CHAPTER ONE – Study Outline

1.1 Introduction

The importance of planning to performance is a central feature in the entrepreneurship and strategic management literature (Hosmer & La Rue, 1985). This is even more so in the formation of new businesses. Planning enables a manager or an organization to actively involve rather than passively accept the future. By setting objectives and charting a course of action, the organization commits itself to “making it happen”. Without a planned course of action, an organization is likely to be reactive rather than proactive.

Many studies reported a positive relationship between planning and certain measures of organizational success. Planning is often found to be positively correlated with profits and on the quality of work produced. Such findings led to acceptance that planning is the most important stage in management activities. Whether formal or informal, business planning seem to be the lifeline to positive performance of any business ventures.

1.2 Problem Statement

In an increasingly competitive business environment, survival of continuing profit is the most pivotal aspect in every business organizations. Coupled with present tumultuous economic uncertainties, entrepreneurs were forced to face these challenges to adapt new perspective. They must proactively search for better business solutions to ensure their business existence. Often times they fail to find appropriate remedial actions for which led to business failure.

There exist many extensive entrepreneurship and strategic business management literatures explaining the importance of business planning to performance. The business plan is regarded by many as an essential
element of a successful start-up; ongoing planning efforts are considered vital to continued success (Lumpkin, Shrader & Hills: 1998).

The above statement can be well supported by an excerpt from a founder of one venture that grew steadily with millions dollar sales. "Once you are in business, you realize that everyone, including the founders, is learning his or her job. If you have thoughtful and complete business plan, you have a lot more confidence in your decisions. You have reference already there to say... Well, I have already run the numbers of inventory, or cost of goods, and this is what will happen. (Andrews: 1983)."

An effective business plan will convince the investor that the person who produces the plan has actually identified a high growth opportunity, that he has the entrepreneurial and management talent to effectively exploit the opportunity and possesses a rational, coherent and believable program for doing so. An effective business can also be used as a reliable source document when seeking for funds from venture capitalists and financial institutions.

Nonetheless, it is ironical to note that our present budding entrepreneurs are lacking in principles and technical know-how in preparing an effective business plan. This observation is supported by an admission from the General Manager of the reputed Perbadanan Usahawan Nasional Berhad (PUNB), Dr Mohd Amir Sharifuddin. He was reported to have said that, from his experience many budding entrepreneurs seeking for assistance from PUNB are handicapped in presenting their business plan effectively.

Basing on the above platform, the study will attempt to seek the relevance of a business plan formulation as an effective tool in embarking into business ventures.

In summation, the business plan can be described as the most effective tool in enhancing performance of a business venture, charting the course of the business, and as important toll when sourcing for funds.
1.3 Objectives of the Study

This study has 2 fundamental objectives, namely

- To ascertain the important factors that make up a comprehensive business plan in our local context, and
- To determine the existence of any relationship between a business plan and the performance of a business venture.

The study will be formulated in a manner that the factors, which are deemed to be of importance for an effective business plan, will be tabulated and discussed thoroughly.

The premise of the study is based largely on a presumption that a comprehensive business plan has a direct relationship in enhancing the performance of a business venture.

1.4 Scope and Limitation of the Study

This study examines and analyses the relationship between the business planning and performance. This study is an “exploratory research” that focuses on the perception of a profile of small and medium sized enterprises' toward the relationship between performance and formal business planning.

In this study, I attempt to identify the important variables in a business plan which contribute to positive performance of business venture. The process of identifying the important variables in a business plan will be done by questionnaire field survey targeted to a sample of respondents from small and medium sized entrepreneurs. The sample of respondents are derived from Small and Medium Industries Corporation and partly from the Dewan Perniagaan Melayu Malaysia’s entrepreneurs. Most of the respondents from the said Small and Medium Industries Corporation are among the most fast growing home-grown small business operators.
1.5 Significance of the Study

The Purpose of the study is to explore the possibilities of a business plan in enhancing the performance of a business venture. Thus, the study could be used as a definitive material in seeking the important aspects of an effective business proposal.

In general, the significance of the study can be seen in two perspectives, namely:

- The study could be used as a reference material for interested party seeking definitive overview of factors that make up an effective business plan.
- The study attempts to identify the reality of the role of business plan in any business venture activities.

1.6 Methodology of the Study

This study comprises 5 chapters. Summaries of each chapter are as follows:

Chapter 1 is the overview of a general idea about the relationship between business planning and performance. This section also determines the entire direction of the proposed study.

Chapter 2 is the literature review which will highlight some of the previous studies, opinions and related issued pertaining to the concepts and principles of planning in management domain towards business performance.

Chapter 3 is the methodology used in this study. This section explains in details how the source of data is taken, data sampling and data collection, and the problems encountered in the study.
Chapter 4 is the data analysis and findings on the data collected for this study. There exists various statistical results obtained using Statistics Package for Social Science (SPSS) application, such as frequency tables, chi-square tabulation, crosstabulation, correlation coefficient and regression.

Chapter 5 is the recommendation and conclusion where the author presents his comments and opinion.

For the realization of the first objective, the study would have to rely heavily on literature reviews. This is a process of reviewing related past studies and literatures to identify relevant theories pertaining to the process of business plan formulation.

As for the second objective, the study will formulate a questionnaire survey analysis focussing on entrepreneurs in small and medium scale industries. This questionnaire survey depends entirely on the small and medium scale entrepreneurs' list obtained from SMIDEC (Small and Medium Industries Development Corporation) as well as entrepreneurs from DPMM (Dewan Perniagaan Melayu Malaysia).