WRITING A BUSINESS PLAN
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To consider a business finance application, BUSINESS/PARTNERS requires a comprehensive and well-motivated business plan. Since we mainly focus on assessing for business viability, we use this document to gain a thorough understanding of you as a business owner and your business goals and objectives, your existing or proposed business, and your financing requirements (including the business loan amount).

Specific attention should be given to four key areas: the business itself, the management of the business (the business owners involved), the market in which the business operates, the financial management, and planning – the risks and rewards associated with the total investment in the business.

Although we are hereby providing a guide to writing a business plan, business circumstances vary considerably and you will need to tailor your business plan depending on the type of business — e.g. technology, manufacturing, service, or retail. But, the basics remain the same.

EVERY BUSINESS PLAN SHOULD COMPRISE THE FOLLOWING SECTIONS:

1. A cover or title page
2. Executive summary
3. Business overview
   3.1. Business profile
   3.2. The product or service
4. Management
   4.1. The business owners
   4.2. The management structure
   4.3. Franchise information (where applicable)
5. The Market
   5.1. Industry analysis
   5.2. Market analysis
6. Sales and marketing strategy
7. Financial statements and projections
8. Legal and regulatory environment
9. SWOT analysis and risk/reward assessment
10. Appendices and supporting documentation
2. EXECUTIVE SUMMARY

The executive summary is the most vital part of the business plan — it has to sell your strategy for success to the investor.

The summary is an overview of the entire plan and must contain the highlights of the business plan and summaries of each section. Therefore, although it is at the beginning of the document, it is usually written last to capture the essence of the plan.

The summary stands alone and should not refer to other parts of your document.
3. BUSINESS OVERVIEW

3.1. BUSINESS PROFILE

Write a business profile, including the following:

1. Information on the background and history of the business;
2. Indicate the business form (proprietorship, close corporation, company);
3. Is it a new business, take over, expansion, franchise?
4. The mission, and the company’s long and short term objectives in terms of business growth and development, as well possible exit strategies (for example: buy out investors, sell to larger company, go public, etc.).

3.2. THE PRODUCT OR SERVICE

1. Describe the product or service:
2. Describe in full the product or services offered by the business, the innovative features of these products and services, and the competitive edge they afford the business over rivals in the market;
3. The expected product life cycle where applicable;
4. Include descriptions of key technologies employed and current and future research and development.
5. Describe the location, premises and, where applicable, production facilities.
6. Describe the production and technology:
   • Describe production processes and capacity, identifying any existing constraints and possible problem areas;
   • Include a detailed analysis of the process of installing and commissioning any new technologies and production processes;
   • Include information on quality assurance systems and procedures, and certification;
   • Details of suppliers and sub-contractors, and any contractual arrangements governing the supply of key inputs.
7. Elaborate on the business’ past achievements and strengths, past problems and weaknesses, and critical success factors.
4. COMPANY MANAGEMENT

4.1. THE BUSINESS OWNERS

1. Include a description of the skills and experience of the business owner(s) covering the key areas of technology and product development, production, sales, marketing, finance and administration;

2. Describe the position and the specific functions and responsibilities of each business owner and/or manager;

3. Attach a detailed curriculum vitae of each business owner;

4. Indicate the financial contribution of each business owner to the business, and the current shareholding structure.

4.2. THE MANAGEMENT STRUCTURE OF THE BUSINESS

1. Show company ownership structure, business units, and subsidiaries where applicable;

2. Attach an organisation chart showing the functions and responsibilities of directors, key management, and staff;

3. Formulate remuneration, incentives, share options, and conditions of employment of key management and directors;

4. Analysis of any deficiencies in management and how these positions are to be filled;

5. Comment on current and future employment levels, labour relations, and union membership;

6. Include details of systems to be implemented: information technology, accounting, administration, management information, and stock control systems;

7. Include details of auditors, attorneys, bankers, and professional advisers.

4.3. FRANCHISE INFORMATION (WHERE APPLICABLE)

If the business is a franchise, include what is covered in the management package the franchisor provides in this section.
5. THE MARKET

5.1. INDUSTRY ANALYSIS

Summarise the industry in which you will compete. Find most of the facts from government statistics and trade organisations. Discuss topics such as:

1. Current trends and developments in the industry;
2. Large and important players in the industry;
3. How the industry is segmented;
4. Problems the industry might be experiencing;
5. National or global events influencing the industry;
6. National and global growth forecasts;
7. How legislation affects the industry (for example, how the law limiting smoking in a restaurant affects the industry).

5.2. MARKET ANALYSIS

1. Describe the existing market and its potential for growth;
2. Include a detailed analysis of the size and maturity of the market, trends and seasonality exhibited by the market, and the business’ current and expected market share together with an analysis of the time, resources, and actions required to achieve this desired market share;
3. List existing and potential customers, supported by letters of intent, orders on hand, contracts, where applicable;
4. Include a detailed analysis of competitors, the price and quality of their products, service and delivery, and their expected reaction to your activities;
5. Highlight and discuss your competitive advantage.
6. SALES AND MARKETING STRATEGY

1. Elaborate on current and planned sales and marketing strategies and promotional activities (advertising, exhibitions, promotions, public relations, etc.);

2. Describe your distribution strategy and channels;

3. Formulate sales staffing, recruitment, remuneration and commission structures;

4. Include a detailed motivation and substantiation of sales projections (in monetary and physical terms) with a comprehensive analysis of the lead time expected to reach sales targets and milestones (e.g. break-even point);

5. Elaborate on your pricing strategy and how it compares with your competition;

6. Where the business is a franchise, include the full marketing strategy of the franchisor.
7. FINANCIAL STATEMENTS AND PROJECTIONS

Include only a summary of the financial statements and projections in the body of the business plan — attach a detailed analysis as an appendix.

1. Include operating budgets, cash flow projections, income statements and pro forma balance sheets for at least three years (recommended: five years). Provide monthly projected figures for the first and second year, quarterly figures for years three and four and annual projections thereafter.

2. Where applicable, provide:

   • Historical financial performance as shown by at least the last three sets of audited annual financial statements and up-to-date management accounts comprising income statements (monthly and year-to-date), balance sheets, and debtors and creditors age analysis;

   • Costing methodology employed, or to be employed, and detailed costings giving a full analysis of cost of sales;

   • Pricing policies giving a full analysis of theoretical and actual mark-up and gross profit percentages;

   • Rebates, discount structures and terms offered to and received from customers and suppliers respectively;

   • Break-even and sensitivity analysis;

   • Details of overdraft and factoring facilities (bank, limit, security and interest rate) and medium and long term loans;

3. Ensure that your financial projections agree with any other statements in the business plan (for example, costs involved in your proposed marketing strategy).

4. Formulate and motivate your capital requirements.
8. LEGAL AND REGULATORY ENVIRONMENT

Include:

1. Details of any licences, copyrights, trademarks and patents registered (or in the process of being registered);

2. Details of any legislation and regulations governing the industry, product and production processes;

3. Proof of compliance with tax and labour legislation (VAT, PAYE, RSC, UIF, COIDA, Employment Equity Act, Skills Development Act, etc.) where applicable;

4. Details of duties and tariffs to which inputs or products are subject if the business is a regular importer or exporter.
9. SWOT ANALYSIS AND RISK/REWARD ASSESSMENT

1. Discuss definite and possible strengths, weaknesses, opportunities, and threats;

2. Give an honest assessment of the risks faced by the business, business owner(s), and investors in relation to the potential for growth, profitability, and capital appreciation;

3. Discuss strategies that can be implemented to address the risk factors highlighted.
10. APPENDICES AND SUPPORTING DOCUMENTATION

The following supporting documentation, inter alia, should be included where applicable:

1. Newspaper clippings, promotional literature, product brochures, market research, trade and industry publications;
2. Partnership, association or shareholders’ agreements;
3. Offers to purchase, purchase and sale agreements;
4. Contracts, orders, letters of intent;
5. Memoranda of understanding, lease, franchise, agency, or distribution agreements;
6. Documentation relating to licences, copyrights, trademarks and patents;
7. Quotations or pro-forma invoices for capital items to be purchased;
8. Detailed personal balance sheets of the business owner(s);
9. Copies of identity documents and marriage certificates of the business owner(s);
10. Schedules of life assurance and endowment policies of the business owner(s);
11. Copies of company or close corporation certificates and registration documents;
12. Drawings, work flow charts, plans, factory layouts, maps, etc.;
13. A list of persons who can provide references regarding creditworthiness, product and service quality, and the skills, abilities and integrity of the business owner(s).
For help with the detail of the business plan, such as financial statements and your marketing plan, visit the SME Toolkit South Africa on smetoolkit.businesspartners.co.za