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Many business plans are fantasies. That's because many aspiring entrepreneurs see a business plan as simply a tool--filled with strategies and projections and hyperbole--that will convince lenders or investors the business makes sense.

That's a huge mistake.

First of all, your business plan should convince *you* that your idea makes sense--because your time, your money, and your effort are on the line.

So a solid business plan should be a blueprint for a successful business. It should flesh out strategic plans, develop marketing and sales plans, create the foundation for smooth operations, and maybe--just maybe--convince a lender or investor to jump on board.

For many entrepreneurs, developing a business plan is the first step in the process of deciding whether to actually start a business. Determining if an idea fails on paper can help a prospective founder avoid wasting time and money on a business with no realistic hope of success.

So, at a minimum, your plan should:

* Be as objective and logical as possible. What may have seemed like a good idea for a business can, after some thought and analysis, prove not viable because of heavy competition, insufficient funding, or a nonexistent market. (Sometimes even the best ideas are simply ahead of their time.)
* Serve as a guide to the business's operations for the first months and sometimes years, creating a blueprint for company leaders to follow.
* Communicate the company's purpose and vision, describe management responsibilities, detail personnel requirements, provide an overview of marketing plans, and evaluate current and future competition in the marketplace.
* Create the foundation of a financing proposal for investors and lenders to use to evaluate the company**.**

A good business plan delves into each of the above categories, but it should also accomplish other objectives. Most of all, a good business plan is *convincing*. It proves a case. It provides concrete, factual evidence showing your idea for a business is in fact sound and reasonable and has every chance of success.

Who *must* your business plan convince?

First of all, your business plan should convince *you* that your idea for a business is not just a dream but can be a viable reality. Entrepreneurs are by nature confident, positive, can-do people. After you objectively evaluate your capital needs, products or services, competition, marketing plans, and potential to make a profit, you'll have a much better grasp on your chances for success.

And if you're not convinced, fine: Take a step back and refine your ideas and your plans.

Who *can* your business plan convince?

1. Potential sources of financing.If you need seed money from a bank or friends and relatives, your business plan can help you make a great case. Financial statements can show where you have been. Financial projections describe where you plan to go.

Your business plan shows how you will get there. Lending naturally involves risk, and a great business plan can help lenders understand and quantity that risk, increasing your chances for approval.

2. Potential partners and investors.Where friends and family are concerned, sharing your business plan may not be necessary (although it certainly could help).

Other investors--including angel investors or venture capitalists--generally require a business plan in order to evaluate your business.

3. Skilled employees.When you need to attract talent, you need *something* to show prospective employees since you're still in the startup phase. Early on, your business is more of an idea than a reality, so your business plan can help prospective employees understand your goals--and, more important, their place in helping you achieve those goals.

4. Potential joint ventures. Joint ventures are like partnerships between two companies. A joint venture is a formal agreement to share the work--and share the revenue and profit. As a new company, you will likely be an unknown quantity in your market. Setting up a joint venture with an established partner could make all the difference in getting your business off the ground.

But above all, your business plan should convince *you* that it makes sense to move forward.

As you map out your plan, you may discover issues or challenges you had not anticipated.

Maybe the market isn't as large as you thought. Maybe, after evaluating the competition, you realize your plan to be the low-cost provider isn't feasible since the profit margins will be too low to cover your costs.

Or you might realize the fundamental idea for your business is sound, but how you implement that idea should change. Maybe establishing a storefront for your operation isn't as cost-effective as taking your products directly to customers--not only will your operating costs be lower, but you can charge a premium since you provide additional customer convenience.

Think of it this way. Successful businesses do not remain static. They learn from mistakes, and adapt and react to changes: changes in the economy, the marketplace, their customers, their products and services, etc. Successful businesses identify opportunities and challenges and react accordingly.

Creating a business plan lets you spot opportunities and challenges without risk. Use your plan to dip your toe in the business water. It's the perfect way to review and revise your ideas and concepts before you ever spend a penny.

Many people see writing a business plan as a "necessary evil" required to attract financing or investors. Instead, see your plan as a no-cost way to explore the viability of your potential business and avoid costly mistakes.

Providing an overview of your business can be tricky, especially when you're still in the planning stages. If you already own an existing business, summarizing your current operation should be relatively easy; it can be a lot harder to explain what you plan to become.

So start by taking a step back.

Think about what products and services you will provide, how you will provide those items, what you need to have in order to provide those items, exactly who will provide those items... and most importantly, whom you will provide those items to.

Consider our bicycle rental business example. It's serves retail customers. It has an online component, but the core of the business is based on face-to-face transactions for bike rentals and support.

So you'll need a physical location, bikes, racks and tools and supporting equipment, and other brick-and-mortar related items. You'll need employees with a very particular set of skills to serve those customers, and you'll need an operating plan to guide your everyday activities.

What you will provide

What you need to run your business

Who will service your customers, and

Who are your customer

You know what you will provide to meet your customer's needs. You will of course need a certain quantity of bikes to service demand, but you will not need a number of different types of bikes. You need a retail location, furnished to meet the demands of your business. You need semi-skilled employees capable of sizing, customizing, and repairing bikes.

Operations

The next step in creating your business plan is to develop an Operations Plan that will serve your customers, keep your operating costs in line, and ensure profitability. Your ops plan should detail strategies for managing, staffing, manufacturing, fulfillment, inventory... all the stuff involved in operating your business on a day-to-day basis.

Fortunately, most entrepreneurs have a better handle on their operations plan than on any other aspect of their business. After all, while it may not seem natural to analyze your market or your competition, most budding entrepreneurs tend to spend a lot of time thinking about how they will run their businesses.

What facilities, equipment, and supplies do you need?

What is your organizational structure? Who is responsible for which aspects of the business?

Is research and development required, either during start-up or as an ongoing operation? If so, how will you accomplish this task?

What are your initial staffing needs? When and how will you add staff?

How will you establish business relationships with vendors and suppliers? How will those relationships impact your day-to-day operations?

How will your operations change as the company grows? What steps will you take to cut costs if the company initially does not perform up to expectations?

Operations plans should be highly specific to your industry, your market sector, and your customers. Instead of providing an example like I've done with other sections, use the following to determine the key areas your plan should address:

Location and Facility Management

In terms of location, describe:

Zoning requirements

The type of building you need

The space you need

Power and utility requirements

Access: Customers, suppliers, shipping, etc.

Parking

Specialized construction or renovations

Interior and exterior remodeling and preparation

Daily Operations

Production methods

Service methods

Inventory control

Sales and customer service

Receiving and Delivery

Maintenance, cleaning, and re-stocking

Legal

Licenses and permits

Environmental or health regulations

Patents, trademarks, and copyrights

Insurance

Personnel Requirements

Typical staffing

Breakdown of skills required

Recruiting and retention

Training

Policies and procedures

Pay structures

Inventory

Anticipated inventory levels

Turnover rate

Lead times

Seasonal fluctuations in demand

Suppliers

Major suppliers

Back-up suppliers and contingency plans

Credit and payment policies

You should think through and create a detailed plan for each category, but you won't need to share the results with the people who read your business plan

Working through each issue and developing concrete operations plans helps you in two major ways:

If you don't plan to seek financing or outside capital, you can still take advantage of creating a comprehensive plan that addresses all of your operational needs.

If you do seek financing or outside capital, you may not include all the detail in your business plan--but you will have answers to any operations questions at your fingertips.

Think of Operations as the "implementation" section of your business plan. What do you need to do? How will you get it done? Then create an overview of that plan to make sure your milestones and timeline make sense.

Management Team

Many investors and lenders feel the quality and experience of the management team is one of the most important factors used to evaluate the potential of a new business.

But putting work into the Management Team section will not only benefit people who may read your plan. It will also help you evaluate the skills, experiences, and resources your management team will need. Addressing your company's needs during implementation will make a major impact on your chances for success.