

## THE IMPORTANCE OF A BUSINESS PLAN IN BUILDING A BUSINESS

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### Abstract

Business planning is a very important aspect for someone who is starting a business or entering the world of entrepreneurship. Entrepreneurship is not enough just to have confidence, it requires business planning. Running a business, especially a new business, is impossible without a prior plan. Business planning is an important step before executing any business strategy. Companies created it to help them consider all the elements they need to make their business successful. The research used in this research is library research which contains theories related to the problem being studied. In this section, an evaluation of the ideas and concepts used is carried out based on accessible literature. This research discusses the definition and importance of entrepreneurship in the economy, the meaning and objectives of a business plan, the main components in a business plan, and business plans influencing strategic and operational decisions in business.

**Keywords:** Business plan, entrepreneurship, business development

### INTRODUCTION

One of the important steps that a businessman needs to take before starting his business is making a business plan. A business plan or business plan is a document or statement that contains the business goals or vision and mission that will be carried out. Business planning is something that is very important for business people to do if they want their business to run smoothly (Muchtar, 2014).

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business, business people are busy preparing mentally and capital. However, not only that, insight and knowledge about business are also important, one of which is business planning (Darojah et al, 2018).

This business component planning is also often known as a business plan. Proper business planning is needed to minimize the risk of losses that may occur when running a business in the future. Therefore, it is important for us to know what the components of business planning are so that the business we run can run in accordance with the business vision and mission that we want. Business planning is the actions or steps that will be taken when starting a business or enterprise. In carrying it out, business actors need appropriate planning components so that the business can be run well (Tim Berry, 2004).

Business planning can also be used as a tool to get investors, because it contains everything that will be done when the business is run later. Business planning is not only needed by someone who wants to run a large-scale business, any type of business, including small and medium businesses, also needs business planning. Logically, a business that already has a business plan can change over time. Just like a house that you want to build, people must have a plan for the building they want to build. For example, what it looks like, how many stories the house will be built, what the roof design will be, and so on.

Just like houses, businesses also need to have these plans contained in a business plan. In reality, business plans in any type of business will change as the business develops. In the growth phase, a business plan that is continuously revised appropriately can be useful for increasing business capital, developing business expansion and strengthening our business. So, this is what makes having a business plan even more important to have.

Entrepreneurship is not enough just to have confidence, it requires business planning. Running a business, especially a new business, is impossible without a prior plan. The plan must be in writing no matter how simple. Unwritten planning must already be in your mind, namely a simple engineering of the answers to various questions, including, what business will be opened, why you chose that business, where is the location, who are the customers, where will the capital come from, and so on. New entrepreneurs like this tend to carry out trial and error or trial and error activities. If they fail they will move on to other businesses. This kind of model is often found in our business society. A written and official work plan to run the company is the right tool to maintain control of the company and ensure that the company's business focus does not deviate. At a minimum there must be certain written notes that will be followed

in its implementation. For example, regarding the people or personnel who will be given the task of running the business, the capital that will be used, and so on. Starting a new business is not appropriate if it is directly in the form of a large business. It is true that there are entrepreneurs who immediately open a large business without having any prior experience. As a result, if this large business experiences business conflicts, there will be panic among the owners themselves and companies like this will easily fall or fail. Starting an entrepreneur experience after experience in managing his business. Based on experience each year and the data collected is analyzed, the company can easily develop into a larger company (Barrow et al, 2009).

Business planning is an important step before executing any business strategy. Companies created it to help them consider all the elements they need to make their business successful. Many people start a business without proper preparation. In fact, preparation is needed for long-term business progress. One of the important preparations that must be made is to create a business plan, also known as a business plan. A business plan is a document that describes the objectives of establishing a business and its overall operational mechanism. In the business planning document there must be a detailed explanation of the marketing strategy, the company's financial condition, business income and expenses, as well as other important data that shows the business goals must be achieved.

## **RESEARCH METHOD**

The research used in this research is library research which contains theories related to the problem being studied. In this section, an evaluation of the ideas and concepts used is carried out based on accessible literature. Research conducted in libraries helps develop ideas or theories that become the basis for research studies, especially from papers published in various scientific publications. Research, especially academic research with the main aim of developing theoretical and practical excellence, must include a process of literature evaluation or literature study.

## **RESULT AND DISCUSSION**

### **Entrepreneurship Theory**

Entrepreneurship is the process of identifying, developing, and bringing a vision to life. The vision can be an innovative idea, an opportunity, a better way of doing things. The final result of this process is the creation of a new

business that is formed under conditions of risk or uncertainty (Kurniawan, 2021).

The importance of entrepreneurship is when an entrepreneur plays a role both internally and externally. Internally, an entrepreneur plays a role in reducing the level of dependence on other people, increasing self-confidence, and increasing the purchasing power of the perpetrator. Externally, an entrepreneur plays a role in providing employment opportunities for job seekers. By absorbing the workforce through job opportunities provided by an entrepreneur, the national unemployment rate is reduced (Agolla et al, 2019).

The decreasing unemployment rate has an impact on increasing per capita income and people's purchasing power, as well as national economic growth. Apart from that, it also has an impact on reducing crime rates which usually arise due to high unemployment. Entrepreneurship can be an alternative and solution to reduce the unemployment rate in Indonesia. Because there are currently so many unemployed people of the productive age, it is very likely that this happens because the available jobs are getting narrower. Some of the benefits you will get from becoming an entrepreneur include getting profits from your work, further honing your soft skills, gaining a lot of experience at work, and learning to recognize your passion or desires (Colin Barrow, 2009).

Entrepreneurship is a series of activities or activities where these activities are supported by the existence of a business or venture owned by a person or company. In other words, entrepreneurship is the courage that a person has in their soul to do business. He is said to be brave because he dares to take a stance or action in his business which could bring big profits, and when he experiences problems in his business he already has the skills to overcome them, that is what can be said to be brave (Lomberg et al, 2017).

However, the interesting fact is that there are still many Indonesians who do not live by doing business or entrepreneurship because they think the income from business is not that big and is more risky than working in an office or working for a company. In fact, if every job can be pursued it will of course bring victory, including entrepreneurship. So entrepreneurship is a discipline or knowledge which includes sharing activities or activities related to business. Even in entrepreneurship it also teaches how to manage a business properly and correctly so that we can achieve big profits and in entrepreneurship it also teaches how to make decisions when our business is experiencing problems or setbacks (Qastharin, 2016).

Entrepreneurship has many important roles in life, because entrepreneurship is closely related to all a person's activities in the living environment. The concept of economic growth has indeed been proven to be appropriate to company standards, because linking entrepreneurship with economic growth provides a sense of connectedness to a person or group. Basically, entrepreneurship is a characteristic of a person's behavior. We must remind ourselves that entrepreneurship is not a job that provides clarity, being able to direct their entrepreneurship only during the conditions that have been determined in their work or directing it to areas related to their activities (Wininatin Khamimah, 2021).

As technological civilization and knowledge increases, the business world will also develop more and more, this of course has a very rapid influence on this nation because the economy which was previously falling in this nation will improve again if business continues to develop with technological sophistication and human resource capabilities in run the business or company. The link between entrepreneurship and economic growth is that the existence of entrepreneurship will of course provide opportunities for Indonesian people who are unemployed, therefore every person who has a large business of course needs employees to help with his business. This is what will help reduce the unemployment rate in Indonesia (Ziraga & Wandeburi, 2015).

However, we return to appropriate government policy as a supporter of the economy, because economic growth is very necessary to support the welfare of the Indonesian people and so that Indonesia does not always remain a developing country, of course every people hopes that Indonesia will become a developed country like other countries. The research results show that entrepreneurship plays an important role in supporting the nation's economy because entrepreneurship will open up new job vacancies or employment opportunities. Because every business you pursue will of course find it difficult if you run it alone, therefore every company or person doing business will open job vacancies to help their business. So, with the increase in job vacancies in this country, it will reduce the unemployment rate in Indonesia and of course will help improve the nation's economy (Yalcin, 2014).

In running a business, when an entrepreneur makes a plan, he must have a goal. Big or small, these entrepreneurial activities have an impact on lives. Some entrepreneurial goals are as follows:

1. Support the emergence of small businesses

An entrepreneurial activity that emerges will definitely involve many people to support the running of a business. The involvement of human resources,

whether directly acknowledged or not, will shape new characters as business actors.

2. Improved Community Welfare

The sluggish economy due to the pandemic has resulted in an increase in poverty rates in society. However, there are still several economic activities ongoing, which are expected to provide support for the national economy. Armed with a strong entrepreneurial concept, new innovations will emerge, thus, new business spaces will emerge, thus reducing the unemployment rate.

3. Foster a Spirit of Innovation

When someone is under certain pressure, sometimes it will trigger a spirit of thinking that is different from before. Not infrequently, new innovations will emerge from conditions like this. So, if interpreted with a positive attitude, this pandemic also has a role in shaping a person's personality to move forward. (Bygrave & Zacharakis, 2014).

### **Business plan**

Business is a fairly complex activity so planning is an important element in it. A business plan is an important activity that an entrepreneur will carry out when starting a business activity. When planning a business plan, an entrepreneur must write down everything about the business concept in detail and detail. Writing your own business plan includes financial concepts, marketing, and all matters related to the business in the future. The reason why this business plan is important is to ensure that the business can run well. Preparations starting from producing goods, marketing, and determining the target market are all listed. So, when the business starts running, entrepreneurs will no longer be confused (Supardi et al, 2012).

Business planning is an important thing that must be prepared before starting a company. In a business plan, the business concept, marketing, finances and so on are generally outlined in detail. Planning a business is very important for business people, so that the business continues to run stably and becomes more successful. The following are business planning objectives that you must know as an entrepreneur:

1. Ensure the business runs according to the vision and mission

First, the purpose of business planning is to ensure that the business can run according to the company's vision and mission so that it does not deviate from its initial goals. Apart from that, having a business plan allows the company to review its business activities periodically as material for analysis and evaluation.

2. To Calculate Resources

In carrying out business activities, of course you need resources. The second aim of business planning is to make it easier for entrepreneurs to know how many resources to carry out the company's operational activities. A clear picture of the number of Human Resources for example. Companies must know the number of HR needs so that business activities can run well. This will also be related to financing and also the company's financial expenditure to pay HR salaries.

3. Helps in determining business profit estimates

The next planning objective is to determine an estimate of income. Of course, a businessman wants his business to be profitable and will determine his profit target. In this case, the business plan also plays a role in determining income targets. To achieve this profit target, someone needs a strategy. Creating a business plan and strategy for achieving profit targets with a timeline is the most appropriate choice. Business needs will of course be more focused if you use this business plan.

4. Evaluate the Next Business Plan

When running a business you will encounter several problems, this has often been mentioned by previous entrepreneurs. Every businessman will of course face different problems. To deal with this, an entrepreneur must evaluate. This evaluation will collect some important information such as financial analysis, income, expenses, problems, and so on. An entrepreneur must be clever at fixing problems.

(M Jilliek, 2016).

### **Main Components in a Business Plan**

A business plan should provide detailed information and analysis of all relevant aspects of the business, for new businesses, the content structure of a business plan usually includes:

1. Company Summary

The initial and very important part of a business planning proposal is the executive summary. The executive summary tells about what business will be created, the vision and mission, business goals, innovation of the business and when the business will be launched. Simply put, this section is the conclusion section of a business plan. The executive summary is very important in preparing a business plan because this is the first page that is read. Thus, the preparation of the executive summary must be made as attractive as possible because if it is not interesting, people generally will not continue reading it. One

of the tricks for creating a business plan that sells is to create an executive summary that sells.

## 2. Company Description

The company description contains basic information regarding the structure, ownership and development of the company to date and so on. In detail, the company description contains:

- a. Company name and location. This section includes the company name, company branch name, company address and addresses of company branches if any.
- b. Company owner. This section explains who owns the company, the percentage of ownership shares if owned by more than one person and the amount.
- c. Legal status of the company. Legal status includes the form of company ownership, whether it is a private company, CV or PT, trademarks, copyrights, patents owned by the company, licensing agreements and so on.
- d. The current stage of development of the company and the achievements achieved to date. This stage includes the company's development stage, whether it is newly established, expanding, and explains the company's development over time, whether it is increasing, stable or decreasing.
- e. Products/services offered. The company explains the types of products offered along with their functions as well as future product development plans.
- f. Industry health and trends. Companies need to explain the planned business industry, industry trends and challenges and future plans to maximize opportunities and face existing challenges.
- g. Current company finances. This section briefly explains the sources and uses of funds.

## 3. Market Aspect Analysis

In this component, you must explain market conditions related to the level of supply and demand for goods or services, determine the target market, analyze competitors and competitive conditions.

## 4. Marketing Plan and Strategy

Marketing and sales plans describe strategies to maintain consumers and sales, this is important for business people, investors and lenders because they can see the following things:

- a. A realistic and cost effective marketing method to provide information to consumers about the product or service and the benefits offered.
- b. Effective sales force.
- c. Appropriate sales techniques and methods. Marketing is an activity that makes consumers aware of a product or service and the benefits it offers. Marketing

activities include advertising (print, radio, TV, internet), producing supporting materials (brochures, product information sheets), preparing a company website, conducting public relations (press releases, events), attending trade shows, and offering free samples.

5. Organization and Management

This component describes in detail the organizational structure or management of the company starting from the founder, board of directors, and number of employees in the company.

6. Financial

Financial planning analysis in a business is based more on financial projection data and not historical financial data. These financial projections are in the form of initial capital requirement projections, sales and cash flow estimates, supporting analysis in the form of BEP and profit projections. Business planning for finances can be almost the same as a business feasibility study on financial aspects.

7. Operations and production

In this component, you are able to explain the facilities that support the products or services offered. (M Chodil, 2018).

### **Business Plans Influence Strategic and Operational Decisions in Business**

In the dynamic business world, business planning is the foundation of effective strategic management. Creating and implementing a solid business plan is a crucial step that helps an organization achieve its goals. Business planning is the basis for strategic management. Without a clear and structured plan, efforts to manage organizational strategy will lose direction. Business planning helps form a strong foundation for decision making and strategic action (S Darwish, 2014).

Business planning plays an important role in setting the goals and mission of an organization. By formulating a long-term vision and specific goals, companies can direct resources and efforts in a direction that is consistent with the overall vision (Beqiri, 2014).

As part of business planning, business environment analysis helps organizations understand external factors that may affect their operations. By assessing opportunities and threats in the business environment, companies can develop better and more adaptive strategies. Business plans are a vehicle for companies to determine their strategy. It involves choosing a direction and approach to achieve the goal. Whether it is developing new markets, improving

operational efficiency, or innovating products or services, business planning helps detail the strategic steps required (S Dewi, 2017).

Business planning includes determining the budget necessary to achieve organizational goals. This involves the allocation of resources, including finances, personnel, and time. With good planning, companies can optimize the use of limited resources. In the business planning process, organizations identify potential risks that they may face. This could include market risk, operational risk, or financial risk. By developing an effective risk management strategy, companies can face challenges and crises better (Esfandiar et al, 2019).

Business planning plays an important role in communication with stakeholders. Through clear planning documents, organizations can build understanding and support from the parties involved, including employees, investors and business partners. The business plan also includes methods for evaluating and monitoring performance. By setting key performance indicators (KPI) and implementing a monitoring system, companies can measure whether they are achieving their set goals and make adjustments if necessary (A Kopaneli, 2014).

The business world is constantly changing, and business planning allows organizations to adapt. By reviewing and updating business plans periodically, companies can identify environmental changes that require strategic adjustments. A business plan is not only a guide for upper management, but also a source of information and guidance for employees. This creates a shared understanding of the organization's goals and provides a view of how each individual can contribute (Be et al, 2014).

## **CONCLUSION**

A business plan is a document that describes the objectives of establishing a business and its overall operational mechanism. In the business planning document there must be a detailed explanation of the marketing strategy, the company's financial condition, business income and expenses, as well as other important data that shows the business goals must be achieved.

In running a business, when an entrepreneur makes a plan, he must have a goal. Big or small, these entrepreneurial activities have an impact on lives. Some of the goals of entrepreneurship are supporting the emergence of small businesses, improving community welfare, and fostering a spirit of innovation.

Planning a business is very important for business people, so that the business continues to run stably and becomes more successful. The following are business planning objectives that you must know as an entrepreneur, namely:

1. Ensure the business runs according to the vision and mission
2. To Calculate Resources
3. Helps in determining business profit estimates
4. Evaluate the Next Business Plan

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