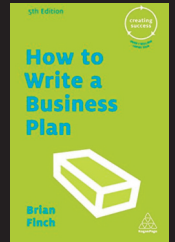


# How to Write a Business Plan, 5<sup>th</sup> Edition

Book by Brian Finch

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## Synopsis

For the first-time business leader, creating a document that completely describes market aspirations and business strategies is difficult and time consuming. Following the tips, techniques, and samples presented here will allow your proposal to stand out from the rest.

***How to Write a Business Plan*** (Kogan Page, © 2016) teaches you how to write a story that convinces others, as well as yourself, that you have what it takes to make a profit in your chosen market.

Author Brian Finch clarifies each step of a business plan, adding extra examples and punchy exercises to effectively illustrate complex ideas. He also presents pitfalls to avoid and strengths to capitalize on, producing an invaluable guide to generating the most complete plans possible.



The key concepts of *How to Write a Business Plan* can be distilled into the following steps:

### Tell a Story

A great business plan contains all the elements of a compelling story. Begin by clearly stating what your business is about, where you envision it, and who will lead it.

### Know Your Market

Readers versed in investment strategies understand how markets work, so present a solid analysis of location, competitors, current by-laws, safety issues, and environmental factors.

### Ask for What You Need

To get the best from your plan, decide what exactly your enterprise needs to function at your desired level. Craft your plan based on clarity of what your audience wants and what you want from your audience.

### Discuss the Risks

All business ventures carry risk, so don't sidestep or ignore discussions about possible obstructions. Describe your plans to deal with them.

### Expand the Worth of a Business Plan

Differentiate your business plan by including all the proper action elements and revisiting the plan on a regular basis to verify performance expectations.

**“A business plan is an essential management tool to assist in running all sorts of organizations, ranging from businesses, through charities to public sector bodies.”**

Based on *How to Write a Business Plan, Fifth Edition* by Brian Finch, we discuss effective methods to build a strong company rationale. We share our interpretations of these methods in the following pages.

## Supply the Background

Many great stories start with a defined setting; the same holds true for rock-solid business plans. The first part of your plan should present the What, Why, and Who of your enterprise. This allows you to clarify your aims, define your proposals, and outline how they will be accomplished. Then, through a detailed plot that engagingly tells your story, you can persuade others to invest with you and trust you to earn dividends. Like a talented storyteller, you need to present enough information to intrigue your readers while also curtailing the length; highlight only the most important elements or risk turning your tale into a saga.

### Personalize Your Plan

Though it may be tempting, part of the danger in assigning the writing of your business plan to someone else is that he or she may interrupt the narrative with hesitations or digressions that bore your readers and lose their trust. While you may doubt your writing ability, the author's advice is still to draft your business plan yourself so that you understand all the ins and outs of the various sections and how they all fit together. Finch has helpfully provided a guide to follow, but he urges you to adapt it to your own requirements. He repeats emphatically that you need to know your audience. Decide what you want the reader of your business plan to do, and slant your writing to get that response. Naturally, you need to cover a lot of ground with a complete business plan, so concentrate on the essentials, and trim what is extraneous. Back up your statements with research and concrete data pulled from reliable sources.

### Organize Before You Write

Given that a business venture has many impactful and vital components, it's wise to organize your thoughts from the very beginning. To that end, Finch proposes that you should list each major topic, then create headlines, subtitles, and key factors for each. In this way, you have the scenes of your story that become easy to flesh out. If you take the time to discuss and analyze each section with your team before you write, your lists will be as complete and as succinct as possible without any glaring omissions. For sections that may hold too much incidental information, remember that you can add appendices to keep the body of your plan clear and lean.

### Start With a Summary

To begin your document in the best possible manner, include a one-page summary. It allows readers to seize the gist in a short amount of time so they know right away if the project is right or wrong for their personal interests. It should also be the last thing you write, because you'll know your plan better by the end of all your drafting, editing, and researching. Critical points to include in the summary are who your team is, why your proposal is enticing, why it will succeed, and what you want from the investor. Numbers are important, so they

should figure prominently, but as part of the narrative; avoid using unsupported statistics. Finch provides a useful example and follows up with a focusing exercise.

## Explain Your Strategy

The next substantial section of your business plan should convince your readers that you have a plan for how to reward their interest in you. You first need to elaborate on all facets of the market you intend to enter, the distribution of products, your proposed pricing system, and your action plan in the case of anticipated fluctuations. Then explain how you plan to hire your workers, as well as train, replace, and support them. Also discuss your proposed management chain, showing the flow of communication within your organization. Recognize that investors tend to dislike proposals ceding control to a sole individual with no safety nets; shared responsibility reassures potential investors that your plan is secure and adaptable.

### Know Your Market

Finch asserts that the readers of your business plan will often believe they understand your market, so it's important to highlight special trends that pertain to your particular enterprise. You need to prove that you've done your homework into location, competitors, distribution, advertising, etc. Clearly describe your anticipated clientele, including those who browse from home and those who walk by, and explore how they will interact with your products and/or services. Make sure to include discussion of the internet and its impact and how you anticipate taking advantage of available and future technology. In your economic forecasts, include price adjustments, such as discounts at certain times of the year on specific products, and capitalize on advantages like regulations for the number of similar shops in one area. Assiduously underline that you're prepared to adapt to possible disruptions or potential disasters such as losing stock due to flood damage. The author elaborates these factors, along with many more, and includes industry examples to support his conclusions.

### Format Your Management Chain

Finch's research into the field of venture capitalism reveals that investors almost always back "people first, and ideas second." This means that it becomes essential to hype your team to your backers. Show that as a team, you have what it takes to earn a profit through your enterprise. In addition to quick summaries near the beginning of your plan, include one-page resumes for each team member in the appendix. It's important that your investors are clear about the expertise your team has and how responsibilities will overlap. In addition, you should reveal how information will flow up, down, and sideways along executive channels. Your investors will need to know how you will control the success of your business and measure milestones.

## Present Your Argument

Writing persuasively entails backing up your assertions with verifiable data; don't claim to be the best and most awesome in your field, guaranteeing gigantic financial returns and idyllic, easy rewards. Keep your language centered on profits you can reasonably expect. Clarify what exactly you need from your audience and in what time frame. Be very clear from the outset about who will read your business plan so that when you reach this stage, you can prove that your proposal has merit through sensible predictions. Bring the focus to financial information that is needed for your audience to fully grasp your position.

### State Your Objectives Clearly

The author's personal experience informs his advice for writers of business plans, and he pleads for clarity; he has read many summaries that fail to inform the reader of the essential information. He encourages you to put together a strong case for what you will do, when, and how you will accomplish it and then to make sure you show your audience what *they* can do and how *they* can profit by getting involved. Ask for what you need, and provide a time line. In addition, list current investors, even if they're family members, and any advantages you may have already gathered, like patented products. Remember to clarify whether this is first- or second-round offerings and if/when you intend to do another round of fundraising.

### Make Appropriate Forecasts

As the crux of your plan, the forecast shows where you're headed, exposes important numbers, and highlights what assumptions you've made with regard to the market. This is where your investors look to see if you're as smart as you think you are. You have many costs to account for—distribution, property, overhead, staff, bank interest, depreciation—the list goes on. Finch insists that five years into the future is too long to make accurate predictions—the market fluctuates, distribution channels change, and staffing costs vacillate. Instead, present up to three years of data, making sure the numbers are convincing, impressive, and accurate. If you're a brand-new startup, you won't have previous trading numbers to share. Otherwise, it's essential that you include a summary of past performance side by side with projections so your investors can easily evaluate your accuracy. While you can provide a more complete account of past performance in the appendix, ensure your summary is next to your predictions to simplify comparison. Finch includes on-point exercises designed to focus your attention on taking care of this matter and how to build your forecast without wildly guessing or depending on your ideal state of market stasis, which is often what you do to present the most optimistic picture. Instead of presenting only the positive, highest profit-reaping practices, incorporating potential losses or upsets makes your plan much more believable.

## Explain Your Financial Approach

In the financial section of your business plan, all you need is a simple summary of the money output and input. Finch explains that side issues like interest rates, equity, and debts may obfuscate what you are trying to show. The first rule is to be honest with your numbers, and hire an accountant if you're not proficient in economics. Essentially, your investors need to know how your team will handle issues of supply, demand, payment of bills, and cash flow. The author's helpful information, illustrations, and exercises elucidate financial concerns like yearly projections, funding, and balance sheets.

## Discuss the Risks

Your investors should be treated like savvy, experienced business gurus who are interested in growing their financial portfolio. So don't waste their time and yours telling a story of a rosy future with no obstacles in the path—there is risk in every undertaking. Discuss the challenges facing your business, research your competitors, and determine your strategies for dealing with setbacks. Include all relevant data in your business plan, even if you'd rather keep some numbers private; if you're not open, your investors will feel that you're hiding secrets and trust will evaporate. Instead, add a confidentiality clause as a cover letter, tailored to the particular reader.

## Pre-emptively Discuss Risks

Don't wait for your audience to challenge you on the risks they perceive in your market or with your approach; reassure them that you foresee and have planned for many of the problems in your path. You can even ask for help to overcome specific obstacles. However, after linking assumptions to concrete figures, one of the author's biggest turn-offs is the ridiculous premise that you can raise prices as much as you want while keeping the levels of sales even or higher than they were before. You must concretely acknowledge in your graphs that practices like increasing product price risks losing sales, illustrating the probable drop by means of percentages. Basically, be careful with optimism, always tempering sang-froid with a large dose of realism.

## Maintain Some Confidentiality

Business plans should encompass all aspects of an enterprise, and while investors require specific data, some sensitive information may be leaked to your detriment. You cannot hide everything, so Finch suggests you meet with a lawyer to create a preamble confidentiality letter that a recipient of your business plan must sign. Although cover letters like these abound on the internet, Finch urges you to create your own so that you can modify it to the particular reader in light of your specific requirements. He offers valuable advice about phrasing to use and hurdles to avoid.

## Use Your Business Plan

Return on investment is a primary goal of all business ventures, so get the most out of the time and effort it takes to create your plan. Keep your graphs and profit projections up to date to verify that your company is meeting targets. Use the action statements in your plan to check that employee performance is up to standard. Modify your approaches and assumptions based on obstacles met and overcome. Your business plan is useful not only for fundraising efforts, but it can also support the company vision through staff development and can enhance the sale of your company if the need arises.

### Refer Frequently to the Model

You've spent hours preparing your business plan; earn value from it by incorporating your strategic direction and company vision. Make your plan active by including performance indicators to evaluate whether goals have been reached; on a regular basis, you can verify that all staff are pulling in the same direction. Use the plan's financial data to set your budget, and use it as a tool to evaluate your company's processes with input from frontline employees. Finch's exercises and explanations show how to enhance your business reputation with your plan.

### Sell Your Business

When the time comes to sell your enterprise, replace the initial summary with an Investment Proposal in which you highlight the positive aspects of your business and advantages for the buyer. Honestly explain the reasons you're selling—this is most important. Take account of the fact that turnovers generally decrease profits initially, and don't predict an astounding immediate return. Carefully evaluate the information you include as if you were the buyer, and anticipate questions and concerns. Be ready to submit a limited warranty that the information within the document is accurate. Finch also provides clear outlines on how to protect your interests.

## Insights—Create an Effective Business Plan

### Dispel Concerns

Reassure your readers about your expertise by explaining your approaches to possible difficulties. All business ventures face issues with zoning regulations, loans, payment schedules, and so on; these are not new or unique. Prove that you have plans for dealing with setbacks positively and for making sure your promises are met.

### Study Your Market

Research local concerns surrounding your chosen market, as well as greater, possibly international issues, so that you can show how your business works within the market's protective barriers. Or you can outline how your undertaking conquers a market niche to guarantee return on investment.

### Be Realistic

While you want to emphasize positive processes, when you overestimate probable profits or brush aside foreseen roadblocks, your readers lose faith. Remember that most investors understand the risks and rewards of business undertakings, so be honest with your forecasts and reports.

### Lead With a Team

While one person's vision can inspire a company, investors cannot fully back a lone figure. Investing in talented people and building effective methods of communication reassure your readers that you have suitable support for your aspirations. Ideas come to nothing without people to act on them.

### Gather Input

Even talented workers can feel removed from daily routines and direct interactions with stakeholders, so design a reporting structure to include workers on the frontline as well as field specialists. This will enhance internal communication and lead to better insights.



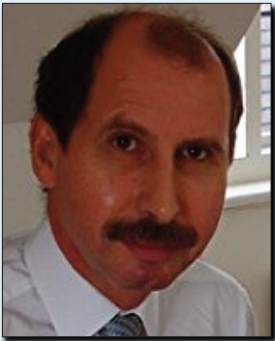
## Conclusion

The idea of approaching a business plan through the lens of storytelling humanizes a clinical process. With the wealth of detail and the overwhelming possibilities of exaggeration, business plans often turn into dry, almost useless lists of numbers. Brian Finch puts the heart back into the plan and opens its potential. His long-lasting advice lifts the fifth edition of this book to definitive status on what to include and exclude, and how to present it.

“The benefits of planning are so great that it is the very essence of what management is about, so don't begrudge the time spent on it.”

If you've enjoyed our insights on Brian Finch's *How to Write a Business Plan, Fifth Edition*, we encourage you to access the other *How To Write a Business Plan* assets in the Skillsoft library, or purchase the hardcopy.

## About the Author



**BRIAN FINCH** began his career in venture capital. He then became the Director of Business Development for retail companies, where he was involved in strategy development and business planning, acquisitions, and disposals. He cofounded a retail bookselling business, acting subsequently as its finance director. He has an engineering degree from Cambridge University, an MBA from the London Business School, and is a qualified accountant. His writing interests focus on effective business planning and financial control. His approach aspires to be practical and evidence-based, with a particular interest in small and medium-sized enterprises.

### Also by Brian Finch

- 1 *Insolvency: How to Avoid It and Survive It*, A&C Black, © 2012, ISBN 978-1408151457.
- 2 *Financial Times Briefing on Corporate Governance*, FT Press, © 2011, ISBN 978-0273745976.
- 3 *Effective Financial Management: Communicate Effectively; Manage Costs; Assess Projects Successfully*, Kogan Page, © 2010, ISBN 978-0749458782.
- 4 *Business Plans: 45 Ways to Make Yours More Successful, 2<sup>nd</sup> Edition*, Kogan Page, © 1998, ISBN 978-0749428143.
- 5 *30 Minutes to Negotiate a Better Deal*, Kogan Page Ltd, © 1998, ISBN 978-0749426668.