

## Role of Business Plan, its Development and Execution in an Organization

**Manmeet Singh**

Assistant Professor, School of Business Management, Commerce & Economics,  
Desh Bhagat University, Mandi Gobindgarh

### **Abstract**

A business plan is a road map that provides directions so a business can plan its future and helps it avoid bumps in the road. Basically, a business plan is a written document that describing the nature of the business, the sales and marketing strategy, and the financial background, and containing a projected profit and loss statement, how a business—usually a new one—is going to achieve its goals. A great business plan pulls together all of the major issues facing your business in a balanced and analytical way. These are important to allow a company to lay out its goals and attract investment. They are also a way for companies to keep themselves on track going forward. Businesses operating without plans tend to give less thought to how they package, price, and deliver their goods and services. This article analysis the role, management and effective execution of business plan. Although they're especially useful for new companies, every company should have a business plan. Ideally, a company would revisit the plan periodically to see if goals have been met or have changed and evolved. Sometimes, a new business plan is prepared for an established business that is moving in a new direction.

**Key words:** [Business plan, customer, financial plan, long – term orientation, Management]

### **Introduction**

Business plans can help perform a number of tasks for those who write and read them. They're used by investment-seeking entrepreneurs to convey their vision to potential investors. A business plan is a written description of business's future. That's all there is to it—a document that describes what you plan to do and how you plan to do it. It contains operational and financial objectives of a business and detailed plans and budgets showing how the objectives are to be realized. It is also considered as the road map to the success of your business. For anyone starting a business, it's a vital first step. A business plan is a fundamental tool any startup business needs to have in place prior to beginning its operations. Usually, banks and venture capital firms make a viable business plan a prerequisite to the investment of funds in a business.

A good business plan should outline all the costs and the downfalls of each decision a company makes. Business plans, even among competitors in the same industry, are rarely identical. But they all tend to have the same elements, including an executive summary of the business and a detailed description of the business, its services and/or products. It also states how the business intends to achieve its goals.

Business planning is the process of determining a commercial enterprise's objectives, strategies and projected actions in order to promote its survival and development within a given time frame. Business planning mostly focuses on two key aspects: dealing with risks and making profits. (Peterson, Jaret & Schenck 2010.)

There are three primary parts to a business plan:

- The first -Business concept-where you discuss the industry, your business structure, your particular product or service, and how you plan to make your business a success.
- The second-Marketplace section-in which you describe and analyze potential customers: who and where they are, what makes them buy and so on. Here, you also describe the competition and how you'll position yourself to beat it.
- Finally-Financial section contains your income and cash flow statement, balance sheet and other financial ratios, such as break-even analyses. This part may require help from your accountant and a good spreadsheet software program.

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### **Objective of study**

1. To study the Guidelines for successfully implementation of business plan.
2. To study the developmental process of business plan.
3. To analysis the role of business plan in organization.

### **Methodology of the study**

This research paper is based on secondary data. The data and information for this study is collected from secondary sources like, reputed journals, magazines, newspapers, reports and internet.

### **How to Develop an Effective Business Plan?**

An important task in starting a new venture is to develop a business plan. As the phrase suggests, a business plan is a "road map" to guide the future of the business or venture.

Many businesses do not survive because business owners fail to develop an effective plan. The elements of the business plan will have an impact on daily decisions and provide direction for expansion, diversification, and future evaluation of the business. This publication will assist in drafting your own business plan. Business plans are traditionally developed and written by the owner with input from family members and the members of the business team. Business plans are "living" documents that should be reviewed and updated every year or if an opportunity for change presents itself. Reviews reinforce the thoughts and plans of the owner and the business, and aid in the evaluation process. For an established venture, evaluation determines if the business is in need of change or if it is meeting the expectations of the owners.

The Small Business Administration organization in the US identifies the business plan as a tool with three basic purposes: to communicate, manage and plan. An effective business plan inspires action, whether from you or a potential investor. Some business owners don't realize the true value of a logical, reasonable and actionable plan. Don't create the plan simply because it's another item to check off your list—craft it so that you can use it as a tool and guideline for a successful company. The followings points should be considered by the business organizations for successful implementation of business plan.

To outline the importance of business plans, here are reasons why any organization whether it is small, medium and large required business plan.

**It helps business owners to make better decisions** - While business plans have many purposes, the primary importance of a business plan is that they help business owners make better decisions. Entrepreneurship is often an endless exercise in decision making and crisis management. Building a business plan allows you to determine the answer to some of the most critical business decisions ahead of time.

**To avoid the big mistakes**-According to data from CB Insights, some of the most common reasons businesses fail include:

- **No market need:** No one wants what you're selling.
- **Lack of capital:** Cash flow issues or businesses simply run out of money.
- **Inadequate team:** This underscores the importance of hiring the right people to help you run your business.
- **Stiff competition:** It's tough to generate a steady profit when you have a lot of competitors in your space.

- **Pricing:** Some entrepreneurs price their products or services too high or too low—both scenarios can be a recipe for disaster.

**To set better objectives and benchmarks**-Without a business plan, objectives often become arbitrary, without much rhyme or reason behind them. Having a business plan can help make those benchmarks more intentional and consequential. They can also help keep you accountable to your long-term vision and strategy, and gain insights into how your strategy is (or isn't) coming together over time.

To reduce risk-Entrepreneurship is a risky business, but that risk becomes significantly more manageable once tested against a well-crafted business plan. Drawing up revenue and expense projections, devising logistics and operational plans, and understanding the market and competitive landscape can all help reduce the risk factor from an inherently precarious way to make a living. Having a business plan allows you to leave less up to chance, make better decisions, and enjoy the clearest possible view of the future of your company.

Essential if you're seeking a loan or investment-If you're asking a bank, angel investor, or venture capitalist for funding, they're going to want to know that you have a good handle on your small business's trajectory. Your business plan should make it simple for potential partners and supporters of all kinds to understand your business model and financials. It's even better if you're able to present data visually through charts and graphs.

Your business plan is an asset if you ever want to sell-Down the road, you might decide that you want to sell your business or position yourself for acquisition. Having a solid business plan is going to help you make the case for a higher valuation. Your business is likely to be worth more to a buyer if it's easy for them to understand your business model, your target market, and your overall potential to grow and scale.

### **Development Process of Business Plan**

Every business needs to have a written business plan. Whether it's to provide direction or attract investors, a business plan is vital for the success for your organization. But, how do you write a business plan? The following steps are followed by every business in order to develop and implementation of effective business plan:

#### **Step 1: Brainstorm and Write Everything Down**

First up, stop and think. Make a list of everything you can think of about your business. What inspired it? What products or services will it provide? Who will its customers be, and how will you reach them? Where will your business be in one year? Five? This is a brainstorming phase, so be creative, not critical. You'll also have plenty of time to hone your ideas in subsequent steps.

### **Step 2: Determine the purpose of your plan**

A business plan, as defined by Entrepreneur, is a “written document describing the nature of the business, the sales and marketing strategy, and the financial background, and containing a projected profit and loss statement.” However, your business plan can serve several different purposes.

### **Step 3: Initial Research and Information Gathering**

The research required for your business plan comes in two forms: primary and secondary. Primary research means developing your own statistics and information firsthand, while secondary research refers to data that others have already compiled. Many trade publications do annual surveys about every type of market, and you may find this secondary research helpful in developing your business plan. In developing your business plan, you'll find it immensely helpful to get an understanding of your competition.

### **Step 4: Summary of Business Plan Contents**

In this step you know what type of Business you want to create, your business plan should have the following components:

- **Executive summary**-This section contains the definition of your products and customers. It also says what you think the future holds for the business. Although you want to keep it short, this section is where you're really selling the plan as a whole.
- **Marketing and Operational plan**-This critical component requires an explanation of the competition, your competitive advantage, your strategy for attacking the market, tools that you'll use to reach customers, and detail your production plan, including how many employees you'll hire, decorating processes, suppliers you expect to use, credit policies, etc.
- **Market analysis**- This section contains, what the competition does, the market size and potential, etc.
- **Description of company with a mission statement**- This section of summary contain the company goals, and its strengths.
- **Description of Products and services**- This section describe the variety of offerings of various products and services
- **Organization chart**-It contain the list the owners, along with their resumes
- **Financials**- This section contain detail about profit and loss projections, projected cash flow and operating budget, etc.

### **Step 5: Outline your organizational structure**

Outline your organizational structure and then tell about your primaries and the detail of members of your management team, what they will do in the business, and what experience they bring to the table. Include your support staff and the outside third parties that will help your business succeed, like accountants, lawyers, consultants, vendors, and partners. How your business will be managed and who will be involved is an important consideration in your choice of business entity. For example, in a partnership, it is assumed that partners have equal control in managing the business. In an LLC you make the choice of whether it will be managed by members of the LLC or by hired managers. In a corporation, the owners/shareholders may or may not be a part of the management team.

This section will be incredibly important to outsider investors (angels or venture capitalists) who are assessing your business. Within the Business Management section you should include answers to the following questions:

- **Name:** Who are the key individuals involved in the management of your business?
- **Title:** What will be that person's title?
- **Responsibilities:** What primary responsibilities does that position entail?
- **Qualifications:** What is their background and qualifications for carrying out their intended responsibilities? (This will include work experience, educational degrees, and prior experience in startup ventures)

### **Step 6: Develop a Marketing Plan**

Every marketing plan provides a more detailed look at products and services, the market into which you are launching, and your plan to promote your business among prospective customers. Every marketing plan should contain the detail about following subsections:

- **Products and Services:** In this subsection, describe each product or service your business will sell, and list the features or benefits provided by each. For example, you can do this through a narrative or using charts or spreadsheets; whichever you think communicates the information best.
- **Potential Customers:** Who are your products or services for? Gather as much information as you can about your target audience and use it to answer questions such as: How big is it? How will your product or service improve your customers' lives? What are their buying behaviors? What (or who) influences their purchasing decisions?
- **Competition:** This subsection lets you demonstrate your mastery of the competitive landscape in your market. In addition, you can list what other businesses offer similar products or services to your potential

customers. What do those businesses do well? Where could they improve? How will you differentiate your own business to attract customers?

- **Promotion:** Finally, it's time to explain how you will reach your customers. Will they find you via online search, through referral programs, paid advertising, social media, or trade shows? Also focus on connecting your customers with what they're looking for, not producing the flashiest ad campaigns or "going viral."

### **Step 7: Develop a Financial Plan**

A financial plan is a comprehensive statement of an individual's long-term objectives for security and well-being and a detailed savings and investing strategy for achieving those objectives. Every financial plan should contain the detail about following subsections:

- **Income Tax Planning:** Tax returns should be examined to determine if you are maximizing tax saving possibilities consistent with the planning objectives.
- **Balance Sheet:** A balance sheet or "Statement of Financial Position" should be created, showing your net worth by listing all assets and liabilities. This should be periodically updated to track progress towards overall goals and to identify changes in your financial situation that need attention.
- **Issues & Problems:** Issues/problems consist of observations regarding the strengths and weaknesses of your current situation as well as risks you face.
- **Risk Management and Insurance:** A sudden unexpected event can derail even the most detailed plan unless you have anticipated and planned for catastrophic events. Insurance products are useful in managing these risks. You should evaluate your life, disability, liability/umbrella, and long-term care insurance.
- **Cash Flow Statement:** Preparation of a cash flow statement will show income from all sources, as well as expenses that occur on a regular or recurring basis. This should be periodically updated to track progress towards overall goals and to identify changes in your financial situation that need attention.
- **Investment Planning:** An analysis of your investments should be completed to determine if the portfolio's earnings, growth, and diversification are consistent you're your objectives and risk tolerance.
- **Estate Planning:** Your financial plan should

include a review of your lifetime gifts and final transfer of assets to reduce or eliminate your gifts and estate tax exposure.

- **Assumptions:** Assumptions include inflation rates, rate of return on investments, tax bracket, years of work remaining, and life expectancy. These should be reviewed periodically against your actual financial plan and adjustments should be made accordingly.

### **Step 8: Resources and References**

Every business plan should be an appendix with any documents, studies, surveys, licenses, and research referred to elsewhere in the plan. What you include will vary depending on what you've relied on in drafting your business plan. Also, you should only include what is necessary to support what you've said elsewhere.

### **Step 9: Evaluation, Review and control**

The last step in the development process of business plan i.e is review of your business plan as per the purpose of business. Ask someone else to do review part. It could be a family member, a friend, or a professional acquaintance. Even better would be if you could get a number of people to do it. After getting comments on your plan, you should incorporate only those suggestions that you find convincing. After all, this is your business plan.

### **Conclusion**

The Business plan creation process requires some skills and a systematic approach to complete successfully all the steps of the document. A good business plan should include market analysis, company description, organization and management, strategic analysis, marketing and sales management, service or product line, funding models, and financials. A business plan is a very important strategic tool for entrepreneurs as plan not only helps entrepreneurs to focus on the specific steps necessary for their to make business ideas succeed, but it also helps them to achieve both their short-term and long-term objectives. Formulating a business plan should be the first thing done when starting a new business. Business plans are also important for attracting investors so they can determine if your business is on the right path and worth putting money into.

### **Case studies of Different companies who successful implement Business Plan**

Sample business plans illustrate how a manufacturing business, a service provider, and a retail establishment will tailor their business plans to the unique characteristics and markets of their differing business types.

In order to illustrate how business plans can vary, consider reviewing the three sample plans included in the following case studies

- **Manufacturer's business plan:** This sample business plan looks at a high-end bicycle maker and explores the financing he'll require to meet an expected increase in demand for his custom-made bicycles.
- **Service provider's business plan:** This sample business plan is for an individual who intends to go into business for himself as a computer software trainer. It illustrates his decision to leave the corporate environment to work in a similar capacity as a self-employed entrepreneur.
- **Retailer's business plan:** This sample business plan is for a hot dog vendor whose carts serve customers in a variety of downtown office buildings. The plan describes the financing that will be required to allow this entrepreneur to expand his network of movable carts into additional locations.

#### **Manufacturer's Business Plan**

Breakaway Bicycle Company is a small manufacturer of high-end bicycle frames. It builds both mountain bike and racing bike frames for sale primarily to professional bicycle racers. However, increasing interest in mountain biking as a competitive sport and the exposure that bike racing received as a result of the Olympics have provided BBC with an opportunity to expand its business. Right now, a small number of BBC's frames are sold to non-professional riders who want the very best equipment available, regardless of price.

In order to better serve this emerging market, BBC proposes to add additional workstations and designer/builders to increase its capacity for custom frames. The BBC business plan envisions making better use of existing leased space and leasing additional space to meet its needs. In addition, the frame-building equipment necessary to create three additional workstations must be acquired.

#### **Tools to Use**

Look in our Business Tools for two files, one containing sample financial information and the other containing sample language that illustrates many of the components of Breakaway Bicycle Company's business plan.

#### **Service Provider's Business Plan**

Computing Development Strategies is a startup business that hopes to become a major supplier of certain types of computer training to the owners and employees of small businesses in the greater Chicago area. Its founder is a highly-qualified computer trainer

with extensive experience providing training, developing training tools, and managing training and maintenance operations for a large computer corporation. He plans to build on his expertise by developing a group of courses designed specifically to help small businesses effectively use the most popular business software packages.

#### **Tools to Use**

Look in Business Tools for two files, one containing sample financial information and the other containing sample language that illustrates many of the components of CDS's business plan.

#### **Retailer's Business Plan**

Joe's Enterprises for Fast Food, Inc. operates a chain of indoor/outdoor food service carts, primarily in the downtown Chicago area. Its customers are the people who work in the city's many high-rise office buildings. The carts are operated under the name Joe's Redhots. Joe's has been in business since late 1992, when it began as a single cart operation. All of the stock of Joe's is held by its founder, Joe Hirasawa, and members of his family.

#### **Tools to Use**

Look in our Business Tools for a file containing sample components from Joe's Redhots business plan.

The purpose of Joe's business plan is to recommend borrowing \$1 million in order to expand operations through the purchase of additional vending carts. The plan is very informal because of its intended audience. The audience consists exclusively of Mr. Hirasawa's family members and the three banks with which the company has long-established relationships. Thus, much of the financial information incorporated in the other sample plans presented here has been omitted because the intended audience is already in possession.

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