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Basic Guidelines for Developing a Business Plan



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THE BUSINESS PLAN

A business plan is often the entry-level requirement to getting government money, investor capital or bank loans. Although, you may have a complete picture of the business in your head, investors and bankers need to see if you really have an understanding of the business and have thought it through.

Preparing a plan is a long and daunting task but in the end the business owner often sees things from a new perspective and has mitigated any risks. The business plan is not just for banks and investors but also supplies you with a blueprint of succeeding in business. The plan provides you with the direction of your company and is a guidepost for your employees too.



WHY DO A PLAN?

1. Form and focus ideas.
2. Plan for Company growth.
3. As a benchmark for measuring progress.
4. To attract capital.

PLANNING GUIDELINES

1. Identify the need or problem to solve.
2. Develop the unique solution.
3. Assemble a strong management team.
4. Demonstrate your unique competence.
5. Demonstrate your knowledge of the market.
6. Be able to define your niche.
7. Be able to fully analyze your current and future competition.
8. Be able to develop realistic projections.
 - a. Utilize market analysis.
 - b. Be conservative.
 - c. Provide all assumptions.
 - d. Perform to-down and bottom-up analysis.
 - e. Develop best and worst case scenarios.
 - f. Never minimize capital needs.
9. Be prepared to address short-term liquidity - CASH FLOW.
10. Discuss long-term liquidity/ EXIT STRATEGY.
11. Put together a dynamic management team.
12. Complement your management team's skills with an Advisory Board or Board of Directors.



HELPFUL HINTS

1. Provide a table of contents.
2. Use standard paper/printed and bound.
3. Utilize charts and graphs.
4. Maintain confidentiality by using a controlled distribution.
5. Have a third party evaluate your plan prior to distribution.
6. Know your funding sources:
 - a. What types of projects do they typically fund?
 - b. At what stage of development do they typically provide funding?
 - c. What types of deal structure do they prefer?
 - d. What is their typical exit strategy? How much? How long?
 - e. How long do they typically stick with a project? What happens if you don't make your numbers?
 - f. Have they funded operations similar to yours?
7. Submit your plan selectively.
8. Get introduced.

BUSINESS PLAN OUTLINE

1. **Executive Summary**

This should be a review or summary of the key elements of your plan. This is an overview designed to catch the prospect's interest and encourage them to read the detailed information provided in the rest of the plan.

- Business and Target Markets
- Management Team
- Financial Projections
- Distinct Competence



2. **Business History**

In this section you describe the progress the business has made to date. Before an investor/lender can evaluate where a business is headed, they need to know where it has been.

- Founders
- Type/Form of Organization
- Former Investors and Loans
- Product(s) developed and marketed to date

3. **Product/Services**

Here you describe exactly what you intend to develop or market. These sections may need to be written in "layman's" terms so it can be easily understood by non-technical or readers without an in-depth knowledge of your target market.

- Complete and precise definition
- Benefits
- Legal protection
- Governmental Approvals
- Contractual Agreements



4. **The Market**

This section of the business plan should provide a clear and concise description of the present and future market opportunities for your organization. Market data and research should be provided for all assumptions you make keeping in mind investors/lenders typically invest only in those markets they can understand. Describe the markets you intend to pursue, historical and forecasted growth rates for those markets, and which specific customers you intend to pursue.

- Customers
- Rate of growth in each market
- Present, future market
- Sale/marketing methods utilized in each market

5. **Competition**

This section details all of your current and future competitors. Review the strengths and weaknesses of each competitor and the distinct competitive advantage you bring to the market.

- Identify competition
- Competitive factors
- Planned market share
- Competitor's reaction to your entry into the market



6. Marketing

In this section of the business plan you describe those strategies you plan to implement to sell into your target markets. This would include methods for introducing your company and how you plan to convince prospects to buy your products.

- Distribution channels/distribution plan
- Sales compensation
- Pricing strategy
- Promotional concepts

7. Operations/Production

The section is used to describe the production, sales and distribution of your company. You will summarize the nature, quality, style, while you should also describe all of the resources necessary to bring your products to market.

- Description of current facilities
- Product strengths and limitations
- Planned expansion
- Critical materials/production facilities/capabilities
- Access to qualified personnel



8. Management

Many financiers believe a company or product is only as good as the people behind it. As a result, this section to emphasize the experience and competence of each key management executive. It is important your management team demonstrate competence in three key areas: understanding of the technical/market aspects of the business; having the marketing ability to sell; and having the financial acumen to oversee the financial aspects of the business.

- Key management positions
- Personnel background
- Board of Directors/Advisory Board
- Present company ownership

9. Financial Projections

This is the numerical presentation of all of the assumptions and strategies you have described in the preceding sections of the business plan.

- Historical financial statements for the last three (3) years, if applicable
- Projected financial statements for the next three (3) to five (5) years. Revenue and expense projections and cash flow on a monthly and quarterly basis for the first two (2) years and on an annual basis for the subsequent three years (these projections should incorporate the funds requested).
 - Key assumptions
 - Funds required
 - Capital budget
 - Cash flow
 - Balance sheet
 - Income statement

10. Exhibits

- Resumes
- Sales literature/media kits
- Professional references



The primary job of a business owner is to manage and run a business. The term manage implies the task of planning and the art of execution.

The process of business planning helps reduce risks.

Entrepreneurship is often the ability to build a business by taking calculated risks. If you are putting your life's savings on the line, endangering your family's stability and borrowing other people's money, it is your responsibility as a business owner to not take risks but calculated ones.

The business planning process does not guarantee success but surely decreases the odds of failure.

Disclaimer

The above notes have been compiled to assist you; however, actions taken as a result of this document are at the discretion of the reader and not Pytheas Limited.