

Business planning

Lecturer

Kotlik Andrey Valeriyevich

PhD, associated prof.

Management and business department

Basics of business-planning

1. Essence and purpose of Business-planning
2. Investment project as an object of Business-planning
3. Business-plan structure and process of Business-plan development

Essence and purpose of Business-planning

Planning is a managerial process of **designing** a desired future and effective ways of its achievement, considering today's and future conditions and possibilities

Planning is managerial a process of **goals** setting and working out the **plan** of their achievement

Essence and purpose of Business-planning

Good plan is always based on **forecasting**

Forecasting is a foresight process, built on probabilistic, scientifically based **judgment** about the prospects of object in the future, its possible state.

Essence and purpose of Business-planning

Planning principles:

- Unity (vertical and horizontal)
- Participation
- Flexibility
- Accuracy

Essence and purpose of Business-planning

Business plan is a writing document, where the **essence** of enterprise idea, **ways and tools** of its implementation are described, and also market, production, organizational, financial and managerial aspects of future business are described, and **efficiency** of its implementation is proved and calculated.

Essence and purpose of Business-planning

Business plan is:

- a presentation of evidence to convince investors of the benefits of the project;
- a tool to determine the degree of viability and future sustainability of the business;
- business risks predicting tool;
- specification of business prospects in the form of quantitative and qualitative indicators of development;

Essence and purpose of Business-planning

Major **reasons** for Business-planning:

- The process of putting a business plan together, including the thought put in before beginning to write it, forces entrepreneur to **take an objective**, critical, unemotional **look** at the business project in its entirety.
- Business plan helps to foresee future problems
- Business plan is an **operating tool** that, properly used, will help to manage business and work toward its success.
- The completed business plan is the means for **communicating ideas to others** and provides the **basis for the financing** proposal
- Business plan helps to involve business partners.

Essence and purpose of Business-planning

Business-plan **structure and content** are determined by several major factors:

- Type of business plan
- Business plan purposes
- Business plan audience
- The essence and scope of business
- Value and directions of funding

Essence and purpose of Business-planning

Types of Business-plan:

- Enterprise Business-plan
- *Business-plan of department*
- Investment project Business-plan
- Business-plan of an entrepreneur's idea implementation
- Business-plan for different types of partners

Essence and purpose of Business-planning

Business-plan can have different **purposes**:

- To manage a business (a project)
- To get funding
- Debt funding
- Equity funding
- To merge or acquire business
- To get a big contract
- To reorganize a business

Essence and purpose of Business-planning

Business-plan has two types of users:

- **Internal**

- business owners
- managers
- staff involved in the process of Business-plan performance.

- **External:**

- investors
- partners
- financial institutions
- key customers

Essence and purpose of Business-planning

Enterprise Business-plan is a complex tactical plan of enterprise activity, that covers a period from one to five years.

It describes all basic **functional areas** of enterprise activity:

- marketing,
- production,
- sales,
- procurement,
- delivery,
- financing,
- human resources,
- information technologies,
- technical development of production,
- general management etc.

Essence and purpose of Business-planning

In the enterprise Business-plan **purposes** for each of activity areas are set and a **plan of measures** is developed.

As a rule, a plan of every functional sphere of activity is designed as a **separate section**.

Essence and purpose of Business-planning

Investment project Business-plan describes purposes of investment project, ways and tools of its achieving in each activity areas and proves economic **efficiency** of investment project.

Investment project as an object of Business-planning

Project is a unique set of interrelated activities (works) with determined start and end dates, that are necessary for successful achievement of common goals.

Projects have following **specific features**:

- Clarity of objectives;
- The complexity of relationships, transactions, tasks and resources that require precise coordination in the implementation of the project;
- Limited resources;
- Certain degree of uniqueness of the project objectives;
- The emergence of different conflicts

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Investment project as an object of Business-planning

Investment project is the plan or program of activities related to the implementation of capital investments for the next refund and getting a profit.

Investment project as an object of Business-planning

Pre-investment phase	Investment phase	Operational phase
Identification of investment prospects	Contracting	Commissioning and startup
Pre-Feasibility Study	Design	Production
Feasibility Study (ТЭО)	Construction	Replacement
Appraisal report (отчет об инвестиционных возможностях)	Marketing	Expansion, modernization
Planning	Training	Completion
Funding		

Essence and purpose of Business-planning

Investment project Business-plan has two **objectives**:

- to **prove** the possibility and profitability of the investment project
- to provide a comprehensive **plan** of reasonable measures to achieve the project objectives.

Business-plan structure and process of Business-plan development

Summary

Memoranda on confidentiality

1. Project concept
2. Characteristics of enterprise
3. Projected product or service
4. Market analysis
5. Marketing Plan
6. Production plan
7. Organizational Plan
8. Legal Plan
9. Financial Plan
10. Risk Analysis

Business-plan structure and process of Business-plan development

Business plan can be developed:

- Inside the company
- By consultants

Business-plan structure and process of Business-plan development

Procedure of Business plan development:

1. Concept development
2. Information gathering
3. Marketing calculations
4. Operational decisions and calculations
5. Financial calculations
6. Risk calculations and decisions
7. Text description
8. Business plan figuration

Business-plan structure and process of Business-plan development

Problems of Business planning in Ukraine:

- Lack of motivation of business owners
- Lack of business information
- Lack of specialists
- Different methodics