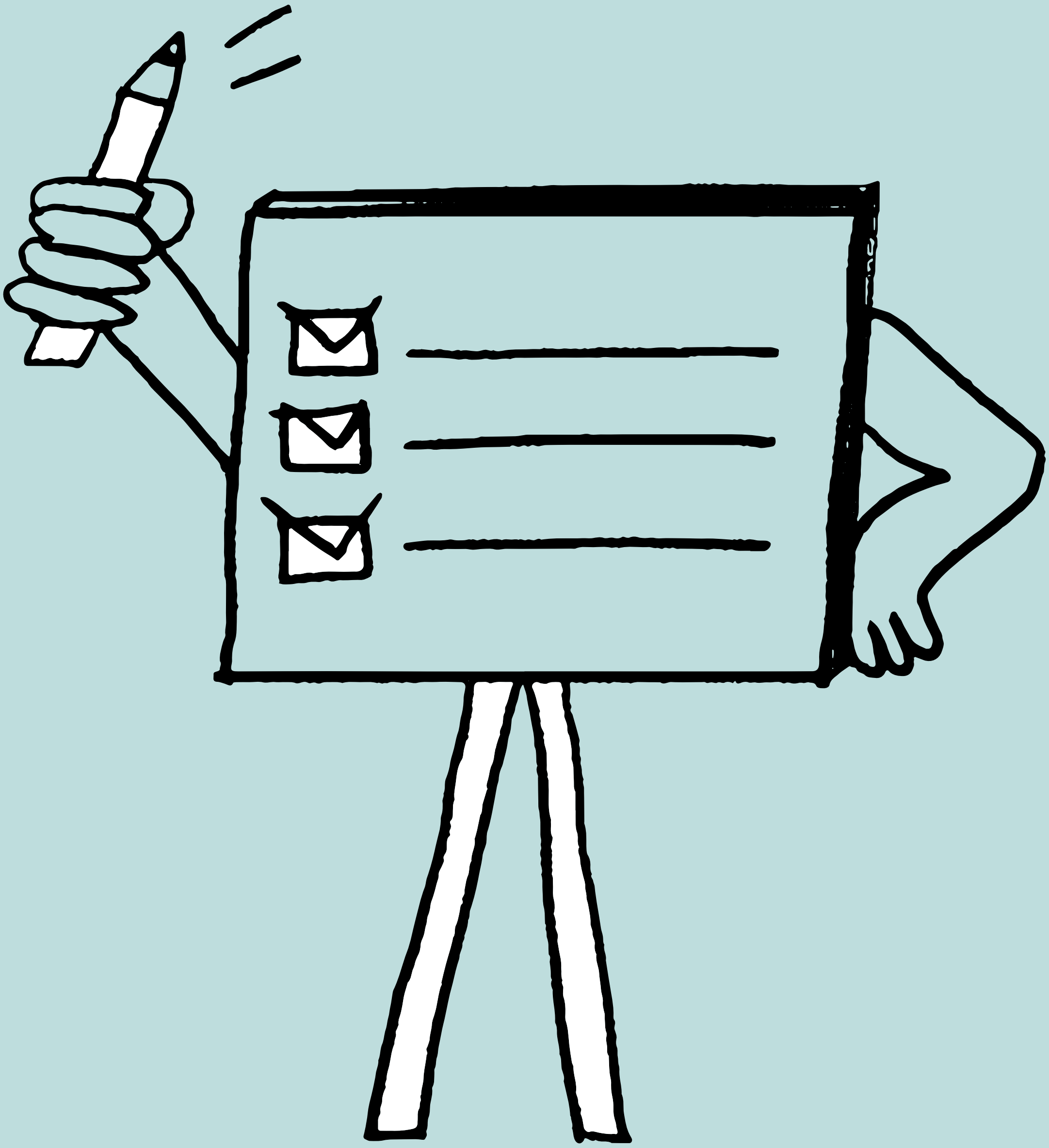
01 Business plan

You’re looking to start a company, but how should you go about your business plan?

This chapter take you through the steps you need to get started.



Contents

P.5 01. Introduction

1.1 Definition
1.2 Goals
1.3 Notes

P.7 02. Basic structure for a business plan

P.11 03. Financial statements

3.1 Profit and loss forecast
3.2 Cash flow forecast
3.3 Balance sheet forecast
3.4 Financing requirement

P.16 04. Ratios and presentation of assumptions

P.19 Useful addresses

01. Introduction

1.1 Definition

Your business plan, or growth plan, is a tool that enables you to analyse a business idea's feasibility, viability and potential. Above all, it is a process whereby you examine a project in detail to determine how to go about implementing it. This approach is often, but not necessarily, drawn up into an official document by the business creator to present the project. Generally 10 to 30 pages in length (including annexes), the plan defines and details the assumptions put forward, summarises and explains choices made, and presents the future of the company over a period of 3 to 5 years.

These days, depending on the school of thought, business plans may or may not be advised, but all experts do recognise the need for reflection before embarking on a project as an essential step to a successful business. The official document will be necessary if the entrepreneur wishes to present the project to third parties, be they other members of the core team (to muster support for the project, for example) or external partners (to secure financing, for example). The document may be drawn up in different formats, ranging from a traditional business plan to a PowerPoint-type presentation listing the main points.

1.2 Goals

The business plan aims to:

• Help the business creator analyse their project

A business plan allows you to analyse and review your project in a structured way, identifying current or foreseeable obstacles and constraints, so that you can also look for solutions. It forces creators to take a step back, check the project's feasibility and adopt stricter management policies.

• Present the project's key elements

Potential partners, such as investors, banks, tax authorities, distribution and supply channels, will read the business plan before they have even met the project leader. Your plan therefore plays a vital role in evaluating your project, and it must be highly persuasive.

• Manage the implementation of the project

A business plan makes it possible to measure the project's progress relative to the original assumptions. It therefore acts as a management tool allowing the business creator to respond quickly to objectives and adapt their strategy to events as they unfold.

1.3 Notes

The business plan has two main sections: a descriptive section and a section with figures.

- The descriptive section aims to confirm that there is a market for the project and define the terms for its implementation.

- The financial part transcribes the elements analysed and assumptions made into figures. This involves establishing the project's profitability and estimating possible financing needs.

- The section with figures is intended to act as a transcription of the argument put forward in the first section. The two parts should therefore be coherent.

Generally speaking, entrepreneurs are too optimistic in the initial phase of projects, underestimating start-up time, overestimating the amount of revenue and/or underestimating costs. It is therefore recommended to plan for different scenarios (optimistic, realistic, pessimistic), but above all, to remain pragmatic. It is essential to stick as closely as possible to the reality represented in the market study.

Today, various IT tools are available to help you create a business plan. They can be a useful way of supporting you through the different stages, but they especially help you formalise the financial section in line with accounting practices.

The content of your business plan will depend on the type of project. The main objective is to determine the project's viability by confirming that there is a market for it, as well as describing the implementation methods and validating the balance between financial inputs and expenses. The aim is to present a balance that guarantees more inputs than outputs. This can be given in more or less detail depending on the field of activity and complexity of the project. On the other hand, whatever the project, it is important not to produce a purely descriptive business plan where the assumptions would not withstand the realities of the market. As part of creating your business plan, it is essential to meet stakeholders in the market concerned (potential customers, distribution networks, competition and other partners) in order to understand the realities fully, and especially to test the different assumptions.

To help you develop your own business plan, the following is an example of a business plan structure which can be adapted to any type of business, with an operating budget, cash flow budget and balance sheet forecast.

02. Basic structure for a business plan

A. Summary	The summary allows you to present your project and its challenges in a concise way. • Reminder of company or project activities (max. 1 page) • Team in charge of the project • Summary of sales and profit outlook • Financing needs and role of the financial partner • Overview of main risks
B. Opportunity	In this part, you present the market opportunity that justifies your project's implementation. In concrete terms, it is a preliminary way of summarising a real market need that you can satisfy by benefitting customers. This creates a sort of context for the project. • What is the market need? • What is the problem experienced by your market segment which has not yet been met by competing solutions? • What is your proposed solution? • What is the benefit for customers?
C. Business and management	The aim of this part is to introduce the team in charge of the business project. On the one hand, this involves introducing the project leaders and legal status, but above all, you demonstrate the suitability of the team's skills and experience to lead the company to success. **Areas to elaborate on include:** • Introducing your company or project • Legal status • List of directors or directors and shareholders • Current share capital • Structure (current and optimal organisation chart) • Management team's trajectory, training and responsibilities (i.e. their CV) • Size of workforce, presented by role

D. Products/Services	The company should introduce its activity and explain the added value for potential customers. Areas to elaborate on include: • Detailed description of products/services • Advantages to the customer base • Further product development • Current ongoing weaknesses
E. Markets	This section should be persuasive and demonstrate that there is a market (or customer needs) for your product/service, backed by statistical data and especially field data. Statistical data will allow for an overall assessment of the market, particularly with regard to size and medium/long-term potential. Field data (e.g. number of target companies, survey carried out) will illustrate the market's characteristics and interest of the market in a more concrete way. **Areas to elaborate on include:** • Market potential, main outlets, customer segments (potential, growth) • Customer characteristics (typical profile) and needs • Sales forecast and market shares (including material bases and methods for calculating sales) • List of the main current customers (if any) • Potential customers (including letters of intent and correspondence) • Order book, outlook for firm orders (if any) • Market research and survey results
F. Competition	Describing the competition acts as a complement to the market section. The goal is to present the current competition factor and demonstrate your project's differentiating features compared to this competition. **Areas to elaborate on include:** • List of the main competition already active in your market (at local and/or international level depending on the project's characteristics) • Name, location, activity, potential sales, profits, workforce • Product comparison, strengths and weaknesses • Apparent strategy, possible reactions

G. Competitive advantages	Competitive advantage is a key factor in a company's success and should be highlighted. The company must seek to make the most of its competitive advantage, and develop advantages that allow it to be distinguished from the competition in a lasting way. In this section, you must demonstrate the company's existing competitive advantage that brings added value for customers. **Areas to elaborate on include:** • Differentiating features compared to the competition (strengths) • Protection of intellectual property (patents, trademarks and/or expertise)
H. Marketing	The marketing plan defines the objectives, means and actions that the company will implement to develop its commercial activity successfully. This will involve determining the precise targeted markets and customers, as well as the sales process and planned steps to make the company known and increase sales. **Areas to elaborate on include:** • Trade strategy • Target markets and customer segments • Distribution channels, organisation of domestic and international sales • Market prospecting, advertising, sales promotion • Positioning your pricing strategy • Communications strategy
I. Risk assessment	The company should not only describe the main risks it currently faces or will face as part of its growth, but also the measures that can be taken to mitigate the effects of these risks. It is common to present risks through the SWOT methodology, which analyses a company's strengths and weaknesses in relation to the opportunities and threats of its environment: • Strengths – positive factors within the company • Weaknesses – negative factors within the company • Opportunities – positive factors outside the company • Threats – negative factors outside the company • Possible measures
J. Implementation plan or roadmap	An implementation plan allows you to present the main stages in your project's development. This is an important section which allows you not only to assess how realistic the project is, but also to measure its progress against the implementation plan you are presenting. • Key stages and implementation deadlines

Annexes	• Company and product brochures • Relevant articles and press clippings • Product/market/competition analyses • Outlooks, plans, organisational charts, etc. • Entrepreneur CVs

The following sections may also be included depending on the type of activity being developed:

Business model	A business model concisely, and sometimes even through a diagram, describes how a company grows its activity and generates income. On the basis of a value chain analysis (breakdown of the company's activities and the market into stages to identify potential for competitive advantages) and market research, the following elements should be put forward: • Method for generating income • Marketing method (e.g. distribution) • Activities developed internally or entrusted to partners • Main resources • Communication and distribution channels • Cost structure
Technology – R&D	The company describes the technological factors briefly and in layman's terms, as well as future developments (only if this is a key element likely to be of advantage to the company). More detailed information may be included in the annex. • Technology used and company expertise • Current development projects • Future development projects
Production	This chapter aims to describe the production process, capabilities and specificities linked to the company's activity. • Description of the production process • Production equipment and infrastructure • Production capacity and manufacturing and delivery processes • Purchasing and stock (volume, replenishments) • Subcontracted areas • Manufacturing costs (level and structure)

03. Financial statements

Financial statements give a numerical representation of the previous sections. They make it possible to understand the financial reality of your business project, as well as presenting the project’s financial situation and development to potential sources of financing.

The financial part of the business plan should present the company’s current situation, along with forecasts for its profitability (profit and loss forecast, generally over a period of 3 to 5 years) and for its cash flow (cash flow plan for a period of at least 12 months). These elements will allow you to demonstrate the viability of your business, as well as the related need for financing.

It is often recommended to present different scenarios, including a pessimistic and realistic scenario. Analysing these different options is an important part of validating the business project’s feasibility. It should also be noted that, knowing that entrepreneurs are overly optimistic by nature, the pessimistic scenario frequently turns out to be more in line with reality.

Note that many software programs are available to help you prepare financial statements. They are often not too expensive, and allow you to concentrate on the data and assumptions (rather than on formulas in a spreadsheet). This gives you an undeniable advantage, because the different tables, profit and loss forecast, cash flow budget and balance sheet forecast must be interconnected, which makes in-house creation all the more complicated.

3.1 Profit and loss forecast

The profit and loss forecast (also known as a budget forecast or income statement forecast) presents the evolution of your company’s income and expenses, and allows you to determine your company's results over time.

	Year 1	**Year 2**	**Year 3**
Turnover	250’000	300’000	350’000
= Total revenue	**250’000**	**300’000**	**350’000**
- Expenses - materials	120’000	140’000	165’000
= Gross result	**130’000**	**160’000**	**185’000**
- Salaries	60’000	70’000	80’000
- Social security contributions	12’000	14’000	16’000
- Overheads	15’000	15’000	18’000
- Maintenance costs	5’000	5’000	5’000

- Sales and marketing costs	10'000	12'000	15'000
- Rent	18'000	18'000	18'000
- Other (contingency reserve)	5'000	5'000	5'000
- Depreciation	10'000	12'000	15'000
= Earnings before interest and taxes	**-5'000**	**9'000**	**13'000**
- Interest	0	0	
- Taxes	0	2'250	3'250
= Company profit / loss	**-5'000**	**6'750**	**9'750**

These forecasts help determine the viability (profitability) of your business. Note that it is not always possible to predict every cost; it is therefore important to include a safety margin. This projection is generally given for a period of 3 years.

3.2 Cash flow forecast

Your cash flow statement (also known as a cash flow budget) helps determine your short-term financial needs. As a general rule, it is calculated on a monthly basis and only for the first year.

	Total	**Month 1**	**Month 2**	**Month 3**	**...**
Cash inflow					
+ Debtor payments	250'000	0	5'000	10'000	10'000
+ Other inflow					
= Total cash inflow	**250'000**	**0**	**5'000**	**10'000**	**10'000**
- Purchase of goods	120'000	2'500	5'000	5'000	8'000
- Salaries	60'000	5'000	5'000	5'000	5'000
- Social security contributions	12'000	1'000	1'000	1'000	1'000
- Overheads	15'000	1'250	1'250	1'250	1'250
- Maintenance costs	5'000	0	0	1'500	0

- Sales and marketing costs	10’000	1’000	1’000	1’000	1’000
- Rent	18’000	1’500	1’500	1’500	1’500
- Other (contingency reserve)	5’000	0	0	0	0
- Interest	0	0	0	0	0
- Taxes, VAT	0	0	0	0	0
= Commercial activity expenses	**245’000**	**12’250**	**14’750**	**16’250**	**17’750**
Gross cash balance[1]	**5’000**	**-12’250**	**-9’750**	**-6’250**	**-7’750**
+ Capital increase	50’000	50’000	0	0	0
+ Sale of assets	0	0	0	0	0
+ Other cash inflow	0	0	0	0	0
- Investments	40’000	40’000	0	0	0
- Other expenses	0	0	0	0	0
= Net capital movement	**10’000**	**10’000**	**0**	**0**	**0**
= Net cash balance[2]	**-5’000**	**-2’250**	**-9’750**	**-6’250**	**-7’750**

[1] Total cash inflow – commercial activity expenses
[2] Gross cash balance – net capital movement

The cash flow table allows for optimal cash flow management during your first year of business, as well as defining your financing and working capital needs. It is important to take note of the planned cash inflow period for determining working capital needs. It could be an interesting exercise to plan different scenarios (for example, inflow periods of 30 days, 60 days and 90 days) to understand the impact fully and be able to visualise the importance of monitoring debtors for the company to run well.

3.3 Balance sheet forecast

The balance sheet forecast is often difficult to populate without using financial forecasting software. While clearly not the key element of a business plan, it may still be required, especially if your company is already an active business. The balance sheet identifies the use of funds and source of financing. Assets and liabilities must be balanced. The evolution of various items over the forecast period is important information for potential funding sources.

Assets	Year 1	Year 2	Year 3
Current assets			
+ Cash (cash, entry, bank, equity)	2’500	3’750	8’000
+ Debtors	10’000	12’000	18’000
+ Stocks	8’000	10’500	17’500
Fixed assets			
+ Shares	0	0	0
+ Machines, facilities	30’000	20’000	25’000
+ Vehicles	0	20’000	15’000
+ Real property	0	0	0
+ Patents, licences	0	0	0
= Total assets	**50’500**	**66’250**	**83’500**

Liabilities	Year 1	Year 2	Year 3
Foreign funds payable in the short term			
+ Creditors	4’500	12’000	13’000
+ Current liabilities	1’000	2’500	4’000
Foreign funds payable in the long term			
+ Long-term liabilities	0	0	0
+ Long-term provisions	0	0	0
Equity			
+ Equity/capital	50’000	50’000	50’000
+ Reserves	0	0	0
+ Deferred revenue + Annual revenue	0 -5’000	-5’000 6’750	6’750 9’750
= Total assets	**50’500**	**66’250**	**83’500**

The various balance sheet items are also the basis for several financial ratios used to evaluate the company. Please also note that all liabilities (including deposits, guarantees, etc.) should be mentioned in the annex to the balance sheet forecast.

3.4 Financing requirement

The financing requirement should accurately present the company's investments, as well as the working capital requirements for the project to be carried out. The company should also present its planned sources of financing. Note that it is important that project leaders make a contribution to the financing: the risks are then shared between the investor and the person running the project. The financing requirement projection is calculated for a period of 3 to 5 years.

04. Ratios and presentation of assumptions

Generally speaking, it is important to explain the causes of the financing requirement (use of funds) so that the person investing or financing can assess whether they are pertinent. To ascertain the extent to which the financial forecasts are realistic, it is important to explain the underlying assumptions. Beyond the purely quantified elements, these more concrete explanations will enable the feasibility of the proposed plan to be evaluated. The following elements should be explained:

Revenue:

- Number of products (or services or hours) sold per year, and respectively per month. It is difficult to understand the feasibility of a turnover figure, but when broken down into the number of units (products/services/hours), it becomes much more concrete. For example, for the figures presented in point 3.1, the turnover mentioned is CHF 250,000, i.e. the sale of 100 units at the selling price of CHF 2,500, i.e. a little more than 8 units per month (100 units divided by 12 months).

- The prices charged should be justified against market prices.

- Your sales growth should be realistic. An explosion in sales over several years is rare, and generally only occurs in connection with an investment.

Expenses:

- Marketing expenses linked to sales growth. In principle, the increase in sales is linked to an increase in marketing efforts and therefore related costs.

- Resources match the business activity

- Staff:

  – Number of salespeople needed to operate a shop during scheduled opening hours (for example, knowing that regulatory working hours are 40 hours per week, and opening hours are from Monday to Saturday, 9am to 6pm all day, or 54 hours per week).

  – Number of fitters needed to achieve the forecast turnover (for example: if a fitter can carry out 2 installations per day, 2 people would be needed if the turnover forecast is 3 installations per day).

  – Turnover ratio per person: to assess the extent to which forecasts are realistic, it is advisable to carry out a comparison with existing companies. As an example, below are some statistics taken from publications by the Federal Statistical Office.

Turnover per full-time employee (in thousands of CHF)

Economic sectors (by NOGA code)	2017	2018	2019
Computer, electronic and optical manufacturing	599,0	645,3	630,0
Electrical equipment manufacturing	678,0	687,0	778,7
Building construction	407,2	410,5	421,1
Civil engineering	256,0	257,7	261,7
Retail trade	423,1	429,1	428,1
Food industry	160,5	162,3	163,7
Programming, consulting and other IT activities	512,8	495,4	456,4
Legal and accounting activities	304,7	296,2	291,1
Advertising and market research	317,8	332,1	305,4
Travel agencies, tour operators, reservation services and related activities	1472,1	1477,1	1537,5

Source : Swiss company financial results – Accounting years 2017-2018, Swiss Federal Statistical Office, Neuchâtel 2020. Swiss company financial results – Accounting years 2019-2020, Swiss Federal Statistical Office, Neuchâtel 2022.

- Premises:
  - Price per m^2 compared to property market prices
  - Surface area: the surface area should be consistent with the number of people planned. If the company employs 5 people, the minimum surface area should be 40m2, i.e. 8m2 per person (for a tertiary activity; it is understood that the surface area depends on the type of activity).
- Profitability:
  - The net profit margin, i.e. the ratio of net profit to turnover, should be realistic. An unusually high profitability without consistent justification means that the forecasts are not achievable (the revenue is either overly optimistic or expenses have been underestimated). A profitability of more than 20% is unrealistic (in the case of companies with share capital where a management salary is included). As an example, below are some statistics taken from publications by the Federal Statistical Office.

Net profit margin

Economic sectors (by NOGA code)	2017	2018	2019
Computer, electronic and optical manufacturing	12,7 %	13 %	12,4 %
Electrical equipment manufacturing	4,5 %	7,0 %	4,8 %
Building construction	3,3 %	2,4 %	1,7 %
Civil engineering	1,9 %	1,0 %	2,3 %
Retail trade	3,2 %	1,8 %	1,8 %
Food industry	2,0 %	1,6 %	1,1 %
Programming, consulting and other IT activities	9,1 %	20,7 %	21,1 %
Legal and accounting activities	4,4 %	5,1 %	3,1 %
Advertising and market research	8,7%	9,1 %	5,7 %
Travel agencies, tour operators, reservation services and related activities	0,8 %	0,3 %	0,5 %

Source : Swiss company financial results - Accounting years 2017-2018, Swiss Federal Statistical Office, Neuchâtel 2020. Swiss company financial results - Accounting years 2019-2020, Swiss Federal Statistical Office, Neuchâtel 2022.

- Cash flow: payment method (cash payment, advance payment, payment on invoice)
    - Collection period
    - According to a study published in August 2012 by Dun & Bradstreet, 'Study of payment behaviour in Switzerland in the first half of 2012', the average collection period is estimated at 40.4 days (i.e. a delay of 10.4 days), and 44% of invoices in Switzerland are paid late.

Useful addresses

GENILEM

Avenue de Sécheron 15 | 1202 Genève
Tél. 022 817 37 77 | genilem.ch

Office de promotion des industries et des technologies (OPI)

(Office for the Promotion of Industries and Technologies)

Route de la Galaise 34 | 1228 Plan-les-Ouates
Tél. 022 304 40 40 | opi.ch

Fondation genevoise pour l'innovation technologique (FONGIT)

(Geneva Foundation for Technological Innovation)

Route de la Galaise 34 | 1228 Plan-les-Ouates
Tél. 022 552 30 00 | fongit.ch

FONDETEC

Boulevard James-Fazy 8 | 1201 Genève
Tél. 022 519 63 31 | previsionnel.ch

Innosuisse Start-up Training

Tél. 058 460 54 89
innosuisse.ch/inno/fr/home/start-and-grow-your-business/start-up-training.html

Venturelab

EPFL innovation Park | Bâtiment C | 1015 Lausanne
Tél. 021 533 09 82 | venturelab.ch

Office cantonal de l'économie et de l'innovation (OCEI)

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Rue de l’Hôtel-de-Ville 11 | Case postale 3216 | 1211 Genève 3
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