BUSINESS PLAN AS A MANAGEMENT TOOL

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Abstract Most business people think of the business plans when they starting a new business or submitting documentation for accessing the funding source. The business plan involves a thinking perspective on the business, beginning from the set objectives, includes all the stages and resources they need to achieve them over a period of time. Therefore, in this article, we emphasize that they are equally useful for the daily management of a business, even if a business needs or not the new investment. Businesses need plans to optimize the growth and the development in accordance with the priorities.

KEY WORDS: management, creditors, investors, utility

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1. Preparation of the business plan

Preparation of a business plan is a dynamic phenomenon, which is in the constant improvement, some potential funding sources wanting to improve the plan, new ideas or the latest numbers, values, where the company is already doing business. Any business plan requires a specific sequence of operations. For its preparing is necessary to follow the next 3 steps [1]:

1) Collecting the necessary information (prices, competitors, suppliers, technical data, juridical etc.);
2) Effective planning of these activities, choosing the right strategy and finding ways to achieve the set objectives;
3) Writing the plan (the stage to choice the optimal presentation form to the recipient of the previous stage results).

However, the complete disclosure of the whole process underlying the business planning and the business plan preparation can be schematized as follows:
2. Functions and the role of the business plan

The business concept is an intangible idea. But when the business is reflected in the written business plan, the ideas, concepts, projections and research become tangible and can be viewed and examined.

The business plan approaches the business idea to reality - which is a huge psychological advantage. The business plan has four functions [4]:

a) Crystallization and development of the ideas concerning how they should manage their business;

b) To achieve a retrospective assessment of the real performance of the business over the time;

c) Assessment of the new business ideas;

d) To obtain funding.

Function of crystallization and development of the ideas about how the business should be managed assumes the business plan to clearly define the goals and the business objectives, to establish the methods for achieving them, to identify the risks involved. Thus, the allocation of the resources will be made on the efficiency maximize criteria, the strategies are refined, the business is considered in all respects (marketing, production, financial support) and the errors are committed on the paper rather than in the reality.

The plan shows you how and when you will need (avoid the capitalization and the cash shortages), allowing comparison of some strategic alternatives and choosing the most effective one.
Function to achieve a retrospective assessment of the real performance of a business over the time involves identifying the causes of the direction and the amplitude deviations from the plan and the ways of the company action in the future. Managers and entrepreneurs will improve their experience and knowledge, will be exposed to the unforeseen hazards, will monitor and control the company performance and will be able to take timely corrective actions when the objectives achievement is threatened.

The evaluation function of a new business idea derives from the ability of the business plan to analyze, evaluate, compare and classify the investment projects. However, this work tool gives self confidence, can compensate the lack of the capital and experience when you have other advantages (business ideas, considerable market opportunities and so on).

Function of the finance generator - the most creditors and financiers will finance the company, only after they will study the business plan, will see the ability to generate the necessary receipts required to the daily operations, to the debt payment and to the profit generation. The capital sources will want to know how much money you need, when you need them, how they will be allocated if and when you need them, how they will be allocated if and when you will be able to reward funding. Financiers will be able to assess the management's ability to diagnose the current situation, to draw the future objectives and to choose the optimal strategy for their achieving.

A business plan can be compared to a road map: shows you where you are and where you want to go. It includes reference points and other supporting elements to guide into the economic environment, also preparing the economic agent for more or less predictable changes of the "route".

Nobody expects that the business to follow precisely the plan, but, understanding and knowledge of the business planning process will prepare the business for changes and will decrease the reaction time.

A specialist in investment estimated that, in the countries with the developed market economy, the potential investors reject 60% of the investment proposals in the first half hour, taking into account 15%, reaching the stage of negotiations with only 5% of the proposals.

By other authors, the business plan has the next basic functions [5].
- Effective tool for communication, transfer of ideas, to propose some plans especially to the financial institutions;
- Management tool, frame of reference in the performance of management;
- Tool of measurement and control that allows evaluating, a permanent comparing of the obtained results with the proposal objectives and, on this base, taking the corrective decision.

3. Structure of the business plan
The business plan should be structured in a logical manner to save time and effort to the reader and to prevent confusion.

There is not a fixed structure of the business plan, it can vary depending by the information requirements which must respond to the business plan - for example, depending on: the final recipient, the business owners or the potential investors, the firm age, the business plan for a new company will be different than a project of an existing company, the specific activity of the company; the scale of the business project, the market size, the competition and other factors related to the entity and the market.

There are the basic elements that are found in the most business plans: a short presentation of the company, mission, objectives and strategy; a description of the product or service and/or the market to be addressed, description of the sales strategy, description of the competition and various financial projections.

It is helpful to present a detailed structure of a business plan as proposed by the author Paul Diaconu in his work: Managerial Accounting- the business plans.

1. Summary of the business plan
   a) Objectives and strategy of the business started;
   b) Mission;
   c) Successful elements of the business;
   d) Effective contents.

2. Business description
   a) Ownership;
   b) Company history (for the existing businesses) or presentation of the beginning plans (for new companies);
   c) The location of the company and its available facilities.

3. Products and provided services
   a) Description of the products or services;
b) Comparisons of competitiveness;
c) Documentation for sales;
d) Source of procurement or how to achieve;
e) Technology;
f) The current and the future products and services;
g) The price of products and services.

4. The market analysis – the marketing plan
   a) The market definition, its description and opportunity;
   b) The market segmentation
      i. Strategy for each segment of the target market
   c) The market needs, customer motivations;
   d) The market trends (market growth);
   e) Analysis of industry – the competition
      i. Members of the industry - identification
      ii. Distribution of the forces in the industry – the competition level.
      Elements of competitiveness and the force of the industry members;
      Main competitors;
      iii. Sources of the future competition;
      iv. Barriers to entry on the market;
      v. Other influences.

5. Strategy and implementation
   a) Marketing strategy
      i. Strategy for sales and distribution;
      ii. Pricing policy;
      iii. Promoting and the public relations;
      iv. Analysis of the location and the required facilities;
      v. Other elements of the marketing strategy;
      vi. Customer feedback.
   b. The market research
   c. Sales forecasting
   d. Preparing the operational plan
      i. Development of the product or service;
      ii. Manufacture;
      iii. Maintenance and service.
   e. Strategic alliances
   f. Graph of the business evolution

6. The business website structure
   a The marketing strategy applied to the site;
   b. Development needs.

7. Management team
   a Management team;
   b Organizational structure;
   c. Policy and strategy of the human resources.

8. Financial analysis of the business
   a. The main assumptions;
   b. Main financial indicators;
   c. Analysis of the critical point;
   d. Profit and loss account planning;
   e. Cash flow planning;
   f. Forecast balance sheet;
   g. Business financial ratios;
   h. Long term plan.
4. Advantages and usefulness of the business plan

I think that discussion of the advantages of this document must be done by setting the main users. Depending on the major interests they have, they can be grouped into four categories, namely entrepreneurs owners, managers from the involved organization, potential investors and creditors, potential partners, employees and consultants.

**Entrepreneurs in the organization** are concerned on their own resources that they intend to allocate to that business to generate economic performance and, above all, the profit.

**Managers in the organization** are interested to have a realistic and balanced business plan to facilitate the management of the respective business in achieving the performance for the business, incomes and prestige for them.

**Potential investors and creditors** are interested in the viable business plans that lead to the highest possible capitalizing of amounts awarded, while diminishing the risks for the funds invested in the business.

**Potential partners, employees and consultants** are concerned that the business plan includes a business deal, enabling them a gainful relationship.

We note that all four categories of users watching the business to be good, to increase the existing business and to generate performance.

Also, we need to know that each of them has specific interests and taken them into consideration is necessary throughout the development of the business plan, and to present it to the potential users.

Advantages and usefulness of the business plan is [2]:
- Knowledge and depth assessment of the business opportunity (entrepreneurs, owners, potential investors and creditors);
- Establishing and considering the key factors on which depend the successful capitalizing of the business plan (entrepreneurs, owners, potential investors and creditors, organization’s managers);
- Realistic sizing of the resources that will be used in the business (all users);
- Exploitation of the various opportunities existing in the environment related to the business opportunity that focuses on the business plan (entrepreneurs and owners);
- Reducing the impact of threats that occur environment on the initiation and running of the business (all users);
- Forming a comprehensive, coherent and realistic overlook on all issues involved in exploiting the economic opportunity (entrepreneurs, owners, organization’s managers);
- Facilitating the communication between all persons and organizations involved in initiating and running the business (all users);
- Informing and persuading the stakeholders to participate and contribute with resources to exploit the economic opportunity (all users);
- Promoting a prospective approach, proactive for the business, preventing limitation of the reactive behaviour, such as "firefighters" (entrepreneurs, owners of the organization);
- Reducing the business risks and increasing the chances of success (all users);
- Assuring the necessary foundations for the professional management of the business (the organization managers, entrepreneurs, owners);
- Providing the rigorous parameters for monitoring and checking on the business (entrepreneurs, owners, investors and creditors);
- Obtaining the highest economic performance as a result of business opportunity exploitation (investors and owners);
- Protecting and increasing the prestige initiators and business promoters (entrepreneurs and investors).

5. Conclusions and suggestions:

- The business plan is a management tool designed to reduce uncertainty in daily activities of entities, thereby reducing their vulnerability to the environment
It is an action management tool developed in a logical way that implies a perspective on development thinking from a business and its objectives, including all the steps and resources involved in achieving them within a specified time period.

The business plan can be a tool for internal use which allows shaping and structuring the strategic approach of the manager, or for external use following fund raising. By developing a business plan is investigated the feasibility of an idea, putting into the light, through detailed analysis, the complex dimensions of its implementation in practice [3]. Especially for small and medium entities, the business plan is the main way of attracting the capital, to convince the potential investors of the viability of the business.

The content of the business plan is different depending on the activity of the entity, market size, competition and other factors related to the entity and market.

Users of the business plans are: owners, entrepreneurs, organizations’ managers, potential investors and creditors, potential partners, employees and consultants.

We recommend preparing the business plans even if it is not necessary to access funding.

6. References: