

DEVELOP A BUSINESS PLAN*

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1 ECONOMIC AND MANAGEMENT SCIENCES

2 Grade 9

3 ENTREPRENEURSHIP

4 Module 13

5 DEVELOP A BUSINESS PLAN AND BUDGET

5.1 Activity:

5.2 To turn a business idea into a business plan

5.3 [LO 4.4]

Once the business idea has passed the viability test it must be developed into a business plan.

A business plan is a core document in terms of which a business is managed.

Business plans can be set out in a variety of ways. The following framework was based on a business plan of a company that has been using it for the past few years. It has been tested in practice.

BUSINESS PLAN

1. Vision of the enterprise

The vision of an enterprise says in a few words how the enterprise would like to see itself now as well as in the medium to long term. It does not change much from one year to the next.

Example:

To be the leading supplier of garden services in the Ermelo urban area.

2. Mission

The mission briefly states how the enterprise will go about pursuing its vision. The mission is adapted according to the changes that take place both within and outside the enterprise, and can therefore change from one year to the next.

Example:

Gardens are kept weed-free and neat and the soil is cultivated to increase fertility.

3. Organogram

The organogram explains the structure of an organisation in terms of the functions and employees, and it indicates who reports to whom.

4. The market

4.1 Potential clients

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It is important to give as much information as possible about potential clients. Market research is essential. It can be done by way of questionnaires, interviews and telephone calls, as well as by studying the newspapers and any documents that contain information about the community.

4.2 Competitors

It is essential to have information about competitors. There should be an indication of who the competitors are and what their strengths are, but more importantly what their weaknesses are, what people say about them, exactly what they sell and what their marketing strategies are.

5. Goals for the year in question (in this case 2004)

A business always sets specific goals that it wants to achieve in a particular year.

Example:

5.1 To be contracted by 200 home owners for the care of their gardens

5.2 To reach sales of R980 000,00

- To achieve a profit equal to 20% of the sales

6. Steps in pursuing the goals in the particular year

For each of the goals there will be an indication of what is to be done to achieve the goal.

Example:

6.1 Goals 5.1 and 5.2 will be achieved by

tailoring the product or service to the needs of the clients,

pricing it right,

advertising in the newspaper,

making personal visits to all the homes in the area,

giving excellent service to existing clients so that they advertise the undertaking, and offering a 20% discount on the normal price.

6.2 Goal 5.3 will be achieved by

cutting out unnecessary expenses, etc.

A little more about marketing:

- Pursuing business goals without effective marketing is not possible and therefore marketing should get a great deal of attention in this part of the business plan. It is often said that it is easier to sell a poor product if the marketing is good, than to sell a good product if the marketing is poor.
- As far as the marketing of a business is concerned, two phases can be distinguished:

Phase 1 entails the market research that must be completed early in the planning process, to ensure that the *nature and price of the product or service* are determined correctly.

Phase 2 entails the planning and execution of a marketing campaign.

- *Place, time* and *promotion* are the three key words. Firstly, the marketing campaigns must take place at the right time at the right place. For instance, it is pointless to display the product at a venue when there are no people. Furthermore, the campaigns must catch the attention of the potential clients (promotion).
- Advertisements have a very important role to play in this phase. Advertisements must *draw attention, be interesting* and *compel the viewer to take action*.
- The choice of media is also important. The media that are probably used most frequently are posters, newspapers, radio and television.
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7. Budget for the year

The budget is the most important part of the business plan. All the planning, mentioned above, can only be realised if the necessary finances are available. The budget that shows whether this is possible or not.

The income statement done in Activity 1.2 is an important part of the budget, but must be augmented by a balance sheet and cash flow statement. In this module we shall only look at the income statement.

8. Projection for the following year (in this case 2005)

A business always looks ahead of the present year and attempts to make an informed estimate of what should be attained in the next year or two.

The income statement format can be used for this purpose. All possible factors are taken into consideration and then it is decided whether the sales ought to increase, (e.g. by 10%), whether there will be new costs that will reduce the profit, (e.g. if it is expected that additional marketing needs to be done, etc.).

ASSIGNMENT:

Follow the example given in the preceding section and turn your business idea into a business plan. Use the captions on the next page to write a business plan.

My Business Plan

Period _____ to _____

1. Vision:
2. Mission:
3. Organogram:
4. The market:
 - 4.1 Potential clients (based on research)
 - 4.2 Competitors (based on research)
5. Goals (Remember: Specifically for the period indicated in the heading.)
6. Steps in pursuing the goals (Remember to set out your marketing strategy here.)
7. Budget (for the period indicated in the heading)

Data:

- Selling price
- Number of units that will be sold
- Product cost per unit
- Expected operational costs (Remember to make sufficient provision for the market)

Calculations:

- Sales
- **Cost of product**
- **Gross profit as first indicator** (sales less cost of product)

- Operational costs
- **Operational profit**

8. Projection (for the period following the period indicated in the heading)

- Sales
- Cost of product
- **Gross profit as first indicator**

(sales less cost of product)

- Operational costs
- **Operational profit**

6 Assessment

Learning Outcomes (LOs)
LO 4
Business, Consumer and Financial Knowledge and Skills The learner is able to apply, in a responsible manner, a range of business, consumer and financial skills.
Assessment Standards(ASs)
<i>We know this if the learner:</i>
4.1 generates, through SWOT analysis, possible business ideas to meet the need for manufactured goods or services;
4.2 develops a business plan (including a budget) for a manufacturing, service or tourism concern based on the best business opportunity from the ideas generated;
4.3 engages in the business activity planned and discusses the reasons for choosing a particular form of ownership;
4.4 conducts a marketing campaign to promote a product and discusses the self-selected advertising media;
4.5 researches the role of small, medium and micro enterprises in wealth and job processes.

Table 1