

Business Plan – a Business “Must Have”?

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Abstract. The business plan is seen as a complex structured document, which provides logical and factual answers to individual questions about the business. These questions are key to a successful start-up and implementation of long-term business activities. However, there has been a growing opinion in recent years, that a business plan is an inappropriate tool considering the turbulent environment of nowadays. The aim of our studies is to identify the extent of use of a business plan as an important planning document in SMEs. There are many business owners who do not have a business plan and pay little attention to their planning activities. To better understand how the Slovak entrepreneurs perceive planning, we conducted a questionnaire survey. This reveals very interesting findings about the attitudes of Slovak businessmen to planning and planning documents. Survey results and recommendations are key parts of our article.

Keywords: business plan, business planning, entrepreneur, entrepreneurship, planning performance, planning behavior.

JEL Classification: M13, M19.

Conference topic: Modern Business Management Problems and Perspectives.

Introduction and theoretical fundamentals

What is a business plan? This word sentence with many meanings is mostly understood as comprehensive structured document, which corresponds to the basic business questions about future entrepreneur's strategy: What do I want to do? For whom do I want to do it? Who are my competitors? How will I begin? How much money do I need? What are the risks? How will I succeed? The business plan is actually a description of opportunities and a list of supporting arguments. It is a document, which contains information on what are our expectations from the business. It is clear that pertinent answers to the above questions are crucial for a successful start-up business venture (Rigby 2011).

A business plan is often called as a roadmap you need to help you reach your goals. According to Udo Wupperfeld, “Business plan is a conception of the enterprise in a written form” (Wupperfeld 2003).

Often featured important functions of a business plan (Blackwell 1999):

- Function introspection;
- Identification of key feasibility arguments;
- Risk assessment;
- Setting goals and strategies;
- Planning and control function;
- Obtaining funding.

It is therefore important to realize that a well prepared business plan has many other beneficial features than obtaining financing.

One of the key issues which have to be discussed in business plan is the goal, the real aim of being an entrepreneur. Naturally, the goal of any business is an adequate profit. But money is not, respectively, should not be the sole objective of business. One of the most respected businessmen of present times, Sir Richard Branson, publicly declares that he does not start any of his business just for earning money.

Compiling a business plan can help the entrepreneur to define his motivations, expectations and needs. The business plan provides space for answering various questions and identifying the expectations from running a business.

Company Ernst & Young claims a business plan serves these three functions (Ford *et al.* 2007): determining future projects, determining how well goals have been met and raising money.

According to David H. Bangs, in his book *Business Planning Guide*, there are three main reasons for creating a written business plan. The plan forces the entrepreneur to take an objective, critical, unemotional look at his business project, it helps him manage the business and it communicates his ideas towards others (Bangs 2002).

“In today's environment, a business plan is an entrepreneur's most crucial business document. No company can expect to articulate its goals or to secure financing without a well-conceived and well-presented business plan.” (Abrams 2003).

Drawing up a business plan therefore undoubtedly brings many positives, either in the planning, management, or supervisory process. It is important to note that a business plan is one of the planning documents of the company and its contents should not be rigid. On the contrary, its character is very dynamic. The business plan should be updated on a regular basis. “Despite many valuable benefits, thousands of would-be entrepreneurs still attempt to start without a business plan” (Barrow *et al.* 2012).

“Whatever difficulty the preparation of a business plan may present, a plan is an absolute necessity for any business” (Ford *et al.* 2007). However, drawing up a business plan is mostly not too complicated and does not require more than a couple of hours. “One of the principal reasons for business failure is the lack of an adequate business plan” (Pinson 2008).

Aim of the research and methodology

The main objective of the research report is to analyze the use of business plans as planning tools among small businesses in Slovakia. The main research method results as a consequence of the formulated problem and of the main objective of the research report. Secondary analysis of literature was selected as one of the research methods. The significant method used, however, is considered to be the questionnaire survey.

Basic information about the research

Assignment	: analysis of the use of business plans among Slovak entrepreneurs
Type of the research	: quantitative representative survey
Basic survey group	: micro-enterprises and small enterprises in Slovakia
Questioning method	: on-line survey questioning
Size of the sample	: 208
Questioning period	: February 2013 – August 2015

Research background

Faculty of Management, Comenius University in Bratislava is a part of the oldest, largest, and most prestigious Slovak university. Since 2011, it became the national coordinator of the Global Entrepreneurship Monitor (GEM) project (Pilkova *et al.* 2013), the world's largest academic study of entrepreneurship that was thanks to faculty's effort introduced in Slovakia. Research in the field of entrepreneurship has led in the recent two years to more than 20 published outcomes by the members of the research team.

Survey results

There are various myths which are supported by the theory and practice dealing with business plans. The most common myths:

- Entrepreneurs write their plan in case they need money (from a bank or other institution);
- Entrepreneurs are too busy to write a business plan.

We managed to challenge these myths thanks to the results of the questionnaire survey, which provides, besides the other things, the following facts (Figs 1–3):

- Only 16% of entrepreneurs set up a business plan because they requested financial support from a bank or other institution.
- Only 7% of them stated that they have not developed a business plan due to the lack of time.
- 78% of entrepreneurs who have a business plan consider it to be a reasonable step and 60% update the plan!
- Only 2% of entrepreneurs stated that they regret the setting up of a business plan.

Table 1. Did you develop your business plan? (Source: compiled by authors)

	s.r.o. (limited liability company)– one of several shareholders	s.r.o. (limited liability company)– sole proprietor	Self-employed person	Total
Yes	46	24	20	90
No	40	28	50	118
Total	86	52	70	208

Note: the answers according the legal form of enterprises.

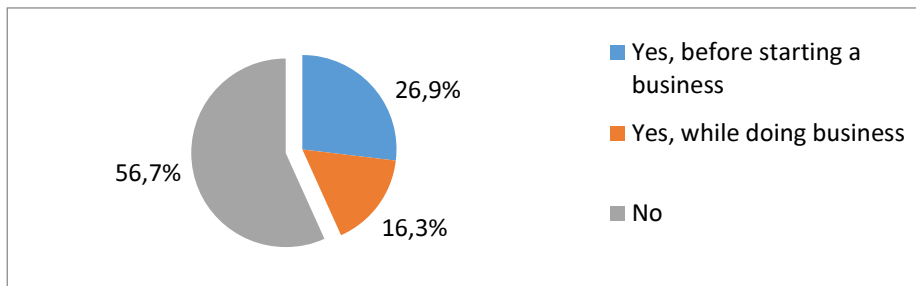


Fig. 1. Did you develop your business plan? When did you develop it? (Source: compiled by authors)

We can see that only 26.9% of entrepreneurs – i.e. only one of the four developed a business plan before starting a business. More than a half (56.7%) did not develop a business plan at all (Fig. 1).

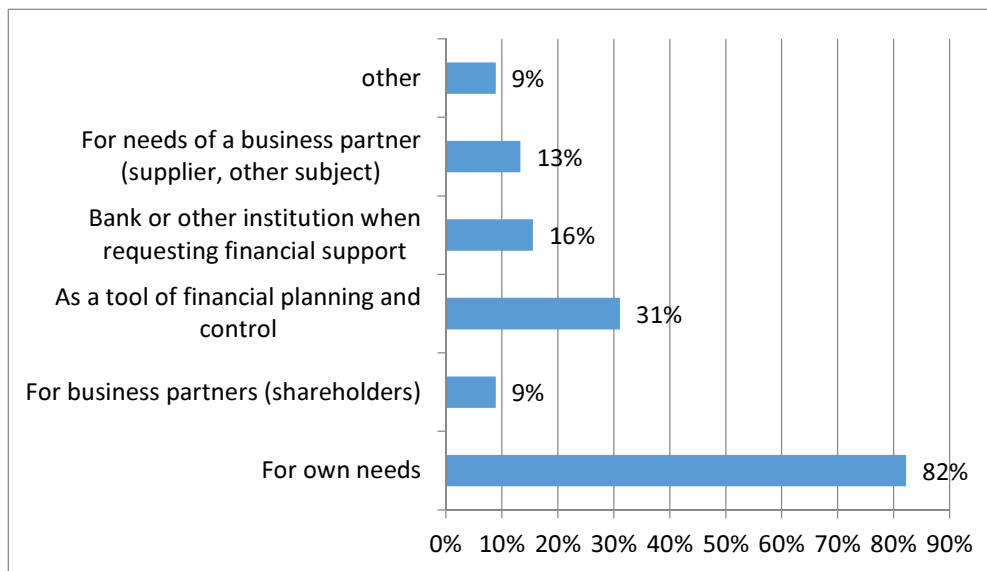


Fig. 2. What were your reasons for developing a business plan? (Source: compiled by authors)

Note: Respondents could select more than one answer

The key discovery is that only 16% of respondents who developed a business plan did so because requesting financial support. On contrary, 82% of respondents stated that they wrote a plan because of their own needs.

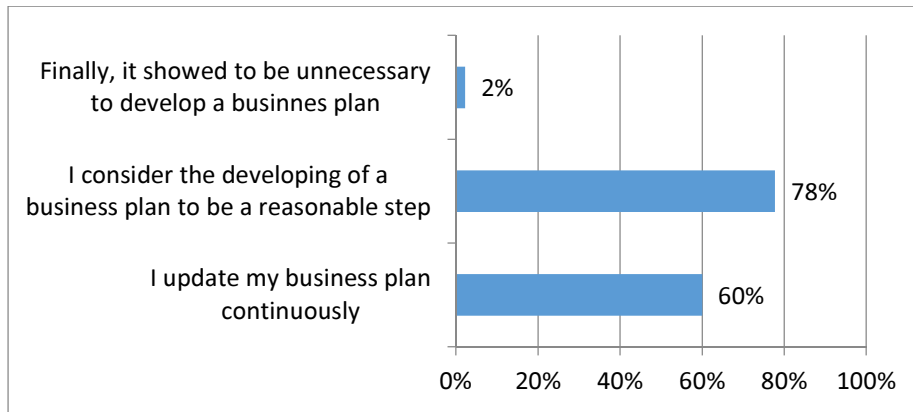


Fig. 3. Why have you not developed a business plan? (Source: compiled by authors)

We can see that only 2% of entrepreneurs stated that they regret the setting up of a business plan. 78% of them consider the developing of a business plan to be a reasonable step.

Conclusions

Many theorists deplore having a business plan and consider it to be obsolete. We certainly agree that business plan is not a static document, but rather dynamic. Nevertheless, it is a significant help for an entrepreneur, which does not cost him anything except a few hours of time spent preparing it. If an entrepreneur has written a business plan, it certainly does not make any damage. Of course, if he does not adhere to it rigidly and updates it regularly regarding the external environment development. Our research confirmed that entrepreneurs do not perform enough of planning activities, but they have their reasons for it. On the contrary, those entrepreneurs who developed a plan, consider it to be a reasonable step (78% of respondents). Only 2% state that developing a business plan proved to be unnecessary (Fig. 3). Investment in the form of 4–6 hours of developing it will not be worthless in any case! Our conclusion is clear – business plan is still important tool for entrepreneurs in various stages of business development.

Considering the further research, there are several implications that have arisen from our results as well as from the limitations of the approach employed in our study. Future attention should be paid to find which alternatives exist to business plan.

Disclosure statement

We are declaring that we do not have any competing financial, professional, or personal interests from other parties.

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