



The key to creating a winning business plan



CONCEPTION



MODELLING



PLANNING



IMPLEMENTATION



Ajuntament de
Barcelona



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01

Introduction.

The business plan is not another bureaucratic process

INTRODUCTION

This report is intended as a tool for entrepreneurs to carry out their final business plan; that is, the best possible document to evaluate their business idea.

The business plan is not compulsory, but, in the same way as when we dive into a pool and first we check if there is water, it is necessary to create a business plan to check that the market exists, what it is like and if our product or service fits in with it. In short, assessing whether the business is technically, economically and financially viable.

At Barcelona Activa we have designed a tool to help you create your business plan step by step. To access **the Online business plan**, you must attend an information session at Barcelona Activa where we will provide you with your access credentials and also inform you of all the products and services we offer to help you move forward with your business project.

Consult all the information here on the **Barcelona Activa Online business plan**: <https://pol.barcelonactiva.cat/>

Additionally, in this report we will provide you with detailed information about the importance of the business plan, what it entails, its objectives, the most common pitfalls to avoid and some additional aspects

THE BUSINESS PLAN IS NOT ANOTHER BUREAUCRATIC PROCESS

As mentioned in the introduction, the first reason why entrepreneurs should start the process of creating a business plan is to assess the viability of their business idea. This involves writing a document where the search for information in different areas and the description of a series of processes will be reflected. For example, the structure of the service or production process, the preparation of a market study and its conclusions, the sales strategies to be established, the definition of the internal organisation, the calculation of the initial investment, etc. All this information will allow entrepreneurs to make an analysis of their business idea and validate the suitability of the activity, the commercial

strategy, the location and geographical influence of the business, as well as the moment of launching the project.

Preparing a business plan **is not compulsory, but it is highly recommended**. For this reason, a good business plan is born from the reflection, study and development of a business idea. There is no need to rush your business plan; it is the first, and perhaps most important, investment that entrepreneurs make in their business. You have to give form and structure to the idea you have in your head, especially if you want to present it to others to apply for funding.

A business plan is an **essential tool for obtaining funding**, as any financial institution, investor, business angel or venture capitalist will assess the viability of the business plan (technical, commercial, economic and financial) and, together with other factors, will decide whether or not to invest in your project. Should you decide you want to apply for a grant, you should bear in mind that a business plan will always be required. Therefore, to obtain funding, there must be a decent business plan.

02

How to create a business plan

COHERENT, QUANTIFIED DOCUMENT WITH NO WEAK ARGUMENTS

Whenever viewed by someone outside your business, the business plan should work to encourage the person viewing it to continue reading all the way to the end. This means it is important that it is easy to read and is attractive to the person viewing it. At all times, the document should be consistent, the information should not contradict itself and arguments should be supported with evidence or based on reliable, easy-to-read sources. In terms of style, **it is important that the document is not difficult to read, nor visually overloaded.** To do this, it is necessary to leave blank spaces between paragraphs, not to be afraid to use full stops, and to use graphic support material to accompany any explanation (tables, photographs, graphs...), etc.

Normally the development team has five minutes or less to attract the attention of a business angel. If it is very difficult to understand the business plan, they will not invest anything in it. There is no need to include information just for the sake of it; **all the information that appears in a business plan must be useful**, either to understand the context of the company or to reinforce a prediction or assessment made.

SECTIONS THAT SHOULD BE INCLUDED IN THE BUSINESS PLAN

EXECUTIVE SUMMARY

It is desirable that the most relevant business information is presented in a synthetic and attractive way on one or two pages at most. Here are the **essential features: what we do not want our reader to miss under any circumstances.** Remember that this section should be read and understood in less than a minute. It may or may not depend on this section whether the reader continues to read the rest of the document.

It is recommended to start with a very brief preamble on what need or problem your product or service solves, or to explain why a product or service like yours is missing from the market, what it is and why it is different or innovative. Finally, in a few lines, you should summarise what the reader will find in the rest of the document.

RIGINS OF THE BUSINESS

By way of background, in a descriptive way, or even by briefly telling a story, this is your opportunity to further detail how you came up with your business idea. You may think that there is a problem or need experienced by consumers, or that the market currently does not offer a product or service that some defined population group of end consumers, companies or

governments would like to obtain. It is important to be brief with this section so as not to overwhelm those viewing the document, but to make it very clear how **you came to the conclusion that there is a 'gap'** in one or several well-defined markets that your product or service can help to fill. Try not to exceed two pages in this section.

PRESENTING YOUR IDEA

Here is where you describe how your idea responds to the situation you described in the previous section. Here it clearly answers why your product or service **solves the problem or need you have identified** or why it would be better to compare it to what the market currently offers. It is very likely that you already have direct or indirect competition: explain why your product or service is different or innovative.

In this section, it is valid to appeal to **abstract concepts** such as the preferences of a certain population group, their socio-economic status, their culture, current trends or any other argument that justifies or helps to explain what place your business would occupy in the market. Although it is possible to resort to emotional aspects in this section, it is important to present the evidence needed to support the arguments presented.

DESCRIPTION OF THE PRODUCT OR SERVICE

This section should detail what exactly the product or service is, how it works, what resources and how much time it takes to produce, what costs are involved, whether it requires distribution or conservation mechanisms, etc. It is important to be clear and set things out properly: this will force you to think about anything you may have overlooked during the creative process and will give you and potential investors a broad view on the technical feasibility of the product or service. **The more data, prototypes or evidence you can show here, the more confidence you will generate.** Omit information only if there are well-defined strategic reasons for doing so, as in the case of a patent.

INTRODUCING THE DEVELOPMENT TEAM

Entrepreneurs need to be aware that the most valuable asset of their business or project is the team itself. A good curriculum, solid previous experience or quality training in the activity sector, or equivalent, are factors that give added value to the project. But just as important as having know-how, skills or abilities is knowing how to translate them into the business plan. Many business angels make an exhaustive examination of the section related to the development team, as many value the team's capabilities more than the project itself. They are willing to invest more in a capable team with a good project than in a mediocre team with an exceptional project.

Enhancing our image within the business plan will be vital when it comes to securing funding. But how do we do it?

- With a clear and concise **curriculum vitae** which highlights all the features that may be related to the project being developed. Priority should be given to information that provides added value.
- Make reference in the business plan to **previous experience**, using this to provide reflections or arguments whenever necessary. But care must be taken, as some experience may not be applicable to today's world.
- Use **vocabulary and tools** that demonstrate mastery of the subject matter.

If entrepreneurs do not have all the necessary skills to carry out the project, it is important that they are able **to surround themselves with professional profiles, internal or external, that guarantee progress of the project**. These professionals must appear in the business plan to provide consistency and added value to the plan. It is necessary that the business plan makes clear who is investing, who has contributed to the business' capital, the organisation chart in use, the functions, tasks and responsibilities of each of the associated people, as well as the jobs created.

MARKET STUDY

In this section, it is necessary **to summarise an independent document** that aims to identify the market in which your product or service will enter, who your potential customers are, what characteristics they have (age, socioeconomic level, sex, gender, preferences, location or any other aspect that is relevant), who is your direct and indirect competition and what they are like, what proportion of the market they currently own, in what 'gap' your product is positioned and what market segmentations need to be considered.

This is another key section in the business plan, which will determine the economic viability of implementing your idea. Investors know that many businesses fail shortly after starting up because of the lack of or poor preparation of a market study. A cursory check in an internet search engine is not enough. It is something you can get a company to do for you or use the specialised resources that Barcelona Activa offers you.

Consult our website for the dates and times of our market research training: <https://emprenedoria.barcelonactiva.cat/>

You can also do the market research yourself, but you must show in-depth and reliable knowledge of the market in which you intend to compete. To do this, you can use quantitative methodology (appropriate data and statistical processes) or qualitative methodology (mainly interviews) or a mixed approach of the two previous ones, but you must be careful not to bias the findings by extracting observations only from the sources or people you think will confirm what you think. The success of your business may depend on how realistic the picture presented by the market study is.

MARKETING PLAN

One of the most common mistakes made by entrepreneurs is to think that all it takes is a good idea or a good product for customers to consume it. However, even the most reputable products on the market invest considerable sums in marketing campaigns. This is, in part, what allows them to consolidate and remain the most profitable and influential companies in their sectors. Therefore, with the aim of showing that there is technical and economic viability in running the business, any business plan must contain a **marketing plan and a sales strategy correctly designed and budgeted**.

One of the most relevant aspects that must be considered for the design of a marketing plan is to correctly define the **target population**. That is, who are you talking to? Who is are they? How old are they approximately? What is their income, what are their habits, what problems do they face, what do they like to do? etc. The better defined you are with your potential customers, the more likely you are to think of a creative way to appeal to them directly and have them respond positively to your campaign.

The idea of making a marketing plan is to instrumentalise some mechanisms that will allow us to obtain a level of sales, a positioning as a brand or to increase interest amongst the public for our product. The marketing plan has to be **aligned with the overall idea of the business**.

First, a market study must be carried out allowing us to develop the marketing plan. This market study helps us to set quantifiable commercial objectives that are sufficiently motivating and are not impossible to achieve nor over affordable. These objectives can be represented by different variables: income, number of customers and number of sales, among others.

It will be necessary to study the different variables shown in a marketing plan. If the **four classic 'Ps' are followed**, they should be included and described:

- **Product or service:** physical characteristics of the product, quality, accessories, packaging, guarantees, choice of brand, image, etc.
- **Price:** what margin the product/service will have, the level of prices, the policy of discounts and discounts, the payment deadlines, whether there will be price discrimination policies (whether geographical or otherwise), etc.
- **Promotion:** will there be prescribers, what sales promotions will be carried out, unpaid advertising, publicity (media, message, potential recipients and so on) and other aspects of promotion, etc.
- **Place:** location and distribution of the premises, distribution channels of the product or service, intermediaries, etc.

In addition, in production companies, variables that until recently were included in some of the previously mentioned 'Ps', such as packaging, are gaining more and more weight. Each marketing plan must be adapted to the business' needs.

For service companies, new 'Ps' have been developed to respond to the specific needs for these business topologies:

- **People:** all human actors play a role in the delivery of services, and this influences the perception that customers have. Both the customers and the workers involved must be detailed.
- **Physical evidence:** basically, this refers to any tangible component involved in the presentation of the service that facilitates transactions or communication. It also includes the physical space where the service is provided. The design of the premises, signage, other tangible items such as business cards, etc. must be remembered.
- **Processes:** it is very important to have the procedures, mechanisms and flow of activities for the provision of the services defined. The type of activity (**standardisation vs. customisation**) and the number of activities involved in the service, as well as the time allocated to each of them, must be well defined in order to detect where bottlenecks could occur.

Finally, a marketing plan will be useless without any **control mechanisms**. It is important that every entrepreneur defines the variables that will allow them to monitor and keep a handle on the running of their business, see the effectiveness of the activities undertaken in the marketing plan and if the money that has been made available to apply marketing actions has the expected response. A dashboard to monitor the objectives set can be a very useful tool, which, if used correctly, can provide entrepreneurs with very valuable information.

Indeed, the marketing plan is a key aspect that will also help to tip the decision of investors in your favour or against you. Whether you design it yourself or decide to hire a specialist agency, it is essential that in the business plan you include the approximate cost that it would carry with it. You must also remember that it is not enough to do it once; it will surely need to be done various times and that it could increase or decrease according to the needs of the business and the market trends. At Barcelona Activa, we have more than 20 training sessions related to marketing and sales to support you in writing this part of your business plan and to continue renewing yourself in the future.

Consult our website for the dates and times of our training sessions related to marketing and sales:

<https://emprenedoria.barcelonactiva.cat/>

ECONOMIC-FINANCIAL PLAN

In previous points, we have already warned that the business plan may be read more than once and it will be read by people outside the organisation (investors, banks, public institutions, etc.). Therefore, these external people need to read it in a way that allows them to accurately assess the business idea put before them. The main objective is to convince them that the business is profitable. That is, that revenue will be higher than costs. In particular, what investors want to know is whether they will make or lose money. This is where you will explain in detail every aspect of the costs that the company will face and how a realistic and well-founded estimate of sales exceeds those costs and generates profits. The economic-financial plan is the most complex chapter for most entrepreneurs. However, if we analyse it properly, we will realise that everything being done is so we can **quantify economically all the previous work that has been done on the business plan.**

The economic-financial plan helps to visualise the forecast of the business' results and demonstrate entrepreneurs' knowledge and instincts when it comes to dealing with the business cycles that every business has throughout its existence. You should be able to justify any item that appears in the economic-financial plan. For example, investments through pro forma invoices or budgets. Try to avoid inconsistencies or exaggerations in the predictions. Also, if there are large increases in turnover or profit margins from one year to the next, you should be able to justify them.

The economic-financial plan should have projections for at least three years of activity. Sometimes, as in the case of venture capital or business angels, 5-year projections may be requested. **Every financial plan incorporates the following tools:**

- **Initial balance sheet or Investment Plan:** this shows the assets and rights that the business has at the beginning and the obligations and sources of funding available for the project.
- **3-year final balance sheet:** this shows the evolution of assets (goods and rights of the business) and how this evolution has been funded.
- **Profit and Loss Account/Statement for three years:** this allows you to see the annual level of income and expenditure and to assess the financial results before and after taxes.
- **3-year cash flow:** this allows you to visualise the harmonisation of payments and therefore determine the financial viability of the business.
- **Break-even point over three years:** this makes it possible to determine the minimum revenue required to meet total expenditure; in other words, the most variable fixed amount. It is important to be able to assess whether it will be feasible to reach this level of revenue, since a high break-even point means the need for a high turnover.

An economic-financial plan can be complemented with other relevant tools and help make it easier to understand the economic and financial dimensions of the business. Some of these tools include: **sensitivity analysis, NPV, IRR, pay back** and different **ratios**. These tools complement the previous ones and add new variables to be able to carry out the viability study for the project.

At Barcelona Activa, we have designed a funding guide where we explain the different types and sources of funding in detail, as well as their feasibility for use in different areas of your business.

SWOT ANALYSIS (STRENGTHS AND WEAKNESSES OF THE BUSINESS)

Another fundamental part of analysing the viability of your business and the need to anticipate possible adverse factors is the preparation of the SWOT matrix (initials for Strengths and Weaknesses, Opportunities and Threats). The SWOT analysis is divided into two parts:

- **Internal analysis (Strengths and Weaknesses)**. In this phase, an evaluation is made of the aspects that you consider make or would make your business stronger. For example, a product differentiation or a more efficient technology. We should also list and describe the weaker aspects of our business. It is important to mention that this must be done internally. In this sense, strong market competition is not an internal weakness. Some examples of internal weaknesses could be the lack of training of some team members in knowledge areas needed for the business or having high production costs.
- **Outside analysis (Threats and Opportunities)**. Threats and opportunities can feel distant to our company and often we cannot control them; however, we can anticipate them to minimise damage or take advantage of the situation. Examples of a threat could be the emergence of new technologies that replace what we offer or legislation that prevents or restricts the sale of our product. Opportunities could include the opening of new channels of communication which could provide the means to reach new markets or a subsidy to purchase or produce our product. In both cases, as you can see, we do not control the appearance of threats or opportunities, but we can plan for them and prepare a strategy to best handle them should they arise.

Once the analysis has been carried out, it is necessary to define a strategy that will lead to building up the strengths, overcoming the weaknesses, controlling the threats and taking advantage of the opportunities. It is important to be realistic when preparing the SWOT analysis, especially with regard to weaknesses and threats. Many entrepreneurs make the mistake of minimising these aspects to convince their investors that theirs is a safe

business. However, far from giving this impression, what is shown is naivety and lack of seriousness. On the contrary, investors feel far better about investing in an entrepreneur who has properly demonstrated all the aspects that go into forming the SWOT analysis and proposes an innovative strategy to deal with each aspect

CONCLUSIONS

Finally, in the conclusions section, we will briefly go over all the most relevant aspects of each section and we will explain in a final argument how all these features combine to persuade the reader of the technical and economic viability of the business idea.

THE MOST COMMON MISTAKES IN BUSINESS PLANS AND HOW TO AVOID THEM

- 1. The use of certain verb tenses shows weakness and lack of confidence in the project.** For example, phrases such as ‘in the third year there could be...’ should be avoided. This case shows a lack of planning and foresight, which can create doubts about the entrepreneur’s ability to manage the business. To avoid this, we recommend writing affirmative sentences that show confidence and security, given the plans put forward, that this is what will be done or what will happen. This gives the reader a sense of clarity and certainty that will help to attract their investment. Even if the document is made for internal planning and not to attract investment, it is advisable to be as specific and categorical as possible.
- 2. Valuing without quantifying does not add value.** A phrase such as ‘the main objective is to consolidate a client portfolio’ is a mistake because it seems to be only an intention whose viability has not been studied in detail. It will be worthless if the volume of sales that the portfolio must support, how many customers/tasks are involved, etc. is not quantified. To avoid this, it is important to accompany each objective with measurable parameters and an evidence-based justification of how it is intended to be achieved.
- 3. Over-complicated presentation aids can be difficult to follow.** If an oral presentation of the project is made, it must be accompanied visually by PowerPoint or other visual aids. However, such aids should not contain too much text or very complex diagrams. For the reader, it would be impossible to read so much or to try to understand a very complex visualisation and to listen to the spoken presentation at the same time. Remember that a person has a maximum of 20 minutes of continuous attention, and the audience only retains approximately 10% of the explanation. It is necessary to be brief, but concise, with clear ideas and to have a script prepared to take advantage of any elevator pitch opportunity that may arise. In other words, you should be able to clearly explain in just a few minutes the main idea and its most important aspects.

03

Products and services: How to present them in an effective way

The first thing is **to analyse the product or service in detail**. You can start by developing either the production process or the service delivery process.

Great care must be taken in the development and design of the product or service, especially for service companies. Being intangible means it is difficult to describe and communicate to a third party what the service would, in reality, look like. As the weight of the action falls on people and is heterogeneous, it is necessary to have a document that covers the whole circuit. A widely used tool is the blueprint, which consists of the graphic representation of the service process, from the moment the customer contacts the business until the delivery, invoicing and payment of the service. This document makes it possible to visualise all the phases of the circuit and identify those that affect the front-office (the business units that have direct contact with customers) and those that affect the back-office (those that do not), how customers interact with the business and how it responds to the proposed needs, reflecting the existing physical evidence and response times.

The difference between your own products/services and those offered by your competitors must be set out. A **comparison between products** is highly recommended, as it allows the use of different analysis tools which will enrich the business plan. It is important to describe the technical, economic and commercial qualities of the product/service and how this product/service is related to the target audience (market study).

Something that many entrepreneurs forget is **the calculation of the cost of the product/service**, which is key to allowing you to obtain more detail of both variable and fixed costs, including the unit cost of the service in order to develop the pricing policy for the marketing plan.

In a market like the one we have today, **if you want to survive you must take onboard one of the following factors:**

- Having the best service/product.
- Having the best price.
- Knowing how to differentiate the product/service from the competition.

04

Businesses as part of a bigger mechanism

Your business does not exist in a bubble isolated from the outside world. There are many stakeholders involved and, therefore, it is necessary to identify them and have knowledge of how they will affect your business. It is essential, above all, to take into account the **competition, customers and suppliers**. However, when carrying out the market study, other factors must not be forgotten, such as the economic situation of the area, existing regulations, the existence of entry barriers, whether it will be necessary to access economies of scale, etc.

Suppliers can be a very important factor in the success of the business. It is necessary to know what rules of the game they will set and what conditions they offer. Having a **file on suppliers** will allow you to have detailed information on all of them. This way you can make comparisons with new suppliers you are looking for: having more information will strengthen your negotiating position. This file should include, apart from contact details, information such as prices, discount and distribution policy, management of payment times, etc.

It is very important that the business plan identifies customers and what needs will be covered by the products or services offered. It is necessary to know the size of the market you are addressing and in which direction you are going. If predictions are made about the growth of the market or how it will change, a justification must be given. Information must be available to avoid a lack of awareness when it comes to what customers really want. There is a quote from Michael Porter that says: *'There are two types of companies, those that know their customers, and those that fail'*.

Market studies are vital for entrepreneurs; without them, it is little less than madness to open a business, as the probabilities of failure increase exponentially.

Everyone has a competitor, whether direct or indirect, and even more so in this increasingly global world. If none are found, there is a high chance that a market study is not as in-depth as it should be. It is important to detect competing businesses and to know how they operate, how they work and how they sell. This will allow us to adapt the successful techniques they use and avoid bad practices. As we have done with suppliers, we must also create a file for competitors.

05

Choice of legal status and other legal aspects

The business plan determines the legal status of the company, as well as its tax obligations. Before choosing a legal form, it is necessary to **know the characteristics, advantages and disadvantages of each one** in order to be able to choose the one that best suits the entrepreneur's needs. If the business is going to have workers, it is necessary to define the human resources policy, as well as the contractual relationship they will have with the business, as well as their rights and obligations. Another point to be dealt with in the business plan, especially in the case of needing premises, is that of activity licences and building permits.

The **procedure for setting up and registering the activity** must also be taken into account. The duration and complexity of this procedure will depend on the legal form chosen, as these are not always instantaneous procedures. Furthermore, there are also taxes or duties that are determined by the legal form or geographical location chosen for the business.

When **choosing the legal form, the most important aspects to take into account** are as follows:

- The organisation of capital and the organisational structure of the company.
- Taxation.
- Social security contribution schemes.
- Grants and subsidies.

06

A business plan never ends

With the document completed, it is time for the development team to make an honest assessment in order to be able to draw conclusions. It may be that the project is not mature enough and needs to be worked on further, or that the market does not yet exist, and the conclusion is to leave the project on standby for future use as a basis for drawing up a new plan. Sometimes, a timely withdrawal can allow a later victory.

In the case of a positive conclusion, it is important to define **regular monitoring** and to establish comparisons between theoretical expectations and the results that have been achieved in reality. In this way, it will always be possible to modify and adapt the plan to obtain the objectives set. As the company will move in a dynamic environment, it is necessary for it to be dynamic. This will affect the business plan, which will be the starting point for creating the new documents that will serve to adapt the company to the new environment it will face.

Written by the technical team at **Barcelona Activa Entrepreneurship**, using the following sources of information:

- *Claves de un buen plan de negocio, [Keys to a good business plan]* WILLIAM A. SHALMAN published on <http://www.secretosenred.com>
- *The Requisites of a Good Business Plan*, ISABEL ISIDRO published in <http://www.powerhomebiz.com>
- *El meollo del plan, [The core of the plan]* MICHEL PERIU published in <http://www.univision.com>
- *10 reglas para hacer un buen plan de negocio, [10 rules to write a good business plan]* FDS Consulting published in <http://www.infofranquicias.com>
- *Pasos clave en la elaboración de un plan de negocios, [Key steps in writing a business plan]* published in <http://ww.enplenitud.com>
- *Keys to a successful Business plan* de NORMA A. TUROK publicat a <http://aquanic.org/>
- *Màrqueting de Serveis, [Marketing for services]* VALERIE A. ZEITHAML and MARY JO BITNER (2002). Publisher: McGraw Hill

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