

## **Business Plans: Guidelines for South African Businesses**

A business plan could be the single most important document for your business. A business plan will guide your strategic, tactical and operational decisions as an entrepreneur or manager. In addition, your business plan will also enlighten relevant strategic partners on your business strategy and this is useful for funding purposes, business partnership establishments, mergers etc. However, for a business plan to act as an effective business guide for your business and interested parties, it must first meet certain criteria.

### *Practicality*

A business plan must be doable given the external environmental factors affecting the business as well as internal factors specific to the company. The business must have current capacity or foreseeable future potential to implement and execute the business plan. This is why an extensive study of the business environment is critical.

### *Solution-based*

A good business plan presents solutions to the past, current or future business questions. It brings answers rather than questions. It answers critical business questions like;

- ❖ What is our purpose, vision and strategy?
- ❖ Who are our customers, competitors and stakeholder?
- ❖ How best can we compete, both for customers and financiers?
- ❖ How do we finance our business?
- ❖ How do we grow our revenue, cash flows and capital?

### *Length and Detail*

The level of detail in a business plan depends on various factors. However not withstanding this fact, there is a basic level of detail that is expected of every business plan. The business plan must provide all the necessary information about the past, current and planned state of the business. This must be done in an understandable way giving special reference to the targeted audience of the plan who might be management, bankers and other financiers, potential investors etc. Below are 3 important factors that influence the length and level of detail of a business plan.

#### *Value of investment*

In the South African lending markets context, it can be seen that the higher the value of investment attached to a business plan the greater the detail hence the length of the business plan.

#### *Audience format*

The length of business plans targeting specific institutions is also influenced by the formats provided or required by the targeted audience. Several institutions including the big 4 banks (Standard Bank, Absa, Nedbank and FNB) all have specified business plan

guidelines. These guidelines if read carefully will guide you towards the right business plan length and level of detail.

#### *Novelty of business plan idea*

Another important determinant of the level of detail and the length of a business plan is how new or how well known the particular business idea being conveyed by the business plan is. A new complex business model will require more explaining to the audience automatically affecting the length and degree of detail. A simpler, more common business idea will probably require less explaining.

#### Business Plan Research Levels

A detailed business plan must be based on qualitative and quantitative research of the business environment down to the business' or prospective business internal workings.



In this regard the first level of research is done on a national/international level. This answers the questions of how the political environment, economic factors, sociological factors and technology will affect the business. A good business idea for example may be rendered useless by the political environment which may have imposed laws and restrictions against the intended venture. Or more commonly economic factors such as inflation and interest rates may make it impossible to sustain certain business models.

From this stage, the research goes down to the business' specific markets, and the industry within which it falls. Not by coincidence, this is the level where competitor analysis is done as the industry is basically composed by the business' current or future competitors. In this stage tools such as Porter's 5 Forces model are also applied to gauge the attractiveness of the industry.

The business will also need to do a company analysis of itself. The most common tools for this are SWOT/TOWS analysis, McKinsey 7S framework and risk-based analysis. From this stage departments and then the product can also be analysed.

Below is a basic structure of a business plan. It must be quickly pointed out that the structure is not rigid both in flow and content. Other headings can be added (others omitted) on and a different flow of headings can also be pursued. The most important thing however is that the presentation must be logical and easy to follow for the reader.

Title Page

Vision, Mission, Values

Table of Contents

Executive Summary

Introduction

- ❖ Background of the Business
- ❖ Description of the Business Plan
- ❖ Product/service description
- ❖ Brief mention of funding request
- ❖ Management and ownership profile

PEST Analysis

- ❖ Economic factors
- ❖ Demographic factors
- ❖ Political and legal
- ❖ Technological
- ❖ Natural environment

Industry Analysis

- ❖ Industry trends
- ❖ Industry structure
- ❖ Key Success Factors required

Competition Analysis

- ❖ Who are the competitors
- ❖ Our competitive advantages

SWOT Analysis

Risk Analysis

Marketing Strategies

- ❖ Target market
- ❖ Market segmentation
- ❖ Pricing strategies
- ❖ Distribution
- ❖ Sales promotion

#### Operational Strategies

- ❖ Business location analysis
- ❖ Business technologies
- ❖ Operational Processes
- ❖ Procurement, storage, transportation
- ❖ Quality management
- ❖ Departmentalisation (Finance, Admin, HR, ICT etc)
- ❖ Legal matters

#### Financial Management

- ❖ Sources of funding
- ❖ Basis for cash flow projections
- ❖ Break-even analysis

#### Implementation Plan

- ❖ Dates
- ❖ Times
- ❖ Roles and responsibilities

The above format is compliant with various South African institutions albeit minor variations may be necessary here and there.

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...because business is a game of strategy.