

# CONFIDENTIAL Introduction to Business Plan Development

2007

Document

Date



**TECHNO SERVE**

*Business Solutions to Rural Poverty*

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Ghana's National Business Plan Competition

# OVERVIEW

Unit of measure

- **What is a business plan?**

- Why and when should you develop a business plan?

- How do you write a business plan?

- How do you use your business plan?

\* Footnote

Source:

Source

# WHAT IS A BUSINESS PLAN?

Unit of measure

- A written explanation of the company's business model (a simple description of a system used for explaining how something works or in determining what might happen)
- A document that defines your business, identifies your goals, and serves as your firm's resume or CV
- **A document prepared by a company's management, detailing the past, present, and future of the company, usually designed to attract capital investment**

\* Footnote

Source:

Source

# WHAT IS A BUSINESS PLAN? (CONTINUED)

Unit of measure

- **A summary of how an entrepreneur, business owner, or manager intends to organize an entrepreneurial endeavor to implement the activities necessary for the venture to succeed**
- Inside your enterprise, a business plan provides the **roadmap and a way to measure your progress. It helps to clarify your thinking and planning**
- Document used internally for management and planning and also **used to convince outsiders** such as banks or venture capitalists **to invest money in a venture**

\* Footnote

Source:

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- What is a business plan?

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# WHY DEVELOP A BUSINESS PLAN?

Unit of measure

- Forces you to look at the business concept in an objective manner and can be a strong reality check
- Helps **focus ideas** and serves as a **feasibility study** of the business's chances for success and growth
- Assists you in **managing the business** and prepares you for success
- It is a **strong communication tool**. It defines your purpose, your competition, your management and personnel
- The finished business plan **provides the basis for your financing proposal**

"The business plan is a necessity. If the person who wants to start a small business can't put a business plan together, he or she is in trouble."

For *Robert Krummer, Jr., chairman of First Business Bank in Los Angeles*

Source:

Source

# WHY DEVELOP A BUSINESS PLAN?

Unit of measure

- Learning how to write a business plan will **teach you more about your business** than you could imagine
- A business plan will help you **cope with change** because while you are writing your plan you become a 'student of the business'
- Regular **review of the plan continues to educate you** about past decisions and planning so you can move quickly to make changes

*An effective business plan also ensures that you develop your ideas and that everyone in your team is committed to the same goals and objectives*

\* Footnote

Source:

Source

# WHO NEEDS A BUSINESS PLAN AND WHEN?

## Who

- **Start-ups** – the typical business plan writer is an entrepreneur seeking funds to start a new venture
- **Established firms** – existing companies write business plans to secure additional financing, engage distributors or partners, or seek support for new initiatives

## When

- **Starting** a new venture (organization, product or service)
- **Expanding** an existing organization, product or service
- **Buying** an existing organization, product or service
- Working to **improve** the management of an **existing organization**, product or service

"There is something to be said for putting pen to paper," It requires you to think through your industry, your marketing plans, your overall sales strategy."

- *Bill Egan, CPA*

\* Footnote

Source:

Source

# WHY BANKERS & INVESTORS WANT A BUSINESS PLAN

- Saves them time because they can get a **quick overview** of your business, how you plan to run it, and how much money you will make
- It is in a format they are familiar with and provides them with the **information they need** to make an investment decision
- It serves as a **'disclosure' document and a reflection of your knowledge of the business**

\* Footnote

Source:

Source

# WHAT INVESTORS LOOK FOR IN A PLAN

Unit of measure

- A **management team** with a proven track record
- A **defensible product** with a **competitive advantage**
- Reasonable **valuation**
- A clear statement of the **investment offering**
- Thorough **research on feasibility** of business concept

\* Footnote

Source:

Source

# WHAT BANKERS LOOK FOR IN A PLAN

Unit of measure

- The Balance Sheet
- Profit or Loss
- Statement of Cash Flows
- Solid evidence that the founders and managers **know their business**
- Thorough **research on feasibility** of business concept

\* Footnote

Source:

Source

# OVERVIEW

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- What is a business plan?
- Why and when should you develop a business plan?
- **How do you write a business plan?**
- How do you use your business plan?

\* Footnote

Source:

Source

# WHO SHOULD WRITE THE BUSINESS PLAN?

- **You**, the founder/owner of company, should write the business plan regardless of its purpose (e.g., seeking financing, evaluating a growth opportunity)
- Include your **senior management team** in the development of the plan to draw on their expertise and creativity
- If you require **external help** in a specific area, reach out for assistance but own the product yourself

\* Footnote

Source:

Source

# 7 STEPS TO A GREAT BUSINESS PLAN

Unit of measure

- Develop a **business concept** and get it on paper
- Conduct a **feasibility study**
- Decide if your **business concept is feasible**
- Refine your business concept based on the feasibility study
- Detail the **infrastructure required** to execute the concept successfully
- Draft all the information into a **compelling form** and organize it in easy to read sections
- Summarize your final document: write the **Executive Summary**

\* Footnote

Source:

Source

Executive Summary: 2-6 page summary that precedes the completed Business Plan

I. Company Description

II. Product or Service

III. Industry Analysis

IV. Market Analysis

V. The Competition

VI. Management & Organization

VII. Marketing Strategy

VIII. Operations

IX. Financial Plan

X. Expansion

Appendix: Supporting documents and contingency plan

\* Footnote

Source:

Source

Feasibility Study: is a way to test your business concept to see if it has market potential

- Requires forming the business concept and founding team
- Requires industry and market analysis of:
  - ✓ trends in your industry: changes, historical information
  - ✓ your target customers: needs, purchasing potential, etc.
  - ✓ your competition: who they are, where they are
  - ✓ pricing and the competitive advantages of your product/service
- Requires planning the production of product/service
- Requires financial analysis of start-up costs

Source:

Source

Executive Summary: 2-6 page summary that precedes the completed Business Plan

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X. Expansion

Appendix: Supporting documents and contingency plan

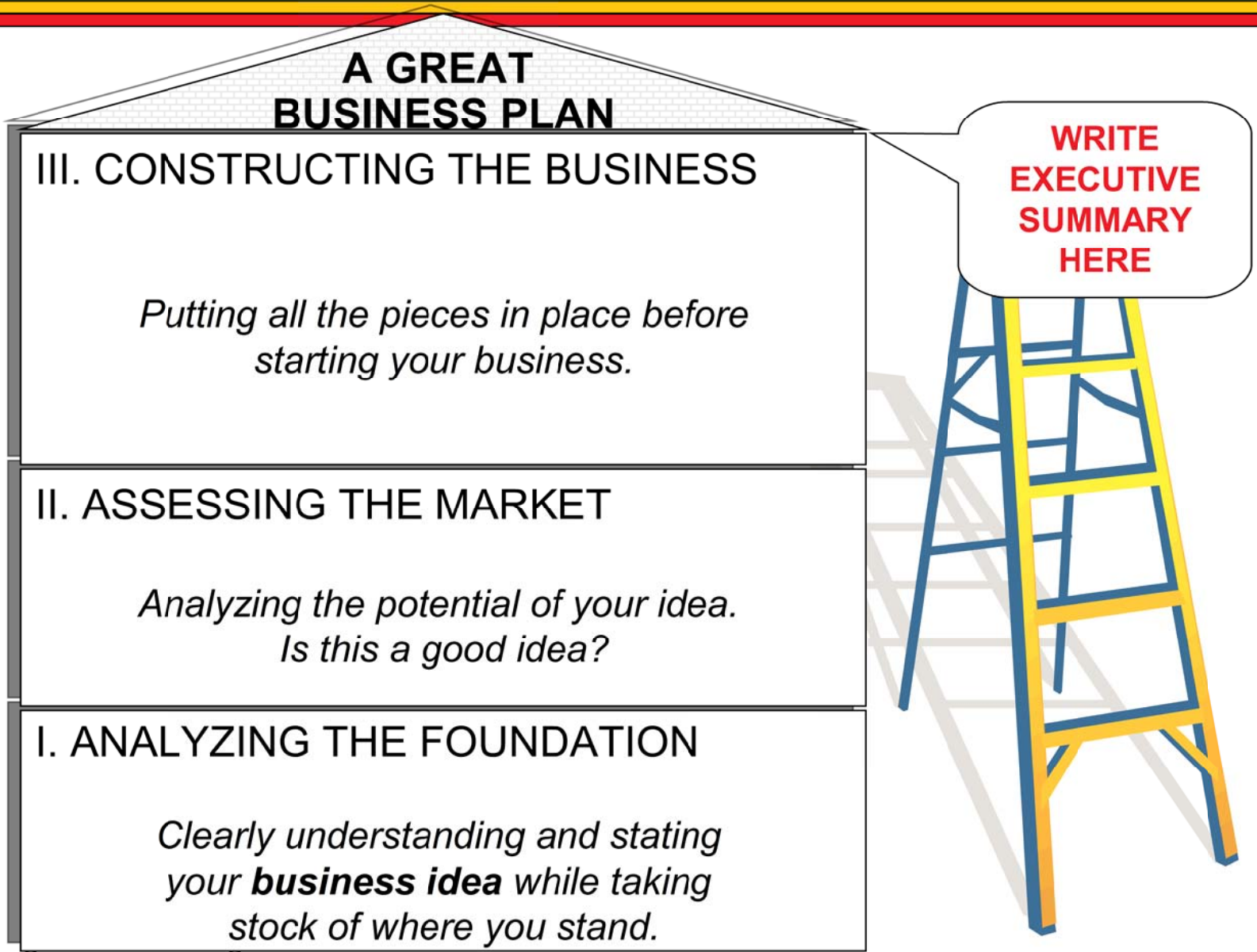
Feasibility study

Additional sections of the business plan

Source:

Source

# DEVELOPING YOUR BUSINESS PLAN: THE MODEL



Source: Adapted from: Wanda Furrer, Washington CASH

\* Not included in Final Business Plan

# WHERE ARE WE NOW?

Unit of measure

## A GREAT BUSINESS PLAN

### III. CONSTRUCTING THE BUSINESS

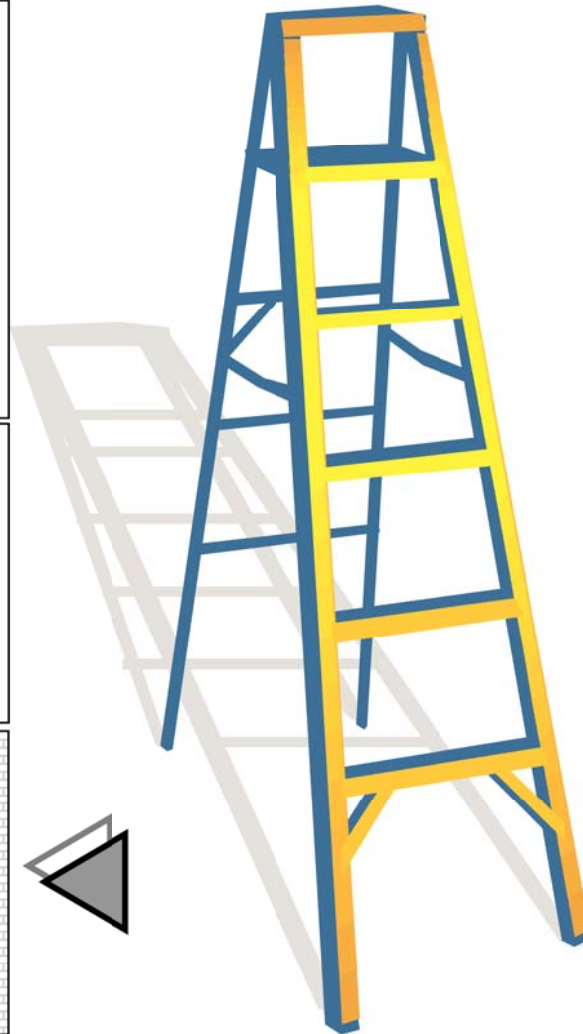
- Management
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- Operations
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- Expansion
- Appendix

### II. ASSESING THE MARKET

- Product/Service Development
- Industry Analysis
- Market Analysis
- Competition

### I. ANALYZING THE FOUNDATION

- Company Description
- Business Concept\*
- Self Assessment\*
- Net Worth Statement\*

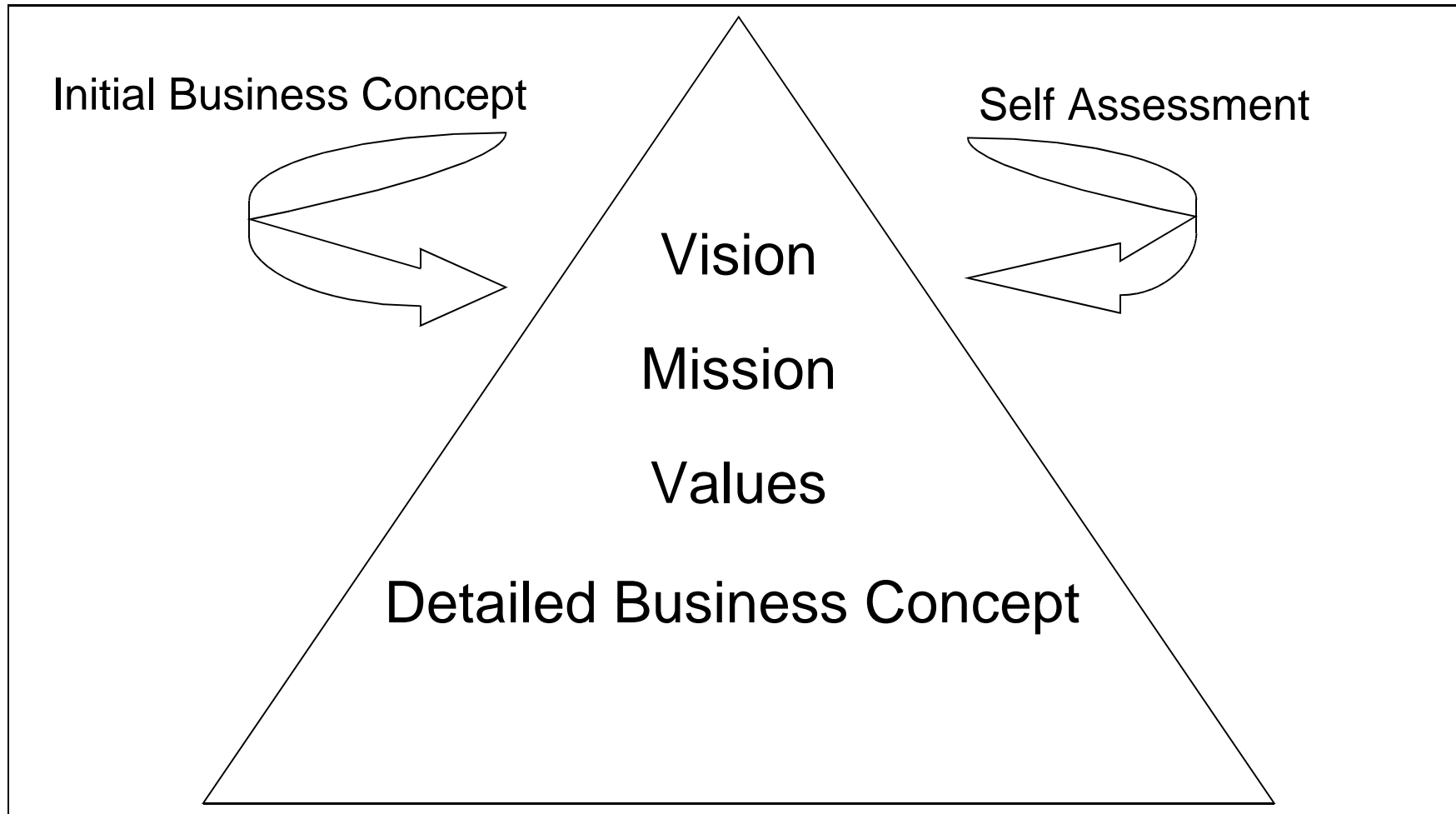


Source: Adapted from: Wanda Fuller Washington CASH

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# THE COMPANY DESCRIPTION

Unit of measure



***One can not overemphasize the importance of a clear vision and mission; none of the subsequent steps will matter if the organization is not certain where it is headed.***

\* Footnote

Source:

Source

# THE VISION STATEMENT

Unit of measure

A **succinct** and **inspiring** statement of what the company **intends to become** and **achieve** in the **future** -  
**Your Preferred Future**

- What do you want to **see in the future**?
- Draw on the core values, principles, beliefs, mission, and environment of the organization.
- Is it positive and inspiring?
- Be open to **dramatic modifications** to current organization, methodology, teaching techniques, facilities, etc.

*What is our preferred future?*

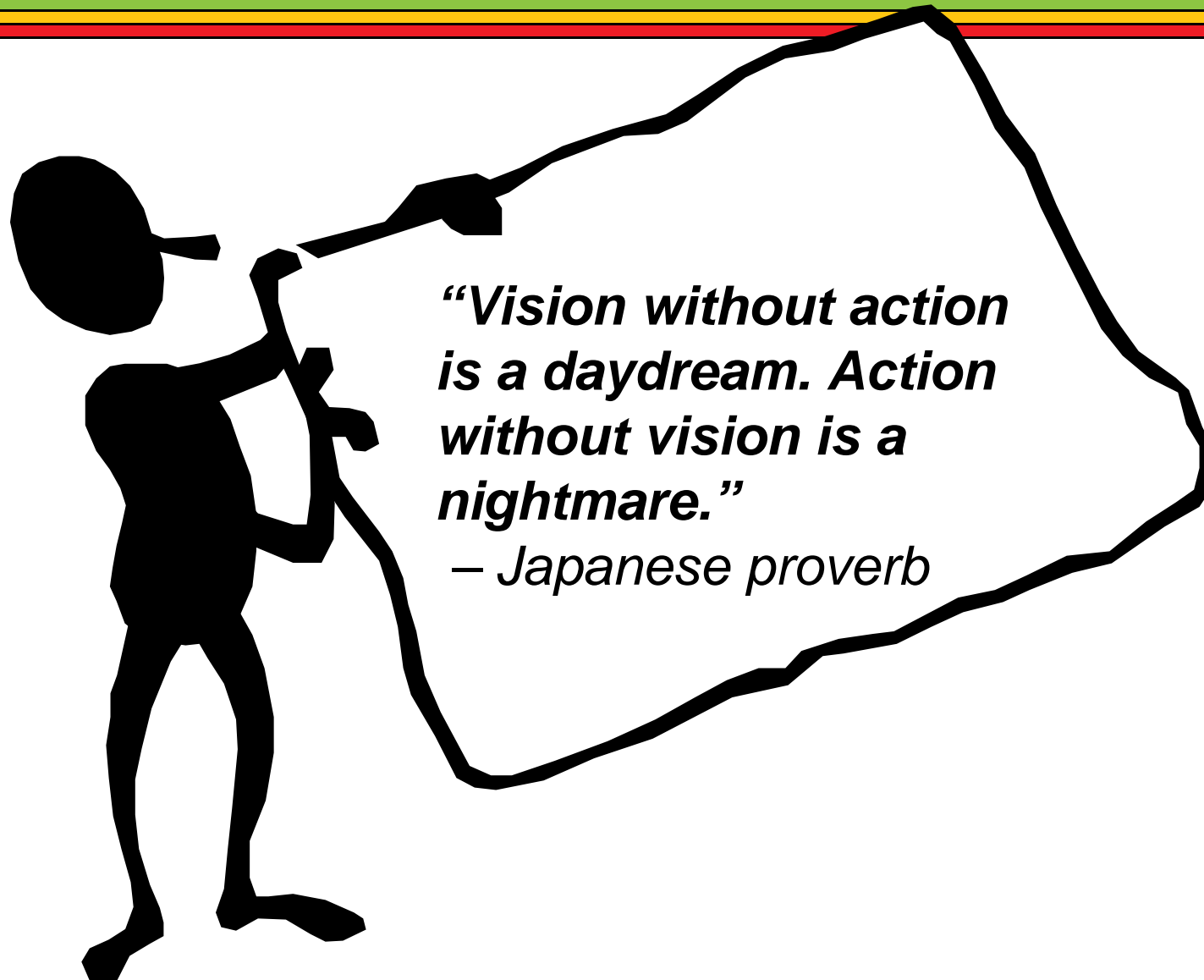
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Source:

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# VISION STATEMENTS

Unit of measure



\* Footnote

Source:

Source

# THE MISSION STATEMENT

Unit of measure

A **precise** description of **what your organization does**. It should sum up your business objectives in a few sentences

1. What is the nature of **your business**?
2. What is your **philosophy** (What principles guide your work)?
3. What is your **corporate culture**?
4. What are your **financial goals**?
5. How do you want your company viewed in the marketplace?

*Mission and Values go hand in hand. A lofty mission statement means nothing if it is not in congruence with the values practiced by the organization. A good example of this is Enron.*

\* Footnote

***Tell your company story & ideals in less than 30 seconds***

Source:

Source

# MISSION AND VISION STATEMENTS

Unit of measure



## Vision

## Mission

Yahoo Search

*To enable people to find, use, share, and expand all human knowledge.*

*To provide the world's most valued and trusted search service.*

Land O'Lakes

*Our vision is to be one of the best food and agricultural companies in the world by being:  
Our customers' first choice;  
Our employees' first choice;  
Responsible to our owners; and  
A leader in our communities.*

*We are a market- and customer-driven cooperative committed to optimizing the value of our members' dairy, crop and livestock production.*

Bimbo Bakeries USA

*To be the baking leader in the United States through quality, freshness, service and the building of our brands.*

*To produce, distribute and market food products, developing the value of our brands, committing ourselves to be:*

- Highly productive and people-oriented.*
- Innovative, competitive and strongly focused towards the satisfaction of our clients and consumers.*
- An international leader in the baking industry*

\* Footnote

Source:

Source

# VALUES AND VALUE STATEMENTS

Unit of measure

- Effective organizations identify and develop a clear, concise and **shared** meaning of values/beliefs, priorities, and direction so that everyone understands and can contribute
- Once defined, **values impact** every aspect of your organization
- An effective leader will support and nurture this impact or the process of identifying values will have been a wasted effort. People will feel fooled and misled unless they see the impact of the exercise within your organization

\* Footnote

Source:

Source

# DETAILED BUSINESS CONCEPT

Unit of measure

A more **thorough** description of the **business idea**

- Product or service description
- The primary customer
- Benefits of product or service
- Distribution
- Possible spin-offs
- Environmental Impact (if necessary)
- Company's past achievements and strengths, problems and weaknesses\*
- Other company details (when formed, legal structure, principal investors)\*

***Think of the business in broad terms first then write specific details***

\* Footnote

\* If it is a ~~sexist~~ business Source

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**FEASIBILITY  
DECISION  
MADE HERE**

Source: Adapted from: Wanda Fuller Washington CASH

\* Not included in Final Business Plan

# THE PRODUCT OR SERVICE

Unit of measure

## **Easy to understand** description of your **product** or **service offering**

- Timeline of reproduction or offering of services
- Is product on market or in R&D stage?
- If it's a new offering, describe the need for it
- Barriers you face in bringing the product to market (e.g., gov't regs, competing products, development costs, materials needs)
- The advantage that your product has over your competitors' (competitive advantage)
  - Patents, copyrights, trademarks
- How will you be able to price competitively and still maintain a healthy profit margin

\* Footnote

Source:

Source

***Avoid technical or industry jargon***

# THE INDUSTRY ANALYSIS

Unit of measure

**Clearly explain** why your product/service will give your company a **sustainable competitive advantage**

- The size, maturity, and competitive nature of the industry
- The barriers to entry and growth
- How changes in the economy affect the industry
- The industry's financial position and performance
- The role of innovation and technological change
- How the industry is affected by government regulation

***Collect supporting documentation for Appendix***

\* Footnote

Source:

Source

# THE MARKET ANALYSIS

Unit of measure

Demonstrate that you have **thorough knowledge** of your **target market** through a complete analysis

- A general description of your target market
- The market niche you plan on capitalizing on and why
- The size of the niche market
- The need for your product or offering by this market
- The percentage of the market you project to capture
- The growth potential of the market and whether your share will increase or decrease as the market grows
- How you will satisfy market growth
- How you will price your goods or services in the growing competitive market

\* Footnote

***Collect supporting documentation for Appendix***

Source:

Source

## Understand the **drivers of purchasing decisions**

- The specific characteristics that influence purchasing behaviour
- The criteria customers used to assess product or service quality
- Problems that customers have with current suppliers

\* Footnote

Source:

***Collect supporting documentation for Appendix***

Source

# THE COMPETITION

Unit of measure

Show that you know who the **other players** are and fully understand how you **fit** into the **competitive landscape**

- Your closest competitors, where they are located, and their target markets
- Percentage of the market that each competitor has
- How long they have been in business and their revenues
- What they do well and where they could improve
- How you are better than your competitors
- How your operations differ from those of your competitors
- How you will compensate for areas where competitors are better than you

\* Footnote

Source:

***Analyzing competitors is an ongoing process***

Source

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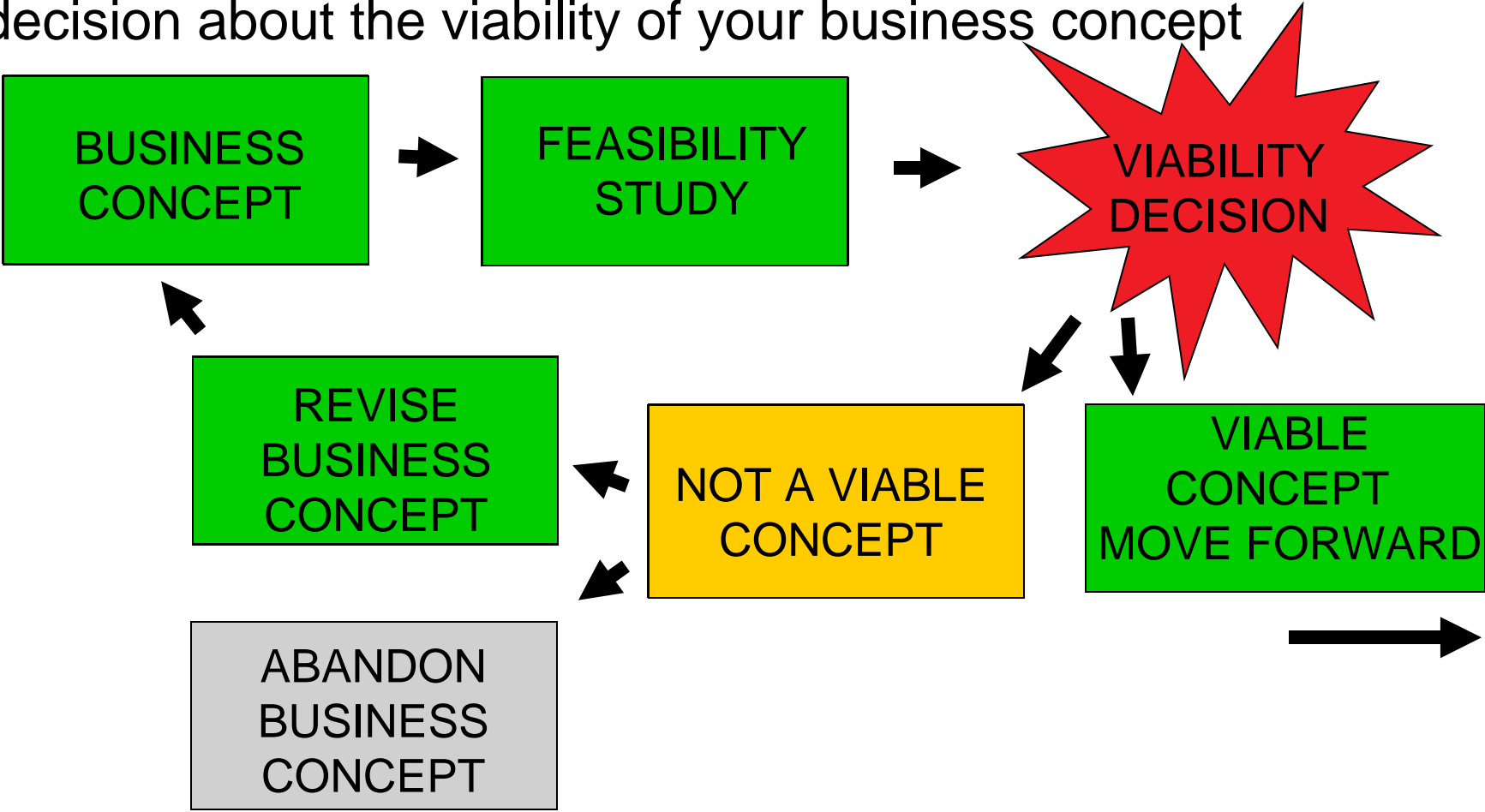
Source: Adapted from: Wanda Fuller Washington CASH

\* Not included in Final Business Plan

# MAKING THE CRITICAL DECISION

Unit of measure

Use the feasibility study to help you make a data-driven decision about the viability of your business concept



\* Footnote

Source:

Source

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IF YOUR  
CONCEPT IS  
VIABLE MOVE  
AHEAD

Source: Adapted from: Wanda Fuller Washington CASH

\* Not included in Final Business Plan

Make investors feel **confident** that the management team knows the **market**, the **product**, and can **implement**

- Background of the **principals**

- Personal data (age, special abilities, interest in business idea, education (formal & informal))
- Personal financial statements with documentation
- Business background
  - Direct operational and managerial experience
  - Indirect managerial experience

- Philosophy of management and corporate culture

- Legal structure of the company

\* Footnote

Source:

***If your team is lacking, admit it, and provide a solution***

Source

# MANAGEMENT AND ORGANIZATION: PERSONNEL

Demonstrate that you are **fully aware** of your staffing **requirements** and that you will be **able** to meet **them**

- Current and near-term personnel needs
- The skill sets you will need
- How you will find and attract the talent you need
- Number and duration of shifts
- Salary versus hourly wages
- Overtime policy
- Worker rights aspects
  - Unions
  - Employment of women
  - Working conditions and risks
  - Disabled persons

\* Footnote

Source:

***Salaries must be sufficient to attract the talent you need***

Source

# MANAGEMENT AND ORGANIZATION: PERSONNEL

- Duties and responsibilities
  - Who will do what and why (thorough job descriptions)
  - Decision makers
  - Develop an Organization Chart: Who answers to who?
- Salaries and benefits
  - Salary levels for management positions
  - Bonus structure
  - Benefits packages

\* Footnote

Source:

Source

## Other resources

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- Board of Directors
- Insurance broker(s)
- Lawyer
- Accountant
- Consulting groups
- Business/industry associations
- Colleges & universities
- Government agencies
- Bankers

\* Footnote

Source:

Source

- Articulate distribution of responsibility across
  - Functional areas (marketing, finance, operations)
  - Include job descriptions and an Organization Chart
  - Product or service category
  - Geographic region
  - Customer segment

\* Footnote

Source:

Source

# THE MARKETING STRATEGY

Unit of measure

Describe a **viable** method for **reaching** the **market** and **distributing** your product or service

- The purpose of the marketing plan
- The mediums and promotional strategies that you will use (e.g., TV, radio, print, web, trade shows, strategic alliances, direct mail, PR, promotional materials, telephone sales)
- Attach samples of marketing materials that have already proven successful

\* Footnote

Source:

Source

***Include a sensible price point***

# OPERATIONS

Unit of measure

Show that you have a **plan** to **implement** your idea - that you know what **resources** and **processes** are **needed** and **when**

- Manufacturing process
- Production capacity
- Product distribution strategy (e.g., delivery, mail order, sales reps, distributors, resellers)
- Quality control
- Research and Development (R&D)
- Purchasing
- Staffing
- Facilities and equipment management
- The vendors that you will use and whether you have established relationships with them

\* Footnote

Source:

Source

***Provide a roll-out plan & tie to your financials***

# FINANCIAL PLAN

Unit of measure

If you are seeking financing, you must demonstrate the **need** for the funding and your **ability** to **repay** the loan

- You will need to be specific in terms of what you need the financing for/how you will use it
- To obtain financing, you need to generate financial forecasts to demonstrate the need for funds as well as the future value of equity investment or debt repayment
- Forecasts should cover a 3-5 year period

\* Footnote

Source:

Source

***Establish a robust bookkeeping system!***

# FINANCIAL PLAN REQUIREMENTS

Unit of measure

- Summary of Key Points Including Capital Requirements
- Needs: hard costs, working capital, start-up costs
- Assumptions and comments
- Starting Balance Sheet
- Profit and Loss Projection
- Cash Flow Projection
- Balance Sheet Projection
- Ratio's and Analysis
- Break Even Plan

\* Footnote

Source:

Source

***Provide alternative financial scenarios***

# EXPANSION OR EXIT PLAN

Unit of measure

Assuming your business evolves you must consider the future

- What are your long range goals?
- What do you perceive as major milestones as the business grows?
- Will you diversify, penetrate market deeper, increase market share?
- Will you franchise, go public, sell your business, look for a merger, hand it down, close it?

\* Footnote

Source:

Source

# APPENDIX: SUPPORTING DOCUMENTATION

- Financial Statements
  - Assumptions
  - Credit information
  - Documents supporting: Budget, Cash Flow, Income Statements, Balance sheets
- Process Plan Documents
  - List operating requirements including cost estimates
  - List manufacturing requirements including cost estimates
  - Leases or buy/sell agreements
- Census/demographic or other market data

\* Footnote

Source:

Source

# APPENDIX: SUPPORTING DOCUMENTATION

- Marketing Plan Documents
  - Census/demographic or other market data
  - Marketing tools and budget
  - Media Plan
- Organizational Plan Documents
  - Resumes for key staff
  - Compensation Plans
  - Legal documents relevant to the business

\* Footnote

Source:

Source

# APPENDIX: SUPPORTING DOCUMENTATION

- Contingency Plan
  - How your business will respond to changing conditions:
    - ✓ In the market (decline in sales, new competition, etc.)
    - ✓ Within your company (loss of crucial employees, etc.)
    - ✓ To external threats (new government regulations, etc.)
- Other Supporting Documents
  - Letters of intent from prospective customers
  - Letters of support from credible people that you know

\* Footnote

Source:

Source

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**TIME TO  
WRITE YOUR  
EXECUTIVE  
SUMMARY**

Source: Adapted from: Wanda Fuller Washington CASH

\* Not included in Final Business Plan

# THE EXECUTIVE SUMMARY

Unit of measure

Highly **persuasive, concise** summary that will **engage** the reader and **convince** them to read on...

Maximum 2-page overview including

- Company's history and objectives
- The products or services
- The industry
- The market
- How and why the company will succeed
- Projected growth for the company and the market
- Overview of the management team
- Funding requirements, including a timeline and how the funds will be used

\* Footnote

Source:

Source

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Source

# USING THE BUSINESS PLAN

Unit of measure

Once complete, the business plan should be **used to assist in procuring financing and subsequently as an operational tool**

- Update as milestones are reached
- Reflect periodically on your Vision statement – update as needed
- Consult your mission statement when considering new products, services, or markets

\* Footnote

Source:

***Don't let the business plan collect dust on a shelf***

Source

# USING THE PLAN TO MONITOR PROGRESS

Unit of measure

Think of your business plan as a **living document** and **refer** to it and **review** it often

- Schedule periodic business check-ups
- Review your data to assess business performance
- Fine-tune your plan
- Get help from others
- Strive to operate your business according to your plan

\* Footnote

Source:

Source

# WHEN TO UPDATE YOUR PLAN

Unit of measure

- A **new financial period** is about to begin (you may update your plan annually, quarterly or even monthly if your industry is a fast-changing one)
- You need **additional financing**. Lenders and other financiers need an updated plan to help them make financing decisions
- There's been a **significant market change**. Shifting client tastes, consolidation trends among customers and altered regulatory climates can trigger a need for plan updates
- Your firm develops or is about to develop a **new product**, technology, service or skill. If your business has changed a lot since you wrote your plan the first time around, it's time for an update

\* Footnote

Source:

Source

# WHEN TO UPDATE YOUR PLAN (CONTINUED)

Unit of measure

- You have had a **change in management**. New managers should get fresh information about your business and your goals
- Your company has **crossed a threshold**, such as moving out of your home office, crossing the \$1 million sales mark or employing your 100th employee
- Your **old plan** doesn't seem to reflect reality any more. Maybe you did a poor job last time; maybe things have just changed faster than you expected.
- If your plan seems irrelevant, redo it

\* Footnote

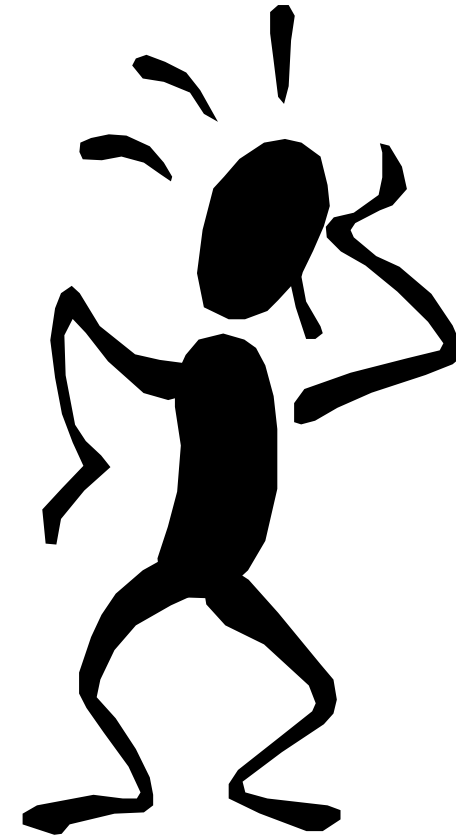
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# THINGS TO AVOID

Unit of measure

- Lack of research and supporting data
- Incomplete executive summary
- Weak management team or description
- Unreasonable financial projections
- Submitting your plan to the wrong people
- Typos
- Greed!



# A GREAT BUSINESS PLAN: THINGS TO REMEMBER

## Ten Tips

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1. Fully understand the need for the plan
2. Don't go it alone, ask for help when needed
3. Follow a framework
4. Tell the reader where you are now
5. Tell the reader where you intend to be
6. Tell the reader how you are going to get there
7. Provide supporting information
8. Ask someone to review it
9. Get the presentation right
10. Deliver your plan to the reader on time

\* Footnote

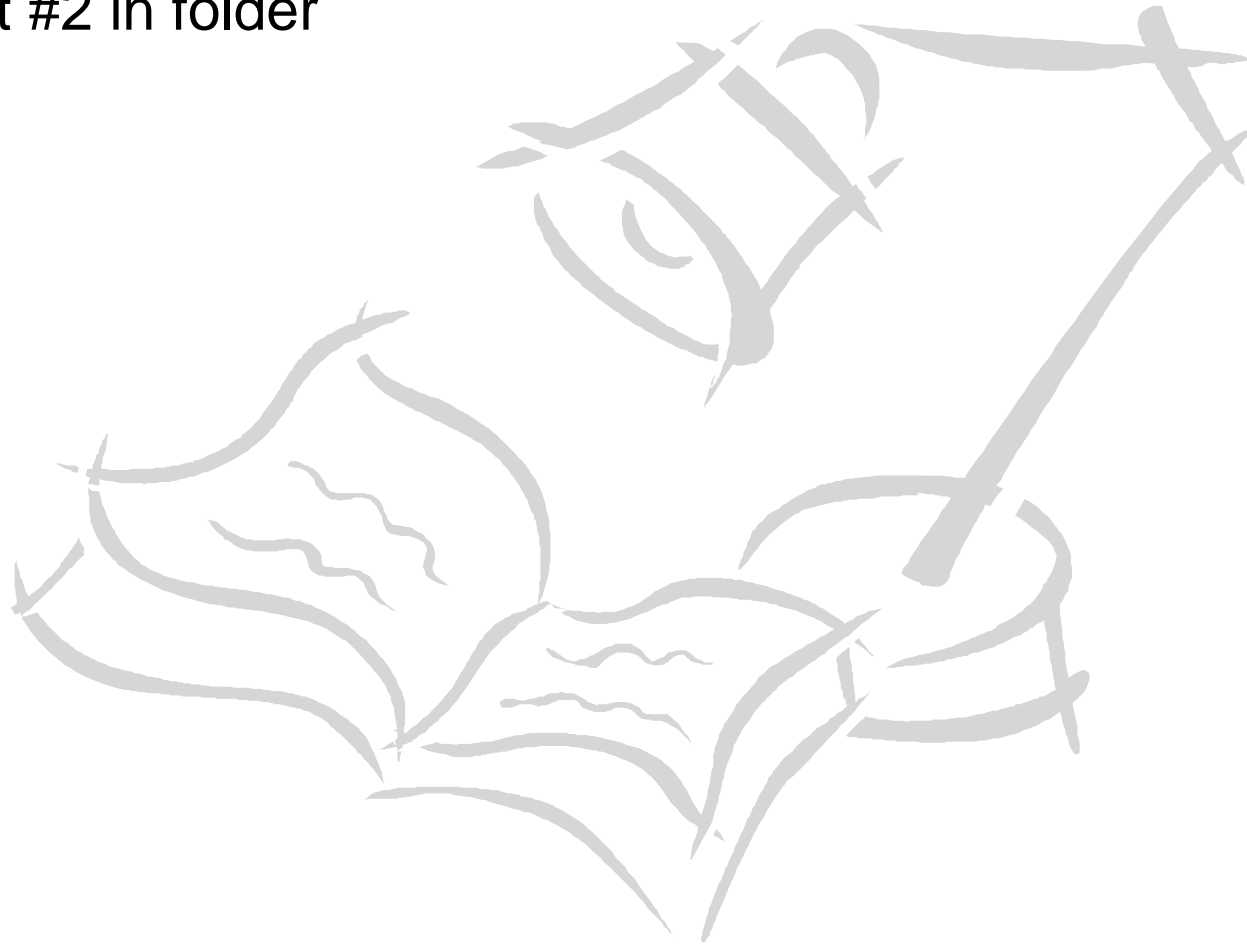
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# HOMEWORK:

## INTRO TO BUSINESS PLAN DEV.

- Complete a Net-Worth Statement
  - Worksheet #2 in folder



\* Footnote

Source:

Source