



## Prepare a business plan

It is essential to have a realistic, working business plan when you're starting up a business.

A business plan is a written document that describes a business, its objectives, its strategies, the market it is in and its financial forecasts. It has many functions, from securing external funding to measuring success within your business.

This guide will show you how to prepare a high-quality plan using a number of easy-to-follow steps, and includes a template business plan.

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### The audience for your business plan

There are many benefits to creating and managing a realistic business plan. Even if you just use it in-house, it can:

- help you spot potential pitfalls before they happen
- structure the financial side of your business efficiently
- focus your efforts on developing your business
- work as a measure of your success

Many people think of a business plan as a document used to secure external funding. This is important because potential investors, including banks, may invest in your idea, work with you or lend you money as a result of the strength of your plan.

The following people or institutions may request to see your business plan at some stage:

- banks
- external investors - whether this is a friend, a venture capitalist firm or a business angel
- grant providers
- anyone interested in buying your business
- potential partners

You should also bear in mind that a business plan is a living document that will help you monitor your performance and stay on track and will therefore need updating and changing as your business grows. Regardless of whether you intend to use your plan internally, or as a document for external people, it should still take an objective and honest look at your business. Failing to do this could mean that you and others have unrealistic expectations of what can be achieved and when.

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### What a business plan should include

Your business plan should provide details of how you are going to develop your business, when you are going to do it, who's going to play a part and how you will manage the finances.

Clarity on these issues is particularly important if you're looking for finance or investment. The process of building your plan will also focus your mind on how your new business will need to operate to give it the best chance of success.

Your plan should include:

- An executive summary - this is an overview of the business you want to start. It's vital. Many lenders and investors make judgments about your business based on this section of the plan alone. See the page in this guide on the executive summary.
- A short description of the business opportunity - who you are, what you plan to sell or offer, why and to whom. See the page in this guide on your business, its products and services.

- Your marketing and sales strategy - why you think people will buy what you want to sell and how you plan to sell to them. See the pages in this guide on your markets and competitors and marketing and sales.
- Your management team and personnel - your credentials and the people you plan to recruit to work with you. See the page in this guide on your team's skills.
- Your operations - your premises, production facilities, your management information systems and IT. See the page in this guide on your operations.
- Financial forecasts - this section translates everything you have said in the previous sections into numbers. See the page in this guide on financial forecasts.

Download our business plan template (DOC, 874K).

Download our business plan template in ODT format (ODT, 108K).

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## The executive summary

The executive summary is often the most important part of your business plan. Positioned at the front of the document, it is the first part to be read. However, as a summary it makes sense to write it last.

It may be the only part that will be read. Faced with a large pile of funding requests, venture capitalists and banks have been known to separate business plans into 'worth considering' and 'discard' piles based on this section alone.

### What is it?

The executive summary is a synopsis of the key points of your entire plan. It should include highlights from each section of the rest of the document - from the key features of the business opportunity through to the elements of the financial forecasts.

Its purpose is to explain the basics of your business in a way that both informs and interests the reader. If, after reading the executive summary, an investor or manager understands what the business is about and is keen to know more, it has done its job.

It should be concise - no longer than two pages at most - and interesting. It's advisable to write this section of your plan after you have completed the rest.

### What is it not?

- A brief description of the business and its products. It's a synopsis of the entire plan.
  - An extended table of contents. This makes for very dull reading. You should ensure it shows the highlights of the plan, rather than restating the details the plan contains.
  - Hype. While the executive summary should excite the reader enough to read the entire plan, an experienced investor or business person will recognise hype and this will undermine the plan's credibility.
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## Your business, its products and services

You must be able to clearly describe what your business does, whether you are writing the business plan for your own purposes or if you want other people to provide funds through investments or loans.

This part of the plan sets out your vision for your new business and includes who you are, what you do, what you have to offer and the market you want to address.

Start with an overview of your business:

- when you started or intend to start trading and the progress and investment you have made to date
- the type of business and the sector it is in
- any relevant history - for example, if you acquired the business, who owned it originally and what they achieved with it

- the current legal structure
- your vision for the future

Then describe your products or services as simply as possible, defining:

- what makes it different
- what benefits it offers
- why customers would buy it from you instead of your competitors
- how you plan to develop your products or services
- whether you hold any patents, trade marks or design registration
- the key features and success factors of your industry or sector

Remember that the person reading the plan may not understand your business and its products, services or processes as well as you do, so try to avoid jargon. It's a good idea to get someone who isn't involved in the business - a friend or family member perhaps - to read this section of your plan and make sure they can understand it.

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## Your markets and competitors

In this section you should define your market, your position in it and outline who your competitors are. In order to do this you should refer to any market research you have carried out. You need to demonstrate that you're fully aware of the marketplace you're planning to operate in and that you understand any important trends and drivers.

You should also be able to show that your business will be able to attract customers in a growing market despite the competition.

Key areas to cover include:

- your market - its size, historical data about its development and key current issues
- your target customer base - who they are and how you know they will be interested in your products or services
- your competitors - who they are, how they work and the share of the market they hold
- the future - anticipated changes in the market and how you expect your business and your competitors to react to them

For further information, see our guides on market research and market reports and how to understand your competitors.

It is important to know your competitors' strengths and weaknesses as compared to your own - and it is good practice to do a competitor analysis of each one. Remember that the market is not static - your customers' needs and your competitors can change. So, as well as showing the competitor analyses you have undertaken, you should also demonstrate that you have considered and drawn up contingency plans to cover alternative scenarios.

[Download a guide on getting to grips with your competitors from the Chartered Institute of Marketing website \(PDF, 159K\).](#)

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## Marketing and sales

This section should describe the specific activities you intend to use to promote and sell your products and services. It's often the weak link in business plans so it's worth spending time on it to make sure it's both realistic and achievable.

A strong sales and marketing section means you have a clear idea of how you will get your products and services to market.

Your plan will need to provide answers to these questions:

- How do you plan to position your product or service in the market place? For further information, see our guide on how to create your marketing strategy.
- Who are your customers? Include details of customers who have shown an interest in your product or service and explain how you plan to go about attracting new customers. See our guide: know your customers' needs.
- What is your pricing policy? How much will you charge for different customer segments, quantities, etc? See our guide on how to price your product or service.

- How will you promote your product or service? Identify your sales process methods, eg direct marketing, advertising, PR, email, e-sales, social marketing. See our guide on sales & marketing: the basics.
  - How will you reach your customers? What channels will you use? Which partners will be needed in your distribution channels? See our guide on how to reach your customers effectively.
  - How will you do your selling? Do you have a sales plan? Have you considered which sales method will be the most effective and most appropriate for your market, such as selling by phone, over the internet, face-to-face or through retail outlets? Are your proposed sales methods consistent with your marketing plan? And do you have the right skills to secure the sales you need? See our guide on the sales meeting.
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## Your team's skills

Your business plan needs to set out your own background and skills and the structure and key skills of both your management team and your staff. It should identify the strengths in your team and your plans to deal with any obvious weaknesses.

### The management team

If you're looking for external funding, your management team can be a decisive factor. Explain who is involved, their role and how it fits into the organisation. Include a CV or paragraph on each individual, outlining their background, relevant experience and qualifications. Include any advisers you might have such as accountants or lawyers.

If you're looking to satisfy your bank manager or other investors, you need to demonstrate that your management team has the right balance of skills, drive and experience to enable your business to succeed. Key skills include sales, marketing and financial management as well as production, operational and market experience.

Your investors will also want to be convinced that you and your team are fully committed. Therefore it's a good idea to set out how much time and money each person will contribute - or has already contributed - to the business and the salaries and benefits you plan to draw. You can find more practical tips in our guide on how to use your business plan to get funding.

## Your people

Give details of your workforce in terms of total numbers and by department. Spell out what work you plan to do internally and if you plan to outsource any work. Other useful figures might be sales or profit per employee, average salaries, employee retention rates and productivity.

Your plan should also outline any recruitment or training plans, including timescales and costs.

It's vital to be realistic about the commitment and motivation of your people and spell out any plans to improve or maintain staff morale.

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## Your operations

Your business plan also needs to outline your operational capabilities and any planned improvements. There are certain areas you should focus on.

### Location

- Do you have any business property?
- What are your long-term commitments to the property?
- Do you own or rent it?
- What are the advantages and disadvantages of your current location?

### Producing your goods and services

- Do you need your own production facilities or would it be cheaper to outsource any manufacturing processes?
- If you do have your own facilities, how modern are they?
- What is the capacity compared with existing and forecasted demand?
- Will any investment be needed?

- Who will be your suppliers?

### Management-information systems

- Have you got established procedures for stock control, management accounts and quality control?
- Can they cope with any proposed expansion?

For more information, see our guides on stock control and inventory and financial and management accounts: the basics.

### Information technology

- IT is a key factor in most businesses, so include your strengths and weaknesses in this area.
- Outline the reliability and the planned development of your systems.

For more information, see our guide providing an overview of IT and e-commerce.

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### Financial forecasts

As part of your plan you will need to provide a set of financial projections which translate what you have said about your business into numbers.

You will need to look carefully at:

- how much capital you need if you are seeking external funding
- the security you can offer lenders
- how you plan to repay any borrowings
- sources of revenue and income

You may also want to include your personal finances as part of the plan at this stage.

### Financial planning

Your forecasts should run for the next three (or even five) years and their level of sophistication should reflect the sophistication of your business. However, the first 12 months' forecasts should have the most detail associated with them.

Include the assumptions behind your projection with your figures, both in terms of costs and revenues so investors can clearly see the thinking behind the numbers.

### What your forecasts should include

**Sales forecast** - the amount of money you expect to raise from sales. See our guide on how to forecast and plan your sales.

**Cashflow statements** - your cash balance and monthly cashflow patterns for at least the first 12 to 18 months. The aim is to show that your business will have enough working capital to survive so make sure you have considered the key factors such as the timing of sales and salaries. See our guide on cashflow management: the basics.

**Profit and loss forecast** - a statement of the trading position of the business: the level of profit you expect to make, given your projected sales and the costs of providing goods and services and your overheads.

Your forecasts should cover a range of scenarios. New businesses often forecast over-optimistic sales and most external readers will take this into account. It is sensible to include subsidiary forecasts based on sales being significantly slower than you are actually predicting, with one for sales starting three months later expected, and another forecasting a 20 per cent lower level of sales.

You can download our sample profit and loss forecast template (XLS, 50K).

### Risk analysis

Alongside your financial forecasts it is good practice to show that you have reviewed the risks your business could be faced with, and that you have looked at contingencies and insurance to cover these. Risks can include:

- competitor action
- commercial issues - sales, prices, deliveries

- operations - IT, technology or production failure
- staff - skills, availability and costs
- acts of God - fire or flood

See our guide on managing risk.

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## Presenting your business plan

To make sure your business plan has maximum impact, there are a number of points to observe.

Keep the plan short - it's more likely to be read if it's a manageable length. Think about the presentation and keep it professional - even if you only intend to use the plan in-house. Remember, a well-presented plan will reinforce the positive impression you want to create of your business.

### Tips for presenting your plan

- Include a cover or binding and a contents page with page and section numbering.
- Start with the executive summary.
- Ensure it's legible - make sure the type is ten point or above.
- You may want to email it, so ensure you use email-friendly formatting.
- Even if it's for internal use only, write the plan as if it's intended for an external audience.
- Edit the plan carefully - get at least two people to read it and check that it makes sense.
- Show the plan to expert advisers - such as your accountant - and ask for feedback. Redraft sections they say are difficult to understand.
- Avoid jargon and put detailed information - such as market research data or balance sheets - in an appendix at the back.
- You may have detailed plans for specific areas of your business, such as a sales plan or a staff training plan, but it is best not to include these, though it is good practice to mention that they exist.

While it is sensible to seek advice from external advisers, it is not a good idea to get them to write the plan for you. Investors and lenders need to have confidence that you personally understand your business plan and are committed to the vision for the business.

Make sure your plan is realistic. Once you have prepared your plan, use it. If you update it regularly, it will help you keep track of your business' development. See our guides on budgeting and business planning and how to prepare a business plan for growth.

### Further help and advice

Your accountant, if you have one, or your bank can offer support.

Your local Business Link has specialist advisers who may be able to help you with business planning. You can find your local Business Link through our Contacts directory.

Enterprise Agencies may offer free business counselling and help you prepare your business plan.

NFEA offers a range of business support services including business plan compilation and presentation. Find your local NFEA contact on the NFEA website - [Opens in a new window.](#)

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## Using the business plan template

The business plan document is an interactive form designed to simplify the process of creating your business plan.

The document is a Microsoft Word template and is also available to download as an OpenDocument file in ODT format.

Bullet points have been used in the document to help you structure your thoughts into clear and concise messages. The fields will expand as you type into them, so there is plenty of space for everything you need to say.

The template should be read in conjunction with the guide 'Prepare a business plan'. It is recommended that you print off both the guide and the template and read both before completing the template.

The template asks a number of detailed questions about the proposed business - its markets, costs, etc. They may demand research prior to completing it. The time spend is an investment which will pay dividends when you get the business started as well as helping to convince potential finance providers that you are in control of the business.

Here are the step-by-step instructions for using the business plan template:

1. To start work on your business plan, download our business plan template below to create a new business plan document for you to complete.
2. Save the document - give it a memorable name and store in it a suitable and secure location. Remember to also save the document regularly as you work on it.
3. The template uses protected forms. The cursor will only point to and allow changes to be made in the 'field' boxes. You cannot make changes to any other part of the document.
4. The best way to move through the document is to use the cursor keys. To navigate using the mouse pointer, simply click into each field. The best place to click will normally be near the left margin of the field. If the cursor jumps to the cell below, you can use the cursor keys to navigate back to the field you want to complete.
5. You can change the headings of any of the sections to suit your needs. If you do this, the name will also need to be changed within the contents page at the start of the document.
6. This document has a number of tables that are used to simplify the calculations you'll need to do when you start a business. To start entering data into a table, double-click on the table. This will activate it and allow you to click into individual cells. Financial and descriptive information can then be entered in the cells provided. Each table contains an automated formula that will do the maths on your behalf, calculating the summaries and totals you need to understand your business model.
7. Once you have completed all the information, click anywhere out of the table to return to the rest of the document. If you have accidentally moved around the Excel document, you may see that the wrong bit of the table is now showing on the screen and will therefore be printed. To avoid this, always make sure that the appropriate bit of the table can be seen before clicking out.

You can close or print the document at any time in the normal way. To re-open it, open Microsoft Word, click file then open and navigate to its location in the normal way.

This template is intended for business planning purposes only. If the financial tables are to be used for any other purpose other than cashflow management, then we strongly recommend that you consult an accountant or tax advisor.

Please note that this business plan template may not necessarily follow the same format as one a bank may ask you to complete, nevertheless much of the content required will be similar.

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## Here's how having an up-to-date business plan helped my business

Darren Jones  
AKC Home Support Services

### Darren's top tips:

- "Make sure your business plan reflects your personal vision - don't just put things in because you think it's what someone else wants to read."
- "Be objective. It is important to weigh up the pros and cons."
- "Get assistance whenever you can."

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Darren Jones launched his care business, AKC Home Support Services, in 1991 with his wife Sharron. Although writing their business plan was one of the first things the couple did, Darren admits he originally saw it as a bit of a chore. Now, he takes a different view, believing it has helped the business stay on track and true to its goals.

What I did

### Write the plan

"When we started the firm I knew we needed a business plan but saw it more as a document for everyone else than something to help us. If I started another business tomorrow I would write one much more willingly as it brings a number of benefits - from helping you secure finance to keeping you focused on your goals.

"We got help from our local enterprise centre, looked at examples from other businesses and a template from the bank. We mixed and matched bits from these sources because not everything applied to us. For example, because we were going into a new market we couldn't write about our competitors but needed a lot of information about the market for care services."

### Consult the plan

"We used our business plan to set out the financial and strategic goals we wanted to achieve in the short and long-term. We review it annually now unless there's a significant shift in our market and then we use it to immediately re-evaluate our goals.

"Our business plan has also helped us to avoid expanding too quickly. Early on, we were offered work in another county. This seemed great but when we looked at our business plan - and particularly our cashflow forecasts - we realised it was important to establish a firm base in one county before taking on work in another otherwise we would overstretch ourselves."

### Use the plan

"We purchased a residential unit four years ago and our business plan definitely helped us demonstrate why the bank should lend us the money. Without it being put down on paper I don't think it would have sounded like a very viable suggestion.

"The home added a different dimension to the business in which we had no trading record so the bank lent us the money according to our past performance. We could also show that we would offset some of the cost by using part of the new building as office space.

"Our plan also helped us to get support from Shell LiveWire - the organisation that assists 16-30 year olds to start and develop businesses - as you must have a business plan to enter its competitions. We were awarded prizes twice - not only bringing in extra money but publicity too."

What I'd do differently

### Work on the plan's presentation

"I would have tried to get more assistance and perhaps made the document look a bit more professional. It's your way of gaining support for your business and is the one thing that your bank manager will remember apart from how you were dressed."

### Get as much help and advice as possible

"Show the plan to an independent third party - such as friends or family who have run their own businesses - who will be able to point out if anything is missing. It's much better to make mistakes on a practice run than when it really matters."

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