

UNIT 6: BUSINESS PLANNING (ADVANCED)

ABOUT THIS UNIT

Central to the work of any business, large or small, existing or newly established, is the business plan. Without an effective plan there is no way of judging whether or not the business is likely to succeed in its objectives. Anyone who tries to get start-up funds from a bank for their business without a plan will be quickly disappointed because a clear plan is the most effective way of seeing whether or not the owner or directors can translate their objectives into actions. Business planning is part of developing entrepreneurial skills and can provide you with a firm basis for making your creative idea a reality.

In this unit you will be producing a business plan for an enterprise that you are establishing. You will find out about the market for your product or service and produce a marketing plan in line with your findings. This will involve predicting the potential demand for your product or service by analysing and developing an understanding of the market within which your business will operate. You will consider aspects of the production of your product or service and relate these to the finance and marketing elements of the overall business plan. You will take account of the resource requirements of producing and marketing your product or service and build your findings into the plan as a whole. You will also investigate financial aspects of your business and prepare a financial plan for your product or service. This will help you to understand how important knowledge of financial management is for the effective planning of an organisation.

This unit builds on knowledge and understanding you have developed in each of the previous compulsory units. This unit is also linked to some optional units – Unit 7: Marketing & promotional strategy (Advanced), Unit 8: Marketing research (Advanced) and Unit 17: Management & enterprise (Advanced).

This unit will be assessed through your portfolio work only. The grade awarded will be your grade for the unit.

WHAT YOU NEED TO LEARN

Market analysis and marketing planning

In order to make informed judgements about the likely sales levels of your product or service you need to carefully identify and analyse the market within which it will be sold. This will require you to understand the following:

- the use of primary data to undertake market research
- the use of secondary data to undertake market research
- the factors affecting demand for your product or service
- methods of identifying and analysing competition.

Your marketing plan should build on the findings of your market analysis. You must be able to identify your target consumers and demonstrate why they will be prepared to purchase your product or service. You should also be able to identify potential competitors and demonstrate why consumers may purchase your product or service in preference to competitors, products or services.

Based on your market analysis your marketing plan should describe and explain the following:

- your choice of product and its distinctive features
- the price(s) of your product
- the methods you will use to promote your product
- how your product will be distributed to consumers.

Production and resource requirements

As well as considering the features of your product or service you will need to determine the process by which it will be produced. This will involve you considering the following aspects of the production process:

- the quantity to be produced
- the plant, machinery and equipment required
- quality levels required and means of assuring targeted quality
- the different stages of production
- the timing of production to meet customer needs.

It is important to relate your production decisions to aspects of your marketing plan.

You will need to judge the resource requirements of all aspects of the production and marketing of your product or service. You should consider the following resource requirements:

- financial
- physical
- human
- time.

You should also be aware of any constraints – legal, financial, social, environmental or technological – that you might need to take into account when making decisions about producing and marketing your product.

Financial analysis and planning

You need to understand and use financial information to assess the viability of your idea. In order to do this you need to produce a financial plan consisting of:

- sources of finance
- budgets, including estimates of start-up and working capital
- break-even forecasts
- simple cash flow forecasts
- projected profit and loss accounts
- start-up balance sheets.

You need to be able to use IT, such as a spreadsheet, to present your financial projections effectively.

Your financial planning should allow you to clarify, identify and justify the legal status of your business.

Evaluating your business plan

The viability of a business plan for a product or service can be assessed by applying a range of techniques. You need to be able to analyse your business plan using the following criteria:

- return on capital employed
- profit margins
- the ability to reward or repay investors
- percentage of market share gained.

ASSESSMENT EVIDENCE

You need to produce a business plan for a new product or service. The business plan should include:

- a market analysis for the product or service
- a marketing plan
- a production and quality assurance plan
- a financial plan, including an IT spreadsheet or similar IT format
- an evaluation of all components of the plan.

To achieve a grade E your work must show:	To achieve a grade C your work must show:	To achieve a grade A your work must show:
<ul style="list-style-type: none"> • effective use of primary and secondary market research data and a competition analysis to complete the market analysis in the marketing plan • a description and explanation of the choice of product/service, the price(s) of the product/service, the promotional methods for the product/service and how the product (or service) is distributed to (or provided for) customers • the production process for the product/service including quality assurance • a sound basis for the financial plan on a market analysis which identifies sources of finance and includes a budget, break-even analysis, cash flow forecast, projected profit and loss, and a start-up balance sheet • basic judgements about the viability of your business plan • justification of the approach taken to the construction of your plan. 	<ul style="list-style-type: none"> • accurate use of marketing and financial concepts in your market analysis and marketing and financial plans • realistic and detailed judgement about the financial viability of your financial plan • an accurate evaluation of the business plan using appropriate evaluation tools • justification of the approach taken to the construction of the business plan and indicate the alternative approaches that were considered. 	<ul style="list-style-type: none"> • viable marketing, production and financial alternatives in your assessment of your business plan, based on your understanding of the financial information generated by your evaluation • effective links between the marketing, production and financial elements of your business plan • full consideration of the relevant advantages and disadvantages of the approach taken in the construction of your business plan.

ESSENTIAL INFORMATION FOR TEACHERS

Teaching strategies

Students have to create, collect and analyse information for their business plan. They also need to consider and reconsider the different elements of the plan as they become clearly defined, so that they can see how one component will impact on another.

Centres need to guide students in the selection of a product or service for their plan to ensure there are appropriate opportunities and resources to carry it out. A vague or over-ambitious business idea may cause students problems in completing this assignment within a reasonable timeframe.

Centres will find it helpful if students consider ideas for this unit well in advance of producing work on it. Students can consider different ideas for this unit as they work with the concepts of marketing, human resources and finance in other units. Some of the evidence or preparatory work for those units may be suitable to be adapted and built on for this business plan.

The main component of the plan is the financial plan which must contain the six components: sources of finance, a budget, a break-even analysis, a cash flow forecast, projected profit and loss, and a start-up balance sheet. This is a substantial amount of work which is dependent on the completion of the market analysis and plan and the production and QA plan. Teachers will need to guide and monitor progress on these early stages in order to allow sufficient time to address the financial plan.

Students seeking higher grades need to allow time for the overview evaluating and justifying the plan and the planning process. Students need to be regularly encouraged to monitor their planning process effectively and to take note of decisions and modifications to their plans. This becomes critical for achieving higher grades when students have to explain the judgements they made.

Many centres get students to work in small groups to create their plan, sometimes giving individuals or pairs of students responsibility for creating a component of the plan. Group contributions to planning are common practice within businesses. This can be an effective learning process and can also motivate students to fulfil that responsibility, although some may rely too heavily on others. Each student must be fully aware that s/he has to write up her/his plan individually.

Assessment strategies

Assessors may have to take into account the use of group work. At Grade E the final two criteria are important indicators of individual work and assessors and students should recognise that. At all the higher grades, even more importance is given to the individual's analysis and synthesis of the whole, and the use of effective evaluation and judgement will differentiate one student's work from another.

To achieve high grades students have to develop a critical understanding of the interrelationships between the different components of the business plan and a thorough awareness of the process they are using to plan. Their conclusions have to be very well supported by appropriate evidence.

Students should be encouraged to use a range of formats to increase the clarity and directness of their plan. If students use prepared formats, for instance provided by a bank, this must be clearly documented. Assessors should be fully knowledgeable of the format and supporting materials provided by others and be sure that they can identify the student's contribution as opposed to the bank's.

When grading student evidence you should consider the following general qualities that distinguish between the grades:

- increasing depth and breadth of understanding
- increasing coherence, evaluation and analysis
- increasing independence and originality
- increasing objectivity and critical understanding.

Grade E

At this level students will be able to put together each component of the plan. There may be some inconsistencies and small gaps in the material or the analysis. The interpretation of the financial plan is mostly accurate with no significant misinterpretations of data or calculations. The judgement about the business is mostly related to the financial components and some potential problems in other parts of the plan may be missed. The justification for the approach to the plan shows an understanding of the whole process and describes it in simple terms.

Grade C

Grade C students will demonstrate the use of marketing and financial concepts and principles so that the reasons for their decisions are explicit. Their interpretation and judgement is realistic and there are no misinterpretations of data or calculations. They will show competence in identifying some of the strengths and weaknesses of their plan accurately, although some may be missed.

They will be able to identify key decisions made throughout the planning process and some alternatives they might have adopted.

Grade A

Grade A students will use their financial data effectively to show viable alternatives in the marketing, production and financial aspects of the plan. This should demonstrate that they are able to review the components of the plan and make logical and practical alterations while still maintaining a viable plan.

They will show competence in identifying all the significant strengths and weaknesses of their plan accurately and in a systematic way.

They will show through their justification that they have a firm understanding of the planning process and can make suggestions that will address some of the following: saving time; finding better sources of information or advice; using financial techniques more fluently or effectively; using IT and other resources more effectively; carrying out checking and cross-referencing in the plan more effectively; timing different stages of the process differently.

Resources

Centres could draw on the following kinds of resources for their students:

- sample plans for each component and/or the overall plan
- a talk given by a financial source about their expectations of a business plan and how they evaluate it
- planning software and assistance in understanding it
- materials from banks, building societies, FSA and other organisations, including those connected with enterprise activities
- student involvement in business-type activities such as Young Enterprise, the Prince's Trust, company schemes or challenges to young people.

There is a wide range of textbooks aimed at Advanced students. These include materials published by schools and colleges, educational consortia and so on, as well as the major educational publishers.

FEDA has published an extensive list of materials for Business GNVQs that is available by calling 020 7962 1066.

Key Skills

This guidance highlights the most relevant Key Skills opportunities in this unit. It contains suggestions only. You will need to check that students have produced all the evidence required to meet part A **and** part B of the Key Skills specifications. Students may need to develop additional evidence elsewhere to meet fully the requirements of the Key Skills specifications.

Guidance is referenced in two ways:

K – keys to attainment

These are Key Skills or aspects of Key Skills which students should achieve as they meet the vocational requirements of the units. Only part B of the Key Skill is highlighted – you will need to check that students achieve part A.

S – signposting

These are opportunities that can be incorporated naturally into the learning programme.

APPLICATION OF NUMBER, LEVEL 3		Key Skills Reference
When students are:	They should be able to develop the following Key Skills evidence:	
<ul style="list-style-type: none"> drawing on and interpreting complex numerical data for marketing, production and finance interpreting financial calculations 	<p>N3.1 Plan and interpret information from two different types of sources, including a large data set.</p> <p>N3.3 Interpret results of your calculations, present your findings and justify your methods. You must use at least one graph, one chart and one diagram.</p>	<p>S</p> <p>S</p>

COMMUNICATION, LEVEL 3		Key Skills Reference
When	They should be able to develop the following Key Skills evidence:	
•	C3.1a Contribute to a group discussion about a complex subject.	S
•	C3.2 Read and synthesise information from two extended documents about a complex subject. One of these documents should include at least one image.	S
INFORMATION TECHNOLOGY, LEVEL 3		Key Skills Reference

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When students are:	They should be able to develop the following Key Skills evidence:	
<ul style="list-style-type: none"> using different kinds of data and information to create text, a spreadsheet showing their calculations, and images such as graphs or tables appropriate to their analysis 	<p>IT3.3 Present information from different sources for two different purposes and audiences.</p> <p>Your work must include at least one example of text, one example of images and one example of numbers.</p>	K
PROBLEM SOLVING, LEVEL 3		Key Skills Reference
When students are:	They should be able to develop the following Key Skills evidence:	
<ul style="list-style-type: none"> compiling their plan and considering alternative strategies compiling their plan they may produce two alternative cash-flow statements 	<p>PS3.1 Explore a complex problem, come up with three options for solving it and justify the option selected for taking forward.</p> <p>PS3.2 Plan and implement at least one option for solving the problem, review progress and revise your approach as necessary.</p>	S S
WORKING WITH OTHERS, LEVEL 3		Key Skills Reference
When students are:	They should be able to develop the following Key Skills evidence:	
<ul style="list-style-type: none"> beginning to draw up their plan they need to liaise with others and need to set targets for producing the plan compiling their plan, students need to monitor progress and liaise with their tutor reviewing their plan with their tutor and/or business advisers 	<p>WO3.1 Plan complex work with others, agreeing objectives, responsibilities and working arrangements.</p> <p>WO3.2 Seek to establish and maintain co-operative working relationships over an extended period of time, agreeing changes to achieve agreed objectives.</p> <p>WO3.3 Review work with others and agree ways of improving collaborative work in the future.</p>	S S S

