

Business Plans From New Venture Perspectives: Enlightening or Destroying

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Abstract

The dynamic, competitive and complex business environment nowadays demanded for entrepreneurs or new players in business venturing to create extra ordinary sustainable competitive advantages in order to achieve the business stated objectives, missions and vision simultaneously excel in the market. One of the well-known recipes and tools to achieve these dreams is through a well written and excellent business plan. Business planning is known as one of the business management tools used to achieve those stated venture's dreams (objectives, missions and vision simultaneously excel in the market). Consequently, a business venture should prepare a convincing and promising business plan to attract investors. It is known that, investors are willing to invest or will be more prepared to invest in a business venture when they believe that the business planning is realistic and profitable based on their forecast and prediction of the business viability. When business plan is prepared based on correct information and data, investors will have confidence in the market, product or service of the business. The accuracy of a business plan will reflect the management's ability, experience and history in running the business. Undeniable, many new ventures failed due to the failure of entrepreneurs to prepare an excellent business plan. Nevertheless, what it takes to develop a good business plan? Therefore, this paper will critically discuss the various aspects in the recipe of making a business plan an excellent document for new venture entrepreneurs. Careful analyses of twenty-one articles with different themes pertaining to business plan and its relationship to the success or failure of any new ventures yields some insights on issues prevalent in the matter. This paper may be useful for any new venture entrepreneurs as a guide for them as tools to clearly understand the concepts of business plans, the characteristics of an excellent business plan, the importance of business plans as well as the recipes to success which relating to the development of excellent business venture.



Keywords: *business plan, new business venture, entrepreneurship success, business failure*

INTRODUCTION

Planning plays an important role in determining the degree of success realized by a new or small business. Kuratko (2015) stated that, the essential elements to business success are identification of goals, followed by development of strategies to meet those goals. These can be found in a well written business plan. Cojocar (2018) in his research on the economic argumentation of business plans for agricultural enterprises added that, a business plan should not only reflect the individuality of the new business but should also follow a standard format. Creating a well-structured business plan will give entrepreneurs clear direction and help your business become a success. The business plan should consist of the evidence of focus, which shows the entrepreneurs' expertise in the business that they plan to get involved in, the knowledge of which entrepreneur's target customers are by defining and listing the target customers as well as to fulfill the investor or lender's needs before either one is prepared to invest in the business. The above three things are crucial for a business plan because it should be able to communicate the idea and goals of the plan clearly so that it sounds logical and realistic. Therefore, this paper seeks to address that utilizing business planning as a tool will allow new or small businesses to achieve and even surpass their goals.

Definition of Business Plans.

Francis and Christian (2017) define business plan as an effective tool used by businesses to organize these goals and objectives into a coherent format. It can be defined as operating a company on paper. No matter the size or stage of development, companies use business plans to improve internal operations and to describe and market the business to potential outside financiers.

Moreover, Giraudeau (2018) define business plan as a written document which describes in detail the overall plans of a business venture in which entrepreneur's aims to get involved. Even if the entrepreneurs has been in business for a number of years, committing plan to paper allow the entrepreneurs to re-examine his or her business as well as to consider new business opportunities.

On the other hand, Karadimas (2018) said that, a business plan is a blue print for a company. It is a detailed program or roadmap outlining every conceivable aspect of an entrepreneur's proposed business venture. He added that, the business plan is a comprehensive, self-explanatory plan of what the entrepreneur intends to



do, how the entrepreneur intends to do it, when the entrepreneur intends to do it, where the entrepreneur intends to do it and why the entrepreneur intends to do it. Here, we can see that the business plan is an essence, a structured guideline to achieve the entrepreneur's vision, missions and goals in operating the business venture.

Kuratko (2015) found that, a business plan is an ideal tool to check facts and to comprehensively examine the practicality of an idea before putting it into action. It gives entrepreneur the opportunities for realistic expectations and action when taking the business into operation. On the other hand it also helps the entrepreneur to identify areas of strengths and weaknesses, and the details for the entrepreneur to look over, the opportunity to be gained and the threat to be faced. All these aspects will determine how they can best achieve their business goals.

The characteristics of Excellent Business Plans and contribute to the success of business

Since the purpose of this paper is to address that utilizing business planning as a tool will allow new or small businesses to achieve and even surpass their goals, it is crucial to know the recipes and hidden ingredients of a good or an excellent business plans. Francis and Hopp (2017), Kuratko (2015), Giraudeau (2018), Dalal (2017), Johan, Nathalie, Robin and Yves (2016), Karise (2017), Michael (2016), Philip, Waseem and Uswa (2017) and Ziko, Nikolaos, Mohammad, Yumiao, Frank and Chengang (2017) outline four ways how business plans could contribute to the success of any business. Those ways are:

1. Business plans gives entrepreneurs a clear and promising business direction. Clear and promising business direction is crucial because it will keep the entrepreneurs on the right track all the time and avoid pitfalls in business.
2. Business plans help entrepreneurs, investors to define the business objectives. A business plan is a very important strategic tool for entrepreneurs. A good business plan not only helps entrepreneurs to focus on the specific steps necessary for them to make business ideas succeed, but it also helps them to achieve both their short-term and long-term objectives
3. It maps out strategies to achieve business goals. A business plan will also ensure that you meet certain key targets by the strategies implemented to make those goals a reality



4. It helps entrepreneurs to manage possible bumps in the road. It is believed that the planning process also helps entrepreneurs to consider possible bumps in the road and put a plan in place to better manage them if they do come up.

Furthermore, the good business plans also need to be realistic, specifics, clearly defines responsibilities and gets people committed for implementation, clearly identifies assumptions and communicated (Francis and Hopp, 2017; Kuratko, 2015; Giraudeau, 2018; Dalal, 2017; Johan, Nathalie, Robin and Yves, 2016; Karise, 2017; Michael, 2016; Philip, Waseem and Uswa, 2017; Ziko, Nikolaos, Mohammad, Yumiao, Frank and Chengang, 2017).

It's realistic.

An excellent business plan should be able to be implemented and come from realistic business ideas (Giraudeau, 2018). In his research titled "Proving Future Profit: Business Plans as Demonstration Devices", Giraudeau (2018), said that the business ideas of any business plans should clear, direct and with purpose so that the investors could be able to examine and see whether the business ideas could be implemented or not. Some business plans exists purposely to get investment and some supposed to support loan application. Having a clear purpose and realistic direction could increase the chance of business plans being accepted by investors or financial institution (Yumiao, Frank and Chengang, 2017. With a market cap of RM37.38 billion, an approximate RM66 billion worth of total assets and a current price per share of RM9.92, the Genting Group is on the 725th spot of the "World's Biggest Public Companies" list by Forbes. This company is a good example of companies in Malaysia that clearly have a very realistic goals, mission and vision.

Due to the realistic business ideas, the company is not only successful in game tourism but also in property and development business. Here we can see that, if the business is realistically written in the business plans, it could bring a business or new venture to a great success.

It's specific.

An excellent business plan should be able to be implemented and come from specific business ideas (Giraudeau, 2018). Some business plans do not contain attainable, measurable and specific clear goals that entrepreneurs are trying to achieve, lack of specific time frame, has no specific priorities and no specific action steps in the business plans. This could lead to a failure. All these weaknesses could lead to rejections of any financial assistance application. Thus, past researchers



such as Ziko, Nikolaos, Mohammad, Yumiao, Frank and Chengang (2017) suggested that it should be specific and should include a clear schedule with a specific of steps and actions to be accomplished within the specific time frame. By having this, entrepreneurs could track everything against the plan include tasks, deadlines, dates, forecasts, budgets, and metrics.

Petronas is an example of a successful business in Malaysia which started the operation of the venture from a specific outlined business in the business plan. The plan was developed by the Malaysian government in August 1974 by the in order to assert the nation's rights over the use of Malaysia's own natural resources. PETRONAS (which stands for Petroliaam Nasional) has since grown from its foundation to its current status as a multinational integrated oil and gas company that deals with a wide range of petroleum-based activities. As per today, the company is having a market cap of RM46.50 billion as well as a total asset worth of approximately RM14 billion and a dividend yield of 1.27% (the current price per share is at RM23.30) has garnered Petronas Gas Berhad the 1450th spot on the Forbes' "World's Biggest Public Companies" list. Here we can see that, if the business is specifically identified in the business plans, it could bring a business or new venture to a great achievement.

It clearly defines responsibilities and gets people committed for implementation.

An excellent business plan should be clearly defines the responsibilities of every parties in the business (Giraudeau, 2018). The produced written plan should be able to identify a single person who will be responsible for every significant task and function. A task that doesn't have an owner isn't likely to be implemented. Many entrepreneurs appear to lack of commitment in their business. They should not give the impression that they don't take matters seriously in doing business. This can be judge by just looking at the business plan writing styles and information.

An unclear, ambiguous and incomplete indicator of commitment is a signal of failure in business Philip, Waseem and Uswa (2017). Thus to avoid this, the written business plans must indicate that the entrepreneurs should follow up important appointments and willing to demonstrate financial commitment to their business (Francis and Hopp, 2017; Kuratko, 2015). The team members outlined in the business plans are assets to the business. Thus, the management has to take them to the team and get the team committed. Being the only integrated communications service provider in Malaysia, Maxis Communications has purportedly always been at the forefront of technology since their formation in 1995. The company has a market cap of RM52.01 billion, a current price per share of RM6.90 as well as a total asset



value worth of approximately RM18 billion which places Maxis on the 1260th spot in Forbes' "World's Biggest Public Companies" list. It is well-known that, in the earlier of the establishment of the company, the management of employees welfares were one of the major focuses of the top management.

Thus the employees of Maxis are very committed because they clearly know their responsibilities, the things they need to achieve as well as the target they need to aim in everything they do for the company. Here we can see that, if responsibilities are clearly defined in the business plan and able to gets people committed for the implementation of the plan, **it could bring a business or new venture to a great success.**

It clearly identifies assumptions

An excellent business plan must clearly show assumptions up front because changed assumptions ought to lead to revised plans (Giraudeau, 2018). Sometimes, entrepreneurs are so immersed in their ideas that they are unable to see the possible problems that may arise. There are no indicators to recognize the problems, no admission of possible mistakes or weaknesses in the plan and thus, the contingency plan must exist based on the clearly identifies assumption to anticipate obstacles. It is highly recommended to entrepreneurs to include the possible obstacles that may arise and steps or contingency plan if the problem assumed occur (Karise, 2017; Michael, 2016; Philip, Waseem and Uswa, 2017).

With a market cap of RM55.37 billion, a total asset worth of approximately RM43 billion and a current price per share of RM6.49, Axiata has earned the 807th spot on Forbes' "World's Biggest Public Companies" list. Axiata is among all the successful venture in Malaysia that started their business with an excellent business plan. The company has a clear indicator to recognize any future problems that may arise due to stiff competition which this made the company well prepared. Furthermore, there is also no admission of possible mistakes or weaknesses in the plan they prepared and thus, Axiata make sure that it is equipped with various contingency plans that are clearly identified all possible assumption to anticipate future obstacles. Here we can see that, if the business assumptions are clearly identified in the business plans, it could bring a business or new venture to a great success.

It's communicated

An excellent business plan must be able to be communicated (Giraudeau, 2018). In this case, the plan should be easy to be communicated and readable. Thus, it can be communicated efficiently to the people who have to run it and it will



also be easy to be communicated to that team. So people in charge have to know and understand the plan. According to Francis and Hopp (2017), the written plan must be able to describe the technical products or manufacturing processes using jargon that only an expert can understand. Giraudeau, (2018) found that, most venture capitalist does not like to invest in what they do not understand or think the planners do not understand.

In order to avoid misunderstanding and facilitate to communication process, it is highly recommended also to entrepreneurs to keep the business plan as short as possible without compromising the description of the venture and its potential opportunities. The plan should cover the key issues that will interest an investor and leave secondary details for a meeting with the investor (Dalal, 2017; Johan, Nathalie, Robin and Yves, 2016; Karise, 2017; Michael, 2016). Sime Darby is an example of company that keep communicating all the plans of the business to the entire organization employees so that they will be prepared and able to prepare necessary actions that they should take. With a well prepared employees regardless position in the hierarchy, the plans that they had implemented in yesteryears seems successful and till today the company manage to have a market cap of RM55.85 billion, total assets of RM49 billion and a current price per share of RM9.20 places Sime Darby Berhad at the 542nd spot in the "World's Biggest Public Companies" list by Forbes. Here we can see that, the communicated business plans could bring a business or new venture to glory.

How business plan could make some businesses failed?

The success and failure of a business to get invested is truly depending on the quality of the document itself. Many new entrepreneurs in Malaysia especially the young entrepreneurs failed to get the investment because their business plans are considered not excellent. Experts and past researchers found various reasons for a business failure and only few of them highlighting the issues of business plans as the culprit of the failure (Francis and Hopp, 2017).

It is found that, many businesses that failed due to the business plan poor preparation is making mistake of developing and searching for business ideas (Kuratko, 2015). A successful business idea can create a steady stream of income, depending on the direct need for the product and service in question. Business ideas are the first business element with business potential energy of your new business. A business idea is a concept that can be used for financial gain that is usually centered on a product or service that can be offered for money. An idea is the base of the pyramid when it comes to the business as a whole. However, many new ventures failed because they followed bad business ideas.



Most ideas look great on paper but all too often, entrepreneurs realize they have invested in a bad idea once it is too late. In Malaysia, Mega TV, Rayani Air and Paris Hilton Handbags & Accessories are the good examples of new ventures who failed due to having very bad business ideas.

Furthermore, Giraudeau (2018) and Dalal (2017) found that another reason for business failure is because the employee compensation planning in the business plans are not incentive compatible. This is proven by looking at the Rayani Air case. Rayani Air was found to have been unable to pay its pilots, which caused the pilots to go on a strike. Employees are asset of any business. Thus failed to take care of employees may lead to failure in business.

Other than that, Johan, Nathalie, Robin and Yves (2016), Karise (2017) and Michael (2016) found that, new venture failures are because the business plan do not have no proper exit strategy for firing lazy co-founder. The best strategy for not having to fire your co-founders is to not bring them on board in the first place. One of the most common early-stage startup mistakes is building weak founding teams. Since a good team is often the closest you can get to a good business plan, this one anti-pattern is the cause of many company failures.

Furthermore, the imbalanced team and poor team management in the business plan also lead to pitfall in new venture (Philip, Waseem and Uswa, 2017). They found that although teamwork is frequently the most efficient way to make business success, many entrepreneurs struggle to lead a cohesive team. Managing individual employees along with the broader group dynamic brings confusion to team projects, causing the work and the team management capabilities to suffer. The poor team management and poor allocation of staffs will lead to the imbalance of power, workload and affect the employees motivation which will be ended with poor work performance.

Ziko, Nikolaos, Mohammad, Yumiao, Frank and Chengang (2017) highlight the issue of missing the detail financial projections in the business plan. The development of realistic financial planning documents for a business is an important process. Financial statements needed for a successful business plan. If this important information are missing from the business plans, the entrepreneurs will not only able to get the business invested but also will failed to manage all the financial transaction of the new venture.

The entrepreneurs who failed in their new venture due to business plans also found to fail in improving their business plan after receiving feedback (Amir, Gail, Robert and Wendy, 2002). According to them, once entrepreneurs have finished writing their business plan, it is a good idea to send it out to at least three people before showing it to potential investors. The purpose of this is to check



and balance to make sure that everything outlined in the business plan are realistic, achievable, correct and able to be accomplished.

CONCLUSIONS

Based on the above discussion, it can be concluded that, a business plan is an important tool for managing and growing your business. A well-designed plan lays out a vision of growth and the steps needed to get there. A plan is also an essential communications tool for attracting financing for your business as well as managers and staff as your business grows. Creating a well-structured business plan will give entrepreneurs clear direction and help your business become a success. The business plan should consist of the evidence of focus, which shows the entrepreneurs' expertise in the business that they plan to get involved in, the knowledge of which entrepreneur's target customers are by defining and listing the target customers as well as to fulfill the investor or lender's needs before either one is prepared to invest in the business. Research shows that business plans are all about walking the walk. People who write business plans also do more stuff. And doing more stuff, such as researching markets and preparing projections, increases the chances an entrepreneur will follow through. Entrepreneurs who began with formal plans had no greater success than those who started without them. business plans can provide tangible help is by aligning everyone in an organization with the vision and strategy going forward. Although some people may say that entrepreneur doesn't need a written business plan to have a successful company. The entrepreneur may not even need a business plan at all to have a successful company. However, the probability of success without a business plan is much lower. Angels and venture capitalists like to know about the business that entrepreneurs want to venture through the business plan they prepared, and public companies need to project business plans to persuade underwriters and investors to purchase their securities. Here, having a good written and comprehensive business plans is crucial regardless what type of business the entrepreneurs are in or also regardless the size of the business. Business plans is extremely very important document that could contribute to the success of business or otherwise made some businesses failed.

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