

betterlife BY NONTSIKELELO MPULO
ILLUSTRATION: SYDNEY MULLER

CUT OUT
AND KEEP!

PLAN YOUR WAY TO PROFITS

A business plan is vital for success; be sure to include any foreseeable problems so you can navigate your way out of financial stress



IMAGINE starting a journey to an unknown destination with an out-dated map or a faulty GPS device. Inevitably you will take wrong turns and waste time and money trying to navigate your way around unforeseen twists in the road. The same principle applies when you try to start or run a business without a sound business plan.

"The business plan is a roadmap for your business," says Valerie Hayter, managing director of Lireas, the strategic investment company of Hannover Re Africa. "It plots the business journey within tough economic conditions when there is less room for error, and it helps entrepreneurs gauge where things are

going wrong and get back on track.

"At the launch stage, to find a good investor who believes in your dream, you will need a compelling business plan," says Valerie. But as the business matures the business plan should reflect that changing environment.

Most business experts say that the first three years are the toughest for any business. Valerie agrees and advises that being flexible is the best way for an entrepreneur to succeed.

"Change is the only constant so you must build flexibility into the plan," she explains. "Irrespective of where the business is, you need to plan. Don't be rigid about things in your business; build flexibility into your operational,

marketing and distribution systems."

Valerie, who has helped many entrepreneurs draft their business plans and set up small businesses in the insurance industry, recommends a simple plan that captures the essence of the business without being overly complicated.

"Our company philosophy is to invest in people, not just in the business plan," she explains. "Keep the business plan as simple as possible but stick to it. It's not worth the paper it's written on if you don't follow through."

Make a high-, medium- or low-road approach to your projections, she advises. "The first forecast should be ultra-conservative in terms of sales and turnover. This will give you the worst-

“ Planning without action is futile;
action without planning is fatal ”
— ANONYMOUS

**VALERIE'S
TOP TIP**

Many entrepreneurs have great ideas in their heads but are reluctant to put them down on paper. Take time to assess whether your idea makes sense on paper.

case scenario. Then you can look at the best-case scenario.”

Here are some tips to help you draft a business plan that could set your dreams in motion:

WHAT GOES INTO A BUSINESS PLAN?

For a start-up, there are usually two kinds of business plan – a simple one and a detailed one. Some businesses however, need to produce both.

The simple business plan

This is rarely shown to people outside the business. It's written by the entrepreneur, for the entrepreneur. This plan helps summarise the key aims and targets of the business and the actions required to make the business a reality.

Some or all of the following would be covered in the simple business plan:

- * A simple description of the proposed business, outline of where the idea came from and why you believe it's a good one.
- * Set out your key targets for the proposed business including sales, profit and growth – ideally for the next three to four years. This gives the business a sense of direction.
- * Indicate the kind of finance required, including details on how much money will come from the founder and how much will be loaned, over what period and from whom.
- * Conduct a market overview identifying main segments, market size in terms of value, quantity, potential for market growth and what share of the market existing competitors already hold. You can then project what share of the market you could potentially seize.
- * In the operational plan outline how

the business will operate. You should provide specific details about location, offices, staff and distribution methods.

- * Most importantly, make a cash flow and trading forecast.

THE DETAILED BUSINESS PLAN

This will be required if you need to raise a substantial loan from a bank. This can be for an existing or start-up business. Here's a summary of the key content:

- * **Executive summary** This is a brief summary of the business which should contain key highlights of the marketing, operational and financial plans.
- * **Market** This should provide a detailed profile of your potential customers based on market research.
- * **Product** A description of your service or product. It's important to highlight the unique selling point that will differentiate what you offer from your competitors.
- * **Competition** An honest description of the competition in the target market – what they do well, their weaknesses and their likely response.
- * **Protecting the idea** How the product and business can be protected from competition – for example, by using patents, trademarks or distinctive approaches to marketing or distribution that competitors will find hard to replicate.
- * **Management team** It's important to note that this is a crucial area for any investor so be careful when drafting this. Include detailed information about who's involved in the start-up and what they'll be doing, what experience and expertise they bring and which management roles will need to be filled as the business grows.
- * **Marketing** The key elements of the marketing mix should be explained here. Remember that for a start-up the marketing budget is likely to be limited so the plan should describe a credible approach to promoting the product and include realistic assumptions about how many customers will buy it and at what price. For more marketing tips, read *Business with Nono* on page 63.
- * **Operational plan** This explains what's involved in the production process, what capacity is needed, who will supply the business and where it will be

located among other elements. The operational plan drives your businesses efficiency. Money is a scarce resource and having a sound operational plan will help you work out how to use such limited resources in the best way.

- * **Information technology plan** In today's technology-driven environment an information technology plan is very important to ensure you build the right system for your business.

For example, you don't want to invest in expensive machines that will use up capital that can be employed more efficiently.

- * **Financial plan** This is a summary of the cash flow and trading forecasts. This section should highlight the key assumptions that have been made and also outline the main risks and opportunities in the forecasts including, for example, what might go wrong or where things might work out better than the forecast.

- * **Sources of finance** Here the figures from the cash flow forecast are taken and used to highlight what funding the business needs, how you are going to get it and when.

- * **Returns on investment** This is another key area for any investor. It's a description of how the entrepreneur expects investors to get a return on their investment. Who might eventually buy the business, when, and for how much? □

TOP TIPS FROM SEDA

The Small Enterprise Development Agency (SEDA) offers the following tips:

- * Planning is important but don't become stuck in planning mode.
 - * Research and planning can help minimise nasty surprises but you can never be absolutely certain that everything will go according to plan.
 - * Going over to action will always involve some risk.
 - * Most people spend between one and six months on their initial planning.
 - * A written business plan seldom needs to be more than 20 pages, with financial statements included.
- For more info, contact Seda on 012-441-1000 or visit www.seda.org.za

DO YOU HAVE A QUESTION ABOUT RUNNING YOUR BUSINESS?

SMS BUSINESS and your question to 32113. Each SMS costs R1. You can also write to us at DRUM Entrepreneurs, PO Box 7167, Roggebaai 8012 or send a fax to 021-406-2937 marked for the attention of DRUM Entrepreneurs. E-mail us at business@drum.co.za

betterlife BY NONTSIKELELO MPULO
ILLUSTRATION: SYDNEY MULLER

CUT OUT AND KEEP!

PLAN YOUR WAY TO PROFITS

A business plan is vital for success; be sure to include any foreseeable problems so you can navigate your way out of financial stress



IMAGINE starting a journey to an unknown destination with an outdated map or a faulty GPS device. Inevitably you will take wrong turns and waste time and money trying to navigate your way around unforeseen twists in the road. The same principle applies when you try to start or run a business without a sound business plan.

"The business plan is a roadmap for your business," says Valerie Hayter, managing director of Lireas, the strategic investment company of Hannover Re Africa. "It plots the business journey within tough economic conditions when there is less room for error, and it helps entrepreneurs gauge where things are

going wrong and get back on track.

"At the launch stage, to find a good investor who believes in your dream, you will need a compelling business plan," says Valerie. But as the business matures the business plan should reflect that changing environment.

Most business experts say that the first three years are the toughest for any business. Valerie agrees and advises that being flexible is the best way for an entrepreneur to succeed.

"Change is the only constant so you must build flexibility into the plan," she explains. "Irrespective of where the business is, you need to plan. Don't be rigid about things in your business; build flexibility into your operational,

marketing and distribution systems."

Valerie, who has helped many entrepreneurs draft their business plans and set up small businesses in the insurance industry, recommends a simple plan that captures the essence of the business without being overly complicated.

"Our company philosophy is to invest in people, not just in the business plan," she explains. "Keep the business plan as simple as possible but stick to it. It's not worth the paper it's written on if you don't follow through."

Make a high-, medium- or low-road approach to your projections, she advises. "The first forecast should be ultra-conservative in terms of sales and turnover. This will give you the worst-

“ Planning without action is futile;
action without planning is fatal ”
- ANONYMOUS

**VALERIE'S
TOP TIP**

Many entrepreneurs have great ideas in their heads but are reluctant to put them down on paper. Take time to assess whether your idea makes sense on paper.

case scenario. Then you can look at the best-case scenario.”

Here are some tips to help you draft a business plan that could set your dreams in motion:

WHAT GOES INTO A BUSINESS PLAN?

For a start-up, there are usually two kinds of business plan – a simple one and a detailed one. Some businesses however, need to produce both.

The simple business plan

This is rarely shown to people outside the business. It's written by the entrepreneur, for the entrepreneur. This plan helps summarise the key aims and targets of the business and the actions required to make the business a reality.

Some or all of the following would be covered in the simple business plan:

- * A simple description of the proposed business, outline of where the idea came from and why you believe it's a good one.
- * Set out your key targets for the proposed business including sales, profit and growth – ideally for the next three to four years. This gives the business a sense of direction.
- * Indicate the kind of finance required, including details on how much money will come from the founder and how much will be loaned, over what period and from whom.
- * Conduct a market overview identifying main segments, market size in terms of value, quantity, potential for market growth and what share of the market existing competitors already hold. You can then project what share of the market you could potentially seize.
- * In the operational plan outline how

the business will operate. You should provide specific details about location, offices, staff and distribution methods.

- * Most importantly, make a cash flow and trading forecast.

THE DETAILED BUSINESS PLAN

This will be required if you need to raise a substantial loan from a bank. This can be for an existing or start-up business. Here's a summary of the key content:

- * **Executive summary** This is a brief summary of the business which should contain key highlights of the marketing, operational and financial plans.
- * **Market** This should provide a detailed profile of your potential customers based on market research.
- * **Product** A description of your service or product. It's important to highlight the unique selling point that will differentiate what you offer from your competitors.
- * **Competition** An honest description of the competition in the target market – what they do well, their weaknesses and their likely response.
- * **Protecting the idea** How the product and business can be protected from competition – for example, by using patents, trademarks or distinctive approaches to marketing or distribution that competitors will find hard to replicate.
- * **Management team** It's important to note that this is a crucial area for any investor so be careful when drafting this. Include detailed information about who's involved in the start-up and what they'll be doing, what experience and expertise they bring and which management roles will need to be filled as the business grows.
- * **Marketing** The key elements of the marketing mix should be explained here. Remember that for a start-up the marketing budget is likely to be limited so the plan should describe a credible approach to promoting the product and include realistic assumptions about how many customers will buy it and at what price. For more marketing tips, read *Business with Nono* on page 63.
- * **Operational plan** This explains what's involved in the production process, what capacity is needed, who will supply the business and where it will be

located among other elements. The operational plan drives your business efficiency. Money is a scarce resource and having a sound operational plan will help you work out how to use such limited resources in the best way.

* **Information technology plan** In today's technology-driven environment an information technology plan is very important to ensure you build the right system for your business.

For example, you don't want to invest in expensive machines that will use up capital that can be employed more efficiently.

* **Financial plan** This is a summary of the cash flow and trading forecasts. This section should highlight the key assumptions that have been made and also outline the main risks and opportunities in the forecasts including, for example, what might go wrong or where things might work out better than the forecast.

* **Sources of finance** Here the figures from the cash flow forecast are taken and used to highlight what funding the business needs, how you are going to get it and when.

* **Returns on investment** This is another key area for any investor. It's a description of how the entrepreneur expects investors to get a return on their investment. Who might eventually buy the business, when, and for how much? □

TOP TIPS FROM SEDA

The Small Enterprise Development Agency (SEDA) offers the following tips:

- * Planning is important but don't become stuck in planning mode.
 - * Research and planning can help minimise nasty surprises but you can never be absolutely certain that everything will go according to plan.
 - * Going over to action will always involve some risk.
 - * Most people spend between one and six months on their initial planning.
 - * A written business plan seldom needs to be more than 20 pages, with financial statements included.
- For more info, contact Seda on 012-441-1000 or visit www.seda.org.za

DO YOU HAVE A QUESTION ABOUT RUNNING YOUR BUSINESS?

SMS BUSINESS and your question to 32113. Each SMS costs R1. You can also write to us at DRUM Entrepreneurs, PO Box 7167, Roggebaai 8012 or send a fax to 021-406-2937 marked for the attention of DRUM Entrepreneurs. E-mail us at business@drum.co.za