

# THE BUSINESS PLAN

Writing a business plan is the first step in starting any new venture. You'll need a business plan to get new financing, but it is also a critical tool in managing the operation of your existing business. The most successful businesses are, more often than not, the ones that plan well and follow their plans.

The business plan serves several purposes, and as such, should be completed as accurately as possible, with all underlying assumptions clearly stated. A business plan is a tool that sets both your future direction and your operational mode. Details for your plan can be obtained from industry leaders, your suppliers, your competitors and your current or potential clients. A good plan should take at least one month of detailed research.

Your plan should be viewed as a living entity and subject to change on a predetermined basis. Use your plan as your business road map, to guide you and assist you in measuring your performance. Regular reviews of your revenue should be done to determine if they are at expected levels, or if your expenses are in line. If any of these are not as planned, you will need to adjust your activities to correct the problem. We suggest that a review be done at least quarterly, with a complete review annually, or if there is a major change in the direction of your business.

## ***THE ADVANTAGES OF DEVELOPING A BUSINESS PLAN***

### **Discipline**

Planning helps you organize your thoughts and challenge old directions. You will almost certainly find as you develop your plan, you will identify new issues. Planning forces you to consider these issues today, before they become problems tomorrow.

### **Direction**

Planning helps to guide you in the future. It also helps you convince yourself and your staff of the strength of your business goals and direction.

### **Control**

Planning establishes a benchmark against which you can monitor your performance. It also allows you to identify problems and resolve them quickly.

### **Credibility**

Your business plan is, among other things, a document that will assist you in securing financing. A well thought out and thorough plan will demonstrate to your investors that you have a strategy to successfully implement your idea.

## ***PURPOSE OF THE PLAN***

It serves as a guide to the effective implementation of your business strategies in order to successfully achieve your goals.

It serves as a logbook to document the successes and failures of your business. This is why it is critical you determine in advance, as to when and how this plan is to be updated and changed. Remember, it can be as important to know what does not work, as it is to know what does work.

It is a key indicator as to the performance of your business and your management skills.

It gives you the opportunity to look into the future and determine what you want your business to be and how you will get there.

## ***YOUR PLAN SHOULD INCLUDE***

- ◆ Title Page
- ◆ Mission Statement
- ◆ Executive Summary
- ◆ Business History
- ◆ Description of Management and Personnel
- ◆ Description of Product/Service
- ◆ Goals and Objectives
- ◆ Markets:
  - Competitor Analysis
  - Pricing Policy and comparison
  - Distribution network
  - Promotional Strategies
- ◆ Manufacturing Process
- ◆ Risk Factors and Rewards
- ◆ Critical Success Factors
- ◆ Timetables and Benchmarks
- ◆ Historical Financial Performance
- ◆ Financial Forecasts
- ◆ Appendix

## ***TIME FRAME***

The planning process takes longer for new businesses than it takes for existing businesses. The planning process, for an existing business, should require approximately four weeks; while the process for a new business may vary from four weeks to one year, depending on the complexity of the business environment.

## ***NINE TIPS***

1. Write your own plan.
2. Be brief.
3. Write clearly.
4. Talk about the success factors.
5. Don't hide the risks.
6. Support your claims.
7. Look professional.
8. Get it right the first time.
9. Get a second opinion.

## ***RULES TO REMEMBER***

The business plan must be put together with the effort and commitment of those parties involved. This is critical to ensure its successful implementation.

The business plan reflects the goals and objectives of the business, which is ultimately based on the mission statement.

**PLAN YOUR WORK AND  
WORK YOUR PLAN.**

## ***GUIDELINE TO SECTIONS OF THE BUSINESS PLAN***

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| <b>Item</b>              | <b>Suggested<br/>Number of Pages</b> | <b>Comments</b>  |
|--------------------------|--------------------------------------|--|
| Title Page               | 1                                    | Should contain:<br>Name of business<br>Presented to<br>Presented by<br>Date  |
| Mission Statement        | 1                                    | Describes what your business is about.   |
| Executive Summary        | 1-2                                  | Summary of Plan. Includes summary of: the purpose of your plan, a description of your opportunities, description of your product/service and how they benefit the customer, management's expertise, financial highlights, the amount and type of funds you require, and how you intend to repay the funds. |
| Business History         | 1-2                                  | Pertinent historical context.  |
| Management and Personnel | 1-10                                 | Key management personnel and their responsibilities. Resumes are usually contained in the appendices.  |
| Product/Service          | 1                                    | Describe what the business does. This should include: a description of your product/service, its advantages compared to your competitors, and the legislative requirements for your business.  |
| Goals and Objectives     | 1-2                                  | What the business hopes to achieve in the next term (i.e., percentage of market, sales growth, staff complement, etc.). They are tangible benchmarks to measure your performance. There should not be anymore than 7-9 goals and 3-4 objectives.   |
| Markets                  | 1-10                                 | Complete assessment of market. The competitors, the pricing structure, the proposed promotional strategies, the opportunities and threats in the market, the distribution method, the suppliers, the trends in the market, and your customers' behaviour and needs.  |
| Manufacturing Process    | 1-5                                  | Describe the process, patents, trademarks, and technology.   |

| Item                      | Suggested<br>Number of Pages | Comments   |
|---------------------------|------------------------------|--|
| Risk Factors and Rewards  | 1-4                          | Identify the threats to your business and outline how you will counter those threats. You should be assessing how your existing product or service can be capitalized on, or whether it requires improvements. |
| Critical Success Factors  | 1-4                          | These are the core issues that must be achieved, or in place, in order for your plan to succeed. Critical success factors must be clearly defined and understood.  |
| Timetables and Benchmarks | 1-4                          | May overlap with some objectives and goals, but also set major time lines in the life of your business. Should also include a quarterly and annual action plan for up to five years.                           |
| Financial Performance     | 3-9                          | Financial statements for the last three years.   |
| Financial Forecasts       | 3-9                          | Forecasted Cash-flow Statements, Balance Sheets, Income Statements and Statement of change in financial position for the next three years.   |
| Appendices                | Varies                       | Any information relevant to support the plan. Should include a description of your assumptions for your financial forecasts.   |