



## The Business Plan

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Your business plan is arguably the most important document that your business will ever create. It should be the one document that brings your thinking and aspirations to a clear focus and enables you to communicate this with third parties, while providing a “reason de etre’ and a set of operating guidelines and goals for your business. It should be your guiding light in times of indecision and contract with yourself on future performance. A blue print for success.

If you do not have a business plan, why not, pick your excuse from those given below;

- performance anxiety – will the reality of a business plan kill the business dream (the denial excuse)
- fear of not knowing what goes into the document (the comprehension excuse).
- Not having time to create a plan (the too busy excuse)
- you believe you know better and don’t need one (the stupidity excuse).

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.

Creating a business plan can be a daunting task at the best of times, but first time round it seems like a mountain that easier to circumnavigate than climb.

By following a few simple rules and you can create a professional business plan that will be worthy of your business goals and aspirations.

The main areas to cover are given below along with some idea on the content.

#### The Executive Summary

The purpose of this section is to grab and keep the interest of your target audience. Start with a good elevator pitch that talks about the potential and need not the technology. A brief statement of market size, who the key players are; i.e. management team and what they have done before and how you intend to exit at some point in the future and who may be interested in buying this type of business. If you are looking to raise funds, how much and what you will do with the money and what you are offering in return.

Be honest – there is absolutely no point in flowering up the facts. But inject an element of excitement -your belief in the potential of the business has to be conveyed.

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. It has to be a powerful document in its own right.

### **Tell your “Equity” Story (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. Tell the reader why you started the business your fears and aspirations, why you think it is an exciting place to be. You may want to come back and read this every 6 months, so make it snappy!

### **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 (name names!) get customer quotes (positive!), does competition exist (it does so find it and analyse it) and what barriers are there to entry into your market; i.e. how will you create your “Unique Selling Proposition” that will give you a sustainable market advantage? 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 hands on 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? When Raymond Ackerman took over Pick ‘n Pay in 1967 he put into practice four business principles that he learned from Bernardo Trujillio. You may have heard of the four pillars of business success, they are: (1) Strong Administration (2) Strong Merchandising (3) Strong Sales Promotion (4) Strong People –involvement. This section should really address each of these points from a practical how we will do it approach.

To maintain a successful company it needs to be built on these four pillars rather like four legs of a table<sup>1</sup>.

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<sup>1</sup> “The Four legs of the Table” Raymond Ackerman. Publication Date : 14 March 2005

Publisher : New Africa Education Publishing, South Africa Pick ‘n Pay is South Africa’s leading grocery retailer

## **Marketing**

What are you doing or going to do to make your customers buy your products or keep using your services? The essence of this section is detailed in section 5. Marketing the 5 P's of marketing.

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**

How much investment will you need? When will you need it and where do you expect to get it from? What will the investor get in return. Pre-revenue, regardless of what you have invested your business is probably worth little to most people. If your equity story is good enough and market is big enough then your business may have an intrinsic value, but it is unlikely to be millions.

Investment amount requested divided by the percentage of the business you're selling to get cash into the business represents the assumed value of the business (\$50,000 for 10% of the business assumes that the whole business is worth \$500,000). So if you offer an investor 10% for \$1m, that assumes that the business is worth \$10m before the investor puts his \$1m in. What exactly is he getting that's worth \$9m? Probably not an awful lot other than the opportunity to participate in future gains or losses. Generally if one large sophisticated investor invests into a company early stage they are going to want a significant stake, i.e. more than 30%. What are you worth without the money?

## **Financial Plan**

How do you plan 5 years into the future? See above<sup>1</sup> and do lots of market research. Know your market. Of course your plan is a best guess, but it should be a well informed best guess that utilises and documents all available data, not just wishes and hopes.

Be upbeat but realistic, and if you need help seek the assistance of an accountant or business adviser.

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.