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## Assignment 1 - Unit 9 - Business Planning P1 What is a business plan? A

A business plan is a document used to varying extents by all businesses that allows a business to show people such as potential investors their plans for the future.

They allow a business to do many things. These include:

- Checking their progression as a business, ensuring they are staying true to their original objectives throughout the growth of the company. This is done via a lot of differing comparability tests, such as simply checking against their daily or even monthly quotas given by the owners or managers within the business.

- Ensuring they are on track, meeting their targets and objectives in a timely manner, and then allowing them to make any necessary changes to ensure they are met.
- Pleasing investors making them more likely to invest their own money into your business venture, because it makes it a more secure investment, as the people being given the money have evidence of a plan of the company getting the investor his/her money back plus whatever interest the investor gives. A business plan consists

of:

- Objectives- These are the places a business wants to reach in order to be used as a measure of the company's progress, or lack of depending on the situation. An example of this in use is in the company Nestle, where to check their progress, they are set daily quota objectives to meet, and they can vary the speed and strain put on their machinery depending if they need more or less product to be manufactured in the given amount of

- Strategies- These are the variety of methods the business is going to use in order to meet its objectives. These could include pricing strategies, marketing strategies and even growth strategies.

An example of a pricing strategy is competitive pricing. This is a strategy where a company analyses its competitors pricing, and sets its own prices accordingly. Also, they could adopt cost plus pricing, where you simply add an extra percentage onto the production costs of the product/service, and then guarantee yourself a set profit margin. This can be varied depending on what customers are willing to pay, which can, depending on the elasticity of the product, correlate with the consumer demand for the

product.

Layout of the market - This is the evidence the business owners will use to show an unsaturated gap located in the market that they are going to try and penetrate in order to then saturate and hence, make a profit and try to ensure demand and likely, success.

This is done by creating a market map, which is where all of the products being sold by the companies close competition is placed on a grid, scoring price against quality, leaving 'gaps' where there is no completion. However, in this system there is almost nearly always a gap located at high quality and low price, purely due to the positive correlation between price of production and quality, hence meaning that they would have to charge the consumer a higher price for the product in order to make a

clear profit.

Financial Information - This is all of the information on the company's cash flow. This includes the companies forecasted spending's/expenditures, income from sales, income from other investors and even projected breakeven amounts required for the company to be successful.

This includes a breakeven forecast, which is a piece of data created by comparing the variable costs, fixed costs, and the profit from every product

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on a graph, and where the profit being made covers all of the costs of the production of the product, then they are said to be "breaking even". This is a vital piece of information for investors such as banks, because it shows the target the company has to meet in order to make a profit, which is then usually followed by an explanation of how they are going to ensure this, making the investor trust in the company and, therefore, want to invest in it.

**Operations**- This is the day to day running of the company, that is used to show to investors how they are going to actually produce, trade and sell their product or service to their customers. This could include the potential for outsourcing, where they sell the production of the company's products to a different company, lowering the stress on their own manufacturing departments, and also saving them on costs, as they wouldn't have to go and purchase the required machinery and staff required for production if they can get someone else to do it. This is good in the short term, however as you use it for longer periods of time, it becomes less and less cost effective. **Resources**: In a business plan, there is a wide multitude of resources that are significant to the success of the company, and therefore have to be maintained very precisely.

These are critical to a company's survival and success, as they are the foundation that all of a company's profitability is built on, and a lack of control of a company's resources will almost definitely end in the failure of the company. These include:

- Physical Resources** - These are resources that are actually put to use by the company, in making their products/services. This includes sub-categories such as employees, equipment, suppliers, production processes and distribution channels

(who you're going to sell the product/service to). A failure to manage these resources may result in a lack of staff to maintain or increase production to the potentially increasing demand, meaning the company is not operating at its capacity.

- Financial Resources - These are all of the company's resources related to money, and how the money is coming in and out of the business, potentially allowing for better use and less wastage of their capital. This includes all financial aspects of the company, such as the company's cash balances, bank overdraft, loans, shareholders, working capital (assets), and creditors. However, it is also the company's ability to be able to raise funds or even decrease costs through means such as the sale of the product/service itself and building relationships between the business and its suppliers in order to use economies of scale to get a better, bulk price. A lack of control of these resources could result in bankruptcy for the company, where they just run out of money to be able to maintain their production and, therefore, they cannot operate and must end the company.

- Human Resources - These are resources that directly affect people within the business. This includes the number of staff currently employed by the company, rate of staff turnover, standard of the training given to employees, employee motivation management, and even the management of human resources that includes changes the organisation can make such as a new location and/or product and sources of human resources such as outsourcing (giving the production demand to another company). A failure to maintain control of these resources could result in industrial action, where employees begin to

strike, leaving the company with little to no production capabilities until the employees get what they desire.

· **Intangible Resources** - This includes the non-physical resources that can be managed and maintained by the company, such as morale, reputation, motivation and brand names. A good example of brand names being a valuable resource is Nestle's purchasing of Rowntree's to own the rights to the name KitKat, even though they could have quite easily made an equally tasty product without doing so, however they purely wanted to be able to sell them named KitKats, as the name already has its own loyal customer base, and therefore guaranteed to make them their money back. A failure to manage these resources effectively could result in customers wanting to go and purchase their products from the company's competition, who may have a better reputation, and could also cause brand value to diminish, resulting again in less people wanting to purchase the company's production, which correlates negatively with the profits the company would make, decreasing them accordingly.

P 2 What are corporate expectations? Corporate expectations are the things that a company expects from its employees when fulfilling their jobs. These include:

- A sense of responsibility to be held by the business, so that the company takes blame where blame is due, from things such as not getting their quotas met in a timely manner. This promotes people to strive to be better after learning from their mistakes, developing their workforce as people, not just as employees, giving them character building skills that are transferable to other jobs.
- A persona of professionalism, in regards to how they intake information and hence manage their operations and decisions appropriately,

ensuring they maintain their ability to reach objectives. This ensures a feeling to the customers, of how nice the place is to purchase from with their staff being so professional, increasing the likelihood of said customer repeating purchases from the company, therefore increasing sales, and increasing profits, making the company more successful.

- A good enthusiasm regarding teamwork and being able to work as a member of a team effectively, as this is also transferable skill, and is applicable to a wider range of jobs available, and also massively increases the productivity and efficiency of the team, decreasing the time it takes to make a product, and therefore decreasing labour cost per unit, increasing profit per unit, and therefore decreasing the number of staff required and increasing the amount of profit margin the company makes by reducing costs.

- Performing your task to your very best ability and giving a great customer service throughout. This is done to try and gain repeat purchases from customers, and can range from just being polite and not swearing, to carrying the customer through every single stage of the purchasing process making it as easy as possible for them to buy from your company, showing great customer care and attention throughout.

- A very open and talkative persona, promoting them to listen to other people's thoughts and feelings on/about work and to trust in others as you would want to be trusted to complete a job well, and fully. This inspires people in the workforce to improve and strive for more, adding to the creativity of the workforce and with a higher demand for responsibility being advertised, then the company is more likely to give the workforce more promotions, promoting from internal sources.
- A great sense of respect for yourself and those around you,

ensuring you understand and support members of the workforce and their ideas and feelings, encouraging them to work harder and to a higher quality, striving to be the best they can be.

This is great for the company as it creates a higher productivity from their workforce and this therefore, as already stated, creates a higher profit margin. What is Reputation and Trust? Reputation and trust are important when a company considers its customers because its customers are the ones with the power to control the strength of this. This is also dually because reputation and trust are very closely linked. This is because, if a customer trusts a product, then they are likely to purchase from them again, and that therefore builds the company's reputation to that customer as they now like that product from the company over any other, similar products being offered from the company's competition.

A great example of reputation and trust is Nestle's purchasing the KitKat brand. They did this because the brand already had a great reputation and loyal customer base, which meant they were actually buying the rights to a product, and all of the loyalty that followed behind, almost ensuring sales would continue to be as good, if not better because they had a greater production capacity and a better marketing campaign for the product, to further increase the reach and strength of the reputation. In other cases, companies such as Nike could be said as to have a bad reputation, as they were recently exposed as to have been using child labour in the production of some of their products. This affected them as now, nobody wants to purchase from them because they don't want to be perceived as to be supporting a



company that uses such a cruel, un-ethical form of labour, and hence supporting the ideology of child labour.

They are now fighting this claim and are correcting their mistakes, recovering their strong brand image and reputation.

**M 1 Tendering** - The process a company or organisation goes through to get the best business to complete a task at possibly the lowest price, by giving the opportunity to a wide range of companies in order to make them compete against each other to force them to make good offers. This involves a few different stages that combine to make the final tender. Firstly, the company gives an estimate of how much it would cost for the customer to get what they want. Then, secondly they give a more precise quote for the work, including costs of materials and labour, however depending on the size of the operation, they will then give a Tender. This is the final piece of documentation that includes an overall price for the operation, a breakdown of all of the contribution factors making the overall price, a time schedule which they will try to adhere to throughout the project, the terms and conditions for the project, including factors such as weather constraints and accessibility of materials etc., and the payment terms for the work, including how the money has to be paid, and who to, and can be a very larger piece of documentation. At the end of the final Tender, the company has to get signed acceptance from the customer to the conditions and to state that they are clear about what has been agreed.

This is important to a company's business plan because it has to ensure a level of competitiveness is enforced in everything they do, increasing the quality of the company's finished product/service as a result. It also dictates the prices the company can charge for its product to a certain extent, by

reducing or decreasing the profit margin the company takes from every sale, managing this against the demand and interest for the product/service. Also, a company's business plan includes all of their financial planning as well, and therefore the tendering process is a source of income for the company, and would therefore have to meet certain criteria such as the level of money they are going to make from the order. Contracting - The legal documentation created in order for a company to complete a task, and guarantees specific guidelines and rules the company has to adhere to throughout, such as time and financial constraints.

If not met, this could result in a potential decrease in pay for the company being contracted, or even the cancellation of the given contract. This is important to a company's business plan because it is the only thing that the company has as evidence to bind the customers to paying for their product, and also gives them the time scales for the production of the product, aiding in the planning and preparation of the production processes of which they have to state when planning their business decisions for the year. Innovation - The process of making new and improved designs by a company in order to make a better and more desirable product/service compared to the company's competition. This is done by taking an existing product or service, and improving the features of it, such as the materials it is made of into newer and more suitable and perhaps cheaper materials in order to make more money per product or the way a job is completed such as what machinery is used for what tasks.

This attracts more customers and increases the likelihood of sales. This is important to a company's business plan because it allows companies to stay

ahead of competition, and therefore gain interest from customers. It also introduces the opportunity of creating trends to the company, which can be monetised and would therefore increase the company's profits. Also, creativity and innovation lead to higher productivity due to the increased motivation of employees thanks to the increased creative freedom it associates. For example, the company Google uses a Laissez Faire leadership style when it comes to their company's innovative and creative departments, allowing employees creative freedom and responsibility, and to develop the skills they already have, whilst also introducing new ones, increasing employee productivity. So to conclude, the winning of contracts is vital to the success and meeting of a business's plan because it is the winning of contracts that gives the company work, and therefore allows them to meet their financial targets. Intellectual Rights Patents - These protect creator's designs for things like machines, machine parts and tools. This includes the owners actually drawing of the designed product and prevents anyone from making one that is deemed too similar, or operates in a similar way to achieve the same goal, and therefore if another company wants to use the design, then they have to pay the patent owner a fee in order to do so, making the owner money.

Copyrights - These protect pieces of text done by people and businesses such as books, product descriptions and even music, and prevent people from copying it without having some changes made, or a fee being paid to the Copyright owner. Design Registration - This protects a company's physical products. This includes aspects such as " Appearance, physical shape, configuration (or how different parts of a design are arranged

together), decoration" (gov. uk, 2017). Trade Marking - This protects a company's logos by checking the " words, sounds, logos, colours, ora combination of any of these" (gov. uk, 2017) for things like Product names, logos and jingles. All of these aspects combined are crucial during the tendering process because when the tender is submitted, people can copy aspects of your tender for their own, potentially making their tender better than yours by using your own designs against you.

To prevent this, a combination of the Intellectual rights above can be used to protect a company's designs, texts and logos. This ensures that a company's tender cannot simply be copied by another company, who could potentially win just by offering a lower price. They protect by ensuring that if someone does copy your ideas, and you have it protected, then you can therefore hire a patent or trademark attorney who will stake your claim to a judge, who will decide if the product that is being produced by your competition is too similar, and if it is, you can then sue them for money and then prevent them from doing it in the future. Local Impact The local impact of successful tendering is that it both directly and indirectly creates jobs for the local community, possibly increasing the strength of the company's public reputation locally. Also, it therefore increases the income to the local council, possibly increasing the quality and amount of infrastructure in place for the local community, such as road quality and internet access, and a new, large tendered process in the community could create public interest about the community, which could increase the local image to the rest of the country, adding a level of prestige. However, there is also some negative impact to the community such as the increased amount of pollution from all of the

construction and related vehicles, the disruption to the local communities day to day running from the influx of large vehicles coming in and out, possibly causing some traffic congestion or even just the increased number of people in the area, putting strain potentially on the infrastructure currently in place, decreasing the quality of things like roads, covering them in mud, or having vehicles that are too heavy use them, or even the strain on services such as water and power supply to the area.

**Statutory Controls** These are the compulsory laws put in place by the government and H+S bodies around the world.

These include meeting necessary H+S laws and legislation such as the Health and Safety at Work Act 1974, where employees have to care for the safety of themselves and others around them. Also, applicable environmental laws have to be abided by as to minimize the construction's impact on the local environment, such as the particulates created from construction, which could damage local ecosystems, so would have to be controlled and contained.

**M 2 Quality Assurance** - This is the minimalizing of ways that the overall quality of the finished product could be reduced by the processes during the manufacturing process.

This involves processes such as ensuring the machines used are all to a high standard.

**Quality Control** - This is checking and testing the finished product for errors, and then making changes accordingly to prevent it continuing. This involves checks such as the dimensions and weight of the finished product.

Quality control and assurance both massively affect a company's business plan because a high quality being guaranteed by a company provokes a sense of trust into the customer, making them more likely to purchase from

them, as they know they won't be receiving a product that doesn't do what it's designed to, well enough to the customer's expectations. Also, quality control directly affects a company's financial forecasting, as the amount of returned products due to imperfections or problems in general would mean that the company has to replace their product for free, costing them money, and the likelihood of this happening is drastically reduced by the implementation of methods of assuring a high quality, such as sensors throughout the production process. Also, having these sensors at every stage of manufacture allows for problems in the manufacturing process to be found easily and quickly, making the machines have less down time if a problem occurs, which would completely halt production for a potentially long period of time, reducing their output, and therefore the amount of product they have available to be sold, decreasing sales. This is massively reduced however by the implementation of the checks at every stage, as it then allows for the problem to be sourced, and therefore corrected, easily and quickly. Also, both quality control and assurance will can be shown using a BSI kite mark on the product, which is done to prove to the customer that the product has been sufficiently tested and checked by the company, inspiring trust in the customer, as BSI is a widely recognised and trusted institute.

They also however affect a company's corporate expectations, as they massively affect the responsibilities placed on employees. For example, they would mean that employees have to pay much more attention to detail as to ensure a higher quality throughout production, and reduce the possibility of human error in any aspect of manufacture. Also however, it places a duty to report any process or problems that could be potentially reducing the

quality of the finished product, meaning there is increased responsibility on the employee regarding the overall product quality, and therefore company reputation. An example of Quality Assurance in use is at the Nestle factory in York, England, where the Kit Kats are produced, and throughout production they are weighed, scanned using lasers to check their size, x-rayed to prevent any contaminants or debris entering the product, and even taste tested as to ensure they have the desired taste. This is all done to ensure the customer is getting exactly what they want and expect from the company, and the employees have a great amount of control of reducing the possibility of there being any problems, such as ensuring they wear hair nets and don't wear too much deodorant, as these could contaminate the food, and also ensure they don't leave tools near the food, as they could fall in and clog up the machinery, causing a massive disruption to the production process.