



FOOD FOR THOUGHT TO FATTEN YOUR INSIGHT

Business Plans

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Business Planning - Essentials You Must Know



Most of us are faced with the daunting task to put together a business plan at some stage. There are many tools, tips, techniques and software available to support you. That is not the problem. The problem is that the formats and structures sometime make one forget what the essentials are. What is this "business plan" all about?

There are a few key essentials you must fully understand and comprehend before you choose a template or program and start writing.

Essential 1 - It is all about return on investment

The core essential of any business plan can be summed up as follows:

"What you are going to sell to whom, when and how you are going to sell it, how much contribution (gross profit) will the sales will produce, what will the marketing and / or selling cost be, and what will the return on investment be."

All the elements that you have to put into your business plan come down to this - what do you plan to achieve. And that is a profit or a return on an investment. For non-profit organisations or public service organisations this may be stated as the "effective use of investment and resources".

Essential 2 - It is about "finding a need, and filling it"

This famous quote is attributed to Ruth Stafford Peale, the wife of The Power of Positive Thinking author, Norman Vincent Peale, and co-founder of Guideposts magazine and the Peale Center. This really means that if your business idea is about "what you are going to sell", you may be heading for disaster.

The starting point of your business should be "a need". That means that you have found a group of people or businesses that need something. If this need is unmet, so much better. The first and most important question people ask is: "What's in it for me?" Answer that question, and you are on the right track.

Essential 3 - You are probably not alone

After you have satisfactorily answered your prospective target market's first question ("What's in it for me?"), you still have to answer their next question, namely "Why you?"

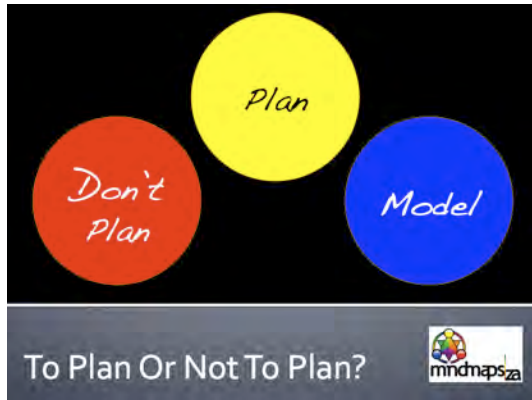
In business, competition is inevitable. If you (your products and / or services) are not different than your competitors, it will be quite difficult to tell your prospective customers why they must choose you. You have to have uniqueness – a point of difference.

If you have a unique offering that is needed and that can be delivered at your desired return on investment, you have a business. If not, don't even start looking at tools, tips, techniques or software to help you compile a business plan - because you don't have a business yet.

[This article can also be viewed on the Net here.](http://mindmapsza.com/2010/04/12/business-planning-essentials-you-must-know/)
<http://mindmapsza.com/2010/04/12/business-planning-essentials-you-must-know/>



Business Planning - Does A Great Idea Really Require A Business Plan?



How many people have not asked this question, "If I have a great idea, do I really need to do a business plan?" The first reaction from business advisers is normally one of astonishment. "How can you ask such a stupid question? Of course you need a business plan!"

I did an interesting exercise by asking Google. "You need a business plan" produced 4.65 million results, while "you don't need a business plan" produced 1.31 million results. Does this conclusively indicate that you do need a business plan to make your great idea work? I don't think so.

You don't need a business plan

The advocates for this viewpoint argue that once a business plan has been done completed, nobody ever refers back to it. So, why do it in the first place? Another argument is that business plans are just guesses, and they're almost always wrong.

Three other "good" excuses are:

1. I Have It All In My Head;
2. I'll Deal With The Challenges As They Come, and
3. A Business Plan Won't Help Me After Start-Up.

You do need a business plan

The other side of the coin says that you indeed need a business plan. There are many sources and references on this, and we have listed some of those on our website. Some even go so far as listing 15 "good" reasons why should have a business plan.

From all the research we came up with a rationalised list of reasons that we believe make the case for a business plan in a compelling way.

1. You need a loan or investors

Whether you believe in doing a business plan or not, if you want to approach a bank or investor you have no choice. That is the first thing they will ask for. In this case it will be wise to approach the bank(s) and / or investors to find out if they have specific guidelines or criteria that have to be met.

2. It is the most valuable investment that you are making

Even if you don't need outside funding, you are going to make a huge investment in time, money and resources to start your own business. If outside investors won't budge without seeing a plan, is it not more important that you, as inside investor, should do the same?

3. It forces you to be proactive rather than reactive

The process of formulating your business plan forces you and helps you to identify possible problems or obstacles that you may encounter down the line. There are enough day-to-day problems and challenges in running a business and the last thing you need is to come up against a brick wall that could have been foreseen.

4. It makes you "master" of your business

Forcing yourself to at least go through the process of compiling a business plan gives you the edge and puts you firmly in charge of the business as you will not only have the big picture, but will also get to know the bells and whistles of your business. If you don't do that there will always be question marks on your mind that may hinder you in the execution of the plan.

5. It enforces creative thinking

To us this is probably the most important and compelling reason why you should do a business plan. Business today is all about creativity and innovation - both in terms of products and / or services but also about strategies, tactics and processes. The process of doing a business plan forces you to make decisions on a wide variety of important factors such as your marketing plan (the core of a business plan). In making these decisions you are forced to look at options and and forced to question decisions.

There are a lot of other reasons why you should do a business plan, or at least work through the process of planning. Our conclusion is that it is essential. It need not be a laborious and drawn out process, and the complexity will differ depending on the scope of your plan. If this does not help you to get clarity, have a look at some of the articles in our Business Plan Article database, or do some more research yourself.

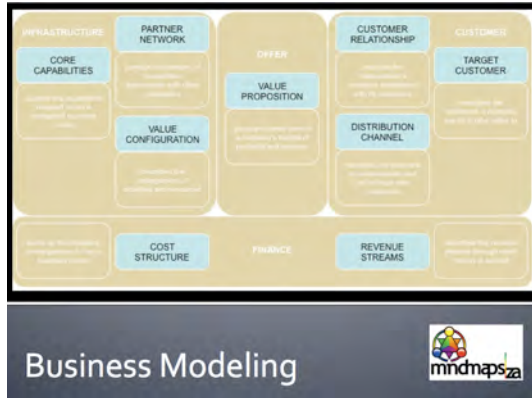
There is a third approach, namely to first test your business model before you do a plan. We will briefly look at this in the next article.

Happy planning. Make it a challenging, exciting and creative experience.

This article can also be viewed on the Net here.
<http://mindmapsza.com/2010/04/16/business-planning-does-a-great-idea-really-require-a-business-plan/>



Business Planning - Not To Plan, To Plan Or To Model?



In the first article in this series we looked at three key essentials for business plans, and the briefly addressed the issue if you really need a plan. In this article we will look at a third option, namely to test your business model before you start writing the plan

Steven Blake recently wrote an article titled "No Plan Survives First Contact With Customers – Business Plans versus Business Models." In the article he relates the story of two teams of his ex-graduates that were faced with the same challenge - to start up a new business venture.

The one team spent almost four months drafting a "master" business plan. When they eventually went out they realized that at least half of their key assumptions in their plan were wrong. They were back to square one.

The other team spent two weeks "laying out their hypotheses about sales, marketing, pricing, solution, competitors, etc. and put in their first-pass financial assumptions." They then went out to test their business model.

Steven's whole argument is that no plan works initially when you put it in practise. It is therefore essential to first test if the "business model" works. What does he mean by a "business model"?

According to him a business model describes how your company creates, delivers and captures value, or a she states

it, in plain English it describes how your company makes money. In another article by Steve he goes into a lot more detail about the concept of a business model and how it differs from a business plan.

In that article model he asks the following question and answers it as follows:

"Wait a minute, isn't the Business Model the same thing as my Business Plan? Sort of...but better. A business plan is useful place for you to collect your hypotheses about your business, sales, marketing, customers, market size, etc. (Your investors make you write one, but they never read it.) A Business Model is how all the pieces in your business plan interconnect."

What Steven brought to the party may be very valuable to you. It may save a lot of time and "detouring", and may ensure that you get to market a lot quicker. Testing your model does not mean that you don't need a business plan. It means that when you do your plan your key assumptions may very well be close to the realities of the marketplace.

We recommend that you dig a bit deeper into this. Links to the articles are on our Business Planning Article Database (see link below).

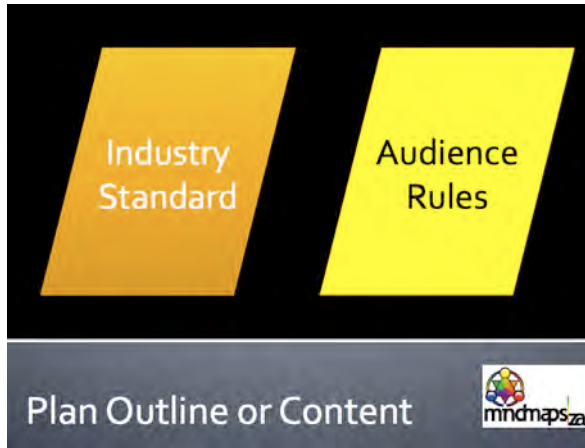
In the next article we will look at a format (the content) of a business plan. There are hundreds if not thousands of these available on the Net. We will however give you our preferred outline after having sifted through many of those.

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<http://mindmapsza.com/2010/04/16/business-planning-not-to-plan-to-plan-or-to-model/>



Business Plan Outline - Be Guided By Your Plan's Audience



There are many resources on the Internet that can be sourced to find an outline or elements of a business plan. In addition there are also sites that provide an online template that one can complete. The big question, then, is which one to use.

We believe the right outline to use is the outline that will be acceptable to the target market of the business plan. Many years ago we assisted a client in drawing up a business plan. Lots of time and resources went into this process. When it was done we were asked to help present the plan to venture capitalists. To our surprise we were told that our format is not in line with their own guidelines. The results were that we were set back another two weeks.

In America most banks will accept a plan that is compiled based on the guidelines set out by the U.S. Small Business Administration. Palo Alto has also ensured that their business planning software was developed based on these guidelines.

In short the SBA's guideline outlines the following nine areas that should be covered:

1. Executive Summary - a concise overview of the entire plan with a history of the company.

2. Market Analysis - knowledge about the industry your business is in.

3. Company Description - a high level look at how all of the different elements of your business fit together.

4. Organization & Management - Organisational structure, ownership, profiles of the management team profiles, and the qualifications of the board of directors.

5. Marketing & Sales Management - This outlines the process of how you will "create customers".

6. Service or Product Line - A description of what you are offering your customers stated in terms of the benefits it delivers.

7. Funding Request - Statement of the funding you require.

8. Financials - Including forecasted income statements, balance sheets, cash flow statements, and capital expenditure budgets.

9. Appendix - Important information that creditors may ask for such as credit history, resumes of key managers, licenses, permits, patents etc.

In future articles we will delve a bit deeper into the various areas. In essence it is all about answering the following few questions after you have identified the audience for your business plan and their needs or requirements.

Who are we?

Where are we now?

Where do we want to be?

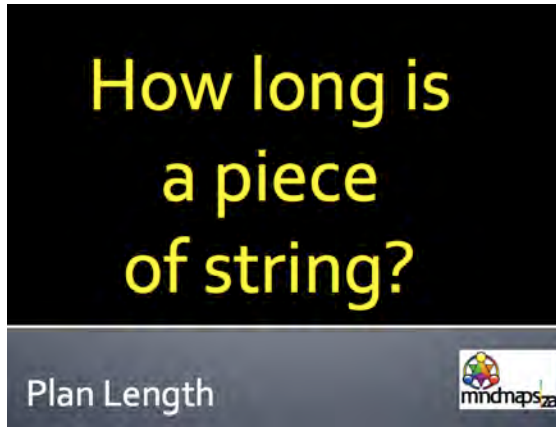
How do we intend to get there?

What do we need to achieve this?

As a first step you may try to find out what the requirements are of the people you want to present your plan to...

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Business Plan - Write It In 140 Characters



I stumbled on a very interesting article that led me to a very interesting competition. The article appeared in the New York Times on Friday 16 April with the following heading, "Can You Write a Business Plan With Fewer Than 140 Characters?" The article was written about a competition being run by the Massachusetts Institute of Technology (MIT) in conjunction with their MIT \$100K annual business plan competition.

They call it the TWITCH (Twitter Pitch) contest. And this brings me to the topic for this article, "How long should your business plan be?" Here are some of the advice you may find on the Net:

- It can vary from a 10 to a 100-page document;
- It should be short enough to not bore your reader;
- The shorter, the better;
- Shouldn't take up more than 25 pages;
- Limit the plan length to 15 pages;
- 15 to 25 pages is the optimum length;
- Basic plans are under ten pages;
- Comprehensive plans are often 10-25 pages long;
- Length should be 20 to 30 pages max;
- Can be any length.

The general feeling is that shorter is better. A few factors should dictate the ideal length of your business plan.

The nature of your business - The simpler the

shorter, the more complex or "new" the longer.

Purpose of the plan - To raise millions may have to explain a lot more.

We personally believe that the shorter the better as long as it achieves its objective. One expert said, "a business plan needs to be whatever length is required to excite the investor, prove that management truly understands the market, and detail the execution strategy." The "empathy" test, once the business plan has been done, is to put yourself in the shoes of the audience and to ask yourself if you would have done what you want them to do based on what you see and read.

If the plan does not pass your "empathy" test there may be several reasons for that and one of them may be incomplete information. This will require that you add more pages.

If one looks at the advertising industry the greatest challenge is to sell a product on the TV in a 30 seconds commercial. Can you sell your plan in 30 seconds? We therefore go for the "Short is good, long is bad." approach. When we look at the various areas that should be covered in more detail we will endeavour to indicate how long each section should ideally be.

In the next article we'll have a look at the concept of the "elevator speech" and how that can become a powerful tool in business planning.

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Business Plan - Sell It In 30 Seconds With An Elevator Speech.



In the previous article we discussed the ideal length of a business plan and concluded that "short is good, long is bad." One probably looks at 10 to 25 pages, depending on circumstances. We also referred to the MIT Twitter competition asking you to sell your plan in 184 characters. Lastly we referred to the ad industry - selling your product in a 30 second TV commercial.

Today we will take a look at the idea of selling your business plan in 30 seconds with an elevator speech. It seems as if the origin of the term "elevator speech" is debatable. The concept, however, is simple. If someone asks you what you or your business does, can you sum it up in 30 seconds? This is about the time you may have when the question is posed to you while in an elevator or lift.

In a previous article we described the essence of a business plan as follows:

- Essential 1 - It is all about return on investment
- Essential 2 - It is about "finding a need, and filling it
- Essential 3 - You are probably not alone

The elevator speech is really about describing the essence of your plan in 30 seconds. We have also previously indicated that consumers consciously or unconsciously ask four questions before they buy your products:

1. Who are you? (Brand)
2. What do you offer me? (Products / services)
3. What's in it for me? (Benefits / value)

4. Why you? (Uniqueness / competitive difference)

This is really what the elevator speech is all about, namely answering those four questions in 30 seconds. The Harvard Business School has a cute template on the Internet that guides you through the process by asking the following questions:

Who? - Describe who you are (Brand identity);

What? - Describe what you do (Value proposition);

Why? - Describe why you are unique (Differentiating statement);

Goal? - Describe what you are expecting from the listener (Call to action).

The passion with which you will deliver the speech is just as important as the content. If you are not excited about what you have to offer, why should others be?

We recently assisted a client with a business plan. Before we went into the process, we tried to first do an elevator speech and came up with this:

"3 Pigs Construction is a consortium of qualified professionals that builds houses using straw bales and straw related building material that gives you a "back-to-nature" and uniquely comfortable lifestyle at half the cost and in half the time of traditional brick-and-mortar dwellings"

One can probably still improve on that, but basically it conveys what the company is all about, what value they deliver and what makes them better than traditional building methods. Start your business planning process by developing an elevator speech that will clarify the key essentials of your business.

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Business Plan - Executive Summary Or Sum It Up In One Page.



I have always been campaigning for the concept of a "1 Pager". If you can't get your point across on one page then you don't have a point.

In our previous article we looked at what your plan's outline or content should cover. And everybody agrees it should include an "Executive Summary".

Why is it called an "Executive" Summary? I suppose it is because a lot of "great" 100 page proposals were presented to the top management of companies who did not have the time to wade through the confusing pages, or who did not understand all the technical jargon and demanded a concise short version in layman's terms.

eHow defines an Executive Summary as follows:

"An executive summary previews the main points of an in-depth report; it is written for nontechnical people who don't have time to read the main report."

From this follows that the Executive Summary must contain a summary of all elements or areas of the plan, namely Market Analysis, Company Description, Organization & Management, Marketing & Sales Management, Service or Product, Funding Request and Financials. Logic therefore says that this is the last section to be written.

There is not a definitive guideline on how long the Executive summary of your business plan

should be. We favor a "one pager" approach, but if you have to go longer try and keep it to two pages. Some references say it should never exceed 10 percent of the length of your plan.

This section, the Executive Summary, is by far the most important part of your plan. If you can't succeed in exciting your audience to get involved with the plan through the Executive Summary, the rest of the plan will be wasted effort. This section must in a compelling and exciting way show how you are going to produce a return on investment by delivering unique value to your target markets.

Other pointers to keep in mind include:

Purpose - Make the purpose of the plan clear;

Teaser - It is a teaser to entice your audience into the plan;

Empathy - Put yourself in your readers' shoes and test if the Executive Summary will excite them;

Strong and positive - It is not a good idea to dilute it with weak language;

Expectations - Know your audience and make sure you tailor the Executive Summary to their needs and expectations;

The bottom line of the Executive Summary is really this: **If it does not excite and entice the audience, your plan will not be read.** Write it, test it, rewrite if necessary and continue doing that until you have it right.

Happy planning. Make it a challenging, exciting and creative experience.



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The “Elevator Speech” Process

For: List target customers. Group them and ultimately define **THE** customer.

Who: Define the need or opportunity. That is, what critical issue does the customer face?

The: Name the product or service or concept.

Is a: Place the product, service, or concept into a generally understood category.

That: List the benefits – not the features – of the product, service, or concept provides to the customer. Group or prioritize the benefits to identify the single benefit that is the most compelling reason for the customer to buy the product, service, or concept. To the maximum extent possible, the benefit should be quantified.

Unlike: List the competitors and competitive alternatives – i.e. the state of the art.

Our: Develop a statement of the primary differentiation of the product, service, or concept. The differentiation is the single most important thing that sets your product, service, or concept apart from the competition or state of the art.

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