

BUSINESS PLAN Format

EXECUTIVE SUMMARY

1. Brief Description of the Project
2. Brief Profile of the Entrepreneur
3. Project's Contributions to the Economy

Section I MARKETING PLAN

- 1.1 Description of the Product
- 1.2 Comparison of the Product with Its Competitors
- 1.3 Location
- 1.4 Market Area
- 1.5 Main Customers
- 1.6 Total Demand
- 1.7 Market Share
- 1.8 Selling Price
- 1.9 Sales Forecast
- 1.10 Promotional Measures
- 1.11 Marketing Strategy
- 1.12 Marketing Budget

Section 2 PRODUCTION PLAN

- 2.1 Production Process
- 2.2 Fixed Capital
- 2.3 Life of Fixed Capital
- 2.4 Maintenance and Repairs
- 2.5 Sources of Equipment
- 2.6 Planned Capacity
- 2.7 Future Capacity
- 2.8 Terms and Conditions of Purchase of Equipment

- 2.9 Factory Location and Layout
- 2.10 Raw Materials
- 2.11 Cost of Raw Materials
- 2.12 Raw Materials Availability
- 2.13 Labour
- 2.14 Cost of Labour
- 2.15 Labour Availability
- 2.16 Labour Productivity
- 2.17 Factory Overhead Expenses
- 2.18 Production Cost

Section 3 ORGANIZATION AND MANAGEMENT PLAN

- 3.1 Form of Business
- 3.2 Organizational Structure
- 3.3 Business Experience and Qualifications of the Entrepreneur
- 3.4 Pre-Operating Activities
- 3.5 Pre-Operating Expenses
- 3.6 Office Equipment
- 3.7 Administrative Expenses

Section 4 FINANCIAL PLAN

- 4.1 Project Cost
- 4.2 Financing Plan and Loan Requirement
- 4.3 Security for Loan
- 4.4 Profit and Loss Statement
- 4.5 Cash Flow Statement
- 4.6 Balance Sheet
- 4.7 Loan Repayment Schedule
- 4.8 Break-even Point (BEP)
- 4.9 Return on Investment (ROI)
- 4.10 Financial Analysis

BUSINESS PLAN

Guide Questions

EXECUTIVE SUMMARY

1. What is the nature of the project?
2. What are the entrepreneur's competencies and qualifications?
3. What are the project's contributions to the local and national economy?

Section 1

MARKETING PLAN

- 1.1 What is the product?
- 1.2 How does it compare in quality and price with its competitors?
- 1.3 Where will the business be located?
- 1.4 What geographical areas will be covered by the project?
- 1.5 Within the market area, to whom will the business sell its products?
- 1.6 Is it possible to estimate how much of the product is currently being sold?
- 1.7 What share or percent of this market can be captured by the business?
- 1.8 What is the selling price of the product?
- 1.9 How much of the product will be sold?
- 1.10 What promotional measures will be used to sell the product?
- 1.11 What marketing strategy is needed to ensure that sales forecasts are achieved?
- 1.12 How much do you need to promote and distribute your product?

Section 2 PRODUCTION PLAN

- 2.1 What is the production process?
- 2.2 What buildings and machinery (fixed assets) are needed and what will be their cost?
- 2.3 What is the useful life of the building and machinery?
- 2.4 How will maintenance be done and are spare parts available locally?
- 2.5 When and where can the machinery be obtained?
- 2.6 How much capacity will be used?
- 2.7 What are the plans for using spare capacity?
- 2.8 When and how will the machinery be paid for?
- 2.9 Where will the factory be located and how will the factory be arranged?
- 2.10 How much raw materials are required?
- 2.11 How much will the raw materials cost?
- 2.12 What are the sources of raw materials? Are they available throughout the year?
- 2.13 How many direct and indirect labour are needed and what skills should they have?
- 2.14 What will be the cost of labour?
- 2.15 Are workers available throughout the year? If not, what effect will this have on production?
- 2.16 How will the workers be motivated?
- 2.17 What factory overhead expenses are involved?
- 2.18 What is the production cost per unit?

Section 3 ORGANIZATION AND MANAGEMENT PLAN

- 3.1 How will the business be organized?
- 3.2 How will the business be managed and operated?
- 3.3 What is the business experience and qualifications of the entrepreneur?
- 3.4 What pre-operating activities must be undertaken before the business can operate?
- 3.5 What pre-operating expenses will be incurred?

- 3.6 What fixed assets will be required for the office?
- 3.7 What administrative cost will be incurred?

Section 4

FINANCIAL PLAN

- 4.1 What is the total capital requirement?
- 4.2 Is a loan needed? What will be the equity contribution of the entrepreneur? And how much?
- 4.3 What security (collateral) can be given to the bank?
- 4.4 What does the Profit and Loss Statement indicate?
- 4.5 What does the Cash Flow Statement indicate?
- 4.6 What does the Balance Sheet indicate?
- 4.7 What is the loan repayment schedule?
- 4.8 What is the break-even point (BEP)?
- 4.9 What is the return of investment (ROI)?
- 4.10 Is the project feasible?

PUTTING UP MY OWN BUSINESS

I. How shall I start?

IDEATION should be the first investment of anybody who seeks to be an entrepreneur. Indeed, it maybe said that business starts and proceeds with the process of ideation, of thinking things through carefully, of asking very fundamental questions and giving the clearest answers to them, of formulating alternative plans, and of organizing ideas so that they can be easily translated into effective action.

II. What business should I be in?

A. Personal Considerations

The fundamental and long lasting basis for going into a business is delight in it. It has to be something you enjoy. It should give you the chance to deal with people you generally like dealing with. It should afford you the chance to do things you have always wanted to do, as well as go to places you like being in. It must challenge your creativity and entrepreneurship ability. Most important, it must lead to self-development, or the development of certain desirable human qualities that are latent within you. Another starting point for business would be the talents that you possess. Is it knowledge in Handicrafts? Public relation? Selling? Tinkering with machines? Garments or woodworking?

Yet another would be your training or previous working experience. This seems to be easiest route for some people to go into business that will make them compete in one way or another with companies they used to work for. They start with clients, products, or supplies they may “pirate” from their previous job. But these are those who approach the transition more professionally – or as others would bluntly put it, “more ethically” they go into services, or products that complement their previous employment, acting as subcontractors or as suppliers of some of their product components or product lines.

Your choice of business would also depend on a few other essential considerations especially as to what sort of objectives you really have in starting your own business. Is it to learn what you would if you were employed on a full time basis? Is it to supplement your income? Is it to gamble? Is it to employ your relatives? Is it to pursue a hobby? Is it to get very rich? Is it to be of service to your fellowmen? Whatever your objective maybe, you are entitled to them. Be sure, however, that they are realistic and rational objectives. They must serve the social good.

B. External Considerations

One is: what businesses are being encouraged and supported by the government? They may be provided some tax breaks, special financing programs, or marketing support. These businesses are what the government considers to be important for our country's development. They are often described by all or any of the following objectives: "export-oriented", "employment-generating" or labor intensive", small and medium scale" industries whose products are meant primarily for markets abroad, but that are also labor-intensive in technology, are highly favored.

Another factor worth considering is the rate of growth of various businesses at various stages of the country's development. What businesses will be growing faster than others in the next ten years? In other words, what businesses should Filipino entrepreneurs organize that would further aid and hasten the country's development.

Engineering industries are among those likely to be mentioned ahead of others. They are involved in the transformation of metal and its by-products into such items as nuts and bolts, ships, machinery, and even automobiles and aircraft.

And in the light of a worsening energy crisis, all sorts of energy development projects and businesses are likely to be not only rapidly growing, but also highly supported by the government.

III. *What is the appropriate business scale?*

Just how much should be invested in my business?

It is true that whatever amount you have in your hands determines the size of operation you should put up. It is usually better to ask the question independent of your financial means. There is, after all, such a thing as the "appropriate size" of a business.

One stop you can take is to investigate the business you have selected. Look at the more successful firms in it? Of what particular scale are the more successful ones? Or does scale really matter in that type of business? Even if the bigger firms are relatively more successful you may find small firms that are still viable because they may specialize in certain segments of the markets. Since you are at it already, make a mental note of the "secrets of success" of particular firms in that business. You have just started to get acquainted with your future competitors, too.

It is no longer fashionable to immediately think Big. Business failures in the past have shown investors that having too grandiose a plan in their hands can be dangerous. Where things can be done on a smaller scale and still yield efficient and profitable results, more investors are just as attracted as they would be to promises of bigness. The cry “small is beautiful” has grown so popular that it is almost part of every investor’s routine now to start thinking small before thinking big.

In the final analysis, the scale of business that you wish to go into also depends on your personal expectations. What level of sales do you want to achieve? What sort of profits do you wish to generate?

IV. How shall I organize business?

1. Choosing the Legal form

There are advantages and disadvantages that go with any legal form of business, be it a single proprietorship, a partnership or a corporation. These pros and cons to each business form may fall under any of the following categories: ease in starting, professionalism in actual operation, decision making, growth potential, lifespan, distribution of liabilities and legal burdens.

Table 1 below summarizes the major pros and cons that are attached to each legal form of business. These are not the real determinants of what form the business should take, however, they just set down certain comparative characteristics that can help the businessman simplify his selection.

TABLE 1 : ALTERNATIVE FORMS OF BUSINESS

	ADVANTAGES	DISADVANTAGES
A. Single Proprietorship (one party)	<ol style="list-style-type: none"> 1. Easy to set up 2. Decision making left entirely to owner 	<ol style="list-style-type: none"> 1. Demanding on owner’s personal time 2. Growth limited by owner’s financial means
B. Partnership (at least two parties)	<ol style="list-style-type: none"> 1. Relatively easy to set up 2. Check and balance maintained with two parties around 	<ol style="list-style-type: none"> 1. Any personal rifts between partners may dissolve partnership 2. Equal profit sharing despite unequal attention and time given by partners to business

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| C. Corporation (at least five parties) | <ol style="list-style-type: none"> 1. Maximum flexibility for growth 2. Limited liability of individual shareholders 3. Greater room for professionalism in management. 4. Dissolution least likely. 5. Can involve a wide range of people in business including employees. 6. Reduced tax burden on owners. | <ol style="list-style-type: none"> 1. Cimplicated setting-up process 2. Individual stockholders may have limited influence on management 3. Tendency to institutionalize a bureaucracy. |
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2. Finding the Location

Selecting a site is a key decision in starting a business and therefore, adequate time and effort should be devoted in making a final choice. The numerous factors you have to consider in choosing a suitable location are: proximity to target markets; availability and quality of raw materials and supplies; accessibility to consumers and transportation; consider zoning and local ordinances; availability of power and fuel sources, finally taxation – municipal taxes and fees rates.

3. Hiring and training personnel

If your business will be large enough to require outside help, one of your first jobs will be to hire and train one or more employees. You may start out on a small scale with only one member of your family. But if the business grows, the time will come when you must select and train personnel.

4. Raising the needed capital

If you have chosen definitely or tentatively the type of business you want to enter, you must estimate the capital requirements. You not only need money to start your business but to carry on the business until it is self supporting. Your sources of capital will be any or some of these: your personal funds and property; loans or investments in cash or kind from family members, friends, partners or stockholders; suppliers and financing from banks and other financial institutions.

5. Registration of New Business

Before the “business of doing business” is tackled the following official steps have to be taken:

- Registration of Business name with the Department of Trade and Industry
- Application for Mayor’s Permit to operate within the chosen locality and securing of Municipal License
- Registration with Securities and Exchange Commission (SEC) of Articles of Incorporation and By-Laws for all corporations and for partnership.
- Registration with the Bureau of Internal Revenue to obtain a Tax Identification Number (TIN)
- Registration of employees with the Social Security System (SSS) Medicare and so on.