

Business Plans- an overview

A business plan is a document that explains the different aspects of the business in a nutshell.

It helps any business to look ahead and assists

- in estimation of the quantum of current resources that are to be invested for the long term,
- focus on important issues,
- understand the opportunities that lie ahead and
- tackle business problems with ease.

Business plans can generally never be standardized as every business is unique.

It is also not a document that will remain unchanged over a long period of time. This is essentially because a business is dynamic and with progress of time, estimations and assumptions made in preparation of a business plan changes. The business faces new challenges and has new opportunities.

For an existing stabilized business, **business plans are sometimes made for a 5 to 10 year period.** Such plans are updated each year based on business developments.

New ventures looking for equity or debt funding will need to have a business plan in place. Business plans are often referred to as a project report or investment prospectus depending on who it is targeted for.

A business plan should be prepared professionally. It should be prepared such that a promoter is able to see his/her business through the eyes of an investor. Since the investor puts his/her hard earned money into the business, the business plan should be able to convince the investor to put money into the project. It should convey the entrepreneur's knowledge about his business and his understanding of the road map ahead.

We know that any investment decision should be made judiciously and bad planning can cost heavily. Further an investment decision finally affects the wealth of a firm. Business plans should be prepared keeping such aspects in mind.

The three important financial aspects to be kept in mind while preparing a business planning are:

- An estimate of the net capital investment or the expected fund outlay for both capital items and permanent working capital
- The future projected benefits in terms of revenue and cash inflow
- The time horizon for which the business plan is to be prepared

Preparation of the business plan helps the promoters to crystallize some of the important aspects of a business in a systematic manner:

- Management team- investors look for a good team not only in terms of knowledge and experience but also their commitment levels.
- The product/service- a clear understanding of what is to be sold or service to be rendered
- Market – the demand for the product/service
- Competition
- The target customers
- The strategic plan to reach out to the target customers
- Location of offices and works if any
- Other strategic issues like pricing, value proposition etc.
- Financials like break even, profitability and scalability of the product/service
- New products to be researched and added including a probable time line for their launch.

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