

FORCREST

SESSION 4

Business Plan

„The future is a movable target.
Good planning helps in sighting
more carefully.”

IBM, 1999.

Increasing Changeability of the Environment

Rate of changeability Characteristics	1900 stable	1930 reactive starting from the past	1950 anticipative starting from the future	1970 discovering	1990 creative
Cognizability of results	Results are unknown	Events are recognizable on the basis of experiences in the past	Events happen unexpectedly, but we can count on experiences of the past when forecasting		Results are incalculable, new and unexpected
Speed of changes	Slower than the reaction time in ventures	Close to the reaction time in ventures	Faster changes than the reaction time in ventures		
Forecast of future	Easy as the results are returning	Future may be forecast from the past by extrapolation	Future keeps forecastable dangers and opportunities		Future may be only partly forecasted, signs difficult to recognize may show the tendency

Business Plan

Business plan is a document designed to map out the short and long-term objectives of a company and to develop and quantify the assets and ideas necessary for the objectives.

The reasons for making a business plan, on the basis of the entrepreneur's aims, may be the followings:

- to analyze the realization of an idea,
- to convince other owners or potential investors,
- for creditors if the entrepreneur would like to gain external capital in this way.

A Good Business Plan should...

- be based on precise information,
- reflect optimistic enthusiasm and commitment,
- deal with risks,
- meet the formal and content requirements of the person who requires the plan,
- be professional but clear to all,
- be showy, nicely edited and free from spelling mistakes.

Business Plan

- Making a business plan means all the followings:
 - to develop a starting study of realization,
 - to document activity and results,
 - to meet the formal requirements of credit applications.
- All business plans should contain:
 - characterization of the venture,
 - description of products and services,
 - details on production and service procedures,
 - commercial and marketing plan,
 - risk assessment,
 - financial plan.

Business Plan

Objective	Important parts	Utilizer
Developing and modifying the portfolio and activities of the company	Marketing plan Production and service plan Result and Profitability	Present management and business partners
Modifying portfolio, changing activities by involving external capital	Marketing plan Result plan Financial plan Organizational plan Everything which is convincing	New potential business partners and capital investors
Informing business partners	Marketing plan Production and service plan	Consumers and vendors
Gaining external sources (credit and subsidy for moveable assets and investments)	The whole business plan, application for credit requirement	Creditors, financial institutions, subsidy providers

Major Parts of the Business Plan

Cover

Contents

I. Identifying data

II. Executive summary

III. Analyzing the business branch

IV. General company description

V. Products and services

VI. Marketing plan

VII. Operational (production and service) plan

VIII. Management and organization

IX. Structure and capitalization

X. Financial plan

XI. Risk assessment

XII. Milestones

Attachments

So many houses, so many customs...

Cover - Contents

- The entrepreneur should make the plan bound
- The cover should
 - be nice looking but not conceited
 - contain the „business plan” inscription
 - contain the company’s name and the company’s logo
 - contain that for whom it is intended
 - refer confidential handling
- The contents should not be more than one page and should not be more detailed than three levels

I. Identifying Data

- Name of the company
- Legal form
- Company seat
- Company settlements
- Tax number
- Statistical number
- Date of foundation
- Number of registry
- Financial institution
- Number of bank accounts
- Manager of the company
- System of the accountancy
- Taxation system
- Capital (own, subscribed)
- Structure of owners
- Scope of company activities
- Characteristics of the required capital (credit)

II. Executive Summary

- Should be done after the plan has been completed
- Factual, businesslike
- Conception
- Style
- Commitment
- Personal opinion
- It is the essence of the business plan
- Maximum 3 to 5 pages

III. Analyzing Business Branch

- Major characteristics of the business branch
 - Size
 - Integration, connections with other branches
 - Organizational background
 - Specialties
- Trends and prospects
- Determinant performers
- Market opportunities, threats
- Branch forecast

IV. General Company Description

- Sort of activity
- Products and services
- Past and background of the company
- Life cycle of the company
- Mission of the company
- Objectives, strategies (long-term, middle-term, short-term)
- Size of the company (from the resources-output side)
- Financial condition of the company
- Professional background, human resources

V. Products and Services

- Physical description of the products and services, prototype
- Stage of development
- Appeal, advantage in competitiveness (SWOT-analysis)
- Competing, supplementing and replacing product relationships
- References
- Quality certificate
- Servicing, guaranties, warranty

VI. Marketing Plan

1. Executive summary
2. Present marketing situation
 - 2.1. Macro-environment
 - 2.2. Micro-environment
3. SWOT-analyzes
4. Marketing objectives
5. Marketing strategy
6. Action program
7. Marketing budget

VII. Operational (Production and Service) Plan

1. Production

Resources of production and services

Types and size of inputs

Quantity of products and services realized

2. Developing products and production

3. Storing, stock management

Accounting (LIFO, FIFO, HIFO)

Product safety

Environmental conservation

4. Quality safety (ISO, HACCP)

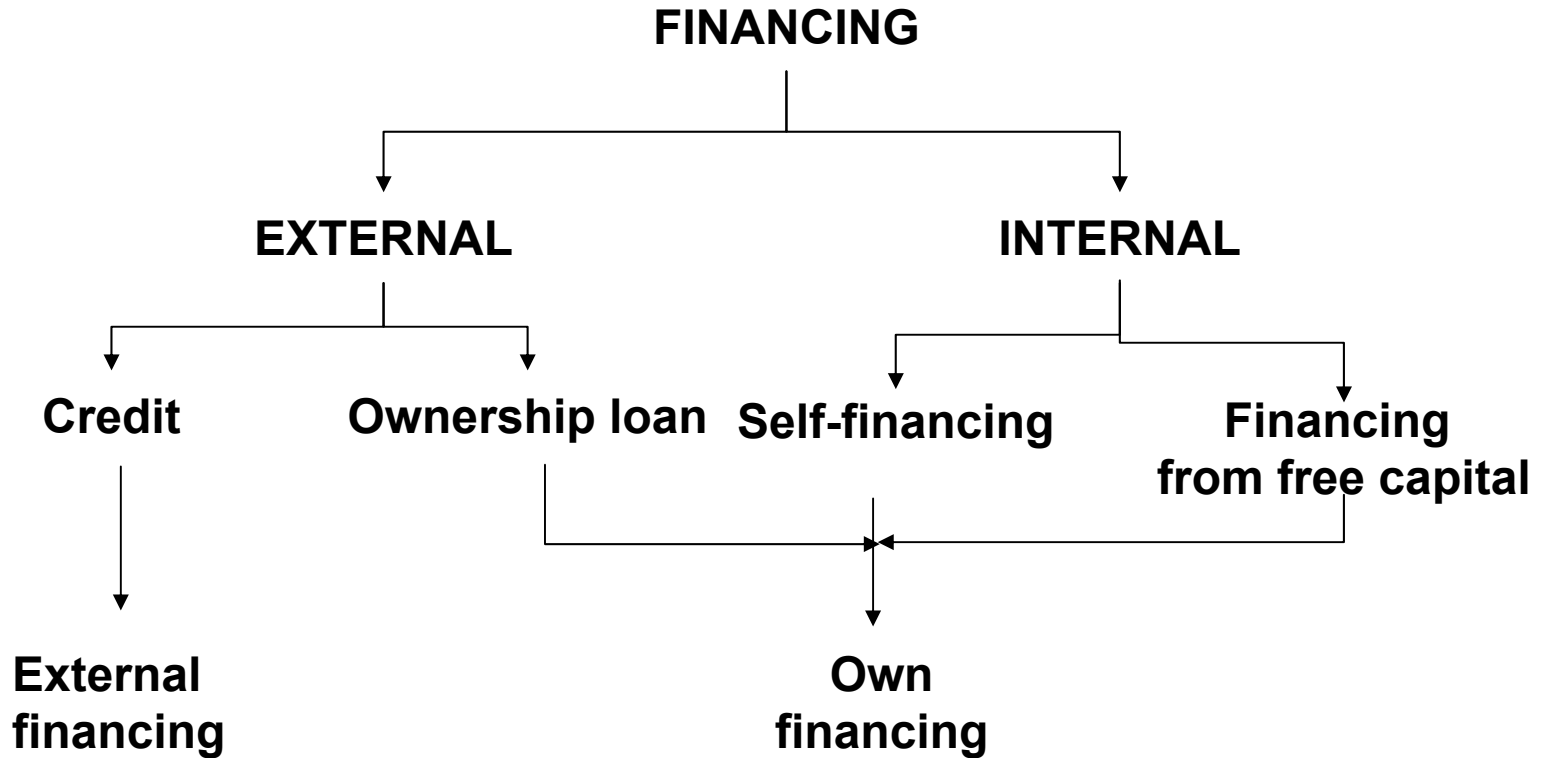
VIII. Management and Organization

- Organizational section (organizational chart)
- Divisions, producing and serving branches
- Levels of management and responsibilities, tasks
- Form of ownership, structure
- Human resource strategy
- Key employees
- Key advisors

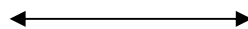
IX. Capitalization

- Capital requirements
- Sources of capital (own/external)
 - Term loans (interest, period, repayment)
- Deposit, funds

Financing

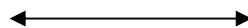


- Fixed interest rate



- No interest rate

- Timely limited
repayment obligations



- Available without
limitation



X. Financial Plan

- One of the most important part of the business plan
- It should be harmonized with the previous parts
 - Quantity of produced products → quantity of marketed products
 - Quantity of marketed products → Revenue
 - Utilized inputs → Expenses
 - Cash flow → Repaying loans
- Economics – profitability – liquidity

The viability should be proved even on the basis of the entrepreneur's financial condition

X. Financial Plan

1. Planning revenue
2. Planning operational costs
3. Income statement (draft)
4. Balance sheet (draft)
5. Cash flow
6. Planning repayment of loans and payment of interests
7. Breakeven analysis
8. Economic analysis (NPV, IRR, etc.)

XI. Risk Assessment

- Risk factors being dependent and independent on the entrepreneur
- Quantification is essential
- Creating optimistic, average and pessimistic financial variations
- Risk from production
- Risk from marketing
- Risk from macro-economic environment

XII. Major Milestones

- Detailed schedule (O-A-P variations)
- Milestones
- Controlling points
- Deadlines
- Responsibility
- Measuring
- Monitoring

Possible Attachments

- Certified copy of the property page of the real estate proposed for being mortgage
- Certified copy of the related contracts
- Certified copy of the marketing and vendor (pre)contracts
- The latest balance sheet, income statement, cash-flow
- Justification of company register
- Justification of exemption of public due
- Maps, blueprints
- Descriptions of products and technologies
- Detailed financial calculations
- Certified copy of certificates

Case Study

- Business plan of a new, starting micro company
- Based on female labor and management
- Corporate Sustainable Responsibility
- Mentoring activity for the realized companies in the next years

Bibliography

- The Ernst & Young Business Plan Guide
- Szűcs I. - Nagy L. (2004): Gyakorlati alkalmazások. Az üzleti tervezés gyakorlata. Campus Kiadó, Debrecen.
- Kresalek P. (2003): Tervezés a vállalkozások gyakorlatában. Perfekt Kiadó.