

Business Plan



Concept of Business Plan

- Include details such as the name of your company, a brief description of your products or services, who your target market is and what your primary business objectives are,
- An effective business plan convinces the readers that the new business is exciting and need support.
- It should clearly demonstrates the **cost and benefit** analysis.
- It should answer **5Ws and 1 H** regarding your business in advance.

What type of business you are going to start ?

How you are going to start ?

When you are going to start ?

Where you are going to start ? And so on.

Definition of Business Plan

“The term business plan means the development of a written document that spells out like a roadmap where you are , where you want to be ,
and how you want to get there.”

Kaplan

Scope of Business Plan

- The scope of a business plan refers to the **target reader** of the plan. The readers may be **employees, investors, bankers, advisors and consultants**. Each of these group read the plan for different purpose. Hence, the entrepreneur should attempt to satisfy all of their concerns. The employees are the **internal** parties and the investors and other stakeholders are **external parties**.

Why Write a Business Plan?

- A business plan enables you to demonstrate to stakeholders, including founders and investors, that there is potential for considerable growth in a large market.
- It should illustrate that your **company is capable of achieving significant market power** with a sustainable and differentiated product or service offering.
- The business plan also demonstrates that the opportunity is a good investment deal.
- It should include **value-enhancing milestones and a realistic valuation** that will enable investors to achieve their target return on investment.
- The plan should also outline a clear exit strategy.

- The exercise of developing and writing a business plan provides the entrepreneurial team with the opportunity to organize your collective insights about the company and, the business opportunity, as well as how you plan to achieve your objectives.
- The business plan is the product, but the planning process is more important.
- Planning, tracking, reviewing and setting goals, and executing on the plan, are the foundation of running your business.

- We suggest that you follow this process:



- A great way to approach the task is to **gather all existing information** and **go through a gap analysis** to establish what information is missing.

1. Gather All of the Information

- The first step is to determine what information you have and what information you need to pull together.
- The following list includes most of the information you will need to create a business plan:
 1. Entrepreneur Series workbooks (Market Strategy Development, HR Management, and Business Planning and Financing Management)
 2. Mission statement or positioning statement
 3. Other previously created sections of the business plan

4. Industry market research reports.
5. Market size, penetration strategy and goals (from Marketing workbook).
6. price information for products and/or services
7. Research on competitors (from Market Strategy Development workbooks).
8. Copies of patent documents.
9. List of clients including nature of engagement.
10. List of strategic partners.
11. Logo (hard copy and electronic).

12. Capitalization table
13. Financing to date by principals and investors
14. Financial model
15. Technology white papers
16. Names and biographies of key employees and positions
17. Names of service providers (including legal counsel, IP counsel and accountants)
18. Names and biographies of directors and advisors.

2. Team Business Planning Workshop

- Although one person should write the document, the management team should think through and strategize the various components of the business plan.
- Hold a half day to one-day workshop to brainstorm and pull together the various sections of the business plan.
- Consider holding the session offsite so that the group is not distracted by day-to-day work-related issues.

3. Writing the Business Plan

- After the group-planning workshop, the person leading the writing of the plan should have all of the required information to pull together a compelling document.
- Ideally, the CEO of the company should write the business plan.
- The business plan should describe the specifics of your company's operations and sell potential investors on your business.
- Investors see many plans each week so think about how you can make your business plan stand out.

•Follow these guidelines when writing your business plan:

•Print the following information at the top or bottom of every page:

- Date of current version of business plan.
 - The statement “Draft: For discussion purposes only”.
 - The words “Company confidential”.
- Write concise and specific sentences and paragraphs.
- Highlight important points using bold or italic type.

- Break up the text with bulleted lists, tables, charts and bulleted lists.
- Add images and color where appropriate.
- Include sales and marketing literature with the document.
- Insert customer testimonials.
- Provide newspaper and trade journal articles or reviews of your technology
- Products or services.

Important component of Business plan

- Executive summary. ...
- Company description. ...
- Market analysis and opportunity. ...
- Competitive analysis. ...
- Execution plan: operations, development, management. ...
- Marketing plan. ...
- Financial history and projections

Scope of Business Plan

- I. **Employees:** Business plan is important for both managerial and administrative employees. It articulates the **vision and mission** of your firm. It **guides the employees** to move ahead in a consistent and purposeful manner.
- II. **Investors and other stakeholders:** Business should be realistic. It should ensure a **high return to the investors with minimum risk**. It also requires a sound financial projection. It should also ensure the validation of ideas.

Significance of Business Plan

1. Create a new business(roadmap of business)
2. Business growth
3. Seek business investment
4. Risk management
5. Means of communication(vision, mission, strategies)
6. Product/service description
7. Cash flow

PURPOSE OF BUSINESS PLAN

- A business plan is used to help manage an organization by stating ambitions, how they will be achieved, and exactly when.
- The plan will also help summarize what the business is about, why it exists, and where it will get to.
- Your business plan will serve as a key point of reference for investors, partners, employees and management to gauge progress against objectives.

Provide a road map

- A detailed plan will help you as the owner and founder to manage your business effectively.
- Writing down and illustrating both your ideas and tactics will establish a path and course of action, akin to a road map.
- This will give you something concrete by which to **monitor and assess the progress** you make.
- Given how close **a good accountant** is to the operations and strategic direction of a company, they'll be able to draw upon their experience of what's worked and what hasn't with other clients.

- Remember you want your business concept to be as well thought through as possible.
- Having a fresh set of eyes reviewing your ideas from a different perspective could make all the difference as to the viability of your business model.
- An accountant will know what success looks like along with what's required and when to achieve it.
- In charting a potential course of action you may find your business is faced with multiple different potential paths.
- It would therefore be wise to plot the most likely scenarios and strategies for these different circumstances.

- If, for example, your business is heavily reliant upon exporting then you may need to consider potential global and political events.
- How would that impact on currencies in your chosen markets in the near future?
- Developing a clear plan and strategy will focus your mind.
 - What resources will you need and when to achieve each of your goals?
 - This provides you with clarity as to how much needs to be invested at each stage of the business life cycle.
- You'll then know when you're going to need cash injections based on likely cashflow.

- When writing a business plan you're defining exactly what your organization is today and then intends to become tomorrow.
- This coherence concerning the purpose of your business and direction in which you're heading is invaluable.
- Doing this means you'll understand what needs to be implemented to move forward.
- As an example, your plan should describe your ideal customer and include their needs and wants.
- Then you'd expand on this as to how your products or services address their requirements.

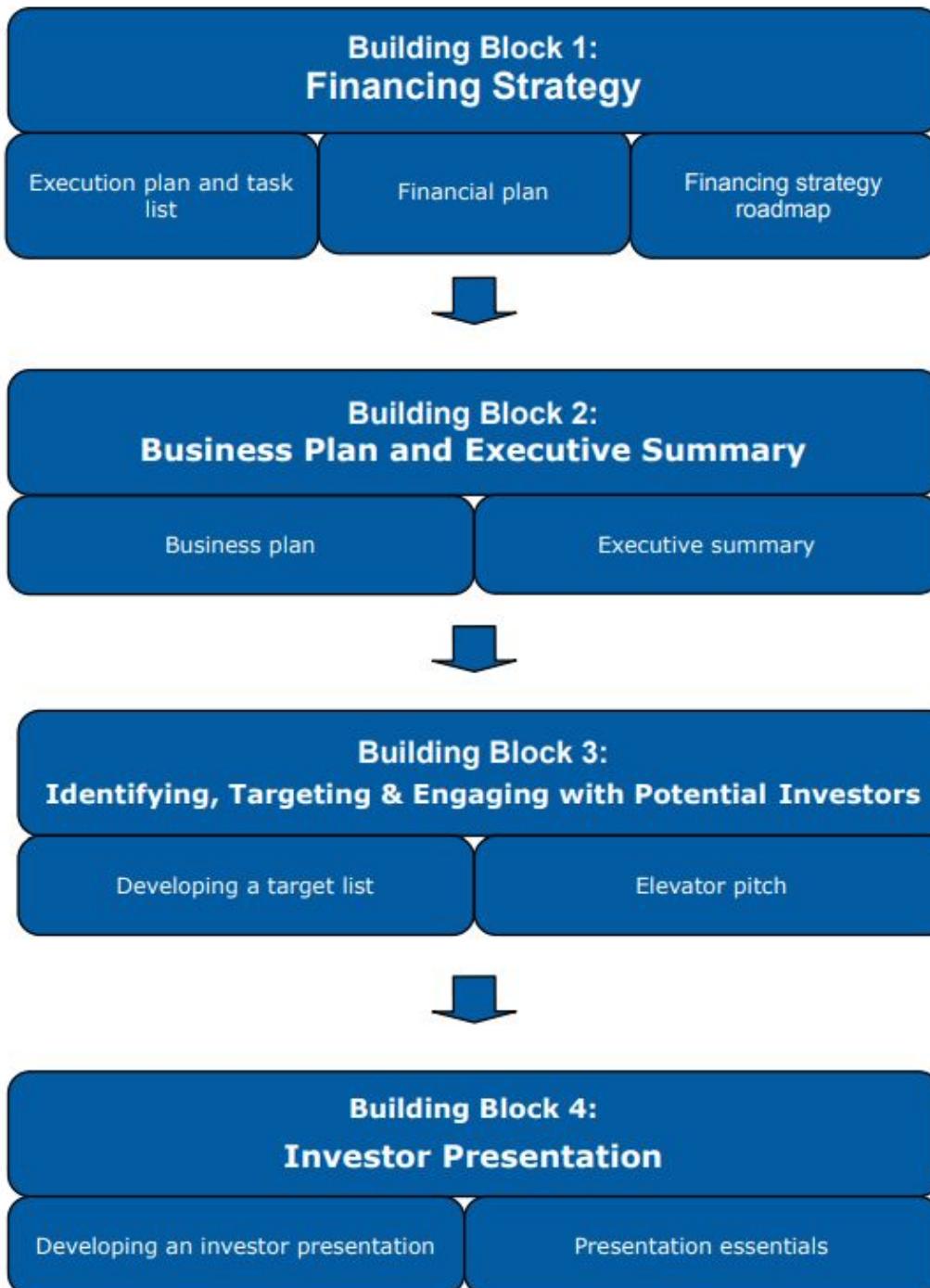
- How are you going to market to these potential customers?
- How will you get your name out there?
- What approach will you adopt to make sales and generate revenue?
- These are vital matters to address early on. **Growth primarily comes through new customers and achieving repeat custom.**
- This then determines your progress towards profitability.
- By mapping this all out on paper you're giving yourself yardsticks to work towards.

- This means all tasks that you as the entrepreneur should focus on should be geared towards achieving your next goal.
- In a nutshell that's where your focus should be.

Content/Elements of Business Plan

- 1. Executive summary**
- 2. Industry analysis**
- 3. Company description**
- 4. Market analysis**
- 5. Marketing plan**
- 6. Financial projections**
- 7. Assessment of risk**
- 8. Scheduling and milestones**
- 9. Appendix**

Building Blocks of Business Planning and Financing Management



1. Executive Summary

- It is the first element of business plan. It should be kept short probably no more than one page. Its main objective is to provide a **synopsis** of the business to convince the readers that the new business is worth investing. Though it appears in the beginning of the business plan, it is written after preparing the plan.

- A one-page overview of business
- Doorway of business plan
- Placed in the front, but done last
- Summarize key points
- Content depends on purpose of plan

- A good executive summary is essentially a condensed but powerful summary of the entire business plan.
- It creates a **first impression** in the reader's mind of both you and your business.
- It should also provide a **short description of key management team members** – no more than two sentences each.
- It is the first section of the business plan that investors will read, and could be the last if it is poorly written.
- An executive summary should briefly describe the company, the product or service, and the unique opportunity your company is offering.

- Probably the best way to begin defining it is to explain what it isn't.

- 1) The executive summary is not an abstract of the business plan.
- 2) The executive summary is not an introduction to the business plan.
- 3) The executive summary is not a preface.
- 4) The executive summary is not a random collection of highlights.
- 5) Rather, the executive summary is the business plan in miniature .

- The executive summary should stand alone, almost as a kind of business plan within the business plan.
- It should be logical, clear, interesting - and exciting.

The executive summary should:

- Provide a clear, concise and compelling summary of the business .
- Outline unique advantages for achieving success .
- Demonstrate why the business concept will work .
- Simply and clearly demonstrate management's objectives .
- Incorporate powerful key sentences from other parts of the plan .

- Be written in a positive and confident tone .
- Be brief - able to be read in less than 5 minutes .
- Stand alone as a type of "mini" business plan within the business plan.

Executive Summary: Mistakes to Avoid

- Lacking a specific focus .
- Too long and wordy, and failing to get to the point.
 - Trying to be all inclusive (it should be a powerful summary).
 - Failing to demonstrate a special or unique opportunity .
 - Failing to outline the terms of the investment sought.
 - Failing to generate enthusiasm in the reader.

Suggestions to combat these problems:

- Limit the executive summary to no more than one page. This is a good exercise for any entrepreneur. Warren Buffet, one of the most successful investors of our age once said “If you can not convey the business concept to an eight-year-old in a few minutes, then it is not a good concept.”
- Focus on the opportunity being presented to the investor and explain why it is worthy of his or her attention.
- Make certain that the opinions and claims in the executive summary are fully supported in the other sections of the business plan, but do not repeat the details in the Executive Summary.

- Attempt to use **only concrete facts and figures** that explain the business concept, market niche and financial projections, but omit details.
- Include the specifics of the investment and projected return, but, again, leave the details for later.
- Keep the reader in mind - why are they reading the plan and what response/action does your client hope to generate? **The executive summary should have a purpose.**

2. Industry Analysis

- This section should illustrate your knowledge about the particular industry your business is in. It should also present general highlights and conclusions of any marketing research data you have collected; however, the specific details of your marketing research studies should be moved to the appendix section of your business plan.
- It determines the strength and weakness of **particular industry**, competitor, strategies that provide a distinct advantage for the business organization.
- Environmental and business trends analysis.
- Competitive analysis
- Regulatory Restrictions

3. Company Description

- Organization & Management
- Vision(where) and mission(why) statement
- Driving force behind the inception
- Management Profiles
- Explanation about product and service

4. Market Analysis

- Unlike the industry analysis, market analysis breaks the industry into **target market which the company tends to serve**. This is called market segmentation. Market may be segmented in a number of ways like **geographic segmentation, demographic segmentation etc.**
- Competitor analysis(firm's competitor analysis)
- Projected annual sales and market share of the company.

5. Marketing plan

- It focuses on marketing and selling products and service.
- It deals with price, promotion, distribution and sales.(4ps)
- It involves firms marketing strategy which indicates how a **company positions itself** in the market differing itself from the competitors.

6. Financial analysis

- It includes the sources and usage of fund which explains where the fund will come from and how it will be used.

Cash flow projections (inflow and outflow)

Projected financial statements to show the financial position of the business at different point of time.

Break-even analysis

Sources and application of fund

Revenue and cost

7.Assessment of Risk

- Evaluate weakness of business
- New technology
- Contingency plan

8. Scheduling and milestones

- It provides key dates and schedule

9. Appendix

- It is placed at the end of the report.
- In this section, supplementary information such as organization chart, management committee, references should be provided.
- Questionnaire (if necessary)

Evaluation Criteria of Business Plan

1. **Clarity**, completeness, and persuasiveness of the written business plan and oral presentation.
2. **The usefulness** and quality of the business plan concept (e.g., product, technology, service).
3. **The marketability** of the proposed venture (does demand of concept exist).
4. **The financial return** of the proposed venture.
5. **Milestones expressed** in the business plan
6. **Contingency planning** and risk assessment
7. **The capacity and strength** of the management team (experience and expertise).
8. The quality of the **team members' responses** to questions from the judges.
9. **Three Cs**(Character, Cash flow and Collateral) of an entrepreneur

Information Needs

A. Market information needs:

Market potential for the product(target market)

Size of the market(bigger, smaller, growth prospect) **PEST Analysis** should be conducted

B. Operations information needs:

Location

Manufacturing operations (machines and assembly operations etc.)

Raw material(sources of supplier, name, address etc.)

Labor skills (what sorts of skills will be needed ?)

C. Financial information needs:

Develop a cash flow statement

Projected income statement

Projected balance sheet

Break even analysis

Using Internet As a Resource Pool

- Internet is a powerful source of information for an entrepreneur.
- It can provide information easily and economically on industry analysis, market analysis and competitor's analysis.
- It also serves as a rich source of planning and decision making.
- Internet also serves as a powerful tool for writing a business plan.
- Internet search engines such as Google and Yahoo provide tremendous opportunities to access articles, journals, social networks, blogs, discussion groups etc.

Reasons for Failure of a Business Plan

1. **Goals** set by the entrepreneur are **unreasonable**
2. The entrepreneurs has **no experience** in the planned business
3. The entrepreneurs has **no sense of potential threats** to or weakness of business.
4. **No customer need** was established for the proposed product or service.
5. **No market** research was conducted
6. Failure to Include **Milestones**

Mission & Vision

- The mission and vision statements set the tone for not only the business plan, but also for your company.
- They define the path the company will follow and act as a guiding principle by which the company functions.
- The mission and vision statements tell the reader what you and your client's business are all about - what the company stands for, what you believe in, and what you intend to achieve.
- Economy of words is critical. This doesn't necessarily mean that you should be short at the expense of effectiveness, but that each word should be powerful and meaningful.
- Be clear and concise and make it obvious what the company is attempting to do.

- Is there a difference between a mission and vision statement?
Yes, the differences are:
- **VISION** defines a long-term dream and it should not be easily achievable. That may sound ridiculous, but the objective is for the vision to always be just slightly out of reach. It's what you constantly strive to attain, and it becomes the business' reason for being.
- The **MISSION** is what you intend to become or accomplish. It should be challenging but achievable. A well-written mission statement demonstrates that the writer understands their business, has defined a unique focus, and can articulate objectives concisely to your client and to others.

Mission & Vision: Mistakes to Avoid

- Putting in just another description of your business.
- Boring philosophy that reads well, but has no application to the business at hand.
- Lengthily dissertations – this must be two simple statements.
- Faked emotion it will be transparent.

Suggestions to combat these problems:

- Write only what you truly believe.
- Keep it to your true intentions.
- Get the input of everyone on your team.