

THE PURPOSE OF A BUSINESS PLAN FOR DEVELOPING THE NEW VENTURE

GUNDA SRINIVASARAO, Research Scholar, CMR University, Bangalore and Assistant Professorat KPRIT and KPRIM, Hyderabad : srinivasg.faculty@gmail.com

ABSTRACT: A business plan is a formal statement of a set of business goals, which are believed to be attainable, and the plan for reaching those goals. It may also contain background information about the organisation or team attempting to reach those goals. Business plans may also target changes in perception and branding by the customer, client, tax-payer, or larger community. When the existing business is to assume a major change or when planning a new venture a 3 to 5 year business plan is required, since investors will look for their annual return in the 3 to 5 year time.

There is no one correct formula for a business plan. After all, no one plan will work in all situations. But, in general, a business plan is a document that outlines the basic idea underlying a business and describes related start-up considerations. A business plan is an entrepreneur's game plan; it crystallises the dreams and hopes that motivate an entrepreneur to take the start-up plunge. The business plan should lay out your basic idea for the venture and include descriptions of where you are now, where you want to go, and how you intend to get there.

David Gumpert, who headed up the MIT Enterprise Forum, offers a concise and practical definition of a business plan, "It's document that convincingly demonstrates that your business can sell enough of its product or service to make a satisfactory profit and to be attractive to potential backers. For Gumpert, the business plan is essentially a selling document used to convince key individuals, both inside and outside the firm, that the venture has real potential. Equally important, it is an opportunity to convince yourself, the entrepreneur, that what appears to be a good idea is also a good investment opportunity, both economically and in terms of your personal goals.

KEYWORDS: Business plan, business goal, entrepreneur, venture, business, firm and personal goal

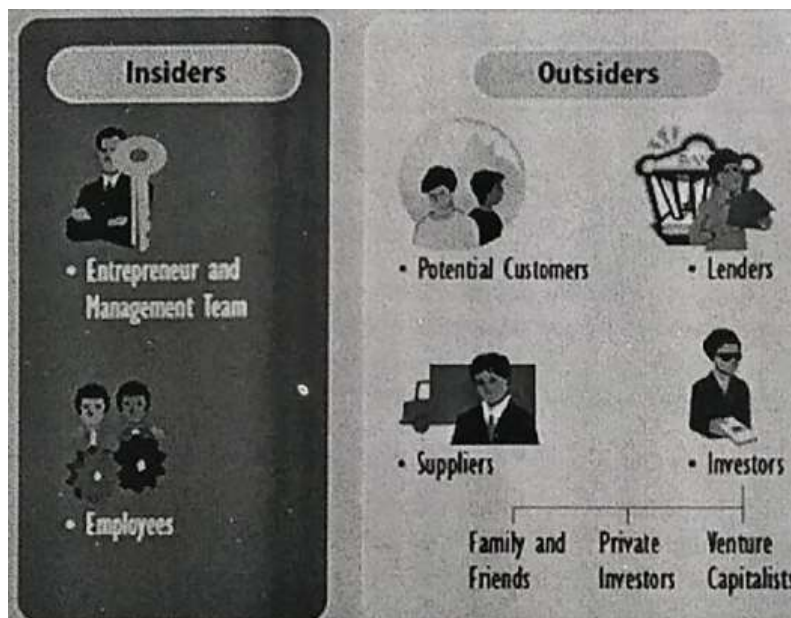


Figure: Users of business plan

For the entrepreneur starting a new venture, a business plan has three basic objectives:

- 1) To identify the nature and context of the business opportunity i.e., why does such an opportunity exist
- 2) To present the approach the entrepreneur plans to use to exploit the opportunity
- 3) To recognise factors that will determine whether the venture will be successful.

The figure given above provides an overview of those who might have an interest in a business plan for a new venture.

The first group consists of the internal users of the plan:

- 1)The entrepreneur
- 2)The new firm's management and employees

The second group consists of outsiders who are critical to the firm's success:

- 1)Its prospective customers
- 2)Suppliers
- 3)Lenders 4)Investors

Need of Business Plan:

The justification used for not writing a business plan goes something like this:"Companies that start up based on business plans are no more successful than those that do not."It is true that studies attempting to measure the success of entrepreneurs with business plans against the success of those without have produced mixed results.

Given what we know about Apple, Calvin Klein, and other businesses started without business plans, clearly having a business plan is not a prerequisite for success. This simply tells us that the business plan is not the business. It may well be that some entrepreneurs spend untold hours writing a 60-page business plan with another 50 pages of appendixes but never follow the plan.

In such cases, writing the plan was a waste of time. If the plan is not going to lead to action, there is no need to bother to write it. Only if you execute the business plan, it has a good chance of making a difference. Thomas Stemberg, the founder of Staples who later became a venture capitalist, says it well.