



Preparing a Business Plan



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www.localenterprise.ie/mayo

Preparing a Business Plan

Writing a business plan before starting a business reduces the trial and error factor (which is a very costly process) and will prevent obvious mistakes. The more you put into the business plan, the more you get out of the plan and your business.

Starting a new business from scratch:

Once you have done the necessary market research and decided to go ahead and start your own business, your next step is to write a business plan that summarises the following points about the business:

- ▶ Where it has come from
- ▶ Where it is now
- ▶ Where it is going in the future
- ▶ How it intends to get there
- ▶ How much money it needs to fulfil its plans
- ▶ Why it will succeed
- ▶ What threats or disadvantages must be overcome on the way

Your business plan can range in length from a few typed sheets of paper to several hundred pages. However, since professional readers of business plans – bankers, venture capitalists and Government agencies such as Local Enterprise Offices & other development agencies – are offered more business plans than they can digest, the more concise the business plan, the more likely it is to be read and understood.

Business Planning is a process carried out to define the goals of the business and the means by which they will be achieved. The process involves a thorough analysis of the major factors involved in achieving the success of the new business. The output from the process is a written business plan that records the final decisions and targets. The real value of the business plan comes in the thinking about the business that is necessary before you can write down what you plan to do.



Business Planning

The business planning process for start-ups can be formal or informal, can be completed in a weekend or take several months working full-time. What is important is that you consider – and at the end of the process, are able to answer – the following “Key Questions”:

- ▶ Have I got a feasible idea?
- ▶ Am I the right person to set up and run a business?
- ▶ What sales do I expect and how will I generate them?
- ▶ How, and with what resources, will I meet my planned sales?
- ▶ Can I describe the people I will need and how I will organise them?
- ▶ How will I fund my business?
- ▶ What formalities must I complete before I start my business?
- ▶ Have I got a business plan document that does justice to my planning?

A business plan has many functions, which change as the business develops:

- ▶ It makes an idea measurable
- ▶ It gives a complete picture of a business
- ▶ It gives insight into all the aspects of the business
- ▶ It is an exercise to assess the viability of an idea
- ▶ It helps people to familiarise themselves with all kinds of possible problems
- ▶ It is a communication tool for use with suppliers, clients, advisers, banks, funds, etc.
- ▶ It can be used as a reference point in history
- ▶ It is a planning tool for the future
- ▶ It is a teaching tool for the entrepreneur
- ▶ It provides a step-by-step approach towards reaching a decision
- ▶ It is a way of assessing an existing business
- ▶ It is a working manual for the entrepreneur
- ▶ It is a checklist for the entrepreneur, bank, funding agency, etc.

A business plan can be written for:

- ▶ An entrepreneur
- ▶ A potential business partner
- ▶ Private investors or venture capitalists
- ▶ Suppliers
- ▶ Banks/Microfinance
- ▶ Local Enterprise Offices or other enterprise support bodies





Each type of business plan is slightly different – but only in emphasis, not in its core job of explaining the proposed direction of the business. A business plan can have several purposes. The main usually are:

- ▶ To establish the fundamental viability of the project
- ▶ To document a plan for the business
- ▶ To act as a yardstick for measuring progress against plans
- ▶ To communicate plans for the business to outsiders, particularly those you want to invest in the business

Although the business plan is used most often as a marketing document for raising finance, even if you do not need to raise finance, you should still prepare one since it will:

- ▶ Focus your thoughts
- ▶ Set out clear goals
- ▶ Check your numbers
- ▶ Provide a basis for monitoring results
- ▶ Enable communication on your ideas

THE STRUCTURE OF A BUSINESS PLAN

When written for readers external to the business, the purpose of the business plan is to communicate. Therefore, it must have a structure that is easily followed and understood by the person reading it. Typically, the structure of a business plan is:

Executive Summary

This is the first part of a business plan to be read – and, because of its importance, the last to be written. Here, in less than a page, the entrepreneur should summarise the key points of his/her plan.

Introduction / Background

This is the start of the business plan. Here, you should set out the basic information that a reader will want to know about your business:

- ▶ The purpose of the plan
- ▶ Business name and your own contact details
- ▶ Whether it is in operation or has yet to start
- ▶ The business objective
- ▶ The product / service range

Project Outline

Here, you should go into more details about the business:

- ▶ A description of the business
- ▶ Its mission statement
- ▶ Trends in the industry and opportunities that now exist
- ▶ Targets that you have set
- ▶ This section gives the reader a sense of what you are setting out to achieve and how you will achieve your objectives

Ownership, Management & Employment

Since you personally are one of the critical success factors of the business, readers of the business plan will want to know about you – and your team (if any). Don't boast – simply explain why you believe that you are a good bet to make a success of the business, based on your [relevant]:

- ▶ Education
- ▶ Work experience
- ▶ Other experience

Your business partners – if you have any – should also complete this section.

Since most of the State enterprise support bodies – Enterprise Ireland, Údarás na Gaeltachta, Local Enterprise Offices, Local Development Companies – are focused on job creation, it makes sense to tell them about the extent to which your business will contribute to job creation. And, where the business plan involves sub-contracting manufacturing or other aspects of the business, include them also as “downstream” employment.

Marketing & Marketing Strategy

This is a critical section that will be read carefully by any investor. Because readers are unlikely to be familiar with the specific market into which your business proposes to sell, you need to set the scene for them:

- ▶ An overview of the market, including (if appropriate) its place in the overall economy or industry sector
- ▶ Key indicators of size, value, customer numbers, growth, etc.
- ▶ Target groups / customers
- ▶ Competitors
- ▶ The business' key competitive advantage[s]
- ▶ The business' marketing strategy
- ▶ Distribution: How you will get your product or service to your customers

Production

Again, because readers may have no experience of the business' marketing, you need to explain:

- ▶ The product / service
- ▶ How it is made / delivered
- ▶ The experience you have with the process
- ▶ What equipment you have with the process
- ▶ What equipment the process needs (should tie in with the financial projections later)
- ▶ How you will assure quality
- ▶ Where you will source supplies

If there is too much detail, don't dwell on it here, put it in an appendix.

Financial

Most readers of business plans not only have a financial background; they are preparing to invest in the business. Therefore, they pay special attention to the financial section.

Here, you should set out a summary of your financial projections – profit and loss account, balance sheet and cash flow. These numbers should reflect the plan described in earlier sections and should look at least 3 years forward. For further financial advice, refer to our “Financing your Business” guide.

Whatever your own background, and whether you have prepared the projections personally (many entrepreneurs rely on their accountant or advisor for this), you need to be sufficiently sure of your financial projections to be able to withstand severe questioning. No one will invest in, or lend money to, a business if the promoter appears to be incapable of controlling it.

Funding Proposal

This is the important bit – from the entrepreneur’s point of view. Here you lay out your stall. You have already explained what the business does, the market, the product, and the financial projections. Now you are saying:

“I need €xxk, made up as follows. I have €xxk of my own. I have tied down €xxk more from these sources. I need €xxk, please”.

You must be very sure of your calculations here. If €10k is needed, say so. If it’s €12k say that. The €2k difference will assume a magnitude out of all proportion to reality when the business runs out of money and investors / lenders will not support it further because they no longer trust you!

Detailed Financial Projections

These pages of numerical data can almost be treated like an appendix. The critical part here is your assumptions, which should be stated explicitly. You can expect to be quizzed on these when you make a presentation of your business plan to a financier.

Writing a Business Plan

There are three stages in writing a business plan:

- ▶ Thinking
- ▶ Writing
- ▶ Editing

Each is important but the most important is the first – thinking. You should be prepared to spend at least 50% of the time you have allocated to preparing the business plan in thinking. Time spent here will not be wasted.

Use this time to talk through the business with anyone who will listen; read widely, especially about other people in the specific area of business that you plan to enter; and avoid finding reasons why things cannot be done.

Writing can be done fastest of all. Get your thoughts down on paper fast- the sooner you commit them to paper, the better!

Editing is the last task. Editing is an art. Some people are better at it than others, but everyone can learn the basics:

- ▶ Read through the draft business plan – aloud, if that helps. Does what you have written say what you want?
- ▶ Start deleting – it’s surprising how much can come out without doing damage
- ▶ When you are happy with the draft, put it aside for a day or two; come back to it fresh and see whether it still makes sense. Edit again where it does not
- ▶ Ask yourself “so what” for each section or claim in the plan. Will it add value/make sense to the end user? If not, leave it out.
- ▶ And when it is right, leave it alone!

Contact the Local Enterprise Office Mayo at info@leo.mayococo.ie for a business plan template. Delete sections that do not apply- this is a guide only.

Follow-through

At one level, writing a business plan is easy – you have done the research, so you know your stuff and all you have to do is put it down on paper. If you have tried it, you'll know that putting it down on paper, in a form that other people can understand quickly, easily and clearly, is not that easy at all!





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Further information

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Local Enterprise Offices www.localenterprise.ie

This information has been designed as a guide only. Readers are advised to seek professional guidance before making any financial or legal commitment.

