

MODULE 2

BUSINESS PLANNING

The purpose of this module is to provide you with the knowledge and skills to be able to describe the concept, purpose and the essential elements in the development of your business plan.

Learning Outcomes...

1. Specify business goals and objectives for your proposed business venture.
2. Identify methods of investigating business opportunities in line with personal and business interests and values.
3. Explain the essential elements of a business plan and prepare a format for your individual business planning process.
4. Formulate the business plan.
5. Apply the business plan.

KEY CONCEPTS

- Business planning process
- Goals and objectives
- Sources of information
- Importance of business planning
- Types of planning
- NEIS Business Plan structure
- Business Plan presentation
- Benchmarking

TABLE 2.1: ADVANTAGES AND DISADVANTAGES OF STARTING A NEW BUSINESS

ADVANTAGES	DISADVANTAGES
<ul style="list-style-type: none"> You make all the decisions regarding image, location, site plan, employees, policies and the general operation of the business 	<ul style="list-style-type: none"> There is a higher risk and uncertainty with regard to the viability of the proposed business
<ul style="list-style-type: none"> You can structure the business to suit your personal goals 	<ul style="list-style-type: none"> The success of the business is highly dependent on your skills
<ul style="list-style-type: none"> You don't inherit problems from a previous owner, such as poor location, poor image, poor suppliers - all of which may be 'unseen' when buying an existing business 	<ul style="list-style-type: none"> Due to the planning, organisation and implementation required, it may take longer for the business to actually start earning a profit
<ul style="list-style-type: none"> It may be cheaper because you don't have to pay for goodwill 	<ul style="list-style-type: none"> There is no established client base so you will have to build your own
<ul style="list-style-type: none"> You are able to expand the business at your own pace and as the profits allow 	<ul style="list-style-type: none"> It is more difficult to raise finance for a business with no proof of its viability

2. PURCHASING AN EXISTING BUSINESS (NOTE: NOT FUNDED BY NEIS)

Many individuals consider it easier to buy an existing business than going through all the steps required to start their own business. However, purchasing an existing business also requires considerable research and analysis to ensure that what you are buying is a viable concern, and worth the purchase price.

When you buy an existing business you will usually take over that business's premises, equipment, customers, contractual and legal rights, employees, goodwill and any debts. The specific details of the purchase are negotiated by the buyer and seller. Before making the final decision, always have the financial documents thoroughly reviewed by an accountant who understands the specific type of business you are buying.

The advantages and disadvantages of purchasing an existing business are listed in Table 2.2.

If, having completed a quick test of your business idea, you still consider it worthwhile, then it probably is a business opportunity, and demands further investigation.



ACTIVITY 2.3 TESTING YOUR BUSINESS IDEA

Do you know...

	YES	NOT SURE	NO
Exactly what your business would provide?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
An appropriate location for your business?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
If your product/service is a new one in that location?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
What sort of customers you might attract?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
How big the market is?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Who would be your competitors?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Whether your product/service would be superior to existing products/services?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Whether you have the necessary skills to run the business?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

SCORE:

- 2 points for 'Yes'
- 1 point for 'Not Sure'
- 0 points for 'No'

If you have scored 12 points or more, your business idea has possibilities.

If you have scored 11 points or less, then you need to seek further information before you can claim that your business idea could become a business opportunity.

List the areas you need to investigate further, and identify appropriate sources of information.

Assessment Criteria	✓	X	Description	Y	N	NA
<u>M3 - 2.3</u>			<p>1.5 Trading Name</p> <p>1.5.1 Description <i>Have you:</i> -indicated what your trading name will be?</p> <p>1.5.2 Registration <i>Have you:</i> - attached a copy of the certificate as an appendix, if applicable?</p>	Y	N	NA
M3 - 1.2			<p>1.6 Legal Structure</p> <p>1.6.1 Description <i>Have you:</i> - described the legal structure of your business?</p>	Y	N	NA
M3 - 1.2			<p>1.6.2 Legal Implications <i>Have you:</i> - described the legal implications of choosing this particular form of ownership as it relates to your business?</p>	Y	N	NA
M3 - 3.2, 3.4 3.6			<p>1.6.3 Tax Implications <i>Have you:</i> - identified taxation obligations which will be of particular relevance to your business?</p>	Y	N	NA
M3 - 3.3			- listed all the allowable tax deductions for your business?	Y	N	NA
M3 - 3.5			- obtained a Tax File Number for your business?	Y	N	NA
M4 - 5.2			<p>1.7 Business Premises</p> <p>1.7.1 Details <i>Have you:</i> - provided details on your proposed business premises?</p> <p>- indicated whether you will set up your business in a leased or rented property etc.?</p> <p>- provided a letter from the lessor confirming the availability of the premises and quoting the cost, if applicable? <i>It is recommended that you do not sign any lease agreement until your application has been approved.</i></p>	Y	N	NA
M4 - 5.3			<p>- provided a description of how you will lay out the premises?</p> <p>- included maps and flow charts, if relevant?</p> <p>- indicated any additional sites for your proposed business in case the suggested site is not available?</p>	Y	N	NA
			2. MARKET RESEARCH AND ANALYSIS			
<u>M4 - 2.8, 2.9</u>			<p>2.1 Current State of the Industry</p> <p>2.1.1 Description of Current State of Industry <i>Have you:</i> - described the current state and prospects for the industry?</p>	Y	N	NA