



Book How to Write a Business Plan

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Kogan Page, 2010
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Recommendation

According to Antarctic explorer Roald Amundsen, “Adventure is just bad planning.” Adventure is certainly not a priority in business. To avoid it, all firms need a well-conceived, properly organized and expertly written business plan. A good business plan can help your business accomplish vital objectives, such as securing the financial backing you need to take your company to the next level or getting top dollar if you decide to sell the firm. Brian Finch, a seasoned business professional, has assembled a basic, practical – though list-heavy – book on how to write a concrete business plan to achieve maximum impact. Although he rightly remarks that “there is bound to be some repetition in your business plan, just as there is in this book,” *BooksInShort* finds that rookie entrepreneurs will benefit from his savvy advice.

Take-Aways

- Your business plan should be a well-structured document that tells a story. It should have a beginning, middle and end.
- How you develop your business plan depends on who will read it; adjust your emphasis and tone to your audience, who could be investors or government officials, for example.
- Although the plan should begin with a crisp, clear summary, write that part last. Use it to sell your proposal and tell the reader what action you want him or her to take.
- Include a concise, germane background of the history of the firm to the present date.
- Describe your market’s size and structure, your competition and customers, and your pricing and product strategy.
- Review your operations to highlight that you are a competent business owner.
- Use your proposal to persuasively explain how and why you will achieve your goal.
- Support any statements or assumptions you make with solid facts and figures.
- Discuss any potential risks in your plan. If you omit them, your readers will not take your plan seriously.
- A business plan can help your firm establish a vision that will result in better decisions.

Summary

Fail to Prepare and Prepare to Fail

Before putting your business plan on paper, decide “What is the plan for and who is the audience?” Your answer will shape the plan’s emphasis and content. For example, if your goal is to raise capital from investors, the plan should focus on your firm’s low-risk returns. If you want to submit a proposal for a government grant, your plan should stress how your business meets the criteria for funding. Perhaps the aim of your plan is to help you run your business. In that case, its purpose should be to “focus your ideas” and “identify objectives for the business as a whole.”

“The story of you, your business and what you propose to do with it is a fascinating story: Tell it that way.”

Your business plan should tell a compelling story. The beginning sets the stage, explains the business, discusses the market and provides necessary background. The middle details what makes your business special and presents your formal proposal. The end requests what you want from the reader and outlines the risks and the rewards. Each section should be self-contained. Presentation matters. Use your business plan as a tool to create a positive first impression. Make it letter-perfect, sharp looking and persuasive. Start with a title page. If the plan exceeds four pages, include a table of contents. Make your text as legible as possible by adding a lot of white space and using a readable font. Photographs and diagrams add spice. Bind the business plan so it looks professional. Make sure your text flows and is logically consistent.

“You are not trying to write a great literary novel, which few people start to read and fewer finish; you are trying to write a popular novel (but not quite so long).”

Ensure that your business plan covers the main subject matter and any supporting information thoroughly. Include evidence, such as the numbers and statistics that support your claims. Such proof is critical to verify your proposal’s value. If you fail to back up your assertions with facts and figures, your business plan will seem like hype and quickly turn off the reader. Never waffle. Ask someone knowledgeable to review your business plan to get objective feedback.

“Organize what ought to be in the plan before you start writing it.”

To find the information you need for your plan, check “government statistics, market research reports, university departments, trade associations, trade press, press cuttings, brochures of competitors...comments from suppliers, customers and competitors” and the Internet. Never use data from these sources to mislead readers. However, you can interpret the facts and figures to reflect favorably on your proposal.

“Structure”

To organize your business plan, think of the primary issues it must address. These concerns include information about your firm’s uniqueness, its market conditions, management staff, “operational details,” proposals, predictions and “exit strategy.” Although the structure differs from firm to firm, a business plan usually includes a “summary” as well as sections that deal with the “business background, the product, the market, operations, management, proposal, financial background” and “risks.” You may add information on “technology, politics, trading partners,” and other tangential aspects.

“Your readers are busy...and they will skim your document. However, the one thing they will read is your summary – as long as it is short, ideally one page long.”

To provide supporting details about information that is summarized in the front sections or to demonstrate further the logic of your proposal, add an appendix. Typical appendix materials include: “copies of patents, copyright evidence or trademark registrations; copies of leases; detailed accounts; market research reports; CVs of key personnel; photographs that provide relevant support...technical descriptions” and “product brochures.”

Summary

Since busy executives have so little time, you must capture their attention with your summary, which can make or break your business plan. Keep the summary short; don’t exceed one page. Although it introduces your presentation, write it last and use it to sell your proposal. Include brief information about your business and management team. Detail what you want the reader to do – for example, how much you want him to her to invest – and what the reader’s payoff will be. Be sure to cover “the business, the team, the proposal, why it will succeed, what the rewards will be, any major risks and how you can minimize them.” Include all the most important figures, but round them off to facilitate reading. The summary should be a thoroughly positive presentation.

Background

This encompasses the essential details your reader needs in order to understand the business and its place in the market. Include all critical information about the business:

- "What is it?"
- "What does it do?"
- "Where does it do it?"
- How was it established, when and why?
- "By whom?"
- "Has it been successful, and if not why not?"

“Research shows that the most important factor for investors in evaluating a proposal is the management team they back.”

Unless you are proposing a start-up, include information on how your business got to where it is today. Without going into too much detail, convey the main facts about your products or services. Discuss your suppliers, and explain the market from a point of view that adds credence to your proposal.

Market

Provide adequate information about all the pertinent aspects of your market, including:

- **“Overview”** – Focus on how your offering is different, why your customers buy what you sell and what benefits they derive by doing so. Estimate your market’s size.
- **“Market structure”** – Elaborate on your industry. Each one is different. For example, some consist primarily of small, independent operators while others are huge chains.

- **“Competitors”** – Include established firms and the newest entries into the marketplace.
- **“Customers”** – You will show that you know what you are doing if you can outline your target customers’ exact socioeconomic groups. Discuss purchasers and end users.
- **“Distribution”** – Explain how you get your products and services to your customers. If you sell online, include all pertinent information regarding your Internet sales.
- **“Trends”** – Refer to “market size, prices, competition” and “technology.” Include speculative information: It will protect you if a matter arises later that negatively affects your business.
- **“Competitive advantage”** – Accentuate yours. Some typical advantages are in pricing, technological superiority, monopoly, location and distribution.
- **“Market segmentation”** – How does the market break down? Where does your firm fit in this picture?
- **“Differentiation”** – How do you distinguish yourself from your competitors: through the quality of your products or services, or, perhaps, via your customer support?
- **“Pricing”** – This is a crucial consideration. Fully detail your pricing strategy.
- **“Barriers to entry”** – Outline factors that reduce the risk of potential competitors muscling into your market, such as the need for expensive machinery, patents or brand.
- **“New technologies”** – Explain how they affect or threaten your business. Outline how you will modernize when the next wave of development hits your industry.
- **“Mixed strategies”** – For example, if you try to be the lowest-cost offering online, but price yourself higher than low-quality competitors, explain this in your business plan.

Operations

Your business plan should demonstrate that you are competent to run your business. Explain what makes your operation different from your competitors. Describe all your key processes, and show that you are in full control of your operations. Detail the experience that you have managing your business. The operations section also covers information about your supply line. If your supply function is complex, include it in a separate section. Explain your systems; discuss “location and environment,” as well as “regulatory control.”

Management

The experience and personalities of your senior executives is extremely important to potential investors. Discuss in detail not only the experience of your team but also the special skills of your individual executives. Provide short biographies for each one. Explain who is responsible for what. Diagram the structure of the firm, and demonstrate that you are at the helm of your business.

Proposal

Fully detail your proposal, covering the what, how, where, when and why of your proposition. Include “clear, achievable, measurable, useful” and “timed” objectives. Most important, persuasively explain why you will accomplish your goal. Tell the reader how much time and money you and your business partners already have invested. Explain what you want from the reader and what returns he or she can expect to receive as a result. For example, if you want an investor to purchase shares, detail how he or she will profit from those shares in the future.

Forecast

Your sales forecast plays a pivotal role in your business plan. Justify why you project a certain level of income, and spell out your costs in the same way. Of course, a forecast of costs will be less speculative than a forecast of sales. Include a five-year prognosis. Try to show “how sales and costs of sales are split by product.” Estimate the effects that increased costs or diminished sales will have on the business; if you don’t, the reader will. Focus on the business assumptions that truly matter. Avoid irrelevant or unnecessary information.

Financial Information

Summarize current and past sales, and include the details in your appendices. Cover these financials: “profit and loss account, balance sheet, cash forecast” and “funds flow.” Do not include estimated future tax liabilities. Detail hypothetical scenarios to demonstrate that your firm can survive a business downturn. Include important “financial ratios,” such as gross margin (“sales figure, net of any sales taxes, less the cost of sales, divided by the net sales, shown as a percentage”) and your debtor days (“value of your outstanding trade debtors divided by your net annual sales and multiplied by 365 days”). This ratio indicates how fast your clients pay you.

Additional Considerations

Many business plans include a section on risk. Omitting a discussion of risk would signal to the reader that you are not serious about your business endeavor. Of course, all enterprises involve risk – and your reader knows it. Risks emerge in four categories: reduced sales, reduced margins, increased costs and “major operational” snags. A good way to address the topic is to create a “Best Case, Worst Case and Expected Forecast.” Explain that, however unlikely, if a downturn does occur, it would not derail the business. Discuss how you are prepared to handle a negative event.

“Some entrepreneurs are too proud to sell themselves; they give general background information but few hard facts.”

What happens if a backer invests in your firm on the basis of your business plan and then attempts to sue you for misrepresentation if things go bad? To avoid this possibility, have a lawyer compose a preamble for the plan, which explains that the business plan “is an information memorandum and not a prospectus...and certainly not an offer for sale,” that the plan does not constitute a contract or express any guarantees, and that the reader must independently evaluate the business. Ensure the secrecy of your business plan by having those who read it sign “a confidentiality agreement.”

“Many, if not most, businesses actually succeed with a rather different plan from the one they opened with.”

If selling your business is the reason you are creating a business plan, get an accountant to prepare it. In such cases, substitute an “investment proposal” for the summary. A plan to sell the business differs from a standard business plan in its tone and in the omission of a “detailed strategy” and “people plans.”

“Think of a business plan as a route map of a journey.”

A business plan can help your company by offering “strategic direction, performance management, performance measurement, coordination and control, communication” and “empowerment.” To achieve maximum utility, make sure the plan sets specific objectives for business units and individuals, and details what actions those units and individuals are to take to improve operations. The business plan should establish a vision that will result in better decisions. Ensure that all your lead personnel assume ownership of the plan and its goals.

About the Author

Brian Finch is an independent consultant and business book author. He served as development director at various large companies and as finance director for a bookshop chain he co-founded.
