CHAPTER 2: BUSINESS PLANNING

2.1 INTRODUCTION

Business planning enables us to understand the concept of opportunity identification and evaluation, business idea development and how to prepare a business plan.

2.2 Opportunity Identification and Evaluation

- SCANNING THE ENVIRONMENT/ GETTING THE IDEA
- OPPORTUNITY IDENTIFICATION
- OPPORTUNITY DEVELOPMENT
- OPPORTUNITY EVALUATION
- EVALUATING THE OPPORTUNITY

A business idea is a short and precise description of the basic operation of an intended business. There are three types of business ideas. They are:

1. Old Idea – Here an individual copies an existing business idea from someone.

2. Old Idea with Modification – In this case the person accepts an old idea from someone and then modifies it in some way to fit a potential customer's demand.

3. **A New Idea** – This one involves the invention of something new for the first time

Before you start a business, you need to have a clear idea of the sort of business you want to run. Your business idea will tell you:

- **The Need will Your Business Fulfill for the Customers.**
- **Good or Service will your Business Sell.**
- **Identifies Potential Customer.**
- **Strategy for Selling Goods or Services/ How is Your Business Going to Sell Good or Services.**

2.4.5 Relation between Business and Environment

- How much does your business depend on the environment?
- Does it rely on the weather, soil or other natural resources?
- Does it need any specific type of labor from the local community?

2.5 Methods for Generating Business Ideas

- Learn from successful business owners
- Your own Experience
- Other People's Experience
- Survey Your Local Business Area:
- Scanning Your Environment
- Natural Resources
- Publications
- Trade Fairs and Exhibitions
- Brainstorming

Idea screening is the process to spot good ideas and eliminate poor one. To screen the business idea generated, three approaches are discussed as follow:

1) **Macro screening:** is aimed screening down ideas to 10. And the common criteria are:

1. Are my own competencies (see strength detector) sufficient?
2. Can I finance it to a large extent with my own equity?
3. Will people buy my product/service (i.e. is it needed and can people afford it)?

2) **Micro Screening:** is aimed screening down ideas into 3. The common criteria used for screening are:

1. Solvent demand
2. Availability of raw materials
3. Availability of personal skills
4. Availability of financial resources

3) Scoring the Suitability of Business Idea:

This approach is most appropriate when deciding on starting a business. When there are more than one possible business ideas and one needs to decide which one to follow, we use score business ideas (e.g., BI1, BI2, BI3) by assigning a rating from 1 to 3 for each question, with 3 being the strongest. After we score the ideas we sum the total and select the idea with the highest

Business Plan

A business plan is the blueprint of the step-by-step procedure that would be followed to convert a business idea into a successful business venture.

It provides information about the various functional requirements :

- marketing
- finance,
- operations
- human resources for running a business.

2.8 Process of Developing a Business Plan:

1) Preliminary Investigation:

2) Opportunity Identification and Idea Generation

3) Environmental Scanning

4) Feasibility Analysis

5) Report Preparation

2.8.2 Essential Components of Business Plan:

I) Cover Sheet
II) Executive Summary
III) The Business
IV) Funding Requirement
V) The Product or Services
VI) The Plan:

- **1) financial Plan**
- **2) Organizational Plan**
- **3) Organizational Plan**
- **4) Marketing Plan**

VII) Critical Risks
VIII) Exit Strategy
IX) Appendix