

# Unit 33: Small Business Enterprise

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# Learning Outcome 3

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- Be able to revise business objectives and plans to incorporate proposed changes:
  - AC 3.1 produce an assessment of existing business and objectives and plans
  - Ac 3.2 revise business plans to incorporate appropriate changes
  - Ac 3.3 prepare an action plan to implement the change

# In this Session

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- LO3 Be able to revise business objectives and plans to incorporate proposed changes:
  - AC 3.2 revise business plans to incorporate appropriate changes
    - Structure of the Business Plan
    - Evaluating Plans against Business objectives
- Further Readings
- References

# Introduction

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- The business plan is a selling document.
  - Only 1/20 business plans are read by prospective investors beyond the executive summary
  - Only 6/1000 business plans get funded in average.
- The quality of the business plan is crucial for winning attention of investors
- It is important for a business plan to have the right content

# Introduction Con't

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- It must be organized into logical and clearly defined sections
- It must be presented in a way that is informative and maintains readers interest.
- Your business plan should:
  - Provide a roadmap
  - Provide the SWOT analysis
  - Discuss your company's short-and long-term plans

# Business Plan and its Use

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- A business plan is an essential roadmap for business success. This living document generally projects 3-5 years ahead and outlines the route a company intends to take to grow revenues (Small Business Administration, 2016).
- Business plans are stand-alone documents that provide an in-depth description of:
  - The business
  - Its objectives
  - Strategies
  - Target markets
  - Realistic financial forecasts

# Business Plan and its Use

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- According to O'Connor (2015) the business plan does the following:
  - Attracting investors
  - Prove the viability of the business
  - Enabling owner to secure funding or investment.
  - Acts as a company roadmap.
  - Help manage the business by helping owner keep in-line with original goals.
  - Help measure the success of the business.

# Structure of Business Plan



# Structure of Business Plans

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- Executive Summary

- Your executive summary is a snapshot of your business plan as a whole and touches on your company profile and goals. Read these tips about what to include.

- Company Description

- Your company description provides information on what you do, what differentiates your business from others, and the markets your business serves.

- Market Analysis

- Before launching your business, it is essential for you to research your business industry, market and competitors.

# Structure of Business Plans

- **Potential market**

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- Give a broad overview of your potential customers.
- Describe their characteristics such as their demographics, buying habits, interests and needs.
- Explain how market research is conducted.

- **Sales**

- Includes sales forecast.
- What revenue is expected in the next three years?
- Are there any other unique considerations that should be included?
- What is the projected cost of sales?
- Since cost of sales is usually a company's largest expenditure, it's important to forecast it realistically.

# Structure of Business Plans cont

- Products or Services

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- Describe product or service.
- Explain any niche
- Discuss competitive advantage
  - Why people will choose product over competitors',
  - The benefits of product or service
  - How competitive edge will be sustained

# Structure of Business Plans cont

- Competitive analysis

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- Considers both direct and indirect competitors.
- Direct competitors are those who offer the same product or service to the same market
- Indirect competitors offer similar products or services, but to a different market.
- What approaches do competitors take to marketing their products and what makes people buy their products?

- Market Feasibility

- Include industry trends, an economic analysis and optimistic-pessimistic-realistic scenarios.
- Include any anticipated impact that legislation and regulations may have on the market.

# Structure of Business Plans cont

- Financial Projections

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- Serve to demonstrate not only the need for funds but also the potential future value of equity investments or debt repayment.

- Need to:

- Establish the need for funds in the amount requested
- Demonstrate ability to realise investments or repay loans
- Indicate understanding of the financial implications of business's growth plans

- Forecast should cover a minimum of three years

- a period in which realistic assumptions can be made without much speculation.

Further reading - <https://www.sba.gov/starting-business/write-your-business-plan/financial-projections>)

# Evaluating Plans against Objectives

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- According to Berry (2016) the most important factor of a successful business plan is that it fits the business needs.
- We simply can't look at business plans as generic. You have to start with whether or not the plan achieved its business purpose. Some plans exist to get investment. Some are supposed to support loan applications. Those are specialty uses, that apply to some business situations, while almost all businesses ought to develop management-oriented business plans that exist to help run the company, not to be presented to outsiders.

# Evaluating Plans and the Business Objectives

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- Obviously form follows function. The business plan used internally to manage the company doesn't have to polish and present the company to outsiders, so it probably lives on a network, not on paper. However, plans seeking investment has to be presented to outsiders. Some of them have sales objectives, selling an idea, and a team, and a market, to investors. Some have a support objective, reassuring a lender about risk, usually with assets.
- There is the business plans that are about managing: starting and growing a company. A plan that might be great at selling the company might be bad at supporting a loan application, or for managing a company.
- So point one, what makes a good business plan, is that it fits the business need. Does it achieve the business objective?

# Further Reading

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- <https://www.sba.gov/starting-business/write-your-business-plan>
- <http://timberry.bplans.com/some-key-questions-on-business-plans.html>

# References

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- Berry, Tim (2016) 8 Factors that make a Good Business Plan retrieved from <http://timberry.bplans.com/some-key-questions-on-business-plans.html>
- US Small Business Administration (2016) Write your Business plan retrieved from <https://www.sba.gov/starting-business/write-your-business-plan>
- O'Connor, Donna (2015) Small Business Enterprise, Lesson 6: Business Plan, Colbourne College