

How to prepare your business plan

Every business, regardless of size, should have a working business plan and it is even more important when you are starting up a new business.

A business plan is not only a vital instrument in applying for and securing funding but also a useful business management tool that can assist in the day to day operation of a business. It can help you spot pitfalls before they happen, identify your business strengths and weaknesses, assist you to effectively manage the business finances, focus your development plans, etc.

This guide will show you how to prepare a quality business plan using a number of easy to follow steps.

What should the plan include?

Your business plan is a statement of intent. It should provide details of how you are going to develop your business, when you are going to do it, who is going to be the key people involved, how the business is to be financed, etc.

Clarity on these issues is particularly important if you are looking for finance and investment from funding sources such as the Rosebud Fund. The process of structuring and building your plan will also focus you and the other key individuals involved on how you will need to operate and develop the business to give it the best chance of success.

Your plan should include the following:-

The executive summary

This is a concise overview of the business plan. It is an important part of the plan. Many lenders and investors make judgments about your business based on this section of the plan alone so it is crucial that it is well presented.

The business, its products and services

This should include what the business does, the product or service that is on offer, the market sector involved, the target where the product or service is to be sold, etc.

Marketing and sales strategy

This should include an insight into why people will want to purchase or use the product or service, how it is planned to make the market aware of the business, how the product or service is to be sold, etc.

The management team and personnel

This will include C/V type information in respect of each of the key individuals involved in the business. It will also include details of any key people that are to be recruited.

The business operations

This should provide an insight in regard to the business premises, production facilities, management information systems and IT, etc.

Financial forecasts

This section is simply a translation of everything in the business plan into financial figurework and should typically include month on month trading, profit & loss, cash flow and balance sheet forecasts covering the first year together with headline figures for the second and third years.

The Executive Summary

The Executive Summary is often the most important part of your business plan. It is the opening section of any business plan and is therefore the first section to be read.

It is crucial that this section is well prepared and written to hold the attention of a potential funder who may read dozens of business plans every day and needs to be convinced that your business is worth further consideration and is better than the rest.

The executive summary is simply a synopsis of the key points of your entire business plan. It should include highlights from each section of the rest of the document, from the key features of the business through to the highlights of the financial forecasts.

Its purpose is to explain the basics of your business in a way that both informs and interests the reader. A successful executive summary should tell a potential funder what the business is about and leave them interested in learning more.

It should be concise and to the point – certainly no longer than two pages. Although this is the first section of the plan, it is usually written after the other sections of the plan have been completed.

You should ensure that you do not write this section simply as a table of contents of the rest of the plan. You should ensure that it contains the highlights of the plan rather than restating the details contained in the plan.

The business, its products and services

If you want other people to invest in your business or if you are already in business and are preparing your plan to focus attention on your existing activities, you should be able to clearly convey what your business does.

This part of the plan sets out your vision for your business and includes who you are, what you do, what products and services you have to offer and the market you want to target.

You should start with an overview of your business, its activities and include the following:-

- the current ownership and management structure.
- when you commenced/when you intend to commence, trading performance and progress made so far.
- history or track record – whether the business is family owned, whether you acquired the business, when and at what cost, etc.
- experience and qualifications of the key individuals.
- your vision for the future – what you want to achieve.

You should then go on to describe your products and services as simply as possible, paying particular attention to the following:-

- features and benefits of your product or service
- what makes your product or service different
- why customers would purchase or use your product or service
- how you plan to develop your product or service in the short, medium and long term
- key features of your sector or industry

You should always bear in mind that whilst you have a firm understanding of what you do and how you do it, the reader may not understand your business and its products and services. It is vital that you avoid using jargon or abbreviations and explain it in a straightforward and concise manner.

Marketing and sales strategy

In this section of the plan you should define your market, your position in it and outline your local and national competitors. To be able to do this effectively you should use data collated from any market research you may have undertaken. You will need to demonstrate that you are fully aware of your marketplace in which you are planning to operate.

Important areas to cover include:-

Market – size, historical information and data about its development and any key current issues

Target customers - who they are and how you've determined that they will be interested in your products and services

Competitors – who they are, how they operate, what they provide, where they are located, the share of the market they hold, etc.

Future – any anticipated changes in the market and how you expect your business and your competitors to react

This section should describe what you are going to do to promote and sell your products and services. It can be a weak link in a business plan – many businesses invest significant time and effort in ensuring the product or service is perfected for sale but overlook the need to promote it and make the market aware that it even exists. It is therefore worth spending some time on ensuring that plans are both achievable and realistic.

A sound sales and marketing plan indicates that you have a clear focus on your target market and how you will get your products or services to the market.

This section of the plan should include details of the following:-

- how you plan to position your product or service in the market place
- who your customers will be – you should include details of any current customers and any potential customers who have expressed an interest in your product or service. You should also provide an explanation of how you will attract new customers and generate interest in the marketplace.
- your pricing policy – what you will charge for your product or service
- how you will promote your product or service – you should identify your sales methods (e.g. direct marketing, advertising, PR, email, e-sales etc)
- how you intend to do your selling – details of the sales plan including whether selling will be done by phone, website, face to face, via retail outlets, etc.

The Management Team and Personnel

Your business plan should set out the structure and skills of the management team together with any key members of the workforce. It should identify the strengths in the team and plans to deal with any weaknesses that may have been highlighted.

The Management

If you are looking to secure external funding, the management team are an important factor in the consideration processes. You should ensure that you provide full details of those involved, their individual roles and their respective responsibilities within the business. You should aim to provide detailed C/V type information on each individual incorporating their background, experience, qualifications, personal circumstances, etc.

Ensure that the business plan highlights that you have a sound and secure management team in place and that they offer the business the right balance of skills, drive, determination and experiences to make a success of the venture. Key skills include sales, marketing, financial management, personnel experience, strategic planning, operations, production and market knowledge.

The plan should also include details of any financial contributions the management team are making to the business and the salaries and employment benefits they are intending to draw from the business.

Personnel

You should provide details of your workforce in the terms of how many staff members are involved, what they will do, etc. You can also include an indication of expected salaries, your recruitment policy and training plans.

The business operations

Premises

The business plan needs to provide details of the premises, the operational capacities and any planned improvements. There are specific areas you should concentrate on in this section including the following:-

- location - your medium/long term commitments to the business premises
- ownership of the premises and, if leased, terms of the tenancy
- the advantages and/or disadvantages of your current location

Production facilities

- how modern are they? Are there any aspects that require modernising?
- capacity compared with existing and forecast demands
- details of any investment that is needed

Management information systems

- are there established and effective management control systems in place in respect of stock levels, product/service quality, trading performance, financial management and control (e.g. timely production of month and year to date management information pack), etc.
- the extent that existing procedures will be able to cope with any proposed expansion

Information technology

You should include details of IT skills and how you plan to improve any weaknesses you may have in this area. You should also provide details of the reliability and any planned development of your IT systems.

Financial forecasts

A key part of the plan is a set of financial projections which simply translate what you have covered in the plan into numbers and financials.

The plan should consider the following:-

- amount of capital needed if you are seeking external funding
- the security that is available to potential lenders
- plans for repaying any borrowings
- sources of revenue and income

You could also include your personal finances as part of the plan at this stage.

Your projections should cover three years and comprise trading, profit & loss, cash flow and balance sheet figures. The forecasts for the first twelve months should be on a month by month basis.

You should include the assumptions behind your projections in the terms of both costs and revenues to allow investors to see clearly the thinking behind the figures.

Cashflow forecasts – should include month by month movements for at least the first twelve months. The aim is to show that your business will have enough working capital to continue trading so it is vital that you have given thought to key factors such as outgoings, the timing of sales and salaries, etc.

Profit & loss forecast – this is a financial statement of the trading position of the business and should include the level of profit you expect to make based on projected sales and the associated costs of providing your product or service and the overheads.

Presenting the business plan

To make sure that your business plan has the maximum impact, there are a number of factors you should consider

Remember to keep the plan short – it is more likely that a potential funder will read the plan if it is of a manageable length.

Think about presentation – keep it professional:-

- include a cover or front page and a contents page, complete with page numbering and section headers
- always start with the Executive Summary and remember that it is an important part of the plan
- make sure it is eligible – check for spelling mistakes and ensure the formatting and style is consistent
- if you want to send the plan by email, make sure it is in a user-friendly format. Try a pdf format or Word.
- make sure you edit the plan carefully – it is always useful for others to proof read the plan before it is sent out
- show the plan to an advisor such as your accountant - he/she will be able to cast a professional eye over the structure, contents and presentation of the plan and make suggestions for any changes that may need to be made.