

How to write a Winning Business Plan...

Don't kid yourself that banks are interested in taking risks. They are not; they want to be secured. Banks are not in business to take risks they are in business to get a good return for their shareholders. Bad debts decimate a bank's profit and loss account very quickly. Look at the current credit crunch and what is happening to bank's shares!

The business plan has to be very good and more importantly your personal financial commitment to the venture has to be there to be seen by all.

DON'T BE PUT OFF! KEEP IT SIMPLE AND FOLLOW SOME EASY RULES PROVIDED BELOW;

This is a template which covers what a lender/investor would like to see. The content has been kept deliberately brief and in note form;

1. Introduction / Executive Summary

- ✓ Name of company.
- ✓ Nature of the business; what do you intend to do.
- ✓ Brief details of the management; what skills they provide the business.
- ✓ Amount of funding required and the purpose of the funding.

2. The Business Environment

- ✓ What is the business environment like for launching your new product/service? It would be unlikely to be suitable for an organisation to aim for expansion in a period of contracting markets.
- ✓ A SWOT analysis would be useful here to provide an overview of the Business Environment because the analysis will show you have truly thought about how much risk there is for your product/service.

3. Feasibility

- ✓ How likely are the plans to work in the future? Primarily does the organisation have sufficient resources to carry out particular plans? Will the organisation be able to sustain the level of sales required?
- ✓ Will the organisation be able to deal with the increased level of competition it will attract and will it be able to meet the required market share?

The following questions need to be answered;

- **Why will people buy your product?**(what market research have you done)
- **Who will buy your product?**(market research again)
- **How much will your customers pay?**
- **Who are your competitors?**
- **What will your market share be?**
- **When will your customers buy?**
- **What price will consumers be willing to pay?**
- **Is the market growing or contracting**

4. Management Team

- ✓ CV's to be provided in the appendices by all executives and key managers.
- ✓ Here a bank is particularly interested in the track record of the Directors.
 - What is the evidence of past success?
 - What are the key skills that each executive brings to the table?
 - Still early, however, what succession planning has been undertaken
 - **As lenders Banks are extremely interested in the strength of the Management Team. This value should never be under estimated.**

5. The Product or Service

- ✓ An in depth study around the definition of your product or service - what **EXACTLY** do you do?
- ✓ Cross reference 3 above (under feasibility)

6. Financials

- ✓ If you are an existing business then let's see what you have achieved to date.
- ✓ If you are buying a business let's see the Profit and Loss and the Balance sheets for the business you are buying (at least three years of consecutive figures).

Projections

THE BUSINESS PLAN IS A WORKING DOCUMENT AND SHOULD BE REFERRED TO AND AMENDED AS YOUR BUSINESS CONTINUES TO GROW.

THE PROJECTIONS YOU PRODUCE SHOULD THEREFORE BE ANALYSED WEEKLY AND MONTHLY AND UPDATED.

The above statement is fundamental to the success of your business because it will immediately highlight cash shortages.

Important points;

A bank is very interested in the first twelve months of the projections; thereafter the uncertainty will devalue the worth of the projections. Please, however, provide three years in total so that **you** can demonstrate where you think your business will go.

Please provide an overview/commentary regarding the numbers and state how you plan to monitor the financial success of your business. The lender will expect a monthly report providing up to date financial information compared with the Projections made and any comments on significant variances (say >10%)

7. Borrowing Requirement

- ✓ Item 6 will flag up the borrowing requirement if any.
- ✓ It is important here to consider the type of facility required i.e. Overdraft, loan, equity or asset finance and the term of the requirement.
- ✓ Lenders much prefer structure to any Financial Package they provide. For example an overdraft is an unstructured product and not liked by banks! A Bank would prefer to provide a working capital facility by way of Factoring if possible, this ensures that the Bank's money is being lent to fund debtors and not stock and losses. Many businesses have been able to disguise their lack of profitability for many months due to the overdraft facility being used to its full extent!
- ✓ Banks love security and they want to see a good stake. Call me old fashioned but Banks would not wish to put more than 50% of the cash required and this would normally require security.

8. Sensitivity Analysis

- ✓ The "what if factor" e.g. what if sales are 10% lower than forecast.
- ✓ What is the break- even point i.e. what are the minimum sales required to cover the fixed overheads.
- ✓ What would be the effect if sales were 30% higher than budget.
- ✓ What happens if the cost of supply goes up by 10% etc. etc.

Remember the bank wants to know when it will get its money back and how safe its money is!

9. Other Area to Cover (Operations)

- ✓ Suitability of premises.
- ✓ Organisational structure/ succession/ chain of command.
- ✓ Specific industry risks.

10. Risk Management

- ✓ What steps have you taken to recognise and mitigate risks to your business?
- ✓ What is the risk culture like within your organisation?
- ✓ Who is responsible for Risk Management?
- ✓ What contingency plans are in place?

11. Appendices

- ✓ CV's.
- ✓ Financial Plans.
- ✓ Historic Financial Information.
- ✓ In the age of IT; any films of examples of the product or the nature of the service are always welcome.

TIP!!

Try and hold the meeting at your business premises if possible you are more likely to achieve your manager's full attention!