

BUSINESS START UP

Writing a business plan



At Wise & Co we can provide objective assistance with writing a business plan, based on our experience in helping start-ups in the Surrey area. Here are some of the key aspects to consider...

Creating a business plan is one of the most important things you will do when starting up. It will help determine whether you gain funding from potential investors, and it will help you to clarify your business objectives and direction.

In this section we look at how to write an effective plan, the ingredients it should contain, and some of the common pitfalls to avoid.

Before you begin writing

Before you start writing a plan, you will need to consider what information you need to assemble, the initial decisions to be made, and the sales and marketing options open to you.

Assess the expertise and assistance you already have, and decide what additional help you will need to prepare your plan and harness your resources effectively. For example, you might need accountancy or marketing assistance.

Examine your business ideas critically and check these against your initial perception of the marketplace. Perform a 'SWOT' analysis on your business: look at its Strengths and Weaknesses, and consider the Opportunities open to you, and the Threats you face.

The marketplace is the key to the success of your business. You should review the market for your goods or services, and the competition you face. Use market segmentation to identify potential customers, and market survey methods to characterise your customers and their needs.

Presentation

The length of the business plan will depend on individual circumstances, but it should be short enough to maintain the interest of any potential investor.

The presentation should be professional and clear, with graphics and charts where appropriate.

Essential ingredients

Your business plan should include:

1. A business description and mission statement

Every business needs a clear declaration of why it exists, and a basic description of how it intends to meet its primary objective.

If you look at a good company website, it will often include elements of the mission statement in an 'About Us' section. It need only be a few sentences, and might be something like "Our company aims to provide outstanding solutions and service to the x industry in and around the area of y". Think of your mission statement as the heart of your business plan. All your goals and activities should flow from it.

Having prepared your mission statement, you next need to comprehensively describe your business. Provide a brief history and then explain what it does, identify the marketplace niche it fills and assert why you and the business will succeed. You may also wish to reveal why your business chose its location and how you will benefit the local community.

2. Management and people profiles

In business, as in any walk of life, people matter. Potential investors, lenders and even employees are not interested in a faceless, soulless corporate entity. They need to know that competent, experienced people are steering the ship.

Provide an outline of your organisational structure and management team, giving solid reasons why you and any colleagues are competent and can deliver results.

3. A financial portrait and strategy

Prospective investors and lenders need a good idea of the financial aspects and potential of your business. Include projections of basic data such as a projected balance sheet, a profit and loss account and an analysis of cash flow. It is important to be as accurate as possible. Do ask for our assistance with this.

Above all, make sure your numbers demonstrate that you and your management team have considered the key 'drivers' that will determine your success or failure. Don't fill the business plan with overly optimistic financial projections that could ultimately depict your business in a bad light.

4. Sales and marketing objectives

Expertise and past success mean little without an up-to-date strategy for bringing your products or services to market. Describe your intended market, giving specific details on its size and how much of it you intend to serve. What is your market's growth potential? What specific geographic and economic factors play a role?

Competitor intelligence is another crucial factor. Name your largest competitors and explain why you can serve your market better than these rivals. Do not conceal your weaknesses: recognising the challenges you must overcome shows that you are realistic.

5. An executive summary

The likelihood is that many potential lenders will initially only read an executive summary. That's not to say they'll never read your entire business plan - but it does mean that a concise, readable executive summary may be necessary to get your 'foot in the door'.

An executive summary should show the highlights of each section of the business plan, providing a clear synopsis of who you are, what you do and where you're heading.

Avoid some common pitfalls

Here are some business plan traps which you should be careful to avoid.

1. Over-optimism

Most business plans are over-optimistic, especially as regards predicted sales, often massively overestimating the size of the market. Research your market thoroughly. Too many business plans include a SWOT analysis, but concentrate on the strengths and opportunities and ignore the threats and weaknesses.

2. Ignoring the competition

Business plans commonly assume that the competition will make no competitive response or indeed, will have no new initiatives of their own. Study your competitors and try to anticipate their plans.

3. Ignoring risk

What are the risks attached to the plan? Think through these and consider the costs of failure as well as the rewards of success.

An ongoing process

Like keeping a 'To Do' list, writing a business plan is an ongoing process. Don't make the mistake of abandoning or forgetting about your business plan after you've presented it to investors. The plan should adapt to changes in your company, its market and the economy - and that means regular reviewing and updating.

Creating your plan will open your eyes to the realities of your business. Keeping it updated will help you stay on the right track.

Start-ups and established businesses in the Surrey area looking for help with writing a business plan should contact Wise & Co for more help and advice.