

# Module 8

“The Business Plan”

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## Copyright Statement of the training material

This training material was developed within the framework of the project “New Entrance – Entrepreneurship for Roma”. The training material is open and available through the project’s e-learning platform for all learners that will register in the platform and are interested in it.

### Introduction

The eighth educational unit is on “The Business Plan”. The business plan refers to the written report prepared before a business starts its activities, which outlines its plans and objectives. Before starting a business, it is useful to prepare a business plan to make sure that the business idea and implementation plan are logical. The aim of the business plan is to improve the new business’s chances of success. Once a business plan has been prepared, it is to be changed and updated as the firm develops. A carefully thought out business plan can help the entrepreneur to prepare for the future and foresee potential surprises.



#### Purpose

This educational material aims to make an introduction to fundamentals of the planning and implementation of a business plan. Business plan is not meant to be put away in a drawer but should be used to support the firm’s daily activities. Its primary purpose is to guide the work of the entrepreneur and the firm’s management. The business plan includes risk assessments and backup plans. The clear steps and measurement of the firm’s progress outlined in the plan makes the entrepreneur’s work easier and can guide, for example, the management of firm resources.



#### Learning Outcomes

➤ *In terms of knowledge:*

*After finishing the module, the participants will know*

- *what a business plan is*
- *the parts of a business plan*
- *what is competitive edge*



➤ *In terms of skills*

*After finishing the module, the participants will understand*

- *the different sections of a business plan*
- *how a business idea is defined*
- *the objectives and strategy of the business*

➤ *In terms of competences*

*After finishing the module, the participants will be able to*

- *make sure that the business idea and implementation plan are logical*
- *to prepare a business plan*

**Keywords**

- ❖ Business plan
- ❖ Business model
- ❖ Business idea





## 8.1. Preliminary work

### 8.1.1. From business opportunity to business plan

A good business plan should answer the following relevant questions:

- ✓ How will the firm meet the market's expectations?
- ✓ Can the firm sustain and develop its business?
- ✓ Does the firm's management know enough about the business?

The business plan:

- ✓ clearly describes the business' focus areas,
- ✓ commits the stakeholders to the firm,
- ✓ is written clearly,
- ✓ summarises the dynamics of the business model.

## 8.2. A Strategic Tool

### 8.2.1. The business plan as a strategic tool

The business plan is a useful strategic tool to be used by both starting and established firms. The business plan outlines the implementation of activities based on a business idea. The best business plans are the result of a process. Therefore, a business plan is not to be written the night before it is to be submitted. Instead, it should be crafted piece-by-piece and developed in line with the entrepreneur's education.

## 8.3. The implementation of the plan

**A business plan should include some basic facts.** The following list includes the elements that are generally included in a business plan.

1. SUMMARY OF THE BUSINESS
2. DEFINING THE BUSINESS IDEA
3. THE BUSINESS ENVIRONMENT AND ITS DEVELOPMENT
4. COMPETITIVE EDGE
5. OBJECTIVES AND STRATEGY
6. BASIC ECONOMIC QUESTIONS
7. FIRM RISKS
8. THE IMPLEMENTATION OF THE PLAN



### Hints to facilitate the process

Take the planning process seriously.
Remember to look into the future – the point of the plan is to describe how the firm's actions will attain the desired objectives.
Be realistic, do not be <b>extremely</b> optimistic.
Be concrete – describe actions and avoid <b>unclear</b> language.
Be exact – use numbers ( <b>Euros</b> , units, number of employees) and schedules whenever possible.
Do not make the plan too complicated; focus on that which is relevant.
Make sure the plan is a <b>logical full</b> .
Remember to make it easy to read.
Be prepared to update the plan throughout the planning process.

## 8.4. Summary of the business

### Background information:

- Name
- Industry, main products / services
- Sector / market area
- Location and **facilities**
- Intended date of establishment
- Ownership and main financiers
- Personnel
- **Revenue/income**



### Business idea background:

- How did you get the business idea and why is the establishment of a business timely for you at this moment?
- What is the primary motive for starting a new business?
- Note your basic and professional education and its importance for the firm.
- Note your work experience and earlier entrepreneurial experience.
- If the business idea is related to your hobbies, describe your hobbies.

### Starting point:

- Your personal entrepreneurial characteristics: what are your strengths and weaknesses?
- Professional expertise: what are your strengths and weaknesses?
- Entrepreneurial expertise: what are your strengths and weaknesses?
- What areas for development can you identify in yourself?

## 8.5. Defining the business idea

Outline the basics of the business idea. Think about how the different parts of the business idea work as a whole.

A) Target segments (To who do you market?)	<p><b>Describe your industry's segmentation, target segments.</b></p> <p>Which of these groups is most important for you? Why?</p>
B) Product / Service	<p><b>Describe your firm's product or service offering.</b></p> <p>Why does the customer need your products and what needs do they satisfy? What is the value to the customer? Why would the customer buy your products or services? (What is the competitive advantage of your offering?)</p>
C) Firm and product image	<p><b>What kind of firm or product image should you have so that it is interesting and attractive for your target segment?</b></p>
D) Business Methods	<p><b>Outline the methods your business will employ:</b></p> <p>How do you ensure effectiveness, quality and the level of service? What marketing methods will you use? What price level will you choose for your products and services? What is your primary sales channel?</p>



How is the production organized? Technology? Sourcing?  
What skills are demanded of the firm employees?  
What is your business network like? What do you do yourself? What is outsourced?

Brown



<https://www.youtube.com/watch?v=wwShFsSFb-Y>  
Getting from Business Idea to Business Model

## 8.6. The Business Model

### Motivation, mission and vision

A mission statement, essentially is the ‘what we do’ would make for a great starting point for this section. This really clarifies the reason the organization exist.

*For example*, a mission statement might be: ‘To create employment for youth with problem behaviour’

A vision on the other hand is the ‘why we do it’, another words the future the origination seeks to create. The vision statement articulates the long-term goal that the project or organization aims to realize.

*For example*: ‘To re-integrate youth with problem behaviour into mainstream society’





## 8.7. The business environment and its development

You can describe the following:

1. the size of the market (local or regional markets)
2. the stage in the life cycle of the industry (new, growing, established, mature)
3. consumer behaviour and related issues
4. the most common sales channels
5. the general price level and profitability
6. technological development of the industry
7. legal issues
8. Demand
9. What kinds of factors affect the demand of the product or service?
10. threats or changes that can affect the demand.

Brown

Click on the link below to watch the video regarding the business environment.





<b>S</b> <b>Strengths</b> <ul style="list-style-type: none"><li>• Things you are good at</li><li>• Experience, knowledge</li><li>• Unique characteristics</li><li>• Resources</li><li>• Geographical location</li><li>• Competence, capabilities</li><li>• Quality, reputation</li><li>• Flexibility on Product, Pricing, Distribution</li></ul>	<b>W</b> <b>Weaknesses</b> <ul style="list-style-type: none"><li>• Things you need to improve</li><li>• Gap in skills, knowledge</li><li>• Financial issues</li><li>• Market awareness and reputation</li><li>• Right people doing the right job</li><li>• Poor location</li><li>• Leadership and Management issues</li><li>• Staff motivation and involvement</li></ul>	 
<b>O</b> <b>Opportunities</b> <ul style="list-style-type: none"><li>• Strategic alliances, acquisitions</li><li>• Diversify the business</li><li>• Take advantage of new trends (PESTLE)</li><li>• New Product Development</li><li>• Enter new markets</li><li>• Reduce costs</li><li>• Be faster, better, easier, more stylish,</li><li>• Innovation an technology development</li></ul>	<b>T</b> <b>Threats</b> <ul style="list-style-type: none"><li>• Change in the environment (PESTLE).</li><li>• Loss of major customers.</li><li>• Raw material, energy and transport costs</li><li>• Strong competition</li><li>• Competitors new products and innovation</li><li>• Change in technology</li><li>• Fashion</li><li>• Seasonality</li></ul>	

Table. **SWOT Analysis** of a business

Critical collaborations, possessions, vary(variety)

## 8.8. Objectives and strategy

Try to provide a credible and realistic assessment. Use the below questions as a guide:

- ✓ what are your firm's primary products or services?
- ✓ what is the size of your firm? (turnover, number of employees, units produced)?
- ✓ what is your firm's economic situation?
- ✓ what is your firm known for?
- ✓ what kinds of clients do you have?
- ✓ what is the firm's image?
- ✓ what is the firm's market area? is it local, regional...
- ✓ what is your firm's market share?
- ✓ how has your **company's skills** developed, become specialized?
- ✓ what technological development has happened?
- ✓ how has the firm networked – what kind of cooperation does it have with other firms?



## 8.9. Financial Analysis

This component traditionally attracts much attention. Let us start by explaining what the financial section of a business plan is not. Realize that the financial section is not the same as accounting. Many people get confused about this because the financial projections that you include-- profit and loss, balance sheet, and cash flow-- look similar to accounting statements your business generates. However, accounting looks back in time, starting today and taking a historical view. Business planning or forecasting is a forward-looking view, starting today and going into the future.

The purpose of the financial section of a business plan is as follows:

- ❖ Find and more recourses (economical) (impact investors, banks, family, donor grants etc.)
- ❖ To show partners the viability of your enterprise
- ❖ However, the most important reason to compile this financial forecast is for your own benefit, so you understand how you project your enterprise will do.



## Learning activities

### TASK 1

After reading the training material, please write in the table below what are some (three in number) of the strengths, weaknesses, opportunities and threatens for a business.

<p style="text-align: center;"><b>Strengths</b></p> <p>✓ ...</p> <p>✓ ...</p> <p>✓ ...</p>	<p style="text-align: center;"><b>Weaknesses</b></p> <p>✓ ...</p> <p>✓ ...</p> <p>✓ ...</p>
<p style="text-align: center;"><b>Opportunities</b></p> <p>✓ ...</p> <p>✓ ...</p> <p>✓ ...</p>	<p style="text-align: center;"><b>Threatens</b></p> <p>✓ ...</p> <p>✓ ...</p> <p>✓ ...</p>



## TASK 2

According to the training material, please match the items of the right column with those of the left columns.

A) Target segments (To who do you market?)

B) Product / Service

C) Firm and product image

D) Business Methods

a. What marketing methods will you use?

b. Which of these groups is most important for you?

c. How is the production organized?

d. What is the value to the customer?

e. What kind of firm or product image should you have so that it is interesting and attractive for your target segment?

f. What price level will you choose for your products and services? What is your primary sales channel?

g. Why does the customer need your products and what needs do they satisfy?

h. What is your business network like?



### TASK 3

In this exercise, the trainee has to circle the right answer. Please read and note carefully.

1. One factor that a business plan should NOT include
  - a. Is summary of the business
  - b. The sponsorships
  - c. The definition of a business idea
  - d. The objectives and strategy
  
2. The purpose of the financial section of a business plan is
  - a. To plan the marketing strategy
  - b. To attract funding (impact investors, banks, family, donor grants)
  - c. To make research
  - d. To define the business idea
  
3. The business plans:
  - a. Is a useful strategic tool to be used by both starting and established firms
  - b. Is a market analysis
  - c. Isn't necessary for a business
  - d. Can be written in one day