

The Business Plan

AGENDA

Before you start

What is a Business Plan?

Why would you need a Business Plan?

How to write a Business Plan

Quality Measures in Business Planning

The Contents



Before the Business Plan

Your project must be conceptually finalized =

- What are your personal goals and ambitions?
- Where is the pain? Does it really hurt?
- What is your value proposition?
- Quantify it – even if you have to guess a lot
- Who is your jury?
- More guesstimates:
 - What process does it take to get it up and running?
 - What resources, people and facilities do you need?
- **Is your scenario realistic?**
(Sanity check – ask someone with insight and experiences)

You start to feel comfortable with this project.

Next: how does the Master plan look like?

What is a Project plan?

1. **There is a goal – and it is specific**
2. **There is a process described by**
 1. Actions to conclude
 2. Facilities needed
 3. Humans needed
3. **There is a time table** - often with milestones
4. **There is a budget**

What is a Business Plan?

Three things: Decision, management and funding

1. A means for decision
The detailed rationale behind your business
 2. A means for managing:
The project plan for the business start-up
- Ad 1: **Information, analysis, calculations and conclusions to support the assumption that this can be achieved, and that the business project is applicable and realistic**
- Ad 2: **There is a goal – and it is specific**
There is a process described by
 Actions to conclude
 Resources involved
There is a time table with some milestones
There is a budget with a cash flow projection
- 1+2: there is a business opportunity, and this is how we will exploit it.**

Why a Business Plan - 1

Decision

A systematic review of the crucial issues:

- Estimates are substantiated (empirical data)
- Statistics have their saying
- Shortcomings and deficiencies materialize
- Perspectives and consequences are quantified

YOU get a qualified basis for deciding whether or not to risk your future career and invest your future working life in implementing this project

Why a Business Plan - 2

Management

During the start-up phase - of course – and hence

Continuous business development:

- Facts replace fiction and estimates
- The management is forced to think long-term
- Problems are recognized well before disaster day
- Consequences are implemented with due diligence

The BP is the beginning of the future management of the company

Why a Business Plan - 3

Funding

- How much capital do you need – and for what?
- Your investors' incentives? Please explain.

***YOUR INVESTORS** get a qualified picture of the project, the team, the perspectives, the risks and the gain.*

So the business plan is your investors' first and crucial encounter with the founding team - and –

Your ticket to pre-seed and early stage financing

Business Planning - 1

- **Preparations**
 - *Pain and value proposition understood. Customers and Jury too.*
 - *Product/service identified*
 - *Business model defined*
 - *Sanity checks performed (Customers, mentors, consultants etc.)*
- **Research**
 - *Customers: interviews & statistics in various domains*
 - *Value creation, value chains*
 - *Competitors*
 - *IPR and technology*
- **Analysis**
 - *Synthesis gives the preconditions for market entry scenarios*
- **Draw up 1 - 3 scenaria for your market entry**
- **Quantify the consequences**
 - *From cash flow to capital demand*
- **Worst case scenario**
 - *Critical parameters – contingency plans – possibly all over again*

Business Planning - 2

- **The Group**
 - *Set up the management*
 - *Be systematic: consider using agendas and minutes*
 - *Check progress with deadlines*
 - *Share the workload*

- **The project:**

Business planning is a project in itself - so

 - *Set up an activity list*
 - *Allocate resources: Best W/M at each task*
 - *Set up a time table with milestones.*
(Confer with the course manual)

Quality in Business Planning

- **It takes time!**
- **Consistent and logic: *well thought out!***
- **Statements: to-the-point**
- **Economical in pages and words** (20pages - 6.500 words)
- **Enthusiastic and optimistic - though credible**
- **Empathic:**
 - *Customers*
 - *Investors*
 - *Competitors*
 - *Employees*
- **Value creation is well understood**
- **Nothing of importance is concealed** (*honesty prevails*)

"Good art is quality, and quality takes time"

Robert Jacobsen

**"In good art, the detail is seen in the entirety -
- and entirety is seen in the detail"**

Karen Blixen

The contents - 1

The executive Summary:

Background - very brief – then:

- the Five P-Approach:

1. *Pain-value-jury*
2. *Potential*
3. *People*
4. *Platform*
5. *Project*

Executive summary *the single-most important section*

GetBetterQuick Ltd. is a new knowledge-based company with a high growth potential within on-line monitoring of physiological recuperation of out-patients in orthopaedic retraining programmes.

Orthopaedic retraining is costly, it requires extra and inconvenient treatment, it is often neglected for same reasons, and as a result, a high number of patients do not recuperate to full performance. It goes without saying that this is not an ideal situation.

Our system allows early discharge plus cost-efficient and convenient retraining and recuperation.

Saving potentials of efficient treatment - to society, to healthcare and to patients - are high. In Scandinavia alone, the annual economic savings of a 10% reduction of bed days of orthopaedic patients, which is a realistic measure, are as high as 100 mio. €/yr.

End-users are patients with an internet connection in their homes. Customers are orthopaedic departments. Users are physiotherapists and orthopaedic MDs. Buyers are hospitals and clinics.

First 3 prototype systems have finalized clinical verification successfully. Results are published.

The founding team comprises ---, M.Sc, --- MD, and --- MBA, with a background as a CEO of ---.

It is our ambition to develop GBQ Ltd. into an international market leader within internet-based on-line monitoring of patients in retraining programs in their homes.

We envisage to develop within the next five to six years, a company with an annual turnover above €25 mio., with more than 80 employees in high quality jobs and an export of innovative new monitoring systems, exceeding €20 mio. /yr.

Several major players in the market indicate good exit opportunities, and GBQ Ltd is expected to be ready for acquisition some 4 – 6 years from kick-off. Valuation could amount to 30 – 50 mio. €. We plan a quick expansion to this level through one or two funding rounds.

Our total capital requirement is €2 mill. The founding team so far has invested €100.000.

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The contents - 2

• Market Research and - Analysis:

- *Customers in numbers, types, geography, etc.*
- *Competitors in types, advantages and weaknesses*
- *Market analysis e.g. acc. to Michael Porter*
- *Entry barriers (technical, legal, etc.)*

• Technology:

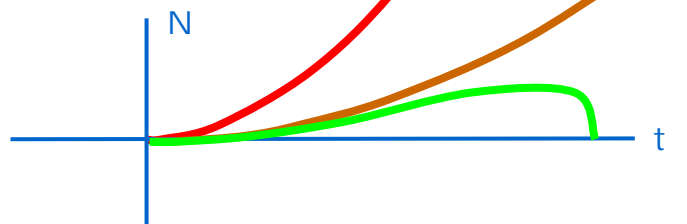
- *How does it work?*
- *Why is it superior?*
- *Patent situation*
 - *Freedom to operate*
 - *Efficiency of claims as entry-barriers*
- *Production issues*
 - *Bill of materials, (BOM) and unit costs*
 - *Necessary equipment, machinery etc.*

The Contents - 3

The business development scenarios:

- *Qualified guesswork:*
 - *Establish sales of units in a time domain, market A.*
 - *Repeat for market B etc.*
- **Compute the consequences:**

Goods/hours sold per Month



The contents - 4

• Quantified consequences:

- *Sales, production data and operations combined yield -*
- **Cash, incoming and outgoing**

• Budgets:

- *Cash flow projections => capital requirements*
- *Profit and Loss*
- *Assets and Liabilities*

Consider to use different time units for short term and long term projections

• Risk Assessment and Contingency Plans

Most critical parameters: look at them, one at a time.

How to respond when worst case rules the day – and what happens?

A frequently used risk assesment:

The SWOT Analysis

- Strengths
- Weaknesses
- Opportunities
- Threats

The Format

- All essential information delivered in first 5 pages
- Max 20 pages or 6.500 words altogether excl. annex
- All details, reports, data, background readings, tables – even some of the budgets etc. in annex
- This course: digital media only. PDF preferred.
- A good habit:
 - *Annex 1: detailed project plan from kick-off via 1 – 2 milestones to first critical results.*
 - *Includes more detailed budget on expenditures and cash flow*
 - *Includes milestone specifications*
 - *Includes Criteria of Essentiality: Go/No-go specs.*

Questions?

More about Business plans on www.entrepreneur.dk

- From the *textbook*: a business plan template to write in
- McKinsey book on *business planning*: in-depth on business start-up preparations