

How to write a (good) business plan

Are you an entrepreneur? Maddyness has compiled a toolkit to help you create, grow, and even sell your own startup. From recruiting a team and protecting your brand to financing your innovation, you will find tips, tools and advice to help you navigate the entrepreneurship labyrinth. In this article: the construction of a business plan from A to Z.

Temps de lecture : minute

24 February 2020

The business plan is the starting point for any entrepreneur or investor. It allows the entrepreneur, as well as future investors and partners, to have a clear idea of the business and its ambitions. It is a crucial document for all funding requests, and also allows the project leader to think about and define the clarity of the vision that they have for their business.

Too Long? Here's the key takeaways

- A quality business plan must be complete and smooth, it shows the vision and reliability of the entrepreneur
- The design is just as important as the content: think clear and concise
- It should have 3 parts: the business description, the finances, and the executive summary
- Express your needs

Draft the business description

There isn't a universal business plan model since every project is different, but there are still some common and essential guidelines to respect. A business plan isn't created on a whim, it reflects your business and needs to demonstrate logical thought and analysis that shows the potential of the project.

The business description is where you need to begin when writing your BP. It should contain:

- An introduction to the team, with a summary of who they are. This gives an idea of how well the people involved work together and how their expertise complement each other
- A presentation of the proposed products and/or services (what need they fill, what are their innovative characteristics, their advantages and disadvantages compared to existing offers, etc.)
- An analysis of the market and competitors (who are the target clients, what do they want from a product and/or service, what is the geographical target zone, what is the size of the market, what opportunities are there, who are the direct and indirect competitors, what is the market access barrier, etc.)
- A presentation of the strategy and positioning
- A presentation of goals and commercial and marketing means
- A presentation of the business model

Draft the financial part

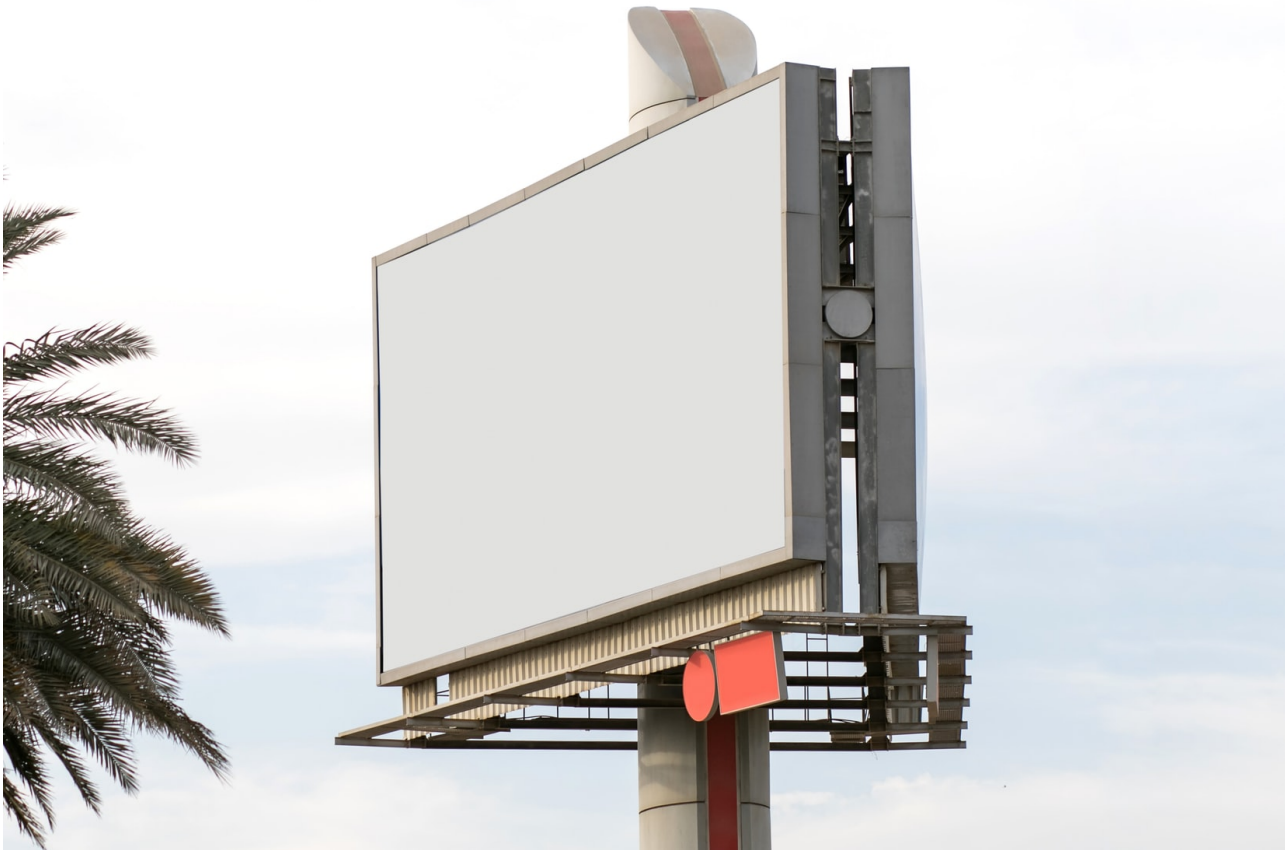
This is the part where all your spreadsheets, data and textual analysis combines. It demonstrates the financial profitability of your company and shows where your business plans to be in the next 3, 4, or 5 years. Think

about separating your projections into trimesters for the first two years, as this allows you to clarify your strategy better by determining the arrival of new employees and the increase in sales and international expansion. In addition, the need for liquid assets will be better defined.

You should also precisely predict as much estimated data as you can such as revenue, investments and depreciation, general costs, financial interests, incomes and taxes, and your personal expenses. Pay a lot of attention to the estimates of your financial indicators and your financial needs. Take the necessary time so that you don't underestimate, or worse, overestimate these.

What's in this part?

- An estimate of earnings based on coherent and informed assumptions
- Estimation of expenditure
- Income statement
- Forecasted financials
- A defined break-even point (when will you reach this point and under what conditions?)
- Financial plan (what are the financial needs and predetermined financial sources, equities, assistance, etc.)
- Plan for cash flow (divided monthly for the first year)



Read also

[5 low-cost digital techniques to promote your startup](#)

Be attentive to your executive summary

The executive summary sums up your business plan in its entirety. However, it isn't placed at the end of your BP, but in the first pages, in the form of a note that highlights all the crucial points of the following document. However, it is best to write this at the end once you have completed a clear BP.

It is a summary that is supposed to explain, spark interest and convince the reader. It is necessary to introduce the fundamental points of the project and respond to these questions as succinctly as possible (in no more than two pages):

- What is the market? What is the state of the market and what are its prospects?
- What are the clients in the market expecting and what is the strategy for filling their needs?
- How does the product/service do this, and with which functions or innovative characteristics?
- What are the goals and what is my competitive advantage?
- Who is in the team, what are their key skills?
- What will be the distribution channel(s)?
- What are the global financial needs of the project?
- What revenue, margins and profit are anticipated?

Design your BP like a financial marketing tool

Most business plans are dense and sombre and don't invite the reader to read it through to the end. A clear and defined structure with sub-headings, a good summary, clear wording, and relevant colour coding should all be adopted as these will show the reader that you have clear ideas and that you guide the reader on the business journey. A clear BP means that the project is clear in the mind of the entrepreneur and shows that they are responsible.

Less is more because no one wants to read a 50MB business plan with macros and endless tabs and sub-sections. Some BPs require IT skills just to open them! Only your board will take the time to read it (and sometimes it's a stretch for them too!).

Let go of the idea of a finished document. Investors need to play with hypotheses and assumptions in order to absorb the plan and run crash tests to justify their potential investment. It is crucial that the hypotheses are easily adaptable and that the amounts that depend on them are easily identifiable. Investors are more interested in how you can

respond to this than the actual results.

Structure the document so that it is accessible for all. In the spectrum of funds, audiences differ, as such, you need to find a voice that appeals to all audiences. You can also use the summary tabs to guide the different interested parties directly to the information that will be relevant. For example, not everyone will be interested in the complete details of payroll expenses, but happy to look in detail at the executive summary.

Justify your main assumption, but don't overdo it

For each main assumption that your strategy relies upon, keep asking yourself if it is justifiable. There are two possible ways to answer this: (1) based on your historical performance (e.g. the number of recorded signed contracts for your sales), (2) through comparisons with other actors in the sector. Add these elements to your business plan, alongside your assumptions.

Don't forget that too many assumptions can be too much. Some BPs have several dozen tabs of hypotheses, with simulations and variables in every possible direction, and one equation showing all the financial minutia of your business. You'll be forgiven for matings of error in the financial modelling of your rent as long as the data about turnover and margin are reliable, well documented and credible.

A coherent vision

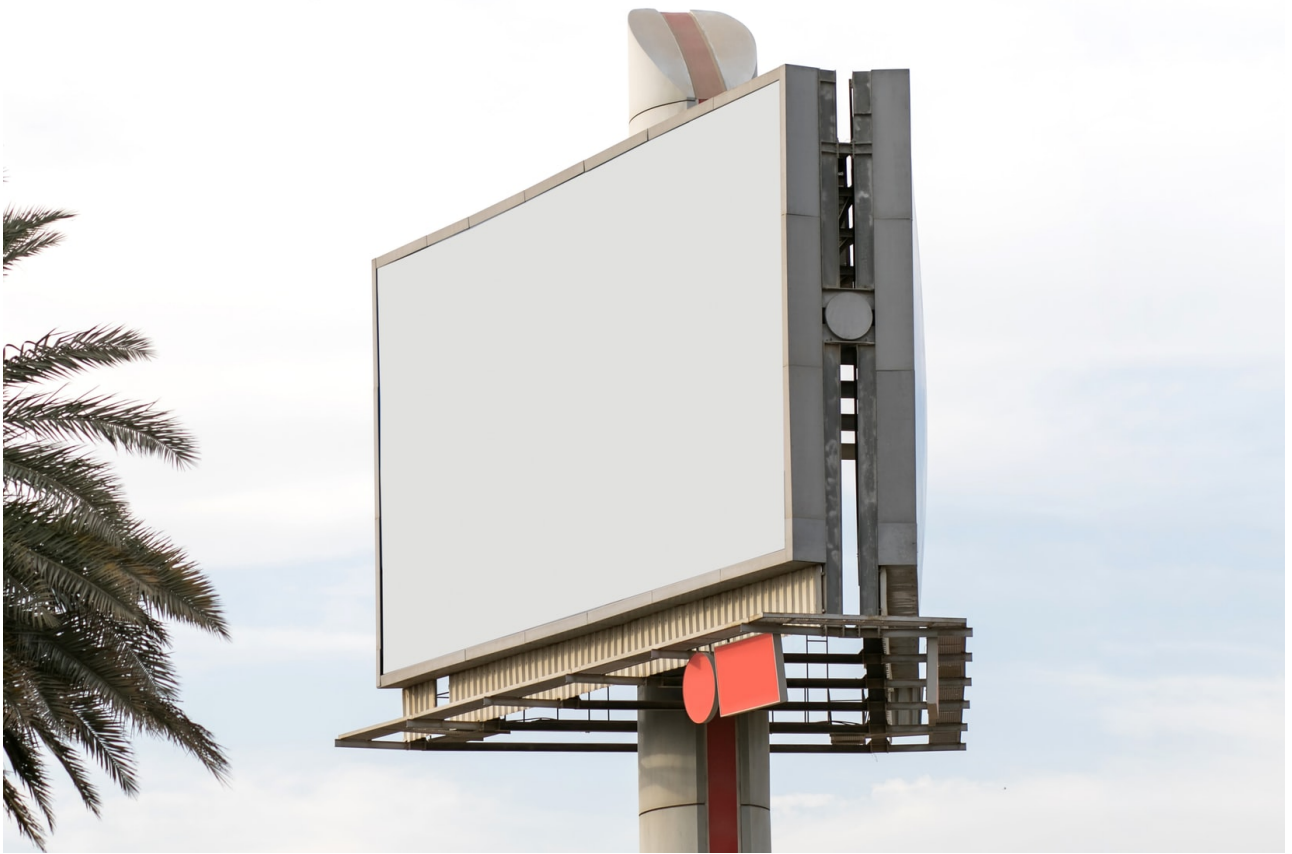
Make sure that your BP is coherent with the vision stated in the

presentation. Your BP is the detailed version of your presentation, a document where you display your vision, your reasons and goals for doing it, and your plan of action to reach these goals. The BP should take these actions, explain them further, and create a timeline in order to start fundraising.

Get business plan software if you need

You want to launch your business, yet even though the creation of a business plan is an essential step in structuring your project, this task can turn out to be very time-consuming. To help you, there are websites and software that allow you to streamline certain elements like the financial estimates, the formatting of the business plan, etc. Have a look at [The Prince's Trust](#), [LivePlan](#), [Start Up Donut](#) and [Startup Loans](#).

How do you choose a good tool? Make sure that the software allows you to make an estimate for five years (dividing the first year into trimesters or months), that it allows you to edit everything and make it look clear and professional, and that it is secure so you aren't risking your data being siphoned.



Read also

[5 low-cost digital techniques to promote your startup](#)

Article by Maddyness