



## How to prepare a Business Plan

Filling out a template is not the way to write a Business Plan!

Over many years of working with business owners, I have lost count of the number of people that have set out to write a Business Plan – got halfway through - and then gave up! Sound familiar?

### What is the problem?

The main problem seems to be that the majority of Business Plan templates are structured around the end product – a completed Business Plan.

However the problem many people experience, is that much of the information they need to complete the Plan, is buried in the middle of the template. The end result being that they get halfway through, then realize they need to go back and rework the earlier parts of the Plan. After doing this a number of times many simply give up in frustration!

However there is an easier and more logical way to go about it, and that is to break the Plan down into components – gather the information you need in sections – and then start to fill out the Plan template!

### What is a Business Plan?

In its most basic format a Business Plan is statement about:

- What your business is – where it is today.
- Your products and services – the benefits and solutions you provide.
- Your target audience.
- Goals and objectives.
- The practical action steps you will take to achieve your objectives.

### How to use a Business Plan

When writing a Business Plan it is important to bear in mind that it's purpose is twofold:

- To ensure all your thoughts and ideas are tested – have some basis in reality.
- To guide the growth of your business. To act as a compass – to keep you focused and on track.

A Business Plan is not something that is written - then put in a bottom drawer and forgotten – rather it is a tool that should be referred to on a regular basis – a living document that is updated at least quarterly – preferably monthly, particularly in the first two years.

## **Writing a Business Plan – a process to follow**

In my experience the best way to write a Business Plan is to break it down into components – Basically gather all the needed information in a logical way – then when this is done, fill out the Business Plan template.

### **Step 1 – Can you make money?**

Unfortunately this element is too often one of the last things addressed when writing a Business Plan. Yet it is the most basic of questions. Before starting any business, outlaying any capital, you need to be confident that the venture will in fact make money!

You need to know the price at which you are going to sell your product or service, and that there will be a satisfactory profit in it for you, after paying all expenses, including an owners living wage.

A helpful tool you can use for this exercise is the Breakeven Analysis template (included as part of the Cash Flow Forecasting template) on the disc provided at the workshop.

### **Step 2 – Is there enough demand?**

You need to know if there is enough demand for your product or service to make the whole exercise worthwhile.

Do your research! There is no point in having the world's best product or service if there is insufficient demand for it or, customers are not willing to pay the price.

An important tip in this regard – it is not so much about demographics – for whilst they are important, it is *customer behavior* that you need to understand.

Having confirmed that you can make money, pay yourself a reasonable living wage and that there is sufficient demand, you can now start chunking down the Business Plan elements:

### **Document the Why?**

The first step in writing a Business Plan is to document why you are doing what you plan to do.

What is it you want the business to deliver or do – that is truly important to you at a personal level?

This is crucial to help keep you on track, help keep you motivated when the going gets tough (which it will!) and/or when things do not go to plan!

If you have partners in the business – confirm is there an alignment between your individual reasons/objectives – if not there is potential for trouble down the track.

## Create a clear vision as to what the business will be like at its full potential

How will you know where you are headed unless you have a clear vision as to what the business will look like when it is fully developed?

A clear vision is not some wordy academic statement – but a written description of the business at its peak.

- What will it look like?
- How big will it be?
- What turnover?
- What profitability?
- What markets?
- How many outlets? What will they look like?
- How many employees?
- How will it be run on a day-to-day basis?
- How long will it take for this vision to be realized? Three years? Five? Ten?

The purpose of creating a vision is to help guide all decisions to ensure it becomes a reality.

Once you know what the business will be like in say five years – you can then work backwards, what will it be like in three years, two years, one year – six months?

Crucially, *what are the practical action steps* that need to be taken to make it all happen?

**Important:** If you have partners in the business, ensure you equally share the vision – if you do not, it is highly unlikely the vision will be realized!

## Undertake a personal Strengths, Weaknesses and Development Need Inventory

Just like a business SWOT – complete a personal list of your (& your partners):

- **Strengths** – Ask how can you ensure you use these to advantage in the business.
- **Weaknesses** – What are your weaknesses? How can they be addressed? Where possible look to outsource in this area (Bookkeeping being a good example)
- **Development needs** – In the real world you can't out-source everything – So in what areas do you need to undertake personal development to ensure it does not become a problem for you or the business?

## Complete a SWOT Analysis for the Business

Use the template provided with the workshop handouts to complete a SWOT Analysis for the business.

- **Strengths** – What are the strengths of the business? How can they be used to advantage? What practical action can you take? Remember in many instances, a strength, is only a strength, if the customer is aware of it!
- **Weaknesses** – What are the weaknesses of the business? What practical action will you take to address? To ignore a weakness may place your business at peril!
- **Opportunities** – What are the specific opportunities for your business? What practical action will you take to capitalize upon them?
- **Threats** – What are the external threats to your business? How will you address or reduce their impact?

## Undertake a Competitor Analysis

This is a vital, but too often is only done in a superficial way or is totally overlooked. Spend time having a close look at your competitors:

- What do they do well? What can you learn from them? How can you counter their strengths?
- What are their weaknesses? What do they do poorly or not at all?
- What is important to the customer but is not being delivered?

Often by undertaking Competitor Analysis you can identify “opportunity gaps” or breakthrough ideas – very often this is in the area of customer service – the customer experience.

## Products and Services

Detail the specific products or services the business will offer and address:

- What solutions does my product or service offer?
- What benefits do I offer?
- What problems do I solve?
- Where will my products or services be positioned from a price perspective relative to the competition – why?
- Why should customer try or buy my product or service?
- How is my product or service different or better to that of my competition?
- What is my unique selling proposition?

## Define your “Perfect Customers”

Take the time to develop a profile of your ideal or “perfect” customer:

- Who are they?
- Where are they?
- What demographics? Age, sex, educational standard, income, location, aspirations, interests etc.
- How do they behave?
- How many of them are there?
- What method and style of communication would they relate best to?
- If your customers are consumers, what are they currently doing, reading, and watching?
- If your customers are businesses are they part of a specific industry or sector, is there a professional association, a union, a particular line of supply?

- How will I communicate with my customers? How will they know I exist?
- What objections are potential customers likely to raise? – What will be my response?

### **Build Action Plans as you go!**

As you work through each section, don't forget to make a note of all the actions needed to address issues raised – to help make your Plan a reality.

Action Plans are the most important part of a Business Plan! In fact a Business Plan - without Action Plans, is simply a dream!

### **Summary**

Having worked through each of the foregoing questions, you will far better placed to complete your Business Plan than if you sit down and simply try to fill out a template.

But remember creating a Business Plan is only the first step. It needs to be referred to regularly, updated and used as a compass to guide the growth of your business.

**Bruce Hall**