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## **Importance of Business Plan When Starting a Business and How to Finance an Entrepreneurial Venture and Handle All Legal Issues**

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### **ABSTRACT**

This paper assessed the importance of how important a business plan is when starting a business and how to finance an entrepreneurial venture and handle all legal issues that arise in the process. A good business model depends on three qualities, finding high-value customers, offering significant value to customers, and delivering substantial margins. They also avoid three things that can derail a business: difficulties in satisfying customers, trouble maintaining market position, and problems generating funding for growth.

The qualitative research method was used in this study, particularly through written documents. The business plan outlines what you aim to accomplish with your company and how you expect to achieve it—writing out what is required in turning your concept into a reality necessitates addressing the why, what, who, how, where, when, and how much of your enterprise.

Writing a business plan pushes you to take a close look at your concept and how you intend to transform it into a profitable venture. This allows you to identify places that need reconsideration or assistance. Planning is a never-ending process. It would be best if you did not consider your business plan done until you have drafted it. It is a document that will drive the development and evolution of your firm; it should be revisited regularly, particularly if the market or your original assumptions are altered.

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Keywords: Business Plan, Entrepreneur, Entrepreneurial Venture, Entrepreneurship, Business Legal Issues

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### **Introduction**

Before you begin physically creating your business plan, the entrepreneur should do extensive study on your industry and market. This is critical regardless of whether you have prior expertise in that business. For knowledge, entrepreneurs may turn to the Internet, industry experts and organizations, suppliers, and current rivals. Your study will assist you in putting up the business plan since it will provide you with a grasp of the industry's dynamics and pressures.

If you don't have a financial background, you may need help putting together the financial information, but make sure you hire an accountant to explain what all the numbers represent. Although there is a generally acknowledged framework for a business plan style, there are several methods to put it on paper. While the core parts of most business plans are described here, no two objectives will have identical headers, flows, and appendices.

The structure of the business plan is often determined by the rationale for creating it. If you are bootstrapping your company, you must prioritize operational difficulties and cash flow. A project that will be used to attract investors, on the other hand, will often have more material and be organized in accordance with the financing institution's specifications or template (Collier, 2007).

While some individuals believe that you don't need a business plan to start your own firm, research has proven that having one considerably increases the likelihood of your venture's success. A business strategy will not guarantee your success. Nonetheless, it will assist you in avoiding certain typical reasons of company failure, such as undercapitalization or a lack of a sufficient market.

Your market strategy will be determined by your study. The market study you do should drive you to get acquainted with all facets of the

market in order to identify the target market and position your organization to gain a share of sales. It also assists you in developing pricing, distribution, and promotional plans, as well as indicating the industry's development potential. Begin your market study by identifying the size structure, development prospects, trends, and sales potential of the market (Cornwall & Vang, 2004).

These aspects come together to form what should be an intriguing and plausible tale about a new company or a development path that will take an existing firm to new levels of influence and success. When creating your business strategy, keep the following points in mind. It would be preferable if you were as accurate as possible with all predictions.

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## Research Objectives

This study is intended to assess the importance of how important a business plan is when starting a business and how to finance an entrepreneurial venture and handle all legal issues that arise in the process.

Specifically, it seeks to answer the following questions.

1. Why the business plan is important for entrepreneurs?
2. What are the legal issues faced by entrepreneurs?

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## Literature Review

The most common situation for business planning is for a start-up, in which the plan assists the founders in breaking down uncertainty into meaningful elements, such as sales projections, expenditure budgets, milestones, and activities. The necessity becomes evident when you discover you don't know how much money you need or when you need it without first sketching out predicted sales, expenditures, expenses, and payment schedule. That is true for all start-ups, regardless of whether they need to persuade investors, banks, or family and friends to part with their money to establish the new enterprise (Dess & Lumpkin, 2005).

Established firms use business plans to manage and guide their company strategy in order to meet market changes and capitalize on new possibilities. Plans are often used to reinforce strategy, develop metrics, measure performance, manage duties and objectives, plan and manage vital resources like as cash flow, and establish regular review and modification schedules. Existing firms may benefit greatly from business planning as a potent growth engine.

Given that business plans serve a variety of goals, it is not surprising that they exist in a variety of formats. However, before you begin drafting your business plan, you must consider who your target audience is and what your plan's objectives are. While there are certain elements that are common to nearly every business plan, such as sales estimates and marketing strategy, business plan forms may vary based on the audience and kind of firm. For example, if you are developing a biotech business strategy, your plan will include information on government approval procedures. Details concerning location and renovations may be important aspects to consider when drafting a restaurant plan. The terminology used in the biotech firm's business plan would be much more sophisticated than that used in the restaurant strategy. Plans may also range greatly in terms of length, intricacy, and presentation. Those that are never utilized outside of the office and are solely used for internal strategy planning and management may employ more informal language and may lack visual refinement. A strategy going for a top venture capitalist's desk, on the other hand, will have a high polish and will concentrate on the business's high-growth components as well as the experienced staff to provide ideal outcomes (Dix & Gandelman, 2007).

Unlike working in a major corporate setting with a well-established structure, entrepreneurs often design and run a new company endeavor according to their own set of rules. Entrepreneurs are inspired to develop novel solutions to fulfill possible market needs when they are under pressure to launch a new enterprise within limits and limitations. At the same time, when entrepreneurs make a range of choices, the task of meeting these expectations may generate temptations and ethical constraints. Contracts, torts, employment, intellectual property, conflicts of interest, full

disclosure/truthfulness in product or service promises and performance, and antitrust/competition law are all common areas replete with potential legal concerns.

There are several legal reasons why an entrepreneur should be aware of intellectual property rights. For example, if a new startup company develops a unique idea, it is critical to preserve that intellectual property. Without such safeguards, any rival may legally, if not morally, replicate the idea, affix their own name or corporate brand to it, and market it as their own. This would drastically limit the entrepreneur's ability to profit from a product that they developed. Intellectual property (IP) rights are established by federal law to safeguard small firms from issues like these. IP legislation also aids in the establishment of brand recognition and the protection of secondary income sources (Dollinger, 2003).

Intellectual property (IP) is the output or outcome of one or more persons' creative effort to transform a unique concept into a practical and value-added product/service; this embodiment of original ideas is legally protected. IP refers to everything that is a firm's unique right, will help distinguish that organization, and will contribute to a long-term competitive advantage. This imaginative approach may result in a new product concept, a new innovation, an inventive pivot, or an enhancement to a current product or service. A patent, a copyright, a trademark, or a version known as a trademark secret are all examples of intellectual property.

An entrepreneur is responsible for protecting, providing necessary protections, and continuously growing a company's intellectual property (IP) in order to build a sustainable competitive edge. Understanding, distinguishing, and dealing with the many kinds and technical components of a firm's IP are among these tasks. It also implies that the entrepreneur should be concerned with the nontechnical side of IP, namely developing a culture of innovation that allows the business to provide a steady supply of new IP.

A business plan's components span a wide range of themes that are common to all businesses. What you put in your business plan, however, will be greatly influenced by how you want to utilize it. One application is as a feasibility study, which helps to examine a concept to see whether it makes sense. Another use is as an operational manual—a blueprint outlining how a new enterprise will evolve and run. A business plan may also be utilized as a financial proposal, which describes how an investor's financial assistance will be compensated.

Each application will highlight distinct aspects. For example, if you want to present your company plan to an investor, it should pay much more attention to how money will be utilized and returned than a feasibility study would. If you're creating a feasibility study, you can have a lot more market research and technical knowledge than an operational plan.

Planning is a never-ending process. You should not consider your business plan done until you have drafted it. It is a document that will drive the development and evolution of your firm, and you should examine it on a regular basis, particularly if the market or your original assumptions alter. If the changes are considerable, you should be prepared to adjust, if not abandon, your plans.

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## Research Design

The qualitative research method was used in this study particularly through written documents. They also want to learn about the intricacies of our social environment. They were inductive and have commonalities in that they investigate 'what,' 'why,' and 'how' questions, as opposed to 'how much' and 'how many' inquiries favored by quantitative research. Researchers want to examine objects in their natural environments and to add up or interpret the meanings that individuals give to their experiences in daily language. The qualitative inquiry distinguishes itself by its experiential knowledge of the intricate interrelationships between phenomena and its direct interpretation of occurrences. As a result, the emphasis was on attempting to uncover patterns of unexpected and predicted connections in instances or events. Researchers do this by using their subjective judgment while demonstrating how their assumptions influence the information generated via personal reflexivity during a kind of self-analysis and self-evaluation throughout the study

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## Data method collection

Secondary data will be gathered in academic papers that will be available for internet and conventional study via the library. However, previous records, compliance reports from the past, articles, journals, and internet resources will be used to understand and evaluate the existing instructional module to ensure it aids in the intended research area and to gain knowledge in the theory, recent and past studies on how to make an effective and comprehensive activity in students. To get in-depth study resources, the researcher will visit the journal's website on interactive instructional technology apps for music teachers.

As the study project progresses, the secondary sources will be changed and updated. In this regard, the researcher intends to utilize the following secondary sources: Publications from the World Economic Forum, include news stories, online articles, school reviews and research papers, case studies, and books.

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## Data Analysis

### 1. Importance of business plan to entrepreneurs

A business plan is essential for those who are just starting out and developing their own firm, whether it's a tiny freelancing business from home or a new enterprise with an office and a beginning pool of workers. It is a road plan, an overview, and a document that defines what your company is, what its aims are, and how it intends to achieve those goals (Berry & Grant, 2004). Entrepreneurs have a variety of reasons for failing to complete a business plan, including a lack of time, a lack of belief that it would be effective, a lack of knowledge on where to begin, and so on. A major fault for an entrepreneur is failing to develop a business strategy.

In fact, upon examining a failed enterprise, many people discover that their largest error was not taking the time to consider what it would take to make their venture profitable. While a fully established strategy is ideal, an imperfect business plan is preferable than none at all. Even an imperfect strategy will get you started and give something to which others may react.

Readers of your strategy will be able to identify what is lacking and, if they have anything to criticize, will be able to point out faults in your rationale. Creating a business strategy includes making educated guesses about numerous unknowns, such as sales volumes, building costs, rival reaction, and so on. Assumptions like this are a vital part of the process. The issue arises when your assumptions about something you don't know for certain become actuality in the business strategy.

For example, in the business strategy, it is simple for an assumption you made about sales volume or market share to become a truth. If you consider this information as reality, you won't be prepared if actual sales volume or market share varies significantly from the assumptions. You must understand what you are assuming and distinguish it from what you can claim with confidence since it is supported by facts. In essence, you must be aware of what you do not know. Forecasts with no substance will lead you nowhere.

Assumptions that become realities are a source of contention. For your business plan to be an accurate road map for your actions, your assumptions must be articulated clearly.

#### 1. Identify Your Issues

The value of a business plan to an entrepreneur starts with assisting you in identifying potential difficulties and obstacles. It's one thing to say you want to be profitable in your first year of operation, but how will you do it? A business plan encourages you to be serious and examine your financials. This document often assists individuals in identifying their true issues and barriers, resulting in a more realistic approach as the harsh facts find their way into the strategy.

## 2. Obtain Better Advice

The significance of a company strategy to entrepreneurship may also be seen in the manner it crystallizes exactly what kind of assistance you want. Simply informing a friend or possible business mentor that you want to start with 10 workers, for example, is not a very thorough remark. Displaying a business plan that details the actual roles, pay, and expectations you have for staff provides significantly more information for others to provide recommendations on.

## 3. Sort through Your Resources

A business plan is also necessary since it serves as the main guide for structuring and allocating your resources. It is here that you will be able to evaluate how possible it is to build an office, recruit personnel, and calculate operational expenses. The business plan can rapidly show you if you will be profitable or losing money, as well as how much those losses will be each month.

## 4. Approach Potential Investors

This may be crucial for some. Investors want to know you understand what you're doing. A business plan is often the single most significant document you can give to potential investors, providing the structure and confidence they need to make financing and support choices (Bettignies & Brander, 2007).

## 5. Establish Milestones

A company plan is also a strategy. By establishing milestones, you now have aims to aim towards in the short, medium, and long term. These objectives also imply that you will be able to "course correct" with more agility if you have goals and recognize that you may need to make some modifications in order to reach them.

For entrepreneurs, the significance of a business strategy may be vital. Business may include some creativity, but true success comes from having a vision and being organized in your efforts to achieve that goal. A business plan will be very beneficial to you in a variety of ways (Birkinshaw, 2003).

## 2. Legal issues faced by entrepreneurs

Making your company ideas a reality by going it alone is one of the most courageous and ambitious things you can do. Entrepreneurship is a risky step toward limitless development opportunities in the commercial sector, but like any trip, there will be setbacks along the way. Unpredictable challenges will always happen, no matter how much preparing you do, including legal issues encountered by businesses ranging from trademarks to intellectual property and more. In this section, we'll look at some of the most serious instances of ethical and legal difficulties in business, how to spot them, and what you can do to limit your exposure (Business Collective, 2015).

As the strategy is put together, there is a propensity to focus on the areas of interest or where the data is "best." This results in an uneven strategy where the marketing plan is detailed, but the finance plan receives minimal attention simply because the entrepreneur is not a "numbers guy." The importance of the business plan is that it gives a space to think thoroughly about the venture's future. When you don't convey all of the crucial aspects of the enterprise, you drastically undercut its worth.

It is easy to get caught up in the excitement of the enterprise or to be unduly anxious to get to the market while developing a new company. It is tough to be critical of a concept, the market, or oneself. However, failing to recognize what you need to be effective will catch up with you at some time. For example, if you are launching a food business, you must be objective about your people's abilities. Do you get along well with others? Will you be a good host for your visitors? You need an honest response to these questions. Perhaps you have these abilities and hence have a significant chance of success. If people skills are not your strong suit, your company strategy must handle this shortcoming. Be impartial in your analysis, or you

might end yourself losing much money later.

The drive to get a new company up and running as soon as possible may sometimes result in catastrophic losses that not only cripple a firm but also place a person in major legal problems. It's better to leave it to a professional to cover all the legal grounds, and knowing where to start is half the fight. Knowing a few of the main legal challenges examples may help you prepare for launch or give you a better sense of where to start retrospectively protecting yourself and your company against potential legal troubles.

The selection of legal counsel, as well as the level of their engagement, is crucial for every entrepreneur wanting to break into the commercial sector. Hiring a specialist to guarantee you're reducing your risk exposure while also ensuring your firm gets off to a good start is critical to achieving long-term success. Find a lawyer who specializes in startups and new business endeavors since there may be minor but significant elements that a lawyer who does not concentrate only on entrepreneurship may miss (Porteous, 2020).

"What are some instances of ethical and legal difficulties in business that I should be aware of as an entrepreneur?" you may wonder. While this is by no means an exhaustive list, it does illustrate some of the main difficulties that entrepreneurs usually ignore or face on their own. Knowing where to begin and what to discuss with your lawyer can put you ahead of the game when it comes to safeguarding yourself and your company. Take a look at the list below for some of the issues that each budding entrepreneur should be aware of.

Intellectual property (IP) is the output or outcome of one or more persons' creative effort to transform a unique concept into a practical and value-added product/service; this embodiment of original ideas is legally protected. IP refers to everything that is a firm's unique right, will help distinguish that organization, and will contribute to a long-term competitive advantage. This imaginative approach may result in a new product concept, a new innovation, an inventive pivot, or an enhancement to a current product or service. A patent, a copyright, a trademark, or a version known as a trademark secret are all examples of intellectual property.

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Neglecting to observe corporate compliance laws: Corporate compliance is a wide phrase that encompasses everything from internal rules, regulations, and processes to the federal and state laws that regulate your industry. Plan frequent audits to ensure that your company is following all applicable laws and regulations (HBS Working Knowledge, 2003).

Intellectual property infringements, such as trademark and copyright infringements: Entrepreneurs must take additional precautionary measures to guarantee they are not infringing on someone else's intellectual property while also protecting their own.

NDAs (non-disclosure agreements): Ensuring that NDAs are signed prior to exchanging thoughts guarantees the confidentiality of trade secrets and works-in-progress.

Keep your business and personal assets separate: Making sure you have separate bank accounts is just one easy step you can take to build a layer of safety between your personal and corporate assets.

Employment handbooks and contracts: Working with a lawyer to create a propriety handbook and construct a contract can assist to guarantee that workers are properly educated, classed, and protected.

Employee dismissal: Reduce the likelihood of legal retribution by clarifying employment terms in person as well as in text in employee manuals that clearly detail rules, regulations, and disciplinary measures that may be necessary.

Shareholder agreements: All small enterprises should ensure that formal shareholder and partnership agreements exist and are legally enforceable so that no stakeholders are left in the dark.

Filing taxes correctly: There are several rules, regulations, and laws that regulate the functioning of a for-profit corporation. Make sure you have

the proper systems and tools in place to maintain thorough records of all cash coming in and going out; a seemingly minor issue might lead to major financial difficulties down the road. Common legal blunders made by businesses (PowerDMS, 2020).

The following are the two most common mistakes made by entrepreneurs:

a. Hiring a lawyer with little to no experience dealing with business owners.

When it comes to integrating the advice of a lawyer, the necessity of beginning early cannot be overstated. Before you begin your company endeavor, and preferably while it is still in the planning stages, you should do research to identify an attorney who specializes in start-ups and is familiar with the intricacies of your sector as well as local regulations.

It is vital to have adequate legal advice during your launch as well as be prepared in the event that you are sued. If your company is extremely difficult and you anticipate having to deal with the IRS, it may be a good idea to hire a tax attorney in addition to one who specializes in entrepreneurial ventures. In any case, professional legal counsel will assist you in navigating the seas, planning for the future, and covering your bases so that you may expand with peace of mind (Council Young Entrepreneur, 2017).

b. Failure to utilize Non-disclosure agreements (NDAs) are legally binding instruments intended to preserve trade secrets, sensitive data, proprietary and/or private information, and other information. These papers guarantee that ideas and information are not stolen by those associated with the project(s) in issue. Those who violate an NDA may risk litigation, financial fines, or even criminal punishment. The aforementioned legal counsel should be more than willing to assist you in drafting an NDA. Small firms can't afford to incur legal risks, particularly when they may be avoided with adequate preparation. Keeping these frequent legal difficulties in mind, as well as having the proper insurance for your small company, is a smart first step (Beers, 2020).

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## Summary and Conclusions

The business plan outlines what you aim to accomplish with your company and how you expect to achieve it—writing out what is required in turning your concept into a reality necessitates addressing the why, what, who, how, where, when, and how much of your enterprise. Writing a business plan pushes you to take a close look at your concept and how you intend to transform it into a profitable venture. This allows you to identify places that need reconsideration or assistance. Planning is a never-ending process. You should not consider your business plan done until you have drafted it. It is a document that will drive the development and evolution of your firm; it should be revisited regularly, particularly if the market or your original assumptions are altered. If the changes are considerable, you should be prepared to adjust, if not abandon, your plans.

As the strategy is put together, there is a propensity to focus on the areas of interest or where the data is "best." This results in an uneven strategy where the marketing plan is detailed, but the finance plan receives minimal attention simply because the entrepreneur is not a "numbers guy." The importance of the business plan is that it gives a space to think thoroughly about the venture's future. When you don't convey all of the crucial aspects of the enterprise, you drastically undercut its worth.

It is easy to get caught up in the excitement of the enterprise or to be unduly anxious to get to the market while developing a new company. It is tough to be critical of a concept, the market, or oneself. However, failing to recognize what you need to be effective will catch up with you at some time. For example, if you are launching a food business, you must be objective about your people's abilities. Do you get along well with others? Will you be a good host for your visitors? You need an honest response to these questions. Perhaps you have these abilities and hence have a significant chance of success. If people skills are not your strong suit, your company strategy must handle this shortcoming. Be impartial in your analysis, or you might end yourself losing much money later.

The operational section of the plan is concerned with the internal organizational structure, activities, and equipment required running your business. It would be best if you talked about how the company will be owned and operated, your people and physical resource requirements, and any legal concerns that may arise. Protecting your company and its goods against imitators should be a priority from the start, especially if you have new

items. Trademarks and service marks help safeguard your company's product and service marketing symbols. Patents will aid in the protection of the things you make.

For the first two years of operation, many small enterprises will generate very little income. For at least two to three years, most small enterprises will not produce a significant profit. Your enterprise is likely to fail if you do not have adequate cash reserves. A clear business plan may help you get the financing you need to get over the challenging first few years. If the goal of your strategy is to get funding, request it and explain how it will be utilized.

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