

**CyEC 2003**

# **BUSINESS PLANNING GUIDELINES**

**WORKSHOP**  
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## **Contents**

**Business Plan: Why?**

**What makes a Winning Proposal?**

**Business Plan Structure**

**The Executive Summary**

**The Real World!**

**Concluding Message to Contestants**



# Contents

## Business Plan: Why?

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# Business Plan: Why?

## ▶ External Function

- A communication & promotion tool vis-à-vis the external environment, e.g. Equity Investors, Bankers

## ▶ Internal Function

- A planning & monitoring tool, supporting management & shareholders

➔ **Business Planning is a dynamic process, constantly integrating changes in the market environment and/or business direction**



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## What makes a Winning Proposal?

- ▶ The Proposals will be judged on their potential to:
  - Succeed in the marketplace, and
  - Hence ... Attract funding!
- ▶ The Judges will therefore focus on the Value Proposition & Business Fundamentals:
  - Serious Technology
  - Customer needs
  - Sustainability
  - Team



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# What makes a Winning Proposal?

## Value Proposition

### ► Is it based on a Serious Technology?

- Is it state-of-the-art?
- Is it based on industry standards?
- Does it provide you with a competitive lead?
- Is there a risk of substitution?
- What is the time to market?



# What makes a Winning Proposal?

## Value Proposition

### ► Is it addressing a specific customer need?

- Is it solving an important & valuable problem?
- Are the realised customer benefits significant?
- Is it addressing customers who are willing to pay well?
- Does it have a short sales cycle?
- Is the size of the target market significant?
- Can it be adapted to address other market segments?



# What makes a Winning Proposal?

## Value Proposition

### ▶ How sustainable will market success be?

- How is it differentiated from competition?
- Is the competitive advantage sustainable?
- How adaptable is it to changes in the market?
- What are the barriers to entry?



# What makes a Winning Proposal?

## Value Proposition

### ▶ Does the Team possess the required qualities?

- What is the expertise & experience of each individual?
- Are the skills complementary and highly relevant?
- Is there demonstrated knowledge of the target market?
- Is there strong management expertise on board?
- How committed are the individuals to the Project?
- Does it demonstrate ability to identify & manage risks?



# What makes a Winning Proposal?

## Value Proposition

**‘YOUR VALUE PROPOSITION MUST BE COMPELLING, QUANTIFIABLE, PROVEABLE, REFERENCEABLE, AND EASILY EXPLAINABLE...’**

Kenneth P. Morse  
Managing Director, MIT Entrepreneurship Center



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# Business Plan Structure

- ▶ There is a plethora of literature & tools on Business Plan Development & Drafting
- ▶ The CyEC website ([www.cyec.cs.ucy.ac.cy](http://www.cyec.cs.ucy.ac.cy)) will also provide you with some guidance & support, including links to other useful sites



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# Business Plan Structure

## THE CyEC TEMPLATE

### Abstract

- I. Executive Summary
- II. The Company
- III. The Business Idea
- IV. Market Analysis
- V. Marketing & Sales
- VI. Operations

- VII. Management & Organisation
  - VIII. Risk Analysis
  - IX. Financial Analysis
  - X. The Offering
  - XI. Implementation Plan
- Appendices

**Note:** The main part of the report should not exceed 30-35 pages in length. Put all supporting material in Appendices!



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# Business Plan Structure

## ABSTRACT

... known also as 'The Elevator Speech' !

- ▶ **Present the Essence of your Business Idea in a few sentences.**



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# Business Plan Structure

## ABSTRACT- Examples

**Akamai Technologies:** Akamai offers global Internet content and application delivery. We dramatically improve the speed and reliability of Web sites that care about performance and want to offer more engaging content and applications. With the world's only guaranteed network for content delivery, Akamai makes the Net work for eBusiness.

**Virtmed:** The Virtmed Corporation offers industry-leading palmtop and data synchronization products for physicians and healthcare providers.

**Vividon:** Vividon is an Internet infrastructure company specifically focused on the delivery of streaming media. Vividon's mission is to build a family of Streaming Delivery Systems that radically improve the economics of delivering streaming media over the Internet.



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# Business Plan Structure

## I. EXECUTIVE SUMMARY

**The most important & most read component of the Business Plan. It therefore should:**

- ▶ Present all '*selling points*' of the proposed business
- ▶ Be concise & convincing
- ▶ Stand alone
- ▶ Be brief (3-4 pages)!

➔ **It will determine your success in motivating the Reader (Investor or Judge) to continue reading ... and in reaching the Finals of CyEC!**



# Business Plan Structure

## II. THE COMPANY

- ▶ **Company Profile**
- ▶ **Field of Business**
- ▶ **Objectives**

### Can the reader clearly see

- How will company be organised, what legal form will it have, what ownership structure and where will it be located?
- What products and services will you sell, what market needs will you address and what is your target market?
- What is your vision, your ambition and overall strategy?



# Business Plan Structure

## III. THE BUSINESS IDEA

- ▶ **Description of Product/Service/Technology**
- ▶ **Stage of Development**
- ▶ **Customer Benefit**
- ▶ **Competitive Advantages**
- ▶ **Protection of the Idea**

### Can the reader clearly see

- What function does your product/service fulfil?
- Where is the innovation?
- What is the stage of development and time to market?
- What are the customer benefits & how significant they are?
- What are the major advantages of your product vis-à-vis competing products?
- If you have a market lead & how sustainable it is?
- How is your idea protected (patent registration, trademark etc.)?



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# Business Plan Structure

## III. THE BUSINESS IDEA

### **Remember!**

- ▶ Successful Business Ideas are those that solve an **important problem** for customers, i.e. those that offer the customer a **'pain-killer'** & not a **'vitamin'**
- ▶ The customer will **always buy** a **'pain killer'**, while **'vitamins'** are **optional!**



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# Business Plan Structure

## IV. MARKET ANALYSIS & V. MARKETING & SALES

### Market Research

- ▶ Sections IV & V will have to convince the Reader of the market potential of your venture.
- ▶ You need to demonstrate a deep knowledge of your market:
  - Your **Potential Customers** and
  - Your **Competitors**



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# Business Plan Structure

## IV. MARKET ANALYSIS & V. MARKETING & SALES

### Customer Research

Complement your Desk Research (*industry statistics, market studies etc.*) with Primary Research :

- ▶ Conduct interviews with and/or perform demonstrations to potential customers, industry suppliers, industry experts.
- ▶ Get Feedback from your potential customers on:
  - Their acceptance of the value of your product/service
  - The prices they are willing to pay
  - Their purchasing cycles & decision-makers involved
  - The likely barriers to the adoption of your product/service



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# Business Plan Structure

## IV. MARKET ANALYSIS & V. MARKETING & SALES

### Competitor Research

Identify your potential competitors & address the dimensions of competition:

- What are their strengths & weaknesses vis-a-vis your product/service?
- What are the issues of distribution?
- What is the likelihood of forging strategic alliances?
- Who are potential allies?



# Business Plan Structure

## IV. MARKET ANALYSIS

- ▶ **The Market**
- ▶ **Market Trends**
- ▶ **The Target Market**
- ▶ **Competition**
- ▶ **Planned Sales Volume**

### Can the reader clearly see

- How is the market developing, what are the market dynamics and what are the current trends?
- How large is the market & how fast is it growing?
- How can you overcome any barriers to entry?
- Who are your target customer groups?
- How do you plan to position yourself in the market?
- Who are your strongest competitors, what are their strengths & weaknesses?
- How is the market divided up & what share are you aiming for?
- How is your sales volume likely to develop?



# Business Plan Structure

## V. MARKETING & SALES

### ▶ Sales-promotion Factors

### ▶ Market Entry Strategy

### ▶ Marketing Mix

- Product Policy
- Communication Policy
- Distribution Policy
- Pricing Policy

#### Can the reader clearly see

- What steps are planned for the market entry?
- How is your product/service designed so that it attracts attention in the market?
- In what way & by what means are potential customers addressed?
- Through which distribution channels do you reach your customers?
- What is your pricing strategy & how are your prices calculated?



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# Business Plan Structure

## VI. OPERATIONS

### ▶ Scope of Operations:

- R&D
- Production
- Marketing & Sales
- Logistics
- After-sales service
- etc.

### ▶ Location/Facilities

### ▶ Strategy & Plans

### ▶ Regulatory Issues

#### Can the reader clearly see

- How will you structure your operations in order to develop your product/service & deliver it to the market place?
- What processes will you perform in-house & what will you procure (make vs. buy)
- What will your relationship be with vendors, suppliers, partners & associates?
- How will your operations evolve as your business grows?
- What approvals/licenses you need in order to become operational?



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# Business Plan Structure

## VII. MANAGEMENT & ORGANISATION

- ▶ **Organisational Structure**
- ▶ **Key Management Team**
- ▶ **Management Compensation**
- ▶ **Personnel Planning**
- ▶ **Personnel Expenditure**

### Can the reader clearly see

- What is the organisational & ownership structure?
- Who the Members of the Management Team are & what abilities/experience they have?
- What additional skills are needed in the Management Team?
- How is Management Compensated (pay, stock options etc.) & how are responsibilities divided up?
- How your personnel requirements will develop over time?
- How is personnel expenditure structured?



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## VIII. RISK ANALYSIS

- ▶ **Risk Factors**
  - Technology
  - Market
  - Financial
  - Operational
  - Regulatory
- ▶ **Risk Mitigation**

### Can the reader clearly see

- What potential risks do you foresee?
- What actions are you taking in minimising these risks?
- What is the worst-case scenario & how can it affect your budgeted financial figures?



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# Business Plan Structure

## IX. FINANCIAL ANALYSIS

### ▶ Key Assumptions

- Investment Plan
- Financing Plan
- Operational Costs
- Revenues

### ▶ Sensitivity Tests

- Key Parameters
- Sensitivity Results

### ▶ Financial Highlights

- Profit & Loss
- Balance Sheet
- Cash Flows
- Financial Returns

#### Can the reader clearly see

- How large is the financing requirement in total?
- When do you require funding & how much?
- What assumptions underpin your financial analysis? Do they reflect your strategy & planning as presented in the text?
- How will the business develop over the projected 3-5 year period?
- What are the expected profitability levels & financial returns?



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# Business Plan Structure

## X. THE OFFERING

### ▶ Desired Funding

### ▶ The Offer

### ▶ Use of Funds

### ▶ Exit Options

#### Can the reader clearly see

- What is the level of outside investment that you require?
- What else do you require from investors besides capital?
- What do you offer investors? What portion of ownership are you prepared to give up in exchange?
- How are you going to use the proceeds?
- What are the likely exit options to investors?



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# Business Plan Structure

## **XI. IMPLEMENTATION PLAN**

- ▶ **Present an Overall Implementation Plan in *Gantt Chart* form**
- ▶ **Highlight Important Milestones**



# Business Plan Structure

## **APPENDICES**

**Include all relevant documentation that supports the body of the Business Plan, e.g.:**

- ▶ Technical product description
- ▶ Market Research Results
- ▶ CVs of Management Team members
- ▶ Detailed Financial Forecasts
- ▶ Letters of Intent
- ▶ Experts Opinions
- ▶ etc.



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# The Executive Summary

## Proposed Structure

**Outline all key aspects of your Business Plan:**

- ▶ **Business Concept**
- ▶ **Technology/Product**
- ▶ **The Opportunity**
- ▶ **Target Market**
- ▶ **Competitive Advantages**
- ▶ **Market Entry**
- ▶ **Financial Summary**
- ▶ **The Team**



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# The Executive Summary

## Proposed Structure

### ▶ **Business Concept**

- What is the field of business you are entering?
- What can your product/service do?
- Who are the potential customers?
- What are the innovative elements of your business idea?
- What are your long-term goals & objectives?

- ▶ Technology/Product
- ▶ The Opportunity
- ▶ The Target Market
- ▶ Competitive Advantages
- ▶ Market Entry
- ▶ Financial Summary
- ▶ The Team



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# The Executive Summary

## Proposed Structure

### ▶ Business Concept

### ▶ **Technology/Product**

- What unique technology/know-how does your product/service include?
- How does this technology/know-how result in compelling customer benefits?
- Is your product/service ready for the market, and if not, at what stage of development is it?
- Can your technology/know-how be protected by IPRs?

- ▶ The Opportunity
- ▶ The Target Market
- ▶ Competitive Advantages
- ▶ Market Entry
- ▶ Financial Summary
- ▶ The Team



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# The Executive Summary

## Proposed Structure

- ▶ Business Concept
- ▶ Technology/Product

### ▶ The Opportunity

- What valuable problem do you solve for your customers?
- What are the specific benefits of your product/service to the customer?
- How significant are the benefits to the customer?

- ▶ The Target Market
- ▶ Competitive Advantages
- ▶ Market Entry
- ▶ Financial Summary
- ▶ The Team



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# The Executive Summary

## Proposed Structure

- ▶ Business Concept
- ▶ Technology/Product
- ▶ The Opportunity

### ▶ Target Market

- Who are the potential customers of your product/service?
- How large is your target market and what are the underlying drivers that are fuelling market growth?
- Who are your competitors & how is the market divided up?
- What share of the market are you aiming for?

- ▶ Competitive Advantages
- ▶ Market Entry
- ▶ Financial Summary
- ▶ The Team



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# The Executive Summary

## Proposed Structure

- ▶ Business Concept
- ▶ Technology/Product
- ▶ The Opportunity
- ▶ Target Market

### ▶ **Competitive Advantages**

- What are the 'unique selling points' of your business?
- Why is your product/service superior to other competing products?
- How can you safeguard your competitive lead?

- ▶ Market Entry
- ▶ Financial Summary
- ▶ The Team



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# The Executive Summary

## Proposed Structure

- ▶ Business Concept
- ▶ Technology/Product
- ▶ The Opportunity
- ▶ Target Market
- ▶ Competitive Advantages

### ▶ **Market Entry**

- How will you sell your product/service?
- What distribution channels will you use?
- How will you price your product/service?

- ▶ Financial Summary
- ▶ The Team



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# The Executive Summary

## Proposed Structure

- ▶ Business Concept
- ▶ Technology/Product
- ▶ The Opportunity
- ▶ Target Market
- ▶ Competitive Advantages
- ▶ Market Entry

### ▶ Financial Summary

- What amount of investment is required to implement the Project and how will it be spent?
- How will the investment be financed?
- What is the forecast for revenues, profitability and cash flows, over the next 5 years?
- What are the expected investment returns?

### ▶ The Team



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# The Executive Summary

## Proposed Structure

- ▶ Business Concept
- ▶ Technology/Product
- ▶ The Opportunity
- ▶ Target Market
- ▶ Competitive Advantages
- ▶ Market Entry
- ▶ Financial Summary

### ▶ The Team

- Who are the founders and what abilities and experience do they possess?
- What is the role of each founder in the proposed business?
- What other skills do you need to bring on board?



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## THE REAL WORLD !

### Principal Reasons for Investment Rejections at CDB

- ▶ **Limited growth potential: focusing on local market;**
- ▶ **No evidence of innovation/differentiation from competition;**
- ▶ **Not convincing as a Business Concept: too many services lacking market focus & not addressing a real user need;**
- ▶ **Management team lacking core competencies: driven by technologists with little market knowledge;**
- ▶ **Lack of investment commitment from founders;**
- ▶ **Time required for the market to develop is too long: services based on technologies not yet widely used in target market;**
- ▶ **Valuation unrealistically high!**



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## THE REAL WORLD !

### Causes of Failure of Companies

#### Principal Causes of Failure in the Opinion of Directors

		%
■ Insufficient working capital	28	18
■ Insufficient capital	23	15
■ Bad debts	18	11
■ Inexperience	10	6
■ Poor labour/supervision	10	6
■ Keen Competition	9	6
■ Ill health	9	6
■ Underestimating	7	4
■ Expansion too rapid	6	4
■ Shortage of materials	4	3
■ Bad weather	4	3
■ Pilfering / fraud	4	3
■ Inadequate accounting	3	2
■ Increasing overheads	3	2
■ Miscellaneous	19	12
	157	102

Source: Durham University



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## THE REAL WORLD !

### Causes of Failure of Companies

#### Principal causes of Failure in the Opinion of Official Receivers

		%
■ Mismanagement	67	43
■ Insufficient capital	31	20
■ Insufficient working capital	20	13
■ Excessive remuneration	7	4
■ Inadequate accounting	5	3
■ Inexperience	5	3
■ Gross mismanagement	4	3
■ Bad debts	4	3
■ Underestimating	4	3
■ Pilfering / fraud	4	3
■ Overtrading	3	2
■ Increasing overheads	3	2
	157	102

Source: Durham University



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# Concluding Message to Contestants

- ▶ **Form a Winning Team**
- ▶ **Develop a Value Proposition**
- ▶ **Know your Market**
- ▶ **Know your Competitors**
- ▶ **Focus on **how** and **why** prospective customers will buy from you, and pay you money!**
- ▶ **Be Optimistic but Realistic**
- ▶ **Focus on milestones**
- ▶ **Be Brief, Concise, Consistent!!**



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# Concluding Message to Contestants

**GOOD LUCK**



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