



The business plan: how to properly plan for successful entrepreneurship

Description

If you want to be a successful entrepreneur, the shortest route to success is to make money doing what you love. Almost every skill is a solution to a particular problem, and that's what immortal businesses are built from.

But it can be tough to figure out just how that skill can be a successful business. From the times of Peter Drucker, maybe even before, good management is the backbone of business success. Businesses that capture the best management talent lead their industries.

It's becoming more important for modern businesses as areas of advantage are becoming diverse and more critical. If, like many, you spent most of your life honing the now impressive skills you want to turn into a business, you can't be blamed for the minimum management skills you have.

You could just jump into business, and gain the skills as you go. You'll most definitely gain the skills you need to run your business as you go along, as most do, but the time and mistakes it takes to get to that may cause significant damage.

Conversely, you could invest in gaining management skills before starting, but this could give your competition the impetus.

What you need is a roadmap you can use to start your business on the right foot. This will give you the advantage while you learn the necessary business management skills. This roadmap is called a [business plan](#).

It allows you to:

1. plan for necessary resources
2. craft an operational guide to start and grow your business

3. validate your idea
4. create a monetization strategy to maximise your revenues
5. strategize to tackle the competition and capture the market
6. evaluate your financing needs as well as possible financing options

For you to achieve this, your business plan needs to contain the following important elements:

1. Plan Objective/ Purpose
2. Business Profile
3. Business Strategy
4. Market Profile
5. Competition Profile
6. Location and Facilities
7. Management and Personnel Profile
8. Social Responsibility Statement
9. Financial Data Section
10. Appendices

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Business Plan Objective/ Purpose

This part is often overlooked but is very crucial. It immediately outlines what your document is for and for whom it is intended. A well-outlined business plan purpose ensures that your business plan is entertained by relevant people. It also ensures that they understand what they should do with it, so they go in with the right goals. In the long run, it will save you and your stakeholders a lot of time.

Executive Summary

Every user of your business plan can benefit from immediately understanding what is contained inside before spending hours reading it. The summary condenses the rest of the business plan into a page or half for full perusal. If crafted correctly, it motivates your audience to read further.

It will also make it easy for you to quickly refer to important areas later on. Include every area as briefly as possible, a line or two, without being ambiguous. Try to make the summary flow. There is nothing wrong with crafting it in bullet form, but a short sentence flowing form is more likely to encourage the reader to go further into the business plan.

Business Profile

The business profile outlines the character of the business. It defines your business's character and outlines what inspired its existence, its history and its future. It's an introduction and should leave

everyone reading the business plan with a clear understanding of who you are.

Vision, Mission, Goals and Values

These three statements define the [impact your business intends to have](#) on the lives they interact with. Put together, they define what your business will achieve and how guided by what principles.

They should be inspirational enough to give your company purpose while inspiring the world to want to associate with you. These three statements will influence human behaviour towards your business for the rest of time.

There is really no recommended length here. The important aspect is to be short but memorable. This means saying all that needs to be said with the least number of words possible.

Business Strategy

This provides a summary of all the strategies your business will use to succeed. While everything here will be explained in greater detail inside the business plan, anyone who reads this section should immediately gain an understanding of what will set the business apart. If necessary, go into a little detail on your strongest areas. This will entice your audience to read further.

Your Value Proposition

This could be the single most important section of your business plan. Without it, your business might as well not exist. Clients deal with your business, not for your products and services, but for what they promise to solve.

More specifically, they deal with you solely for the benefit they are going to yield from that interaction. Your value proposition clearly states that and immediately makes it clear why the business will succeed.

With a good value proposition, your business can go into even the most competitive markets and become a leader. It can also take a revolutionary, unknown idea and become an overnight sensation.

Spending enough time here could mean the difference between success and failure.

Market Profile

This is where you will define the characteristics of your chosen market and how you will position yourself within. Understanding whether you are a pioneer, an early adopter or jumping into a mature market will shape your strategy. Take your time to fuse your advantages with your value proposition and define yourself as a unique player.

The Opportunity

If you want your business to achieve immortality, build it to solve problems, not sell products and services. This is because products may go out of vogue, but the problem will likely always exist and solving.

Take Coca-Cola for example, they are in the business of quenching thirst and hydrating. That's why it's estimated you could have a Coca-Cola product a day for a full year and not have the same product twice.

So even if you are not a fan of fizzy drinks, you would still likely consume say their iced tea, energy drink or still water. This section of the business plan allows you to convert your product into a solution for an underlying problem.

Do this correctly and immediately set yourself apart from the competition. You also get a clear picture of your product evolution going forward. Take a lot of time here, it'll determine if you'll be a one-hit wonder or achieve legend status.

Market Segments

A uniform marketing strategy rarely if ever works. This is because different types of clients respond to different stimuli and should be approached as such. Dividing your market based on particular characteristics they share increases the chances of your marketing efforts resonating with them.

It's also an opportunity to make sure products and services are tailored in so far as possible to potential clients.

SWOT Analysis

There's a very thin line between pure entrepreneurship and capitalism. The latter is finding ways to invest money so it can yield more in the future.

Entrepreneurship, however, is navigating challenges and taking advantage of opportunities on a daily basis to bring a vision to life, solve everyday problems and make a steady profit while doing it. It's capitalism with a little more James Bond.

What else could you possibly call a breed that can make money and change lives from absolutely nothing? But to take advantage of opportunities and navigate threats, you first need to understand what they are.

A [S.W.O.T analysis](#) is simply a means to understand:

1. Strengths â?? Internal factors that give the business an advantage over its competition
2. Weaknesses â?? internal factors that may limit the businessâ??s ability to succeed
3. Opportunities â?? external factors the business will take advantage of to achieve success
4. Threats â?? External factors that may negatively affect the performance of the business.

Once you have done your S.W.O.T analysis, leverage your strengths, to take advantage of your opportunities while addressing your weaknesses and avoiding your threats.

Product/ Service Offerings

This section of the business plan is useful for letting your audience know what it is your business will be dealing in. Itâ??s important to be specific because what is obvious to you may not be to an outsider.

By doing this, you also give yourself an opportunity to find some related products. Fully exploiting all available revenue lines is critical for any new business to succeed.

Quality Assurance Statement

Use this section to understand the pain points the market has with current service providers. Making a guarantee to overcome these challenges is an opportunity to reassure your clients that your brand will be different. Your quality guarantee should be linked to your value proposition. Itâ??s the perfect tool to hammer it home as much as possible.

Growth Strategy

As counter-intuitive as it may be, unmanaged growth can cause more damage than good to a business. All the elements of a business need to grow together so they can continue to adequately support each other. This makes growth a tricky customer to manage because the lack of it can derail your business as well.

A good business plan helps you plan how the business will be grown uniformly. By consistently referring to this section, you can ensure no area of your business buckles under the pressure of growth. You can also make sure you are not missing growth opportunities leading to stagnation.

Competition Profile

The temptation to skimp on this section is great. This is because many businesses tend to think a great deal of competition means they can't go ahead with their business. This could not be farther from the truth.

Almost all, if not all of Google's products were born into very competitive markets, yet they are market leaders. With the right strategy, businesses can gain market leadership.

What matters is crafting the best strategy to tackle competition, not pretending it doesn't exist. To easily navigate a competitive market you need to:

1. Understand clearly who your competition is
2. Understand what you are competing on and what their advantages are
3. Learn from their strengths and their weaknesses
4. Dig deep into your value proposition and understand how it will set you apart
5. Give your clients nothing but the best, give them a reason to shift to you

Ultimately though, it's important to be honest with yourself. If no clear advantage exists, don't fabricate one, you'll just be investing in failure.

Location and Facilities

This section allows you to plan where your business will be situated and what makes that location ideal. Even if your business will not have a physical location, it's still important to plan the logistics for service delivery. Some important considerations include;

1. Availability of communication infrastructure
2. Accessibility of the location if it's a physical one
3. Proximity to your target market
4. Proximity to technical expertise
5. External considerations like government incentives

Management and Personnel Profile

The ability of a business to succeed is greatly influenced by the quality of talent it brings on board. Failing to attract the right talent may lead to failure in delivering the business's services.

On the other hand, talent is expensive, and hiring too much of it too early may cause cash-flow problems. Hiring when starting a business is, therefore, a fine balancing act.

No business plan would be complete without an assessment of the future personnel needs of the business and a plan of how they will be met. This is also an opportunity to outline the technical aspects like remuneration and holidays.

Finally, you can craft an organisational culture that aligns with your values. This will allow every new member from the onset to understand what principles they need to uphold.

Social Responsibility Statement

The social organisation is the business model of the future. Be it contributing to [open source](#), sharing resources or actively empowering communities, the organisation of the future is one that can make a difference around it. It's no longer enough to avoid doing bad, organisations need to actively do good.

A statement of social responsibility gives character to your brand and shows you are aligned [with strong values](#). This humanizes your brand and encourages clients to interact with you. This section allows you to pick a cause your company will pursue and define how exactly you will contribute.

Financial Data Section

[Proper financial management](#) will be key to your achieving success. You need to use this section to plan for how you will utilize resources towards achieving your goals. Combined with [good financial analysis](#), you can stay on top of how you use precious funds. It's also an opportunity to assure potential investors that their funds will be properly applied.

Statement of Funds Use

If you will be seeking funds, this is the section where you give a summary of your needs. You can use it to tell potential investors:

1. How much you need
2. In how long you need to pay it back in
3. Your proposed interest rate and model (simple interest or amortization)
4. Interest amounts and payment timings
5. What the funds will be spent on in the business (initial capital and operational expenditure)

This allows potential investors to quickly understand if the investment you are offering is something they would be interested in.

It can be useful for internal use as well because it gives a quick evaluation of initial expenditure. This can be very useful in avoiding unnecessary expenditure.

Projected Income Statement

Ultimately you go into business to make money. Even if you are a non-profit, you need income to exceed expenses to be sustainable. This statement projects future incomes and expenses, and whether you'll generate deficits or excesses.

If you find you'll be incurring losses, you need to know for how long. Small businesses can start in the red, but this shouldn't go for long. Costs are easier to project, you simply need to list what you need and source pricing. In the world of the internet that shouldn't be too hard.

Income can be a little trickier though. The idea is to be conservative but not obsess on accuracy, the gains from accuracy will only be marginal.

You can do a little market research to have an understanding of the potential market. This will give you an idea of what you'll be able to sell.

Alternatively, you can project if your business can generate the minimum revenue required to meet expenses and grow it in the future.

Projected Statement of Cash-Flows

As a new business, you can't afford to not pay expenses when they fall due. You haven't built a reputation for suppliers to bear with you through tough times. This makes it important to make sure cash will always be available to meet expenses when they fall due.

Your business plan should also include a contingency for emergency financing when cash inflows fall short of outflows. Identifying finance sources early will go a long way in ensuring favourable and affordable terms.

Projected Statement of Financial Position

You'll need to understand where your business will be standing after you have made all the purchases and investments at the end of the financial period. This section will allow you to list all your projected assets and liabilities, both long and short-term.

Notes and Assumptions in Financial Statements and the Business Plan

Financial projections and accounts tend to be subject to a lot of internal policies. This section allows you to give your final users the ability to understand your financial figures by explaining how you arrived at them.

You can include such matters as depreciation rates and policies and, break down expenses. You can also explain how projections are arrived at and what factors can affect them.

Appendices

Additional Information & Supporting Documents

A business plan needs to be lean and agile, making it easy to use for you. It also makes it easy to peruse for your audience, who likely don't have all the time in the world. So summarizing information where ever possible is a must.

Information like amortization schedules that are excluded from the body of the business plan can be added here. This way, your audience can get to the meat of the matter fast, but refer to the details if they need them without having to inquire with you.

Your business documents such as registration documents and tax certificates can also be included for easy access if needed. Just remember that you may be limited in restricting access to your business plan, so don't overshare. Some documents can be understandably available on request.

Putting together the business plan

Growing up, an immortal story was of how Bill Gates started Microsoft from his parents's garage. It's with good reason too, back then, starting and growing a successful business was no stroll in the park. It was even more challenging if all you had was a bright idea and your determination.

Things are much more different today, and such stories are losing traction. It's because they are now the norm, not the exception. The story of the entrepreneur changing the world with an idea and a prayer is one we hear often.

It's no easy feat, though. The mortality of small businesses is even higher as more brave the unknown to become legends.

Armed with a good business plan though, you too can realise your dreams. It's the essential bridge that will help you cross the turbulent waters till you have gained the skills you need to successfully grow your business on your own.

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