

Components of a Business plan continued

A Business Plan Template

A business plan template is a tool for writing a business plan that includes the sections necessary for creating a document you can use to start a business or share with potential lenders, investors and business partners. The template usually contains headings for the different sections and brief instructions for what to include in each section. You can find free templates available for download provided by organizations online and also paid ones that are more comprehensive and wider.

Sections

The sections of a business plan template often include the following: cover page, contents page, executive summary, functional sections and appendix. The functional sections of a business plan might include areas of the business such as marketing, human resources and finance. In the marketing section, sub-categories might include product description, marketplace analysis, pricing strategies, advertising, promotions and public relations and sales. The human resources section would include the organizational chart of the company, complete with departments, titles and job descriptions. The appendix includes support documents, including graphs, charts and budgets.

Purposes

Some business plans help an entrepreneur start and run an organization, setting benchmarks for when the business should increase its selling territory, staff and internal departments. Those business plans are living documents a management team continues to use and update. Other business plans are intended for one-time use to show prospective partners, lenders and investors that a business has a realistic chance of succeeding, what the cost to start the business is and what the return on the investment will be. Regardless of what type of business plan you are creating, include a variety of budgets, including start-up and operating costs, a master budget, cash flow and profit-and-loss statement, balance sheet and 3-year financial projections.

Reasons why a business requires a business plan.

Business plans provide direction and pertinent information to owners, employees, potential investors and lenders. An effective business plan details the mission and goals of a business and the ways in which your company will achieve them. It provides a road map for business owners just starting out as well as for larger companies looking to expand and excel in their area of expertise. A business plan efficiently answers common and pertinent questions regarding the daily operations of a business and its future.

Owners

Small business owners and entrepreneurs sometimes think they do not need a business plan. They sell a product or provide a service that seems to be a straightforward, no-questions-asked type of operation. However, small business owners gain powerful insight into their business when they take the time to develop and review a business plan. New marketing strategies, untapped areas of development and expansion and effective pricing strategies emerge when examining business practices.

Finances

Most businesses require financing by lenders or investors at some point in their development. A business plan details the financial health of a company, its chances of success and its ability to pay financial obligations. The very detailed information contained in the financial section of a business plan includes information on the cost of materials, equipment and business operations along with data describing a company's pricing strategy and profit potential. Potential lenders and investors insist on this detailed information before providing money to a company.

Employees

Employees need clear direction in both their job duties on a daily basis and their long-term purpose within a company. A business plan describes this information clearly and concisely for employees as they seek to increase individual productivity and that of the business as a whole. Employees in supervisory and management positions remain focused on the big picture by having clear goals and objectives in place.

Government Agencies

Government agencies sometimes request business plans and other pertinent information depending on the circumstances and form of business under which you are operating. This becomes especially important when setting up a non-profit organization that will be closely examined by both the revenue authority in our case, the Kenya Revenue Authority, KRA, and the County government where the business is located and where the business plans to operate.

Monitor Progress

Use a business plan to evaluate your business and its progress. Schedule annual business reviews to assess overall business operations, financial health and goal attainment as outlined in the business plan. The business plan should guide changes made within the business in order to complete as-yet unreached goals. Keep in mind that business plans can change and evolve according to the needs of your company. Writing a business plan can be overwhelming to new entrepreneurs. Sometimes hiring a professional may offer assistance in creating a workable and realistic business plan. There are many business plans templates and samples available online for additional help and guidance.

Key Tools for Planning Finances

Planning the finances of a small business allows the owners to navigate the different stages of their business. Planning and managing requires key tools acquired through continual self-education. Sound financial planning allows business owners to anticipate opportunities and prepare for contingencies. It provides better choices when life's inevitable events occur. A solid business plan is the first tool that should be used in financial planning. Business plans list every critical aspect of a company. The plan begins with a short overview of the entire plan and a history of the company. The second part of the plan analyses the market. It provides an industry description, identifies the target market and all strengths, weaknesses, threats and opportunities. The remaining areas of the business plan describe the company and how it will be managed. They include information regarding marketing strategies, what products or services are offered, and how the company's expenses will be financed.

Budget and Cost Projection

One key tool for financial planning is to prepare a budget and project costs. To prepare a budget, you need to formulate a reasonable sales projection, factoring in peak and off-seasons. The budget will determine how much cash is available to the business. New businesses will include funding obtained through personal financing, bank loans, investments and other sources. Once money forecast is available, business owners can look at the different categories of expenses and determine how much to spend in each category. Most budgets are works in progress and are continually revised.

Break-even Analysis

A break-even analysis is an essential tool for financial planning. It predicts what gross sales volume the business must achieve to cover its expenses. All sales beyond this point are profits. For new businesses, owners should assess their early predictions and determine how accurate they were. Adjustments might be needed for the next financial period. Mature businesses benefit from this tool as well because they can check their current break-even point and look for ways to lower it and increase profits.

Financial Statements

Financial statements contain information about the company's assets, liabilities, profits and losses. Understanding and preparing accurate financial statements is important to the success of a small business. The two most important types of financial statements are the balance sheet and the income statement. The balance sheet lists assets, liabilities and equity. The income statement lists revenues and expenses. Revenues minus expenses equals net income. Analysing the relationship between the balance sheet and the income statement can pinpoint strengths, weaknesses and opportunities. Financial statements also help business owners prepare tax returns and loan applications.

Strategies to Achieve business plan Goals

Your business life is driven by the need to achieve goals. There is more to reaching your business objectives than just desire. You need to develop strategies that allow you to envision your goals and to reach them. Develop comprehensive strategies for achieving your goals, and then learn to apply those strategies to any of your professional situations.

Write It Down

Seeing your goals written on paper begins the process of making them concrete objectives. When you write down your professional goals, you should also write down why you want to achieve each goal, what you hope to gain, what you could lose if it fails and a quick outline for achieving each goal. You can then take your general outline and start developing comprehensive plans for each objective.

Find a Mentor

A mentor is someone who has accomplished tasks that are similar to, or exactly like, the ones you are trying to accomplish. For example, an older actor may agree to take on a younger actor in a mentoring relationship to help the younger actor further his career. Another example is a former marketing executive mentoring a young sales executive on the responsibilities of management.

Develop Milestones

The journey to reaching an objective has a beginning and an end. But you can learn more from the experience if you break down your goals into a series of smaller milestones. For example, if your goal is to increase your sales revenue by 20 percent, then you can break it down into increments of 5 percent and monitor your progress. Using milestones gives you smaller goals to achieve that will maintain your motivation, and it also allows you to stop and examine your process to see if it needs refining.

Create a Deadline

Your goals should have concrete deadlines that you use to develop your entire approach. For example, if your goal is to open a second location of your retail business, then set the deadline for that goal at one year and develop the plan to meet that time line. Deadlines force you to find innovative ways to reach your goals and add to your sense of accomplishment when you achieve a goal within your predetermined timetable.

Learn from Experience

Any future goals you set will benefit from what you learn when achieving past and current goals. When you set out to achieve a goal, take notes on the processes that work and the ones

that do not. As you set new goals for yourself, use what you have learned in the past to create more effective strategies.

Completing a financial plan is the last step in writing a business plan. The plan includes a projected profit-and-loss statement for the next three to five years and a cash flow statement. A balance sheet is sometimes included as well as a break-even analysis. The financial plan in entrepreneurship is important, because it establishes the financial goals of the company. That is not the only reason it's important.

Determine Feasibility

When you begin to contemplate starting a business, you assume it will be successful, but many entrepreneurs find out after launching the company that success can be elusive. Creating a business plan with the accompanying financial plan is really a feasibility study of what it takes to be successful. If the resources are out of your reach, you don't have the experience or the market is too unstable at the moment, the financial plan will make that clear. You may find that the price you plan on charging for your products or services is materially higher than what your competitors are charging. Or perhaps the price is fine, but your manufacturing costs are too high and it will be difficult to earn a profit.

Variance Analysis

One of the biggest points of importance for entrepreneurial finance is monitoring the actual results against the line-item budget in the financial plan to give you the opportunity to take whatever steps are necessary to get back on track. For example, if you're not reaching the projected revenue, either the projections are wrong or the marketing program is not as effective as you thought. Knowing the assumptions behind the projections is important to find out why the projections have been missed. In other words, you need to know what you did right and what went wrong.

Forecast Financing Requirements

Starting a business requires money. The forecast financial plan demonstrates how much money is required and when. If you don't have the required amount of funding to start the business, you may have to begin on the smaller scale your funding allows. The financial plan also shows you where a shortfall will occur. Adjust the revenue and expense projections to

avoid the shortfall or make sure you have other funds available, such as your own savings or a loan to cover any cash deficit.

Obtain Funding

Investors and lenders request to see the entrepreneur's business plan, including the financial plan with projections and assumptions behind the forecast. If the financial plan is unrealistic, a common mistake with entrepreneurs, the loan or investment will not be forthcoming. Make sure you learn the ins and out of making and reading balance sheets, income statements and cash flow projections. Another reason the financial plan is important is because it lets you know what type of financing would be more appropriate.

It is my prayer that these lectures have opened your minds for greater business creations and running in the future... good luck!

Reference

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