

## STARTING A PRIVATE PRACTICE

# Plan your plan

A business plan is one of the most valuable partners you can have.

**Ian Tongue** (pictured right) sets out tips on writing one

THERE ARE many reasons why you may have to prepare a business plan at some point in your career.

And writing a sound plan can be the difference between the success and failure of a project – so it is vital that the business plan achieves its objectives.

Investors or banks do not want to see a literary masterpiece full of waffle and spin; more quality and less quantity is the order of the day.

Think of the entrepreneurs on the TV series *Dragons' Den*: this is a prime example of how structure and getting the message across succinctly is so important. The dragons do not want to waste their time listening to waffle and ill-prepared pitches and neither will a bank or potential investor.

## Key messages to establish

A business plan needs to cover many areas, but you must ensure that, having read your business plan, an investor can ascertain the following:

- How much you need;
- What is it for;
- What return can they expect;
- You understand your market;
- You are worth investing in;
- The financials supporting the plan are strong;
- They will get their money back;
- You have considered risk.

## What does a business plan look like?

A business plan will be structured and varies depending on the purpose, but the key parts are usually:

- An executive summary;
- Description of the opportunity;



## Description of opportunity

This will cover why you need the money and how this opportunity is investable. In the case of needing borrowings for your existing business, you would describe your current business and its strengths and the need for additional funding.

## Marketing and selling information

For a new type of service, such as a new cosmetic treatment, you would include any market information that is available to support the expected market size.

For more established products/services, there is usually a wealth of information available relating to things like market size and buying patterns. If you do not know your market in detail, an investor will instantly think the project is more risky.

## You and your operation

This is the section where you can get across who they are investing in. Many people would include their CV within the plan or at least a summary of the key points. You would also cover areas such as how long you have been trading

(performing private work) and a description of the business you have built up over this period.

If the plan is for a group of individuals, a description of the team and the synergies they bring is important.

## Financial forecasts

This section is likely to make or break the plan. It will contain the detailed financial information relating to the investment opportunity. Only after you have researched the market fully can this section be completed accurately.

For established businesses, historical financial data will be presented, usually three to five years, showing the trading (profit and loss account) and asset position (balance sheet). The full accounts should be appended to the plan. This highlights your track record in running a business.

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prospective financial data following investment are the key financials that an investor will be interested in. Forecasts of profit are essential, but the ‘cash flow statement’ is the key document: cash is king.

It is strongly advisable to seek the assistance of your accountant in preparing the financial forecasts, as frequently the distinction between earnings and cash flow can be confused.

The forecasts must show that the funding requirement is covered and most investors will expect to see a significant amount of headroom in the figures to allow for over-optimism. There will inevitably be certain assumptions in the preparation of the figures and it is better to summarise them rather than having to supply this information later on.

Another important part of the financial section is to provide some ‘ratio analysis’. This gives

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the reader an idea of profitability, solvency and liquidity, among others. This information will be important to any investor.

## Help and support

If you are struggling to pull together a strong business plan, there is plenty of help available to you, ranging from off-the-shelf software packages to specialists who prepare business plans for you, including assistance in market research.

However, for most types of business plan, you are likely to know the market and opportunity best and therefore your knowledge together with help from your accountant should ensure that a strong plan is prepared.

## ■ Next month: Motivating staff financially

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