



Business Plan Planning

By Nigel Hall, Innovation Centre Sunshine Coast Pty Ltd

Your business plan is arguably the most important document that your business will ever create. So why, oh why, do so few businesses take time out from fumbling around in the entrepreneurial dark to sit down and make one?



By Bill Morrow, founder of Angels Den

I suppose there can be an element of performance anxiety – will the reality of a business plan squash the business dream (the denial excuse)? It could be the fear of not knowing what goes into the document (the comprehension excuse). Or it could simply be that you believe you know better and don't need one (the stupidity excuse).

So what exactly is a business plan and why is it so important? This living, breathing document will help you to centre your corporate chi and gather your ideas and aspirations into one manageable place.

Once created, the plan has many uses. It can guide a business to launch, help you gain financial backing or partnerships, act as a roadmap towards growth and eventually aid in the sale of your business.

This single document will help you through the entire life cycle of your business and should not only be regularly referred back to but should also be amended and updated as your goals change.

For the uninitiated, creating a business plan can be a daunting task: so much structure, so much information, and where on earth do you get the financial information from anyway? But this document really is not that scary.

Just follow a few simple rules and you can create a professional business plan that will have investors knocking down your door.

While avoiding too much confusing detail, I've decided to give you just a taste of what is needed in each of the sections of your business plan:

The Executive Summary

The purpose of this section is to grab the interest of your readers and hang on to it like a pit bull with lockjaw. Present your reasons why they should sit up and take notice of your business in a clear and succinct manner.

Always be truthful – there is absolutely no point in flowering up the facts – but do inject an element of excitement because your belief in the potential of the business has to rub off on them.

The Executive Summary is a synopsis of the rest of the business plan, and for those short on time it may be all that they read to form an opinion of your business. So no pressure, but it has to be darn good as a stand-alone document.

Summary of Background

Introduce your readers to the people who have made the business what it is today and present the story of its past, present and future. What has been achieved and overcome to date and what are your aspirations for the future of the business?

If you are starting a new venture, focus on what influenced you to launch into the world of business and why you feel that there is a market for your service or product.

Business Environment

This is where you sell, sell, sell your competency at determining the potential of your business. How much have you done to prove that there is a market for your service or product?

Why do you believe that your business will succeed, what market research have you carried out, what sales have you made, who are your customers, does competition exist and what barriers are there to entry into your market? It would be useful to include here all your findings and any issues that you have had to overcome.

Business Background

Why should your business succeed where so many have been flushed down the extra-wide drain of despair after the fickle finger of reality pointed out that their enthusiasm outweighed their substance? It's time for an exercise in Sales 101, a SWOT analysis. Take an objective look at your business's Strengths, Weaknesses, Opportunities and Threats. Present openly and honestly both the good, the bad and the ugly sides of your business and its market.

Operations

This is the downright practical section of the document: all of the elements of the business and its sector that you have researched to prove that it can succeed. Who is at the helm of your ship and what qualifications do they have for this role, are you correctly legally protected, how are your products made or services delivered? And so on.

Marketing

What are you doing or going to do to make your customers come a-flocking to your door? What PR, marketing, advertising and promotional plan do you have, and what proof that this will work to achieve the sales figures you will be presenting in your Financial Plan?

Investment

If you've ever wondered why the Dragons on Dragons Den get so annoyed at those pitching for their investment, you need look no further than the ridiculous value they feel has been placed on the business in front of them.

Investment amount requested divided by the percentage of the business you're giving away equals the assumed value of the business (£50,000 for 10% of the business assumes that the whole business is worth £500,000), but how can you decide the value of a business?

When you're in a situation where you're asking for investment funds this is largely down to the investors, which is why you must spend so much time and effort in this document proving that you not only have a damn good idea but also the will and wherefore to take it to market.

The weaker your proposal, the less convinced the investor will be and the lower the value he could potentially place on your business.

Financial Plan

OK, for a new business there may be an element of guesswork here. Yes, you heard me right, but it is your responsibility to show that this is educated guesswork and not just wishful thinking.

It is critical to get this section as accurate as possible because seasoned investors, potential partners and those who may be interested in buying your business will be able to smell the waft of adult male cow from a mile away.

Be upbeat but realistic, and if you need help seek the assistance of your friendly neighbourhood accountant. It's not a complicated job so it won't cost much.

So go forth from this article and prosper through devastatingly grand Business Planning. Keep it short and to the point, keep it exciting and full of opportunity, get your readers to want to pursue you for a chance at being a part of your dream.