Writing A Winning Business Plan
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Why create a Business Plan?

• For a company manager…
  – Communicates strategic direction
  – Communicates tactical agreements
  – Communicates company objectives
  – Communicates department objectives
  – Communicates budget requirements
  – Provides for common agreement & buy-in
Strategy ? Tactics ? Objectives?

• Strategy = Direction 1-36 months
• Tactics = Operating Plans 1-12 months
• Objectives = Metrics 1-12 months
Business Planning Architecture

Vision → 24-36 months → Senior Managers

Strategy → 12-24 months → Senior Managers

Tactics → 1-12 months → All Key Managers

Operations

Actions \{ The Day-to-Day \}

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Why create a Business Plan?

• For an entrepreneur…
• Provides the same as a company manager
• Also,
  – …provides a framework for investors & bankers
Why create a Business Plan?

• Most importantly, for you & your team
  – The actual process of planning is the key.
    • It consolidates management direction.
    • It provides debate & finally consensus.
  – It is a guide when speed bumps happen.
  – It is your company & personal scorecard.
Let’s take an example…

- Ideas…mid 1999
- Talk & Strategize
- First Generation Business Plans, summer, 1999
  - Raised $100,000
- First customer, early 2000
- Second Generation Business Plans, mid 2000
  - Raised $4 million on Series A
Writing a plan is tough work!

• It requires disciplined balance
  – It’s visionary, but logical.
  – It’s financially perfect, but flexible.
  – It’s for today, but also for 3 years out
  – It’s a formal Plan, but it’s easy to read.
  – It’s creative, but it follows *The Rules*. 
How do you start?

Pay attention to *The Do’s & Don’ts.*

- Be compelling
- Be brief, focused, & deliberate
- Focus on customers
  - How will you sell them?
- Focus on cash breakeven
- Provide market research & hard data
- Be innovative & describe barriers
- Create an experienced management team
Do...

- Be brief & direct & detailed.
  - Get to the bottom line quickly.
- Identify what the business is immediately
- Identify the business model immediately.
- Focus on your customers.
  - Who? How big? Where?
- Identify the sales model immediately
  - Define metrics of Sales productivity
Do...

• Define what’s compelling & unique.
• Be realistic with yourself.
• Remember, you're investing your career.
• Define long term objectives for 3 to 5 years.
• Describe the 3 to 4 primary strategies.
• Focus on cash breakeven
  – Make realistic, but exciting projections
Don’t just start writing

- **Preparation**... *The Key to Success.*
  
  – What’s my Vision?
  – Can I explain it to others?
  – What business are we in today?
    - What about in 3 years?
  – Are we really innovative?
Don’t just start writing

• Preparation… *The Key to Success.*

  – What do we really know about…
    • Our market & customer targets
    • Who our customers will be in 2005
    • Our future product roadmap
    • Market data, trends, & forecasts.
    • Competition
    • New technologies in development
One more preparation task...

- Define your starting assumptions...
  - Internally, what do we expect for…
    - Sales revenue growth rates
    - Sales acquisition costs
    - Technology investment rates
    - Product costs & expected margins
    - G&A expense percentages
    - Receivables, payables, financing
Now, you can start writing.

What you need...

- A quiet place and time.
- All of your data easily available.
- Start working by yourself.
- Get the content down quickly.
- Send a first rough draft to others quickly.
- Write draft after draft after draft after.....
The Traditional Business Plan

- An Executive Summary
- 7-9 sections
- 20-30 pages with financials

- Provides clear details
- Brings out the richness of the business idea.
- Details the market opportunity & complexity
- Details the business and sales models
What’s included?

• 7-9 Sections...

1. Executive Summary
2. Introduction to the business
3. Definition of products & services
4. Overview of markets
5. Overview of sales & marketing plans
6. Overview of product roadmap
7. Summary of manufacturing & operations
8. Management team bios
9. Four pages of financials
Section 1: The Executive Summary

3-4 compelling pages...

- Clear definition of the business
- Markets
- The business & the sales models
- Competitive advantages
- Management team
- Financials & use of funds
Section 2. What’s the Business?

• This section is focused on…
  – The Business Opportunity
  – The Markets
  – The Technology & The Products

• It must define…
  – A clear vision & clear strategies
  – A well defined business & economic model
  – A strong sense of management experience
Section 3: Sales & Marketing

What’s the Market? .... The most important section

– Customer analysis: pain & needs
– Worldwide market size & trends
– Competitive strengths & weaknesses
– What’s the value creation?
Section 3: Sales

3.1 The Sales Plan

• What’s your Sales strategy?
  – What channels will you use?
  – Is there an innovative channel?
  – What are your penetration tactics?
• What’s your sales model?
• What are your metrics?
• What’s your hiring & training plan?
Section 3: Sales & Marketing

3.2 The Marketing Plan

- What are your marketing strategies?
  - What are the data points to measure success?
  - What is your price positioning & why?
  - What are your primary tactics in years 1 & 2?
Section 3: Sales & Marketing

3.3 The Customer Support Plan

• Primary objectives
  – Delivery & Response metrics
• Primary policies & tactics
• Outsource or not?
• Future services ?
Section 4: Engineering

The Development Plan

• What are your core technologies?
  – Provide sufficient, not numbing detail.
• What is your development status?
  – Describe your primary milestones.
  – Be conservative. Development will be late.
• What is the product roadmap?
• Detail the technical team’s background.
Section 5: Operations & Manufacturing

The Manufacturing Plan

- Customer focus is the key
- Outsource or not? Why & why not?
- Primary metrics?
  - Quality, costs, delivery

- What is core in Manufacturing?
- What are unique capabilities & processes?
Section 6: Senior Management

Management

- #1 reason business plans fall apart
- #1 reason that investors do not invest.
- Experience is first. Dedication is second.
- Ability to rapidly learn is third
- Too strong an ego is a negative.
Section 7: The Financials

• The Rule: Everything Must Sync
  • Your vision & strategies in text must tie in.
  • Your market growth objectives must tie in.
  • Your business & sales models must tie in.
  • Your margin percentages must tie in.
  • Your cost of goods must tie in.
  • Your expenses must reflect standard %’s.
Section 7: The Financials

You need...

• P&L’s
  – 1st year by month
  – 2nd year by quarter
  – 3rd year by year
• Balance Sheets for each year
• Cash Flows for each year
• 3-4 pieces of paper only
**Section 7: The Financials**

You need to list your…

- Primary assumptions
- Primary categories for use of funds
- Primary risks
  - Other than the normal
  - If nothing specific, do not list any.
- What’s your exit strategy
Section 8: The appendices

- Provide only the compelling things…
  - Product data sheets for primary products
  - Any critical publication.
  - Do not provide resumes.
  - Do not include patents.
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