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# **Entrepreneurs' Useful Framework for designing, developing and preparing Bankable Business Plan**

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*A well-written business plan is increasingly becoming a key requirement for obtaining loans from financial institutions on the part of entrepreneurs. In the light of this, the paper attempts to highlight critical issues in the process of designing, developing and preparing an acceptable business plan. Specifically, issues such as the alternative uses of a business plan, users of a business plan, the main ingredients embedded in a business plan amongst others are discussed. The paper maintains that the success of a business operation will critically depend on the nature of its business plan. Consequently, It is envisaged that knowledge gained from this paper would in turn sharpen the skills of potential entrepreneurs in various ways.*

## **Introduction**

In the last two decades or so more and more emphasis is being placed on a well-written business plan as a requirement for obtaining a loan from most financial institutions (Ogbokor, 2002:2). This is so because of the perceived benefits often associated with this tool. Indeed, acclaimed benefits of relying on a business plan are quite extensive. The primary function of the business plan is twofold: Firstly, as a guiding tool management relies upon it to chart the company's future prospects, and secondly, it defines goals and the strategies to accomplish them. The mission, goals, and objectives; budgets; marketing and other functional strategies are all instrumental in propelling the venture. Besides, the plan helps educate investors about opportunities by providing information about the size of the market; its growth and competitiveness; the credentials of the founder and the team; expected returns; and cash flow (Rwigema & Venter, 2004:249)

The underlying objective of this paper, therefore, is to shed light on some useful information that are needed in the preparation of a business plan. Accordingly, the paper is structured into six sections. The introduction is presented in section 1. Section 2 focuses on the various uses of a business plan. Section 3 presents a standard business plan as well as an expanded business plan, while section 4 considers some dangers often associated with a business plan. Section 5 reflects on sample plans, while the final section is devoted to concluding observations.

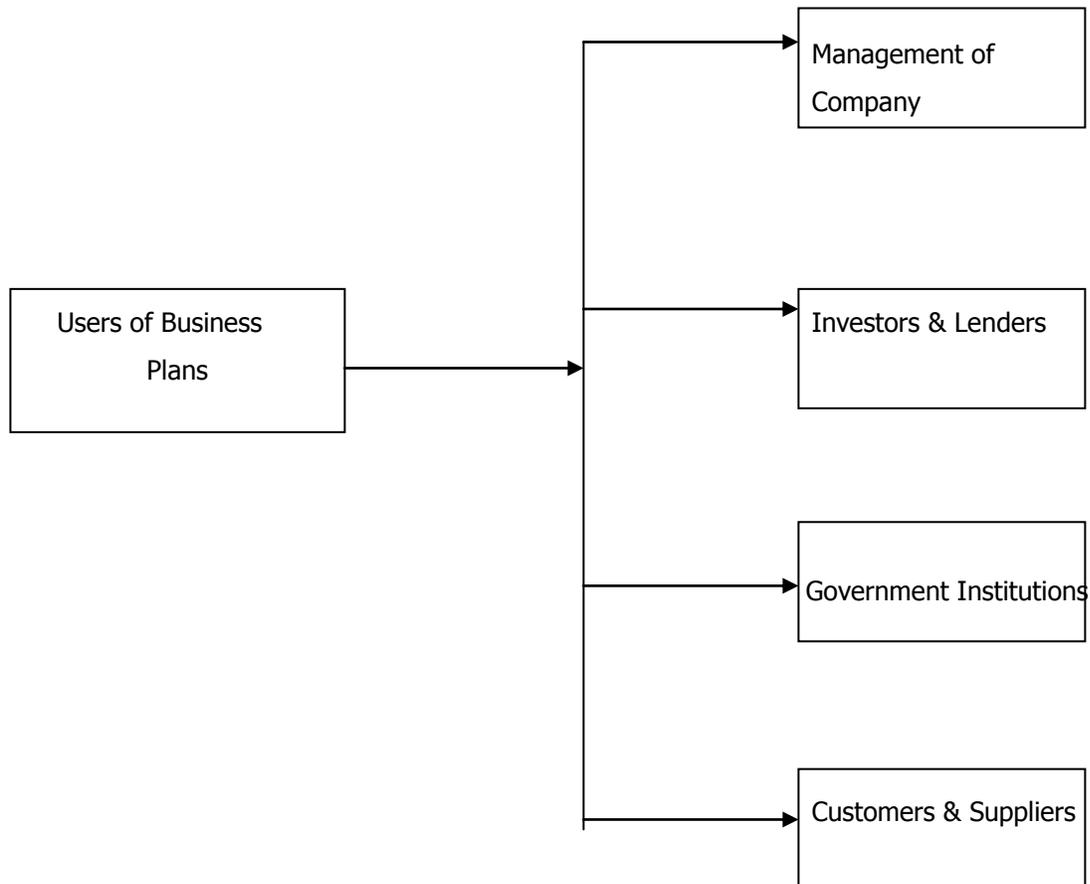
## **Using the Business Plan**

Acclaimed benefits of using a business plan are selectively itemised in the following sequence:

- It covers systematically all the important aspects of a business.
- It gives direction and discipline to a business.

- It is a potent weapon for raising funds.
- The process of formulating the plan can uncover possible weaknesses or alert the entrepreneur of possible sources of danger.
- It is a powerful communicating tool for employees, investors, and other stakeholders.
- It is a tool for recruiting key personnel.
- Internally, the plan can be used to more efficiently manage the business on an on-going basis.
- It serves as a benchmark for control within the organisation
- Entrepreneurs use the plan for self-evaluation (Hisrich & Peters, 2002:224)

The following is a diagram showing common users of business plans:



**Figure 1.1** Users of business plans (Ogbokor 2002)

## Possible Clues and Tips for writing the Business Plan

The writing of a business plan will, inter alia, depends on the nature of the business as well as the problem at hand. However, the following tips are useful in the writing of business plans. It should

- be properly arranged, with an executive summary featuring as the first item.
- not be too long or too short.
- show what the founders (owners) and the company expect to accomplish in three to five years time at the least.
- explain the benefits to the users of the company's products and services.
- show evidence of markets for the company's products and services.
- justify financially the means chosen to sell the products or services.
- portray the partners as a team of experienced managers with relevant skills.
- contain realistic financial projections.
- be attractive to financiers.
- be accessible.
- be reported in a simple fashion.

## A Standard Business Plan

Although there is no single formula for developing a business plan, it should, however, have predictable contents. For example, it should have an Executive Summary, which should be concise and motivating. Besides, sections covering the Company, Market, Product and Service, Management Team, Strategy, Implementation and Financial Analysis are often expected in a business plan (Berry, 2004:1-4).

Below is a suggested outline (Ogbokor, 2002:4-5):

- **Executive Summary:** A one-to three-page overview of the total business plan. Written after the other sections are completed, it highlights their significant points and, ideally, creates enough excitement to motivate the reader to read on.
- **General Company Description:** Explains the type of company and gives its history if it already exists. Tells whether it is a manufacturing, retail, service, or other type of business.
- **Products and Services Plan:** Describes the product and/or service and points out any unique features. Explains why people will buy the product or service.
- **Marketing Plan:** Shows who will be your customers and what type of competition you will face. Outlines your marketing strategy and specifies what will give you a competitive edge.

- **Management Plan:** Identifies the “key players” – the active investors, management team, and directors. Cites the experience and competences they possess.
- **Operating Plan:** Explains the type of manufacturing or operating system you will use. Describes the facilities, labour, raw materials, and processing requirements.
- **Financial Plan:** Specifies financial needs and contemplated sources of financing. Presents projections of revenues, costs, and profits. More specifically, it will include issues like: Cost of starting up, Operating costs, Profit and loss statement, Cash budget for three years or so, Break-even analysis, Sales forecasts for at least years, Potential funding sources, Targeted use of funds and loan collateral.
- **Legal Plan:** Shows the proposed type of legal organisation – for example proprietorship, partnership, or corporation. Points out special and relevant legal considerations.
- **Web Plan Summary:** For e-commerce, include discussion of website, development costs, operations, sales and marketing strategies.
- **Appendix:** Provides supplementary materials to the plan.
- **References:** Materials used should be properly referenced.

Depending on the nature of the business, it may be advisable to design and expand the business plan to reflect the following subsections (Berry, 2004:1-3):

#### **Executive Summary**

- Objectives
- Mission
- Key to Success

#### **Company Summary**

- Company Ownership
- Company History (for ongoing companies) or Start-up Plan (for new companies)
- Company Locations and facilities

#### **Products and Services**

- Product and Service descriptions
- Competitive Comparison
- Sales Literature
- Sourcing and fulfilment
- Technology
- Future Products and Services

#### **Market Analysis Summary**

- Market Segmentation
- Target Market Segment Strategy: Market Needs, Market Trends and Market Growth
- Industry Analysis: Industry Participants, Distribution Patterns, Competition and Buying Patterns; and Main Competitors

### **Strategy and Implementation Summary**

- Strategy Pyramids
- Value Proposition
- Competitive Edge
- Marketing Strategy: Positioning Statements, Pricing Strategy, Promotion Strategy and Distribution strategy

### **Web Plan Summary**

- Website Marketing Strategy
- Development Requirements

### **Management Summary**

- Organisational Structure
- Management Team
- Management Team Gaps
- Personnel Plan

### **Financial Plan**

- Important Assumptions
- Key Financial Indicators
- Break-even Analysis
- Projected Profit and Loss
- Projected Cash Flow
- Projected Balance Sheet
- Business Ratios
- Long-term Plan

## **Potential Dangers in planning**

Business Planning is often inhibited by some of these factors:

- Unrealistic goals: Vague, over-ambitious and unreasonable goals undermine the integrity of the overall plan. Goals should also have a timeframe and be measurable.
- Insufficient environmental analysis: Plans that are not based on environmental analysis often fail. Potential problems and opportunities existing in the industry are obtained through the process of environmental scanning and analysis.
- Lack of commitment: There is the need for entrepreneurs to commit their time, energies and attention to the business. Treating the business as a hobby could result in failures.
- Inexperience: Necessary skills and knowledge are required in the operation of businesses. The absence of these could jeopardise the plans. It is therefore advisable for entrepreneurs to be adequately equipped with the basic tools required for the running of their businesses. Relying on external experts can be very expensive and unsustainable. Use external experts only when it is inevitable.
- Poorly defined market: Everything else flows from consumer needs and buying habits. It is therefore instructive for an entrepreneur to ensure that his target market is clearly defined otherwise the marketing campaign, product choice, pricing and other campaign tools may be misdirected resulting in negative consequences.

Given the right environment and careful planning, it is possible to avoid most of these potential barriers, alternatively, minimise their effects on the Business Plan.

## **Sample Plans**

One of the most effective ways of developing skills in the writing of a business plan is to study the plans of established businesses in your industry. A variety of free sample business plans are available in the Internet. For more information on free sample business plans log on to:

[http:// www.bplans.com/sp/businessplans.cfm](http://www.bplans.com/sp/businessplans.cfm)

It is also instructive to note that increasingly, financial institutions in South Africa are demanding for Business Plans as part of the requirements for financing operators in the following sectors: Bed and Breakfast, Bricks Making, Bakery, Transport, Merchandising just to mention a few.

## **Conclusion**

A business plan is a potent tool with three key purposes: communication, management and planning. A business is however not likely to survive if it is not well managed. While a business plan is no guarantee of prosperity, it at least promotes it. The absence of a business plan has been likened to a journey without a genesis or revelation, alternatively, without a map.

We also envisaged that developers of business plans would find this presentation useful, enriching and thought provoking in many ways.

Finally, we conclude with this quotation:

“The business plan is a necessity. If the person who wants to start a small business cannot plan together, he or she is in trouble,”  
says Robert Krummer, Jr., Chairman of First Business, Los Angeles.

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