

# WRITING A BUSINESS PLAN

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**WHAT IS A BUSINESS PLAN?**

A business plan is a written statement covering all major aspects of your proposed business operation. Each business plan will be unique as not two businesses are the same. However certain basic questions should be addressed specifically in every business plan.

**WHY DO A BUSINESS PLAN?**

A business plan is like a map. It tells you where you are going and how you plan to get there. The process of doing the plan also clarifies the degree of commitment you have to the business and opportunities and threats that exist.

**STEPS IN WRITING A PLAN**

Although no two business plans are done in the same way, you need to have systematic approach to the task. The general steps in the planning process are listed below:

- Identify and define a business opportunity. This could mean identifying a demand for a product or service and starting a business from scratch, or buying an existing business or franchise.
- Work out whether the business is right for you, and if you are right for the business. This involves assessing whether there is a good personal fit between the type of business you are considering and the skills, knowledge, experience, commitment and other personal attributes you have to offer. If there is not a good fit, the business is likely to run into problems.
- Evaluate the opportunity. If you feel the fit is good, you can move onto the next stage of the planning process - that of evaluating the opportunity. This involves closely evaluating the strengths and weaknesses, opportunity and threats of each of the following factors.

The headings provided below will provide a framework for this evaluation, and the writing of the business plan.

**Introduction:** This should include the title of the plan, who the author is, and a date. If the business plan is also to be used in an application for finance or a grant, this section of the report should state who is asking for finance, and what type of financial assistance is required eg. bank loan.

**Mission Statement:** A mission statement is a concise statement which covers the essence of the business as you idealise it. It may cover the uniqueness of the business, how you will be different (and better) than others in your industry. An example of a mission statement is:

"For Shelley's Sheepskins to produce high quality seat covers which our customers enjoy and can afford".

**Table of Contents:** This makes reading a referring back to your business plan easier.

**Summary:** Although you will write this last, a concise summary will sum up what your business is about by

describing what you are doing, who is involved and why you think it will work.

**Nature of Business:** This will cover the trading name, address, telephone number, what industry you are in and details of where you will work from (premises).

**Product or Service Details:** Describe exactly what product or service you will be offering. What are the unique or special features. What advantages, benefits or improvements do they offer. To answer this, think in terms of how the customer will view your product or service.

**Equipment:** All businesses require an inventory of plan and equipment they already have and will need to buy. Value or price of equipment that is being contributed to the business and equipment that is being purchased should be listed separately. If you need equipment but cannot afford to buy it you will need to describe how you will manage in the interim eg. hire, borrowing, etc.

**Materials and Stock:** Describe what materials and stock you will need, what they will cost, where you will get them from, how they will be transported to you, what financial terms you will buy them on and what alternative supply sources you have.

**Production:** If you are producing a product you need to describe how it will be produced, what technology or processes are involved, what is your production capacity. If there are a number of stages in the process it is useful to illustrate this in a flow diagram. If other parties eg. subcontractors are involved in the process, describe who they are, what they will do and how they will be organised and supervised.

**Marketing:** you will need to describe your market research findings covering customer needs and wants, competitive advantage, state of the industry in general, customer's reaction to your proposed product or service and buyer behaviour patterns. In essence it involves identifying to what extent your proposed product or services will meet clients' needs.

This is usually considered under the four "Ps" of marketing; product, price, place of distribution and promotion. During this process the nature of the proposed business often changes to better reflect clients' needs and wants. for more information on marketing refer to hand outs "Market Research", Marketing" and "Marketing Checklist".

**Management/Personnel:** For a new business this will generally focus on a resume of the owner of the business. It will includes details of experience and qualification, listing all back ground material (positions you have held, experience you have had, course you have taken etc) which has contributed to your ability to run a business. If staff are to be employed, or advisers or consultants used, you should provide details of these people also.

**Financial:** An essential element in a business plan is a cash flow forecast. This will show amounts and timing of money coming into, and going out of, the business and closing balance on a monthly basis.

For assistance in putting this together refer to handout "Cash Flows and Cash Flow Forecasting". The cash flow forecast will incorporate the start up cost of the business and ongoing operating costs. Cash flows usually cover 6 or 12 months ahead, but in businesses with delayed income such as horticulture they may need to cover several years.

Under finance it is also useful to summarise the value of plant, stock etc being contributed to the business. (This will not show in the cash flow as no money is changing hands). It may also be useful to discuss your requirement for money (drawings) from the business and any other sources of back up money you may have.

**Goals:** Somewhere in the business plan you need to clearly state your goals for the business. This may be broken down into a number of time periods eg. 3 months, 12 months, 5 years or whatever is relevant for you.

**Threats and Contingency Plans:** In all business there are risks and threats. It is useful to identify what are the "critical threats" that your business faces - the ones that could threaten the very survival of your business. Having identified these you need to have contingency plans for what you will do if worst comes to worst. For example what do you do if you are not reaching your sales targets in spite of carrying out your proposed advertising and promotion? What will you do if your supply of raw materials dries up?

**An Action Plan:** For a plan to come alive it needs specific actions tied down with deadlines for action and completion. If more than one person is involved, individual responsibility for each action must be owned. Once in place the action plan, like the cash flow forecast, must be continually monitored and amended.

**CHECKLIST**

Below is a checklist to help you put together your business plan. Not all of the points listed will be relevant for your business. Remember to add any other points that are important to your particular business.

1. COVER PAGE

*Title of Plan*

*Author*

*Date*

*Intended report use.*

2. TABLE OF CONTENTS

3. SUMMARY

4. MISSION STATEMENT

5. BUSINESS DETAILS

*Trading name*

*Address*

*Telephone Number*

*Contact*

*Nature of business*

*Legal Structure*

*Industry*

*Premises*

*Bank*

*Lawyer (if applicable)*

6. PRODUCT/SERVICE DETAILS

*Nature of product/service*

*Special Features*

*Production plant and equipment*

*Material / stock details*

*Production plan/timeline*

7. MARKETING PLAN

*Market Research*

*Proof of investigation*

*Competition*

*State of industry*

*Marketing mix*

*The 4 "P's"*

*Guarantees*

*Marketing Plan*

8. FINANCE

*Personal budget*

*Cash Flow forecast*

*Projected profit*

*Costing information*

*Sources and use of funds*

*Breakeven analysis*

*List of assets/liabilities*

9. MANAGEMENT/PERSONNEL

*Resume of owner/s*

*Employees/sub-contractors*

*Professional Advisers*

10. GOAL PLANNING

*Short term objectives*

*Medium term objectives*

*Long term objectives*

*Monitoring and evaluation*

11. THREATS/CONTINGENCY PLAN

*Analysis*

*Critical factors identification*

*Critical factor management*

*Contingency plans*

12. ACTION PLAN