How To Write The Perfect Business Plan

27th February 2019
Agenda

• Introductions

• What is the Strategy for your Business

• How To Structure a Business Plan

• Key Information Requirements

• Measuring Progress

• Communicating The Plan
Introductions

• Who are you?

• What does your business do?

• Have you written a business plan before for your business?
Where Do You Want To Get To?

‘Alice “Would you tell me, please, which way I ought to go from here?”

“That depends a good deal on where you want to get to” said the Cat

“I don’t much care where -” said Alice.

“Then it doesn’t matter which way you go” said the Cat.’

(Lewis Carroll, 1896)
Who is The Business Plan For?

- Yourself
- Investors
- Bank
- Suppliers
- Customers
- Staff
Questions It Should Answer

• What are you going to sell?
• To whom?
• What is the opportunity?
• What is the competition?
• By what means?
• At what margin?
• What is my cash flow?
• How will you know are successful?
Why is Planning Important?

Evaluate (Where Are We?)

Envision (Where Should We Be?)

Empower (How Do We Get There)

Excel (How Do We Keep Improving?)
Thinking Different About Strategy

Strategic methodology developed within the Harvard Business School
(C. Kim & R. Mauborgne, October 2004)

**Blue Ocean Strategy challenges existing strategic premises**
- Aims at making existing competition irrelevant by creating a completely new market that didn’t previously exist
- Generates new demand and simultaneously delivers both low cost AND differentiated products / services
- Main principle is based on ‘creating a completely new pie as opposed to getting more share of the existing pie’

**Red Ocean Strategy, by contrast, is based on existing strategic premises**
- Main focus is how to beat what the competition is doing
- Redistributes existing demand whilst delivering either low cost OR differentiated products / services
- Main principle is based on ‘getting more share of the existing pie as opposed to creating a completely new pie’
- Results in ‘Me too’ type behaviour
<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opportunities</td>
<td>Threats</td>
</tr>
</tbody>
</table>
Boston Grid - Growth

Customer

Existing

New

Products

Existing

Sell more to existing Customers

Gain new customers for existing products

New

Add new products to existing Customers

Create new products for new customers
Contents of a Business Plan

• Executive Summary
• Business Background
• Business Objectives
• Management Team
• Products / Services
• Market
• Marketing & Sales
• Operations
• Risks
• Financial Summary
Executive Summary

• Your product or service and its advantages.
• Your opportunity in the market.
• Your management team.
• Your track record to date.
• Financial projections.
• Funding requirements and expected returns.
Business Objectives

• Should be quantifiable and measureable

• Should have timescales
  • Eg to be largest supplier of red buttons to care homes in Roehampton by 2020

• Not too numerous.

• If long dated what are interim milestones
Management Team

- Define each management role and who will fill it.
- Describe the background and experience of each team member.
- What is organisation structure
- Clarify how you intend to cover the key areas of production, sales, marketing, finance and administration.
- If you are outsourcing tasks then include details of partners
- Show how many 'mentors' and other supporters you will have access to.
Product / Services

• How it will be different from other products or services

• What your customers will gain through buying your product or service

• How will it evolve to meet customers' changing needs in the future – is there a roadmap

• Weaknesses
Market

- Who is the target customer for the service?
- What is the size of the opportunity?
- Is the market growing / declining?
- Recent market trends
- Where possible use external references to support data
- The figures should reflect your target market
Competitors

• Strengths and weaknesses of competitors
• Pricing
• Go to market models
• What are the advantages and disadvantages of your competitors and their products.
• Explain why people will desert established competitors and buy from you instead.
• How will competitors' react to losing business
Marketing & Sales

• How will you sell to them – direct / channel / web
• What is your marketing budget?
• How will you generate awareness of products / leads
• Is social media appropriate and if so which format?
• Is PR appropriate for your business?
Operations

- How do you receive / fulfil orders?
- Are you dependent on suppliers and how will they be managed?
- What is your model for post sale support?
- What is customer communication process?
- If you sell a product – what is warranty / returns policy?
Risks

• What the risks to your business?
• Could a chance in legislation affect you?
• Are you dependent on key supplier / channel?
• What would happen to business if you / key employee were taken ill?
• How are these risks to be mitigated?
Financial Summary

- Profit and Loss
- Outline Balance Sheet
- Cash Flow
- Past trends and 3 year predictions
- Key assumptions
- Be prudent
Cash is King

![Diagram showing cash levels over time]

- **£0 cash**

  - Time
Success Can Kill a Business

• Example company
  • Buys Goods and pays 50% in advance and 50% on delivery
  • Lead time is 1 month
  • Mark Up 100%
  • Operating Costs £250 a month
  • Gives customers 30 days to pay
  • Month 1 – orders £1k and sells out
  • Month 2 – orders £2k and sells out
  • Month 3 – orders £3k and sell out

• Profit after 3 months - £2.25k but is bankrupt – why?
# Cash Model

<table>
<thead>
<tr>
<th>Event</th>
<th>Month 1</th>
<th>Month 2</th>
<th>Month 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>50% payment on first order</td>
<td>-£500</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Costs</td>
<td>-£250</td>
<td>-£250</td>
<td>-£250</td>
</tr>
<tr>
<td>Order arrives - pay balance</td>
<td></td>
<td>-£500</td>
<td></td>
</tr>
<tr>
<td>50% payment on 2nd Order</td>
<td></td>
<td>-£1,000</td>
<td></td>
</tr>
<tr>
<td>Paid for first sales</td>
<td></td>
<td></td>
<td>£2,000</td>
</tr>
<tr>
<td>2nd order arrives</td>
<td></td>
<td></td>
<td>-£1,000</td>
</tr>
<tr>
<td>50% payment on 3rd Order</td>
<td></td>
<td></td>
<td>-£1,500</td>
</tr>
<tr>
<td>Cummulative cash flow</td>
<td>-£750</td>
<td>-£2,500</td>
<td>-£3,250</td>
</tr>
</tbody>
</table>
KPIs – Common Problems

- Not linked to the business Plans
- Too narrowly focused
- Lacking ownership
- Not subject to review
- Too many
- Not linked to rewards
- Backward looking
KPIs – What to Measure

• Measure the success of the business
  • Finance
  • Customers
  • Operations
  • Marketing
  • Staff
  • Service / Products
  • Suppliers
Why Manage Communications?

- Helps to eliminate risks of misinformation
- Encourages feedback
- Reduces the “FUD” factor
- Everyone has a common level of knowledge
- Manage expectations
Rumours

All rumours are true - especially if your boss denies them.

I heard that we're all going to be reclassified as "serfs" and they'll make us wear paper hats.

...and we'll have to salute anybody from the marketing department!

The lobotomies are scheduled for Tuesday!

These rumours are ridiculous. We are not considering lobotomies. Certainly not at the prices we were quoted.
Communications Plan

• Who do you need tell?

• How frequently?

• What is the most effective media?

• Is it the same for all stakeholders?

• How do you get feedback?
Summary

- Business Planning is not a one off exercise but continually ongoing

- Not set in stone but need to be adapted to reflect changing circumstances

- Progress must be measured

- All stakeholders must understand the plan and their role