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Entrepreneurship:

THE BUSINESS PLAN

Grade 9

CONCEPT OF A BUSINESS PLAN

DEFINITION:

- it is a formal written plan that gives a detailed description of how a business is going to achieve its goals.
- it is a document that gives detailed information on how about the business finances and shows projections of how much money the business aims to make.
- It is a formal document that describes the future strategy and financial development of the business and usually covers a period of years
- it is a document which sets out all the details and arrangements for a new business venture.

Importance of a Business Plan

- It helps in identifying what action needs to be taken to reach a particular objective or goal
- It helps in anticipating problems and identifying ways around them to make it easier to take quick action when opportunities present themselves
- It helps in convincing people outside the business that the business has a good chance of succeeding
- Through business plans, applications for a loan from banks or financial assistance from government becomes easy
- Who would want to finance a badly run business?
- Business plans are not only for new businesses, existing businesses may also use them when they want to change the nature if their business

Components of a Business Plan

- Information about the business:

- Owners
- Goals
- Products or services

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- Production plan
- Marketing plan
- Management plan
- Financial plan

FORMAT OF A BUSINESS PLAN

Front cover	Name of business; Logo of business; Slogan of business; Name and title of person compiling plan; Date on which plan was compiled
Table of contents	Show where each item in plan can be found
Description of goods or service	Nature of the business; Goods or services offered; What would demand for goods or service be; What makes business unique; Pricing structure
Goals of the business	Vision statement; Mission statement; Short-, medium and long- term goals
Business Owners	Name of business; Form of ownership; Location of head office and branches; Names of all the owners; Date on which business was established (if established business) Business experience of all the owners
Production plan	Show efficiency and cost effectiveness of production operations; Type of production process Batching Mass production Jobbing; Names of suppliers; Equipment needed
Marketing plan	How business will market product or service What is unique about product Details of market research Information about competitors Sales targets (monthly and yearly) Pricing of products Payment methods business will accept
Management plan	Tells potential investors about the business; Give names of management staff; Work experience of management; Who will manage the business; CV's of management staff
SWOT analysis	Analysis of the strengths, weaknesses, opportunities, and threats of the business
Financial Plan	Clear statement of the businesses' financial goals; What the business needs to start up or expand; Information about fixed and variable costs; fixed and variable cost the business will incur; Must include projected: income statement, cash flow statement and balance sheet

ELEMENTS OF A BUSINESS PLAN

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NAME OF THE BUSINESS

- The name must be clearly written and must have a link with the products the business would offer. For Example; “Chisanyama”

- Clearly informs the customer of the braai meat he should expect in the business unlike “Chisanyama Driving school

LOCATION OF THE BUSINESS

- Business location plays an important role more especially for people who are not familiar to the place or in situations where the owner must approach the bank for a loan.

- It is of utmost important for the location to be at the area where more buyers will be expected, ‘Chisanyama’ at a taxi rank unlike at an upmarket suburb mall.

FORM OF OWNERSHIP

- Sole proprietor
- Partnership
- Private Company
- Public Company

DESCRIPTION OF THE PRODUCT OR SERVICE TO BE OFFERED BY THE BUSINESS

- You need to provide a clear and detailed description of your product or service.

- In doing this, you will also get more clarity on other things as well, such as details relating to raw materials, packaging and branding.

- In describing the product or service, it is important that you emphasise the value (the usefulness of a product or service) you will be providing to your customers.

- The values are the benefits of using your products and services.

THE GOALS OF THE BUSINESS

- Both short term goals and long term goals need to be indicated

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- Short term-Staff recruitment date, start up production date, marketing activities and date of opening the business.
- Long term-upgrading of capital goods in three years, employment of more staff members in two years and moving to a bigger location, for example, moving to a mall in three years.

PRODUCTION PLAN

- Production plan mainly deals with the following aspects:
- how the business will produce goods and services,
- where it will buy materials,
- what equipment and machinery is needed to produce the goods,
- where can it buy raw materials, and
- how can production be managed in the most effective way.
- It outlines the total output that the manufacturing section is expected to produce.
- The production plan should include, names of possible suppliers, receiving procedures, processes of storing raw materials, quality control, by- products and how they will be managed.

MARKETING PLAN

- Marketing plan mainly deals with how the business will be marketing its goods and services to the public.

Marketing plan should include the following:

- marketing aims of the business.
- what benefit will the consumers get from buying the goods and services.
- details on the market research done.
- information about possible competitors and measures of how you plan to stay ahead of them.

4 P's of marketing / Marketing Mix

- Product

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- Price
- Place
- Promotion

MANAGEMENT PLAN

A management plan describes how an organization or business is run. Writing a management plan allows you to formalize your management structure and operations. It also ensures that everyone is on the same page and that your goals will be accomplished.

SWOT ANALYSIS

- A SWOT analysis (acronym for Strengths, Weaknesses, Opportunities and Treats) of your business ideas involves finding out the strengths and weaknesses of each of your business ideas and what opportunities and threats may exist in the environment.
- This analysis looks at both the internal and the external factors that may influence the business's ability to compete in the market.
- The strong and weak points are internal aspects that the entrepreneur can control, whereas the opportunities and treats are external factors over which he or she has no or limited control.

- For **strengths and weaknesses**, you have to look **inside** your intended business for things that you can control. Examples of each are as follows:
- **Strengths** – all the things that you or your business are good at (for example, a unique product, ideal location of the business, previous experience in the line of business, good managerial or accounting skills, high level of productivity and low costs).
- **Weaknesses** – all the things that you or your business are not good at (for example, no previous experience in line of business, lack of sufficient funds, lack of managerial skills, higher costs than the competition).
- For **opportunities and threats**, you must *look* **outside** your intended business for things that you cannot control. Examples of each are as follows:
- **Opportunities** - those incidents, events or circumstances outside the business that can be used for profit or which will be good for your business (for example, few competitors, consumers not happy with existing products of

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competitors, good supply of skilled labour in the community, a good supply of raw materials).

- **Threats** - the things outside the business that will be bad for your business or which may affect the functioning of the business negatively (for example, new competitors move into the area, competitors use new technology, a shortage of skilled labour in the area, increased personal taxes by government).

FINANCIAL PLAN

- financial section of your business plan should contain the details for financing the business immediately, as well as what will be needed for future growth over the next three years.
- It must include estimates of initial and future operating expenses
- Many business owners believe that the financial plan details plays a key role in getting capital from investors and banks.
- Financial details are important and can give a clear indication of profits and expenses.
- However, realistic expectations are needed for proper forecasting.
- For all businesses, the cash flow is vital to the plan.
- Profitable businesses can run out of cash and be unable to repay their loans as agreed.
- This could lead to the failure of the business through bankruptcy (when a business must stop operating because it cannot pay money it owes).
- The financial plan also needs to give information about the following: fixed and variable costs, break-even point, mark-up on sales, profit percentage.

Start-up costs	List all the fixed assets, e.g. machinery, equipment you will need List the quantities and price of the raw material and stock you will need
Details of own capital and borrowed capital	You need to indicate the period and interest of the loan, the source of the capital
Fixed cost	Costs that stay the same no matter how many items are produced, e.g. rent expense, rent of landline
Variable cost	Costs that will change depending on the number of items produced e.g. raw materials, water and electricity
Total cost	Total costs = fixed costs + variable costs
Selling Price	Must cover all the costs and include a reasonable profit

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Mark-up on sales / Profit Margin / Profit percentage	The difference in what a product cost and what you are selling it for. It is normally a percentage %.
Projected financial statements	Projected income statement Projected balance sheet Projected cash flow statement

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