

How to write a business plan

by Alan Gleeson

Writing a business plan can seem a daunting challenge. However, this skill is a vital requirement for any entrepreneur or business seeking to increase their chances of survival. Here is a list of my top 10 tips for writing that winning plan:

1 Write from the audience's perspective.

The starting point for any business plan should be from the perspective of the audience. What is the purpose of the plan? Is it to secure funding? Is it to communicate the future plans for your company? The writer should tailor the plan for different audiences, as they will each have very specific requirements. For example, a potential investor will seek clear explanations detailing the proposed return on their investment and time frames for getting their money back.

2 Research the market thoroughly

The recent *Dragons' Den* series on BBC 2 reiterated the importance prospective investors place on knowledge of the market and the need for entrepreneurs to thoroughly research their market. The entrepreneur should undertake market research and ensure that the plan includes reference to the market size, its predicted growth path and how they will gain access to this market. A plan for an internet café will consider the local population, internet penetration rates, predictions about whether it is likely to grow or decline, and so on, concluding with a review of the competitive environment.

3 Understand the competition

An integral component to understanding any business environment is understanding the competition, both its nature and the bases for competition within the industry. Is it a particularly competitive environment, or one that lacks competition? How are the incumbents competing – is there a price leader evident? Finally, including a thorough understanding of the bases on which you intend to compete is vital; can you compete effectively with the existing players?

4 Attention to detail

Make the plan concise, but include enough detail to ensure the reader has sufficient information to make informed decisions. Given that the plan's writer usually has a significant role to play in the running of the business, the plan should reflect a sense of professionalism, with no spelling mistakes, realistic assumptions, credible projections and accurate content. The writer should also consider the format of the plan, for example, if a presentation is required, a back-up PowerPoint presentation should be created.

5 Focus on the opportunity

If you are seeking investment in your business, it is important to clearly describe the investment opportunity. Why would the investor be better off investing in your business rather than leaving money in a bank account, shares or investing in another business? What is the Unique Selling Proposition (USP) for the business? Why will people part with their cash to buy from you?

6 Ensure all key areas are covered in the plan

Undertake research on what a business plan should contain; one good place to find this is at www.bplans.co.uk

Include sections on the company, product/service, market, competition, management team, marketing, operations and financials. The plan should also take on board the readers' various preferences for viewing data. While many plans are predominantly textual, the plan should include some simple colour charts and spreadsheets.

7 Do the sums

The numbers will be subject to particular scrutiny. Costs should be documented in full and sales predictions should be both conservative and realistic. While costs are more certain and predictable, a crucial factor in the success or failure of the business will be the level of sales. If you are not particularly comfortable with maths, have someone assist you in preparing a simple cash flow and break even chart. This will help the reader understand how many sales you must make to cover your costs, and also how much financing you must raise to start up successfully.

Remember, at the beginning, there are a lot of start-up expenses in a period of uncertain sales volumes. If sales are on credit (including via credit card) it may take up to four weeks for you to receive the cash.

8 Executive summary

Arguably the most important component of the plan is the executive summary. This is a summary of the entire plan and is usually contained at the start of the plan. It also tends to act as a key qualifier for time-pressed investors – if they like it, they will read on, if not they will go no further. It should be completed at the very end of the business planning process and should have a "wow factor" that entices them to read further. In tandem with this, the writer should also prepare a short "elevator pitch" – a five-minute overview of the key benefits of the new product/service.

9 Review process

Once you have completed your plan, have it independently reviewed. Select someone detached from the process who can offer constructive criticism on all aspects of the plan. Your local Business Link or Enterprise Agency should be able to assist with this. This review should prompt further questions that will need to be addressed in a revised draft.

10 Implement the plan

Finally, a plan should always be viewed as a living document and contain specifics regarding dates, deadlines and specific responsibilities. It should be constantly reviewed and updated, as well as being used in regular "plan versus actual" discussions. Business relies heavily on people taking actions and being accountable for them. A winning business plan will help to ensure that the business is fully focused on what is required to achieve the company's goals.

● Alan Gleeson is the managing director of Palo Alto Software, Ltd, creators of Business Plan Pro © 2005