

Business Plan Basics

A Canadian Innovation Centre How-To Guide

What is the purpose of a business plan?

- The primary purpose of a business plan is to show to outside potential stakeholders a vision of the business you are building – before you build it.
- This is to gain their support through either accessing their resources, money or time.
- It is a dynamic document, which will be revised frequently, depending on how dynamic your business environment is.

Demonstrating how you are going to make money for investors

Need to show:

- You can be profitable.
- Why you need the money.
- You can earn the expected return.
- Expansion opportunities available.
- Able to sustain market presence.
- Possible acquirers exist.



Writing the Business Plan

- The business plan should be comprehensive enough to:
 - give potential stakeholders an understanding of the venture
 - help the entrepreneur clarify his or her thinking about the business.
- The process of developing the business plan is an important discipline on the business, even though once it is written it becomes a dynamic document.

What is in the Business Plan?

- Executive summary
- Background, product and purpose
- Description of business model and market analysis
- Technology and market plan
- Competitive situation
- Financial plan and projections
(P + L, Cash flow and balance sheet)
- Financing requirements
- Management team
- Risks
- Milestones and exit strategy



Introductory Page

- Provides a brief summary of the business plan's contents, and should include:
 - The name and address of the company.
 - The name of the entrepreneur's, a telephone number, e-mail address, and website.
 - A paragraph describing the company and the nature of the business.
 - A statement of the confidentiality of the report.

Executive Summary

Written once the rest of document complete. 2 -3 pages long.
Designed to get interested parties to read whole document.

Should concisely present key points of the business plan:

- What is the business concept or model?
- How is this business concept or model unique?
- How will you achieve and sustain a competitive advantage?
- What is your route to market?
- Who are the individuals starting this business?
- How will the investors make money and how much?
- How much money do you need and what is it for?
- What is the exit strategy?

(Supportive evidence should be included)



Description of the Business

- Identified need and market potential
- Nature of innovation
- Business model
- Product or service description

Description of the Industry

- How this business fits in the industry
- Industry characteristics
- How new venture creation builds on business model and fits into industry
- Future outlook and trends
- Supply chain dynamics
- Market segmentation
- Market dynamics

Technology Plan

- Description of technology
- Technology comparison
- Technology risk
- Technology roadmap
- Intellectual property considerations

Marketing Plan

- Supply chain analysis and “go to market strategy”
- Competitive pricing model
- Market research
- Marketing activities – increasing adoption rates
- Sales activities
- Sales forecasts for three years

Competitive Situation

- Identify the options that your customer will consider as an alternative to your solution
- Remember – doing nothing or doing it themselves are options too
- Identify the reasons why the customer would or wouldn't select your solution
- Gather factual data to assess competitive strengths and weaknesses
- Create a SWOT diagram (Strengths / Weaknesses / Opportunities / Threats) to display your findings
- Be realistic – irrational optimism does not impress investors



Resources

Identify the resources required to execute your plan, what they will be used for and where they will come from

- Technology resources required
- Manufacturing and supply chain resources required
- Sales and marketing resources required
- Financial resources required – how much and for what?



Management Team

- Identify the key individuals on the management and what they bring to the venture
- In particular, identify:
 - The role they will play
 - Qualifications
 - Past relevant experience
 - Whether they hold equity in the venture

Risks

- Identify the risks to the success of the venture and strategies for mitigating risk
- In particular, address:
 - Market risk
 - Technology risk
 - Financial risk
 - Human resource risk

Milestones and Exit Strategy

- There are natural milestones in the life of a venture (start-up, completion of development, product launch, break-even point, etc.)
- Infusions of capital are also major milestones (first round, second round, IPO, etc.)
- Identify the projected schedule of major milestones
- Identify exit points for early investors

Business Plan Basics: Take-Aways

- Purpose of the plan is to generate interest from possible external stakeholders
- Preparing the plan forces the entrepreneur to think through issues and build a compelling case
- The business plan should be comprehensive and detailed enough to address potential stakeholder questions without overwhelming them
- The business plan is dynamic and should be continually revisited as the situation evolves