

Effective Business Planning

Case Study: Company X

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ABSTRACT

A business planning process plays one of the most important roles in a company. A business plan can either provide stability and prosperity to a company or drastically worsen its state. Thus, the recommendations for efficient business plans is very useful for companies that have some difficulties with their performance.

The thesis has a deductive approach, and the qualitative research method was chosen as primary data was collected through desk study and interviews. The secondary data was mainly gathered from published books, articles, journals and trusted e-resources.

The theoretical framework of the thesis is presented by main concepts of business planning, including definition of business planning, its mission and vision statements, objectives and action plan. Other theories presented within the research are executive summary, marketing plan, operational plan, management & organizational plan as well as financial plan.

The main outcomes of the research and the recommendations for effective business planning are created based on comparison between common business planning practices and Company X business planning process. The main conclusions are that the business plan should be long-term oriented, should have a strong focus on customers and should be separated for the whole organization and its brands or product lines. Apart from that, financial and operational plans may be excluded as the primary goals of a good business plan are customer conquest and brand awareness. Additionally, it is recommended to include into a business plan the strategy of company's digital presence development and customers' feedback collection on a regular basis.

Key words: business plan, conquest, customer, digitalization, financial plan, long – term orientation, loyalty, marketing plan, operational plan

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ABBREVIATIONS

CRx Concentration Ratio

G&A General & Administrative

HHI Herfindahl – Hirschmann index

PDCA Plan, Do, Check, Act

R&D Research and Development

ROS Return on Sales

SWOT Strengths, Weaknesses, Opportunities, Threats

TCM Trade Cycle Management

UIO Units in operations

3YBP 3 year business plan

4Ps Product, Place, Price, Promotion

1 INTRODUCTION

This chapter introduces the thesis background to the reader and describes the data collection method and research methodology used to implement the research. The main idea of the research is explained and followed by research questions and limitations. In addition to that, the theoretical framework presents the theory that will form the theoretical foundation of the thesis.

1.1 Research Background

In September 2016, the author carried out her internship in the business planning office at Company X. There, during the internship, so interest arouse in why some companies succeed in the business planning process and why others do not. In other words, what are the key factors of success.

Business planning plays an important role in the company's well-being due to the high impact it has on profitability, stability and position in the market. A business planning office/department in a company collects needed data from different departments, analyses it and presents the best business proposal which can lead the company to great results. An effective business plan supports company growth, helps to manage cash flow and develops the course of action. Apart from that, it provides an honest evaluation of a company's strengths and weaknesses, states clearly the vision and mission and follows the performance. Due to all the characteristics of business planning mentioned above, it is worth investigating this topic and examing the main points of effective business planning. (Ashe-Edmunds 2016; Gleeson 2016.)

After gaining a deeper understanding of business planning process impact, the purpose is to study how this process is performed within a case study company.

1.2 Thesis Objectives, Research Questions and Limitations

The primary goal of the thesis is to investigate the common practices of business planning process, analyse business planning practices at Company X and its uniqueness, and then provide recommendations for an effective business plan based on the comparison between common and Company X practices.

Determining a research question is an important task during the process of research planning. The research question presents clearly the topic of research and aims to answer a research problem (Ritchie & Lewis 2003, 48-51). The research question should be easily answered and needs to be purposeful, precise enough and relevant. In the thesis the research question is:

- What is the uniqueness of Company X business planning processes and what can other companies learn from Company X practices?

In order to answer the research question, the thesis includes the following sub-questions:

- What is business planning?
- What are the common components of a business plan?
- What is the structure of the business plan at Company X?

There are always limitations and issues that should be taken into consideration during the research. In this research, the first limitation is that Company X has confidential information which cannot be presented in this research. Therefore, statistics and numeric data in Company X business plan will not be presented. Apart from that, the author will use interviews as the data collection method – this means that the objectiveness of the respondents cannot be verified 100 percent. In addition, the thesis aims to provide recommendations for effective business plan which is created by the business planning office. This means that the thesis does not describe other departments' activities which are responsible in providing some data

for the business planning office.

1.3 Theoretical Framework

Once again, the thesis aims to examine the uniqueness of the business planning process at Company X and to create recommendations for an efficient business plan by comparing traditional business planning with Company's X approach to it. The business planning process starts with definition of goals & objectives, mission, vision; therefore, this theory will be presented to familiarize the reader with the subject. Apart from that, the business plan includes an action plan which will be introduced to the reader as well. (Stroh 2014, 2.)

A business plan cannot exist without a marketing plan. Because of this, the theoretical background of marketing planning will be displayed. To create an accurate forecast, it is essential for a company to understand consumers' behaviour and tendencies and to ensure that it has a right and valid image about them. Consequently, marketing tools such as Porter's five forces analysis, SWOT analysis, 4Pcs and competitor analysis will be studied in this research. These analyses provide the basic understanding of the customers and gives the general direction to move towards. In addition to it, consumer decision-making funnel will be introduced in the thesis to understand what affects decision-making process of customers. Also, the sales planning theory will be explained as it is often included in a marketing plan. Last but not least, branding strategy will be covered to explain a brand image and its importance. (McDonald & Wilson 2011, 1-22; Martin 2005, 3-4; Miletsky & Smith 2009, 2-4.)

An operational plan as well as a management & organizational plan are the parts of traditional business planning process. Accordingly, their theories will be discussed. These plans are considered to be important as they include the description of business organization and daily activities. Additionally, they create guidelines for a whole organization and its management. (Stein 2016.)

Apart from that, it should be determined how business can afford to achieve strategic goals and objectives. For this purpose, the financial planning theory will be presented as well. Financial planning is an integral part of a business planning process due to the reason that the plan involves all activities, materials and resources and states the time frames. Financial planning activities includes plenty of duties and that is why it requires detailed description. (Boesch 2016.)

1.4 Research Methodology and Data Collection

There are several research methodologies and data collection methods used in researches. However, before determining research and data collection methods, the research approach should be chosen. Research approaches can be divided in two categories: inductive reasoning and deductive reasoning. Deductive research moves from general ideas to specific particular situations, while inductive research approach moves from particular ideas to broader theories. (Creswell 2013, 3 - 25.) In the thesis, the deductive approach is applied. The research moves from general ideas to specific particular situations – a case study will be conducted to understand the approach of the case company to a business plan structure.

The next step after defining a research approach is to choose the methodology of the thesis. The methodology has to best suit the project and meet the goals of the research. (Quinlan 2011, 108-110.) There are two main research methodologies which are commonly used: qualitative and quantitative research methods.

The outcomes of quantitative research approach arrive by using statistical methods or other procedures of quantification and it involves big number of cases (more than 100 usually). Apart from that, the quantitative methodology states the questions such as “how many”, “how much”, “how often”. Last but not least, quantitative research does not allow any appearance of the follow-up questions during the research. (Creswell 2013, 3 - 25.)

Another research method which will be introduced is a qualitative research approach. Qualitative research questions usually are “how”, “why” and “what”. Apart from that, the qualitative method focuses on understanding a phenomenon through non-numerical data such as interviews, group discussions and observations. The research approach does not include a big number of cases (not more than 30 cases) as a quantitative research approach does, but it focuses more on some specific topic. A qualitative research approach is process-oriented and generalizes by comparison of properties and contexts of individual organism (Creswell 2013, 3 - 25).

Even if two methodologies strongly differ, sometimes the research question cannot be answered without mixing quantitative and qualitative research approach. (Keegan 2009, 11-14.) However, the thesis adopts a qualitative research as the research goal is to find out the recommendations for effective business planning, focusing on a case study company. And, to answer the research questions, it is required to interview the employees of Company X. Therefore, the qualitative research method is chosen for the research.

The case study is the selected research strategy for the thesis. The case study investigates the particular phenomenon within its real-life context (Yin 2009, 103). In the research, the author will investigate the characteristics of an effective business plan by studying business planning performance at Company X.

The final step to format the research is to choose the data collection methods and the process of its analysis. There are two types of data sources: primary and secondary resources. Primary data is new data which is collected by the researcher, while secondary data is gathered by other researches for other purposes (Lombard 2010). In this research, the primary data is collected from interviews of employees of Company X. The purpose of the interviews is to understand more precisely the process of business planning at Company X and its structure. The individual interviews are structured and contain open-end questions to allow the person to answer freely. The secondary data of the thesis was collected from books, journals,

articles and electronic resources. Figure 1 shows the research methodology used in the thesis.

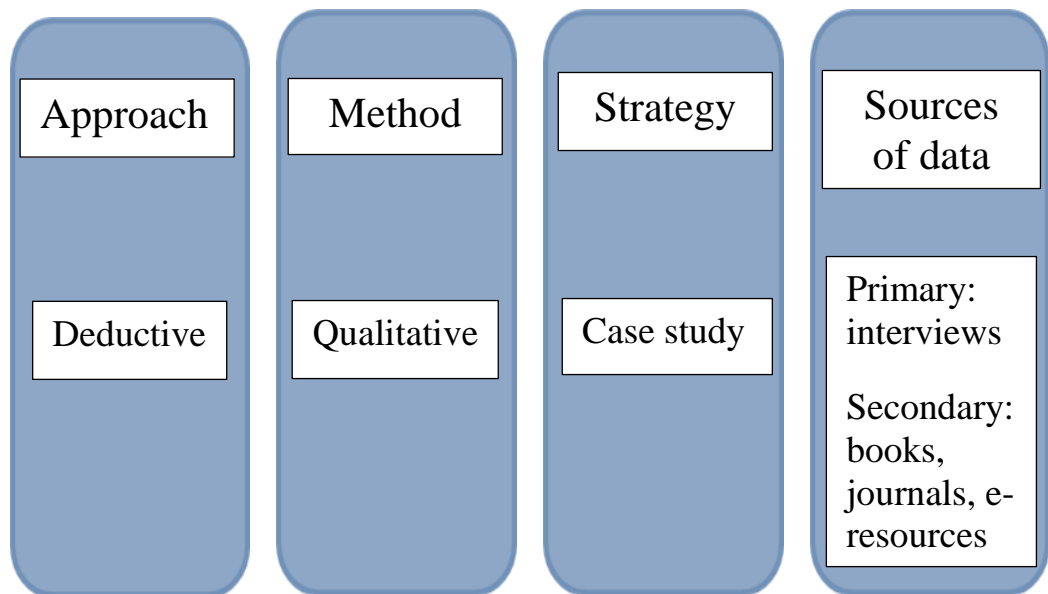


FIGURE 1. Research Methodology

Figure 1 presents the type of the research approach (deductive), research method (qualitative), strategy used in the thesis (case study) and describes primary and secondary sources of data.

To conclude, the research will be conducted with a deductive approach. As well as this, the research approach is qualitative method and research strategy is case study. Finally, the data will be gathered from both primary (e.g. books, journals, e-articles) and secondary resources (e.g. interviews).

1.5 Thesis structure

The thesis consists of eight chapters in order to answer the main research question and its sub-questions, see Figure 2, below.

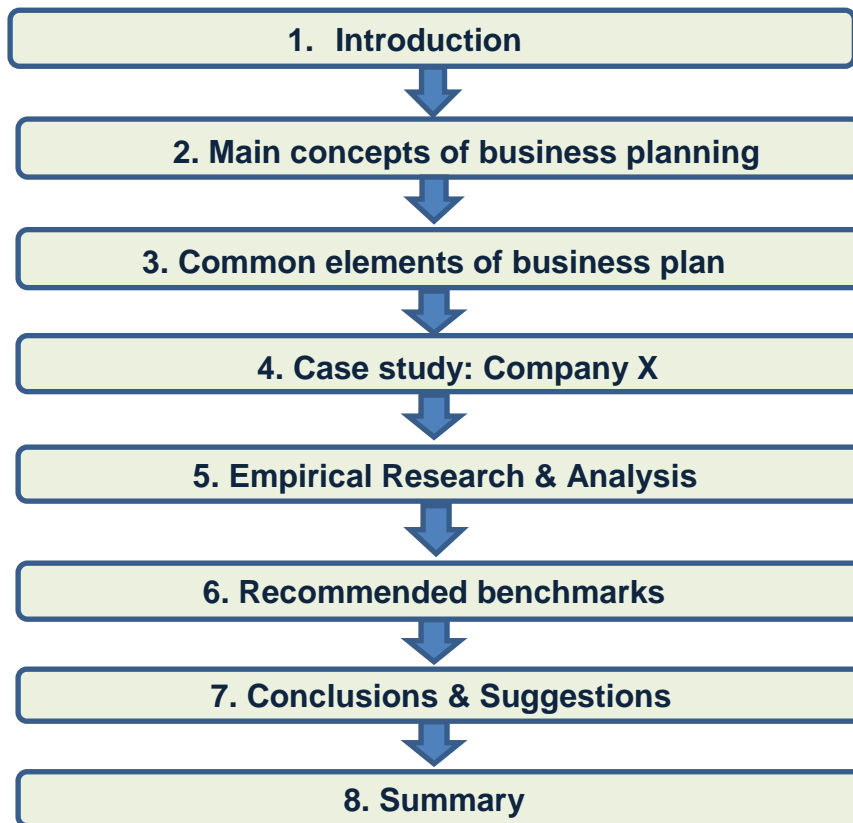


FIGURE 2. Thesis structure

Figure 2 describes the thesis organization and the order of chapters.

The first chapter introduces the reader to the research background which explains the importance of business planning and the reason, why the author decided to conduct this research. Additionally, it gives an information about thesis objectives, research questions and limitations; research methodology and data collection; and theoretical framework.

The second chapter gives a definition for business planning and its main concepts that include vision, goals & objectives, vision and action plan. The third chapter describes the theoretical framework of business plan's elements. The theory of executive summary, marketing planning, operational planning, management & organizational planning and financial planning is explained. The fourth chapter, the case study: Company X, displays an overview of the company, its management direction and business planning process practices.

The fifth chapter explains data acquisition process from primary and secondary resources; and analyses the findings. It includes the timeline of data collection process which is presented by desk study and interviews. And, the sixth chapter provides the recommendations for effective business plan that are based on analysis results of the fifth chapter. The seventh chapter concludes the thesis by answering research questions, proving validity & reliability and providing suggestions for further research. And, the eighth chapter summarizes the main ideas and outcomes of the thesis.

2 BUSINESS PLANNING CONCEPTS

In this chapter, the author will introduce the definition of business planning and its concepts in order to familiarise the reader to the business planning process.

2.1 Background

Business planning is the process of determining a commercial enterprise's objectives, strategies and projected actions in order to promote its survival and development within a given time frame. Business planning mostly focuses on two key aspects: dealing with risks and making profits. (Peterson, Jaret & Schenck 2010.)

Business planning process requires deep investigation, careful evaluation of all factors, which might have an impact on the result, and study of possible company's actions results. Apart from that, business planning determines management actions for expansion process, designs new ways of acting and includes revision of all enterprise's operations. (Becket 2016.)

2.2 Vision statement

Vision statement is a global concept which presents the picture of the company's' direction, future and philosophy. The vision statement should stay constant beyond the life of organisation's concern and usual time frame of vision statement is about 10 to 20 years: vision presents the long- term goals and objectives for the enterprise. Vision is usually revised only once company has achieved its targets or took a decision to move away from them. Vision statement is an important part as it sets the primary direction for business planning process. Last, but not least, effective vision statement inspires employees working more productively in order to achieve desired goals. (Alter 2000, 46.)

2.3 Mission statement

Mission of business planning represents the main purpose and principles that guide the actions of management, partners and employees. In addition to it, the mission statement includes the strategy, which is used to perform company's goals and objectives, defines the target groups and embodies the values of the organization. Business plan introduces the road map of enterprise, where mission plays the role of guidelines to follow. Vision statement sets the direction, while mission statement shows the way to achieve it. It is important to be sure that the business planning process is consistent with company's mission as otherwise; an organization will not meet desired goals and objectives. (Alter 2000, 47.)

During the process of formulating the mission statement, company should define the "what", "how", "for whom," "why," and "who" in order to have an efficient mission statement. These five questions belong to the different types of statements which are:

1. Statement of purpose

The statement of purpose shows "what" the company wants to perform and achieve. It should be considered that the person should be focused on results and problems which s/he seeks to facilitate, when s/he defines the purpose.

2. Business statement

The business statement shows "how" the company is willing to achieve its purpose by presenting which actions will be taken and presents the business strategy.

3. Client statement

The client statement defines "for whom" of the enterprise, identifies the target audience and the main strategies to reach the target group. To ask "for whom", the company needs to find an answer to such questions as

“Where are they located?”, “How will you reach them?” and “What needs have they stated to you?”

4. Problem statement

The problem statement is the “why” of the company and presents the problem which must be solved.

5. Value statement

The final statement of mission identifies “who” by including the main principles and beliefs of the organization. Value statement leads employees to the approach, how tasks should be implemented and has a strong influence on decision-making process. In addition to it, it helps to predict how the staff or management will behave in different situations, what is essential for business planning process. (Alter 2000, 47-50.)

To conclude this sub-chapter, it could be stated that mission statement defining process includes five statements and each of them identifies certain question. Mission statement plays an important role in the business planning process due to the reason that it presents the path to achieving goals and objectives and values of organization.

2.4 Objectives

The objectives of business plan present the end result and take the role of quantitative measures within fixed time frame. The fixed time frame for objectives' achievement should correspond with other goals which were set in the mission statement previously. The business plan represents strategies for reaching these objectives, therefore it meets the viability in the mission statement as well.

The main rule about setting objectives is that they have to be well-defined and clearly stated, realistic, relevant, time-based and quantifiable. Apart from that, objectives should be cost recovering, profitable and cost-efficient. The objectives should to be achievable, what means that inconsistent

objectives must be avoided. If the company starts the process of reconsideration, cost structure of the business and the scale of the program should be taken into account. If it does not have any positive impact, mission statement should be changed. (Alter 2000, 51-54.)

In general, objectives in business planning process are the reflection of mission statement. Objectives show the end desired result, what means if the result is not reached, mission statement should be changed.

2.5 Action plan

Action plan is the detailed plan which includes actions required to achieve objectives/goals. It is a useful tool in business planning process as it identifies and sets clear objectives, prioritizes tasks in the efficient way and states strict deadlines. In addition to it, action plan lends credibility to the organization and does not let overlooking some essential details. (Sniehotta, Schwarzer, Scholz & Schuz, 2005.)

Action planning is a cycle model, which includes five following stages:

1. Identification of current situation, progress and implementation of self-assessment
2. Setting goals
3. Definition of the strategy which will be performed in order to achieve goals. This stage might also include dividing the strategy into smaller discreet steps to have more descriptive strategy.
4. Take an action
5. Evaluation of results

Then, once this cycle is done, the process can start again with identification of current situation. (Sniehotta, Schwarzer, Scholz & Schuz, 2005.)

During the process of action plan preparation it is important to ensure that it contains clear objective. The good objective should be simulative, but not

too challenging as, otherwise, the company will fail. Apart from that, action plan should be relevant to the nowadays: it should not be written in advance, it should start now, not in the few months' time. As well as this, clear definition of all steps is a significant part of action planning process due to the reason that the company might not achieve desired target if steps are obscure. Steps also should be arranged in logical and chronological order and evaluated each time as it helps to follow up the process and its efficiency. In order to minimize risks, it is worth to create several strategies which can substitute each other if one of them stops working: it makes the action plan more flexible. Last but not least, it is advised to create action planning diary because it follows the progress and keeps the plan as concrete as possible. Diary allows to identify any mistakes and learn from them, what is a good practice. (Schmidt & Laycock, 2016.)

Action plan as any other plan includes resources which are presented by people, finances, materials, services and transport. When the organization makes a decision on what inputs are required, it is important to ensure that they are adequate to achieve goals. As well as this, all activities should be carefully budgeted. The process of budgeting and resource allocation can be based either on previous experience or costing exercise if there is no experience. (Schmidt & Laycock, 2016.)

To conclude, it is worth to say that the action planning is the essential part of business planning process due to the reason that it describes the path to the goals' achievement and put everything in a good order.

3 COMMON COMPONENTS OF BUSINESS PLAN

The aim of this chapter is to familiarize the reader with components of business plan. Firstly, the theory of executive summary and marketing plan will be introduced. Secondly, the theoretical framework of operational and management & organization plan will be discussed. Thirdly, the concept of financial planning is thoroughly presented.

3.1 Executive summary

The executive summary captures the most important components of the business plan and plays a role of a quick reference (Emerson 2015). The location of executive summary can be either before or after the business plan, and its length not more than 2 pages. It includes the short description of the products/services, customers and markets. In addition to it, executive summary contains information about ambitions, financial background and strategic steps of implementation. (Fontinelle 2016.) Apart from that, executive summary for existing business has the particular audience (executive board), therefore it should reflect mission and vision within the document as well as market targets (e.g. volume or market share), opportunities and risks. Last but not least, it includes summary of future plans and brief explanation of strategy implementation. (Smith 2016.)

3.2 Marketing plan

Marketing is the action or business of promoting and selling products or services, including market research and advertising (Davicik & Sharma, 2016). An efficient marketing develops sound business strategies, allows for successful innovation, increases the effectiveness of promotional strategies and strengthens the brand image. The main purpose of the marketing is to attract new customers and maintain the relationship with existing ones. The process of interaction between customer and marketers presents the dialogue between them and assumes the exchange of values. (Kotler & Armstrong 2014, 26-27.) Marketing plan is one of the major and extremely significant parts of business planning process. Marketing brings

success in the long term, particularly, continuous growth in earnings and value per share. Marketing plan has an input in defining efficiency in customer satisfaction terms and helps to identify core products/services that meet the needs of the company's target segments. (McDonald, & Wilson 2011.) Therefore, marketing plan theory will be presented in this thesis to display its elements and introduce them to the reader. This subchapter will include theory of the marketing mix, branding strategy, competitor & market analysis, customer decision-making process and sales plan.

3.2.1 Marketing Mix: 4P's

Marketing mix is a theoretical framework which defines four milestones in configuring the offerings to meet consumers' needs: Product, Place, Price and Promotion (Kotler & Armstrong 2014, 76-77). This concept is considered to be powerful due to the reason that it makes marketing process simpler and allows to have a precise control (Grönroos 1994, 7). Marketing mix is a set of techniques used to market a brand and rise the competitiveness (Farall & Lindsley 2008, 8). Figure 3 below represents Marketing mix.



FIGURE 3. Marketing Mix (Kotler & Armstrong 2014, 76-77)

This figure describes 4P's which Marketing Mix includes: Product, Place, Price and Promotion.

The first component of the marketing mix is product. Product presents goods or services as well as variety or range of products which are produced or build to satisfy customers' needs (Farall & Lindsley 2008, 8). The product policy includes plenty of activities such as design, packaging, after sales services and labelling. Product has a lifecycle that consists of introduction phase, growth phase, maturity phase and decline phase, and each phase brings different revenues and expenses at some point. (Richter 2012, 27-30.) Figure 4 shows how revenue and profit are changing in each of the four phases.

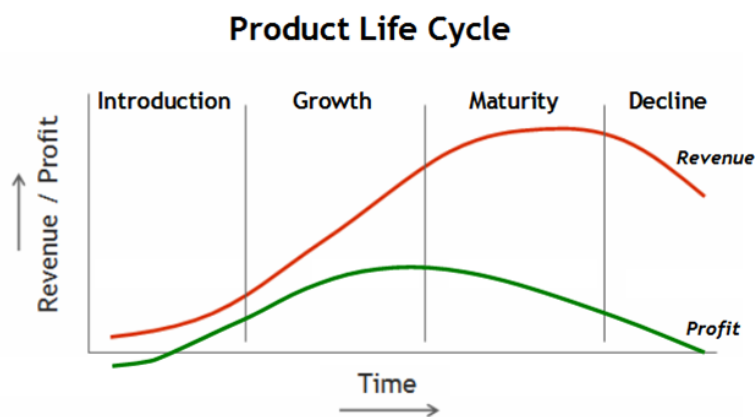


FIGURE 4. Product Life Cycle (Dashboard 2016)

Figure 4 displays that profit reaches its peak in Growth phase, while the biggest amount of revenue is in Maturity phase.

The aim of this part is to ensure that there is a right product at the right market and search for possibilities & opportunities to extend the life cycle of the product. Apart from that, Product component includes the creation of the product mix in order to increase and diversify the variety of the line. (Richter 2012, 27-30.)

The second part of marketing mix is Price that reflects how much product or service costs. The price is an important component of marketing plan as it identifies the company's profit and has a significant influence on the whole marketing strategy, sales and demand of product. It creates an attitude of the customer to the commodity: low price might mean a bad quality and high

price can outbalance the benefits. Price depends on several factors such as market competition level, company's market position and macro – economic aspects. The stage of market's economic development has a huge impact on the purchasing power and demand. The process of pricing requires the examination of competitors' offers and analysis of product's value for a customer (e.g. its utility and expectations towards the product). It is important to consider that results of the examination differs in the countries due to socio – economic and cultural issues, therefore price of the product varies from country to country. (Richter 2012, 35-40.)

Place is the third component of marketing mix, and it presents the location of the sales point and its accessibility. The definition process of the place demands a deep analysis of a target market to identify the best distribution channels and efficient positioning. If the analysis was not conducted in a proper way, consequently, it might lead to the bad results: distribution strategy cannot be the same in all countries. The examination should include the search on such issues as “what type of the stores potential customers prefer?”, “is there a need for online store?”, “how the distribution strategy differs from competitors?” and “is there a need for a strong sales force?” (Richter 2012, 41-44.)

The last element of 4P's is promotion. It presents the strategies of product promotion to consumers (e.g. advertising). It is considered to be an important part of marketing plan as it can rise sales and brand recognition. Traditionally, promotion includes such tools as TV, Internet & Radio advertising, print media and sales promotion. Apart from that, public tools like events, press releases and exhibitions are efficient as well. The essential issue in promotion is the importance of tracking the sales representatives' performance due to the reason that their behaviour and attitude create an image of the company. In promotion marketers should consider not only the target market, but also the target groups on this market because different target segments suppose different preferences in communication. For example, young people would prefer advertisement in social media while old people will pay more attention if they saw it on TV. In addition to it, the time (e.g. morning or evening) of the promotion has an

influence on information's perception. However, advertising is not the only one solution for promotion strategy, sales offers also play a big role as they attract potential customers if the offer seems for them more beneficial. (Richter 2012, 31-34.)

To conclude this sub-chapter, it should be said that the marketing mix consists of Price, Place, Product and Promotion. 4P's play an important role in the marketing plan because it defines the fundamentals of the company and all further activities will be based on these four elements.

3.2.2 Branding strategy

Branding strategy is a long-term plan of brand development (Gunelius 2016). Brand is intangible asset which creates an image of the company. It plays one of the most important roles due to the reason that brand tells to the consumers what they could expect from the product or service; it displays what differs particular brand from its competitors. Logo, name, slogan and other visuals are presenting the brand of the company. Effective branding strategy improves all business areas of the company, rises the competitiveness and affects positively on consumers' experience and emotions. (Williams 2016.)

Once the development of the branding strategy has started, target groups, competition level on the market and 4P's should be defined to move in the right direction. In order to achieve a strong brand equity, it is essential to define correct business purpose and be sure that the messaging is consistent with the brand strategy. (Lake 2016.) Branding strategy can be considered to be efficient one if company's way of communication reflects the brand (e.g. brand for young people should have more informal communication than brand for older audience). In addition to it, powerful branding strategy needs development of the brand around emotional benefits. If customers feel that they are the part of the large group, it will strengthen the relationship between company and consumers as well as raise the level of loyalty. (Frederiksen 2016.) As well as this, branding strategy includes the improvement of visibility and reputation to raise the

level of brand's recognition and customers' trust (Williams 2016). Last but not least, even though branding strategy needs to be consistent, it should stay flexible because market, competitors and consumers' preferences change all the time. Flexible branding strategy allows to have a stable position on the market despite any circumstances. (Gunelius 2016.)

3.2.3 Competitor & Market analysis

Nowadays, each market has several competitors, consequently, challenges for companies are increasing. In order to have a better performance and higher customers' loyalty than competitors do, competitor analysis should be implemented. This analysis is an integral element of the marketing plan due to the reason that it identifies strengths and weaknesses of the competitors as well as predicts their possible actions. This evaluation allows to make the product or service of the particular company unique, rise market share and identify new opportunities for the markets. (Fleisher & Bensoussan 2015, 3-12.)

3.2.3.1 Porter's five forces analysis

The competitor & market analysis starts with Porter's five forces analysis. Porter's model is a tool that allows to analyse the competitive intensity within a particular market or industry. This analysis consists of three forces from "horizontal competition" (the threat of new entrants, the threat of established rivals and the threat of substitute products/ services) and two forces from "vertical competition" (bargaining power of buyers and bargaining power of suppliers). Horizontal competition means that these three forces are operating in the same manner within the market and vertical competition within the supply chain. (Dobbs 2014.) Figure 5 presents the model of Porter's five forces analysis and relationship among its components.



FIGURE 5. Porter's Five Forces (Porter 2008)

Figure 5 shows that Porter's five forces consists of Bargaining power of suppliers, Threat of new entrants, Threat of substitute, Bargaining power of buyers and Competitive rivalry. Moreover, it displays that four components are connected to the fifth one, Competitive rivalry.

The first power, Competitive rivalry, is about differentiating competitors and understanding their actions and market strategies. Some analysis tools are used for Competitive rivalry evaluation such as Concentration ratio (CRx) and Herfindahl – Hirschmann index (HHI). CRx displays the market control of the particular company through measuring the total output produced by a number of organizations. HHI shows the size of the firms with comparison to the market and the level of competition between them. (FME 2013, 11-17.) The Competitive rivalry is commonly influenced by pace of market growth, amount of fixed and storage costs, the level of product differentiation and entrance/exit barriers. In order to protect and extend the market share most of the companies implement action such as pricing policy, constant product innovation & differentiation and big advertising & promotional campaigns. (Porter 1979.)

“Threat of new entrants” force evaluates the quantity of firms, which might enter the market. The number of possible entrants depends on several factors such as existence of entry barriers (e.g. rights), governmental

policies (e.g. domestic monopolies), economies of scale, brand equity and customers' loyalty. The analysis of these factors helps to predict the appearance of new competitors on the market and future market share. (Porter 1979.)

The third force, threat of substitutes, measures the potentiality of customers to switch to alternative products. The threat of substitutes affects the company in terms of level of profitability. The factors, which are needed to be analysed in order to prevent the loss of customers, includes customers' preferences, price and quality of the product, availability, level of switching costs and usage's performance. (Porter 1979.)

The next force, bargaining power of suppliers, shows how suppliers can influence at the company. Suppliers can set high prices and have some specific unbeneficial offers that have a negative impact on the profit. There are methodologies that evaluate the power of suppliers like number of substitutes, cost of switching, supplier competition and price sensitivity of the buyer. (Porter 1979.)

The last force is bargaining power of buyers, and it evaluates the position of consumers at the market: some customers might have a strong power to change the price or the quality of commodities. The bargaining power of buyers can be assessed by using tools such as number of companies on the market to number of buyers, cost of switching, consumer price sensitivity, products' differentiation level and buyer information availability. (Porter 1979.)

To summarize the Porter's five forces analysis it should be said that it helps to get an overview of the market environment and define the marketing strategy for the company.

3.2.3.2 Analysis of the particular competitor

Porter's five forces analysis gives an overall image of the market, however, if evaluation of a certain competitor is needed, more elements should be taken into consideration.

Firstly, the assessment of the competitor profile is needed, which includes objectives (growth rate and market share, short- term or long-term goals), strategy (investments, innovation projects, advertising campaigns, mergers and etc.), assumptions (idea of competitive position, industry trends and etc.), capabilities (ability to adapt quickly to the changing conditions) and competitive advantage (what differs the competitor from the other companies). (Beard 2013.)

Marketing profile evaluation is the next step of competitor analysis. It includes assessment of target market, market share, customer loyalty and growth rate. As well as this, profile contains estimation of promotional strategies, network and distribution channels, pricing policies and sales campaigns. (Beard 2013.)

Product profile tells about product portfolio of the competitor, R&D activities, brand equity & loyalty and patents. (Beard 2013.)

The last element of competitor analysis is looking at the financial, personnel and facilities profile. Financial profile includes the information about profitability, profit growth rate, liquidity, some financial ratios (e.g. ROS) and cash flow. Personnel profile is about number of employees, their qualification and company's management. The last element, facilities profile, consists of production capacity, number of plants, logistics and investments in production. (Beard 2013.)

In conclusion, this analysis allows having a full comprehension of the particular competitor and defines a strategy to have a competitive position on the market.

3.2.3.3 SWOT Analysis

SWOT Analysis is an analytical tool which is used to identify and categorize external (threats and opportunities) and internal (weaknesses and strengths) factors. Companies have a direct control over internal environment which is presented by the 5M methodology (men, machines, methods, measures and means) and three key concepts: technology,

quality & management and performance. On the other hand, external factors are beyond the control of the business due to the reason that they are influenced by political/legal factors, technological factors, economical factors, social/demographical factors and level of the competition at the market. (Jain, Trehan & Trehan 2010, 3 - 7.)

The SWOT analysis allows the company monitoring its own performance and creating the competitive advantage. Within competitor analysis framework, SWOT analysis, which is completed for one of the competitors, gives an opportunity to forecast competitors' strategy. This tool helps to achieve a stable and strong position on the market, constant growth and rising profit through understanding weaknesses & threats of the competitor and company's own strengths & opportunities. (Ferrel & Hartline 2012, 85 – 87.) The elements of the SWOT analysis and its explanation are presented in Figure 6, below.

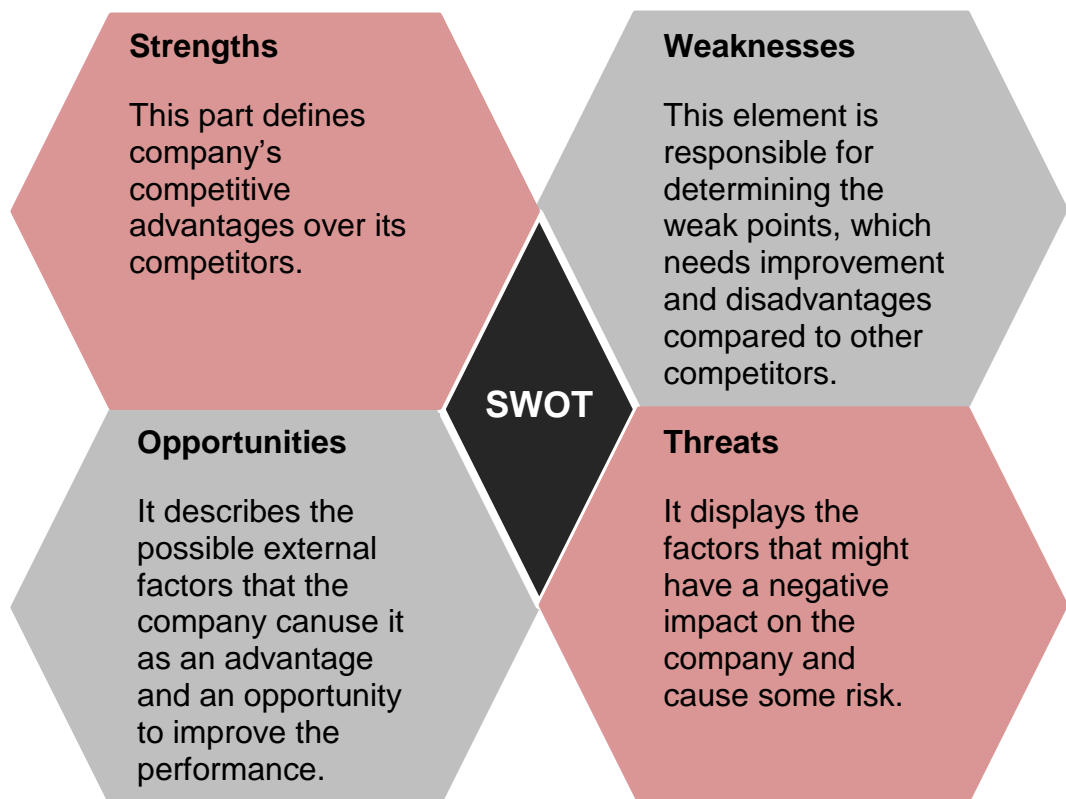


FIGURE 6. SWOT Analysis (Ferrel & Hartline 2012, 85 – 87)

Figure 6 shows that SWOT analysis consists of strengths, weaknesses, threats and opportunities and describes the content of each part of analysis.

To conclude the chapter about competitor analysis, it is worth to say Porter's five forces analysis, analysis of the particular competitor and SWOT analysis should be implemented in order to have a full image of the both market environment in general and certain competitor, receive the most useful information and create a unique strategy.

3.2.4 Customer decision-making process

In order to create a powerful marketing plan companies need to understand their customers completely. Therefore, customer decision-making process theory is a useful tool to analyse the consumers through identifying and following the whole process of customer journey. Sufficient knowledge of the customers' decision process allows not only improve sales but also create an appropriate sales strategy. Despite the fact that this tool was modified and had become more developed due to the digitalization era, it allows to provide basic knowledge of customers. (Court, Elzinga, Mulder & Vevik 2009.) This process consists of five parts: Problem recognition, Information search, Evaluation of alternatives, Purchase decision and Post Purchase evaluation (Schmitz 2012, 67-76).

The first stage, problem recognition, is the most important step in this process. Purchase always happens after the potential customers recognized his need. The need recognition can be caused by physiological reasons (e.g. hunger or thirst) or psychological reasons (e.g. advertisement or shared experience). (Johnston 2016.) At this step, determination of period, when target group needs it a lot, will assist to create the advertisement or promotional plan at the ideal time (Schmitz 2012, 67-76). Figure 7, below, presents the process of customer decision-making process.

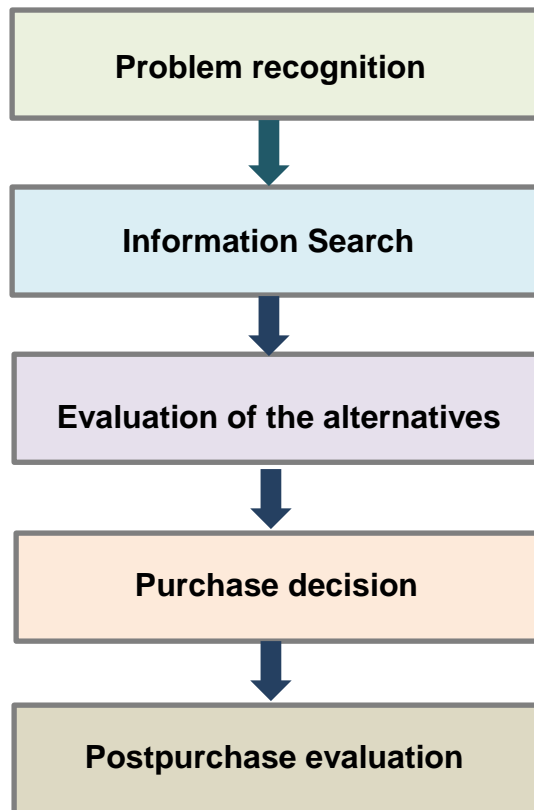


FIGURE 7. Customer decision – making process (Schmitz 2012, 67-76)

Information search presents the searching stage, when customer is willing to find the best choice for him through evaluation and identification of the available information (social media, experience, TV advertisements and etc.) (Schmitz 2012, 67-76). “Evaluation of the alternatives” step is about the time, when customer starts to look for the best deal. Consumer can be guided by his attitude to the product, its price & quality and other factors, which s/he considers to be important. (Johnston 2016.)

The fourth stage, purchase decision, is where buyer purchases a product. At this step, customer has evaluated all possibilities and came to the conclusion and the final purchase decision is mostly based on the emotional experience or advertising campaigns. (Schmitz 2012, 67-76.)

In the final step, postpurchase evaluation, a customer evaluates the level of product satisfaction and analyses if s/he had the right expectations. Postpurchase evaluation is an important stage for the company due to the reason that it is responsible for retaining consumers and finding new ones.

Customer satisfaction leads to the strong brand loyalty and equity, while dissatisfaction creates a bad image of the product, and company loses potential consumers. (Schmitz 2012, 67-76.)

3.2.5 Sales plan

A sales plan is a company's strategy that contains sales targets, tactics of its achievement and available resources. A sales planning is an important process in any company because it puts everything in a clear order and allows understanding future financials. (Baker 1999, 278-290.)

Firstly, sales planning process is based on the data and statistics of the previous years such as sales volume, customers' habits, marketing strategies, pricing policies and market changes. Apart from that, company needs to understand target groups in order to forecast the number of consumers, their visits and calls/contacts. In addition to it, sales plan requires careful resource planning which includes salaries, labour (sales managers), sales cost, equipment and promotional expenses. As well as this, additionally, sales plan should comply with production capacity, includes the improvement strategy of sales people skills, product and market knowledge. Last but not least, number of leads, which are needed to achieve the forecast growth, should be considered. (Baker 1999, 278-290.)

After preparation of sales plan, sales budget needs to be created. Sales budget is a summary of the sales plan, and it is recommended to create three types of the sales budget: optimistic, realistic and pessimistic. Three different sales budgets give more flexibility to the changing environment. Sales plan and budget should be revised on the semi-annual or annual basis to gain an efficiency and correct mistakes. Apart from that, companies should be aware of sales cycle length as it can influence the cash flow. For example, sales cycle can extend if a firm introduces new product to the market, and customers need more time to take a purchase decision. Whole sales planning process demands monitoring and progress driving in weekly or monthly meetings of the sales team. (Baker 1999, 278-290.)

3.3 Operational plan

Operational plan is the next stage of the business plan, and it includes daily operations of business, people, processes, equipment, environment and its location. Operation plan plays an important role because it clarifies all aspects of business and structures them. (Score 2016.) Figure 8, below, represents the structure of operational plan.

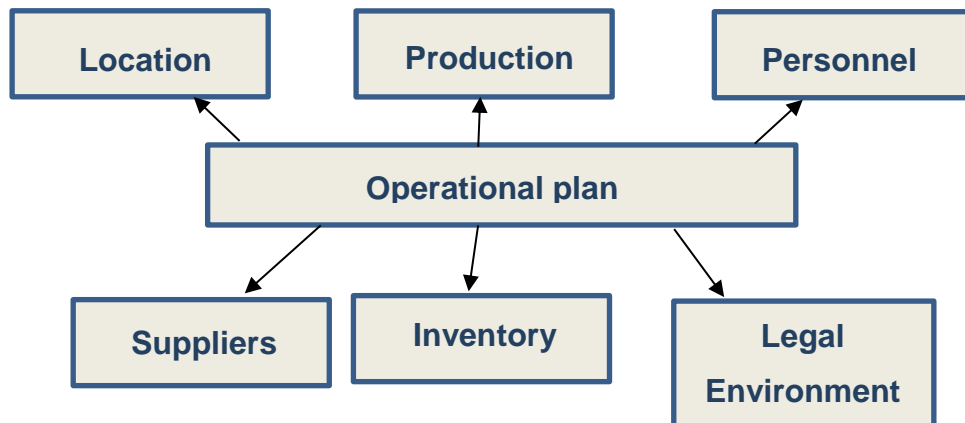


FIGURE 8. Operational plan (Score 2016)

Figure 8 shows that operational plan contains 6 parts: suppliers, legal environment, inventory, personnel, production and location.

“Location” part tells about the locations of production plants, warehouses, retailer shops and buildings. Apart from that, it describes the way how to get there and the square footage. At this part, the effectiveness of each location is analysed, and it is mentioned if property is leased or it is company’s premises. (Score 2016.)

Another part, production, gives information about company’s products and all related topics. It displays the data of product development, production costs and techniques, customer service, quality and inventory control. (Score 2016.) Next part is legal environment which includes the description of the health, workplace & environmental regulations in the company; special regulations for the industry and its employees; insurance; security system of the property and bonding requirements. (Score 2016.)

Personnel part shows the number of employees, their qualification level, payment structure, training methods and requirements as well as type of the contracts. In addition to it, it presents the channels, through which company hires new employees, schedules of the working day and number of new employees each year. (Score 2016.)

Operational plan also contains information about suppliers of an organization in order to keep control of their activities. Suppliers' part introduces the information about their names and addresses, reputation and reliability, delivery policies and type, number, cost of the commodity supplied. Apart from that, it includes the analysis about level of satisfaction with supplies services and further proposal to change the source of supply or not. (Score 2016.) The last component of the operational plan is inventory. This part presents the data about type of kept inventories (e.g. raw materials or finished commodities), value in stock and amount of inventory investments. (Score 2016.)

Operational plan is a useful tool, which facilitates the coordination of company's departments in order to achieve goals and objectives. Also, this plan allows to evaluate the amount of expenses needed for efficient functioning of the organization. Last but not least, operational plan is a guideline for the whole organization, and it explains specific strategies and actions that should be taken on a daily basis. (Score 2016.)

3.4 Management and Organization plan

Management and organization plan analyses the structure and hierarchy within an organization. This plan includes the information about board of directors and management, consultants and key advisors. Apart from that, it displays the responsible area of employees and proposes a plan, if one of them is going to leave the company. It allows to clarify the responsibilities of the employees and management of the business on a daily basis. (Sinofsky 2010.)

3.5 Financial plan

Financial plan is a tool that allows evaluating current financial situation of an organization and predicting future financial performance. One of the objectives of the financial planning is to determine capital requirements and capital structure in order to understand the financial state of the business. Apart from that, financial planning process frames financial policies to control the cash flow; and ensures that the company is utilizing its financial resources in the most efficient way. In addition to it, financial plan shows the direction of the company's activities and analyses how each action influences at the financial stability. Last but not least, financial plan helps to make a decision about investments as it displays the ratios (e.g. equity ratio, debt ratio) which plays an important role in the decision making process. (Boesch 2016.) Figure 9, below, shows the structure of financial plan.

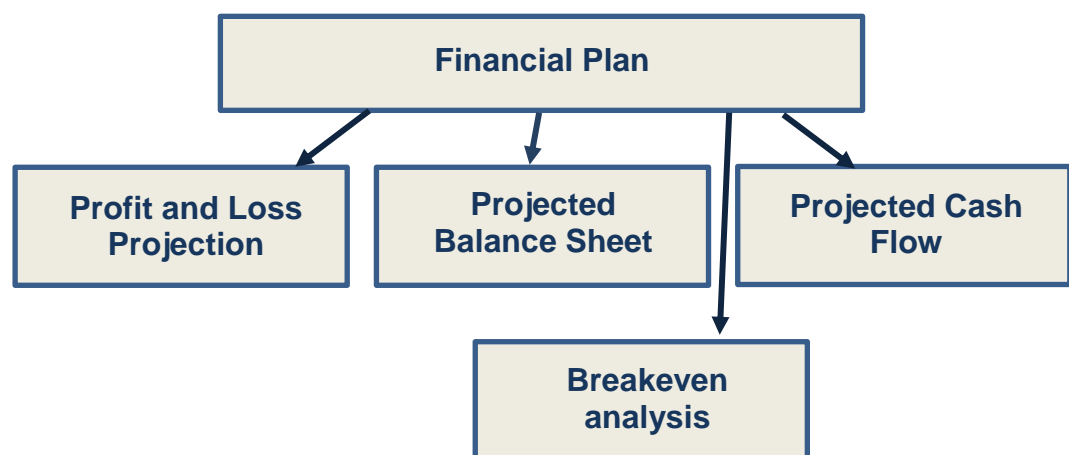


FIGURE 9. Financial plan (Score 2016)

Figure 9 displays that financial plan mainly consists of four elements: profit and loss projection, projected balance sheet, projected cash flow and breakeven analysis.

3.5.1 Profit and Loss projection

Profit and loss projection presents the plan of company's revenues and expenses over the particular accounting period. Profit and loss projection has the same template as the profit and loss statement, however, it reflects

the data about the future. The presentation of the profit and loss statement differs at most of companies, however, the basic structure includes four measures: gross profit, operating profit (EBIT), profit before taxes (EBT) and net income. (Murthy 2008, 135 - 141.) Net sales is a final amount of sales which company had performed after the deduction of allowances (e.g. damaged goods), returns and discounts. (Murthy 2008, 135 - 141). Figure 10, below, presents the structure of profit and loss statement.

Net Sales -
<u>Cost of goods sold</u>
Gross Profit -
<u>Operation expenses</u>
Operating profit -
<u>Interest Expense</u>
Profit before taxes -
<u>Taxes</u>
Net Income

FIGURE 10. Profit and Loss Statement (Murthy 2008, 135 - 141)

This figure shows that net income is obtained after the deduction of cost of goods sold, operation expenses, interest expense and taxes from net sales.

Cost of goods sold is the direct cost of the item which was sold to the customer. Direct costs can be reflected in a different way, depending on the type on the company. These costs for retailer companies can be expressed as the cost of merchandise for resale, while for manufacturing companies it can be represented as labour costs or manufacturing overheads. (Murthy 2008, 135 - 141.)

Operating expenses displays the expenses which business incurs on a daily basis, excluding the cost of the production. These expenses includes such items as salaries, costs of marketing & advertising campaigns, maintenance, rent, R&D activities, travel expenditures, amortization &

depreciation, pension payments and etc. However, it is worth to mention that depreciation costs for the manufacturer are the part of costs of goods sold, but for retailer it presents the operating expenses. (Murthy 2008, 135 - 141.)

Interest expense shows the cost of the borrowed funds (e.g. lines of credit, loans, bonds) for the company. Profit and loss account contains information about accumulated interest, but not actually paid or which will be paid in future. To calculate the net income, it is required to deduct income taxes from profit before taxes, and amount of taxes depends on the country, region or even a city. Calculation of the cumulative taxes is based on the actual profit, actual cash taxes and reported taxes. Net income is the last component of the profit and loss statement; and it reflects the base profit of the organization within the estimated accounting period (Murthy 2008, 135 - 141).

Profit and loss projection allows predicting the company's financial health in the future and its potential. Apart from that, it shows the company's weaknesses, and this helps to consider or reconsider the business plan in order to strengthen company's profile.

3.5.2 Projected balance sheet

Projected balance sheet displays liabilities, owner's equity and assets which organization plans to have next financial year. Balance sheet allows evaluating the amount of short-term funds in order to have an understanding if a company is able to pay long-term obligations. Apart from that, it helps to see if a firm is in a dangerous situation through analysing level of borrowing and type of assets. (Carmichael & Whittington 2012, 856.) The most common structure of the balance sheet is presented in Figure 11, below.

<p><u>Assets</u></p> <p>Cash</p> <p>Accounts receivable</p> <p>Inventories</p> <p>Prepaid expenses</p> <p>Other</p> <p>Total current assets</p> <p>Gross fixed assets</p> <p>Net fixed assets (less accumulated depreciation)</p> <p>Total long-term assets</p> <p>Total assets</p>	<p><u>Liabilities</u></p> <p>Interest payable</p> <p>Accounts payable</p> <p>Current part of long – term debt</p> <p>Total current liabilities</p> <p>Long – term debt</p> <p>Total long - term liabilities</p> <p>Total liabilities</p> <p><u>Owner's equity</u></p> <p>Retained earnings</p> <p>Common stock</p> <p>Preferred stock</p> <p>Total owners's equity</p> <p>Total Liabilities and Equity</p>
---	---

FIGURE 11. Balance sheet (Smith 2010, 13-15)

Figure 11 shows that Balance sheet includes current and long-term assets, current and long-term liabilities, and owner's equity.

The main rule of a balance sheet is that assets should be equal to the sum of liabilities and owner's equity. (Smith 2010, 13-15).

3.5.2.1 Assets

Assets account consists of current assets and long-term assets and presents net value held by the company. Assets of the company are listed in the order of liquidity. (Smith 2010, 15.)

The current assets include cash, accounts receivable, inventories, prepaid expenses and others. Cash is the most liquid asset, and it is commonly presented as demand deposits or temporary investments. Accounts receivable are the money, which company collects, when some goods or

services were sold on credit. Account receivable stays at the balance sheet until the moment it is received, however, it might become bad debt or loss if account is not received for a long period of time. The next element of current assets are inventories, and they are presented by raw materials, work in process and finished goods. Prepaid expenses display the value of items which were paid in advance (e.g. prepaid order). To conclude, the current assets are expected to be converted into cash over one-year period. (Smith 2010, 15.)

Net fixed assets (less accumulated depreciation) and gross fixed assets present long term-assets. Fixed assets includes equipment, machineries, buildings, vehicles and all other items that are needed for business. All fixed assets except land are depreciated each year and they lose their value. Depreciation should be taken into account in the projected balance sheet in order to display expenses properly at the profit & loss statement projection. Gross fixed assets present the original value, while net fixed assets show its value after depreciation. (Smith 2010, 15.) Figure 12, below, presents the relationship between gross fixed assets and net fixed assets.

$$\text{Gross fixed assets} - \text{depreciation} = \text{net fixed assets}$$

FIGURE 12. Calculation of assets (Smith 2010, 15)

From Figure 12 it can be retrieved that gross fixed assets are received through deduction of depreciation from net fixed assets.

Projection of total assets allows the company to predict its profitability over a next period and create an efficient plan of assets' usage. (Smith 2010, 15).

3.5.2.2 Liability accounts

Liability accounts, as assets, consist of short-term and long-term liabilities. This account displays information about how much business owes a creditor. (Smith 2010, 16.)

Current liabilities include accounts payable, interest payable and current part of long-term debt. Interest payable presents the amount of interest on company's debt and capital leases that an organization owes to the bank or lenders. The projected amount of interest payable predicts if the firm will be in danger because of the debt obligations or not. Second part of current liabilities, accounts payable, shows the purchases, made by companies on credit. The last element of current liabilities is the current part of long-term debt that is represented by principal portion of long-term debt's instalment payments. It is worth to mention that current part of long-term debt is only due over 12 months. (Smith 2010, 16.)

Long-term debt is the long-term liability of the company, and it occurs when some financing of long-term assets (e.g. land) is needed. (Smith 2010, 16.)

Total liabilities present the sum of the company's financial obligations, and its projection helps to understand the opportunities of the financial profitability in the next financial period. (Smith 2010, 16.)

3.5.2.3 Owner's equity

Owner's equity is the capital which is available for distribution among shareholders. Owner's equity includes retained earnings, common and preferred stock. (Carmichael & Whittington 2012, 790.)

Common stock is a security, which presents the ownership in a company and includes voting rights. Holders of a common stock (shareholders) receive the dividends and capital appreciation. (Carmichael & Whittington 2012, 792.)

Preferred stock combines debt (fixed dividends) and equity; and holders of the preferred stock do not have rights to vote. However, preferred stock is cumulative, and preferred shares' dividends are paid before common shares' dividends. (Carmichael & Whittington 2012, 792.)

Retained earnings represent the total net income which was reinvested into the company in order to expand the assets. The retained earnings are formed by deduction of dividends paid from net income. The projection of the retained earnings allows the company to evaluate its financial stability in the next period as these earnings might cover the debt or reduce the reliance on the other capital markets. (Carmichael & Whittington 2012, 809.)

3.5.3 Projected cash flow

Cash flow is a net amount of cash and its equivalents in and out of a company. Cash flow influences at the company's ability to settle with debts as positive cash flow increases the liquid assets while negative cash flow decreases them. (Blanc & Setzer 2015.)

Cash flow projection allows planning the surpluses or deficits in the next financial period. It forecasts a company's cash income & expenses; and deals with these operations only over a certain period. Surplus, as a result of a positive cash flow, gives an opportunity for a company to invest in a liquid accounts and reinvest into the business. In order to prepare projected cash flow, it is needed to identify the expected amount of cash which will be received and spent. Anticipated income and expenses are better to do and update on monthly basis because it rises the efficiency & credibility of the cash flow projection and ensures the positive cash flow. (Blanc & Setzer 2015.)

To conclude, projected cash flow evaluates the state of the future working capital as well as if there is a necessity of borrowings or not.

3.5.4 Breakeven analysis

Breakeven analysis is the last component of the financial plan, which identifies margin of safety for the company based on the total revenue and total costs (Madegowda 2006, 676 - 687). Figure 13, below, shows how break even point can be calculated.

$$\text{Break Even point (In units)} = \frac{\text{Fixed costs}}{\text{Sales price per unit} - \text{Variable costs per unit}}$$

FIGURE 13. Break Even point calculation (Madegowda 2006, 676 - 687)

Figure 13 tells that break even point is found by dividing fixed costs with difference between sales price per unit and variable costs per unit.

This analysis defines the sales volume and price level that are required for covering fixed and variable costs. It allows setting a certain prices for the products/services in order to avoid losses. (Madegowda 2006, 676 - 687.)

4 CASE STUDY: COMPANY X

Chapter 2 and 3 introduced the theoretical framework of the business planning. This chapter focuses on the analysis of the case company Company X and presents the company's overview; its missions, visions, and objectives; key principles of business planning; structure of business plan at Company X and the PDCA strategy as a part of business planning process.

5 EMPIRICAL RESEARCH AND DATA ANALYSIS

This chapter tells about empirical process of the thesis. The first sub - chapter describes the collection process of primary and secondary data through desk study and interviews, while the second sub-chapter presents the analysis of collected data.

5.1 Data Acquisition Process

The following figure presents the data acquisition process for the primary and secondary sources of the thesis.

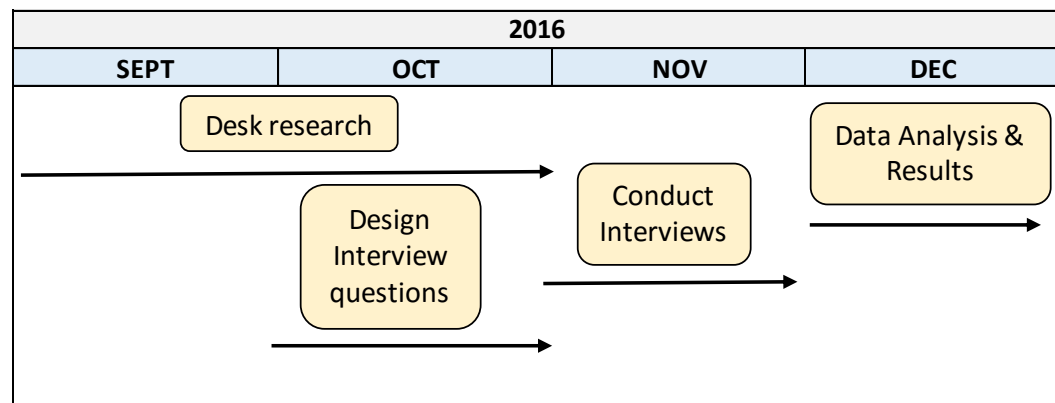


FIGURE 20. Data Acquisition Process

From figure above, it is apparent that this process includes four stages: desk research, design of interview questions, interviews' conduction and data analysis & results.

The desk research has started with analysis of the case company: Company X. The main objective of the thesis is to identify the uniqueness of Company X Business Planning practices and create some recommendations for other businesses which are based on the comparison between Company X business planning performance and common practices. Therefore, the process of desk research includes the search of information about Company X, its business planning process and common business planning practices. Two types of the desk study took place: internal and external. During internal desk research, all information, such as business plan's structure,

was gathered from the internal databases of Company X. External desk study includes data collection from the public domains regarding Company X overview, its goals & objectives as well as mission and vision. The goal of the desk study is to recognize the elements of Company X business plan and the elements of common practices of business planning process. Apart from that, another goal is to define the mission, vision and objectives of Company X as it is linked to the performance of the business plan. Company X is taken as an example due to the reason that this company is successful in terms of market share, sales and profitability. The desk study phase had started in the beginning of September and finished in the end of October. Data from external resources such as articles and company's website, was collected during September, while internal desk research took place in October.

After the process of the desk study, interviews were implemented in order to receive more description of the business planning process in Company X and other related topics. The interviews were essential part of data collection process because the internal database does not create a full image of business plan in Company X, therefore, more description was needed. There are three types of interviews: structured (pre-formulated questions, strict adherence to them), semi-structured (some pre-formulated questions, but not strict adherence), unstructured (few if any pre-formulated questions). The choice of the most suitable type of interview should be based on the purpose of the research. (Beuving & Vries 2015, 89 - 110.)

The interviews, which were conducted by the author, are semi-structured as there were few pre-formulated questions, and some new ones appeared during the interview. In addition to it, author chose this type of the interviews due to the reason that it gives an opportunity for participants to describe the situation and give an extensive answers. (Saunders et. Al, 2012, 37.) The aim of this thesis is to analyse the components of the effective business plan, therefore, the questions of the interview are about business planning process in Company X. The interview questions were the same for each department in order to start from general ideas and then move to the particular situations. The questions, appeared during interviews, vary for

interviewees due to the reason that they are from different departments and have different responsibilities. The examples of some interviews' questions are presented below, all of the questions are listed in Appendix 1.

- What is the most important thing to focus during business plan preparation?
- Why did you choose to have such structure for the business plan?
- Why Company X is so strongly long-term focused?

Five employees of Company X were interviewed. The design and organization of interviews were done in October 2016, and interviews were conducted in November 2016. The participants are anonymous due to the confidentiality policy of Company X, consequently, they will be indicated as X1, X2, X3, X4, X5 and their information will not be presented in the oral references.

5.2 Data Analysis

This sub-chapter presents the analysis and results of two data collection methods: desk study and interviews. The evaluation of both desk research and interviews was done in December 2016.

5.2.1 Desk study

The desk study presents information about Company X, management direction, and general overview of Business Planning Process.

5.2.2 Interviews

The goal of the interview stage is to investigate deeper business planning process in Company X and find an explanation, why business planning process contains these parts. As well as this, another objective is to identify the tool of control, which is presented by PDCA strategy. These interviews help to evaluate the credibility and validity of data from the desk study. The interviews were conducted face-to-face during November 2016. In total, five

employees of Company X were interviewed, which remain anonymous due to the confidentiality policy. Interviewees will be presented in the thesis as X1, X2, X3, X4 and X5.

The author was discussing with five interviewees the structure of the business plan, the meaning of each concept and the reasons of long-term focus. The interviewees were from different divisions as each department has its specific strategies within business plan.

6 RECOMMENDED EFFECTIVE BUSINESS PLAN TEMPLATE

This thesis introduces the theory and main components of the traditional business planning in the chapter 2 & 3. Chapter 4 displays the data about Company X, its approach to business as well as outlook of the business plan. The chapter 5 was introducing to the empirical research and data analysis, which studies the business planning process of Company X by desk study and interviews. Consequently, this chapter will present the recommended template of effective business plan for existing companies. The outcomes for the recommendations are based on a comparison between traditional business plan and Company's X one. Table 1, below, shortly presents the main outcomes of research.

TABLE 1. Recommendations for business plan

General recommendations	Recommendations for a template
Separate business plans for different products/product lines	Presence of executive summary
Splitting the responsibilities	Marketing plan with a strong digital focus
Long-term focus	Customer-centric approach
PDCA strategy	Ensure the sufficient number of KPI's
	Traditional financial plan can be avoided because list of KPI's is more efficient as it is already based on Financial plan

6.1 General recommendations

Firstly, the most important thing to take into account that efficient business plan should not be a have the same focus and structure for the whole organization. Plenty of organizations have different products/services or even brands, therefore it is wise to create the separate business plan for each of them.

Secondly, Company X business plan structure contains mostly two types of information: strategies and action plan. This data is built from some analyses and researches implemented previously, however, by other employees. This split of responsibilities saves time and allows organizing the work in the efficient way.

In addition to it, the good practice of business planning process within the case company is that business plan has long-term objectives. In order to be a successful organization, it is needed to invest in future and do not seek for high profits and huge market shares next year. If a company constantly develops its brand and product image, the profit will be much higher at this organization compared to the firms that are targeted only for particular revenue. Therefore, major part of Company X business plan is focused mostly on customers and the way how to reach and conquest them.

The practice of business planning process revision within Company X can be also recommended for other businesses. PDCA strategy is a good analysis tool as it measures the efficiency through condensing different view and proposals. Plenty of opinions create a big image that covers the tiniest details what allows to create the standardized business plan, which works efficiently for everybody.

6.2 Recommendations for a template

Previous sub-chapter covered the topic of general recommendations for effective business plan, while this sub-chapter will display the information about recommended elements to include into business plan.

Executive summary is the first part of the business plan that is an extremely important one. As it was mentioned in the chapter 3, executive summary captures the data and plays a role of introduction to the business plan. Therefore, it is recommended to have an executive summary, regardless the size, due to the reason that it clarifies the present status.

The next advised part of the business plan is a marketing plan. It can be represented by various forms and formats. Case company admits that the success arrives through customer satisfaction; consequently, marketing strategy is needed. Case company pays a high attention to the digitalization of all services as nowadays consumers more commonly use online platforms than watch television. The recommendation for existing business is to strengthen and develop on a daily the digital presence to have high brand awareness. Apart from that, it is important to create specific advertisement and sales campaigns for different audiences. As well as this, in order to create a successful marketing strategy the customer opinion about services and products should be known. Company X implements good practice tool to gather this information: surveys. As a part of marketing plan it is recommended to widen the network of the company to reach bigger audience and rise the brand awareness. Last but not least, marketing plan might include the proposals of special customer offers, particular customer promises and selling/service points based on the market situation at the certain country. .

Last component of the traditional business planning process is financial plan, and it is apparent that Company X does not have a financial plan within this process as it was presented in a theory. This element of Company X business plan template can be considered as recommended efficient benchmark for existing companies due to the reason that it combines several types of data in a good manner. The reason for that is that the aim of business planning process is to develop the image and performance of the company, therefore the financial plan, which is presented in a chapter 3, is done by another department and for other purposes. In general, financial plan can be excluded from business plan as it is evident that

Company X has a different approach to it, but it does not decline the productiveness.

7 CONCLUSION AND SUGGESTIONS

This chapter summarizes the findings and results of the thesis to answer the research questions. Apart from that, it covers the topic of validity & reliability of this thesis and gives recommendations for future research.

7.1 Answers to the research questions

This sub-chapter presents firstly the answers to the sub-questions and then to the main research question.

i. What is business planning?

Business planning is the process of determining a commercial enterprise's objectives, strategies and projected actions in order to promote its survival and development within a given time frame. Business planning mostly focuses on two key aspects: dealing with risks and making profits.

ii. What are the components of the traditional business plan?

Traditional business planning includes executive summary, where mission, vision and objectives are formulated. Apart from that, it includes the marketing plan, which contains marketing analysis tools like 4Pcs, SWOT analysis, Porter's five forces and Customer decision - making process theory. As well as this, it displays the Management & Organizational plan, Operational Plan and Financial plan. Finally, each plan within whole process presents the action plan, which explains the implementation process.

iii. What is the template of Company X business plan?

1. What is the uniqueness of Company X business planning processes and what can other companies learn from Company X practices?

Company X business plan is unique due to the reason that it does not separate fields of activities from each other but focuses on the cross-functional scope. Company X emphasizes the role of cooperation, as the

Company X believes that only through tight collaboration it is possible to achieve success, therefore Company X Business plan differs from the one, presented in the theoretical part of this thesis.

Covering the topic of information that companies can infer from this Company X business planning process, in order to create an effective business plan within existing business it is needed to have long-term focus, strategy and action plan. Apart from that, it is recommended to write separate business plans for a whole corporation and its particular brands/products lines/services. In addition to it, the good tool to revise the business plan during its implementation is PDCA strategy which allows to notice and correct even the tiniest weak points. Also, the primary goal of the business plan should be the customer conquest and brand awareness growth as it brings more success for the company than strong focus on earnings a targeted profit.

The recommendation for the business plan template is that the traditional financial plan can be excluded. As it was mentioned before, it is advised that business plan focuses more on customer, and financial plan has another function, therefore an exclusion of financial plan from whole process save the time and will not negatively impact at business plan effectiveness. However, executive summary, marketing plan, organizational plan are mandatory parts that cannot be avoided. Considering the topic of marketing plan it should be mentioned that nowadays companies should work hard towards the digitalization of series and stores, receive a feedback from a consumers at the each stage of interaction with a firm and expand the network on a regular basis. Last but not least, operational plan might not be taken into account as it is already partly presented within marketing and organizational plan.

7.2 Validity and Reliability

Firstly, two stages of data acquisition process took place at this thesis: desk study and interviews. Five interviewees, who are the employees of Company X, were questioned. The outcomes from these two steps showed

that the data acquisition process was precise enough. Therefore, the reliability has a sufficient level.

Secondly, the final goal of this thesis is reached as all research questions were answered properly. The theoretical background of the thesis is based on various academic resources as articles and published literature, which were peer – reviewed. Apart from that, the information about Company X and its business planning process is gathered from an internal database. Due to the reasons mentioned above, it can be said that this thesis has a proper validity.

7.3 Suggestions for Further Researches

The thesis proposes recommendations for an effective business plan, however, does not differentiate it by the type of the companies (e.g. Retailer Company and manufacturing company). Consequently, further research for the effective business plan benchmarks effective business plan can be conducted in order to create well-functioning template for different types of organizations. Apart from that, another recommendation for the further research could be is to study the templates for a strong business plan based on the regional or cultural characteristics. Finally, future researches might interview several companies' representatives in order to compare their business planning process implementation to collect more data.

8 SUMMARY

The thesis was designed to analyse the business planning process and create benchmarks for effective business plan based on analysis of Company X Business Plan and its uniqueness. Business plan plays a highly important role for a company because it has a strong impact on the health and stability of an organization. Therefore, the primary goal of the thesis is to investigate the common practices of business planning process, analyse business planning practices at Company X and its uniqueness, and then provide recommendations for an effective business plan based on the comparison between common and Company X practices.

The deductive approach is used in the thesis as it generates the theory from case study. In addition to it, the qualitative research method was chosen because primary data was collected through desk study and interviews. The secondary data was mainly gathered from published books, articles, journals and trusted e-resources. Careful assessment of data resources was implemented, therefore it can be said that the thesis is reliable. Apart from that, research questions were answered properly, consequently, validity is high.

The first chapter of theoretical framework provides information about business planning process, mission, vision, objectives and action plan. The second chapter presents the information about elements of traditional business planning such as executive summary, marketing plan, operational plan, management & organizational plan and financial plan. Within marketing plan theory, 4Ps, Porter's five forces, SWOT analysis, sales planning theory and customer decision-making process were explained. The elements of financial plan such as profit & loss statement projection, projected cash flow, projected balance sheet and break even analysis were presented in order to explain the financial planning process. Executive summary, operational plan and management & organizational plan theory were discussed as well.

Chapter 4, Case study, introduced the reader the overview of Company X and its business planning process practices. This chapter presented such topic as company overview, its management direction, key principles and performance of business planning process in Company X as well as PDCA strategy.

The recommendations for effective business plan are divided into two groups: general recommendations and recommendations for a template. General recommendations tell that companies should be more focused on customer, be long-term oriented, use PDCA strategy and create separate plans for the whole company and its brands or product lines. Recommendations for a template say that financial plan and operational plan can be excluded from a business planning process if the primary goal is to develop the brand awareness and company's performance at the market through consumers' engagement. In addition to it, it provides some things to be included into each type of the plan within the business planning process.

To conclude, the thesis reached its goal by finding an answer on the research questions and its sub-questions. Validity and reliability was proved previously as well. The limitations of the thesis are that these recommendations might be not suitable for start-ups, it does not reflect the data collections methods from different departments in order to create a business plan, and objectiveness of respondents cannot be fully verified. Considering recommendations for further studies, some deeper research can be conducted to identify effective business planning process based on different type of companies and cultural characteristics.

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APPENDICIES

APPENDIX 1 Interviews with the personnel of Company X

1. What is the most important thing to focus during business plan preparation?
2. Why did you choose to have such structure for the business plan?
3. Why Company X is so strongly long – term focused?
4. Why Company X Business Plan excludes financial plan?
5. Why do you choose these KPI's to track and evaluate the performance of the company?
6. Why does company have customer – centric approach?
7. Why Company X pays high attention to the process of digitalization?
8. Why do you thing that PDCA strategy is the most efficient tool to evaluate and improve company's performance?
9. Did you achieve the targets, which were stated in the previous business plans?

