

To Study the Essentials of a Business Plan in Entrepreneurship Development

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Abstract: *Although, there is extensive research aimed at identifying the main success factors for new ventures, efforts directed at estimating the real effect of the existence and quality of a business plan on a firm's survival enhances have been limited. This study attempts to fill this gap by analysing to what extent the quality of a business plan, measured according to its economic, financial and organizational practicality, constitutes a good analyst of business survival; and how other variables related to the characteristics of the entrepreneur and the business can affect the predictive capability of the model under consideration. Hypotheses are tested using data collected from a few service firms. The results show that none of the three variables that assess business plan quality (economic, financial and organizational viability) seems to have a determining influence on survival chances. Adding critical characteristics required for a good plan related to the entrepreneur and the business (education and training, experience, kind of motivation, number of employees and start-up capital) does little to increase the model's foretelling capabilities.*

Keywords: Essential contents of a business plan, Key factors for survival and success of a start-up, Business plan as a predictor for future venture survival

I. INTRODUCTION

A good business plan can help perform a number of tasks for those who write and read them. They are used by investment-seeking businesspersons to convey their vision to potential investors. They may also be used by firms that are trying to attract new employees, prospect for new business, deal with sellers or just to understand how to manage their companies competently.

So what's included in a business plan, and how do you put one together? Simply stated, a business plan delivers your business goals, the strategies one would use to meet them, potential problems that may challenge your business and ways to solve them, the organizational structure of your business (including job titles and work tasks), and lastly, the amount of investment required to finance your venture and keep it going until it breaks even.

With growing stimulus from entrepreneurship programs on the part of public administrations, universities and other promoting bodies, business plans have attained extensive significance in the business management field. For those companies that turn to public organizations looking for help in setting up their business, the business plan plays a vital role.

In some cases, the business plan itself is the end result of free advising, and in the case of financial support measures, in general, the business plan represents an important component for cheap or cost-free financing suitability.

If we focus on the subject of financial aid, it is often the case that the example of making the choices will establish a scale to evaluate the different applications, a scale that will consider business plan quality to be of greatest importance, assuming that a good business plan is a guarantee for start-up practicality and, therefore, that public funding is being put to moral use.

These are the issues that we tackle in the following sections, and for this, we analyse the business plan as a project aimed at managing, as its dominant goal, to effectively endure the first stages of the business life cycle that, as we go on to see, are those that involve the highest risk of failure.

1.1 OBJECTIVES

This paper aims to analyse to what extent the quality of a business plan, measured according to its economic, financial and organizational viability, constitutes a dependable predictor of business survival.

How other variables allied to the characteristics of the entrepreneur and the business can affect the predictive capability of the plan under concern.

Survival probabilities of new ventures and concisely reviews the different success factors that have been analysed.

Examination of the business plan from the perspective of project management.

II. RESEARCH METHODOLOGY

This research was mostly based on Secondary data obtained from:

BOOKS:

The successful business plan. – Rhonda Abrams

The one-page business plan. – Jim Horan

ARTICLES:

Journal of business venturing- 2004

TED TALK:

It's all about the Business plan. – Grace

III. ESSENTIAL CONTENTS OF A BUSINESS PLAN

1. The executive summary

This is the main element of a business plan, but it can easily be the final stage. That is because occasionally it is easiest to write the summary after covering all the other details.

A great summary is one of the key features of a business plan. It functions as an overview of your entire business and the essentials surrounding it.

2. A description of the business

The description of the business should contain details of things such as objectives and the target customers. The products and services the business will offer to the market. Therefore, a description acts like an overview that contains the details about goals and customers wants.

3. The market the business will operate in

the market research will put the business idea to the test. What have other businesses done before and what can your business do differently and better? Analyse the information that is uncovered and sketch the possible impact in your plan.

4. A SWOT analysis

Making a detailed list of your strengths, weaknesses, opportunities and threats. This needs to be done with an undefended and honest approach, keeping emotions out of it, by focusing on being impartial when analysing your business and those of your competitors.

5. The management team and personnel

A management team is essential when setting up a business plan who will look after the handling of the business. The skills of the management team will help carry out different responsibilities and make maximum use of their abilities. Determining the chain of command in terms of decision making.

6. Marketing

The marketing team helps with the branding of the business.

The key messages you want to communicate with your target market and help the business in reaching them. Allowing the business to achieve market share at the cost in terms of the budget.

7. A financial plan

A strong financial plan will make the business idea a reality and sustain a viable business. Creating a financial plan will give the opportunity to address your financial concerns and money, contemplate about start-up costs, financial projections, funding and investor pitches.

IV. KEY FACTORS FOR SURVIVAL AND SUCCESS OF A START-UP

The size of the start-up can be clearly connected with survival predictions as larger corporations are usually more productive, which reduces their risk of bankruptcy. The original size of a venture, measured by total employment and labour productivity definitely affects the chance of survival. Another factor influencing and discerning the performance of start-ups is rational capital and human capital. Companies characterised by a higher level of human capital achieve better on the market. To capture this difficult-to-measure effect, researchers use a set of various variables such as education, work experience, gender, age, ethnicity of the start-up founder, etc. The features of human capital may influence the capital assembly. Moreover, there is an accidental selection of start-ups, as owners of high-quality start-ups choose foundations of financing other than bank loans or lines of credit, although these start-ups have suggestively higher chances of residing in the market.

Another factor that is progressively recognised in the literature is the innovation of start-ups. Innovations are seen as superior as they increase the odds of survival in the market and are a predictor of above-average performance aftermarket admission. Process innovations rather than just product innovations interpret into higher longevity of budding firms. Attention should be shifted from simple companies to innovative start-ups, as they are an important source of maintainable value for the economy. Start-ups are often at the risk of bankruptcy at the launch, unless they have strong competitive advantages such as innovative carters. Their findings suggest that innovative ventures show higher survival rates when process innovations are considered. While product innovation can be risky and bare a start-up to premature bankruptcy, process innovation emerges as a secure competitive benefit that increases the chances of exceptional survival.

V. BUSINESS PLAN AS PREDICTOR FOR FUTURE VENTURE SURVIVAL

The point to which firms develop specific business plans and suggest the hypothesis that firms that do not develop such plans are more likely to fail. Their findings identify a positive effect from the presence of these specific plans on the chances of firm survival. If we assume that the business plan establishes a non-routine process that involves the original coordination of consistent activities and resources to achieve survival after the first and riskiest stage of the life cycle of a venture; an intricate and dynamic project, whose objectives have to be accomplished through the mutual interactions of project participants and other interested stakeholders, it would be somewhat naive to believe that the mere existence of a plan might have a positive effect on the probabilities of success.

A noteworthy aspect of these results is the fact that none of the three variables used to estimate business plan quality (economic, financial and organizational viability) appears to have a determining effect on the chances of survival. Furthermore, the results also show that a higher mark in financial practicality seems to work slightly in ambiguity of survival. By combining the assumed variables with the other explanatory variables, the constant of determination experiences a marked increase, but the influence of business plan quality becomes virtually non-existent, even bearing in mind whether entrepreneurs are educated and experienced, motivated by opportunity and have human and financial resources at their disposal. In conclusion, it is not likely to identify an entrepreneurial and commercial profile that, when provided with a highly valued business plan, shows noticeably higher survival levels.

VI. CONCLUSION

Start-ups definitely play a fundamental role in job creation, economic growth, competitiveness and innovation. It is therefore impeccably understandable that, over the last few decades, public institutions have applied an increasing number of initiatives aimed at promoting entrepreneurial activity and supporting the creation of new ventures. This growing incentive directed at entrepreneurship programs, together with the relevance that experts and academia have donated upon them, has caused business plans to take on considerable relevance in the business management field. More precisely, business plans play a fundamental role for those companies that turn to public institutions looking for help in launching a new venture.

Generally, in the case of financial support programs, the business plan stands as a key element in order to be appropriate for cheap or free financing, under the evidence that a good business plan is a guarantee for the survival of start-ups and that, therefore, public funds are put to good use. Nevertheless, although there is widespread research aimed at identifying the primary success factors for new ventures, efforts directed at assessing the effect that the existence and quality of business plans really have on the firm survival chances have been incomplete. It should be added that a review of the scant literature available on this issue provides deliberately contradictory results.

VII. SUGGESTIONS

There are a multitude of **strategic approaches** that a business can take, and each can be similarly successful. This is what creates a competitive marketplace. However, if you do not have a clear idea of your strategic approach, then you cannot make decisions that will consistently lead to achieving programmed goals. Whether it is during good times or bad times, you must know what direction you want to take your company in order to better contend with rival businesses.

Few examples of strategic approach are:

Strive to be a low-cost provider.

Have a higher quality product or service than the competition.

Focus on a narrow market position.

Even though incomes are down in most businesses, marketing is essential to keep your company's name in front of customers and prospects. Although you may need to reduce your **marketing** budget, it is important to focus on those marketing mechanisms that have and will produce the best results for the money spent.

Strategic alliances can be a feasible growth option for many small businesses. They can be a way to monetize what your business has to offer with little cost or accountability. Creating the right alliances can improve market access and allow your company to gain entry into markets that would otherwise not be open to the business.

Financing and budgeting are also important elements of planning. Businesses must plan for the future to ensure sufficient capital is available for operations, asset acquisitions, debt servicing, and possible expansion. Near-term and future cash needs must be anticipated.

The best products or services cannot be retained or provided without quality **employees**, so if your employees were laid off, you need to consider if those same employees will be available when operations resume at full strength. If you will be signing new employees, there needs to be proper training in place to facilitate returning to full operation as soon as possible.

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