



# Massey University

## PREPARING A BUSINESS PLAN

### What is a Business Plan?

A Business Plan is invariably prepared to obtain financial support for a new venture, product, or initiative. The plan will describe the link between the 'product' and the marketplace. In a University a 'product' is invariably a service, or academic offering. However, a 'product' may refer to commercialisation of University owned intellectual property (IP).

### Business Plan vs Business Case

Use a **Business Plan** when

- Seeking approval for a College, Region or Division to enter into contracts, which commit the University to any of the following circumstances;
  - Subcontracting of teaching activity to other providers
  - Provision of new and significant services, other than teaching and research, to external parties
  - Commercialisation of intellectual property
  - Commercialisation of University services
  - Establishment of a new Research Centre

*and/or*

- Planning the strategic renewal or redirection of an existing University entity or activity (i.e. School/Department/Institute/Section)
- Seeking investment from parties outside the University

Use a **Business Case**

- When requesting approval for:
  - Capital expenditure/Capital works
  - Launch of a new academic programme, or activity (e.g. Film School)
  - When seeking approval and support from within the University

*Business Case templates are available on-line at [insert link]*

## What should be in a Business Plan?

This template is provided to assist you to prepare a Business Plan for approval. The template may also be used with seeking financial support from the University, or from outside investors. The template may be modified to suit your specific purposes, and your target audience.

Worksheets are appended to this template for your use.

## Relevant Massey University Policies and Procedures

[Subcontracting of Teaching Activity Policy](#)

[Approval Pathways and Quality Assurance Guidelines: for Domestic and International subcontracting of Teaching Activity.](#)

[Research Centres Policy](#)

[Terms of Reference for Commercial Activities Group \(CAG\)](#)

[Capital Planning and Approval Process](#)

# BUSINESS PLAN TEMPLATE

TITLE:

PREPARED BY: [name/title/College] [date]

## CONTENTS OF THE BUSINESS PLAN

1. Executive Summary
2. Purpose and Objectives
3. Background history
4. Business Description
5. Markets and Market Strategy
6. Research and Development (if applicable)
7. Academic Quality Assurance (if applicable)
8. Management and Staff
9. Principal Risks and Problems
10. Resource Requirements
11. Financial forecasts

Annexes

## The Business Plan should comprise the following sections

### 1. Executive Summary

The Executive Summary captures highlights of plan and serves as a quick reference for interested individuals, investors and approval committees.

The summary should be no more than two pages long, and include:

- Purpose of the plan
- Description of the current situation
- Brief descriptions of the product/service and potential customers and markets
- Proposed direction or change in direction.
- Linkages to the University and College's strategic direction
- Anticipated benefits and financial projections
- Financial commitment required
- Other resource requirements i.e. academic staff, and support staff required.
- Infrastructure and other facilities required
- Management expertise available and management input to proposal
- Key risks and anticipated problems
- Implementation/completion timelines

## 2. Purpose/Objectives

In this section describe the rational and broad objectives for the proposed activity over the next 3-5 years. This should clearly demonstrate the expected outcomes and benefits to the College and/or the University. If the plan seeks financial (venture capital) support for an entrepreneurial venture, it is important that the potential investor can identify goals and objectives that align to the investor's own.

This section should include both quantitative and qualitative objectives that clearly demonstrate what is to be achieved by implementing this initiative.

For example, when proposing to sub-contract teaching activity to a third party consider:

- The rationale for the course and any academic and/or professional developments reflected in the course.
- The broad objectives for the course stated as outcomes
- How this proposal is aligned to Massey University's Charters, 10 year plan, and Profile.
- How this proposal is aligned to the College/Section/Division strategic plan.

For example, when developing a commercialisation proposal, consider:

- What are the company founder's personal objectives (money, power, status?)
- What do the company founders want for their company (IPO, sellout, growth?)
- How well do the above objectives align with the experience of others in the industry sector?
- What are the investor's or University objectives and how do these compare with those above.

For example, when proposing establishment of a new Research Centre consider:

- The research focus and alignment to the University's research goals and objectives
- The expertise and research reputation of the proposed Director, and research team
- The ability of the research team to attract external research and consultancy contracts, and increase PBRF income.

For example, when proposed a major new initiative or a re-direction (or renewal) of an existing University activity or entity consider:

- The academic and research focus of the entity, and alignment to the University's 10-year plan, and Profile.
- The alignment of the activity to the goals and objectives of the relevant College/Region/Division.
- The benefits and rewards that justify the investment in the initiative.

### **3. Background history**

This section should make is explicitly clear why a Business Plan is necessary

A common way to evaluate future potential is to consider past performance. If this is a new venture and there is no previous trading history, this should be stated in this section.

However, if the entity has been trading in the past, describe the structure and basis of operation, together with a description of the product/services offered and the marketing successes (or otherwise) of the venture.

Describe any major events that have occurred that may have led to the requirement to develop this Business Plan.

Describe any major contracts that may bind the entity e.g. Confidentiality agreements, IP Licence agreements, supply agreements, major credit sources etc.

## **4. Situational Analysis**

Use a SWOT analysis to identify the current internal weaknesses, and strengths, and the external opportunities and threats. Summarise these under the following headings.

### **Current State of Industry/Profession**

Describe the current state of the industry/profession in which you operate, or propose to operate.

Detail the present and future outlook for the industry or profession, and how this Business Plan reflects this. It would be desirable to reflect any industry trends over the past five years (growth/decline?). What are the future prospects for the industry or profession?

Review markets within the industry/profession and describe the major providers in the market, any new products/services that could beneficially or adversely affect this Business Plan, and any identified gaps in products currently provided to potential customers (e.g. student, business and industry partners).

### **Trends in Industry/Profession**

Describe what changes are anticipated in the future and how these will affect the College, and/or the University, and the way you currently operate? What threats and opportunities will these changes provide?

Describe how the anticipated changes will affect the growth of the College and/or the University, costs structures, and requirements for capital equipment and personnel.

Describe any contractual agreements that currently bind the College/Region/Division that may impact on this proposal.

### **Product/Service Definition**

Describe in detail the product(s) or service(s)? Is this a new product, or an expansion of a current programme or activity? Is this product or service based upon new technological advances?

Consider the product lifecycle and any implications that this may have for the launch of the product/service at this time.

### **Partner Selection**

If this product/service, or part of this product/service, is to be delivered by an external partner (as in subcontracting of teaching activities) describe in detail their roles, commitments and expectations.

For guidance in relation the teaching activities, refer to Guideline 1: *Approval Pathways and Assurance Guidelines for Domestic and International Subcontracting of Teaching Activity*.

Note any legal or contractual arrangements, and append or refer to all relevant documentary evidence e.g. memoranda of understanding, annual reports, Business Plans, partner profiles.

### **Governance and Management Structure**

State the proposed structure of the entity e.g. Limited liability company, joint venture, or an agreement. Describe how the activity will be governed e.g. through current College reporting structures, or via an independently constituted body. Identify any potential conflicts of interest and how that will be dealt with.



## **5. Markets and Market Strategy**

Use market analysis to develop a market profile, to assess the competition in the marketplace (both current and future) and to define your customer base and characteristics

### **Market size and trends**

Describe the market generally and its future prospects (e.g. number of students, market segments, demographics and market trend/demand for the product/service). Identify any changes in the market and the market niche you intend to pursue.

### **Competition**

Describe the competitive environment, noting any key players in the marketplace, and their potential impact on the market niche identified. What is your competitive advantage when compared to the other competitors active in the marketplace?

*See Worksheet 1, page 20*

### **Marketing Strategy**

#### **Product/Service**

What product(s)/service(s) that will be provided?

#### **Promotion**

How will the product(s)/service(s) be promoted to potential customers? What legal obligations do we have in respect of commercial law e.g. Fair Trading Act, Trademarks Act etc

#### **Pricing**

What are the costing and pricing strategies for the product(s)/service(s)? Does the pricing provide an assurance to the University that costs are adequately covered and margins achieved?

How will fees for product/service be received and remitted, and by whom?

#### **Distribution/Delivery**

Detail how the product(s)/service(s) will be offered (e.g. extramural delivery, on-campus, block mode, or in collaboration with other providers).

## **6. Research and Development (if applicable)**

Describes the research and development investment required to maintain the initiative, or for future development. This section will be important for any commercialisation proposal, or new Research Centre proposal.

Clarify Intellectual Property ownership issues (if any).

Describe the current status of the research and development programme. Describe the experience and expertise of the person overseeing this area of responsibility.

Describe how research and development will be sourced (in-house, or external), and any implications this may have for the business. What major problems are anticipated?

What are the costs of the research and development programme? What capital requirements are needed to maintain the research and development programme in the future?

## **7. Quality Assurance**

Describe the procedures that will be used to ensure that the product/service meet quality expectations.

### **Academic Quality Assurance**

In the case of courses delivered by partner organisations, explain how Massey University will ensure that the quality of teaching delivery is equivalent to that provided by Massey University for the same qualification.

### **Product/service Quality Assurance**

In the case of products or services to be delivered under this proposal how will product quality, or quality of service delivery be assured?

## **8. Management and Staff**

Describe the current management and staff who will deliver this product(s)/service(s), together with their experience and expertise relevant to this initiative. (Biographies of key staff may be appended in and annex to the main document)

When preparing a Business Plan with the intention of raising capital, this section is particularly important, as potential investors will consider the expertise and capability of the CEO, and management team a key determinant in the success of the venture. This information will be key to success of the Business Plan, as investors will be seeking to support a fully committed and highly experienced and successful management team.

Describe also the support structures that may be in place to assist this initiative (e.g. Advisory Boards), or internal processes that review and monitor performance of the new initiative e.g. Massey Ventures Limited, Commercial Activities Group (CAG), or College's International Initiatives Project Team.

## 9. Principal Risk and Problems

This section should identify any major risks that could occur, and impact of the success of this Business Plan. The sources of risk may arise from;

- People e.g. Staff and students,
- Market,
- Product/service delivery,
- Legislation,
- Contractual,
- Commercial,
- Financial,
- Reputation,
- Hazard e.g. natural disaster.

This list is not exhaustive and all risks should be considered and assessed using a criteria aligned the AS4360:2004.

Risk is the chance of something happening that will impact of objectives. It is assessed in terms of consequence (impact) and likelihood.

For all risk assessed as moderate, high or extreme an explanation of how this risk will be mitigated and who will be responsible for the mitigation is required.

For guidance on how to complete risk identification and assessment, please refer to the [Risk Identification and Assessment – a guideline for Managers at Massey University](http://sfp.massey.ac.nz/risk_management.asp), available on-line [http://sfp.massey.ac.nz/risk\\_management.asp](http://sfp.massey.ac.nz/risk_management.asp)

See Worksheet 2, pg 21 and 22

## **10. Resource Requirements**

### **Human Resources**

Describe the number and competency of staffing required to deliver the product/service.

### **Financial**

Summarise the operating revenue and expenditure and capital expenditure necessary to deliver the Business Plan. Full and detailed financial forecasts should be appended to the Business Plan.

State the amount of funding requirement to be committed by the University or outside investors to the proposal now, and in the future. These statements should be supported by detailed financial projections and sensitivity analysis appended in the annexes to the Business Plan.

Describe where these funds will be sourced from, and how these funds will be applied.

Describe what the investors will be offered in terms of, for example; return on investment, equity.

Describe how the investors may be able to realise on the investment they are being asked to make.  
E.g. sale, IPO, growth

### **Non-financial**

Summarise the non-financial resources required. These will include, but not be limited to, physical space, equipment, library, information technology, and support from the wider University, and/or partner organisations.

*See Worksheet 3, pg 23*

## **11. Financial Projections**

This section should include:

- Summarised details of any financial history (if available)
- Summarised projections for the next 3 to 5 years. Full details should be included as an annex to the main body of the Business Plan, and these should include detailed profit and loss (Statement of Financial Performance) accounts for as least 12 months, and preferably up to 3 years, cash flow projection, and balance sheets (Statement of Financial Position).
- Details of all assumption made in preparation of the financial forecasts. E.g. student numbers, EFT/EFTS ratio, key cost drivers.
- Sensitivity analysis

Assistance in completion of the financial projections should be sought from the relevant Accounting Advisor, in Finance Operations.

## ANNEXES

Additional information may be appended. In order to keep the Business Plan to a manageable length, but also to provide supporting information for the reader, it is suggested that annexes may include:

- Detailed financial projections
- Sensitivity analysis
- Summaries of the experience and skills of key managers
- Organisation chart
- Market information
- Product/service information
- Partner information
- Detailed market analysis

## **BUSINESS PLANNING RESOURCES**

The following worksheets could be used to aid your preparation of this Business Plan, and may be appended if you wish



## Worksheet 1: Competitor Analysis

<u>Name</u>	<u>How long that they been in business</u>	<u>Areas of Competition</u>	<u>Other Products/Services provided</u>	<u>Estimate Annual Income</u>

## Worksheet 2: Risk Identification and Assessment Template

Risk Identification: Identify the types of risk that could arise from the activity, such as

	Financial Loss
	Physical injury (to staff, students, members of the public etc)
	Loss/damage to University equipment and/or facilities
	Inadvertent or deliberate breach of legislation, policy or ethical
	Legal or contractual liability
	Misuse of public resources, corruption or fraud
	Damage to the University's reputation or the reputation of individuals
	other

Risk Assessment – All risks should be quantified in terms of likelihood and possible consequences

Level	Risk Descriptor	Consequence
1	Insignificant	<ul style="list-style-type: none"> <li>No injuries or financial loss less than \$100k</li> </ul>
2	Minor	<ul style="list-style-type: none"> <li>Financial losses between \$100k and \$500k from a single incident/event</li> <li>Some adverse public reaction</li> </ul>
3	Moderate	<ul style="list-style-type: none"> <li>Financial losses between \$0.5m and \$1m from single incident/event</li> <li>Injury of staff</li> <li>Reputation damage.</li> <li>Loss of business efficiency, failure to meet legal/regulatory requirements</li> <li>Incident/Event reduces attainment of primary objectives</li> </ul>
4	Major	<ul style="list-style-type: none"> <li>Financial losses between \$1m and \$5m from single Incident/event</li> <li>Injury of staff</li> <li>Severe reputation damage</li> <li>Incident/Event impedes achievement of primary business objectives</li> </ul>
5	Catastrophic	<ul style="list-style-type: none"> <li>Financial losses greater than \$5m from a single incident/event</li> <li>Death of staff</li> <li>Incident/Event prevents achievement of primary business objectives</li> </ul>

Level	Descriptor	Likelihood
A	Almost Certain	<ul style="list-style-type: none"> <li>Is expected to occur in most circumstances</li> </ul>
B	Likely	<ul style="list-style-type: none"> <li>Will probably occur in most circumstances.</li> </ul>
C	Possible	<ul style="list-style-type: none"> <li>Might occur at some time</li> </ul>
D	Unlikely	<ul style="list-style-type: none"> <li>Could occur at some time</li> </ul>
E	Rare	<ul style="list-style-type: none"> <li>May occur only in exceptional circumstances</li> </ul>

Risk evaluation: Use this matrix to calculate the Raw Risk Rating

Likelihood	Consequences				
	Insignificant 1	Minor 2	Moderate 3	Major 4	Catastrophic 5
A (certain)	H	H	E	E	E
B (likely)	M	H	H	E	E
C (possible)	L	M	H	E	E
D (unlikely)	L	L	M	H	E
E (rare)	L	L	M	H	H

For all risk ranked Moderate (M), High (H) or Extreme (E) mitigations actions must be identified and responsibility assigned.

## Sample form for reporting risk identification and assessment

Risk	Contributing Factors	Consequence ratings	Likelihood rating	Raw Risk Rating	Mitigation Strategies (Controls)	Control Effectiveness	Treatments Actions (if required)	Responsibility



### Worksheet 3. Resource Requirements

Resource Requirements	University Area responsible	Cost Year 1	Cost Year 2	Cost year 3	Total Cost (\$)
People (including staff and replacement staff costs)					
Equipment/ furniture/ technology					
Infrastructure (including space/ facilities)					
Specialised Materials					
Specialised/ Scarce Skills					
Other					

