

CM2603 Data Science Group Project

Building a Business Plan

Week 02 | Prasan Yapa

Learning Objectives

At the end of this module, you will be able to:

- Identify the essential elements of a Business Plan.
- Identify how a good Business Plan can create an anchor for continued success.
- List additional resources that can help you develop an effective Business Plan.

Executive Summary

- A Business Plan identifies key areas of your business so you can maximize the time you spend on generating income.
- Key investors will want to look at your Business Plan before providing capital.
- A Business Plan helps you start and keep your business on a successful path.
- You should prepare a Business Plan, although, in reality, many small business owners do not.

What is a Business Plan?

- A Business Plan is a written document that defines the goals of your business and describes how you will attain those goals.
- A Business Plan is worth your considerable investment of time, effort, and energy.
- A Business Plan sets objectives, defines budgets, engages partners, and anticipates problems before they occur.

Why Need a Strong Business Plan

1. To attract investors.
2. To see if your business ideas will work.
3. To outline each area of the business.
4. To set up milestones.
5. To learn about the market.
6. To secure additional funding or loans.
7. To determine your financial needs.
8. To attract top-level people.
9. To monitor your business.
10. To devise contingency plans.

How Detailed Should Your Plan Be?

- Business plans differ widely in their length, appearance, content, and the emphasis placed on different aspects of the business.
- Depending on your business and your intended use, you may need a very different type of Business Plan:
 - **Mini-plan:** Less emphasis on critical details. Used to test your assumptions, concept, and measure the interest of potential investors.
 - **Working Plan:** Almost total emphasis on details. Used continuously to review business operations and progress.
 - **Presentation Plan:** Emphasis on marketability of the business concept. Used to give information about the business to bankers, venture capitalists, and other external resources.

Assembling a Business Plan

Every Business Plan should include some essential components:

- **Overview of the Business:** Describes the business, including its products and services.
- **The Marketing Plan:** Describes the target market for your product and explains how you will reach that market.
- **The Financial Management Plan:** Details the costs associated with operating your business and explains how you will pay for those costs, including the amount of financing you may need.
- **The Operations and Management Plan:** Describes how you will manage the core processes of your business, including use of human resources.

Parts of a Good Business Plan

- Business plans must help investors understand and gain confidence on how you will meet your customers' needs.
- Seven common parts of a good Business Plan are:
 1. Executive Summary
 2. Business Concept
 3. Market Analysis
 4. Management Team
 5. Marketing Plan
 6. Financial Plan
 7. Operations and Management Plan

Part 1: Executive Summary

- The Executive Summary of a Business Plan is a 3–5-page introduction to your Business Plan.
- The Executive Summary is critical, because **many individuals (including venture capitalists) only read the summary.**
- The Executive Summary section includes:
 - A first paragraph that introduces your business.
 - Your business name and location.
 - A brief explanation of customer needs and your products or services.
 - The ways that the product or service meets or exceeds the customer needs.
 - An introduction of the team that will execute the Business Plan.
 - Subsequent paragraphs that provide key details about your business, including projected sales and profits, unit sales, profitability, and keys to success.
 - Visuals that help the reader see important information, including highlight charts, market share projections, and customer demand charts.

Part 2: Business Concept

- The business concept shows evidence that a product or service is viable and capable of fulfilling an organization's particular needs.
- The Business Concept section:
 - Articulates the vision of the company, how you plan to meet the unique needs of your customer, and how you plan to make money doing that.
 - Discusses feasibility studies that you have conducted for your products.
 - Discusses diagnostics sessions you had with prospective customers for your services.
 - Captures and highlights the value proposition in your product or service offerings.

Part 3: Market Analysis

- A Market Analysis defines the target market so that you can position your business to get its share of sales.
- A Market Analysis section:
 - Defines your market.
 - Segments your customers.
 - Projects your market share.
 - Positions your products and services.
 - Discusses pricing and promotions.
 - Identifies communication, sales, and distribution channels.

Part 4: Management Team

The Management Team section outlines:

- **Organizational Structure:** Highlights the hierarchy and outlines responsibilities and decision-making powers.
- **Management Team:** Highlights the track record of the company's managers. You may also offer details about key employees including qualifications, experiences, or outstanding skills, which could add a competitive edge to the image of the business.
- **Working Structure:** Highlights how your management team will operate within your defined organizational structure.
- **Expertise:** Highlights the business expertise of your management and senior team. You may also include special knowledge of budget control, personnel management, public relations, and strategic planning.
- **Skills Gap:** Highlights plans to improve your company's overall skills or expertise. In this section, you should discuss opportunities and plans to acquire new information and knowledge that will add value.
- **Personnel Plan:** Highlights current and future staffing requirements and related costs.

Part 5: Marketing Plan

- The Marketing Plan section details what you propose to accomplish and is critical in obtaining funding to pursue new initiatives.
- The Marketing Plan section:
 - Explains (from an internal perspective) the impacts and results of past marketing decisions.
 - Explains the external market in which the business is competing.
 - Sets goals to direct future marketing efforts.
 - Sets clear, realistic, and measurable targets.
 - Includes deadlines for meeting those targets.
 - Provides a budget for all marketing activities.
 - Specifies accountability and measures for all activities.

Part 6: Financial Plan *(Slide 1 of 2)*

- The Financial Plan translates your company's goals into specific financial targets.
- The Financial Plan section:
 - **Clearly defines what a successful outcome entails.** The plan isn't merely a prediction; it implies a commitment to making the targeted results happen and establishes milestones for gauging progress.
 - **Provides you with a vital feedback-and-control tool.** Variances from projections provide early warnings of problems. When variances occur, the plan can provide a framework for determining the financial impact and the effects of various corrective actions.
 - **Anticipate problems.** If rapid growth creates a cash shortage due to investment in receivables and inventory, the forecast should show this. If next year's projections depend on certain milestones this year, the assumptions should spell this out.

Part 6: Financial Plan *(Slide 2 of 2)*

- The Financial Plan is the most essential part of your Business Plan. It shows investors the timeframes you have scheduled to make profits.
- Some elements of the Financial Plan include:
 - Important Assumptions
 - Key Financial Indicators
 - Break-even Analysis
 - Projected Profit and Loss
 - Projected Cash Flow
 - Projected Balance Sheet
 - Business Ratios
 - Long-term Plan

Different Financial Planning Options *(Slide 1 of 2)*

- **Short-term Forecast:** Projects either the current year or a rolling 12-month period by month. This type of forecast should be updated at least monthly and become the main planning and monitoring vehicle.
- **Budget:** Translates goals into detailed actions and interim targets. A budget should provide details, such as specific staffing plans and line-item expenditures.
 - The size of a company may determine whether the same model used to prepare the 12-month forecast can be appropriate for budgeting.
 - In any case, unlike the 12-month forecast, a budget should generally be frozen at the time they are approved.

Different Financial Planning Options *(Slide 2 of 2)*

- **Strategic Forecast:** Incorporates the strategic goals of the company into the projections. For startup companies, the initial Business Plan should include a month-by-month projection for the first year, followed by annual projections for a minimum of three years.
- **Cash Forecast:** Breaks down the budget and 12-month forecast into more detail. The focus of these forecasts is on cash flow, rather than accounting profit, and periods may be as short as a week in order to capture fluctuations.

Part 7: Operations and Management

- The Operations and Management section outlines how your company will operate.
- The Operations and Management section includes:
 - **Organizational structure of the company.** Provides a basis for projected operating expenses and financial statements. Because these statements are heavily scrutinized by investors, the organizational structure has to be well-defined and realistic within the parameters of the business.
 - **Expense and capital requirements to support the organizational structure.** Provides a basis to identify personnel expenses, overhead expenses, and costs of products/services sold. These expenses/costs can then be matched with capital requirements.

Key Takeaways From This Module

- Business Plans are critical for the success of a company.
- Different businesses will require different types of Business Plans.
- All Business Plans have some essential sections that explain the core aspects of the company.
- In order to help your company, have a better chance of gaining interest and investors, a Business Plan should include seven essential sections:
 1. Executive Summary
 2. Business Concept
 3. Market Analysis
 4. Management Team
 5. Marketing Plan
 6. Financial Plan
 7. Operations and Management Plan

Sources and Citations

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