

# The Business Plan

What is a business plan?

This is literally a plan for your business. (Duh 🙄)

A plan tells you what you are going to do and how you are going to do it (and more).

In a simple sense it answers the basic questions of:

- Who,
- What,
- Where,
- How,
- When, and
- Why

These items might be answered in a slightly different order and there might be many hows.

For example, the business plan will answer:

- WHAT you are going to do (the business or product idea),
- HOW you are going to do it (the production and marketing plan),
- WHAT resources you will need (financial and non-financial),
- WHO or rather with whom you will need to work (partners),
- HOW much money/profit you expect to make, and in some cases
- HOW and WHEN you should exit the business (the exit strategy).

N.B. - The “why” is absent in the above list but for the entrepreneur the “why” is a critical element upon which the success of the business venture may very well depend.

For more on this please see Simon Sinek's [Ted Talk](#) on YouTube, watch his videos or read his book “Start with Why”.

Another popular element not mentioned in the above list is the executive summary which is usually included at the start of the business plan document.

The executive summary summarizes the entire business plan in one or two pages.

It is also sometimes referred to as the “elevator pitch” – how you would describe your business to a potential investor if you only had as much time as it would take for them to take the elevator from the ground floor to their office which is hopefully on the top floor 😊

---

This topic is a relatively recent addition to the CSEC PoA syllabus.

It should be noted that there is no one right list of the elements of a business plan but there are a lot of commonalities between the lists one can find from different sources.

What's important here is to remember what a plan is and how to tailor it to a business.

Let's read on,

# Elements of a Business Plan

The elements (parts) of a business plan

- |                              |  |
|------------------------------|--|
| 1. The executive summary     | - the “elevator pitch”                 |
| 2. The product idea          | - what are you going to make?          |
| 3. The production plan       | - how are you going to make it?        |
| 4. The marketing plan        | - how are you going to market it?      |
| 5. The financing plan        | - how are you going to finance it?     |
| 6. The market analysis       | - how are you sure it’s going to sell? |
| 7. The business analysis     | - how are you going to structure?      |
| 8. The financial projections | - what do the cash flows look like?    |
| 9. The exit strategy         | - how and when to exit the business    |

Please note the above list is not THE definitive list of the elements of a business plan.

It is possible to have more or less parts, but it is the opinion of this author that this list will be suitable for the purposes of CSEC PoA students.

# Elements of a Business Plan

## 1. The Executive Summary

As the name implies, this is a summary of the business plan designed to capture the attention of the reader (an executive) and help them decide whether to continue reading or not.

A business executive is a person who has executive power. That is to say, the power to execute on plans or ideas, or to commit or direct resources towards objectives.

So, your executive summary should be “short and sweet” enough to convince the executive reading it that it is a worthwhile idea in as little time as possible (i.e., without giving them too much to read in one sitting) and to seriously consider your idea further (i.e., to read the rest of your business plan).

As mentioned previously, this is sometimes called the “elevator pitch” which describes a situation where you have an opportunity to pitch your business plan to an executive as you ride the elevator with them from the ground floor to their office.

Given the limited time frame you would definitely want to communicate your idea in an exciting and attractive way, and also make it seem as likely to succeed as possible.

# Elements of a Business Plan

## 2. The Product Idea

This section of the business plan communicates what your product is:

- Is it a good or service?
- Basic description of the product.
- Special features relative to other products already on the market.
- Possible avenues for copyright, licensing, or franchising.

# Elements of a Business Plan

## 3. The Production Plan

This is a description of how the product is made.

If it is a good:

- what scale of production facility is needed?
  - Is it a cottage industry item (homemade goods)?
  - Is it small scale industry (relatively small factory)?
  - Is it large scale industry (relatively large factory)?
- Is it a simple item requiring few inputs (e.g., cookies)?
- Is it a complex item requiring many inputs (e.g., electronic devices)?
- Are the inputs easily accessible and substitutable?
- Is the process simple or are there many steps?
- Is it something that is easily copied?
- Is creation of waste/pollution easy to manage?

If it is a service:

- Does it require training or advanced education?
- Can it be delivered to multiple people at once, or is it a one-on-one service?

# Elements of a Business Plan

## 4. The Marketing Plan

In this element of a business plan, we need to explain how we intend to communicate with our customers and convince them to purchase our product.

In the first place we need to identify our target customer, as doing this can help to narrow the answer to the question of “Which of the following will we use to market our product?”

- Television ads
- Print media
- Radio
- Social media
  - Facebook
  - Instagram
  - TikTok
  - YouTube
  - Website banner ads
  - Influencer marketing
- Direct mail
- Telemarketing
- Word of mouth
- Other

In terms of defining your target customer, this of course requires analysis of:

- what your product is,
- who can consume it,
- who do you ideally want to consume it,
- to whom can you legally market the product?

# Elements of a Business Plan

## 5. The Financing Plan

This part of the business plan identifies your source(s) of finance which can include:

- Personal savings,
- Friends and family,
- Investors,
- Financial institutions,
- Government institutions aimed at promoting business growth and development,
- Issuing shares and/or bonds (if it's a limited company)

The choice should be determined in conjunction with factors such as:

- The immediate and future needs of the business,
- The projected cash flows (or repayment),
- The risk tolerance of the owner(s),
- The analysis of the business environment to assess demand in the near and distant future

# Elements of a Business Plan

## 6. The Market Analysis

This part of the business plan analyses the market along the following lines:

- Existing competitors
- Barriers to entry – for future competitors
- Customer behaviour trends
- Economic analysis

In this part of the plan, we see who the big established players in the market are, what they are doing, how they are doing it, and what degree of success or failure it has brought them.

We may also glean knowledge into how easy it is for possible future competitors to enter to the market and how we might secure a position that might insulate us from negative effects of this.

We can also see what customers respond to and what they don't respond to which is also very important to know.

Last but certainly not least, we analyse the business environment/the economic situation as a whole.

- Is the economy growing or contracting?
- Is this expected to continue, improve, or deteriorate?
- Are any more pandemics or global economic contractions expected?
- What are the regulations in the industry we hope to enter?
- How strict is the government in enforcing regulations?
- Are there any incentives from the government to businesses entering this industry?
- Do we have exposure to international competition?
- What sort of online/digital presence do we need?

With the above we can therefore have insight that can help shape the marketing campaign and allow us to know what may have worked/failed and why.

# Elements of a Business Plan

## 7. The Business Analysis

This part of the business plan describes the structure of the business (sole trader, partnership, or limited liability company).

It can also describe human resource needs and the chain of command.

Knowing the reporting structure and the division of labour is essential to proper business function and success.