

Components of a Business plan

A business plan is a written document that details your company's current position and your plans for future growth. It can include a business proposal as an example of your upcoming plans, or you can create a business proposal as a separate document. Business plans can be as brief as a couple of pages or they can be as long as a short book, with extensive financials, forecasts and market research. The length and level of detail that you use for your business plan will depend on how much funding you require, and the time and resources you have available to devote towards creating a thorough and professional document.

Parts of a Business Plan

Your business plan should start with an executive summary explaining the purpose and structure of your company, and outlining what you intend your plan to achieve. You may be writing a business plan as an opportunity to examine operations and company culture, or you might prepare the document to present to a banker as part of a business proposal, with a sample letter requesting funding. Your business plan should provide bios of key personnel, and it should include a marketing plan laying out how you intend to take your business to the next level. The bulk of your business plan will likely consist of financial documents such as income statements, balance sheets and cash flow projections. These statements back up your text, showing a potential banker or investor what you have already achieved and what you are capable of achieving in the future.

Using a Business Proposal Template

You can write your business plan or proposal from scratch, or you can use a template or software designed to simplify and streamline the process. If your business plan will be short and simple, you may not need a template. In fact, using one may actually force you to do more work than necessary by completing sections that are not entirely relevant to your business. If you intend to present your business plan to investors or bankers, it's a good idea to use a template or software unless you have extensive experience writing business plans. These tools will help you to cover all your bases and create a polished and professional document.

Updating Your Business Plan

It's advisable to update your business plan regularly, whether or not you're seeking additional funding. The process of revisiting it is an opportunity to reevaluate strategic objectives and also compare your past projections with actual data as your project has unfolded. Your real-world numbers will almost never be consistent with the projections you made at the outset of a project. Despite these discrepancies, it can be useful to compare so you can identify where you made faulty assumptions and how you can project more accurately in the future.

Budget Planning in Sales

Creating a simple budget to guide your sales efforts can help you keep control of your resources and stay on track. A budget serves as a guide and doesn't have to restrain an eager sales force or innovative sales tactics. Planning a budget in sales lets you maintain control of your resources rather than running your business in reaction to outside forces.

Forecasting

To create a sales budget, you need to make some assumptions about the future. If you've been in business for a while, you can base your sales and expense forecasts on your performance in previous years. Look at your books to determine where you spent money and compare that to how much profit you earned. Take into consideration changes you've made in your business, increases in sales staff, new product or service offerings, and the general state of the economy and your industry to develop a realistic forecast on which you can base your current budget. Projections are less predictable when you're new in business. You'll have to rely on your business plan and research into the state of your industry to develop a realistic forecast.

Details

Various details should be included in your budget. Include how much you pay yourself and your sales staff, advertising and marketing, cost of goods, office overhead and transportation when assembling your expenses. Consider the costs of any business loans you'll be taking out in the coming year to finance company growth. To develop a realistic income side to the budget, consider how much you charge for your products or services and how much you think you can realistically sell in the current marketplace.

Practice

Budget planning in sales should be performed for immediate use as well as for long-term planning. You can create a one-year plan that drives your marketing projects and advertising campaigns in the short-term. Then you can create a longer-term, five-year budget to plan larger expenditures, such as taking on new lines of products, opening another location or increasing your profits through staff expansion. A long-term budget plan helps you prepare for future expenditures and growth while continuing to increase revenues. At the same time, both the short- and long-term budgets should remain flexible enough to respond to changes. Part of your planning should include timelines and baselines upon which you can audit your progress in comparison to the budget and leave you room to make adjustments as needed.

It's usually wise to underestimate your income when creating a budget. At the end of the year, it will be easier to deal with unexpected windfalls than with shortages. After all, the main reason you're creating a budget is to ensure that you make a profit and don't spend more on getting the sales than you do in making profits. It is important to include financial staff in your budget preparations rather than relying strictly on the ambitions of your sales force. Run the final budget by your accountant to ensure that it's realistic.

Strategic Thinking & Business Acumen in Executive Development

Strategic thinking involves seeing the big picture of the business and the specific paths to its growth amid changing consumer trends and competition. Having business acumen means understanding all the ways your business makes money, and knowing how to put the measures in place that increase profitability. As an executive, your strategic thinking skills and business acumen are fundamental in shaping powerful strategies for organizational growth.

Among the skills and traits important to sharpen strategic thinking include;

- understanding emerging trends,
- willingness to challenge the status quo,
- decision-making,
- data-analysis,
- energizing others and
- constantly learning.

Sometimes, strategic thinking involves putting aside what you think you know and taking a fresh look at where your organization is versus where it needs to be. Such strategic thinking skills do not necessarily come naturally to all executives, but can be actively developed. Business acumen represents your level of understanding of your business, its financial performance and its market. As an executive, seeing your business from above gives you a wider perspective of how all parts of your organization work together, or where potential decisions in one area will conflict with other areas. Knowing how cash flows into the business can improve your financial decision-making prowess and allow you to recognize new income-generating ideas. Additionally, understanding your competitor and customer goals can help you orient your business to your market.

Part of strategic planning is about setting priorities and designing goals for growth. Strategic planning can become more scientific when sharper strategic thinking and business acumen are applied. For example, pursuing fresh and original customer research instead of relying on last year's reports, or challenging organization-wide assumptions that may be creating limits, can help you draw up more inspiring goals and priorities for organizational growth. Through practice using tools such as small-group exercises and job-related, real-world scenarios, executives can fine-tune and apply sharper strategy and leadership skills.

How to Critique a Business Plan

Once they have completed a business plan, many entrepreneurs wonder if it is ready to present to potential financing sources. They question whether the plan is as clear as it could be and if they have covered all the important points that investors want to see. They realize that the business plan is their first and perhaps only chance to get the investor's attention. They want to make it as good as it can possibly be. One approach is to ask experienced business associates to critique the plan and provide suggestions about how it can be improved.

1

Read the plan through at least twice. Don't read it with a critical eye the first time. Just try to absorb as much information as you can. The second time through, begin making notes about sections that seem unclear or incomplete.

2

Think like an investor. As you review the plan, ask yourself whether this business looks like a good investment. Many plans dwell too much on how intriguing the company's technology is and ignore the factor of critical importance to investors: Can we make money? Try to identify aspects of the company's business model that will allow it to earn higher than average profits. Perhaps it has a labour cost advantage over competitors, for example.

3

Analyze the benefits of the products or services. The plan should give you a clear idea of the superiority of the company's products or services compared with those offered by competitors. Make sure you see why the target customers have a compelling need for the company's products or services. If you don't, suggest that this section of the plan be strengthened.

4

Evaluate the management team. Ask yourself whether you believe this team is capable of executing the business strategy outlined in the plan. Does the team look complete? Look for gaps in talent or experience that need to be addressed by bringing additional managers aboard. Determine whether the capabilities of the team match up well with the requirements for success in this industry.

5

Check the assumptions for the financial projections. Make sure the entrepreneur has provided easy-to-follow logic behind the numbers. You should be able to take the revenue assumptions and duplicate the calculations presented. Entrepreneurs tend to present overly optimistic revenue and profit projections. Look for areas where costs were underestimated or omitted altogether. Determine whether the projected revenue growth, particularly in the first years, seems realistic.

Challenges of Corporate Planning

The most successful business owners don't wait for growth to happen they take well-planned steps to improve their products or services, operations and delivery systems. This type of forward thinking requires a combination of research, accurate business records and entrepreneurial instinct. Putting all three together requires thoughtful planning and continued effort.

Effective Record-Keeping

One of the challenges of planning business strategy is having access to accurate, up-to-date business data, including detailed sales figures, financial reports, departmental budgets and customer service records. For example, it's not enough to have sales volumes numbers, even by year or quarter. To plan for the future, you must know which of your products or services have delivered the highest profit margins and gross profits. You must analyze your distribution channels by sales volumes, selling costs, margins and gross profits. Take steps to institute expansive and timely reporting procedures for all of your departments.

Expertise

No matter what you're planning, you'll need to include multiple departments in your execution. For example, if you plan on adding a new distribution channel, your IT, shipping and marketing departments might be involved. If you plan on reducing your labour costs, you'll need to work with your production, finance and human resources departments. Call on experts in every area that will be involved with any planning you're doing, even if it means hiring a consultant or contract services company in one or more area.

Finance

Many strategic plans require money. Even if you don't need much capital to launch a new initiative, you might need to fund it with sales revenues. Strategic planning can be very challenging if you don't have accurate and up-to-date cash flow statements, master and departmental budgets, debt-service and credit reports and profit-and-loss statements. If you do your own books, hire a professional accountant to help you learn how to create a variety of financial reports you can keep current once the accountant has helped you create them.

External Research

Even if you've got all the internal history, data, reports and operational information you need to help make strategic plans, you'll need to know what's going on in your marketplace that might affect your decisions. Visit your competitors or the places where they're selling to see how they compare to your products or services. Visit the websites of trade associations, industry magazines or professional blogs to find marketplace research and learn about trends. Conduct customer satisfaction reviews, surveys of potential customers and focus groups to help you float ideas you are planning. Subscribe to business magazines to stay in front of potential legislation or economic conditions that might affect your business plans.

Finance & Business Strategies

Serious entrepreneurs take big risks and make big sacrifices to turn their dreams into profitable ventures. Strategies for planning, start-up, marketing, innovation, and growth are needed. An entrepreneur also needs to know fixed and variable costs associated with all aspects of his business's launch and early growth along with options available for raising capital. Savvy entrepreneurs study a market before entering it. As an entrepreneur, you should know the size of the market you're entering, fluctuations in demand and buying power, competitors, changing industry regulations, and technology. A business plan is a written story of the details and direction of your business. It's meant to keep you focused and to attract potential investors. Write your own business plan, rather than outsource it, so that you can answer any questions about it posed by an investor. Create a summary of the plan followed by a description of your business and goals. Write a section detailing your market research, a description of your minimum viable product and other products or services you plan to offer. Outline your marketing and sales plan including your current efforts. Include a biography of yourself and others on your management team. Conclude with a thorough analysis of your start-up costs.

In attracting Investors, an entrepreneur's savings and job income can help launch a small business. Investment from family and friends can also fund ventures requiring minimal capital. Additionally, sales to early adopters of a minimum viable product should raise funds. Beyond that, consider debt-financing options including bank loans, credit cards and lines of credit. Contact the Small Business Administration for help in getting loans or grants for your business. Your business plan plays a critical role in attracting investors, especially when you

need major funding. Bring your business plan to wealthier friends and colleagues to talk about investment or partnership possibilities. Another major funding strategy is to sell a stake in your company in exchange for upfront capital. Venture capitalists can be an option for your company if it has the real potential to be worth much within just a few years of launch. Market research, management expertise and a powerful product are key things venture capitalists look at before investing. Always be professional and thorough. Address any questions and concerns investors have. Stay positive is also a great tool. Let your business knowledge and entrepreneurial passion help you succeed.

In the next and last lecture, lecture 14, we will conclude the Components of a Business plan discussion by talking about what a Business Plan Template is and why a business needs a business plan.

Reference

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