

Elements of a Business Plan

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1. What role does an executive summary play in a business plan?

The executive summary is the overview provided at the beginning of a document summarising its content. It should include brief sections describing the business and its ownership, the business goals, market analysis, and details of its operations and the control function. It is extremely important because in many situations, an external party, such as a potential investor or lender is likely to form their main impressions of the business from the plan.

2. Jocelyn decides that she wants to open a modern Australian restaurant and bed and breakfast located in a scenic part of New South Wales, out of the way from the busiest routes but with a significant amount of passing traffic. She decides to lease the Old Stone Cottage in Hampton, half way between the Blue Mountains and the Jenolan Caves. It is already in good condition, and she has around \$200,000 of her own money, but thinks she will need another \$250,000 for marketing and fitting out the location.

Jocelyn needs to present an executive summary to a lending manager and she has been told it must not exceed two pages. Explain the structure the executive summary should follow.

The executive summary should be structured as follows:

A description of the business – Modern Australian restaurant and bed and breakfast in Hampton.
Overview of the ownership and the structure of the business – Sole trader, equity finance from Jocelyn and debt financing.

Purpose of the plan – To obtain a loan from a financial institution.

A description of the market (situational analysis) – New business, trying to gain market share by taking advantage of the superior location and the significant amount of passing traffic.

Strategies for success – Comprehensive marketing campaign, financial strategies, employment relations strategies.

Objectives and goals of the firm – Profit goals, social goals, personal goals.

Summary of historical and forecasted performance data – Little information available here for a new business.

3. Discuss the human resource issues Jocelyn should address in her plan.

The plan should address the strategies of the business to attract suitable employees with appropriate skills, to strengthen their skills, and then retain them. Jocelyn should analyse the technical, interpersonal and problem-solving skills required by the new staff.

4. State the features of the human resources strategy that Jocelyn should focus on in her plan, which are likely to make the greatest contribution to the success of her business.

Jocelyn should focus on ensuring that all employees have high interpersonal skills such as communication, listening and conflict resolution skills. These skills will be extremely important in achieving the quaint and comfortable bed and breakfast environment that will ensure success.

5. If Jocelyn suddenly finds out that a major jazz festival is going to be held near the Jenolan Caves every May, what aspects of her business plan might she want to change?

She may want to change her marketing strategies to ensure that she advertises in similar publications to the jazz festival. Also, she may want to change her pricing policy in May as there will be a high demand for accommodation at the time of the festival and thus customers will be willing to pay a higher price. She may also want to offer package deals that include accommodation and tickets to the festival.

6. Why is the marketing plan considered central to the business plan?

The marketing plan is an essential part of the business plan, because marketing is crucial to the success of a business in a highly competitive environment.

7. Which of the following would be included in the market analysis section of the business plan for a smash repair yard?

a) Trends in car accidents.

Yes.

b) A job specification for the main mechanics and panel workers.

No – this would be in human resources strategies.

c) Information about NRMA's plans to set up a large new smash repair centre.

Yes.

d) An outline of promotional strategies.

No – this would be in the marketing plan.

8. How does a job description differ from a job specification?

A job description outlines what each employee does and the overall conditions of his or her employment, whereas a job specification outlines the qualifications and training required by an employee in order for that employee to be able to do his or her job well.

9. Explain the major features of a financial plan.

The financial plan should outline financial requirements in the short and long term, as well as cash flow needs. This can be done through budgeting, which gives forecasts and an analysis of recent business records.

10. Choose a business product that you know reasonably well, and write a two-page executive summary of a business plan for that product.

Be sure that your business plan includes the following sections:

A description of the business.

An overview of the ownership and the structure of the business.

The purpose of the plan – e.g. To obtain a loan from a financial institution.

A description of the market (situational analysis).

Strategies for success – Marketing strategies, financial strategies, operations strategies and employment relations strategies.

Objectives and goals of the firm – Profit goals, social goals and personal goals.

A summary of historical and forecasted performance data.