

## every business is different'

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### Planning for success: 'Failing to plan is planning to fail'

"We need to see your business plan" – How many times have you heard a financier (for example) request a business plan and felt that sinking feeling as you contemplate the late nights producing the required document knowing that once it has served its purpose it will never see the light of day again?

If this concept sounds familiar then it seems the benefits of such a document have never been properly conveyed. In summary:

#### A business plan should:

- Be a distillation and documentation of your (strategic) plans for the business;
- Provide focus;
- Provide a platform of delegation.

#### A good business plan:

- Is clear and concise and paints a clear picture of what your business does;
- Provides a clear indication of the opportunities your business is seeking to exploit and how and why you will be successful;
- Evaluates the financial implications of proposed developments;
- Acknowledges risk and sets out plans to mitigate;
- Addresses issues of importance to the reader e.g., a potential financier; and,
- Sets out clear bench marks for evaluation of actual performance.

#### An excellent business plan:

- Is one that is periodically referred to and updated and helps the business develop.

We will look below in more detail at some of the core ingredients of a 'business plan' and arrive at a set of proforma headings that generally will be a good guide as to content. However, remember whilst reading the following text that:

- 1. A business plan will necessarily be tailored to its target audience.** That is not to say there are different versions of, for example the financials, to cater for 'perceived needs' of a bank and an equity provider but more that if the plan is for internal use only then the level of detail and elements of content will be different from that required in a grant application.
- 2. Every business is different** – so strict adherence to a proforma may not 'work' for you BUT you need to ensure that the key elements are covered.

## business case

"At the heart of every good business plan is a clear presentation of the 'business case'"

### The business plan – core ingredients

At the heart of every good business plan is a clear presentation of the 'business case' i.e., the business opportunity that exists, how it will be exploited by your business and the financial implications.

## where to start?

"Start with the end in mind and work back"

Particularly, if the business plan is going to be used by a third party e.g., a potential financier, we would suggest any business plan should contain material to cover the following:

- Executive summary;
- Nature of the business;
- Brief history of the business (including financial results);
- Current position;
- The market and the opportunity;
- Strategy for exploitation of opportunity;
- Risks;
- Operations (changes and practicalities);
- Projected financials (see below);
- Summary of finance that is required and how this will be sourced;
- A brief CV for each of the key team members who will deliver the plan; and in some cases,
- Environmental impact/ Equal Opportunities/ Local Economy.

### **'Painting a picture': Be concise/Put yourself in the 'shoes of the reader'**

The business is understandably 'precious' to you but be prepared to read the plan 'cold' and read it as if you are a third party (the intended user) with little or no knowledge of what the business does etc but with a need to gain an understanding as quickly as possible. This leads us, for example, to move all items of detail to the appendices, where they can be referred to by the reader without interrupting their assimilation of a good understanding.

## **Projections are key and should be consistent with business plan narrative**

We have produced a separate factsheet on financial projections but set out below 5 key points for projections prepared as part of the business plan:

- Ensure business plan narrative is consistent with projected figures;
- Are a fully integrated profit and loss account, balance sheet and cash-flow;
- Build up the projections from core assumptions on revenue, costs and cash flow;
- The projections are accompanied by a document summarising the key assumptions; **and**
- The projections are produced in a format that easily allows you to monitor the impact of changes in key variables / run what are called 'what if' scenarios.

### **Where to start?**

'Start with the end in mind and work back' – we heard this expression used at a seminar a few years back and liked it. Essentially, if we are working with a client on a business plan (or even just projections) from scratch we may ask them to think of where they want the business to be in say 5 years time and then get them to think, where they need to be in each intervening year to achieve that goal.

If you would like to discuss any issues raised in this guidance note, please contact:

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