

SIDE V. THE BUSINESS PLAN

Introduction:

While the business model canvas is a 1-page document that can easily be looked at from a high level and can be changed easily, a business plan stands as a content-heavy document that some would say is 'living'. Unfortunately, it is sometimes too cumbersome to constantly be changing a business plan after it is completed, due to content-loading within the document. This may result in your 20+ page business plan being placed on a shelf to collect dust.

That said – why and when would you want to write a business plan?

Typically, ICT companies opt to not use a full business plan and go with a canvas. On the other hand, in businesses such as manufacturing, life sciences, health, or 'cleantech' – the companies take longer to develop and are more capital intensive, and so they tend to produce a business plan. In addition, banks and other sources of financing require a business plan to begin lending your business funds.

The real value of creating a business plan is not in having the finished product in hand; rather, the value lies in the process of researching and thinking about your business in a systematic way. The act of planning helps you to think things through thoroughly, research facts and trends, and take a critical look at your own ideas and concepts. Developing a business plan will take time, but it will also minimize costly – and perhaps disastrous – mistakes over the long-term.

In this Chapter:

- A) Essentials of a Business Plan
- B) Things to Avoid When Creating a Business Plan

The Goal of this Side:

- This Side will ultimately explain how to create a business plan, what elements of the plan are important, and why it is necessary.

By the end of Side III, you will have...

- Developed a framework and gained an understanding of business essentials
- Understood when to use either a business model canvas, or a business plan



A) THE ESSENTIALS OF A BUSINESS PLAN

A business plan typically consists of 10 key elements:

1. Executive Summary

- This is the most important part of a business plan
- 1-2 pages
- Write this section last – it should tell your story!
- Emphasize the business opportunity you are seeking/may bring investors
- Capture interest/imagination of the reader, or potentially lose them forever

2. Company Overview

- This is the 'about us' section of the report
- Should include what you would put on a webpage (social, commitment, quality, vision, mission, innovation, etc.)

3. Market Analysis

- Market research section to show trends, segments identified, select target market, PEST and SWOT analyses, Porter's 5 Forces, etc.

4. Customer Analysis

- Validation, interviews, customer identification, etc. are all incorporated into this section – it should explain WHO is interested in your business and their demographic qualities

5. Competitive Analysis

- List of competitors
- Competitor product summaries
- Competitor strategies and objectives
- Your own strengths and weaknesses

6. Marketing Plan

- The '4Ps' belong in this section: Product, Place, Price and Promotion
- How are you going to reach your customers?

7. Operations Plan

- Identify facilities, equipment, operational procedures, quality control, regulatory compliance, inventory management, customer service, web development, etc.



The Essentials of a Business Plan (Continued)

8. Team & Management

- Do you have an advisory board?
- Who are your mentors? Key advisors?
- Acknowledge your team's gaps, but promote strengths
- What are the current responsibilities of your team?
- Do you have contingency plans for lost team members?

9. Startup Expenses and Capitalization

- Estimate your expenses before you begin to operate your business
- Make sure to incorporate contingencies

10. Financials and Projections

- Realistic projections only, and using 12-month profit and loss statements
- Ensure you are able to explain all your numbers clearly and efficiently

B) THINGS TO AVOID WHEN CREATING A BUSINESS PLAN

When generating your business plan, be sure to avoid the following scenarios:

- Do not be overly ambitious – you must be able to justify your projections
- Do not mask financial difficulties – inform your lender if sales fluctuate to ensure trust (this may lead to a flexible payment schedule, for example). A transparent business plan is your strongest asset in gaining financial support from investors/banks.
- Do not provide inadequate data or information on the management team
- Do not provide flawed marketing plans just to pass a checkpoint
- Do not provide unrealistic forecasts
- Do not use incomplete presentations

Exercise 5.1 – Generate a Business Plan

Using your Business Model Canvas, as well as the information above in this Side, create a high-level draft business plan. When creating this draft remember who your audience likely is that will be reading this document. Will they want to invest in your company after reviewing what you have presented?

You may find additional resources that will help you create your business plan through the following links:

- Business Development Bank of Canada (2017). "Business Plan Template" [Webpage].
- MaRS (2013). "Team Brainstorming for your Business Plan and Investor Presentations" [Webpage].
- Futurpreneur Canada (2016). "Business Plan Writer" [Webpage].
- MaRS (2014). "Module 2: Modelling" [Video].

