

Prepare for success

# Why write a business plan?

A business plan is essentially the route map that helps you establish a viable new business. It will also be essential if you need to raise finance for your business.

#### The early years

In early plans, the sales forecasts are critical. Your focus will be on the business proposition, research into the potential market, defining the competition and developing a marketing and sales strategy.

Next, the plan will identify the resources (people, equipment and money) you need to achieve the forecast sales, together with realistic timescales to achieve significant milestones, such as the dates of the website launch, first day of trading, first stock delivery, etc. This information becomes the basis of your financial forecasts. Once completed, you can use the plan to monitor the performance of your business.

#### As your business grows

As your business grows, you can use the techniques and basic information developed in the first business plan to prepare annual budgets and updated financial forecasts. These are usually focussed on the year ahead. The next time you will need a business plan is usually when you're thinking about raising finance, often debt finance from a bank.

Banks and other finance providers require considerable information to support loan applications. These include financial forecasts, historic annual accounts and management accounts. A good business plan will help persuade finance providers that you are professional and take financial planning seriously. The plan should include sales and market information and how current sales will translate into the future sales forecast. In addition, it will identify why you need the finance and how you will pay it back.

#### Prepare for success

### >> Why write a business plan?

The other elements of the expanded business plan should include:

- a history of the company
- its current and future products and/or services (including patents);
- its sales channels and delivery;
- how the products will be produced;
- how the business operates and why it will be successful;
- a description of the market and sector plus details of the marketing strategy and sales and distribution process;
- full details of the management team;
- financial information (including debt finance already in place); and
- a risk analysis.

But it's when you want to raise equity finance from either a Business Angel or venture capital company that you will need a full business plan. The business plan is crucial in persuading potential investors to engage in discussions about an investment. It must be exciting but credible, with clearly identified customer benefits, and offer evidence of growth and future prospects.

Business Angels and private equity investors read and reject many business plans; the executive summary is vital and it must have a wow factor. It should state your business proposition and summary of the financial figures, including the amount of capital you are looking for. It is worth committing the main points to memory to discuss as required.

Credibility is common to all good business plans. An open and balanced view of the past and future prospects creates this. A good investor will quickly see through a biased explanation of past events and performance, or unrealistic projections for the future.

The information you provide to Business Angels and private equity investors will be the same as for a bank, but you will also need to provide a significantly expanded business plan. Financial forecasts will now be required up to five years ahead. Potential investors will want to examine the details supporting the business plan, particularly the market analysis and the financial forecasts. So be prepared to back up key assumptions.

Committing to that first business plan and investing time in developing it may seem unnecessary when there are so many demands on your time. However, the skills learnt and the perspectives gained will help you to grow the business, raise finance and, who knows, one day potentially sell a successful business.

If you need further help with your business plan, a free initial discussion with an ICAEW Chartered Accountant is a good place to start. Visit businessadviceservice.com





### Prepare for business

Decisions you take in the early years of your business can be the most difficult as well as the most important, particularly if you are a first-time entrepreneur.

### Prepare for success

The ICAEW Business Advice Service experts will help you make those crucial first steps and then grow your business with confidence.



DSC Chartered Accountants Tattersall House East Parade Harrogate Hg1 5LT

## Prepare for business, prepare for success.

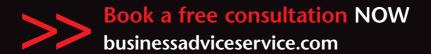
ICAFW Business Advice Service

The ICAEW Business Advice Service (BAS) provides professional advice for start-ups and owner-run businesses.

As well as practical help online in the form of white papers, short PDFs and blog articles, we enable businesses to receive an initial consultation at no charge from an ICAEW Chartered Accountant.

ICAEW is a world leading professional membership organisation that promotes, develops and supports over 146,000 chartered accountants worldwide. We provide qualifications and professional development, share our knowledge, insight and technical expertise, and protect the quality and integrity of the accountancy and finance profession.

ICAEW Chartered Accountants are the biggest source of business advice, reaching over 1.5m businesses from more than 20,000 offices across the UK.



This leaflet is part of a series.

To find out about the others available visit businessadviceservice.com/quides