

Terenure Enterprise Centre

Business Plan Guidelines

Why Do I Need A Business Plan?



The Importance of Planning

*'It's not the plan that is important, it's the planning'.
(Dr Graeme Edwards)*

A Business Plan is more than a document - it's a process. The completion of a Business Plan should have enabled an individual to assess whether their business venture is worth the personal, professional and financial risks which will be involved.

Why Do I Need A Business Plan?

The Business Plan is a written summary of what you hope to accomplish by being in business and how you intend to organise your resources to meet your goals. It is the road map for operating your business and measuring progress along the way. (NB: Women are 85% more likely to ask for directions)

1. The Business Plan identifies the amount of financing or outside investment required and when it is needed.
2. First impressions are important. A well-organised plan is essential for a lender or investor to assess your financing proposal and to assess you as a business manager.
3. By committing your plans to paper, your overall ability to manage the business will improve. You will be able to concentrate your efforts on the deviations from plan before conditions become critical. You will also have time to look ahead and avoid problems before they arise.
4. It encourages realism.
5. It helps you to identify your customers, your market area, your pricing strategy and the competitive conditions under which you must operate to succeed. This process often leads to the discovery of a competitive advantage or new opportunity as well as deficiencies in your plan.
6. Three or four hours spent each month updating your plan will save you time and money in the long run and may even save your business. Resolve now to make planning a part of your management style

50% of new business start ups fail - 68% of those from a lack of planning.

'Planning is an unnatural process; it is much more fun to do something. The nicest thing about not planning is that failure comes as a complete surprise, rather than being preceded by a period of worry and depression'. (Sir John Harvey-Jones)

Writing waffle doesn't mean you've planned.

A good Business Plan drags in the various functions; marketing, sales, operations and finance into a single cohesive force, ready for action.

Writing the Plan - What to Include What Not To Include

Business Plan Don'ts

- ❑ Don't ask someone else to write your plan
- ❑ Don't make unrealistic assumptions
- ❑ Don't under estimate competitors
- ❑ Don't assume that the reader knows any thing about you or your business
- ❑ Don't lie
- ❑ Don't include tedious or overly technical information
- ❑ Don't avoid discussing the risks
- ❑ Don't mistake a budget for a plan

Business Plan Do's

- ❑ Do know every single line and figure and why you included it.
- ❑ Do incorporate illustrations, graphs and photographs where appropriate
- ❑ Do allow someone whose opinion you respect to read the plan before you proceed; get a REALITY CHECK
- ❑ Do be enthusiastic & optimistic
- ❑ Do update your plan regularly
- ❑ Do follow a standard format (more or less)

Standard Format

- **Mission Statement** - 2/3 Paragraphs briefly outlining your business idea
- **Promoter's educational background** - Outline relevant skills & training for proposed project. Attach copy certificates/any references.
- **An introduction / background information to your industry** - with special emphasis on proposed target market; any relevant supportive press coverage to verify your comments?
- **Proposed target area** - Numbers, ages, districts, etc. (if relevant) Have you put out any feelers? What response? Can you produce any 'letters of comfort' from potential customers?
- **Marketing Strategy** - How are you going to access your target market?
- **Competition** - who are they? Where are they based? What can you offer above them?, i.e. why would people choose your product/service rather than another provider?
- **Business Operations/Management** - Who will be responsible for management of the business? - i.e. keeping books & records; credit control; banking; taxation, etc.
- **Legal Structure** of the business - sole trader/limited company/partnership?
- **Premises** - Where will the business be located? Will premises be purchased or leased?
- **Finance requirements** - List items yet to be purchased for business - with estimated costs & quotations; List items already purchased by you - with costs (i.e. **your investment**);
- **Insurance** - What type of Insurance cover is required for the business? Please obtain relevant quotations.

CASHFLOW FORECAST

The income (profit and loss) forecast is an estimate of what you expect to happen to the business in the future. This plan will project the future operation of the business month by month for the first year.

There are two ways to develop a projection:

- The *TOP-DOWN* method
 1. Estimate the monthly sales for a year, then project the expenses as a percentage of sales.
- The *BOTTOM-UP* method
 2. Identify the monthly fixed expenses, determine the costs for each, and then post the costs to the projection.
 3. Identify the semi-variable expense items (advertising, motor, etc) estimate the monthly costs and post to the projection.
 4. Estimate all other costs and post to the projection.
 5. Total the costs. This will now tell you how much gross profit must be generated to break even.
 6. Project the sales and variable (cost of goods sold) costs.
 7. Analyse and adjust the projection. Pay strict attention to the feasibility of the plan.

It is important to separate your personal expenses from the business expenses. Be logical in your forecast. Set achievable sales goals and reasonable expense forecasts. If the numbers do not work, adjust your strategies. Remember this is going to represent a picture of the way the business is expected to run, if it doesn't work on paper it probably will not work in reality. If it does work on paper, then use it as a guide to keep the business on track and adjust it as needed.

You should be the one to do the projecting but ask for assistance if necessary. You must understand what the expenses are, why they are there and how they affect the business. If you have any doubts about the expenses, seek assistance.

CASH FLOW FORECAST													
Opening Balance (x)													
	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	TOTALS
Income:													
Sales													
Grants													
Directors Loan													
Other													
Total Receipts(a)													
Expenses:													
Start-Up Costs													
Materials / Stock													
Telephone													
Rent													
Light & Heat													
Travel Expenses													
Wages & Salaries													
PRSI													
Loan Repayment													
Advertising													
Insurance													
Sundry													
Total Payments(b)													
Cash Position x + (a-b)													