**TRAINING IN FINANCIAL AND BUSINESS MANAGEMENT FOR ROAD CONTRACTORS**

**MODULE TWO: SESSION TWO: PARTICIPANTS’ NOTES**

**BUSINESS PLANNING FRAMEWORK**

1. **Introduction to business planning framework**

Session Objectives:

* 1. To focus on business planning as a key indicator for organized working and a key success factor;
	2. To emphasize the role of business plans as one of the requirements for access to business financing for a road construction company;
	3. To be able to relate the mission, goals and objectives to plans and operational costs of the company;
	4. To introduce the business plan format and explain its contents;
	5. To introduce the theme of business planning as a looking forward strategy.
1. **Business planning**

This refers to a decision process in business involving determining what to do, how to do it and when to do it. Business planning is a vital business process for success and an entrepreneur needs to prepare a business plan. The business plan (document) provides sufficient information to convince financiers and other stakeholders to invest in the business. It includes a logical study (feasibility) and plan on different aspects of a business such as marketing, production, organization and finance.

1. **Business plan preparation**

The business plan should provide a thorough and objective analysis of both personal abilities and also business requirements for proposed works and services. It should define the strategies for marketing, production/execution, organization, accounting and finance aspects of the business. The business plan should help the entrepreneur to answer the following questions:

1. What do I want (business goals and objectives)
2. What am I capable of doing? (SWOT analysis)
3. What are the most workable ways of achieving the goals? (evaluation of options and strategy)
4. What are the future expectations? (results)
5. How will I know I am on track (key performance indicators)
6. **Role and purpose of a business plan.**

A business plan may serve the following roles and purpose;

1. Clarification of an idea - identification of a road map of the enterprise showing where the entrepreneur wishes to go, the future of the business and how to get there. Many questions are asked before start off and this way a business idea is explored with care.
2. To gain access to financing - the plan is a means of showing potential investors and lenders why and how the business will succeed. Bankers will insist on seeing a business plan before any loan or overdraft is granted. Private shareholders will invest because they believe in the entrepreneur; professional providers of venture capital will demand evidence of careful planning.
3. Focus on achievement of objectives: Feasibility and viability assessment is part of the planning process. Viability relating to available resources (skills, labour, machinery, markets, tools) for delivering the service and feasibility relating to financing, profitability and sustainable growth.
4. Monitoring progress over time: Regular comparison of activities to objectives and financial forecasts included in the plan serve as a useful indicator of how a business is doing. It is therefore a start of an ongoing monitoring process to help the business owners run an efficient company now and in the future.
5. Control of key performance indicators (KPIs): Controlling involves continual analysis and measurement of operations against standards. A planning process establishes a system of advance warning on deviations in profits, work volumes, timing, such that remedial action can be taken in time.
6. Foresight and avoidance of waste: Planning involves collection and analysis of relevant information about the operating environment for purposes of fair projections. This minimizes the challenge of making haphazard decisions. Since the future needs are anticipated in advance, acquisition and allocation of resources can be planned appropriately to minimize wastage and to ensure optimal utilization of resources.
7. **Guiding questions for business plan formation**
8. Why is the plan being written? [ financing?]
9. Who will be the primary reader of the plan? [Banker, investor?]
10. What is the readers' expectation? [Viability, feasibility?]
11. Who will have to agree to the objectives and goals of the plan? [Organization, board?]
12. What past experience does the management team possess that indicates the future plans will succeed? [ demonstrate capability]
13. How will this plan or entity be unique and different from any others in the industry?
14. Are the business, marketing… ideas unique?
15. What are the strengths of the management team individually and as a group? What are the weaknesses? Other strengths?
16. If you are planning to create or execute a billion shilling contract, is there a previous track record or current capacity to do the contract?
17. What are you willing to give up to attract investors? How much has been invested by the firm? How will the investors be protected? How will you be protected from investors?
18. Is the cash flow projection viable to attract a financier if required? What are the projections like?
19. **Format and contents**
20. Cover page and table of contents
21. Executive summary
22. General description of the business and its environment
23. Statement of mission, vision, goals and objectives
24. Strategic plans (organizational, marketing, operations, finance)
25. Finance projections (performance, cash flow and position)
26. Key Performance Indicators
27. Business implementation action plan
28. Relevant appendices
29. **General description of the business**

If the company is very new, background descriptions can include information about the industry, the key personnel, or the unique strengths of the newly formed company. The following need to be taken into consideration in description of the business;

1. Description of the business [road construction business]
2. Which needs of the market [gravel roads, all weather roads, national, district or community roads]
3. What makes this business unique, how will the business do things differently to manage completion]
4. SWOT
5. Organisation capacity, personnel
6. Business insurance (insurance policies for assets, personnel, Bid Bonds, Performance Bonds, and any such policies to reflect good risk management)
7. **Statement of mission, vision, goals, objectives**

1) Purpose of business- The mission statement will state the core business, the sector and the catchment area of operation.

2) The vision statement for the company will indicate the direction of the business, that is, what it wants to become.

3) Goals-based on mission, are broad statements of what is needed to be achieved e.g. to increase our market share by 20%.

4) Objectives are smaller targets, specific targets, measurable, achievable and time bound. e.g. 10% growth in profits by 2015.

1. **Marketing and overheads plan**

Such plans will detail the activities and resources to be consumed by sections of the business. Marketing plans will include how we plan to tackle the market and win jobs. It will involve pricing, promotion, location and other considerations listed below:

1) Target market

2) Completion management

3) Pricing and promotion strategies

4) Marketing costs,

5) Planned service volume

6) Premises, rent or purchasing, renovations

7) Quality control and assurance procedures

1. **Financial data**

The financial description of the plan should present a fiscal picture of the market strategy and operational plans. Include complete assumptions for every category. Effective assumption should not be your own opinion unless you are a recognized expert. Issues that need to be ascertained include:

1. Capital equipment and supply list
2. Statement of financial position
3. Funding requirements; current and capital
4. Source of funding and related costs
5. Financial trends
6. Financial cash and profit projections for planning period say 1-5 years prepared
7. Cash flow projections, 1st and 2nd years should be monthly
8. **Supporting documents**

The following information could be included in the appendices to the business plan to support the business plan content or to add flavour to it. A business plan is a marketing media and should be taken advantage of to gain mileage. Typical attachments include:

1. Details of projections
2. Extracts of past performance
3. Location, address and website details
4. Promotional materials e.g. schedule of previous contracts
5. Licenses and other legal documents
6. Key management persons
7. Pictures of say roads done and other outputs
8. Professional reference (Letters of recommendation)
9. Published information about the firm or industry
10. Artistic impressions
11. **Executive summary**

The Executive Summary should be prepared at the completion of the body of the plan and placed at the front of the Business Plan. Gather information for each of the relevant elements throughout the planning process. Highlight key issues that the reader should be able to focus on for a quick decision if necessary. Emphasize statements that create confidence in the financier and other stakeholders.

1. **Group Activity**
2. Review the works done in the overview to strategic planning of Munaku Contractors
3. Set a mission and vision statement for Munaku contractors Ltd.
4. Formulate possible objectives for the business for the following five years and set key targets.
5. Formulate strategy for at least one objective.
6. Develop an implementation plan for at least one objective