**Business Planning Guidelines**

**Why do I need a Business Plan?**

It is essential that you can explain the idea for your business succinctly, both verbally and in writing. It is quite common for an entrepreneur to first consider writing a business plan only when he or she is looking to secure external funding. You will almost certainly need to prepare a substantial business plan to secure any form of external funding (i.e. grants, bank loans or equity). However, there are many other reasons why business planning is beneficial.

1. An opportunity to take an objective look at your plan to ensure your expectations are realistic and spot any potential pitfalls before they happen.
2. It will also help you to focus your mind on how you are going to develop your business, develop a timing plan, determine your funding requirements and who you will need on your team to execute your plans.
3. It will help you to structure the financial side of your business properly.

It is also important to remember that a business plan is constantly evolving, and it will need updating and changing as your business evolves. Your estimates will never be accurate, but they will help you to consider different scenarios and business models. Once you’ve prepared your plan, use it and update it regularly, as it will help you keep track of your business’ development.

**Think of the Audience**

It is likely that you will need to create different versions of your plan according to the audience you are presenting to.

For the purposes of raising finance, the plan has one objective which is to **sell** your business. Although you may believe you are offering an unmissable opportunity, the cynical investor must be convinced by you.

Potential funders, banks, business angels and other investors need to be able to gauge the risk and potential rewards of your plan as quickly as possible to understand whether it fits their particular investment or lending criteria. Therefore, these preferences should be researched and made very clear in your plan.

The business plan also reflects the person who has written it, and therefore, although you can seek advice from elsewhere, you should write the plan yourself. The chemistry between the people involved is particularly important when presenting to business angels.

You should not assume that your audience has any previous knowledge of your sector, so you should not use highly technical terms or jargon. Although, the technology is important, it is more important to focus on the market opportunities for your technology rather than product features.

**What it should cover?**

A business plan covers the three essential elements of any business, Market, Management and Money. Your plan should include:

* **Executive Summary –** This is an overview plan and is essential to summarise the key messages in your plan. Many potential investors and lenders read up to 2000 plans a year and will make initial decisions based on the executive summary only. Write this last. It should be no more than 2 pages, preferably 1.
* **Company Description and Background –** Your Company’s background, legal status, history and start-up plans.
* **Technology, Product or Service –** A description of your technology and product. Described in lay-mans terms as if you are describing it to an intelligent person, not in your field of expertise. Focus on the potential customer benefits, rather than the features of the technology.
* **Market Analysis –** A description of your market and customer needs. It should cover three points:

1. Market

Its size, growth, geographic position, how is it segmented and which segment are you targeting? Historical data about its development and key current issues. Macro-economic data is useful and investors will be looking to invest in strong and growing markets.

1. Target customer base

Who they are and what are their needs? How do you know they will be interested in your products or service? Where are they geographically, how big are they? If you have spoken to potential customers through market research, put the key findings here.

1. Competitors

It is highly unlikely that you have no competitors. Even in new markets and new technologies, your future customers will be using alternative technologies or processes to meet their needs. To what extent would your product displace existing UK and overseas technologies?

Who are your competitors and what share of the market they hold? You should consider how your current competitors might react to changes in the market and to your entry into the market-place. You also need to know how your competitors’ advantages and disadvantages compare to your own. Include some what-if scenarios that show how your business would deal with customers’ changing needs or any other market changes.

* **Commercial Exploitation and Marketing** (Strategy and Implementation)

Describe your plan for commercial exploitation of your product. How you expect to enter the market.

What is your marketing and sales strategy? Why do you think people will buy what you want to sell and how do you plan to sell to them? What are your pricing, promotion and distribution strategies? Do you intend to license the product or process to others?

Have you already spoken to customers? Do you have evidence of their interests?

You should include a timeline with specific milestones here.

* **Management Team and Personnel**

Your business plan needs to set out the structure and key skills of both your management team and your staff or the people you plan to recruit to work with you. It should identify the strengths in your team and your plans to deal with any obvious weaknesses. If you’re looking for external funding, your management team can be a decisive factor.

Explain who is involved, in the business, their role and how it fits into the organisation. Include a paragraph on each individual, outlining their background, relevant industry sector experience, and qualifications. Include any advisors you might have such as accountants or lawyers. CVs can be included in the Appendix.

You should also consider where are the gaps? What is needed and at what level? (i.e. CEO, Chairman, Sales and Marketing, Finance, and Non-Exec Directors). Have the funding support networks been approached? (Business Forum). You should consider what incentives is the proposed company able and prepared to offer to attract quality people to join the venture?

* **Financial Forecasts**

This section translates everything you have said in the previous sections into numbers. Your forecasts should run for the next three (or even five) years. However, the first 12 months’ forecasts should be shown in month by month detail. Include the assumptions behind your projection with figures, so that readers can see the thinking behind the numbers.

What your forecasts should include:

**Sales Forecast** – what are the estimated sales prices and volumes and what is the cost to produce these sales.

**Personnel Forecast** – What is the estimate head-count profile and salary profile.

These will feed into your Profit and Loss Forecast, which tells you the level of profit you expect to make, given your projected sales and the costs of providing goods and services and your overheads.

From this you will also develop your **Balance Sheet,** a statement of what you own and what you owe at a fixed point in time.

From these two statements you will create a **Cash flow Statement**. This shows the cash received and paid out during the period. The aim is to show that your business will have enough working capital to survive so make sure you have considered the key factors such as the timing of sales and salaries.

**Break-Even Analysis** – what is the break-even point when the company can start to make a profit?

**Presenting your Business Plan**

Consider the following points to ensure your plan has the maximum impact:

* Keep it a manageable length, 20 to 50 pages maximum.
* Remember KISS – Keep It Short & Simple
* Include a cover or biding and a contents page with page and section numbering.
* Use legible font at 10-12 point size.
* Use email-friendly formatting.
* Ask at least two people to proof read it and check for errors.
* Show the plan to expert advisers – such as your accountant – and ask for feedback. Redraft sections they say are difficult to understand.
* Avoid jargon and put detailed information – such as market research data or balance sheets – in an appendix at the back.