



# **How to Write a Business Plan**

**Entrepreneurship Challenge**

**Imperial College  
6 March 2001**

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# Contents

- **Business start-up process**
- **Writing the Business Plan**
- **Constructing the team**

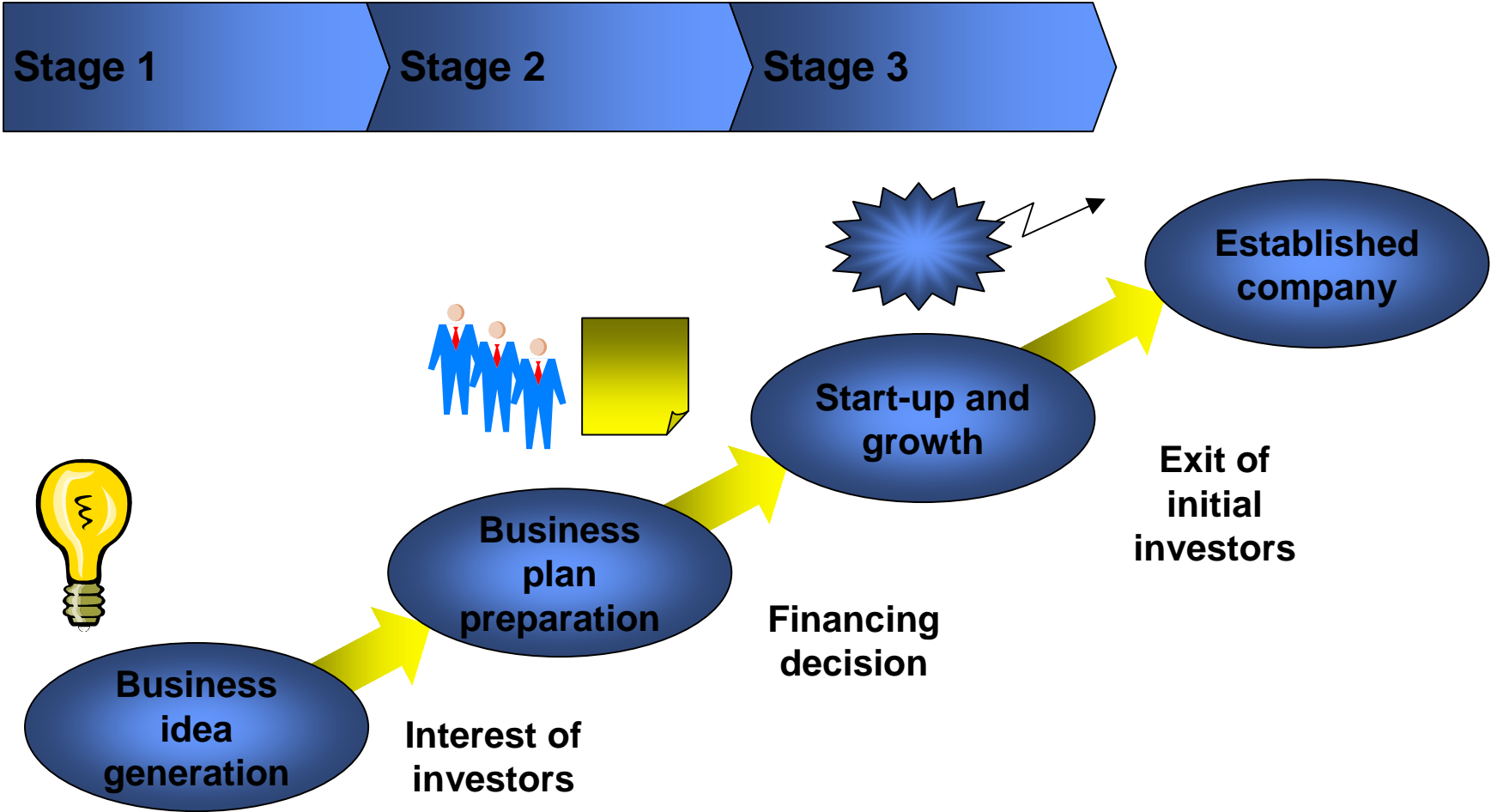
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- **Business start-up process**

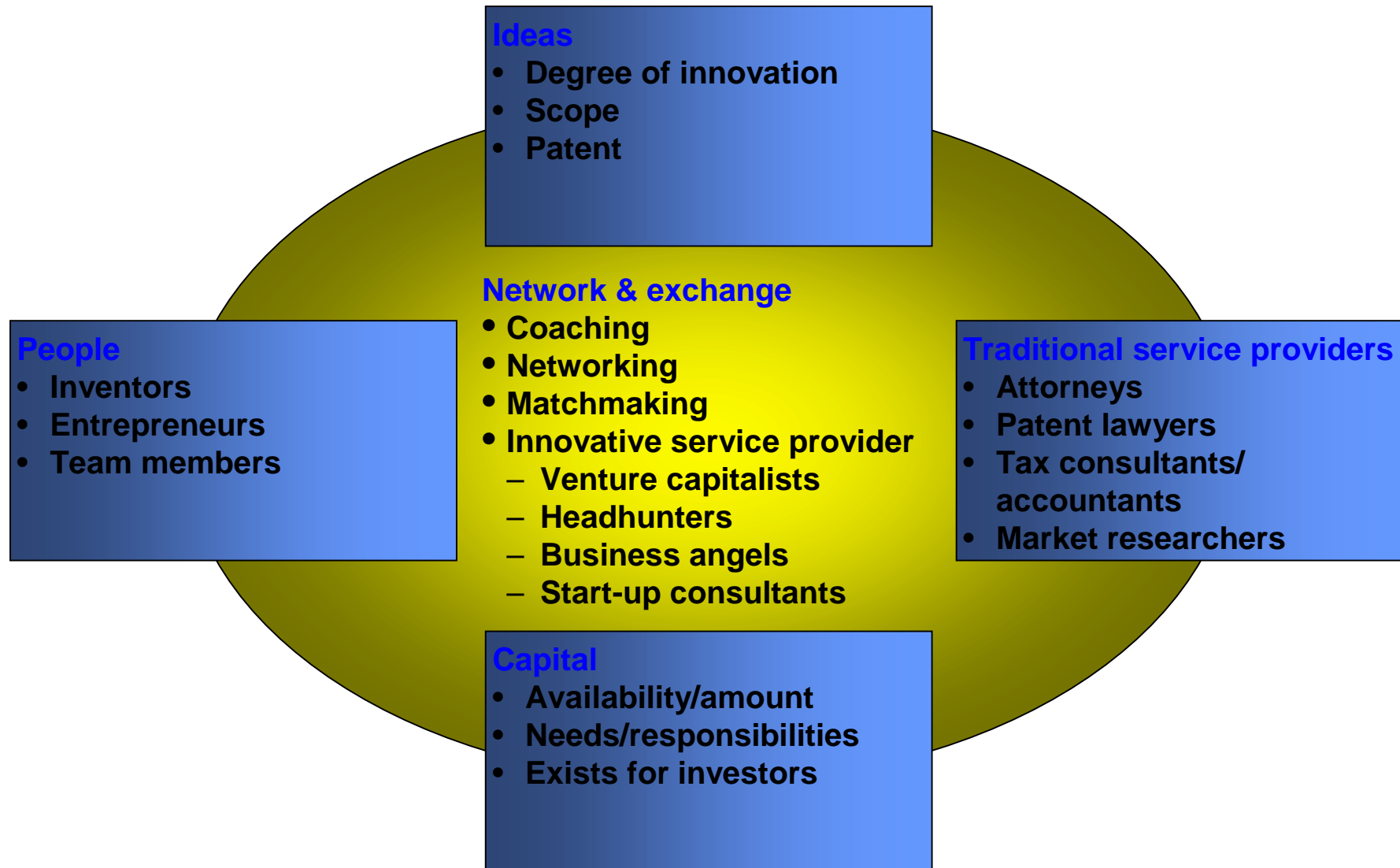
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# Stages of a Start-up



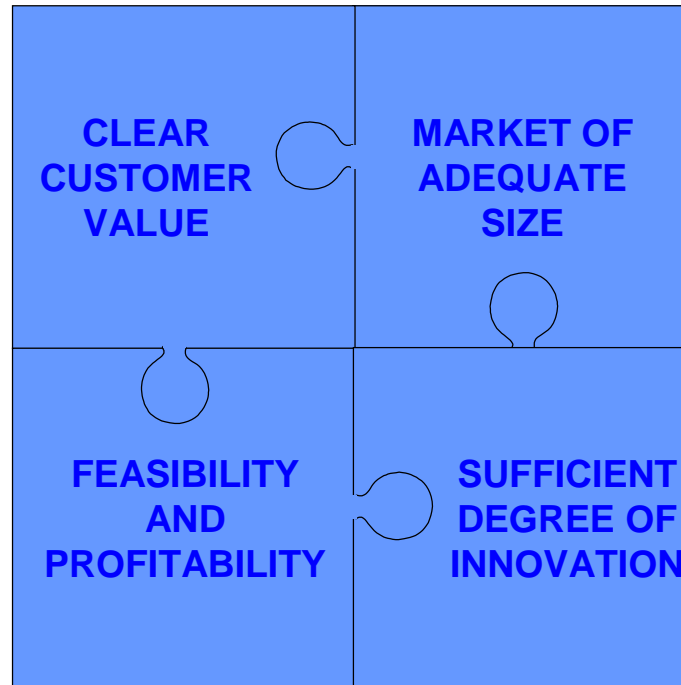
# 5 key factors for success of innovative start-ups



# Elements of a promising business idea

The key to success is satisfied customers, not a great product

Ideas should be feasible with realistic time and resource plans



Successful ideas demonstrate how big the market is, the target customers and how the product differs from the competition

Create a new product or a new way of delivering an existing product – do both and create a new industry

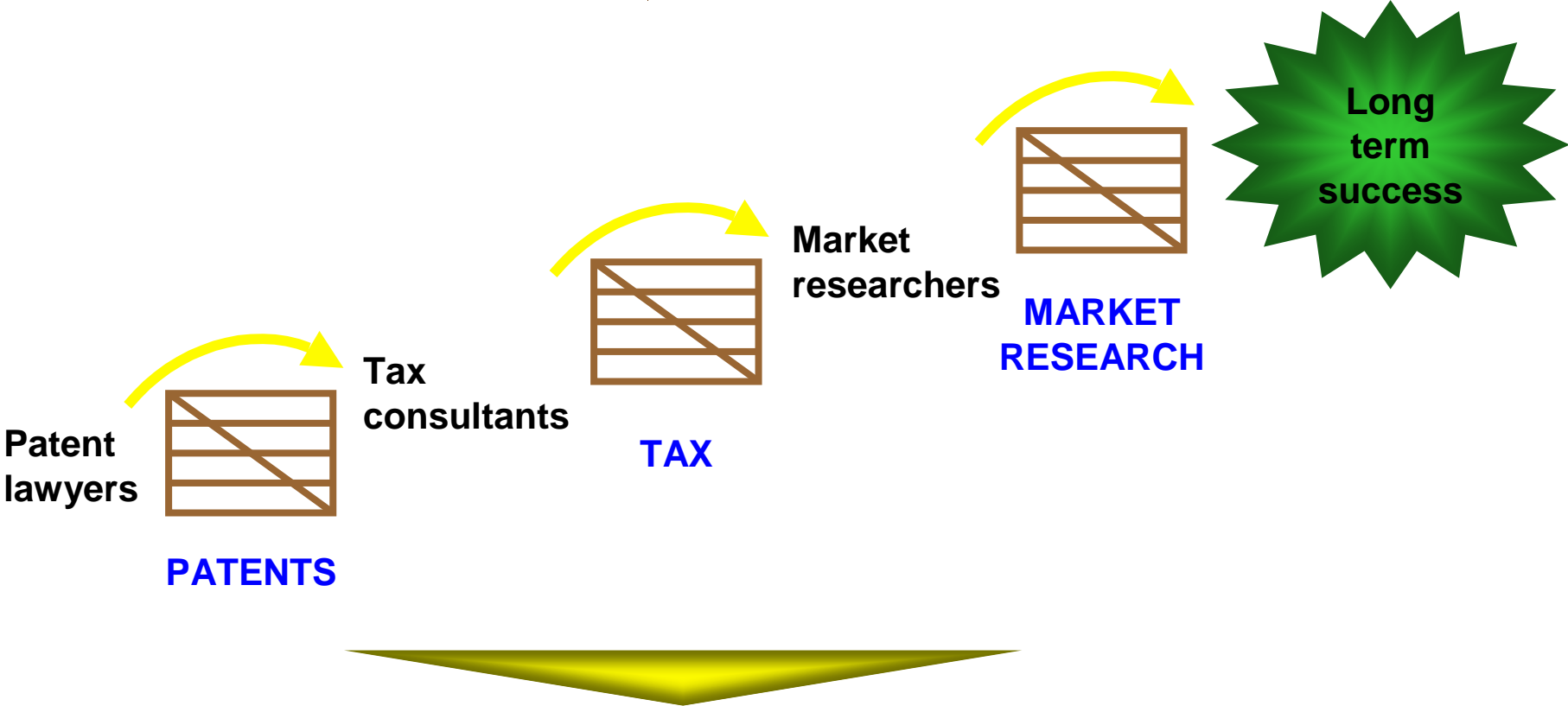
“There is nothing in the world as powerful than an idea whose time has come”

*Victor Hugo*

# Innovation classification scheme

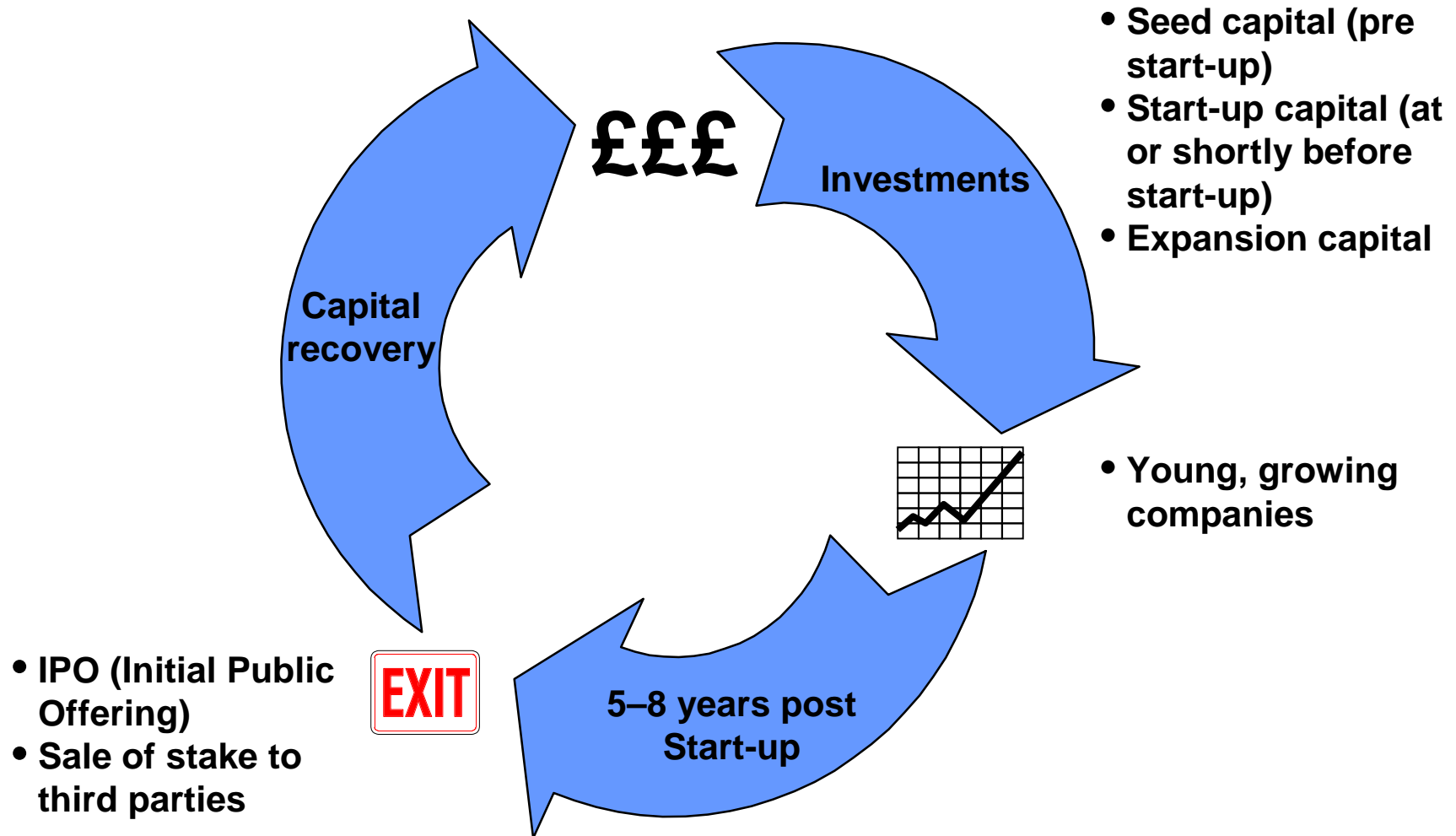
<b>Product/service</b>	<b>Innovation</b>	<b>New product</b> <ul style="list-style-type: none"><li>• Microsoft</li></ul>	<b>New industry</b> <ul style="list-style-type: none"><li>• Netscape</li></ul>
	<b>Convention</b>	<b>Existing industry</b> <ul style="list-style-type: none"><li>• Skilled trades</li><li>• Engineering offices</li></ul>	<b>New business system</b> <ul style="list-style-type: none"><li>• Dell</li></ul>
		<b>Convention</b>	<b>Innovation</b>
		<b>Business system</b>	

# Role of traditional service providers

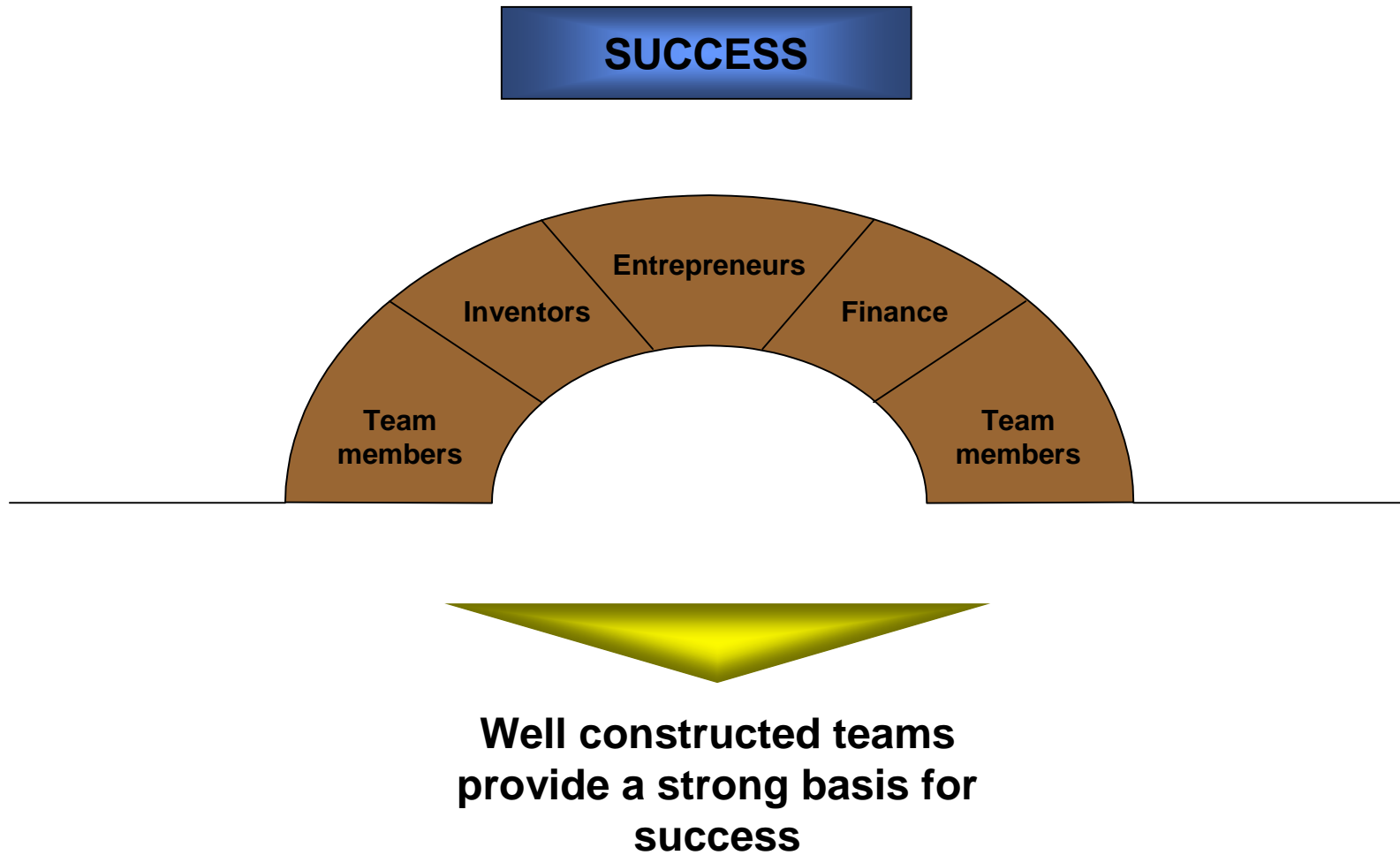


Professional advisors can help to clear hurdles

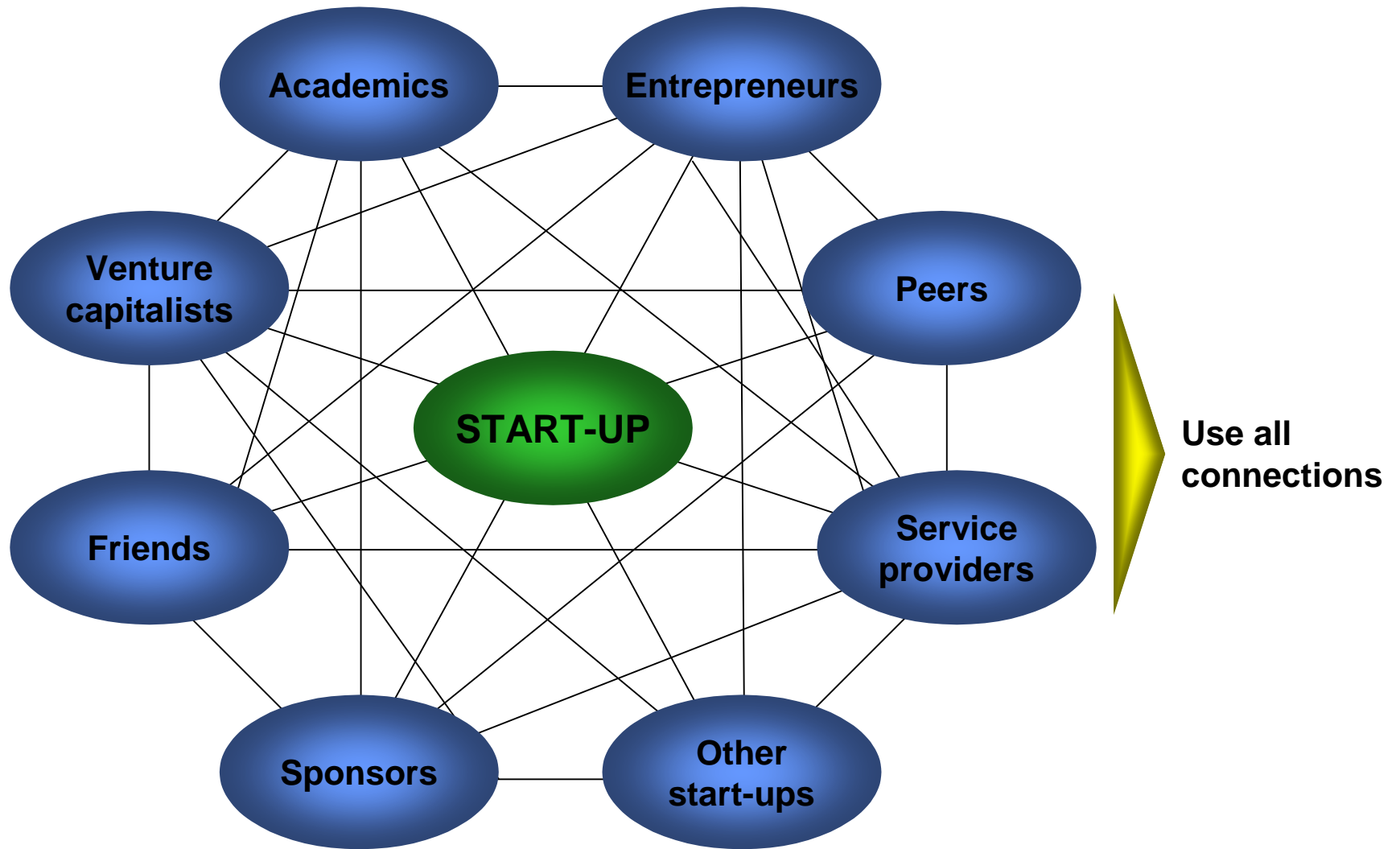
# Role of a venture-capital company



# Collective team strength



# Network support



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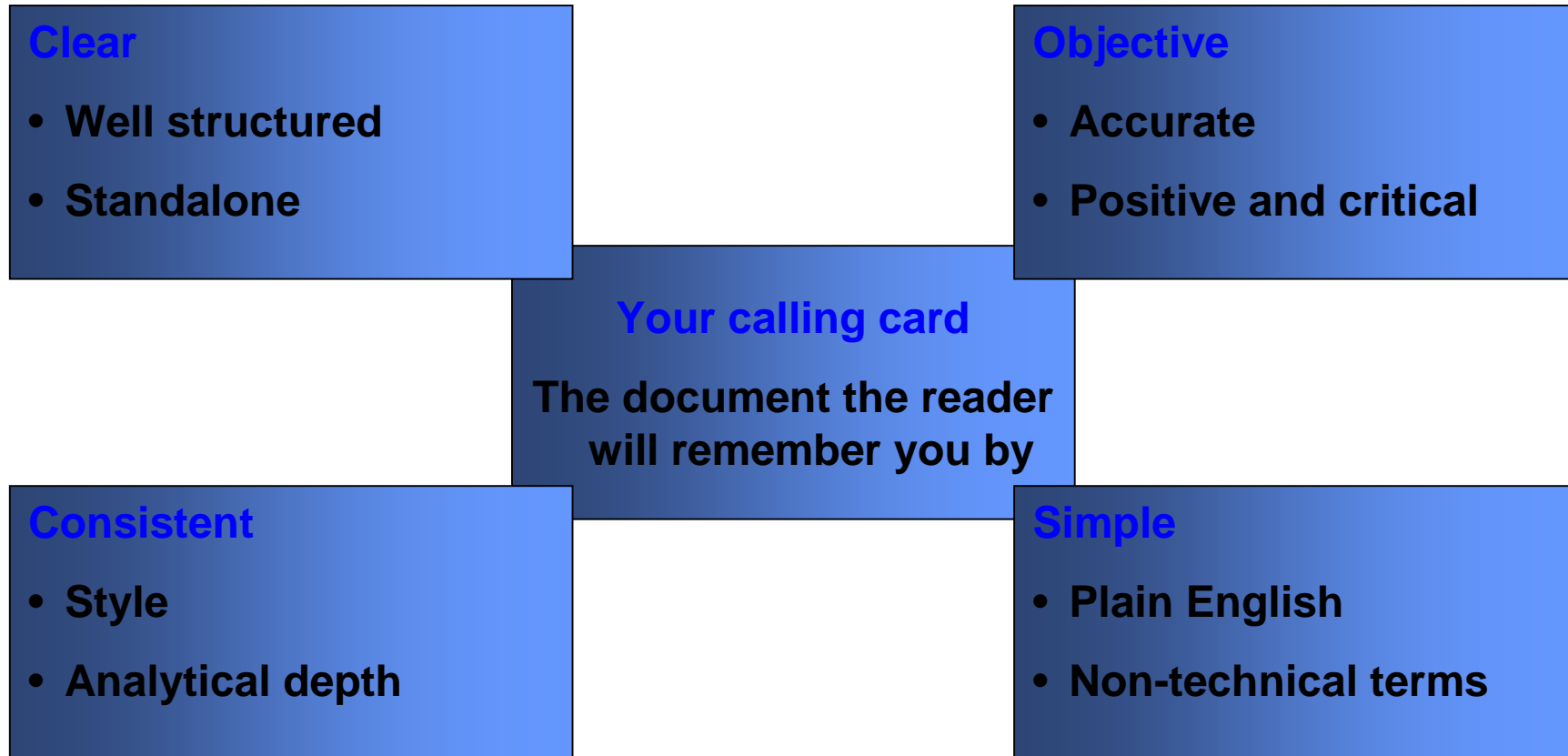
- **Writing the Business Plan**

- Constructing the team

**“Writing a Business Plan forces you into disciplined thinking, if you do an intellectually honest job. An idea may sound great, but when you put down all the details and numbers, it may fall apart”**

***Eugene Kleiner, Venture Capitalist***

# Characteristics of a successful Business Plan



# Elements of a Business Plan

Focus of this phase  
 Part of this phase



# Key questions – 1. Executive Summary

## Business concept

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- What is your business idea? In what way does it fulfil the criterion of uniqueness?
- Who are your target customers?
- What is the value for those customers?
- What market volume and growth rates do you forecast?
- What competitive environment do you face?
- What additional stages of development are needed?
- How much investment is necessary (high level estimation)?
- What long term goals have you set?

## Draft business plan

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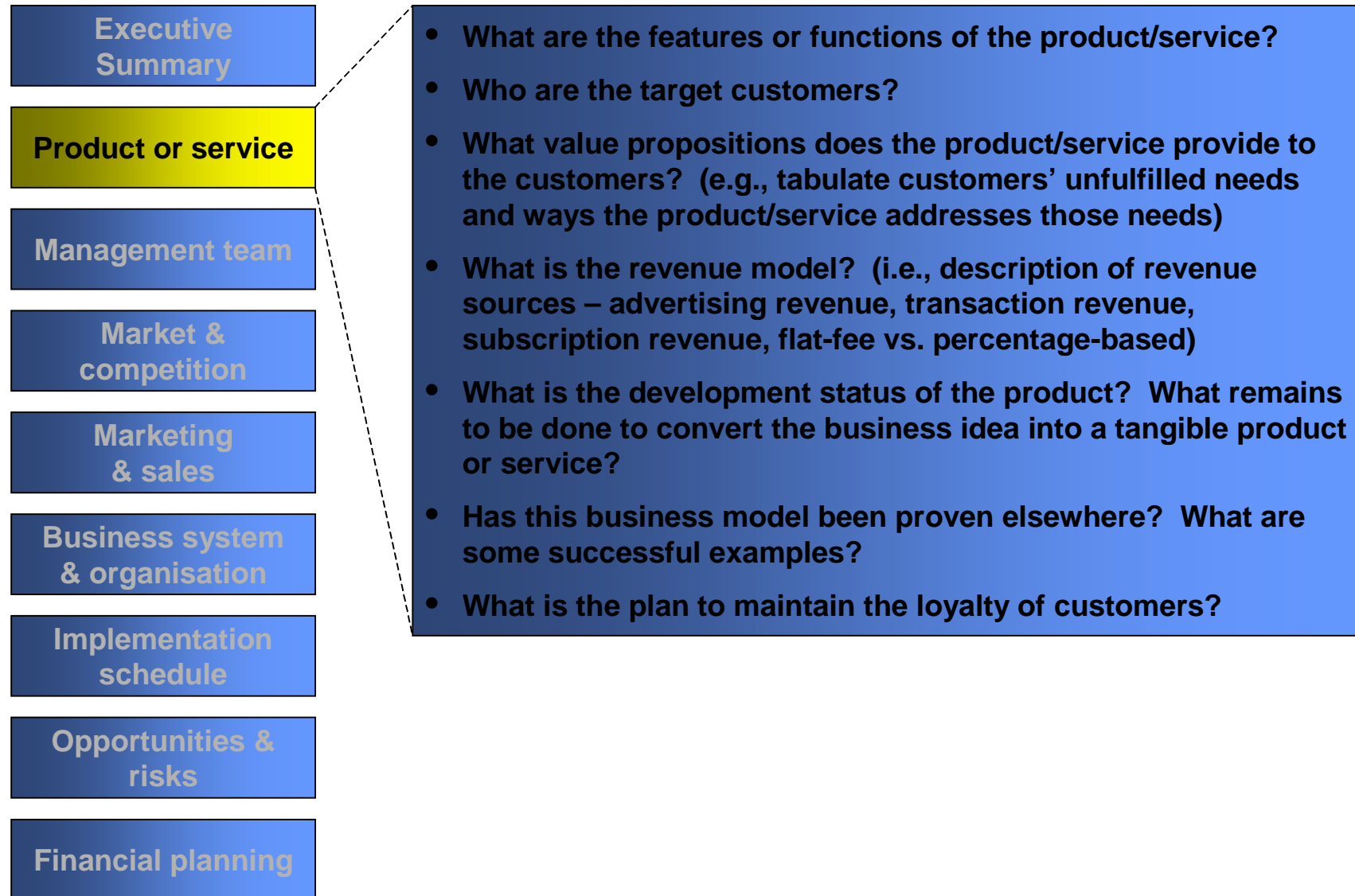
- What do you estimate your financing needs to be?
- What are the sales, cost and profit situations?
- What are the most important milestones along the way to your goal?
- What test customers have you approached/could you approach?
- What distribution channels will you use?
- What partnerships would you like to enter into?
- What opportunities and risks do you face?
- What is the picture on patents?

## 'Final' business plan

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- What are the results of your detailed business planning?
- What are your exact financing needs?
- How will you delegate management tasks?
- How much production capacity is necessary?
- How will the implementation of your business idea be organised?
- What are your next concrete steps?

# Key questions – 2. Product or service



# Key questions – 3. Management team

Executive Summary

Product or service

**Management team**

Market & competition

Marketing & sales

Business system & organisation

Implementation schedule

Opportunities & risks

Financial planning

- Who are the founders/founder groups and what are their qualifications, experience and past achievements
- How critical is the idea originator to the future success of the venture?
- How are the management responsibilities shared among the team? (e.g., a table of team members with their position and key activities/responsibilities)
- What is the plan to reinforce management team in the future? (e.g., schedule of future management hiring and skills required)

# Key questions – 4. Market & competition

Executive Summary

Product or service

Management team

**Market & competition**

Marketing & sales

Business system & organisation

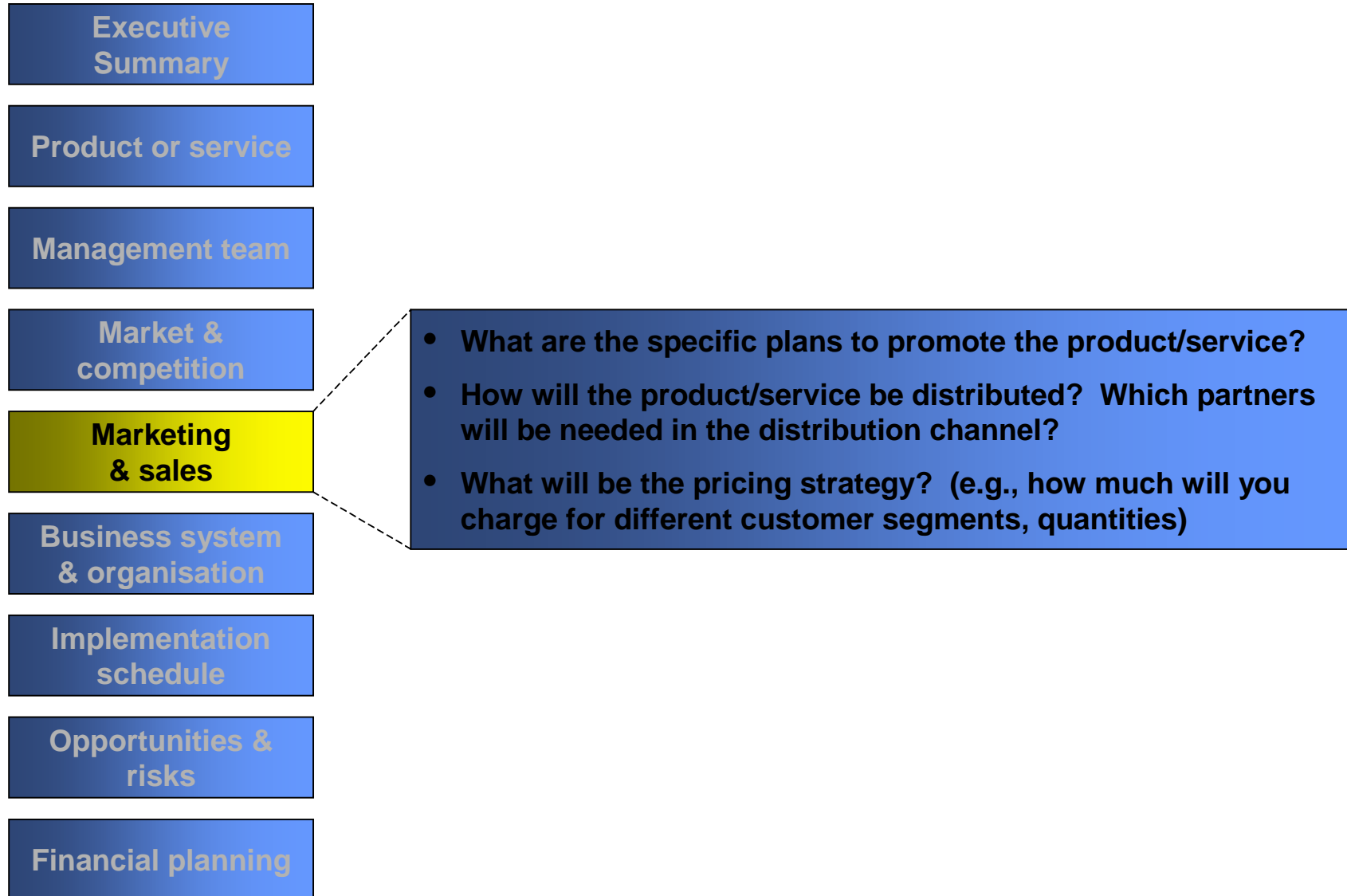
Implementation schedule

Opportunities & risks

Financial planning

- What is the potential market size for the product/service? (e.g., calculation derived from number of target customers, units sold, value of sales)
- What is the expected market growth and which major factors influence that growth?
- Who are the likely competitors? What do they offer?
- What are the strengths and weaknesses of competitors? What is your competitive positioning vis-à-vis competitors? (i.e, a table of competitors and their ratings across key criteria – e.g., time to launch, technological capability, access to proprietary technology, privileged relationship with suppliers and customers)

# Key questions – 5. Marketing & sales



# Key questions – 6. Business systems & organisation

Executive Summary

Product or service

Management team

Market & competition

Marketing & sales

**Business system & organisation**

Implementation schedule

Opportunities & risks

Financial planning

- What is the proposed organisational structure of the company?
- How will this organisational structure help achieve business goals?
- What skills will be required and what is the hiring plan? (e.g., a table that shows total number of positions and the functional description of positions, skills required for top 3 positions in each department)
- What is the scope of the business? (i.e. what will be performed internally and what will be outsourced?)
- Have strategic partnerships been identified? If yes, how will these partners be secured? If no, what is the plan to get partners?
- Have key vendors been identified? If yes, how will these vendors be secured? If no, what is the plan to get vendors?

# Key questions – 7. Implementation schedule

Executive Summary

Product or service

Management team

Market & competition

Marketing & sales

Business system & organisation

**Implementation schedule**

Opportunities & risks

Financial planning

- What is the detailed short term implementation plan? (e.g., Gantt chart showing detailed activities by month)
  - Who is responsible for each of the tasks?
  - What are major milestones?
  - What are interdependencies between tasks?
- What is the 5-year implementation plan? (e.g., Gantt chart showing activities by quarter)
  - Who is responsible for each of the tasks?
  - What are major milestones?
- What are possible long term options for the business?

# Key questions – 8. Opportunities & risk

Executive Summary

Product or service

Management team

Market & competition

Marketing & sales

Business system & organisation

Implementation schedule

**Opportunities & risks**

Financial planning

- What are the best case and worst case scenarios for the 5-year financial projections? What are the key assumptions on the key parameters? (e.g., market shares, profit margin) – refer to Appendix for example
- What does the sensitivity analysis show? (i.e., by varying key assumptions in isolation)
- What mitigating steps are planned in order to minimise risks?

# Key questions – 9. Financial planning & financing

Executive Summary

Product or service

Management team

Market & competition

Marketing & sales

Business system & organisation

Implementation schedule

Opportunities & risks

Financial planning

- For the next 5 years (and at least 1 year beyond breakeven point), what are the projections for
  - Income statement (includes detailed revenue source as described in the business model)
  - Cash flow statement
  - Company valuation, utilising
    - Discounted cash flow analysis
    - Revenue multiples
  - Balance sheet
- What are the key assumption used in the financial proforma? (e.g., cost of capital, market share, margin)
- What are the financial requirements for the business and what sources of financing have been identified? (e.g., financial schedule with amount needed and possible financing sources)

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**“Invest in people, not ideas”**  
***Eugene Kleiner, Venture Capitalist***

# **Characteristics of a powerful management team**

- **Common vision – everybody wants to succeed**
- **Complementary attitudes and strengths**
- **At least 3, but usually no more than 6 people**
- **Sticks together through thick and thin**
- **Staying power, even when there are setbacks**

# Criteria applied by investors

- **Has the team already worked together?**
- **Do team members have relevant experience?**
- **Do the founders know their weaknesses and are they willing to make up for them?**
- **Have the founders agreed on their future roles and are ownership issues settled?**
- **Has the management team agreed on a common goal, or are there underlying differences of opinion?**
- **Do the team members fully back the project?**

**GOOD  
LUCK**