

PLANNING FOR SUCCESS

What Entrepreneurs should 'Put on Paper', and Why

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You have a great idea! It can make you a fortune! Now you are impatient to 'get your hands dirty' making product, or making sales! And some killjoy is telling you to first write a business plan!

Plans are expensive and time consuming... and really, it's just a lot of words on paper! What's the point?

The point is that a quality plan often makes the difference between success and failure... or between struggle or prosper. But it isn't just about putting words on paper!

The problem is that few people understand the business planning process, and too many plans are, in fact, just words on paper! It all comes down to quality!

Changing your approach to the business planning process might be the key to transforming a great idea into a multi-million dollar business!

What is a Business Plan?

A business plan is not a loan application. Nor is it merely a document you produce because the lender demands it!

As the word suggests, it is a document that sets out your plan for the future direction of your business. If it is updated regularly, it should provide a broad—not definitive—guide to direct business development.

It can also be used to:

- Support applications for finance
- Support requests for investment
- Provide information to strategic partners
- Support endeavors to strike partnering deals or to appoint agents
- Provide information to distributors, agents, resellers and employees

This broad range of uses is one of the first problems the entrepreneur encounters when trying to understand the purpose and value of a plan! There are so many types of plans. You don't tell your banker everything! You certainly don't disclose business secrets to distributors and employees! So your 'internal' business plan should differ substantially from the plan you show to others.

Next, consider the problem of tone. You don't talk to prospective investors in quite the same way you discuss your business direction with distributors or agents. The plan needs to be worded for the target audience. Many entrepreneurs have adequate ability to assemble an internal plan. Writing a plan that will **sell** your plan to investors or lenders is an entirely different art, and requires expertise. If you are paying someone to produce a plan to support a loan application or investment request, you

are paying for results... not words! You need a writer who can 'nudge the world a little'... someone who knows how to put the right words in the right order to make readers respond, and grant your request.

Internal plans are simpler. An abundance of templates, guides, frameworks, and 'plan generating' software is available to help and instruct the businessman. Studying the outlines suggests it is really just a matter of describing yourself, your product, and your plan. That shouldn't be too difficult! The makers of templates and plans tell you it's easy. If you shop around you can find people who will do it for you for a few hundred dollars.

Beware! You might get what you pay for. A cheap plan may well omit the critical steps to success... those special ingredients that make the difference between struggle and prosperity.

A good plan is like a high quality map. It should show you the most efficient route. It should warn of roadblocks and dead end streets. It should mark the rough roads and narrow bridges. It should flag congested areas, and warn of possible hazards.

If well-designed, it will help you avoid costly business mistakes, and include components that promote efficiency and increased profit. A good plan will put dollars in your wallet!

What Should my Plan Include?

Guides and templates will list the 'standard' component of a business plan, and provide an outline of the recommended content of each.

While the framework is usually standard, quality plans include tailored content according to the purpose, and often include valuable content that standard plans omit. In every walk of life, those who impart their secrets keep a little extra 'up their sleeves' to protect their competitive advantage! Guides for the 'do it yourselfer' are helpful... and any plan is better than none. But a little extra expertise might expose useful information that helps plot a more direct route to riches!

Essentially, though, a business plan comprises:

Executive summary:	The Introduction or overview that hopefully captures the reader's interest and ensures they continue reading.
Information about the Organization	Legal name, registration, entity type, brief history, mission and objectives, founders and management team. Include an organization chart showing roles and responsibilities in your business.
Product or service information	Description, need, features, benefits, disadvantages, available variations and options, pricing, competitor comparisons, uniqueness or exclusivity, official endorsements or approvals, relevant regulatory data

The Market	<p>Who will buy? Why? In what quantities? Market demographic. Key influencers. Detail how you carried out market research, and the results.</p> <p>How large is the market? How fast is it growing? Discuss industry trends.</p> <p>Who are your competitors? How are they servicing the market? Why is there room in the market for you?</p>
The Strategy	<p>Describe your business model. What are your strategies for promoting, marketing, servicing customers, producing or securing product, managing stocks, and handling orders.</p> <p>Discuss your perceived competitive advantage, and how you plan to maintain it.</p> <p>What research and development plans do you have?</p>
Financial Plan	<p>How much capital do you need? Where will it come from? How will you repay loans? How much will you reinvest in the business? What returns can investors or founders expect?</p> <p>Summarize revenue estimates, product costs, wage costs, and operating expenses. Summarize cash flow projections and your sensitivity analysis. What happens if you fall short of sales targets? Can you sustain cash flow requirements if you grow faster than expected?</p>
Action Plan	<p>Document the tasks that must be completed, who is responsible, and target completion dates.</p>
Appendices	<p>Include testimonials and references; advance orders or pro forma orders; supplier agreements; evidence of legal or regulatory compliance or official approvals; copies of important policy documents; more detailed financials (pro forma statements for 3 years).</p>

Optional sections:

Depending on the type and purpose of your document, you may need to include additional sections. For example:

- A section titled “Opportunity” might be appropriate, especially in a document for investors or lenders. This is especially important in plans for commercializing new inventions. What business opportunity have you identified? Why is it an opportunity? What industry problems does it solve, or what specific needs does it meet? How does it solve problems or meet

needs? How did you identify and evidence the problem or need?

- A document for investors will need an “Offer” section, detailing the terms of your offer: How much are you looking for? How will you use it? What do you expect from investors (active participation or funds only?). What say will they have in business operations (a seat on the board, perhaps?). What do you expect to return to them, and in what time frame?
- Glossary of terms: Important if your industry uses terminology that outsiders might have difficulty understanding, or if you have used finance or business terms that might be unfamiliar to readers.

Presentation

The best business plan is useless if it isn't read! Presentation is less important for internal plans, but even for your own use clarity is important, and your psychological response is more favorable to a document that looks attractive and is easy to read and understand! It puts you in the right frame of mind to respond positively!

If appearance affects your own response, how do you think it affects the response of others? Presentation is everything when seeking to impress lenders and investors!

- Keep the appearance consistent with your business image. This document should reinforce your branding in a positive way.
- Use bullet points, tables, graphs, and illustrations to add visual interest and convey information quickly
- Highlight key points with pull quotes and bold or indented paragraphs
- Use pull quotes for emphasis
- Use sub-headings to break up the text and help readers identify points of interest, or refer back to important data to re-read it.
- Check spelling, grammar, punctuation, and correct use of terms carefully.
- Keep writing tight. A long document will scare readers away!

Why Bother?

There it is! Precisely the brief—and misleading—outline that makes the whole process seem so irrelevant! Who really reads all this stuff? How can anyone possibly know all this? How can anyone accurately predict the future?

Some advisers will suggest that you can put a plan together in an hour or two, engage a professional writer for a few hundred dollars, or buy a template or software package to generate a plan.

Yes! Absolutely! You can do any of those things to get the words on paper!

What you cannot do cheaply, quickly, or easily is the research, the planning, and the strategizing that ensures business success.

“Plan, or plan to fail” experienced entrepreneurs advise.

Documenting the plan is wise for two reasons:

- The document has many practical uses such as supporting loan applications and investment offers.
- Writing it all down exposes gaps in your research and planning, and helps highlight potential problems.

But it isn't writing it that delivers the major benefit. **It's doing it!**

When you can confidently write that you conducted detailed primary and secondary market research and carefully collated the results, and this is what the research showed, you can make a reasonably accurate prediction about your business success.

When you genuinely understand and can summarize industry conditions, competitor strategies, and market response to the competitor's offers, there is a reasonable chance you can develop workable strategies to compete successfully in the market.

When you can demonstrate a clear understanding of your operating expenses, cash needs, and profit margins, there is every chance an investor or lender will have the confidence in your management skills to provide the startup funding you require.

When you have a clearly laid out action plan that assigns responsibility and sets deadlines for task completion, there is every chance the work will actually be done, and your plan can go forward.

Behind the Scenes

Behind every useful twenty or so page business plan (and it should never be more than 50 pages or absolutely no-one will read it), there are dozens of pages of research results, what-if calculations, and strategy and policy documents. It is these documents that hold the key to outstanding business success.

Before commencing the writing of your plan, you should have:

- Studied and summarized published industry data and statistics
- Studied and documented competitor offers, pricing, marketing tactics, customer demographics, promotional messages, image and branding, and historical growth and success
- Conducted careful market research, running test marketing campaigns if feasible, or at least surveying your target market using a carefully crafted set of questions and a valid scientific method of interpreting responses
- Created a "Messaging Framework" for your business, documenting your brand, brand-building strategies, desired business image, and the steps you will follow to manage communications with your target market and the public. This framework should document your sales messages and advertising claims in the words you want used by sales staff and promoters. It should provide a supply of photographs or images. It should specify the colors, shapes and fonts to be used in your advertising collateral and business correspondence. It should document rules for the use of your logo.

- Document business policies such as refund policies, complaint handling policies, budgeting and cash flow management policies, decision-making and purchasing policies, etc.
- Document employee responsibilities and the qualifications required for each position in your organization. Devise policies for recruiting and interviewing staff and assessment criteria for making hiring decisions.
- Document your policies for determining salaries for employees and rewarding performance, and for dealing with problem employees.
- Design stationery and promotional collateral.
- Create templates for commonly produced documents, and a “Quick Parts” library of commonly used sentences or paragraphs, contract clauses, tables, graphs, and diagrams. Using templates and quick parts is not only a time saver, it also promotes the consistency that builds a strong brand.

Your business plan should be your first step in documenting systems to manage every aspect of your business—systems others can use to achieve business success without the knowledge that resides in your head!

Everything should be done to a formula, the formula is clearly documented, and the task is completed in the most efficient manner achievable.

Combine efficient, documented systems with a wanted product and a sensible strategy for telling the world about its benefits, and you have a guaranteed recipe for business success!

The quality of your plan—the plan itself, not the document that describes it—determines the likelihood that your venture will succeed.

A sound plan, well documented, will attract investment capital or loan funding easily; build the confidence of prospective business partners; and provide a valuable guide to successful business building.

Do businesses succeed without a sound plan? Often, but more by good luck than good management, and despite costly and mistakes and painful periods of uncertainty!

Does a plan guarantee success? Of course not! It has to be the right plan, correctly implemented. Even then, environmental changes or unexpected disasters can destroy.

It's simply about giving yourself the best possible chance of success. Isn't that great idea worthy of an investment of time and effort to maximize the returns it can generate?

Develop a sound plan for business success. Then ensure it is documented to impress and influence all whose support and help matters!

- **Influential business plans**
- **Impressively presented detailed financial plans**
- **Powerful messaging frameworks**
- **Concise, easy to follow policy statements and job descriptions**
- **Persuasive marketing copy**
- **Influential white papers and articles**
- **Empowering instructional materials**

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