BUSINESS PLAN AS A SUPPORT FOR THE SUSTAINABLE DEVELOPMENT OF ENTREPRENEURS

Abstract

Contemporary business on the market is characterized by numerous challenges that at the same time represent business opportunities for entrepreneurs. Identified opportunities must be elaborated within the framework of a business plan. The business plan is an instrument of the planning process that should indicate the possibilities, potential, and limitations of the realization of a business idea. The aim of the paper is to determine the contribution of the business plan to the success of the company, to state the advantages and disadvantages of its preparation, and to describe in detail the structure of the business plan. It can be concluded that a business plan directs an entrepreneur in business, but in today’s turbulent conditions, it is difficult to define a precise plan. It is recommended to create a business plan by key points while leaving the detailed elaboration of the plan for later.

Keywords: business plan, entrepreneur, sustainable entrepreneurship, planning

JEL classification: L26, O21
турбулентним условима тешко је дефинисати прецизан план. Препоручује се израда бизнис плана по кључним тачкама, док се детаљније план разрађује касније.

Кључне речи: бизнис план, предузетник, одрживо предузетништво, планирање

Introduction

Entrepreneurship is a dynamic and complex process that involves undertaking a series of activities and using identified opportunities in order to create new entrepreneurial ventures (Wei et al., 2018). Contemporary business of entrepreneurs is characterized by changes in the market, great competition, and increasingly demanding customers (Boškov, 2016). Such changes become a source of new business opportunities. In order to reduce uncertainty and make the right use of perceived business opportunities, business planning is increasingly becoming the focus of entrepreneurs. Business planning is a key instrument in the process of generating new ideas and a necessary prerequisite for starting an entrepreneurial venture and its realization (Boškov, 2016; Wei et al., 2018).

The number and availability of business plan trainings indicate a country’s efforts to attract entrepreneurs with good business ideas (McKenzie & Sansone, 2019). With the help of a business plan, the investor’s strength, opportunities and financing potential are assessed (Watson & McGowan, 2019). The information provided by the business plan is of crucial importance in the decision-making process and deciding whether to invest in the venture or not (Watson & McGowan, 2019). A properly prepared business plan is a way of teaching and learning an entrepreneur, and accordingly, it is a valuable tool in acquiring the competencies needed for entrepreneurship (Souto & Rodríguez-Lopez, 2021). As part of the business plan, the entrepreneur provides an overview of potential business ventures, presents market opportunities through previously conducted research, describes products/services, offers marketing and sales plans, and provides financial projections of planned activities (Watson & McGowan, 2019).

Newly founded companies face different difficulties (Bajramović & Ahmatović, 2012b). Research shows that 15% of new businesses fail in the first year, 13.5% in the second year, and 11.2% in the third year, while after 10 years a fifth of entrepreneurs remain in business (19.6%) (Bajramović & Ahmatović, 2012b). Empirically, the literature has not yet confirmed whether the cause of such results is an insufficient commitment to planning, specifically defining and developing a business plan in detail. Second, the problem of entrepreneurship in Serbia is the lack of practice in creating business plans, except when external stakeholders (banks, investors) require it (Bajramović & Ahmatović, 2012a). As stated by the authors Wei et al. (2018), and according to the data from the Chinese Panel Study of Entrepreneurial Dynamics (CPSED), 62% of entrepreneurs define a business plan. Third, the authors Ivanišević et al. (2013) state that managers must be especially committed to planning since the practice has shown that failures in business planning have created major difficulties in business. The creation of unrealistic business plans is most often due to the lack of expertise of the entrepreneur...
Based on the above, the aim of the paper is to determine the contribution of the business plan to the success of the company based on the review of the existing literature, to state the advantages and disadvantages of its preparation and to describe the structure of the business plan in detail. In addition to the introduction and conclusion, the paper contains four parts. The first part describes the importance of entrepreneur education for spotting business opportunities and management of the company. In the second part, the business plan and its role in business are described, along with the purpose of its compilation and the users of the business plan. The third part confronts the arguments “FOR” and “AGAINST” writing a business plan, while the fourth part shows the structure of the business plan.

1. Entrepreneurship education

Entrepreneurial learning is a major issue in the academic literature due to the growing interest in entrepreneurship programs and courses aimed at stimulating entrepreneurial activities and opening new businesses, identifying, developing, and exploiting business opportunities (Souto & Rodríguez-Lopez, 2021). There are divided opinions in the literature about how different approaches to entrepreneurial education affect the success of an entrepreneurial venture. Lyu et al. (2021) believe that entrepreneurship education at the university level, which focuses on the creation of entrepreneurial ventures, is proven to contribute to future economic development. On the other hand, short courses and programs on entrepreneurship contribute to the acquisition of business plan writing skills, while they are not suitable enough for the actual establishment and management of a company (Watson & McGowan, 2019).

Interest in entrepreneurship education and courses offered by a higher education institution is influenced by the mainstream culture in a country (Lyu et al., 2021). Such activities are very often promoted by the state, taking into account the dominance of entrepreneurial activities, both in developing countries and emerging countries. The content of entrepreneurship education is often based on topics such as entrepreneurial traits, personality characteristics, economic success, entrepreneurial awareness, and mindset (Lyu et al., 2021). The skills of writing and developing a business plan are also part of the entrepreneurship education curriculum (Lyu et al., 2021).

The outcome of entrepreneurship education is the development of awareness and skills among entrepreneurs on how to recognize a business opportunity and see a chance where others do not; identify the opportunities, strengths, weaknesses, and dangers of an entrepreneurial venture; manage business assets and human resources; constantly work on business differentiation and development of innovative products and services. On the other hand, the identification of entrepreneurs and firms with high growth potential is also of interest to researchers in an effort to identify key traits of successful entrepreneurs (McKenzie & Sansone, 2019) and examples of good business practices.

Despite numerous and successfully implemented courses in the field of entrepreneurship, the literature indicates a lack of consensus regarding the definition of entrepreneurship education, course content, and the most effective way of harmonizing...
theory and practice (Lyu et al., 2021). In addition, the goals of entrepreneurship education within different university settings are additionally influenced by the social, cultural and political context (Lyu et al., 2021). Bearing in mind the above, it can be concluded that entrepreneurial activity is a rather complex undertaking that depends on numerous factors, which should be included in the framework of entrepreneurship education. One of the key tools for establishing entrepreneurial ideas on a good basis is the business plan.

2. Business plan as part of the entrepreneur’s planning activities

The task of planning activities is to define business goals and plans for their successful implementation. This is the initial stage in the business of all companies and requires a special kind of commitment since it can affect the use of perceived business opportunities (Krstić et al., 2014; Wei et al., 2018). An important part of an entrepreneur’s planning is the business plan, which belongs to the group of one-time decisions that are made in situations of solving problems of a non-repetitive nature (Đuričin et al., 2012). Writing a business plan is seen as the only activity within the planning phase that is directly correlated with the company’s performance (Welter et al., 2021).

Transition, privatization, and the financial crisis were key factors in the development of entrepreneurship and imposed the need to create a business plan due to the arrival of foreign financial institutions and the inflow of foreign direct investments (Bajramović & Ahmatović, 2012a). A business plan can be defined as a document that describes the state and expected future of a company (Watson & McGowan, 2019). The logic behind the creation of a business plan is to predict the future of a new venture through market analysis and research, forecasting, and strategy in order to reduce uncertainty (Watson & McGowan, 2019). Therefore, through the business plan, the entrepreneur thoroughly researches the market and evaluates the possibilities of profitable use of capital (Boškov, 2016). In the business plan, the entrepreneurial venture is described in detail, the economic and financial dimensions are evaluated in order to assess the feasibility and profitability of the business (Bajramović & Ahmatović, 2012a). It should also be noted that defining such a plan does not guarantee success, but it can increase the probability of success through reliable, comprehensible, and true information that projects business activities (Boškov, 2016).

A business plan is created in two situations: the establishment of a new company and the development of an existing company (Bajramović & Ahmatović, 2012b). In the case of establishing a company, a potential entrepreneur develops an idea and looks at the realistic possibilities of its realization, the necessary funds, and this document applies to subsidized funds. In the case of the development of an existing company, a business plan is created in order to analyse the market position of the company, the possibility of improving the existing assortment or introducing new products, assessing the profitability of the new production program, in order to obtain funds from financial institutions, funds, investors and business partners (Boškov, 2016). It can be concluded that defining a business plan brings external and internal benefits. From an external perspective, the business plan gives investors an overview of the entrepreneur’s possibilities and a plan
for the realization of the perceived business opportunity (Jones & Penaluna, 2013). From an internal perspective, the entrepreneur has developed a road map that he follows while performing business activities (Jones & Penaluna, 2013).

A realistic business plan is increasingly becoming a necessity for entrepreneurs for successful long-term business, the purpose of which will not only be to obtain financial resources but will also be used for their own needs and control of business activities (Bajramović & Ahmatović, 2012a). By developing a business plan, the possibilities of the company in the current market are reviewed in detail (Hormozi et al., 2002). In addition, research shows that the use of a business plan improves the growth and profitability of a firm (Eschker et al., 2017). Authors Schiraldi & Silva (2012) state that business plans are important for the following reasons:

- The plan can help the entrepreneur to perfect and improve his concept;
- Determine if the concept/business model is worth pursuing;
- Improve chances of success;
- Continue business according to the defined plan.

The purpose of the business plan is twofold: it helps the company in collecting the necessary financial resources (1), and facilitates the management of the growth and development of the company (2) (Bajramović & Ahmatović, 2012b). According to the defined purposes of the business plan, its users can be grouped: external users and internal users (Figure 1). Business plans are primarily used for external stakeholders in order to finance business ventures (Bajramović & Ahmatović, 2012a; Schiraldi & Silva, 2012; Eschker et al., 2017) which include banks, financial institutions, and venture capitalists. (Wei et al., 2018). The internal users of the business plan include entrepreneurs, the entrepreneurial team, and employees. According to Hormozi et al. (2002) these users include new business owners, existing business owners who need financing for expansion, and any business owner who wants to increase the success of their business.

Figure 1: External and internal users of the business plan

Source: Authors
Bearing in mind the number and variety of business plan users, it would be useful to include stakeholders in the process of creating a business plan in order to check its value (Omerbegović-Bijelović, 2006). Research shows that drawing up a business plan has a positive effect on the establishment of a new business venture (Wei et al., 2018), which means that the creation of this plan requires the provision of appropriate resources, primarily humans, who have the appropriate knowledge, abilities, and experience in writing such plans.

3. Business plan: “FOR” and “AGAINST”

The key dilemma faced by entrepreneurs is whether to write a detailed business plan or just “storm the castle” (Watson & McGowan, 2019). Creating a business plan is often presented as the ideal outcome of the planning process before creating a new entrepreneurial venture in practice (Watson & McGowan, 2019). However, there is also a different opinion. Focusing on creating a business plan, an entrepreneur often neglects other aspects of business that are much more important. Therefore, you cannot write a business plan if you have not previously secured customers for your product/service (Coulter, 2010), provided free financial resources and the technology for creating a new product. Therefore, it is recommended to only draft a business plan (Coulter, 2010), with the specification and elaboration of key elements, while the detailed elaboration of this plan can be carried out by entrepreneurs in the course of business when they have insight into a larger number of factors and activities that directly and indirectly affect the business. In the literature, you can also find arguments “FOR” and “AGAINST” the detailed creation of a business plan before starting a business.

The advantages of creating a business plan for an entrepreneur can be identified and summarized as follows: a business plan affects performance improvement; enables comparison with achievements and thus represents a standard of control; represents a data structure on the basis of which the success of managerial activities can be measured; it is a means of harmonizing the goals of interest groups and a means of education for all employees (Đuričin et al., 2012). Also, the creation of a business plan has a positive effect on the development of the enterprise, its progress, and the achievement of defined goals (Watson & McGowan, 2019). On the other hand, advocates of business planning believe that the detailed elaboration of the plan contributes to the efficient allocation of resources (Wei et al., 2018).

Some authors also mention the disadvantages of detailed elaboration of the business plan. Jones & Penaluna (2013) believe that outside the scientific boundaries, the business plan increasingly loses its credibility. The business plan’s fictional nature as a record about an opportunity that is rarely fully understood means that any rigid adherence to it would inevitably result in the wrong outcome. This is perhaps the biggest critique of it (Jones & Penaluna, 2013). Eschker et al. (2017) even come to the conclusion that using a business plan did not help businesses succeed. Watson & McGowan (2019) also agree with this conclusion, considering that the business plan has limited opportunities to influence the performance, profitability, and persistence of newly founded entrepreneurial ventures. McKenzie & Sansone (2019) come to similar results because they conclude that the results from the business plan are not correlated with the
survival, employment, sales, and profit of the company. In addition, the business plan is not precise enough when it comes to predicting the return on investment in younger firms (Eschker et al., 2017). Another challenge faced by business plan creators is the high confidence that students have when it comes to developing business ideas (Jones & Penaluna, 2013). Attending training and courses in entrepreneurship is not enough to create a reliable business plan. The key thing in creating a business plan is the experience of (potential) entrepreneurs, which students in most cases do not have. Third, creating a business plan requires a lot of time, which can limit the flexibility of new ventures, delay the time to enter the market (Wei et al., 2018), and delay the action of entrepreneurs (Watson & McGowan, 2019). Such situations lead to some business opportunities being missed on the market (Wei et al., 2018), which will benefit competitors.

Despite the increasing criticism of the creation of a business plan, significant resources are still spent on its promotion within the framework of providing support in education and starting a business (Watson & McGowan, 2019). Considering the importance of planning in the process of managing entrepreneurial ventures, the creation of a business plan cannot be completely ignored. A certain type of plan must exist, in order to look at the idea and evaluate the possibilities of its realization because it is better to “make mistakes on paper than on the market”. The level of development of the business plan will depend solely on the business idea, the experience of the entrepreneur, available resources, and the current business situation in the market.

4. Content and form of the business plan

The utility value of a business plan primarily depends on its content, i.e. on information on how to develop a business idea. The form of a business plan is usually similar for all companies - it contains similar sections and follows an established form, but the length of the plan depends on the type of company (Hormozi et al., 2002). The form of the business plan differs depending on whom it is intended for (Bajramović & Ahmatović, 2012b). For internal needs, entrepreneurs can choose the form and content themselves, while in the case of drawing up a business plan for the needs of external stakeholders, it is necessary to adhere to certain standards (Bajramović & Ahmatović, 2012b).

The creation of a business plan is based on the use of appropriate resources (human, material, intangible) and appropriate information (primary and secondary). That is why it is especially important to respect the principle of truthfulness (Boškov, 2016) in order to use resources and information to their full potential. It is concluded that the first and most important step in the process of defining a business plan is to harmonize the capabilities and strengths of the entrepreneur with the needs of internal and external users (Stankov et al., 2016). In addition to numerous material and financial resources, the process of reviewing and evaluating the possibilities of business ventures and ideas requires, above all, a high-quality entrepreneurial team (Stankov et al., 2016). The time frame for which a business plan is created is usually one year, with the fact that it can be updated on a quarterly and monthly basis (Đuričin et al., 2012).

A business plan consists of a formal part and an essential part (Bajramović & Ahmatović, 2012b). The formal part includes the title page, content, and other elements.
defined by the financier, while the essential part includes the elaboration of key aspects of the realization of the business idea. Accordingly, the business plan should contain the following elements (Stankov et al., 2016; Boškov, 2016) (Figure 2):

- Description of the company;
- Production/operational plan;
- Human resources plan;
- Sales plan;
- Marketing plan;
- Financial plan;
- Business implementation plan.

In the company description part, basic information about the company is presented, for those companies that are already operating, or key information about the potential entrepreneur and his idea, if the company is not yet registered. Based on the data presented in this part, external stakeholders can see the business potential of the company and the entrepreneur.

The production plan is a part of the business plan in which the possibility of producing new products and services is elaborated. The entrepreneur must estimate the production capacity, estimate the value of the production assets, define the planned production volume, and define the production process and technological procedures. The marketing plan is a part of the business plan that analyzes the market environment and defines the marketing strategy, i.e., the methods for attracting customers and promoting the company's products and services. The sales plan defines the sales targets, the sales channels, and the sales strategies. The financial plan provides information about the financial resources needed to start and maintain the company, including the sources of funding, the budget, and the profit forecast. The business implementation plan sets out the steps necessary to implement the business plan and achieve the planned goals.
the production capacity, estimate the value of the production assets, define the planned volume of production, work out the technological process, estimate the production time per unit of product/service, the number of employees who will be involved in the production process, the required level of inventory.

*The human resources plan* is based on the assessment of the required number and qualification structure of employees. Investing in human capital represents a certain type of investment, so an entrepreneur must assess the value of each employee before starting a new business venture. Within this plan, it is necessary to plan the recruitment and selection of candidates, employment, employee training, employee performance evaluation, and employee rewards.

*The sales plan* is based on an assessment of the number and structure of potential customers based on market research. So, within this plan, entrepreneurs identify the customers of the potential product/service and analyse how many of them would buy their product. Part of this plan is determining the selling price of the product/service.

*The marketing plan* deals with the description of the market, future customers, suppliers, business partners, monitoring of demand trends, analysis of market opportunities and designing a program of marketing activities. If these activities are too extensive for the entrepreneur, he can hire specialized institutions for market research. Within this plan, it is necessary to analyse the elements of the customer relationship management, marketing mix, to make a SWOT analysis (Pavlović & Krstić, 2016; Nedeljković et al., 2022).

*The financial plan* foresees the necessary funds for the realization of the business idea. It is based on the assessment and analysis of financial indicators on the basis of which the economic justification and efficiency of investing in a specific project are determined (Pavlović & Krstić, 2016). Within this plan, the projection of income, expenses, cash flow, and construction of financial investments are made.

A business plan is a tool of the planning process that helps to see the real possibilities of a business idea. However, this plan is not a guarantee of success and poor performance can occur if some aspects of the business are changed or left out of the analysis. Some of the causes of bad results of business ventures elaborated in the business plan are a wrong market analysis, the great fascination of the entrepreneur with the idea, and unrealistic assessments of business possibilities, it is not enough to be the first in a business, it is also important to be the best (Boškov, 2016). On the basis of what has been said, it can be concluded that the business plan is based on the assessment of the entrepreneur and his experience in the specific business field, so the importance of this plan solely depends on human resources - the entrepreneur and his team.

**Conclusion**

A business plan is a basic planning tool based on which opportunities, limitations, and resources are assessed in order to realize a business venture. The essence of the business plan is to test the perceived business idea, to present the financial potential of the idea to investors, and to serve as a means of control for the entrepreneur in future business. The entrepreneur and the entrepreneurial team have the key role in defining the business plan and in its realization. In this sense, the paper particularly emphasizes
the role of entrepreneurship education in spotting a business opportunity and later in its elaboration and realization. Users of the business plan can be internal (the entrepreneur and his team) and external (financial investors).

The literature confirms the contribution of a business plan to an entrepreneur’s business, but it should also be emphasized that in today’s turbulent conditions, it is difficult to define a precise plan. It is recommended to create a business plan based on key points while leaving the detailed elaboration of the plan for later. The form and content of the business plan are generally similar for most companies. It differs depending on whether it is compiled for external or internal users. The elements of a business plan can be summarized as follows: company description, production plan, human resources plan, sales plan, marketing plan, and financial plan.

The work provides a good theoretical basis for conducting future empirical research on how much entrepreneurs use a business plan, whether there are differences in the use of a business plan according to activities, how the definition and implementation of the idea elaborated in the business plan affect the competitiveness of the company. All of the above can be research directions for future studies.

References


