

# **Developing a Business Plan**

**Presentation to Bangladeshi IT Companies  
June, 2003**

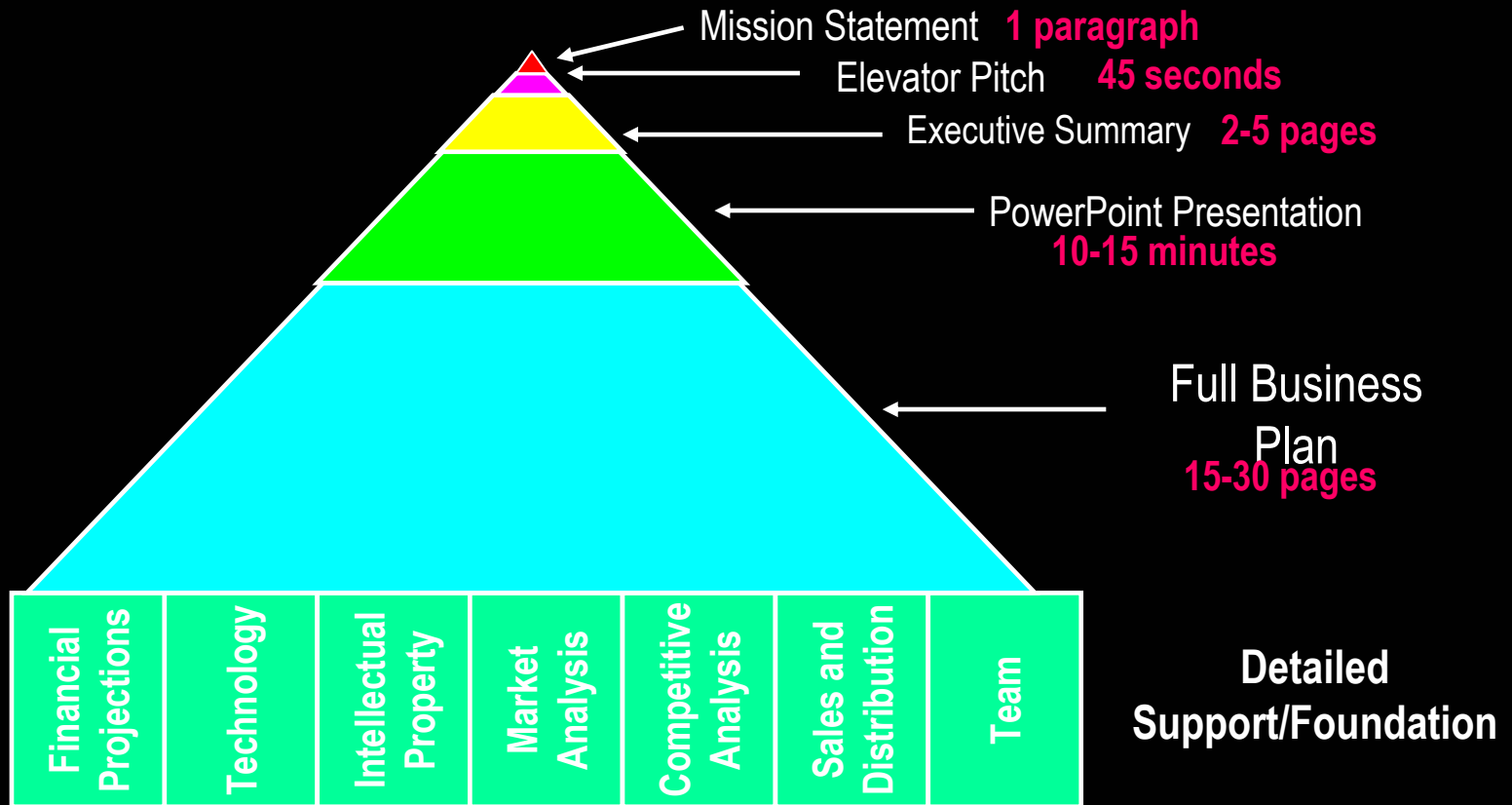
**Abhishek Jain, CEO  
Washington Technology Partners**

**“Writing a Business Plan forces you into disciplined thinking, if you do an intellectually honest job. An idea may sound great, but when you put down all the details and numbers, it may fall apart”**

***Eugene Kleiner, Venture Capitalist***

# Business Plan Development

An evolutionary process



# Benefits of Business Plans

- Required by most investors
- Required by most serious strategic partners
- Useful to explain business to potential customers
- Helpful in attracting key management
- Reveals valuable insights into your business

# Issues identified through a Business Plan

- Who will be your customers?
- Why will they buy your service or product?
- What will they pay?
- How will you make and deliver the service/product?
- What resources (people, money, technology) will you need?
- Can you make money/create value?

# Business Plan Types

- Operational plans
- External plans
  - Summary Plan
  - Full Business Plan

# Format of a Business Plan

- Avoid the 3" thick binder
- Separate binding of Executive Summary
- How to bind:
  - staple
  - spiral
  - Velobind
- Appearance should be professional but not overly slick (look good, but not like you spent too much)

# Characteristics of a successful Business Plan

## Clear

- Well structured
- Standalone

## Objective

- Accurate
- Positive and critical

## Your calling card

The document the reader  
will remember you by

## Consistent

- Style
- Analytical depth

## Simple

- Plain English
- Non-technical terms



# Elements of a Business Plan

- Executive Summary
- The Opportunity and the Company and its Services/Products
- Management Team
- Market Research/Analysis and Competition
- Marketing Plan/Sales Strategy
- Business Organization and Operations Plan
- Implementation Schedule
- Opportunities, Critical Risks, Problems and Assumptions
- The Financial Plan

Notice That “Technology” Is NOT A Section

# Business Plan Contents - Starters

- Cover Page
  - Name of Company
  - Address
  - Telephone/fax/email
  - Confidentiality legend
  - Securities law legend
  - Control numbering of copies
- Table of Contents
  - Put one in
  - Include page numbers

# Business Plan Contents – Executive Summary

- An Executive Summary is
  - NOT an abstract of the plan
  - NOT an introduction
  - NOT a preface
  - NOT a random collection of highlights
- An Executive Summary IS the Business Plan in miniature

# Business Plan Contents – Executive Summary

- Size
  - Two pages (preferable) to five pages (max)
- The Executive Summary must be
  - Logical
  - Clear
  - Interesting/Exciting
- If it doesn't get the reader's attention, the rest won't get read

# Business Plan Contents – Executive Summary

- The Executive Summary tells
  - Who you are
  - What your strategy/vision is
  - What you are doing and/or propose to do
  - What is the market
  - How many \$\$\$\$ do you need and what will you do with them
  - What your **SUSTAINABLE COMPETITIVE ADVANTAGE** is
- When the reader is finished he or she should know exactly what you are doing

# Business Plan Contents – Executive Summary

- The Executive Summary Should Contain:
  - Description of the Business Concept and the Business
  - The Opportunity and Strategy
  - The Target Market and Projections
  - The Competitive Advantages
  - The Economics, Profitability and Returns Potential
  - The Team

# Key questions – 2. Product or service

Executive  
Summary

**Product or service**

Management team

Market &  
competition

Marketing  
& sales

Business system  
& organisation

Implementation  
schedule

Opportunities &  
risks

Financial planning

- What are the features or functions of the product/service?
- Who are the target customers?
- What value propositions does the product/service provide to the customers? (e.g., tabulate customers' unfulfilled needs and ways the product/service addresses those needs)
- What is the revenue model? (i.e., description of revenue sources – advertising revenue, transaction revenue, subscription revenue, flat-fee vs. percentage-based)
- What is the development status of the product? What remains to be done to convert the business idea into a tangible product or service?
- Has this business model been proven elsewhere? What are some successful examples?
- What is the plan to maintain the loyalty of customers?

# Key questions – 3. Management team

Executive  
Summary

Product or service

Management team

Market &  
competition

Marketing  
& sales

Business system  
& organisation

Implementation  
schedule

Opportunities &  
risks

Financial planning

- Who are the founders/founder groups and what are their qualifications, experience and past achievements
- How critical is the idea originator to the future success of the venture?
- How are the management responsibilities shared among the team? (e.g., a table of team members with their position and key activities/responsibilities)
- What is the plan to reinforce management team in the future? (e.g., schedule of future management hiring and skills required)



# Key questions – 4. Market & competition

Executive  
Summary

Product or service

Management team

**Market &  
competition**

Marketing  
& sales

Business system  
& organisation

Implementation  
schedule

Opportunities &  
risks

Financial planning

- What is the potential market size for the product/service? (e.g., calculation derived from number of target customers, units sold, value of sales)
- What is the expected market growth and which major factors influence that growth?
- Who are the likely competitors? What do they offer?
- What are the strengths and weaknesses of competitors? What is your competitive positioning vis-à-vis competitors? (i.e, a table of competitors and their ratings across key criteria – e.g., time to launch, technological capability, access to proprietary technology, privileged relationship with suppliers and customers)

# Key questions – 5. Marketing & sales

Executive  
Summary

Product or service

Management team

Market &  
competition

**Marketing  
& sales**

Business system  
& organisation

Implementation  
schedule

Opportunities &  
risks

Financial planning

- What are the specific plans to promote the product/service?
- How will the product/service be distributed? Which partners will be needed in the distribution channel?
- What will be the pricing strategy? (e.g., how much will you charge for different customer segments, quantities)

# Key questions – 6. Business systems & organisation

Executive Summary

Product or service

Management team

Market & competition

Marketing & sales

**Business system & organisation**

Implementation schedule

Opportunities & risks

Financial planning

- What is the proposed organisational structure of the company?
- How will this organisational structure help achieve business goals?
- What skills will be required and what is the hiring plan? (e.g., a table that shows total number of positions and the functional description of positions, skills required for top 3 positions in each department)
- What is the scope of the business? (i.e. what will be performed internally and what will be outsourced?)
- Have strategic partnerships been identified? If yes, how will these partners be secured? If no, what is the plan to get partners?
- Have key vendors been identified? If yes, how will these vendors be secured? If no, what is the plan to get vendors?

# Key questions – 7. Implementation schedule

Executive  
Summary

Product or service

Management team

Market &  
competition

Marketing  
& sales

Business system  
& organisation

Implementation  
schedule

Opportunities &  
risks

Financial planning

- What is the detailed short term implementation plan? (e.g., Gantt chart showing detailed activities by month)
  - Who is responsible for each of the tasks?
  - What are major milestones?
  - What are interdependencies between tasks?
- What is the 5-year implementation plan? (e.g., Gantt chart showing activities by quarter)
  - Who is responsible for each of the tasks?
  - What are major milestones?
- What are possible long term options for the business?

# Key questions – 8. Opportunities & risk

Executive  
Summary

Product or service

Management team

Market &  
competition

Marketing  
& sales

Business system  
& organisation

Implementation  
schedule

Opportunities &  
risks

Financial planning

- What are the best case and worst case scenarios for the 5-year financial projections? What are the key assumptions on the key parameters? (e.g., market shares, profit margin) – refer to Appendix for example
- What does the sensitivity analysis show? (i.e., by varying key assumptions in isolation)
- What mitigating steps are planned in order to minimise risks?

# Key questions – 9. Financial planning & financing

Executive  
Summary

Product or service

Management team

Market &  
competition

Marketing  
& sales

Business system  
& organisation

Implementation  
schedule

Opportunities &  
risks

Financial planning

- For the next 5 years (and at least 1 year beyond breakeven point), what are the projections for
  - Income statement (includes detailed revenue source as described in the business model)
  - Cash flow statement
  - Company valuation, utilising
    - Discounted cash flow analysis
    - Revenue multiples
  - Balance sheet
- What are the key assumption used in the financial proforma? (e.g., cost of capital, market share, margin)
- What are the financial requirements for the business and what sources of financing have been identified? (e.g., financial schedule with amount needed and possible financing sources)

# Business Plan Contents -- Appendices

- Separately Bound Volume
- Resumes of Principals
- Product Literature
- Trade Press/Business Press
- Patents (front page)
- Testimonials Letters
- Technical Information
- Confidentiality
- Technical person to technical person discussion

# Fine Tuning the Business Plan

- Have an independent, objective reader review the Plan
- Get additional comments and feedback from:
  - Industry professionals
  - Customers
  - Consultants
  - Accountants
  - Lawyers



# Why Business Plans Fail - Substance

- Insufficient Market
- Non-Credible Technology
  - Too Wild
  - Too Blue-Sky (Unproven)
  - Low Barriers to Entry
  - Too Mundane
- Investment Too Large For The Promise
- Failure to Understand The Market

# Why Business Plans Fail - Substance

- Action Plan Not Credible
  - Too Optimistic
  - Naïve About The Hurdles
  - Runs Off In All Directions
  - Not Ambitious Enough
  - Regulatory Barriers Insufficiently Addressed
  - Gaps Filled By Handwaving
  - No Promises At All
- Team Not Credible

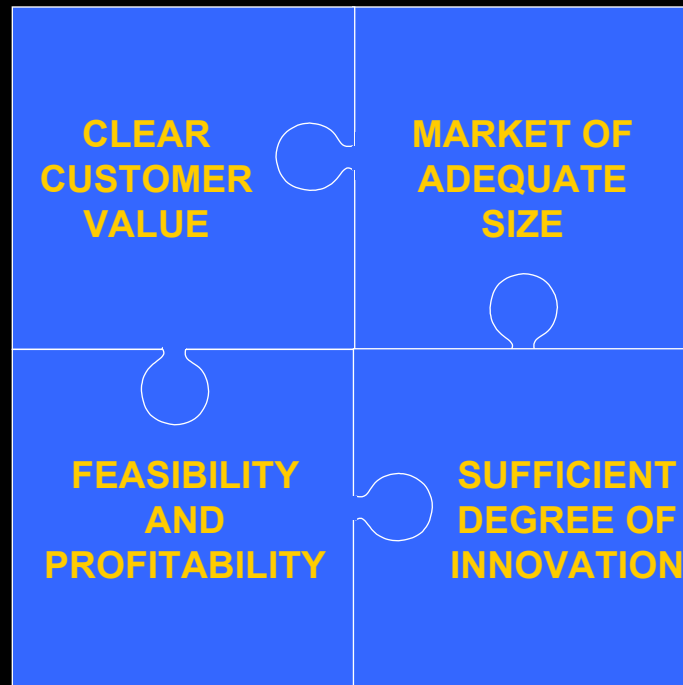
# Why Business Plans Fail – Cosmetics

- Readers Can't Understand It.
- Filled With Market Or Technology-Specific Jargon
  - i.e., WHAT IS THE BUSINESS?
- Naïve Projections
- Sloppy: Misspellings, Poor Grammar, Poor Quality Printing
- Too Long
- Ignores the Basics
- “Forget Marketing, My Technology Is Best”
- Poor Writing

# Business plans that succeed are built on solid ideas with excellent management

The key to success is satisfied customers, not a great product

Ideas should be feasible with realistic time and resource plans



Successful ideas demonstrate how big the market is, the target customers and how the product differs from the competition

Create a new product or a new way of delivering an existing product – do both and create a new industry

“There is nothing in the world as powerful than an idea whose time has come”

*Victor Hugo*

**Sources/Adaptation from:**

**McKinsey & Company (Toronto, Canada), “How to Write a Business Plan”  
Joe Hadzima, Managing Director, Main Street Partners, LLC, “The Nuts and Bolts of Business Plans”**