

BUSINESS PLANNING (WRITING THE BUSINESS PLAN)



Doc. Ing. Adam Pawliczek, Ph.D.

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Let me introduce myself...

Doc. Ing. Adam PAWLICZEK, Ph.D.



- ❖ Habilitation: T. Bata University in Zlín, FAME
- ❖ Master and Ph.D. Degree: VŠB – TU Ostrava, FMMI
- ❖ Fellowship: Southern Illinois University at Carbondale, CAFS
- ❖ Jobs (18 years): VŠB – TU Ostrava, CPIT; CI4GM, WPM Group; Statutory City of Ostrava, OER; SU Opava, OPF Karviná, KMP; MŠMT (VaVpl)
- ❖ Current Job: MUCO, TU Ostrava, HGF
- ❖ H-index (WoS/SCOPUS): 4
- ❖ Family status: Married, Two children
- ❖ Hobbies: Family, Outdoor Sports, Garden



About MUCO I

BEA campus Olomouc

Business — Education — Acceleration

Since 2013, Moravian University College Olomouc resides in a modern complex of innovative and educational BEA Campus Olomouc, the aim of which is to promote the economic development in the Olomouc Region.

The campus concentrates advisory and expert subjects under one roof. These subjects focus on promoting the competitiveness of small and medium-sized enterprises, development of new business intentions as well as on the preparation of graduates educated in economics and management for the region.



Location of MUCO



for more details see www.beacampus.cz

Moravian University College Olomouc

BEA campus Olomouc
tr. Kosmonautu 1288/1, 779 00 Olomouc
Czech Republic

phone: +420 587 332 340
e-mail: mvso@mvso.cz

www.mvso.cz



About MUCO II

Moravian University College Olomouc (MUCO)

Founded in 2005, MUCO is a small, dynamic and single-minded private non-profit university college established by powerful business companies and orientated on economics, management and applied information and communication technologies.

MUCO is the only university in the Olomouc Region with a focus on economics and management.

MUCO emphasizes not only the theoretical knowledge, but also its practical application — internships at top companies are part of the curriculum.

University graduates are successful in the labour market, 97 % of them are continuing in study or are employed.

MUCO does not offer only education opportunities to the Olomouc Region. MUCO and its partners participate in creating a unique space which connects business world with useful applied research. The goal is to help sustainable development of the region through supporting entrepreneurship and business, application of useful research outputs and mutual cooperation.



MUCO offers Erasmus exchange visits for students

Offered Erasmus subjects:

- International Business Economics
- Business Management A, B
- Managerial Accounting in Global World
- Contemporary Strategic Management
- Communication Skills in English 1, 2
- Informatics for Economists
- Business Process Modelling
- International Marketing
- Innovation and Chain Management
- Project Management
- Advanced Visualization of Economic Data

You are welcome

Come and study with us

Enjoy historical city Olomouc and modern, dynamic life at Moravian University College

for more details see www.mvso.cz

EMI Journal

Economics Ekonomika
Management Management
Innovation Inovace

MUCO is the publisher of the scientific technical journal EMI (Economics Management Innovation). EMI is an open-access double blind peer-review scientific journal which focuses on publishing the results of research and theoretical studies, papers and reviews from the field of economics & management and related disciplines. The journal was established in 2009 and it is issued three times a year.

EMI is abstracted and indexed in the following international databases: ERIH PLUS, Google Scholar, DOAJ. EMI is monitored by SCOPUS.



The accepted papers are published both in print and in electronic form.

Full texts are available from the website:
www.emijournal.cz



Description of planned course

3x45 min

- ❖ The course is focused on introduction to business planning, and primary strategic document.
- ❖ Lecture describes the content of typical written business plan in ten essential chapters.
- ❖ Lesson emphasizes importance of business planning for competitiveness of the enterprise.
- ❖ Students in groups will try to prepare their own business plan.
- ❖ Students are encouraged to bring their own laptops and connect to internet during the practical part of course (or PC lab is beneficial).

Lesson Content

Total Time	Duration	Activity	Output
15 min	15 min	Introduction	
30 min	15 min	Strategy	
45 min	15 min	Practical I	Vision, Goals
60 min	15 min	Marketing	
75 min	15 min	Production	
90 min	15 min	Practical II	PESTLE, P5F
105 min	15 min	Financial	
120 min	15 min	Practical III	Cash Flow
135 min	15 min	Evaluation - Test	
150 min	15 min	Spare time	

Initial questions on students:

- ❖ Where are you from? (Country)
- ❖ Are you an entrepreneur?
- ❖ Do you intend to be an entrepreneur?
- ❖ Did you ever prepared business plan?
- ❖ Do you know what for is a business plan?
- ❖ Do you know what business plan should contain?

A **business plan** is a formal statement of:

- a set of **business goals**,
- the **reasons** why they are believed **attainable**, (feasibility) and
- the **plan for reaching** those goals.

It should also contain **background information** about the organization and team attempting to reach those goals.

Basic Business Plan Characteristics

- ✓ Project Phases
 - Preparatory – Investment – Realization – Sustainability
- ✓ Project Types
 - „Soft“ (e.g. Educational) vs. Investment Projects
 - Production vs. Services
- ✓ Business Plan Function
 - Inner vs. Outer
 - Stakeholders
- ✓ Business Plan Codification
 - Non written (tacit) – Written Concise – Written Detailed

Hard knowledge vs.
Soft knowledge

Business Plan Vertical Levels

Good business plan has to be thoroughly considered in next three vertical levels, touching more or less each part of business plan:

Analytical study of realistic premises (inner, outer)	Enterprises' invention and added value	Expected and attained goals (inner, outer)
⇒ Competitive Advantage		

- Don't forget you are a team and your potential in synergy.
- Remember dynamics of business plan (continuous improvement).

Business Plan Outline - Example

1. Executive Summary: Introduction and Summary, What is Power Source of the Project? Competitive Advantages, Potential of Business Success, Financial Challenge for Investors.
2. Project and Company Description: Characteristics of Proposer, Company Legal Status, Work Team, Organization and Management, Product Description, Contribution and Profitability, Recent Product Conditions, IP Rights, Development Phases, Vision, Mission, Project Strategic Goals Statement.
3. Market Search and Analysis: Macro surrounding (PESTLE), Micro surrounding – Market Size and Potential, Customers, Providers, Competitors, Substitutes (Porter 5 Forces).
4. Technology and Production Plan, Research and Development: Production Process Step-by-step Definition, Production Demand Factors, Structure and Calculation of Production Costs, Factors of General Neighborhood, Legal and Safety Standards, Research and Development, Quality Management Systems, Environmental Management systems.
5. Personal Resources and Business Allocation: Expected Skills and Qualification of Employees, Office and Production Rooms and Space.
6. Goals and Strategy of Marketing (Proposal Part): Setting Goals and Time Milestones, Sales and Marketing Strategy (Product, Price, Promotion, Place – Distribution; Processes, People).
7. Finance Analyses – Project Budget: Costs Calculation in All Project Phases (Investment Phase, Realization Phase), Expected Profit – Break Even Point Location, Assets and Liabilities Projection, Cash Flow Projection – Financing Sources, Return of Invested Capital.
8. Project Realization Timeline: Gantt diagram.
9. SWOT Analysis: Summation of technical and economical feasibility of project.
10. Identification of Success Factors, Risk Analyses, BP Addenda.

Student work assignment

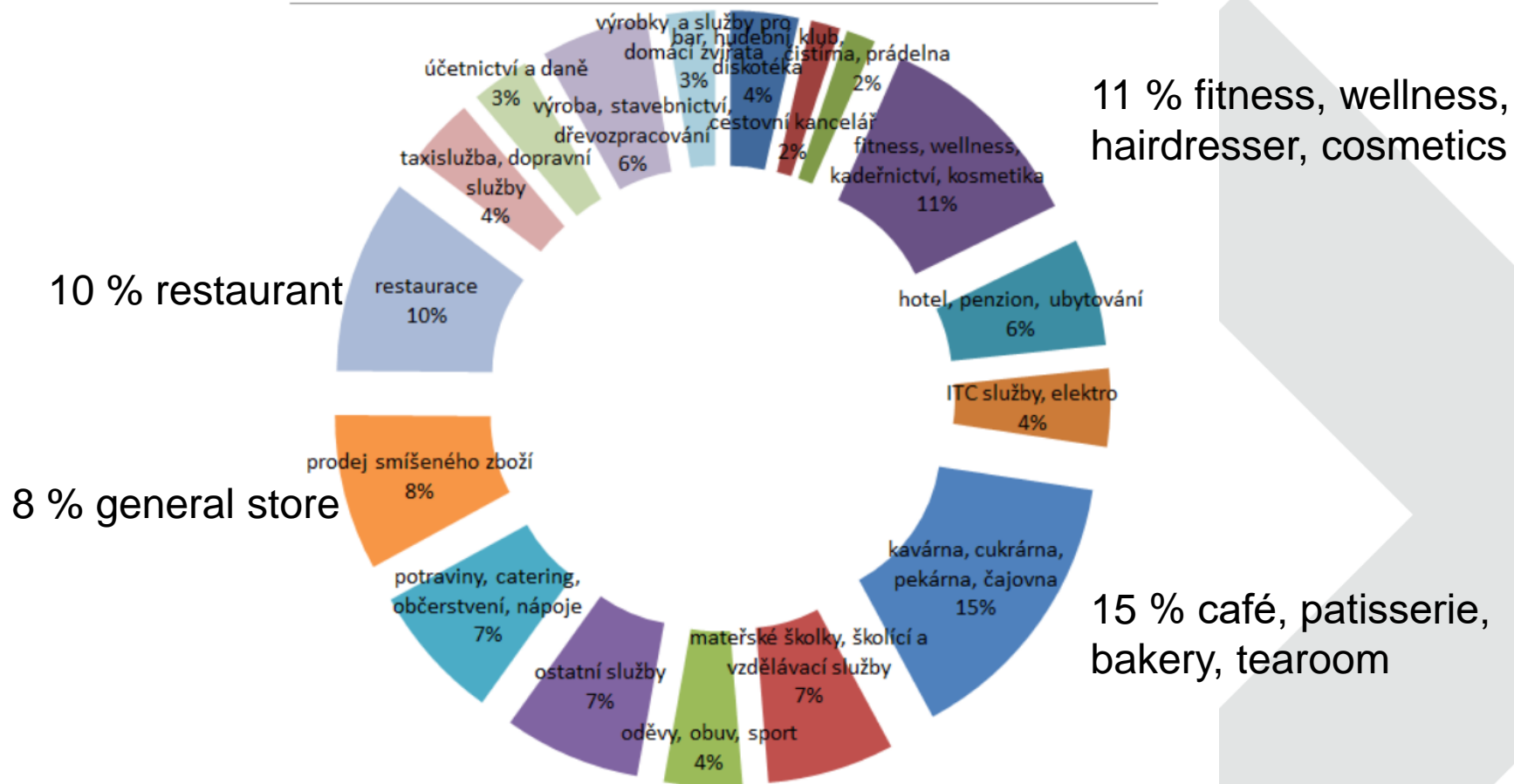
„Prepare three important business plan parts“.

1. Vision, mission, strategic goals
2. Important PESTLE factors, Porter 5 Forces
3. Cash flow

Work in groups of two-three students

Examples of most popular student BP topics

V letech 2011 – 2012 vypracovali studenti předmětu ZPI cca 200 podnikatelských záměrů s následujícím tematickým zaměřením:



Zdroj: vlastní zpracování

Executive Summary

- ✓ Summarization and Explanation of Important Project Information
- ✓ Range: 1 sheet A4; Motivational, Reasonably Emotive Form
- ✓ Attractive Project Title
- ✓ Introduce Yourself:... Education, Experiences, Achievements
- ✓ Product, Price – Show the Prototype
- ✓ Market: Destination Group, Competition
- ✓ Financial Demanding of Project (Costs, Turnover, Profit)
- ✓ Your Deposit (Efforts, Time, Know-how, Own Investment)
- ✓ Time Demanding – First Insight
- ✓ Contact Information
- ✓ Disclaimer – Responsibility Refusal
- ✓ *Proposal to the Investor – Equity Position:*

how much and what for?



Company Characterization; Project Description and Goals

- Characteristics of Proposer (Names, Addresses, Contact)
- Company Description
(Legal Form, History, Professional Certificates)
- Work Team (Age, M/F, Qualifications, Personality)
- Management (Structure, Competences, Responsibility)
- ✓ Vision and Mission
- ✓ Project Strategic (SMART) Goals Statement

Specific, **M**easurable, **A**ttainable, **R**elevant,
Time-bound; **E**valuate, **R**eevaluate

- ✓ Aiming and Prime Activities of the Project (Processes)
- ✓ Product Description (Prototype) and Contribution
(Added Value) for Customer
- ✓ Profitability of the Product (Market Estimation)
- ✓ Recent Product Conditions, Development Phases,
IP Rights (Patent)



Practical part 1 (15 min.)

Vision, mission, strategic goals

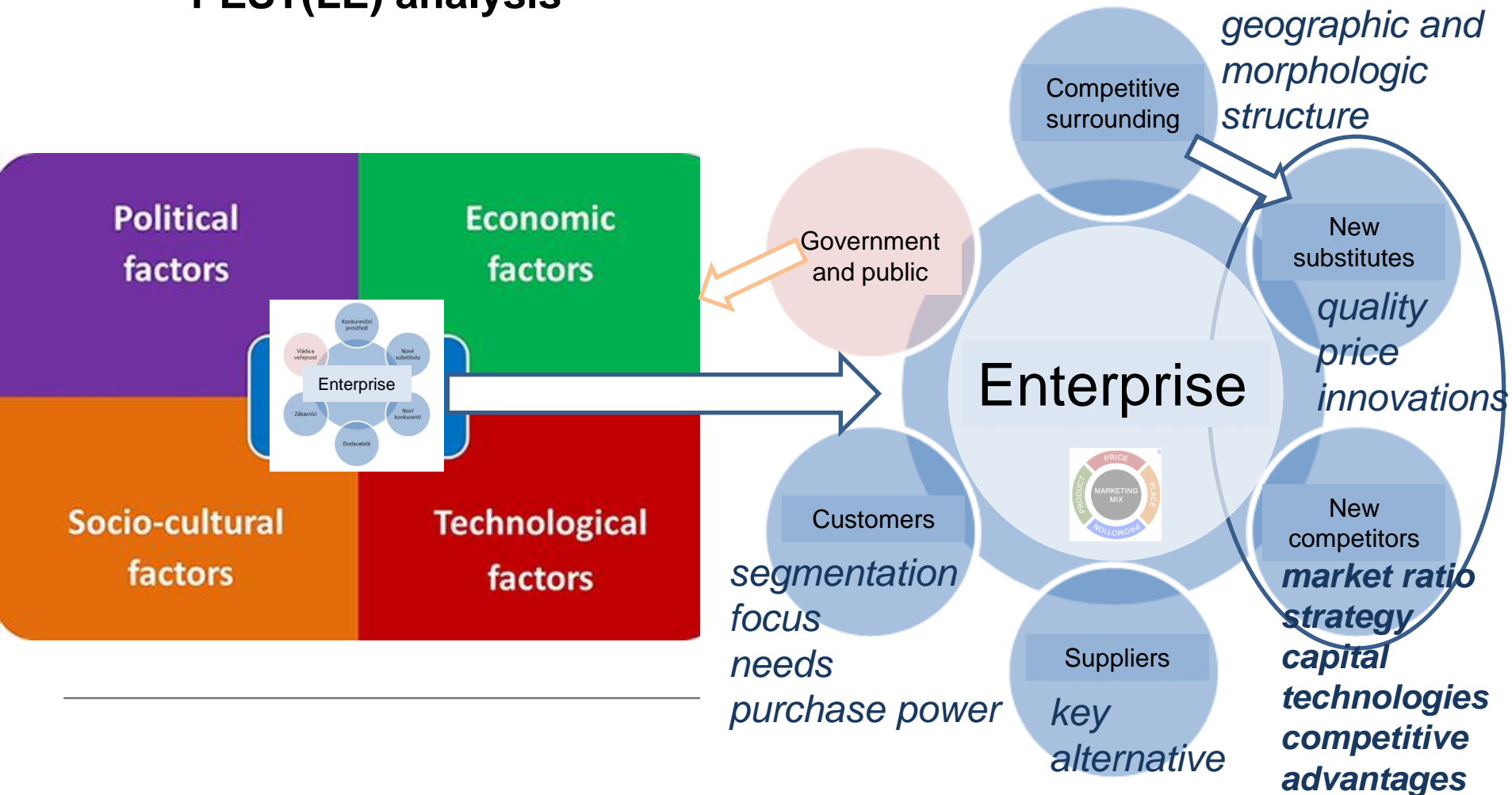
1. Create small work groups 2-3 students.
2. Create the ideas for business topic (brainwriting).
3. Select and set the business topic.
4. Create and describe vision (1 paragraph).
5. Create and describe mission (1 paragraph).
6. Write 5-7 SMART(ER) strategic GOALS (Specific, Measurable, Attainable, Relevant, Time-bound; Evaluate, Reevaluate).

Market Research and Analyses

Methods of Marketing Analysis:

Enterprise Macro surrounding
PEST(LE) analysis

Enterprise Micro surrounding
Porter 5 (6) Forces analysis

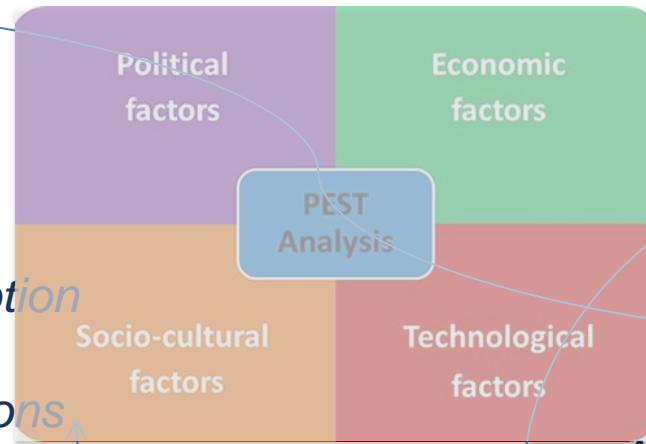


Market Research and Analyses II

PEST(LE) analysis of Enterprise Macro surrounding

Political and legislative factors:

Political stability
Business and work laws, labour code
Tax policy
Antimonopoly law
Consumer protection
Environmental legislative
Foreign trade regulations
Law enforceability and corruption
EU integration policy
Technical norms and regulations
Health and safety



Economic factors:

Economic cycles
Macroeconomic trends, GDP
Inflation
Interest rates
Currency exchange rates
Purchasing power
Average wage
Energy prices trends
Tax burden
Foreign investment amount
Amount of money in circulation

Socio-cultural factors:

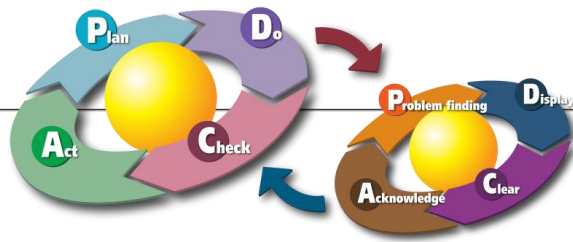
Demographic population trends
Lifestyle, free time activities
Mobility and migration
Level of education, income distribution
Unemployment, labour approach
Population health, religion

Technologic factors:

Government support, spendings on R&D
Infrastructure, ICT
Technology transfer
Speed of obsolescence
New materials, nanotechnologies
New discoveries, technology change

Technology and Production Plan, Innovation, R&D

- Technology, Production Processes, Automated Control Systems
- Production Demand (Space, Background, Machinery, Equipment, Inputs – Material, Energy, Work); Time Demand of Production
- Transportation and Logistics, Industrial Logistics
- Production Costs – Structure, Calculations; Controlling
- Outer Factors (Legislative, Production Standards ČSN EN ISO)
- Product Certification, Conformity Declaration
- ISO 9000, ISO 14000, TQM, EFQM (6σ, Kaizen,...)
- Work Safety (Plan) and Fire Protection (Risk Analysis)
- Innovation, Research and Development, University Cooperation
- IPR Protection, Patent, Technology Transfer



Practical part 2 (15 min.)

1. Search for and write down circa 10 important PESTLE factors
 - Specify how they influence your business.
2. Search for and write down important Porter 5 Forces
 - Focus on competitors and substitutes.
 - List them and briefly describe.

Use internet resources.

Project Personal Provision

➤ Human Resources (Employees, Outsourcing of Services)

- Number of Employees, Shifts, Even Opportunities
- Expected Qualifications of Employees (Drivers License, ICT, English Skills, Certificates) and Other Skills (Practical Experiences)
- Competences, Responsibilities, Motivation, Remuneration
- Personal Agencies, Brigade-work, Fluctuation
- Labor Code (CZ Act. No. 262/2006 Coll.)



Project Area (Site) Provision

- **Office Room and Production Area (Purchase/Lease)**
 - Project Dimensions, Facility Conversion (Adaptation)
 - Locality, Traffic Accessibility, Parking Places, Public Traffic, Neighborhood
 - Networks (Electricity, Gas, Water, Waste, Internet), Territory Devel. Plan
 - Brownfields, Business Zones and Parks, Incubators
 - Real Property Operational Costs, Facility Management, RES



Project Marketing Proposal

Sales and Marketing Mix (Product, Price, Place, Promotion, Distribution, Processes, People)



➤ Ways and Costs of Promotion (Internet, FB, Press, Radio, TV, Billboards, Direct Marketing, ...)

➤ Ways and Costs of Distribution (Packings, B2B vs. B2C, Retail Chains, Shops, Internet)

➤ Setting of Margin and Product Prices, Calculations:

✓ Variable Costs (direct, operational) and Fix Costs (investments, overheads)

✓ Down Limit – Costs; Up Limit – Competition

➤ Definition of Goals and Milestones of Success in Time:

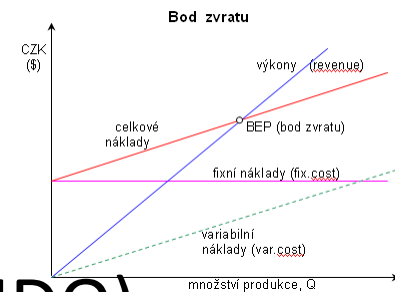
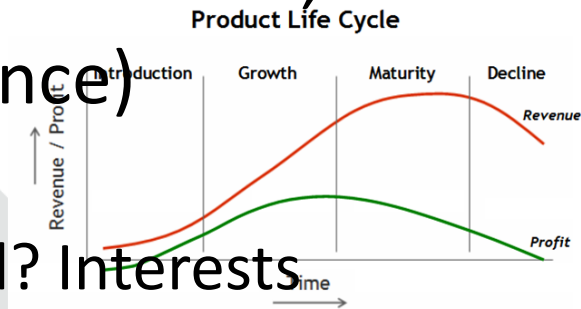
✓ Prognosis of Sales (Revenues); Market Share



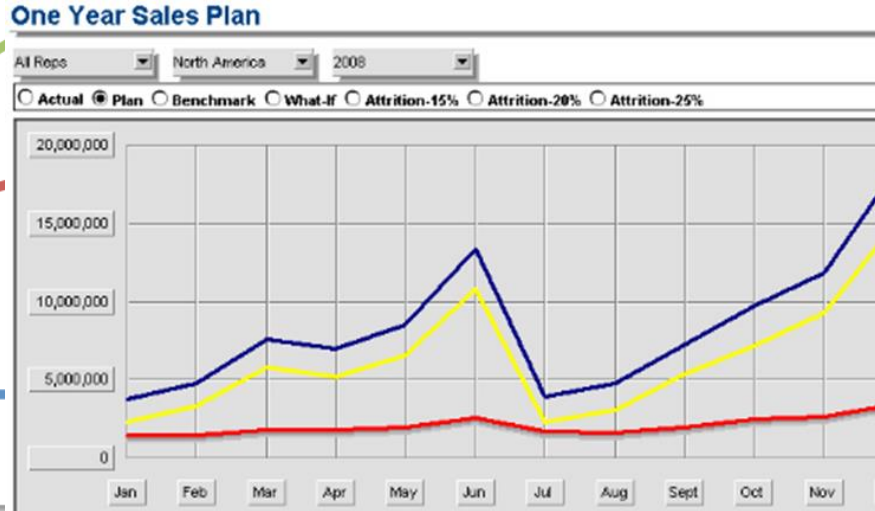
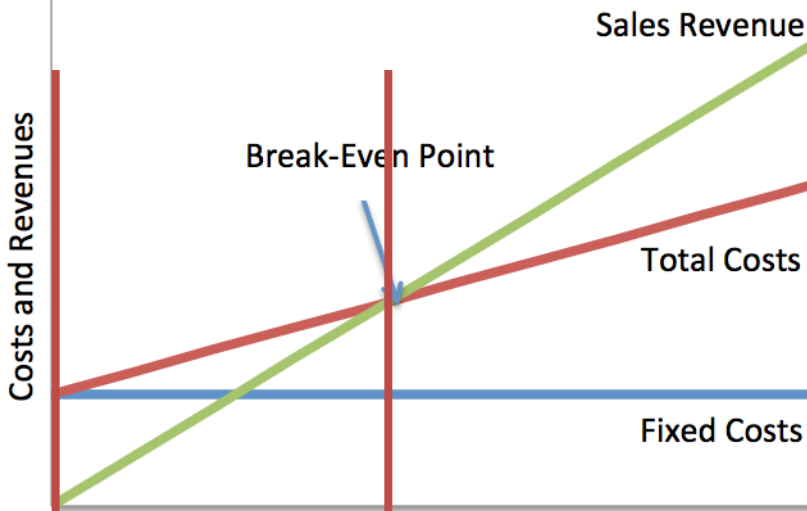
Financial Analysis – Project Budget



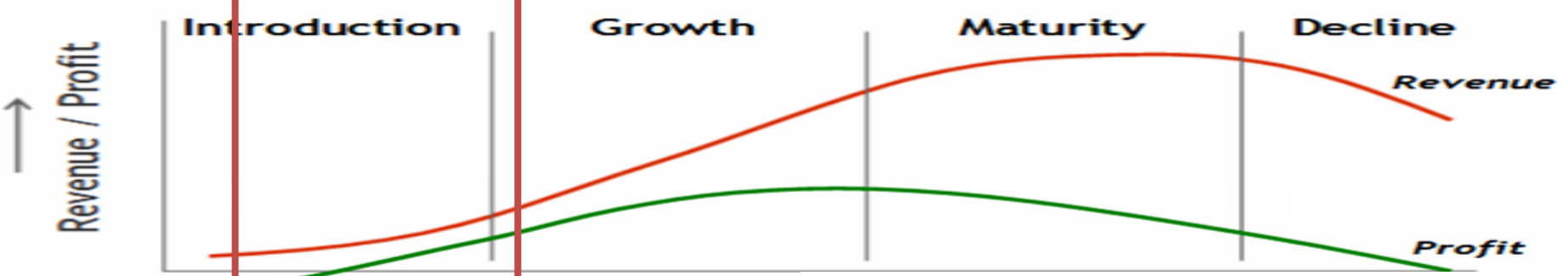
- Calculation of Costs in All Phases of Project:
 - Prior Project Initiation (Investment)
 - During the Course of Project (Operation)
- Expected Earnings – Break Even Point Location,
- Assets and Liabilities Projection (Balance)
 - Finance Sources
 - How will be Investor's Capital Evaluated? Interests
 - Return of Invested Capital
(Payback Period, NPV, IoR, IRR)
- Cash-flow Projection
- Sensitivity Analysis, Software: Comfar (UNIDO), Stratex R



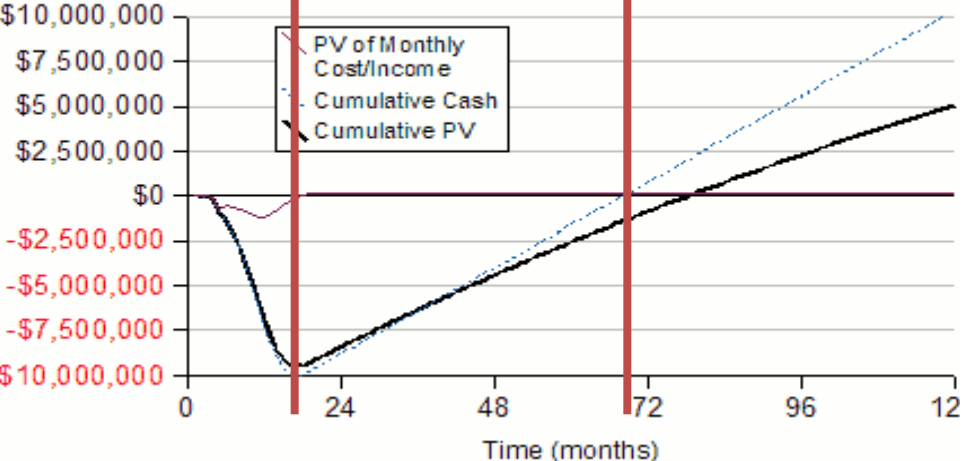
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Product Life Cycle



Construction Project Cash Flow - On-Time Scenario

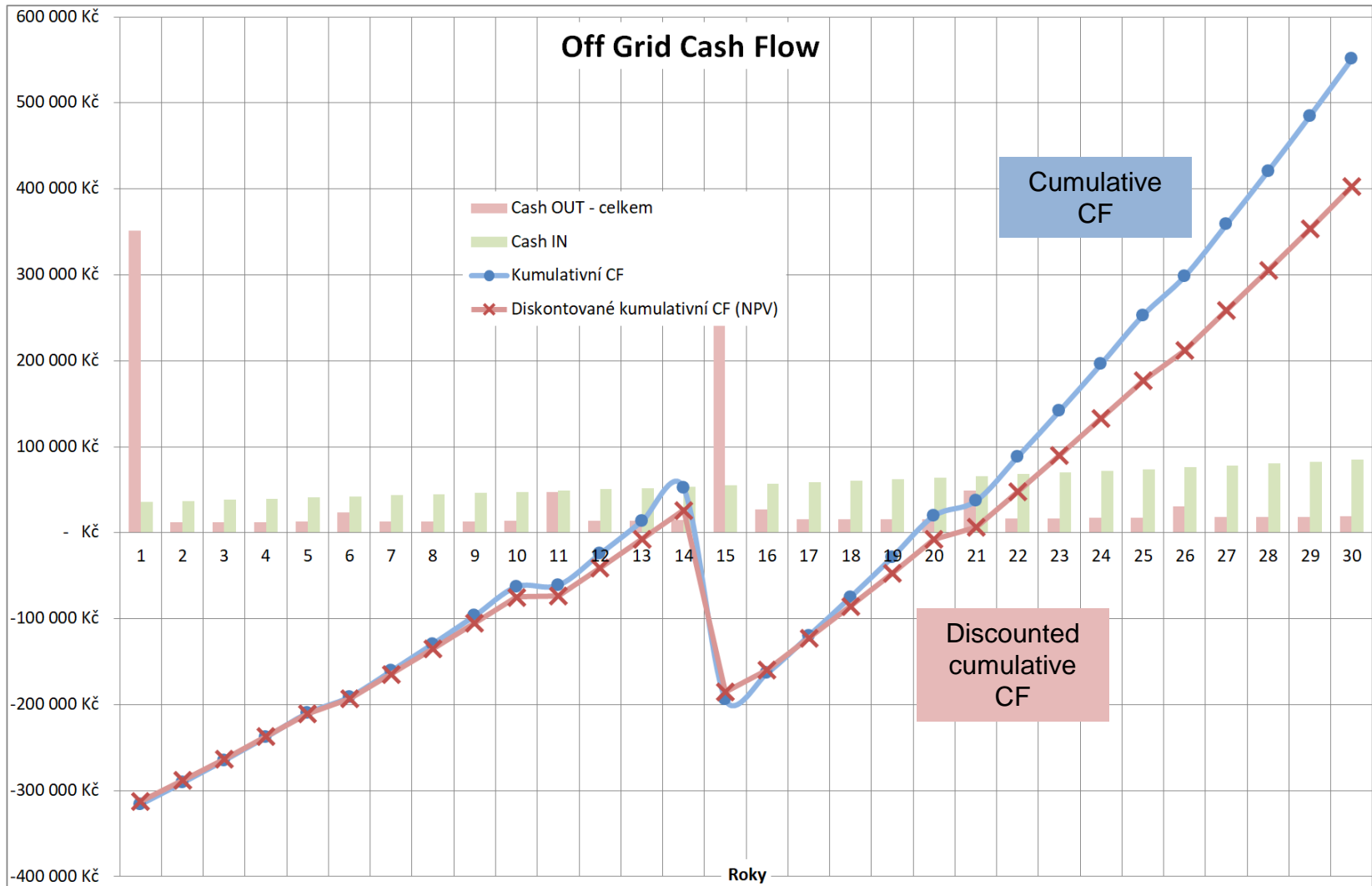


The **payback period** is the time required for the amount invested in an asset to be repaid by the net cash flow generated by the asset.

Net Present Value (NPV) is the difference between the present value of cash inflows and the present value of cash outflows.

The **internal rate of return (IRR)** is the discount rate at which the net present value of future cash flows is equal to the initial investment, and it is also the discount rate at which the total present value of costs equals the total present value of the benefits.

Cash Flow Example



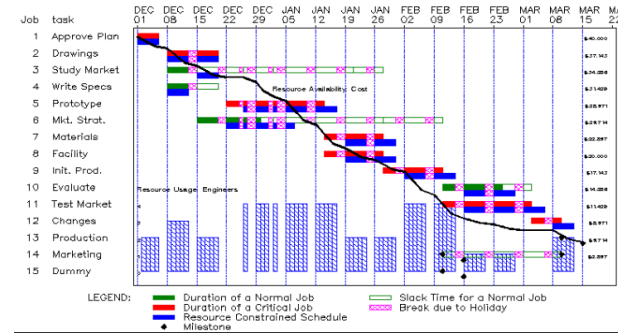
Practical part 3 (15 min.)

1. Create Cash Flow table for (at least) next 10 years.
 - Propose project Cash IN in each year
 - Propose project Cash OUT in each year
 - Calculate Cash Flow (direct method)
2. Create cumulative Cash Flow chart for (at least) next 10 years.
 - Basic Cash Flow
 - Discounted Cash Flow

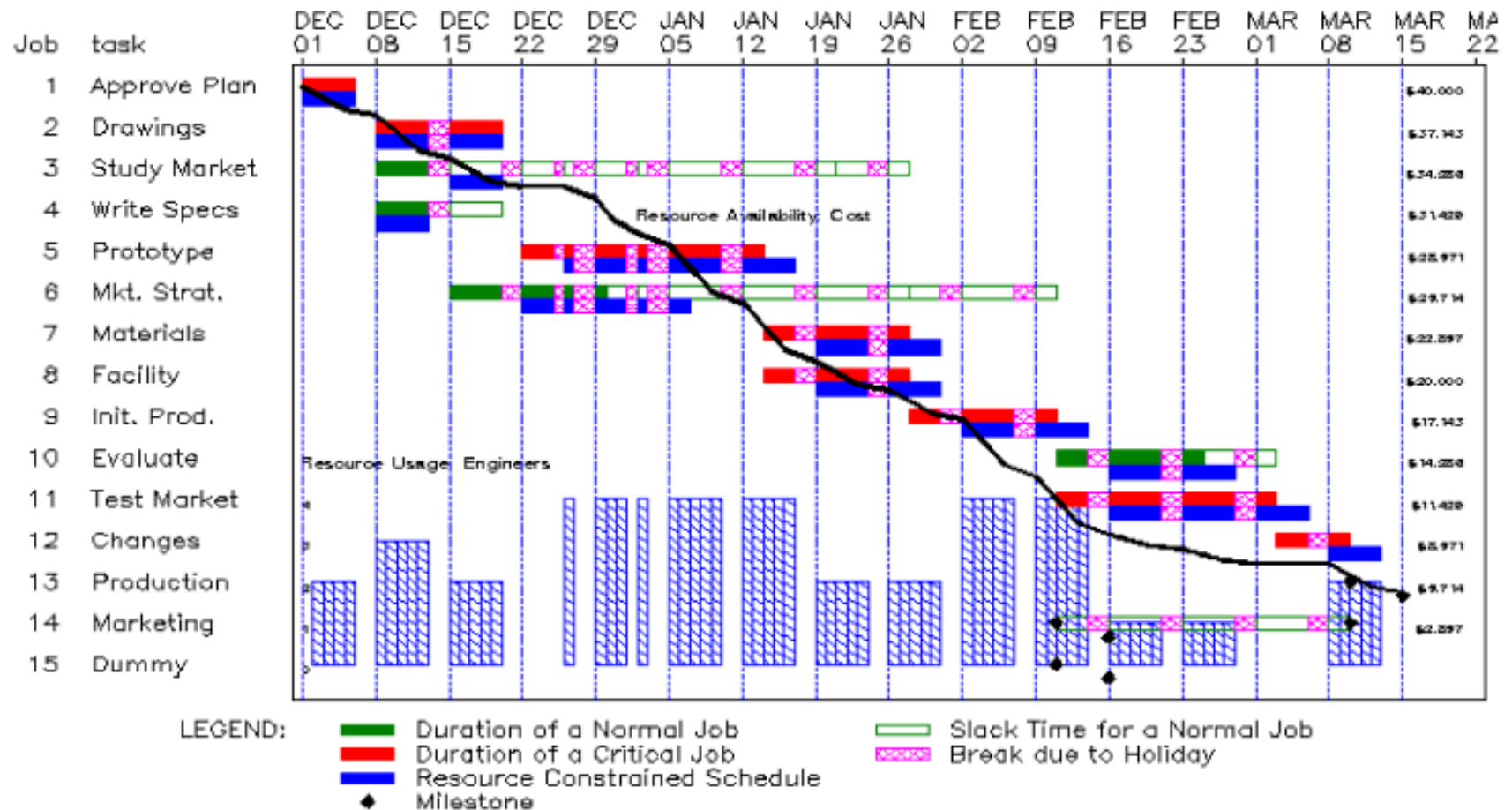
Use table processor (Excel, Open Office)

Project Timeline – Gantt Diagram

- Horizontal Line Chart
- Covers Time Period of Whole Project:
(Pre-investment Phase, Investment Phase, Realization Phase)
- Contains All Important Activities of the Project and Information about Time Duration
- Depicts Time Consequences (Continuity) of Activities
- Have to be Enough Detailed and Accurate
- Software: MS Project, MS Visio, (MS Excel), others...



Gantt Diagram Example



Summation SWOT analysis

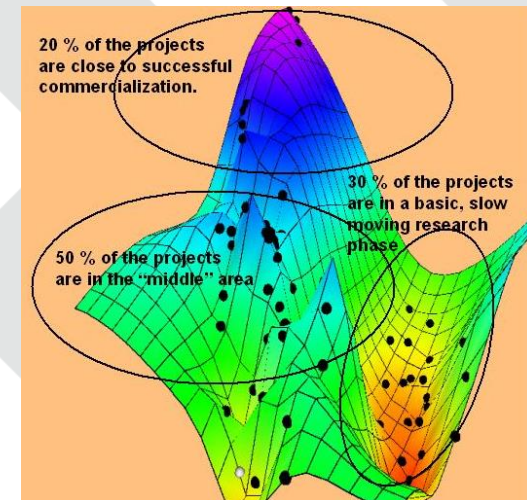


	Opportunities (external, positive)	Threats (external, negative)
Strengths (internal, positive)	Strength-Opportunity strategies Which of the company's strengths can be used to maximize the opportunities you identified?	Strength-Threats strategies How can you use the company's strengths to minimize the threats you identified?
Weaknesses (internal, negative)	Weakness-Opportunity strategies What action(s) can you take to minimize the company's weaknesses using the opportunities you identified?	Weakness-Threats strategies How can you minimize the company's weaknesses to avoid the threats you identified?

External Factor Evaluation Matrix (EFE)

Opportunities		Weight	Rating	Weighted Score
1.	141 million possible investors in Europe, UK, and Germany.	0.06	1	0.06
2.	Low P/E ratio which should attract value investors.	0.06	3	0.18
3.	Increased desire for wireless service.	0.02	2	0.04
4.	Growing Hispanic population in the US.	0.06	2	0.12
5.	Sports marketing can be luring for younger customers.	0.10	3	0.30

Threats		Weight	Rating	Weighted Score
1.	New regulatory complaints (new phone # portability).	0.10	3	0.30
2.	Rising costs of healthcare.	0.07	2	0.14
3.	Global unrest- economic monetary and financial.	0.12	3	0.36
4.	Consumer privacy rights being attacked.	0.02	4	0.08
5.	Weak Consumer spending.	0.10	2	0.20
6.	Decreasing demand for traditional voice lines and fixed lines.	0.05	3	0.15
7.	Increasing overlap of telecommunication territories.	0.06	3	0.18
8.	Increasing competition for providers of web search directories.	0.02	2	0.04
9.	Increasing providers of wireless services.	0.06	4	0.24
10.	Brand recognition.	0.10	4	0.40
TOTALS		1.00		2.79



Identification of Success Factors, Risk Minimizing Actions, BP Addenda

- Key Contracts, Investments, Sales, Earnings,
- Assets Growth, Technological Development
- Share of Market, Strategic Partnership, Exit
- Strategic Planning, Reasonable Debt
- Capital Distribution (Portfolio), Specific Provisions (Production, Safety, Fire, ...)
- CVs, Personal Certificates, Trainings, Registry Transcripts (registers, cadastre)
- Project Documentation, Visualizations,
- Patents, Product Certificates
- Financial Statements (Balance Sheet, Profit and Loss Account, CF)
- Contracts, Information about Competition, Market Search



Final Test

1. Is written business plan important for success of business?
2. What functions of business plan do you know?
3. What is an Executive summary?
4. What does mean acronym SMART?
5. What tools for analyses of the market do you know?
6. What quality management systems do you know?
7. What components contain 4P Marketing mix?
8. What methods for evaluation of BP payback do you know?
9. What methods are most often used to plan project activities in time?
10. What are often frequent business risks?

Summary and Evaluation

- Introduction to business planning, and primary strategic document was presented
- Content of typical written business plan in ten essential chapters was described
- Students prepared three important business plan parts:
 - Vision, mission, strategic goals
 - Important PESTLE factors, Porter 5 Forces
 - Cash flow
- Acquired knowledge was checked by final test

Good Luck

Thank you for your attention

MUCO - Department of Management and Marketing

adam.pawliczek@mvso.cz

