DEPARTMENT:
AGRICULTURE

Developing a BUSINESS Plan

BOOK SEVEN

Developing a BUSINESS PLAN

CONTENTS

1. Outcomes
2. Situation
3. Introduction
4. The importance of a business plan
5. Who should prepare your business plan
6. Research
7. The use for a business plan
8. Components of a business plan
9. Assessment

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BOOK SEVEN

Outcomes

1

After this module it will be possible to:

- ✓ evaluate your business venture
- ✓ organise your vision
- ✓ create a business plan
- ✓ evaluate tendencies in the market place
- ✓ do a SWOT analysis
- ✓ have a reference for future self-motivation

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2

Situation

Bongani is full of enthusiasm for his business. He knows, however, that enthusiasm and determination is not enough: he will have to do some serious planning first. A business plan is a must for success and Bongani cannot afford to be hasty. He'll have to think carefully to eliminate mistakes. If his business plans are well thought through, it will save him a lot of time and money later.

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Introduction

3

We have discussed the business plan in booklet four. We will be referring back to that business plan. A business plan is the skeleton of the business, because the business will be built around your business plan.

As in book four, ask yourself the following questions:

- What makes my business or product different from any other?
- Which aspects make my business or product better than others, except for my reasonable prices?
- How am I going to start my business?
- When am I going to grow in my business and when am I going to slow down?
- Who are my customers?
- Where is the best place or location to get my business started?

It is good to remember the following sayings:

"Beginning is half done"
"Success is to focus"

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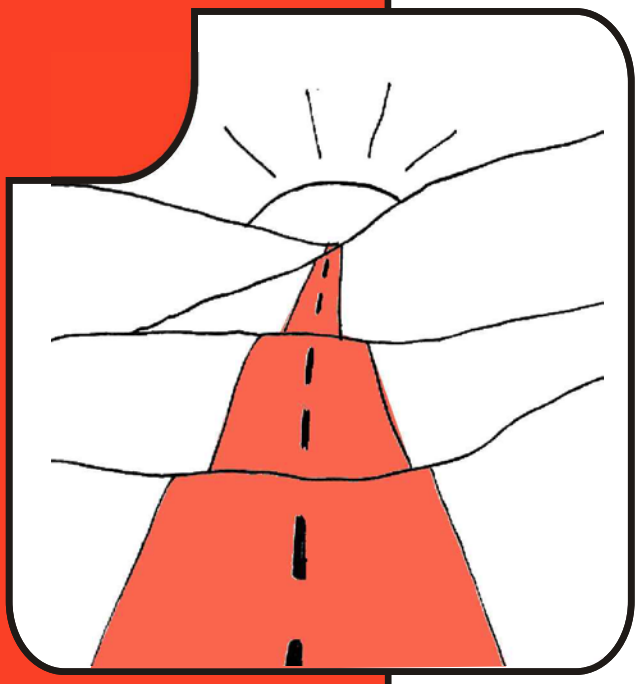
3

Keeping your business plan at hand will remind you of:

* What am I willing to put into my business?
* Where do I come from?
* What is my core business?
* Where am I heading?
* How will I operate?
* What are the time limits for specific goals?

A business plan can be seen as a paved road to get to your goals or your destination. It will help you to go from self-management, goal setting and implementation to evaluation of your business.



Introduction ... continued

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The Importance of a Business Plan

4

- It forces you to organise your ideas in a logical way
- It helps you to focus on the goals you put up for your business
- It helps you to look at reality and to foresee problems
- It helps you to work according to an action plan or guideline
- It is an aid when applying for financial assistance
- It helps you to reduce the potential flaws in your idea
- It is an important tool that will help you make decisions

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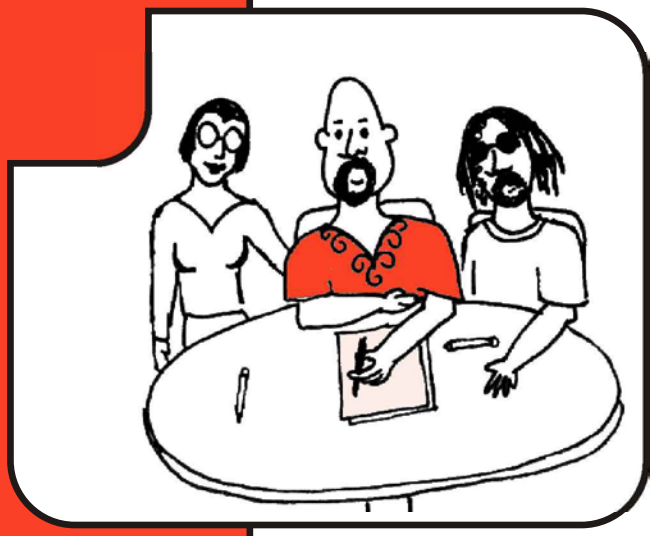
5 Who should prepare your Business Plan?

A business plan has to be drawn up by every person who wants to run a business. Remember that a business plan is not a fixed blueprint which you cannot change. A business plan is a dynamic tool and therefore has to be adjusted regularly to reflect your growth and aspirations. It is therefore important to look at your business plan regularly to see if it should be changed.

The person or people who are going to run the business, who will have to make decisions on a daily basis and who have to know what the end result should be, should do the business plan. Although it is the best option to keep the business plan in the business, there are people who specialise in planning and writing a business plan.

A business plan must be acceptable to any reader. It must be easy to read. It must be presented in an organised manner. Therefore much effort and time will go into the planning and construction of a business plan.



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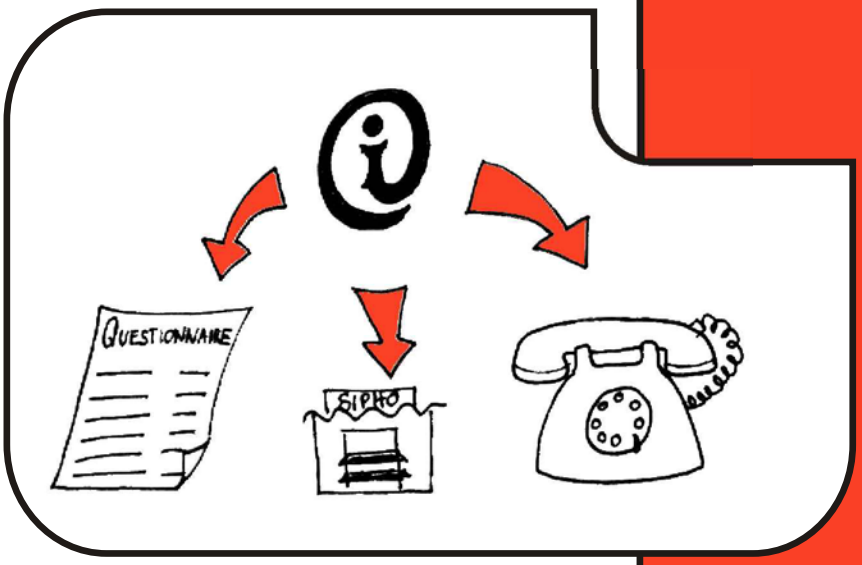
Research

Bongani needs information and knowledge in order to construct a business plan that will suit his business. He has to determine who his customers and target groups are. He can ask people questions, make use of questionnaires, or make a few telephone calls to see if there is a demand for his product. By looking at his competitors in the market and their products, Bongani can collect valuable information. However, it is important not to focus too much on the competition, but to focus more on one's own strengths.

Before starting off with a business plan, it is necessary to know the economic environment and market you want to exploit. Other aspects like your suppliers, delivery times, cash flow and the availability of credit are important factors to keep in mind.



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7 The use for a Business Plan

- The business plan is a reminder of the specific vision or goals that you have set for your business.
- The business plan reminds you of where you want to go with your business and will help you to make the right decisions.
- The business plan is important in getting a loan from a bank, or financial support for other means of expansion.
- The business plan helps you to arrange your ideas and helps you to get a good overview of your business.

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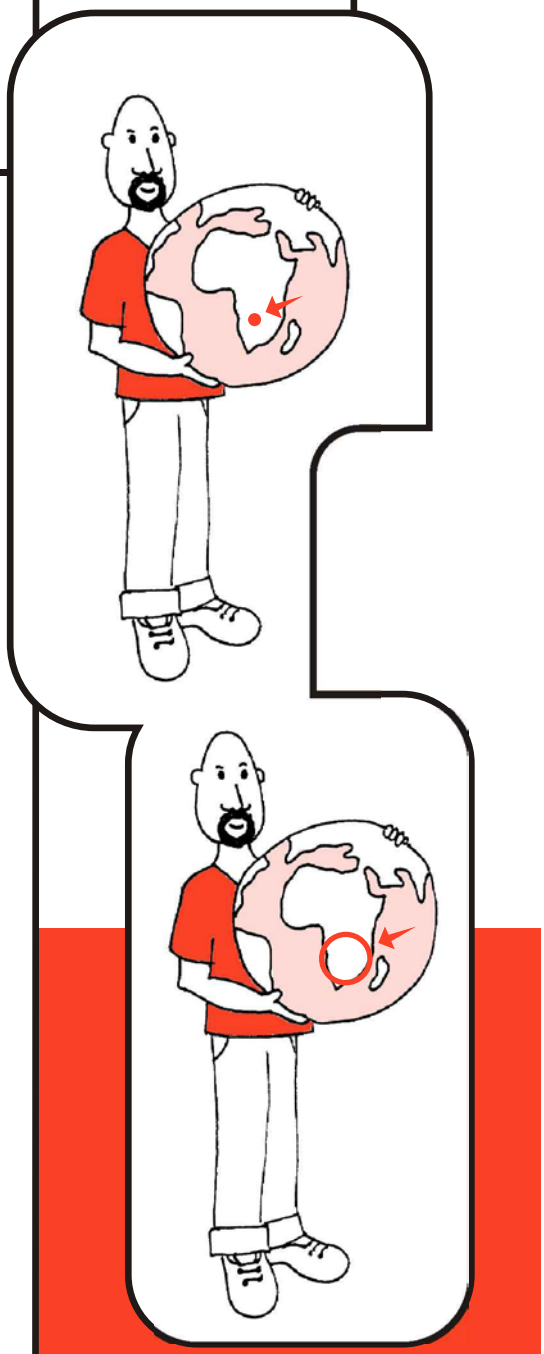
Components of a Business Plan

8

Phase 1: Micro and macro analysis



The writer of a business plan has to consider the micro and macro tendencies in the market.

Micro tendencies:

Micro tendencies are the things that are happening in the close environment, like in the township, on the farm or near your business. For example if the municipality is building a new road in front of your shop, it might prevent your customers from visiting your business and also make life difficult for your workers.

Macro tendencies:

Macro tendencies are the things that are happening in the general environment, such as economic factors, political developments, mergers that can destroy smaller businesses, or world-wide competitiveness through a new era in technology. For example, if you are selling handicrafts near the zoo, there might be a competitor who is selling the same products on the Internet.

To be successful in business, one has to evaluate how positive you react to the micro and macro levels. For instance, if Bongani does not believe in his environment or in the future of his country, he cannot be focused.

(Divide the class in two or three groups to list micro and macro tendencies).

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Phase 2: Making a SWOT analysis

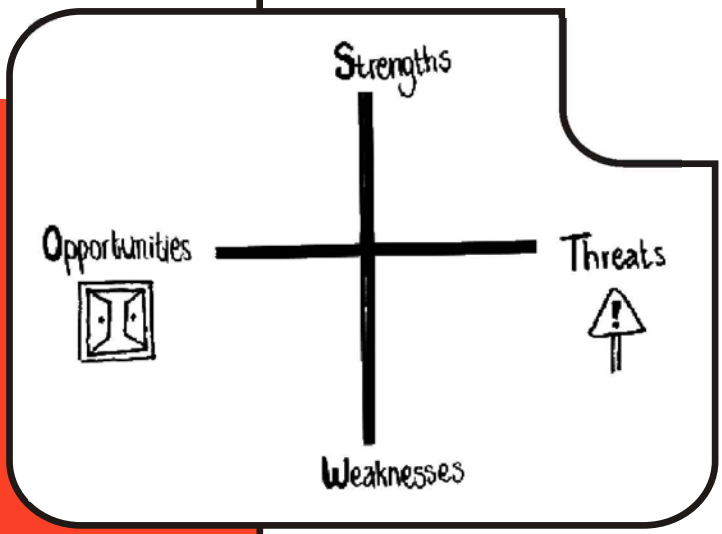
A SWOT analysis stands for

- S = strengths
- W = weaknesses
- O = opportunities
- T = threats

It is of the utmost importance to be very honest when determining all these factors. One possibility for a business plan is to weigh every decision or every expansion by using the SWOT analysis.

Often there will be a correlation between your strengths and your opportunities or a comparison between the weaknesses and the threats. Therefore, it is good practise to try to turn a weakness or a problem into an opportunity.

Do some research and try to get the view of the customer. The view that you might have is sometimes deceiving. Look at the difference between you and the competitor. A SWOT analysis can be used for different criteria such as products, markets, areas or even the customer himself.



Components of a Business Plan
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Exercises

1. Think of the branch of your cooperation or your agricultural business. List your strengths, weaknesses, opportunities and threats on a business level.

Strengths	Weaknesses
Opportunities	**Threats**

2. If you want to, you can compare this evaluation to that of another market or competitor.

Components of a Business Plan … continued

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Phase 3: Vision, mission, goals and actions

When an entrepreneur knows his environment and makes a SWOT analysis that will have an impact on his business, he can set a vision statement. A vision is the ultimate objective towards which you are striving. A vision is to have a clear idea about your business and to commit your business plan to paper.

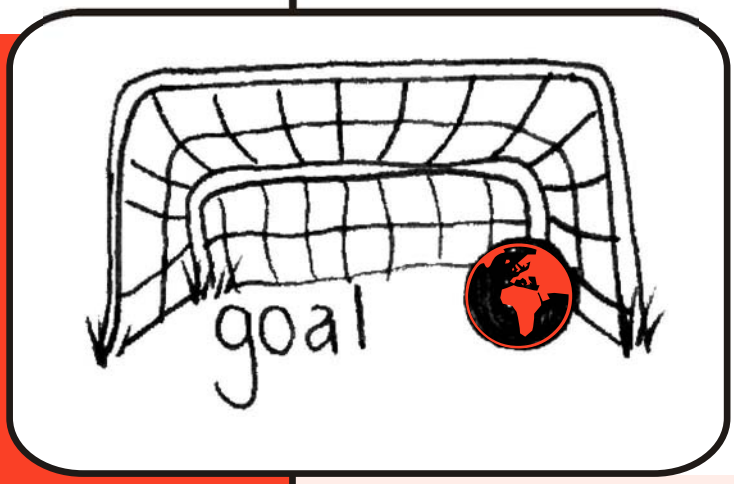
Missions are the boundaries in which you operate. Goals are the ideals you want to reach. Actions are what you do to achieve your goals at specific deadlines.

(*At this stage, the group who is working on the vision statement will also formulate a slogan. A slogan is a very short, catchy phrase such as Samsung's "Leadership through products"*).

Exercise

Formulate a vision in not more than 17 words. Look at:

A definition of work;
Difference in application;
National importance;
Global competitiveness.



Components of a Business Plan
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Phase 4: Definition and objectives of the business

Bongani's definition should be short and interesting. It must state the nature of his business, the service or product he will be selling, his long-term and short-term goals and why he thinks the business will be a success.

Describe your business in the following way:
What type of business is it?
Introduce yourself
The tax or licensing regulations
The service you will be selling
Your requirements

It's important for the reader of a business plan to know what the objectives of the business are.

Phase 5: Personnel factors

The number of employees, their job descriptions, the type of contacts they have and how you will improve their skills are major factors. A manager has to be very careful to appoint the correct number of employees to maintain the productivity level of his business. He should also consider aspects such as salaries, how much leave the personnel may take and so forth. Each employee's job description is crucial, as it will show if all tasks can be carried out. In an entrepreneurial business, each and everyone has to earn his salary.

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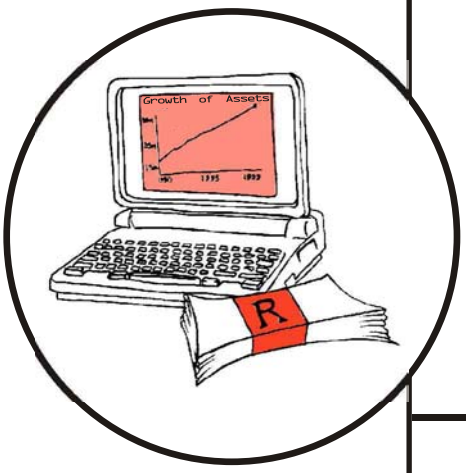


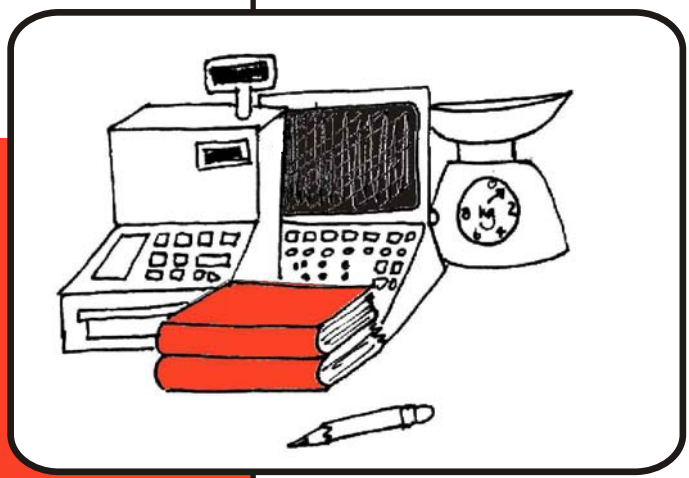
Phase 6: Financial aspects

Every business plan will include financial statements, profit and loss statements, growth tendencies, a cash flow chart and the growing of assets. A budget plan with a detailed estimate of income and expenses is important to show your cash flow and your profit or loss for a set period.

It is important to budget and set specific goals for specific times. During this phase of planning, Bongani will set his limits for expansion.

Phase 7: Logistics

When considering a business plan, many banks will ask for a plan of the floor surface of offices or factories. Logistics include the premises, computers, office equipment, books, machinery and a register of assets. Logistics will help you to design your workspace for functionality, to establish systems and to manage data efficiently.



Components of a Business Plan ... continued

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Phase 8: Product range

In a business plan, it is essential to list the product range. Concentrate on three major products and the specific target groups for which they are developed. It is important to try to determine the prices and the money Bongani will make in a year's time. It's important to price for profit.

A good entrepreneur will concentrate on a variety of products. Every three years he will produce a new product so that there will be a constantly high selling profile with a downward curve. Therefore, if by the time a product is outdated, the next product should be in demand already.

The process works in a curve. When one product reaches its peak, it will start going downhill. As soon as this happens, you should already have launched the next product on its way to the top.

Phase 9: Strategies

In a new South Africa, it is important to have a global strategy. A business plan has to include a marketing plan that covers products, target groups, distribution and prices. An image building plan as a second strategy will determine the variety of verbal and visual messages. In a new political environment, it is important that each and every company's business plan should have a strategy for training workers as well as middle and top management, in compliance with the Skills Development Act.

Phase 10: Conclusion

Bongani should say why he thinks his business will succeed. His conclusion should be positive and motivating.

After he has compiled the business plan, he should ask himself: "Will I lend myself the money to start a business on the basis of this plan?". If the answer is "yes", then he has successfully compiled a business plan.

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Assesment

1. Formulate a vision for your agricultural business.

2. Do a SWOT analysis on the viability of your business.

3. Give your bank an idea of your cash flow and predict the growth of your business for a period of six months.

4. List three aspects which give you an advantage over your competitors.

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