

LEARNING MADE EASY



2nd Edition

Creating a Business Plan

for
dummies[®]
A Wiley Brand



Develop a business
model that really works

Understand budgets, profitability,
cashflow and sales targets

Use AI and tech tools to
make planning easier

Veechi Curtis, MBA

Author of *Small Business For Dummies*
and *Bookkeeping For Dummies*



Creating a Business Plan

2nd Edition

by Veechi Curtis, MBA

for
dummies[®]
A Wiley Brand

Creating a Business Plan For Dummies®, 2nd Edition

Published by

John Wiley & Sons, Australia Ltd

Level 4, 600 Bourke Street

Melbourne, Vic 3000

www.dummies.com

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ISBN: 978-1-394-23730-2



A catalogue record for this book is available from the National Library of Australia

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Introduction

I grew up in Scotland, where the winters can be wild, wet and cold. My father was a self-employed landscape gardener and, each year, as the days grew shorter, he would start hatching entrepreneurial plots to see the family through the scant earnings of the winter months. Handmade garden furniture, barrels from the local brewery scrubbed back and filled with violets, gold-leaf mirror restoration and beach-scavenged scallop shells were but a few of the ill-fated ventures that would transform our Victorian flat into a hive of industry for a few fleeting months of each year.

I started my first business at the age of 26 and have been in business ever since, oscillating in a manner not unlike my father's between the more stable income of business consulting and the somewhat precarious existence of writing and publishing.

Yet when working on this book, I realized something quite fundamental. While I've been steadily successful for more than 20 years, all too often the sensible-cardigan-wearing-accountant side of me wins out against the risk-taking-creative-why-don't-we-try-this side of me. Possibly due to the rather feast-and-famine finances of my childhood, I typically spend more time analyzing profit margins than I do thinking of creative new products; I focus more on managing risk than being a trendsetter. If you've been in business before, I'm sure you too have experienced this natural tension between your entrepreneurial side and the inner voice of 'reason'.

One challenge for me in writing this book has been to find ways to encourage dreams to flourish while simultaneously exploring the somewhat sobering process of writing a business plan. I'm writing this introduction having just finished the last chapter of this book and, happily, I think that the process has worked on me. I'm itching with impatience to begin my next business venture, and feel utterly optimistic about its prospects. (I remain my father's daughter, after all.)

I hope you have a similar experience with this book, and that I share enough inspiration for your inner entrepreneur to thrive while at the same time providing unshakeable feet-on-the-ground practicality.

About This Book

I like to think that this book is a bit different from other business planning books, not least because this book is part of the *For Dummies* series. Dummies books aren't about thinking that you're a 'dummy' — far from it. What the *For Dummies* series is all about is balancing heavyweight topics with a lightweight mindset, and sharing a 'can-do' attitude that encourages anyone — no matter how young or old, how inexperienced or how veteran — to give the subject at hand a go.

I like to think that the *Dummies* way of thinking has helped me to bring a fresh approach to the subject of business planning. I've tried not to get bogged down in the same old stodgy discussions of mission statements, values and organizational charts; instead, I've focused more on working with others, being creative and thinking of your business as something that's unique and separate from yourself.

You may be surprised by the fact that I devote seven whole chapters to the topic of finance (you'll only find one finance chapter in most business planning books). I'm a real advocate of the importance of financial planning and, in this book, I try to break the topic down into bite-sized chunks that anyone can understand, even if they haven't done any bookkeeping or accounting before.

I also understand that most people who've worked in business end up with knowledge that's patchy. You may know heaps about marketing but nothing about finance, or vice versa. The beauty of *Dummies* books is that you can just leap in, find the chunk of information that addresses your query, and start reading from there.

One more thing. Throughout this book you'll see sidebars — text that sits in a separate box with grey shading. Think of sidebars as the nut topping on your ice-cream: Nice to have, but not essential. Feel free to skip these bits.

Foolish Assumptions

When writing this book, I make no assumptions about your prior experience. Maybe you've been in business all your life or maybe you've never been in business before. It could be that you're a tech geek or it's possible that you hate computers. Maybe you love numbers or — much more likely — you may have a somewhat queasy feeling when it comes to math.

I also make no assumptions about the age of your business, and realize that for many people reading this book, your business is still a seedling waiting to be

watered. (For this reason, I include practical advice such as how to budget for personal expenses while you're building your business, and why things such as your relationships and family situation are all part of the picture.)

Last, I don't try to guess where you live in the world. After all, the principles of business planning are universal, whether you're in the snowdrifts of Alaska, the stone country of Australia or the kilt-swaying highlands of Scotland.

Icons Used in This Book



REMEMBER

Tie a knot in that elephant's trunk, pin an egg timer to your shirt but, whatever you do, don't forget the pointers next to this icon.



TIP

This icon points to ways to give your business plan that extra spark.



TRUE
STORY

Real-life stories from others who've been there and done that.



WARNING

A pitfall for the unwary. Read these warnings carefully.

Where to Go from Here

Creating a Business Plan For Dummies, 2nd edition, is no page-turning thriller (probably a good thing given the subject matter) and doesn't require you to start at the beginning and follow through to the end. Instead, feel free to jump in and start reading from whatever section is most relevant to you:

New to business and you've never created a business plan before? I suggest you read Chapters 1, 2 and 3 before doing much else. Chapter 1 provides a road map for creating your plan, and Chapters 2 and 3 help you to consolidate your business concept. From here, you're probably best to read the chapters in the order that I present them, because these chapters follow the same sequence as the topics within a business plan.

If business strategy is more your concern, Chapters 2 to 5, 11 and 14 are the place to be.

Are financial projections a source of woe? Chapters 7 to 13 are here to help.

For advice on creating a plan that can't fail to impress prospective lenders or investors, Chapter 15 explains how to pull your plan together, and Chapter 16 offers handy suggestions to make sure your plan is as good as can be. And, finally, Chapter 17 provides advice and encouragement if things aren't looking as good as you'd hoped.

1

Getting Started

IN THIS PART . . .

Explore the whole idea of business planning, and take a moment to consider the psychology behind this process.

Establish what's different about you and your business.

IN THIS CHAPTER

- » Getting started without another moment's hesitation
- » Applying a scorecard to your business idea
- » Deciding what elements to include in your plan
- » Revisiting and checking your plan
- » Understanding why business planning is harder than it looks
- » Tricking yourself into doing the deed

Chapter **1**

Letting Your Plan Take Flight

A business plan is as much a way of thinking as it is a document. Some of the most important elements of a business plan can be done while talking with colleagues, walking along the beach or taking time out over a cup of coffee.

Key to a business planning mindset is a willingness to be objective about strategy, the ability to think of your business as something that's separate from you, and the discipline to analyze your financials (even if you're not naturally good with numbers).

Importantly, a business plan doesn't necessarily require days or weeks of your time. I often recommend to people they approach their plan in bite-sized chunks, whether this be redesigning pricing strategies, spending time researching competitors, or experimenting with different pricing models.

In this chapter, I talk about who a business plan is for, what goes into a plan, and how you might start thinking about your business model. I also explain why it can

be hard to be objective and motivated about planning for your business, and share a few insights into how to keep yourself on track.

Getting Your Feet Wet

In *Creating a Business Plan For Dummies*, 2nd edition, I place less emphasis on the importance of creating a written plan and more on why planning is best viewed as a frame of mind. The neat thing about this way of thinking is that you can start with your plan at any time, even if you know you have only one hour free this week and you're flying overseas for a holiday the next.

Planning can even be fun once you get started. Some of my best business ideas have come to me while lying in the hammock on holidays, digging up weeds in the garden or having a quiet coffee.

Thinking about success and failure

I'm sure you've heard of the adage that if you spend time working *on* your business — rather than just working *in* your business — you have a better chance of realizing success. However, I was talking with some friends the other day about this book, and one of them asked me just how much difference a business plan makes to the success or failure of that venture. Later, because I couldn't help myself, I spent many hours going down the rabbit hole of studies people have done on this topic. After all those hours, all I could confirm was that a neat, definitive answer on this question does not exist.

One reason such an answer is elusive is that the very definition of success or failure is fraught. Relatively few business owners go bankrupt or lose their life savings when their business idea goes wrong. Similarly, few business owners achieve private-helicopter-mega-wealth success. Instead, most businesspeople land somewhere in the middle, working pretty hard to achieve a reasonable, but not exceptional, standard of living.

However, even if lottery-like luck isn't on your side, my observation is that the disciplined thinking a business plan engenders provides you with an edge over others. Maybe you won't join the ranks of the mega-rich just yet, but you'll likely make higher profits than those of your peers who are without a plan.

Choosing your dance partners

Unless you've run a business before, creating a business plan almost certainly needs a little help from outside. The good news is that all you have to do is ask. Consider the following sources:



TIP

- » **Business planning courses:** In my opinion, a structured course spread over several weeks or even months is the very best possible way to accumulate basic planning skills. Not only do you have the discipline of working on your plan at least once a week, but you also usually receive expert mentoring from the teacher or teachers, as well as peer support from other people in a similar position to you.
- » **Business advisory centers:** Depending on where you are in the world, business advisory centers have different names and structures. However, most state and federal governments fund some form of free advisory centers.
- » **Business consultants:** While I warn against delegating the whole planning process to outsiders, expert consultants can be a great resource, especially if you retain control and ownership of your plan.
- » **Your accountant:** I strongly recommend that you do your own financial projections, rather than delegating this task to a bookkeeper or accountant. (I explain just how in Chapters 7 through to 13.) However, after you have made your best attempt, consider asking your accountant to review your figures, and help you to identify anything that doesn't make sense or seems unrealistic.
- » **Your lawyer:** In Chapter 14, I talk about managing risk, including protecting your name and your brand, and limiting liability through company structures. Your lawyer is an excellent source of advice for this part of the planning process.
- » **Friends and family:** Not only is the advice of friends and family usually free, but these people also understand you like nobody else. Support and encouragement from friends and family is invaluable on those doubtful days when you think you (and your new business idea) may be crazy.
- » **Your spouse/life partner:** Last but not least. Need I say more?



REMEMBER

Even if you don't have all of the skills required to create a plan, you won't find a better motivator for acquiring these skills than the feast-and-famine of your business venture. Experience is a generous teacher.

Deciding who this plan is for

The easy answer to the question of who your plan is for is you, of course. Your plan is an ongoing process, not a massive document that you create every year or so. When you create a business plan for your own use only, you can pick a structure, time and format that work well for you.

Of course in real life, the impetus for most business plans is to seek capital, either from an investor or via a bank loan. In Chapter 15, I explain how to frame your plan according to your audience: Investors are typically more interested in a high rate of return and the excitement of a clever business idea; banks are usually more interested in collateral, consistent trading results and your personal credit rating.



WARNING

Regardless of who is likely to read your plan, I strongly suggest that when it comes to the financials — sales targets, income projections, profit projections and so on — you be consistent. Don't have one version of financials for your own purposes, and another spruced-up version for the bank.



TRUE
STORY

I remember my first job after graduating, working for a small but growing company. Money was always tight and we were forever presenting new plans and cashflow projections to prospective lenders. Part of my job was to 'massage' the figures to show that while cash was desperate in the coming six months or so (and hence a loan was required), things would soon turn the corner and, within a couple of years, we would be awash with funds. I discovered how easy it was to manipulate figures. By adding 10 per cent to sales, trimming expenses by the same amount, and maybe increasing the gross profit a little, I could transform dire predictions into something that looked amazing. The trouble was these figures were pure fiction. The manipulated scenarios inevitably created a false sense of security, and led to some pretty poor long-term decision-making.

The moral of the tale? Don't get hoodwinked into 'selling' your plan and exaggerating your likely success. Stay as realistic as possible. This tactic helps you gain respect from any likely investors and keeps you grounded as to what lies ahead.

Subscribing to a business planning app

In this book, I try to provide you with all the information you need to build your plan. You may be wondering how to use this book alongside the many business planning apps available.

Even with this book to hand, a business planning app undoubtedly makes the process easier. Apps such as Bizplan, Enloop, LivePlan and PlanGuru help you to structure each section of your plan, can offer suggested wording based on your

industry, and are excellent for creating financial forecasts, particularly if numbers doesn't come naturally to you.



TIP

I suggest you weigh up the pros and cons for yourself by subscribing to a service such as www.liveplan.com for a month or so. The monthly fee is usually fairly modest, and represents a small financial commitment for what is potentially a significant saving of your time.

I've written this book so it can go hand in hand with any business planning app, aiming to provide guidance as to what's important, and what's not. For example, almost anyone can explain the concept of strategic advantage in a few sentences, and most planning apps simply provide a definition, followed by a template where you can write your own. However, in real life, I find that strategic advantage is super tricky to understand and it's for this reason that I devote two whole chapters to the subject (Chapters 2 and 3), highlighting how fundamental this concept is to business success.

ARE YOU READY?

I find that if someone really wants to start their own business, wild horses can't hold them back. The idea keeps coming around and around until that person finally takes the leap and says, 'I'm going to give it a go'.

So if you're champing at the bit to start your new business, I have just three questions to ask you first:

- Do you have experience in the kind of business you're planning to start? For example, if you're looking at buying a coffee van, have you actually spent a few weeks selling coffee in this way? Do you have barista or retail experience?
- Do you definitely have enough capital to get started? If you're not sure, do you think you may be better saving for a while before you launch your business? (See Chapter 7 for more on budgeting for start-up expenses.)
- Is your partner/spouse/family supportive of this venture?

If your answer to any of these questions is 'no', I suggest that you try to temper your enthusiasm just a little. And if you still can't wait, hey, I completely understand — but perhaps check out the nearby section 'Scoring Your Business out of 10' for a touch of reality.

Scoring Your Business out of 10

Are you still at the stage of thinking about your business idea and wondering if it's worth you even doing a plan? Maybe your business idea is still a glint in the eye but you're raring to go, or maybe you've been mooching along half-heartedly with a new business for a little while now and don't know where you're headed. Just for a bit of fun (this is Chapter 1, after all), why not take a few minutes and see how you and your business idea rate?

Use the scorecard in Table 1-1 if yours is a business that's been done before. By 'done before', I mean a business selling a service or product that many others already provide, such as a gardening business, general store, physiotherapist, or restaurant. Alternatively, if your business or business idea is a niche business or a new invention, use the scorecard in Table 1-2. For each question, a score of 1 is bad, and a score of 10 is good.

TABLE 1-1

Rating a Business that's Been Done Before

Ask yourself. . .	Score (1 to 10)
Can you think of something that will make your product or your service different from your competitors?	
Can you do something that will allow you to deliver a better product or service than your competitors?	
Have you got a skill, design or tool that enables you to be cheaper than your competitors?	
Do you love the day-to-day activity that this business demands?	
Do you know for sure that demand exists for your product or service?	
Do you (or someone in your team) have strong marketing skills?	
If your business is place-based, do you have a strong community network?	
Do you have enough start-up capital to give your business the best possible chance of success?	
Are you good with money, and able to understand budgets and stick to them?	
Is your vision for your business to build something that can ultimately run without your day-to-day attention?	
Does your family support you in this venture?	

TABLE 1-2

Rating a Niche Business or New Invention

Ask yourself. . .	Score (1 to 10)
How unique is your product?	
If your idea is unique, do you have some way of safeguarding this idea from a competitor who might steal it?	
Do you know for sure that demand exists for your product or service?	
Do you have a clear strategy for launching your product or service?	
Can you do something that will allow you to deliver a better product or service than your competitors?	
Do you have enough start-up capital to give your business the best possible chance of success?	
Do you (or someone in your team) have strong marketing skills?	
Are you comfortable in the online environment (social media, e-commerce platforms, and so on)?	
Is a window of opportunity emerging due to a change in the business environment, such as changing regulations, government grants, or new technology?	
Does your family support you in this venture?	

Wondering what a niche business is? A *niche business* is one that specializes in a small market segment. (I came across a quirky example of a niche business just today, where the company specializes in ‘divorce gifts’, each one designed with a generous serve of humor.)

What score are you looking for? Overall, you probably want to get a score of 35 or more, although don’t be dismayed if you score less than this. Chapters 2 through to 5 provide lots of inspiration for developing your business ideas, Chapters 7 to 13 help you consolidate your financial skills, and Chapter 6 helps with the marketing side of things. You can return to this scorecard later in the planning process and see if your score improves.

Structuring Your Plan

The best business plan format for a company with a turnover of \$100 million and 200 employees is going to be utterly different from the best format for a start-up business with no employees. For this reason, you can find as many possible formats for a business plan as recipes for Bolognese sauce.

What most formats have in common, however, is certain key elements, although the sequence of these elements varies:

- » **A cover page and table of contents.**
- » **An Executive Summary.** I explain how to write this in Chapter 15.
- » **Your point of difference and strategic advantage (usually but not always part of your Executive Summary).** For more on these topics, see Chapters 2 and 3.
- » **Your vision for the future.** Although I devote most of a chapter to this topic (see Chapter 3), the aim is to distil this vision into a sentence or two, either as part of your Executive Summary, or part of your pitch for funding.
- » **A PESTEL analysis (optional) and SWOT analysis (expected in most business plan formats).** I cover these topics in Chapter 5.
- » **A competitor analysis and marketing plan.** Chapter 3 talks about competitor analysis and competitive strategy, and Chapter 6 provides a complete summary of how to construct a marketing plan. I talk about the marketing cycle later in this chapter (see 'Responding quickly to the market').
- » **A people plan.** A business isn't anything without the people who run it, and your skills, entrepreneurialism, and natural abilities are as much a part of the mix as anything else, as are the skills of the people you choose to involve in your business. This part of your plan needs to outline the people element of your business: Who does what, and why they're the best choice for the job.

Even if you don't have any employees yet, you can still include details about any consultants, advisers, mentors, or professionals who you plan to involve in your business. These details help to establish credibility for anybody else reading your plan, and prompt you to think further outside the business than just yourself.

Chapter 2 touches on this topic, while Chapter 4 explores the people side of your plan in more depth. (People planning doesn't necessarily take a huge amount of time at first, but is something that can be a huge time-waster if you don't get it right.)

- » **A risk-management plan, if appropriate.** As I explain in Chapter 14, the more risk in your business, the more important it is to include a risk-management strategy in your plan.
- » **A summary of operations, if appropriate.** I talk about how to write this summary in Chapter 15.



TIP

» **Financial reports.** For most new businesses, the financial part of your plan may be as simple as a Profit & Loss Projection for the next 12 months. Established businesses may include projections for 24 or 36 months ahead, as well as historical Profit & Loss reports and Balance Sheets for the previous year or years. Financials often also include break-even analysis, Cashflow Projections and budgets.

For more on creating a Profit & Loss Projection, see Chapters 8 through to 11, for break-even analysis see Chapter 12, and for cashflows and budgets, see Chapter 13.

For new or growing businesses that require a certain sales volume before the model becomes profitable, I suggest you extend your projections for at least a couple of years to demonstrate the long-term viability of your concept.

» **The ask.** I talk more about asking for money in Chapter 15.



TIP

If you feel daunted by the preceding list, I suggest you start with the basics: Your point of difference, a SWOT analysis, a marketing plan and a Profit & Loss Projection for the next 12 months. With these elements in place, you can return to complete more details in your plan as soon as you have the stamina.

LOOKING INTO THE FUTURE

In this book, I emphasize the importance of including financial projections in your business plan, rather than reporting on actual financial results. I do this for two reasons.

First, many people reading this book are going to be working on their first business plan and won't have any results for previous months or years as yet.

Second, even if you've been trading for some time, you will always reap benefits from making financial projections and experimenting with different scenarios, such as what could happen if you increased profit margins by 10 per cent or decreased expenses by a similar amount.

This said, if you've been trading for a while, you do need to include historical figures (Profit & Loss and Balance Sheet) for the last year or two years in your business plan. These results provide a great reality check for you (or anybody else) when comparing future projections against past performance.

Planning for Continuous Change

For most businesses, the two elements within a business plan that require the most ongoing attention are your marketing plan and your financial plan. Each of these activities has its own planning cycle.

Responding quickly to the market

When you're in business, the process of marketing never stops. By marketing, I don't just mean advertising or sales strategies; rather, I mean everything from understanding competitors to analyzing customers, and from reviewing pricing to ensuring excellent customer service.

The pace of change in most business environments is so fast that you can't afford to let a whole year go by without reviewing your marketing plan, sales targets, pricing strategies, marketing strategies, competitors, and more.

Figure 1-1 shows a possible marketing cycle (I explain each step of this cycle in detail in Chapter 6). Can you see how the fifth step of the marketing cycle (review pricing, rates and sales projections) is exactly the same as the second step of the financial cycle (shown in Figure 1-2 in the next section of this chapter)? That's because setting sales targets is always the point at which the sales and marketing team and the bean counters connect.

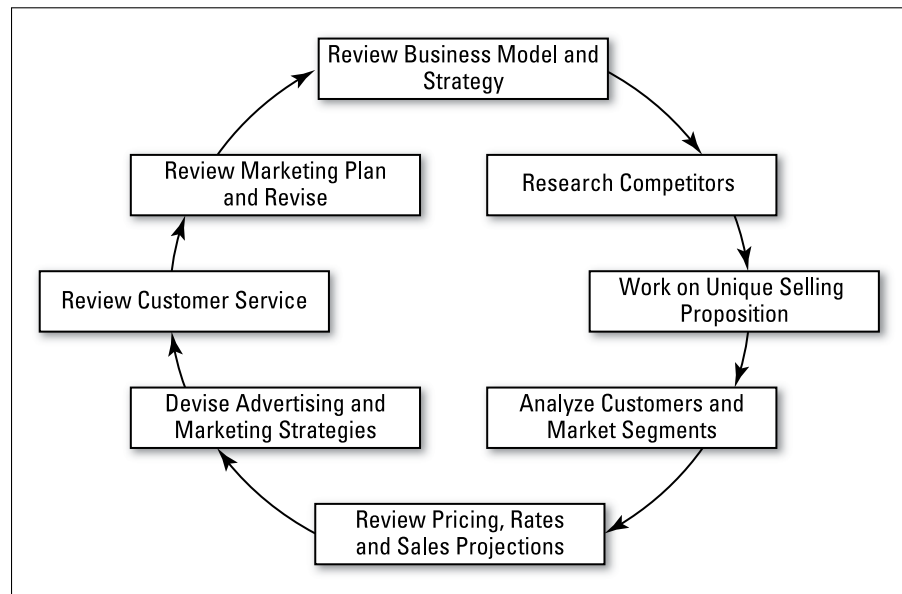


FIGURE 1-1:
The marketing
planning cycle.