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## Writing good business plans and avoiding common flaws – in my own words

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A lot of our clients are Small and Medium Sized Enterprises (SMEs) or companies hoping to become one. A key challenge for them is access to financing. Some of them are lucky in that they have access to financing from friends and other contacts. Others well, they have to reach out to a 3<sup>rd</sup> party such as a bank, a lender and the like. To do so they often require a business plan.

It is well and good that there are loads of business plan writing software tools or even advisors/consultants (such as as) to assist but often the work should start with you, the person behind the business.

Before I go into the flaws to avoid in a business plan, what do investors typically want to know about in your plan?

### Getting your business plan right

1. **Executive summary.** Investors are busy. A one page summary of the document is critical.
2. **Problem/Solution.** At the core of the plan should be addressing a problem and how you propose to solve it. What is your vision to solve this problem? Set out the problem/solution in easy to understand terms.
3. **Team.** A solid experienced team with specific experience to solve the problem. If you do not have the experience in house, say so in your plan. Many investors are experienced entrepreneurs themselves and often have contacts to help supplement your team. Alternatively seek out friends or contacts who have complementary skills.
4. **Process.** Experienced entrepreneurs and investors will tell you that the “devil is in the detail”. It is not enough to have a brilliant idea. The plan should go into some detail on how your processes will work.
5. **Work to date.** The investor is keen to know what you are doing to get your plan off the ground. It helps therefore to provide details of what you have done, for example capital raised, market research, prototypes developed etc.
6. **What you want.** This seems obvious but you need to be clear about what you are offering to the investor in return for their money. If equity, say so and how much. If interest, likewise say so.

I now set out below a few flaws to avoid when writing your business plan. Please note that some of the information provided here is obtained from John W. Mullins’ “*Why Business Plans don’t deliver*”. Dr. Mullins is an associate professor of management practice at London Business School and holds the David and Elaine Potter Foundation term chair in marketing and entrepreneurship.



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### **Some 3 flaws to avoid in writing business plans.**

#### **1. HERE I AM, NEVER MIND THE PROBLEM**

In this kind of plan, the writer is smitten with the elegance of his or her technology. The plan begins not with the identification of a customer problem to resolve, but with a detailed explanation of how the technology works, why it is cutting-edge or state-of-the-art, and how it is better, faster and cheaper than current solutions.

A good plan starts by identifying the problem and then providing how it will tackle the solution, backed by evidence including from research.

#### **2. A COKE FOR EVERY KID IN CHINA**

This plan works on the premise that “If we only captured 5% of the China coke market, surely with all those customers, we will make X million in profit”

This kind of plan is flawed as it indicates lack of sufficient research into the market and the difficulty with which it takes to win new customers and market share from existing players.

It helps to conduct market research before you make your assertions. Every assertion in your plan should be backed up by evidence. If it's not, take it out, or stop writing while you gather the evidence you need.

#### **3. EVERYTHING IS WONDERFUL**

This plan does not highlight the risks and difficulties that are likely to come along the way. Yet every investor knows that opportunities, even good ones have weaknesses or key risks. Plans are after all based on assumptions; assumptions go wrong all the time.

It therefore helps to identify these. If you are honest on these key risks and how you intend to cover them, you go a long way in showing the investor that you understand what you are doing.

We do hope the above tips help you as you go about in writing your plan. A final tip:

*Write from the heart first and then do the structured bits later to cover some of the points I mention above.*

Best of luck and of course, if you need some help, speak to us and let's get the ball rolling, Inachee after all represents Home Grown Energy in Motion.

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