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Africa Prize business guides

Building a better business plan

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A guide to beating your competitors
and conquering your market





Why you need a business plan

A business plan is more than something to show investors. It is your manual as an entrepreneur and your step-by-step guide on how to make your entire business a success over the long-term. Entrepreneurs often make the mistake of getting lost in their innovation and not necessarily focusing on the wider business. A good business plan can help you prevent that.

Before you start, you first need to decide on your business model. Isolate what your offering is, how it can be monetised and why people will pay for it, over your competition.

Then comes your business plan: a battleplan for beating your competitors and conquering your market. A business plan is also your business's personally-tailored 'checklist' to measure your progress against. It should be a personal set of goals to work towards which allows you to think in a methodical way about your business and constantly check your results against your targets. The process of writing a business plan helps you understand your strengths and weaknesses and, crucially, identify how to harness those strengths, and overcome those weaknesses.

The business plan must reflect the input and the strengths and weaknesses of the whole team as well as the business. It is crucial that the plan has the support of the whole business and that its benchmarks reflect the different roles and goals of the team. The core functions of a business plan are to shape the direction of a business, pre-empt challenges it will face, and show investors a route to a profitable exit. As a result, there must be two versions of a business plan - one for investors and another for the business itself.





Writing the perfect plan

You must show investors that you have both a viable business model and a viable team that can execute the plan. Business plans outline the commercial potential of the technology and the business as a whole, and focus on the differentiators that will meet customer need and beat the competition.

Business plan essentials:

- An executive summary that gives an 'at-a-glance' profile of the business
- A strengths, weaknesses, opportunities, threats (SWOT)* analysis that outlines the risks and opportunities and informs the rest of the plan
- A business model that monetises the innovation
- A market analysis that explains the total addressable market and the accessible market size alongside the challenge you are solving and *why you are solving it better than your competitors*
- A go-to market strategy that explains how you will get a piece of that market
- A profile of the team including advisers, outlining their role in the company and relevant experience

* For details on SWOT analysis, see the Africa Prize *How to communicate effectively: from media to marketing* guide



Find your 'blank space'

Identify the unmet market need or 'blank space' that your business is helping address. This could range from a need for a cheaper, more convenient or more flexible alternative to what already exists in the market, or a new innovation for a completely new market.



A business plan must be honest

A business plan must be as brutally honest as a personal diary. Write it as if it was going to be locked in a safe and only you will read it. Only if you are honest with yourself about your business's disadvantages and the advantages of your competitors' will you be able to overcome those weaknesses and take on your biggest rivals. A business plan is critical to the day-to-day running of the business and must therefore chart all the potential hurdles as well as a credible plan for overcoming them. Every business plan must therefore have a well-researched SWOT analysis. Investors also prefer an honest, diligently-researched business plan that outlines the potential risks as well as showing them the opportunities. If your business plan is overly long or includes details you need to keep confidential, you could consider writing two business plans: a private one to act as a guide to progress, and a shorter, more public version.



Show what success looks like

Include five-year financial projections of revenue and cost but do not exaggerate your revenue or valuation or give unrealistic numbers. If you're already a scale-up and have some traction, then include past financials and some projections. Make sure every claim about the future is backed by precedent in the form of recent revenue or employee growth, customer acquisitions, partnerships or new orders. It is important to investors to show evidence of scalability - in terms of workforce, equipment, sales, training or market distribution - even if you cannot demonstrate profitability. For example, "our workforce/sales doubled in size in the last year". This demonstrates the market demand, the speed at which the business can grow and helps the investor put a rough timeline on the door marked 'exit.' If you are a fresh startup with no previous financials, get an experienced team on board to give credibility to your projections.



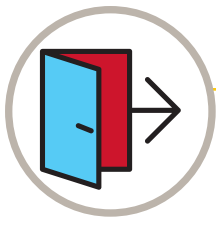
Understand your customers

It is crucial to research and identify your customer segments in any business plan. Get to know their drivers and behaviours and how they will influence their response to your offering. If possible, collaborate with potential customers and test your prototypes with them. This will help to accelerate the development of your product and service and iron out any potential issues early on in the process. Reflect how your offer meets their needs in your business plan, show that you understand their preferences, and explain how they can be a source of recurring revenue, rather than one-off sales.



Know your competitors

You must also research and identify your competitors, even if they are indirect competitors from another industry or country. There may be no other motorcycle taxi apps in your country, but they exist in neighbouring countries which makes them potential competitors. For example, Coca-Cola discovered that their main competitor in Africa was not rival soft drinks firms but mobile phone firms because people were spending their disposable income on phone credit rather than fizzy drinks. Even if you are disrupting a market for the first time, your competitors are the established monopolies that you are disrupting. You must also be open about the fact there may be other companies in your space offering very similar products or services to yours; this actually validates your concept as it shows there is a lucrative market for your innovation. The key is to show why you are doing it better, faster or cheaper than the competition.



Show your investors an exit

There must be a version of every business plan that is public-facing and is written to show investors, prize judges and others. The key is to write this version of the business plan with one eye on the external audience. Your business plan must fulfil the dual purpose of showing how your business will generate a strong recurring income that is profitable but also marking the path to an exit for an investor.

Every investor is looking for an 'exit', but different investor groups will be interested in businesses at different stages, from seed to £100+ million funding rounds, and therefore be looking to exit at distinct milestones. It's not unusual for investors to pass on businesses as they progress, much like a relay race. In some industries, like the pharmaceutical sector, this is done in a co-ordinated way as a business grows. Show an understanding of the investors that will be interested in your business at each stage, and reflect their drivers, in your business plan.

Always remember a business plan must show how both the business and the investor can make money. The investor may not exit at the same time as you exit so every business plan must contain both a short-term route to profitability for investors and a long term route to profitability for yourself. You need to think about precisely when an investor is likely to be able to exit or whether you want them to exit at the same time and help you with an acquisition.



Keep it short and structured

A business plan needs to have laser-like focus and clear direction. The size of the plan should be dictated by the nature of the business; the riskier the venture, the longer the plan. A reader must be able to find the topics of critical importance in easily identifiable sections and each section must be crisp, coherent and linked by a common thread. Include a checklist of potential sections when writing it to ensure that everything is included and clearly demarcated. When describing the business, avoid generic jargon such as 'AI' or 'smart tech' unless you are being specific.



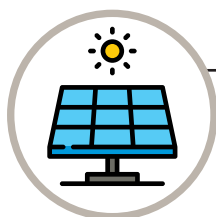
Update, update, update

Most importantly, a business plan is not a sacred scroll preserved in glass. It must be a 'living document', which is refreshed and revisited frequently. It cannot be an abstract document. A business plan that does not remain fresh and relevant and help you execute throughout every stage of a business life-cycle is just a piece of paper in a drawer. The business environment is always changing and your business plan needs to change with it. A business plan, like a business itself, is a constant 'work in progress' and should be updated every day, if possible.





Business plan case study



James van der Walt, South Africa

Shortlist for the 2017 Africa Prize for Engineering Innovation

Innovation: SolarTurtle

SolarTurtle is a secure, solar-powered, self-contained kiosk that off-grid community entrepreneurs use to sell electricity and other products.

“The very design of our first SolarTurtle kiosk forced us to re-evaluate our business plan, and in turn, our innovation.

SolarTurtle started out as containerised off-grid power generating kiosks. But they relied extensively on corporate social investment and government subsidies because they were too expensive for the local community entrepreneurs that we designed them for. We knew the capital expenditure was a hindrance, but it takes entrepreneurs – especially engineers – a while to admit that the ‘baby’ they’ve spent years designing, needs to be changed.

We had to adapt, and recently launched the BabyTurtle. It’s lightweight, mobile and costs R25,000 (roughly £1,400) to produce. The BabyTurtle charges powerbanks, which users swap out, meeting the demand for accessible electricity in pay-as-you-go increments.

Importantly, our SolarTurtle vision never changed – the route to providing safe, affordable energy to rural communities just evolved. Our technology and our business plan have evolved together.

I would urge entrepreneurs to listen to advisers. Constructive criticism is essential to your business plan development. There’s a balance between believing in your product, and admitting that change is necessary. Sometimes you need emotional support in order to move on to a better idea.

A successful business plan has a strong vision and keeps changing and adapting, spiralling closer to the perfect solution. Our business plan changed from one that relied mostly on investment – in communities already strapped for capital – to a plan that includes revenue from BabyTurtles, which sell services our market can afford.”



Authors



Rebecca Enonchong

Rebecca is a Cameroonian-born technology entrepreneur and the founder and CEO of AppsTech. She is well known for her work promoting technology in Africa, and was the founder and Chairperson of the Africa Technology Forum, a non-profit dedicated to helping technology startups in Africa. Rebecca has been a recipient of various awards from organisations such as the World Economic Forum, and was named as one of the 10 Female Tech Founders To Watch In Africa by *Forbes*. She is a judge for the Royal Academy of Engineering's Africa Prize for Engineering Innovation.



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Ian is Managing Director of Arcinova, a contract research and development company, and Shott Trinova through which he invests in, chairs and leads a portfolio of life science businesses. In 2004 he founded Excelsyn, a pharmaceutical development business, which he sold to US multinational AMRI in 2010. Ian previously held several global leadership positions, with multi-national life science companies (ICI, AstraZeneca, Lonza, ChiRex and Rhodia). He is a mentor and founding member of the Royal Academy of Engineering's Enterprise Hub.