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**Lairg and District Learning Centre**

**Business Start Up Guide**

**Writing Your Business Plan**

**Business Plan**

For every great idea that has shaped our world there are thousands of seemingly great ideas that have failed. In order to succeed a great business idea needs a great business model and they are not the same thing. Once your business idea meets the world, it will meet customers and if they don’t care about the problem your idea solves for them, then it is game over. Even if customers love your idea, if it is not financially sustainable your business idea can still fail.

A business plan is a written document that describes a business. It covers objectives, strategies, sales, marketing and financial forecasts. A business plan has many functions, from securing external funding, to measuring success within your business, so preparing a business plan is an important step when starting a business

**The benefits of a business plan**

Creating and managing a realistic business plan can help you secure finance and funding and measure success.

Potential investors, including banks, may invest in your idea, work with you or lend you money as a result of the strength of your plan. Grant providers, potential partners and anyone interested in buying your business will also likely want to see your business plan.

Even if you just use it in-house, it can:

* help you spot potential pitfalls before they happen
* structure the financial side of your business efficiently
* focus your efforts on developing your business
* work as a measure of your success

A business plan is a living document that will help you monitor your performance. It will need updating and changing as your business grows. Whether you use it in-house or for external finance, it should still take an objective and honest look at your business. Failing to do this could mean that you and others have unrealistic expectations of what can be achieved and when.

Your business plan should include:

* how you are going to develop your business
* when you are going to do it
* who's going to play a part
* how you will manage the finances

It's important to be clear about these areas in your business plan if you're looking for finance, funding or investment. The process of building your plan will also focus your mind on how your new business will need to operate to give it the best chance of success.

There are many organisations who will offer to write your business plan for you, for a cost, I would NOT recommend using these services. Nobody knows your business as well as you, they will not understand the full details and how they interact with the different components. Although it may seem like an arduous task, by completing it yourself it will allow you to systematically think of all the factors affecting your business and how it will work.

**Your Vision**

You must be able to clearly describe what your business does and set out your **vision** for your business. This includes who you are, what you do, what you have to offer and the market you want to address.

The business plan’s main role is to plan, outline and communicate a business (or not-for-profit) project and its implementation internally or externally. The motivation for the business plan may be to “sell” a project to potential investors, whether that is the bank or external funders but it also serves as a planning document.

**Using a business model canvas for your business plan**

By using a planning tool called a Business Model Canvas allows you to design and think through the type of business model you are going to use for your business. The business model canvas also provides you with the perfect basis for writing a good business plan. Helping you to structure your business plan into six main sections: The team, the business model, financial analysis, external environment, implementation roadmap, and risk analysis.

**The Team**

One of the elements that particularly investors look at first is the management team of a project. Is the team experienced, knowledgeable and connected enough to pull-off what they propose? Highlight why your team is the right one to successfully build the business model you propose in the document.

**The Business Model**

In this section you showcase the attractiveness of your business model. Use the Business Model Canvas to give an immediate overview of your model. Ideally you sketch it out, then describe the value proposition, outline why you believe potential customers need it and explain how you are going to reach the market. Use stories. Then highlight the attractiveness of your target markets to get the reader of the business plan interested. Finally, outline what key resources and activities are required to build and operate the business model.

**Financial Analysis**

This is traditionally an important part of the business plan that will attract a lot of attention. It contains the financial information that you can calculate based on your organisation’s Business Model Canvas and a set of hypothesis of how many customers you can reach in a specific time period. This includes elements such as break-even analysis, sales scenarios and operating costs. The Canvas also helps you calculate capital spending and more generally how much it will cost you to implement the business model. Based on all these calculations you outline your funding requirements.

**External Environment**

In this section of the business plan you outline how your business model is positioned regarding the external environment. Outline market forces, industry forces, key trends, and macroeconomic situation. Summarizing, you need to stress what the competitive advantages of your business model are in this landscape.

**Implementation Roadmap**

This section gives the reader an idea of what it takes to implement your business model and how you will do it. It includes a summary of all projects and the overall milestones. A project roadmap, including Gantt charts, then outlines the implementation agenda. The projects can be directly derived from your organisation’s Canvas.

**Risk Analysis**

At the end of the document you describe limiting factors and obstacles, as well as critical success factors. These can be easily derived from a SWOT analysis of your Business Model Canvas.

SWOT is used for business planning and is an insight of your business Strengths Weaknesses Opportunities and Threats. Strengths and weaknesses are internal factors and opportunities and threats are external factors. By clearly outlining all positives and negatives of a project, SWOT analysis makes it easier to decide whether or not to move forward.

**Business model canvas**

The business model canvas is broken into nine building blocks for your customers. We’ll break down each of those segments so you can get a better understanding of what each of them means for your company.

1. Value Propositions

The first section is about your value proposition. Your value proposition is what your company is making and who they’re making it for. It’s not about your specific idea or product, it’s about solving a problem or filling a need. It’s also about who you are solving that problem for.

Once you know what problem your solving and who you’re solving it for, you can get into what exactly your product or service is. This is where you list all the benefits and features of your product and what they do to solve the problem.

1. Customer Segments

Perhaps the most important part of your canvas is the customer segments. If you don’t know who your business is catering to you’ll never be able to sell to them. You need to figure out who your customers are and why they would buy from you. You want to get very specific and figure out where your customer lives, what their social habits are, how old they are, if they’re male or female, etc. You want to be so detailed that you could draw a picture of your customer, put it on a wall, and have it detail their exact persona. On day one this is nothing but a hypothesis, but as you start testing and selling your products, you will be able to change this accordingly.

1. Channels

Your channels are what you use to deliver your product from your company to your customer. In the old days you really only had one channel and that was the physical channel. You had a storefront and your goal was to get people to visit your store.

With the rise of technology, a storefront is no longer necessary. Now many people use the internet and mobile devices as their channels. Even if you have a physical channel setup, you’re most likely still going to have a web presence. You need to decide which outlet or outlets are best for you to get your product to the customer. #4 – Customer Relationships

1. Customer Relationships

Your customer relationships are the fourth piece in your business model canvas. This section is about how you get your customers, how you keep your customers, and how you grow your customer. The channel you choose to distribute your product will also help determine your customer relationships.

A physical store will acquire its customers differently than an online store. If you’re using a website as your main channel, you need to figure out how to get your customers to your website, how to get them to buy once they are there, and how to get them to come back and buy more of your products. Just like previous steps this is only a hypothesis on day one and will be figured out as your business grows.

1. Revenue Streams

Your revenue streams are how you will actually make your money from your value proposition. What value is your customer paying for and how are you going to capture that value?

Depending on your company it could be a direct sales model, a freemium model, a subscription model, or a licensing model. Again, the model you choose depends on your business, and your business could use multiple revenue models. Your revenue streams aren’t about the actual pricing of your product, it’s just your way of capturing revenue.

1. Resources

The next section of your business model canvas deals with is your resources. This is what you need to sell your product, the assets that are required for you to be successful.

The most important resource for many new companies is financing. Do you have enough cash on hand to fund your business? Will you need funding or a line of credit? There are also physical needs like a store, manufacturing plant, or delivery vehicles. You might need intellectual properties, such as patents and customer lists. You might also need a good, strong workforce of salesmen or manufacturers.

1. Key Partners

Your key partners are the people and companies who are going to help you grow your business. There are some things you aren’t going to be able to do and some you just won’t want to do on your own, so you’ll want to partner with people that can do them for you. Two of the most common partnerships are suppliers and buyers.

The two main questions you need to ask yourself before forming a partnership is what you’re going to get from them and what activities they are going to perform. If you have a one man startup, your partnerships will likely be different than the partnerships a larger company has.

In your first year you might choose to do everything yourself just to save money. As your business grows, you will be able to invest in partnerships that can save you time and help grow profits.

1. Key Activities

Your key activities are the most important things your business must do to make your business model work. If you’re in the production business, you’ll be making products. Maybe you’re a consultant and you’re in the business of solving problems. You could also be in sales and be responsible for getting people to buy various products.

Whatever it is that your business does, your key activities are what you need to become an expert in for your business to be successful.

1. Cost Structure

Your cost structure is what it’s going to cost you to keep the business running. You have to think beyond the obvious costs like your payroll, rent, and materials and be sure you are including everything.

You need to know what the most important costs are, what your most expensive resources are, and how much your activities and partnerships cost. Then you will need to ask the typical accounting questions like what your fixed and variable costs are, and any economies of scale. Anything that is going to cost you money to keep your business operational needs to be included here.

Whether you’re an established business or just getting started, a business model canvas is an amazing tool to help you reach your goals. It provides you with a one-page document that cuts out the fluff lays everything out right in front of you. It’s easily editable so as your business changes you can change your canvas to match.

Using the information gathered and curated with the business model canvas gives you the perfect basis for writing a good business plan. By structuring your business plan into five main sections that we have already discussed: The team, the business model, financial analysis, external environment, implementation roadmap, and risk analysis and you will cover all in main areas required.

Once you have completed the main body of your business plan you then need to write your Executive summary.

**Presenting your Business Plan**

**The Executive Summary**

The executive summary is often the most important part of your business plan. Found at the front of the document, it is the first - and might be the only - part to be read. Your plan might be placed into a 'worth considering' or 'discard' pile by lenders or investors based on this section alone.

The executive summary is a synopsis of the key points of your entire plan. It should include highlights from each section of the rest of the document.

Its purpose is to explain the basics of your business in a way that both informs and interests the reader. If, after reading the executive summary, an investor or manager understands what the business is about and is keen to know more, it has done its job.

It should be concise - no longer than two pages at most - and interesting. You should write this section of your plan after you have completed the rest.

The executive summary is not:

* A brief description of the business and its products. It's a synopsis of the entire plan.
* An extended table of contents. This makes for very dull reading. You should ensure it shows the highlights of the plan, rather than restating the details the plan contains.
* Hype. While the executive summary should excite the reader enough to read the entire plan, an experienced investor or business person will recognise hype and this will undermine the plan's credibility.

**Financial forecasts**

You will need to provide a set of financial projections which translate what you have said about your business into numbers.

Look carefully at:

* how much capital you need if you are seeking external funding
* the security you can offer lenders
* how you plan to repay any borrowings
* sources of revenue and income

You may also want to include your personal finances as part of the plan.

Financial planning

Your forecasts should run for the next three (or even five) years and their level of sophistication should reflect the sophistication of your business. However, the first 12 months' forecasts should have the most detail associated with them.

Your forecasts should include

* **Sales forecast** - the amount of money you expect to raise from sales.
* **Cashflow statements** - your cash balance and monthly cashflow patterns for at least the first 12 to 18 months. The aim is to show that your business will have enough working capital to survive. Make sure you have considered the key factors such as the timing of sales and salaries.
* **Profit and loss forecast** - a statement of the trading position of the business. Show the level of profit you expect to make and the costs of providing goods and services and your overheads.

Your forecasts should cover a range of scenarios. New businesses often forecast over-optimistic sales and most external readers will take this into account. It is sensible to include subsidiary forecasts based on sales being significantly slower than you are actually predicting. One for sales starting three months later than expected, and another forecasting a 20 per cent lower level of sales.

**Risk analysis**

It is good practice to show that you have reviewed the risks your business could be faced with. Show that you have looked at contingencies and insurance to cover these. Risks can include:

* competitor action
* commercial issues - sales, prices, deliveries
* operations - IT, technology or production failure
* staff - skills, availability and costs
* acts of God - fire or flood

To make sure your business plan has maximum impact, there are a number of points to consider.

Think about the **presentation** and keep it professional - even if you only intend to use the plan in-house. Remember, a well-presented plan will reinforce the positive impression you want to create of your business.

Make sure your plan is **realistic**. Once you have prepared your plan, use it. If you update it regularly, it will help you keep track of your business' development.

Tips for presenting your plan:

* Include a cover or binding and a contents page with page and section numbering.
* Start with the executive summary.
* Ensure it's legible - make sure the type is ten point or above.
* You may want to email it, so ensure you use email-friendly formatting.
* Even if it's for internal use only, write the plan as if it's intended for an external audience.
* Edit the plan carefully - get at least two people to read it and check that it makes sense.
* Show the plan to expert advisers - such as your accountant - and ask for feedback.
* Avoid jargon and put detailed information - such as market research data or balance sheets - in an appendix at the back.
* You may have detailed plans for specific areas of your business, such as a sales plan or a staff training plan, but it is best not to include these, though it is good practice to mention that they exist.