

## Business Plan Guidelines

### How to write a Business Plan

A business plan can be thought of as a road map providing the business directors with a way forward and investors with an understanding of what your business hopes to achieve and how you intend to achieve that.

A Business Plan covers the following areas (see below). The level of detail will differ for each business as some areas may be more relevant than others depending on your business concept. Using concise sentences and bullet points is fine – the content is more important than the length of the plan. The business plan is a snapshot of your business at that point in time. You may not have all the information so sometimes you have to make projections. A projection is what you think will happen based on what you do know and what seems sensible.

Note: All YES student companies must complete a business plan as this is a basic requirement for any business. Your teacher marks your business plan so take direction from them about the level of detail required for the YES pathway you are taking.

1. Extracurricular

If you are an extracurricular student, not completing any credits your company must complete a business plan to be eligible for the YES competitions, but the level of content is up to your teacher.

2. YE Certificate

Each student completing the YE Certificate is required to individually contribute to the business plan, usually completing the sections relevant to their directorship. Take guidance from your teacher who will set this assignment for you.

3. For business studies achievement standard 2.6 you will require some extra content and sufficient detail to achieve the standard.

1. Business Summary (Executive Summary)
2. Introduction –Product/Service Summary
3. Market Analysis
4. People
5. Financial Forecasts
6. Operation

**Then look at the overall editing and presentation**

## 1. Business Summary (Executive Summary)

While appearing first, this section of the business plan is written last. It summarises the key elements of the entire business plan. It is a brief introduction to the company and the product or service and how it can be defined as an “ongoing” business activity. You are trying to grab the attention of the reader and convince them to take time to read the rest of your plan. The Business Summary should contain the following elements:

### 1.1 Business Idea

Clearly outline your business proposal. Provide key points about the market, production and financials for the reader to gain a clear understanding of your business, including a clear description of your product or service,

Once you have written it, get someone not involved in your business to read this section to see if they can explain your business back to you. If they can't this section needs further work.

### 1.2 Company Objectives

It will help the reader of your plan if they understand your objectives (goals) for being in business. The company objectives need to be SMART: specific, measurable, and achievable and have a set time. Eg We will have our product stocked in one local retail outlet by the end of term three.

You will most likely have both business objectives (e.g. to achieve a return of 20% on investment by the end of the YES business year) and personal objectives (e.g. to complete all the credit requirements by the end of the YES business year). You should probably restrict your company business objectives to no more than the 2 or 3 but there is no compulsory number

### 1.3 Mission Statement

This is a clear and concise written statement of an overall company goal providing direction for the business. For example, the Young Enterprise Trust states:

***Young Enterprise Trust is a not-for-profit organisation whose vision is to produce entrepreneurial students with a “can do” attitude.***

## 2 .Introduction

### Product/Service description

In this section you can describe in greater detail the technical specifications of your product/service. You can include drawings, photos etc. to present the product or service idea to the reader.

The purpose of this section is to provide sufficient detail for the reader to conclude how realistic your sales forecasts are. That is, you are trying to convince your reader that your product or service will appeal to your market and sell.

This section includes:

2.1 Description of the product or service briefly outlining what it is used for.

2.2 An explanation of how your product will be produced OR

An explanation of how your service will be delivered

2.3 Your product/service advantages - for example,

- Is it cheaper?
- Is it better quality?
- What unique features does it have?
- Increased benefits to customers?
- Does it have any disadvantages?
- What is the current status of the product/service?
- Is it still in the research and development stage or is it already established on the market?

### **3. Market Analysis**

#### **3.1 Risk Assessment**

In every business there are risks. It is important to consider these risks as you plan your business activities (company structure, management, product, market etc).

A useful way of assessing the risks is to include them as part of a “SWOT” analysis:

- S** Strengths
- W** Weaknesses
- O** Opportunities
- T** Threats

“Strengths” and “Weaknesses” should focus on the internal environment (management, product/service), whilst “Opportunities” and “Threats” should focus on the external environment (economy, market and competitors).

Clearly, it is important that your business idea has significant strengths (or can develop them) and a plan to counter to any weaknesses. Your business idea should be developed to take advantage of any opportunities and thought should be given to how you would respond to threats.

A SWOT analysis should provide proof to you, your investors and funders etc., of the likelihood of your business succeeding or failing. If your analysis suggests it will fail you need to reconsider your idea.

### **3.2 Action to be taken from SWOT**

Identify strategies to maximise your strengths and opportunities, and to minimise your weaknesses and threats.

Develop strategies for both overcoming any company constraints and threats to achieving company goals via contingency (what if) plans. This is also where you would mention any intellectual property issues and plans

Eg Risk – What if suppliers copy our idea if we discuss it with them

Examples of Some Risk management plans –

1. in discussions with anyone, get them to sign the disclosure form
2. Read up on intellectual property protection

### **Marketing research and planning**

In many investors' eyes this is second only in importance to their assessment of management's capabilities.

Sales figures are the most difficult to forecast accurately and as a result this section is the most difficult to justify. Too often business plans are written from the view point of the producer (ie the company). The company is very enthusiastic about a product but doesn't say **why** or **how** a customer will purchase it, expecting an investor to recognise immediately the market's need for the product.

It is not good enough to estimate simply that your company will achieve X% of the market. You must justify your estimates and show you understand your market and your position within the market. Investors want to know whether your company has a lead over competitors and whether you can maintain that lead.

How do we achieve this? Marketing has been defined as the art of identifying a need and planning how to satisfy the need.

### **3.3 Market needs**

Describe your market generally (the needs of the market) and its future prospects, setting out the market size. More importantly, define your particular niche in terms of product, service, customers etc. Include summaries of any statistical information that is available on your niche market. Also include a projected sales forecast (this will link to your financial forecasts).

#### Customers (market segmentation)

- Who are they?
- Where are they?
- Why do they buy?
- When do they buy?
- What do they buy?
- How do they buy?

### **3.4 Product, Place, Price**

Unique selling point (what did you identify as the unique features of your product)

#### **Place**

Where will consumers be able to purchase your product – in other words, how will you distribute your product? or for a service, how will you deliver your service?

#### **Price**

The price you charge for your product is generated from breakeven analysis.

The cost price plus the mark-up = the selling price

### **3.4 Promotion**

What are your plans for marketing? For example

Advertising

Trade shows

Promotional literature

Promotional Activities or events

### **3.5 Competitor comparison**

- Who are they?
- Where are they?
- What are their strengths and weaknesses?
- Will you compete successfully against them?

These items are crucial to the accuracy of the sales forecast and require considerable thought. You must demonstrate a clear market need for the product, that you understand your customers' needs and that your product meets these needs. When you write this section, **try to look at your company and product from the customer's point of view.**

## **4. People (Ownership, Management and Personnel)**

### **4.1 Ownership & Organisation Structure**

In this section you need to provide details of business ownership. List the number of shares together with their ownership and/or the availability for sale if applicable.

### **4.2 Directors profile and skills**

You must communicate the director's capabilities and convince readers that they can achieve the objectives set. The following points could be covered in this section:

A summary of key managers, showing

- Their roles, to demonstrate that you have a balanced team.
- Their experience and achievements, and how they relate to the successful running of the business
- Photos may help to brighten this up and add a creative touch
- Include an organisational chart.

### **4.3 Skills shortage**

Give an explanation of steps you have taken to address a skills shortage within your company. You may want to use your strengths and weaknesses from your SWOT analysis as a starting point.

### **4.4 Team communications**

Explain how will you as a team communicate both internally and externally to ensure the efficient running of the business. For example have you got a company email, when will you have formal company meetings and record and circulate minutes.

## **5. Finance**

### **5.1 Break Even Analysis**

It is often best to start with the breakeven as most of the figures are known. Use an online calculator such as <http://www.fast4cast.com/break-even-calculator.aspx> to help with calculations.

**Our sponsor XERO offer YES students free access to their online software package to manage financial reporting – see the log on in your programme book.**

### **5.2 Monthly Forecast Cash Flow Statement**

To complete the Forecast Cash Flow Statement it is best to start with the sales forecast that you completed in your marketing section. The Forecast Cash Flow Statement should be broken down into a month by month basis. Please note: capital contributions should be included in your Forecast Cash Flow Statement.

### **5.3 Projected Statement of Financial Performance (Income statement)**

Use your forecast cash flow figures to prepare this statement, excluding capital items.

### **5.4 Financial controls**

Describe financial procedures put in place by your company to ensure the safe receipting and payment of money from the company's accounts, debtors and creditors controls and inventory controls.

## **6. Operations**

### **6.1 Environmental Analysis (Health and Safety)**

Keeping a small business afloat can be difficult and work-related injury or disease could result in unexpected costs or the loss of a valued staff member. As a business owner/manager the law says that you have to look after the safety and welfare of people in your workplace. Your business plan needs to show that health and safety is integrated into the way you manage your business. That is - include a sentence or two confirming that you have a health and safety policy - that you have identified possible hazards and what to do in emergencies, that you have an incident recording process and that you have training systems to make employees aware of their requirements. Also does the nature of your business require you to meet any regulatory requirements – eg a food product must meet food labelling regulations.

### **6.2 Production timeline**

This section could include:

2.4 A timeline showing the company's projected timing of activities and significant milestones to produce the product / service and have it ready to sell

### **6.3 Sourcing and quality standards**

This section could include:

2.5 The sourcing of the inputs into the production of the product or service are explained

2.6 The quality standards are explained and systems to ensure the quality standards are in place in terms of product and service

## **7. Presentation**

Edit and check your plan to make sure there are no mistakes and that it looks professional. You may decide here to get someone from outside the company to read your plan to see if there are any sections that are unclear or confusing.