to your business. Once you have determined how much you have on your own, you can then move to investors and lenders. Private investors such as venture capitalists will want to be involved in the operation of your business. You may want to consider taking on a partner in someone you know rather than allowing an investor you do not know to get involved in your business. A lender, such as a bank or credit union, will want to see some sort of stability to your finances. You may have to use your personal credit rating to secure your start-up funding from a lender.

Success is often the result of hard work and good planning, and several key elements go into developing a successful company. Business owners measure success in different ways, but

there are consistent methods for achieving success that need to be part of your corporate planning and administrative process.

Planning

Business and marketing plans are the road maps to becoming a successful company. Your company growth, new product releases, marketing campaigns and revenue should be carefully planned. A business plan guides the overall direction of the company, while a marketing plan develops product advertising, including personnel utilization, budgeting based on sales projections and product distribution strategies. Good planning keeps the company focused on the activities that generate profit.

Employee Retention

Employee relations, competitive salaries, health benefits, career development and a safe working environment are elements of employee retention. A successful company works hard to recruit good talent and keep it. Your company development is stunted when you are constantly trying to replace experienced employees. The successful company invests in training employees and improving skill sets to help develop new products and stay current with industry developments.

Management

Your management team develops and administers the plans that help your company move forward. Strong management becomes an important part of other company success elements, such as business planning and employee retention. When the staff has confidence in management, it will work to make the company plans successful. Without a strong management team in place, a company lacks the guidance and resources necessary to succeed.

Financing

It is difficult for a company to move forward and be successful without proper financing. That financing can come from external sources, such as investors or lenders, or it can come from revenue generated by the company. The ability to find financing to match the company's

needs is critical in maintaining daily operations and funding the projects that help increase market share.

Why Is an Effective Business Plan Introduction Important?

The opening section of your business plan typically called the executive summary can be an immediate turn on or turn off to potential investors in your business. You only get one chance to make a first impression. This introduction is that first impression of your proposed business. The business plan should have two purposes:

- to verify to yourself that the business idea has potential and;
- to convince lenders or investors that your new business is a good bet to succeed.

The major sections of your plan may include a company description, analysis of the market potential, reports about your products or services, top manager bios, sales and marketing strategies and financial projections. Each of these sections should be an in-depth look at how your business will function when it is up and running. These sections can result in a business plan many pages long. The executive summary is the first section of your business plan, and it needs to be more than just an introduction. While the summary introduces your business idea, products and management team, it is more like a mini business plan written in a way to get the reader interested in and excited about reviewing the rest of your business proposal. Many readers of your business plan may not get past the executive summary. It is advisable to write your executive summary last, after the rest of the plan sections are complete. You then take the elements of the entire plan and summarize the most important points into the executive summary. This first section must be extremely well-written and easy to read, giving a full but concise picture of your proposed business. Think about how you want readers to view your company when they read the executive summary. It is also critical when you are not sure, go get help. Use all of the help you can find to get feedback on your executive summary. Rather than relying on people who are close to your business and who may be too involved in the business plan to see any flaws, have friends or relatives who are not familiar with what you are trying to do to read the executive summary and give their impressions. The words you think best express your ideas may not be getting the job done, and it is better to find out and correct this before your business plan goes to lenders or investors.

Reference

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