CHAPTER-2. (BUSINESS PLANNIG)

Business Planning: Business plan can be described as a written document prepared by an entrepreneur to specify the details about ~~and~~ internal and external elements required for setting up a new venture. A business plan is an important document which deals with all aspects of proposed new business. Planning is an ongoing process in any industry or business or business enterprise. In other words, business plan serves like a kind of big road map to reach the destination determined by the entrepreneur.

Definition: According Mar J. Dollinger has defined the business plans, as "the formal written expression of the entrepreneurial vision, describing the strategy and operations of the proposed venture."

Business plan specifies the description about the future direction of the business. Business plan is also essential for exploiting the opportunities identified and evaluated in the earlier phases of entrepreneurial process.

Elements/Components of Business Plans:→

1. Production Plan:→ It specifies the details related to the production of services or goods.
2. Organisational Plan:→ An organisational plan is a list of activities that every individual of the organisation has to perform.
3. Marketing Plan:→ It involves the task of creating plans for the marketing of a new product, which an organisation decides to manufacture.
4. Operational Plan:→ It describing the flow of goods or services from manufacturers to consumers.

5. Financial Plan :→ This plan helps to identify and evaluates different types of potential investment opportunities and commitments required for setting up a new business venture.

6. Risk Assessment :→ Risk assessment is done to identify risks and alternative strategies that can be used to meet the goals and objectives of a business units.

7. Venture Description :→ It provides the details about the product, services and operations of a newly setup venture.

8. Industry and environmental Analysis :→ It involves identifying and evaluating external factors that could impact the business plan.

Format of a Business Plan:

1. Introductory page
   (a) Name and address of business.
   (b) Name and address of Principal/owner
   (c) Nature of business.
   (d) Statement of finance needed.
   (e) Statement of confidentiality report.

2. Executive Summary.

3. Industry Analysis:
   (a) Future outlook and trends.
   (b) Analysis of competitors.
   (c) Market Segmentation.
   (d) Industry and market forecasts.

4. Description of venture:
   (a) Products.
   (b) Services
   (c) Size of business.
   (d) office equipment and personnel
   (e) Background of entrepreneurs.

5. Production Plan
   (a) Manufacturing Process.
   (b) Physical Plant
   (c) Machinery and equipment.
   (d) Name of Supplier of raw materials.
6. Operational Plan
   (a) Description of company's operation.
   (b) Flow of orders of goods and Services.
   (c) Technology utilisation.
7. Marketing Plan:
   (a) Pricing, (b) Distribution, (c) Promotion, (d) Product forecasts
8. Organisational Plan:
   (a) Form of ownership, (b) Identification of partners ~~and~~ Shareholders.
   (c) Authority of Principles, (d) Management - team background.
9. Assessement of Risks:
   (a) Evaluate Weakness of business.
   (b) New technologies.
   (c) contingency plans.
10. Financial Plans:
    (a) Proforma income statement
    (b) cash flow projection.
    (c) Proforma balance sheet.
    (d) Break Even Analysis.
    (e) Sources and Application of funds.
11. Appendix:
    (a) Letters, (b) Market research data, (c) Leases or contracts.
    (d) Price list from Suppliers.

SSI (Small Scale Industries)

Small scale industries are those industries in which the manufacturing, production and rendering of Services are done on a small or micro scale. These industries make a one time investment in machinery plants and industries, but it does not exceed RS 1 crores.

These industries are generally labour intensive, and hence they play an important role in the Creation of employment. SSI's are a crucial sector of the economy both from a financial and social point of view, as they help with the per capita income and resource utilisation in the economy.

Examples and ideas of Small scale Industries:

- Bakeries,
- School stationeries.
- Water bottles.
- Leather belt.
- Small Toys.
- Paper Bags.
- Photography.
- Beaty Parlours,
-

Characteristics of SSI:-

1. Ownership:→ SSI's generally are under single ownership so, it can either be a sole proprietorship or sometimes a partnership.
2. Labour Intensive:→ SSI's dependence on technology is pretty limited. Hence, they tend to use labour and manpower for their production activities.
3. Flexibility:→ SSI's are more adaptable to their changing business environment.
4. Limited Reach:→ Small scale industries have a restricted zone of operations. Hence, they can meet their local and regional demand.
5. Resources utilisation:→ They use local and readily available resources which help the economy fully utilise natural resources with minimum wastage.

Objectives of SSI;

1. To create more employment opportunities.
2. To reduce regional imbalances.
3. To ensure optimum utilisation of unexploited resources of the country.
4. To improve the standard of living of people.
5. To ensure equal distribution of income and wealth.

6. To solve the unemployment problem.
7. To attain self-reliance.
8. To adopt the latest technology aimed at producing better quality products at lower costs.

Types of SSIs:

1. Manufacturing Industries:→ These industries produce finished products from raw materials.
2. Feeder Industries:→ These industries produce specialised products and services like casting, electroplating, welding etc.
3. Serving Industries:→ These industries provide services like covering light, repairing and maintenance of mechanical equipment.
4. Ancillary Industries:→ Ancillary units sell more than fifty percent of their manufactured goods to other industrial units.
5. Quarrying:→ This industry involves extracting minerals from open-pit mines.

Ancilliary Industries:→ An industrial undertaking which is engaged in the manufacter or production parts, components, subassemblies, tooling or intermediaries of services is termed as 'ancilliary undertaking. The ancillary undertaking has to supply or render or purpose to supply or render not less than 50% of its production or services, as the case may be, to one or more other industrial undertakings. Ancillary industry is an industry which has fixed investment in plant and machines that do not exceed 1 crore rupees.

Examples of The Auto Ancilliary Industry in India

1. Tyre Segment. (a) MRF Limited, (b) Apollo Tyre, (c) CEAT
2. Battery Segment. (a) EXIDE (b) AMCO, (c) AMRON.
3. Other Ancilliary Industry (a) Bosch Ltd, (b) Endurance Technologies

TINY UNITS: → Tiny units is one in which the investment in plant and machinery is less than Rs 25 lakhs irrespective of the location of the unit.

Service Sector: It is also known as the teritiary sector, is the third tier in the three sector economy. This sector produces services maintenance and repairs, training, or consulting. Examples of service sector jobs include housekeeping, tours, nursing and teaching.

Types of Service Sector:

1) Business Services.
2) Communication Services
3) construction and related engineering services.
4) Distribution Services.
5) Educational services.
6) Environmental services.
7) Financial Services (Insurance & Banking)
8) Health related and Social Services.

Different types of service sectors in India:

1 - Trade. 2 - Tourism including Hotels and Resturants. 3 - Shipping. 4 - Port services, 5 - Storage services. 6 - Telecom and Related Services, 7 - Accounting and Auditing Services, 8 - Real Estate Services, 9 - Research and development, 10 - Legal Services. 11 - Consultancy, 12 - Construction.

Characteristics: → (1) Intangibility (2) Hetrogeneity, (3) Perishability, (4) Inseparability,

Final Product Selection:

Product: → It is the bundle of satisfaction. It is the conceptual creation of a producer approved by the consumer.

According Philip Kotler: It tell the a product is anything that can be offered to a market for attention, acquisition, use or consumption.

Product selection: It is the process in which retailer choose the shape or material of the product as per market demand.

Terms included in product selection:

1) material
2) Shape
3) Color.
4) Price.

Product Selection

- Demand and Supply Characteristics.
  - → Standard Products.
  - → Job-order Products.
- Frequency of Consumption
  - → Fast moving consumer goods.
  - → Consumer durable
- Nature of Use
  - → Consumer goods.
  - → Industrial Goods.
- Product Characteristics
  - → Product Class.
  - → Product Line
  - → Product Mix

Product selection is a decision process, in which the design team select one or raw product concept for further development.

An entrepreneur establishes a business unit with a modest investments in a small scale level.

Product Selection

Product ⟹ Customer.

Product Selection.

↓

Innovation and Creativity

↓

Design of a product

↓

Material Selection.

↓

Final Product

↓

Customer.

Importance of Product Selection

1) Changes in Business Risk.
2) Changes in Financial Risk.
3) changes the Existing Production system.
4) changes in existing marketing system.
5) changes in organisation structure.
6) changes in the competitive.
7) Product position.

Steps involved in New Product selection process:

1) Idea Generation,
2) Evaluation.
3) Choice.

Stages of New Product Selection and Development Process:

1) Exploration.
2) Screening < Market Potentiality / Technical Feasibility of the idea.
3) Business Analysis.

4- Development.

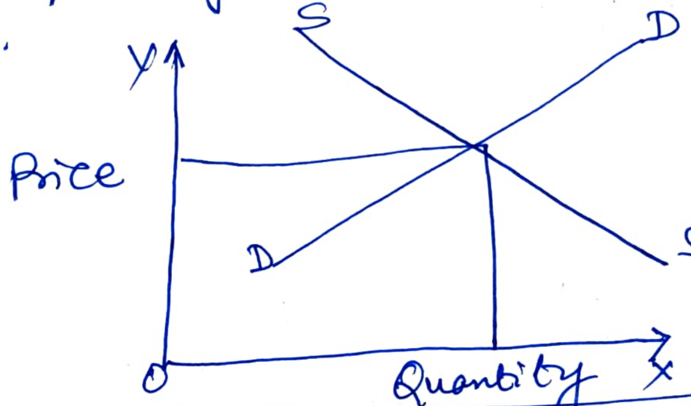
5- Testing.

6- Commercialisation.

Assessement of Demand and Supply

Demand: → It is willingness and ability of consumers to purchase a given amount of a good or service at a given price.

Supply: → It is the willingness of sellers to offer a given quantity of a good or service for a given price.



4. **SIDBI:** → The Small Industries Development Bank of India provide financial and non financial assistance to Small Scale industries.

5- **DIC:** → The District Industries Centres was setup in district level and rural level promotion of small scale industries. It prepare viable and feasible project report.

6.

Potential Areas of Growth in Business

Growth potential is an organisation's future ability to generate larger profits, expand its workforce and ramp up its production.

1) Strategy
2) Customers.
3) Finance.
4) Distribution system.
5) Marketing.
6) Products and Services.
7) Pricing Strategies.
8) People (Human Resources)
9) Performance.
10) Sales.
11) Technology
12) Personal Development.

Agencies to be contacted for Project Implementation:

1. O.S.F.C : The Odisha State Financial Corporations with the object of providing loan assistance to the micro, small and medium enterprise. Loan assistance to provide for acquisition of land, construction of factory building, purchase of plant & machinery, renovation and modernisation of existing units.

2. O.S.I.C → The Odisha Small Industries Corporation basic objectives is to aid and assist the SSI units in the state for sustained growth and development to gear up the industrialisation process in the state. It providing raw materials assistance and marketing support to SSI units.

3. IDCO : → The Odisha Industrial Infrastructure Development Corporation with the specific objective of creating infrastructure facilities in the identified industrial estate.

Steps to successful schedules:

Step-1 - Define the schedule Activities.

Step-2 - Sequence of the Activities.

Step-3 - Estimate the Resources needed for the activity.

Step-4 - Estimating the duration of the Each Activities.

Step-5 - Schedule Development

Step-6 - Moniterring and controlling the schedule.

A schedule or a timetable as a basic management tool, consists of a list of times at which possible tasks, events, or actions are intended to take place.

Project implementing agency means the responsible agency designed to implement, monitor, and evaluate the each projects.

Project Implementation Plan.

1) Gantt Charts. - Timeing of Project activities.
2) CPM (Critical Path Method)
3) PERT. (Project Evaluation & ~~Road~~ Review Techniques)
4) Simple formats.

Project Implementation Process Phase

1) Initiation Phase.
2) Definition Phase.
3) Designing Phase
4) Development Phase
5) Implementation Phase
6) Closing & follow up Phase

Steps of Project Mananagement Preparation and Implementation.

1) Identification.
2) Preparation
3) Appraisal
4) Presentation.
5) Implementation.
6) Monitoring
7) Evaluation.

UNIT-2: Agencies to be contacted for Project Implementation

SLNO.	Types of Assistance	Name of Agencies
1.	For Registration	Directerate of Industries, Govt of odisha. CTC. Small Industries Service Institutes, CTC.
2.	Identification of Project Profiles, techno-economic and managerial consultancy services.	MSME Development Institute, CTC
3.	Land and Industrial shed.	IDCO, IPICOL Bhubaneswar.
4.	Financial Assistance.	OSFC, IPICOL, SIDBI, commercial Banks. NABARD, other financial Institutions.
5.	Raw Materials.	OSIC, CTC. Small Scale Industries organisation NewDelhi.
6.	Plant & Machinery	Directors of Industries. NSIC, NewDelhi
7.	Technical KnowHow	Small Industries Service Institutes, MSME/(SISI), CTC Productivity council. National Small Industries Corporations, N.Delhi
8.	Power/Electricity	OPTCL, GRIDCO BBSR
9.	Quality & Standardization.	Bureau of Indian Standards (BIS) National Productivity Council. New Delhi. MSME, CTC
10-	Marketing/Export Assistance	MSME, CTC. Export Promotion & Marketing, BBSR. STC, Export Promotion Council. Directorate of Export Promotion, N.Delhi

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11.	Other Promotional Agencies.	APICOL, BBSR Horticulture Udyan Bhavan, BBSR. Animal Husbandry & veterinary Services, CTC. Handicraft & cottage Industries. BBSR Directorate of Fisheries, CTC Coir Board, BBSR
12.	Miscellaneous Problems.	The Federation of Association of Small Industries of India, New Delhi.

Identifying Business opportunity:

Business idea:→ It is a business concept that results in profits if it is turned into a tangible product or service.

opportunity:→ It is defined as the potential to create something new that involves change in knowledge, technology, economy, politics, social, and demographic conditions.

Sources of Business ideas and opportunities:

1) Primary sources:→ (a) observations, (b) experiments, (c) Interviews, (d) surveys.

(a) Observation → Data is gathered by observing and recording the respondent's actions in.

(b) Experiments:→ Product sampling is another option.

(c) Interviews:→ Field research covers interviews with customers, suppliers, competitors and Industry experts.

(d) Surveys:→ It refers to the development of a short questionnaire with respect to the targeted product.

(2) Secondary sources:→ It involved gathering data that have already been compiled and are available.

(a) Reliable

(b) Available references.

(c) mass media and electronic media.

Chapter-2. (common). ①

IDENTIFYING BUSINESS OPPERTUNITIES:-

1. **Business Idea** is a business concept that results in profits if it is turned into a tangible product or service.
2. **Opportunity** also defined as the potential to create something new that involves change in knowledge, technology, economy, politics, social, and demographic conditions.
3. **Sources of business ideas and opportunities**
   1. Primary sources refer to first-hand data or information gathered directly through observations, experiments, interviews, surveys.
      A. Observation ~ data is gathered by observing and recording the respondent's actions in
      B. Experiments - experiments or product sampling is another option. activity.
      C. Interviews - field research covers interviews with customers, suppliers, competitors, and industry experts.
      D. Surveys - refers to the deve opment of a short questionnaire with respect to the targeted product. - the questions should be very specific.

   2.Secondary sources involved gathering data that have already been compiled and are available. it is initially conducted for one purpose using existing data which is
   I. reliable
   II. Available references
   III. mass media and electronic media

   i. **Reliable** - information obtained from annual report of companies.
   ii. **Reference -** an entrepreneur can use reference such as publish information from then library, internet and so on.
   iii. **Mass media and electronic media** - advertisement and information in the newspaper, magazines and internet. Information on raw materials can be a business opportunity for an entrepreneur.

4. **PROCESSING OF REGONIZING, ANALYSING AND CHOOSING A BUSINESS OPPORTUNITY**
   i. To determine if the venture can make profits and sustains its competitiveness.
   ii. Each opportunity must be carefully screened and evaluated.
   iii. Evaluation is the most critical element in the entrepreneurship process.

5. Choosing a business opportunity Criteria that must be choose by entrepreneur in business opportunity is :-
   Legality
   Competitors
   Capital requirement
   Risk

   Legality The sugestion of business ideas must be prove by the law.

   Competitors Those who are in the same business . Have a potential to serve the entrepreneur 's customers. Entrepreneur can identify competitors by asking customers from his existing business.

   Capital requirement the amount invested in the company. Three types of capital : a) Fixed or permanent capital Fixed capital is the amount of the capital that been used to buy the asset of in the company. b) Working capital Referred to as operating capital Also known as assets of business that can be used to supports business operations.

Risk Define as a period of uncertainly experienced by a business as a result of unforeseen events which lead to either poor earnings and resultant failure. Entrepreneur should be aware of the risks.

In creating or searching for business opportunities, one must consider the following factors:

1. The needs of the community – What products are in demand?
2. Available resources – Do you have money for capital? Do you have equipment and facilities?
3. Skills and interests – Does the particular business activity meet your interest?
4. Market - where will you sell your products? Who will buy your products?
5. Supplies or raw materials – Are materials always available?
6. Manpower – Are expert workers available?
7. Technology – Is your product or service new or improved?

1. **WHAT IS OPPORTUNITY ?** Opportunity is defined as a situation that enables an entrepreneur to offer marketable products or services to interested buyers or end users.

2. **OPPORTUNITY IDENTIFICATION/APPROACH TO OPPORTUNITY IDENTIFICATION**
   1. Observe changes in the environment
   2. Recognize a need that customers have that is not being satisfied
   3. Recognize problems and find ways to solve it

1. **WHAT IS OPPORTUNITY?** Opportunity is defined as a situation that enables an entrepreneur to offer marketable products or services to interested buyers or end users

[redacted]

2. **TYPES OF SITUATIONAL FACTORS**
   •Product or service is still not in existence
   •Product or service is already in the market but failed to satisfy the customers – so need to be improved

EMERGENCE OF OPPORTUNITY

• when people decide they have certain needs and want to be satisfied, or when people discovered a problem of some kind that can be helped by a product or service.

• The presence of unfulfilled needs and want and/or problems alerts the entrepreneur to the potential opportunity.

• The entrepreneur later creates a business that is able to fulfill the needs or want and/or solve the problem.

3. **OPPORTUNITY IDENTIFICATION** Opportunity identification is a process that involved the search for and discovery of business opportunities

~~**APPROACH TO OPPORTUNITY IDENTIFICATION**~~
~~1. Observe changes in the environment~~
~~2 Recognize a need that customers have that is not being satisfied~~
~~3. Recognize problems and find ways to solve it~~

OBSERVING CHANGES IN THE ENVIRONMENT Changes in the environment give rise to needs and wants and/or problems, and an opportunity emerges Important environment forces to observe include :

(3)

1. Economic forces
2. Social forces
3. Technological advances
4. Political and regulatory statues

5. **RECOGNIZE NEEDS AND WANTS** Opportunity occurs whenever there is a need and want to fulfill. The term "needs" refer to basic needs that the consumer must have in order to live while the term "wants" refers to a personal desire for something that is more than a basic need.

RECOGNIZE PROBLEM AND FIND SOLUTION Problems can be recognized by observing the challenges that people encounter in their daily lives. Solution to the problem represented a business opportunity

OPPORTUNITY IDENTIFICATION PROCESS Search for Changes in the environment Recognize needs and wants, and solutions Discovery of Opportunity

ABILITY TO SEARCH AND DISCOVER BUSINESS OPPORTUNITIES

•Experience and exposure
Knowledge and skills
•"Special alertness"
•Social network
•Creativity
•Vigilant

MECHANISM TO IDENTIFY OPPORTUNITIES

- Customers
- Retailers and distributors
- Business associates
- Bankers
- Consultants
- Employees
- Others

EVALUATION AND SELECTION PROCESS The evaluation and selection process involves judging the viability of the opportunity and assessing its potential.

CRITERIA FOR EVALUATION AND SELECTION

1. Can make money and has potential for growth
2. Less competition
3. Good fit between entrepreneur and opportunity
4. Has competitive advantage
5. Workable and efficient
6. Not against the norms and values of the community
7. Conform with laws and regulations

Types of Business opportunities: →

1) Buy a Franchise. – MC Donalds and Subway Resturants. (home cleaning, fitness centre)
2) Distributorship or Dealership – A distributor is a person or business that has an agreement to sell products or services produced by another company. Exp: Amway Avon distributor.
3) Network Marketing. (Multilevel Marketing)
4) Licensing → It is where you can take new or existing Product and use your talent to market it. Exp: Get a license to a name of brand, icon, or trademark of widely recognised business.
5) Filling a Niche: → New mother finds baby product not on the market. Prepare own.