

Business Plans Fundamentals: Week-3 of Entrepreneurship & Innovation Project Course

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What is the Purpose of a Business Plan?

A Plan for the Future of a Business: Vision and How Vision will be achieved

- Demonstrate Research on Understanding Your Market
- Demonstrate Future Plans for the Business
- Demonstrate How Business Vision will be Operationalized/Implemented
- Demonstrate How Business Will be Funded and How Financial Progress Will be Monitored Against Operational Plan
- Outline Structure of Business
- Outline Product or Service
- Outline Target Customers and Approach to Acquiring Them
- Identify the Future Customer and Financial Growth Potential of a Business

Why Write a Business Plan? Do I need it?

Business Plans are Especially Useful for Raising Funds.

- A Business Plan enables/allows an entrepreneur to focus their thoughts.
- Creating a business plan allows one to make/think about challenges in writing, rather than in real life/marketplace (more costly): Question Assumptions?
- Allows an entrepreneur do all the necessary research and determine/argue for how likely the business is to Succeed in Practice (**Financially, Social Impact**).
- A Business Plan allows the entrepreneur to communicate to Interested Third Parties such as potential investors, existing shareholders, and government agencies (for funding and regulatory approvals), etc.
- Business Plans are ESPECIALLY useful for communicating an Entrepreneurs vision to potential funders/investors: It gives them insight into the CURRENT situation and FUTURE Plans (**Are Future Plans Realistic, Given the Current Business Situation Operationally & Financially?**)

Fundamentals of a Good Business Plan

A Good Business Plan is Accompanied by Financial Models

1. A Business Plan Enables the Entrepreneur to Define their Vision, Organise their Thoughts, & Stick to Their Vision.
2. **A Business Plan Should be Reviewed Every 3 Months** to Evaluate Progress with “Initial Vision”... or **whenever there is a significant change in target market, products, services, or funding requirements.**
3. A Good Narrative/Descriptive Business Plan is accompanied by 2-4 Financial Models/Forecasts of the Potential Success of a Business (1 Financial Model is fine at the start of a business)
4. **Goals and Objectives of the Business** should be re-evaluated every 3-months & Financial Projections Made for at Least 12 Months (& **Adjusted Every Month to Reflect the Real-Time Financial Reality of the Business**)

How do I Write a Good Business Plan?

Research the Existing Market and Plan Financial Outcomes of a Business

1. The Entrepreneur should ideally research their business concept & then collate all the information to demonstrate how their business vision will work in practice.
2. The Business Plan should be well-organised and well-presented: **Other People are not As Interested/passionate/committed in the Business, in the same way as the founding Entrepreneur!**
3. **The Business Plan should demonstrate Objectivity in weighing up the Pros and Cons of the Business.**
4. **Financial Projections Should Always Be Included in the Business Plan:**
 1. **Financial planning for business using best estimates of future operations, based on Current Situation.**
 2. **How will the Business initially be financed and funded in the long-term?**
 3. **How will the business plan be operationally implemented? (How does the Operational Vision Map to the Financial Vision?)**
 4. **How will the progress of the Business Vision be monitored against the Operational and Financial Plans?**

What are the Key Elements of a Business Plan?

The Executive Summary Should give a full overview of Business Plans

1. Executive Summary

1. This should be written after all the other sections in the Business Plan. It should give the reader a full overview of the current business and future plans.

2. Background

1. This section should give a full description of the operational plan by explaining the principle products, services, markets, key suppliers, & customers of the business.
2. This section should also include information on the Management Team & Key Staff required to meet the operations and financial objectives. In addition, this section should include outside expertise such as accountants, and lawyers (fundraising, intellectual property & general operations)

3. Business Development

1. What is the Long-term Vision for the business? What are the short, medium and long-term objectives?

What are the Key Elements of a Business Plan?

A description of your market and competitors (or none) shows that someone might be your customer.

1. Operations

1. What will be the production processes? Capacity of Production at different stages of the business? Quality control? Equipment required? **Premises required? Future Business Needs?**

2. Markets and Competition

1. What is the marketing plan? Who are the customers? How will they be reached in order to become customers? How will reach them? What is the competition doing? What is the competition doing in comparison to the proposed business plan? **What is the Unique Selling Point of the New Business Compared to Competitors?**

3. Financial Projections

1. Financial projections should include cashflow projections, profit forecasts, break even calculations that are consistent with the rest of the business plan.
2. The business plan should cover at last the first 12 months, and possibly up to 5 years (but ideally up to 2-3 years).

Elements of an Attractive Business Plan

First Impressions Matter: Make it Easy to Attract Readers.

1. Keep the Business Plan Short (no More than 20 Screens/Pages)
2. Put Detailed and Analysis Information as Part of the Appendix
3. Keep it Professional! The Business Plan Document Represents the Business of the Entrepreneur & Who they are as an Entrepreneur
4. Include a Cover Page. Table of Contents. Clear Sections. Clearly Numbered Pages.
5. Since the Document might be emailed, consider the **File Size** in terms of images and general formatting: **TO ENSURE Quick & Easy Emails.**
6. **Even if Business Plan is Just for Internal Use by the Company Managers: Always Write the Business Plan as If Intended for an External Audience. (It saves rewriting the business plan, in case it is required for external use such as Fundraising)**