

Guide Sheet 3 – Basics of Business Planning

No matter how good your idea, before you start to begin to others about helping you to launch and finance your idea you will need a business plan. This need not be a weighty tome, but it should summarise your plans and in that way will help you crystallise key milestones and factors critical to success.

Writing a business plan

A business plan is a document that clarifies your strategic thinking and the direction for the business, while emphasising the strengths and recognising the weaknesses of the proposed venture. A business plan should be concise, credible, well laid out and easy to read. It will need to be tailored to each individual situation; however the core structure will usually be the same, containing the following:

Executive Summary

This should be no longer than one or two pages and should contain the key features of the whole plan. It is best to write this once you have completed the rest of the plan and include a key paragraph from each section. The executive summary needs to be good and often a decision by an investor to bin the idea or proceed further will be made on this alone.

The executive summary must contain brief details of:

- *The business*
- *The management*
- *Their experience and cash commitment*
- *The forecast results for the coming years*
- *The financing requirement*

The Main Business Plan

This needs to be more detailed and should show that you understand your business and have researched any necessary background. It contains the following sections:

- *The company background*
- *The people*
- *The company structure, both management and ownership*
- *The products*
- *The market and growth potential*
- *The marketing, selling and distribution strategy*
- *The operation of the company (how will the company run?)*
- *The financial data*
- *The risks*
- *Appendices*

Company Background

In this section you should document the history of your business so far, including the background to the business, how it was started and by whom, your personal and business objectives, information on products and services, future predictions and of course business strategy. Many entrepreneurs are looking to start their own businesses – the so-called ‘Start-ups’ – in this situation you should include some information on your proposed marketplace.

The People

The people who run the business are by far the most important element in any business. In this section bring out, the complementary skills of the team covering design and production; marketing and sales; and finance and administration. If your team is not complete, then highlight the areas of weakness and how you propose to address these in future. You should refer to their experience and abilities (including precise job functions), their specific responsibilities and their detailed CVs, which you should expect to be vetted quite carefully (usually you put the CV's as an appendix).

Company Structure

Provide a simple organization chart to show:

- *Functions and responsibilities*
- *Directors and non-directors*
- *Proposed remuneration*

Provide a list of the shareholders, giving:

- *Numbers of shares held and percentage holding*
- *Details of any special rights attached to their shareholding*
- *Details of any debt or other assistance being given to the company by that shareholder*

Give brief details of any other business interests of the management and shareholders.

The Products

Describe the product or service being offered. This description needs to be a concise and understood by a reader who may not be as technically aware as you, especially if you use medical or scientific terms. It is often good to get a friend who is not medically trained to read this section and advise. You should:

- *Show what needs you are fulfilling or what problems you are solving for your customers*
- *Discuss the value your customers would place on your product would place on the product or service*
- *Highlight the features, which distinguish your product from the competition*
- *Detail any weaknesses in the product and explain how these might be overcome*

If you are selling a product manufactured by someone else, describe the agreement that you have with the manufacturer. Finally, no product has an indefinite life and you will need product ideas or ways of extending the life of the product. Express these ideas briefly.

Your intellectual property is often the most valuable part of your business and so if you own patent protection, you should refer to this.

The Markets

In this section you should describe the results of the work that you have undertaken to establish the market potential for your product. You should:

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- Quantify the markets and identify relevant trends
 - Describe the market share that you are aiming for and the timescale to achieve it
 - List existing or potential customers and ideally their current suppliers
 - If possible, include letters from potential customers expressing their interest in your product
 - State who your competitors are
 - List the strengths and weaknesses of your product compared with your competitors (including price comparisons)
 - List the barriers to entry (what stops someone else doing the same thing) or how you might construct them
 - Describe how you think your competitors will react to your increasing market share

Marketing Plans

The results of your marketing will show from the previous section and will indicate that you thoroughly understand your marketplace with good evidence provided by research. Prospective investors need to be confident that your sales and marketing plans are well thought out and that your choice of products and positioning in the marketplace relative to competitors is attractive.

You will have highlighted the following:

- Who your potential customers are
- What their needs are
- The price they are prepared to pay
- The competition you have to beat

You will need to add to this:

- A description of the buying process in your chosen market place
- How you are going to reach your potential customers?
- What the process of selling will be, for example, direct mail, telesales?
- Who will be doing it - internally or recruiting sales staff?
- Any promotional plans that you have, such as advertising or PR
- How soon will you expect results?

Operations

In this section briefly explain the operation. Describe the premises, plant and equipment you will need :

- If the technology is new mention what plans you have to get the process working reliably before going into full-scale production
- If you intend using subcontractors state who and why?
- If installation or on site commissioning is necessary who will do it?
- Describe how you will control the quality
- Say how you will cope with any hazardous products or processes
- Highlight any element of your operation which is different to your competitors and whether this is a strength or weakness
- Detail the critical lead times for supplies and how many sources there are
- Highlight the areas where capacity constraints might apply and how quickly output can be increased or decreased
- Highlight likely problem areas and what mitigating steps you will take

The Financial Data

This is the section that will be most scrutinised by any potential investor. Many will look at this before anything else! The main goal for this section is to show how viable your business is and the financial resources that will be needed to survive the period covered in your plan. It is worth getting advice from an accountant.

The main objective of this section is to show the financial performance in recent years and projections for the business. Projections should cover the next three years, with the first year or two, in more detail than the others. Revenues, margins and costs should be shown on a comparable basis, so trends can be clearly seen.

It is essential to produce forecast:

- *Cash flow statements*
- *Balance sheets*
- *Profit and loss accounts*
- *Comment on any significant movements in historic figures*

It is important that your financial projections are arithmetically correct. Very few investors will want to investigate your plan further if you can't get your sums right! It is wise to get help with this section from someone with financial expertise.

The Risks

Finally, identify what the main threats in the marketplace and weaknesses in the business are. It is important to include a competitive analysis, where you list your competitors and compare your business to theirs. Include a SWOT analysis (Strengths, Weaknesses, Opportunities and Threats), to show any potential investor your understanding of the risks. For example, how a change in government policy, might affect your plans.

Appendices

The appendix is useful for removing the bulky information from the main body, enabling the reader to get a quicker grasp of your message. You may wish to include more detailed information on the management team, the market research, the financial projections and legal documentation.

A good business plan will take you weeks to write and often needs lots of outside help, especially for the financial projections. We hope this document has been of some help and we look forward to seeing you at the IP booster event.

Good luck!

You can get impartial advice on how to write a business plan at the i2 Event – www.medicalfutures.co.uk