

Writing a Business Plan

With the ever-tightening grip on health-care resources, nurse executives must carefully analyze proposals through well-developed business plans. This advance planning can prevent unnecessary losses and provide financial benchmarks for measuring future performance.

In the current health-care environment, the nurse executive is increasingly faced with the challenge of designing and implementing new clinical services, businesses, or ventures. While each endeavor presents a unique set of challenges, there is a methodical way of approaching the process — writing a business plan. While a business plan is often considered necessary for developing a new profit-oriented business, a business plan should also be developed when considering any new idea, unit, or service.

A business plan is a written document that spells out in detail the proposed business venture and the expectations of that business over a specified number of future years. The plan serves as a guide for efficient project operation and management; an information source; and a document that will facilitate decision making, motivation, and the measurement of performance.

The specific elements of a business plan are not universal. A business plan can vary in length or depth and can be formatted in an endless variety of ways. Each proposal is unique and generally follows expectations set by the organization. A specific business plan format for each new project probably does not exist and is not necessary. However, a basic set of compo-

nents that should be included in any plan can be identified and serve as a blueprint.

Purpose of the Business Plan

First, the writer must clearly understand the purpose of the business plan. How will it be used? By knowing the purpose, the writer can include the appropriate content. For example, if the business is to be used primarily for raising money, a detailed financial plan will be necessary to satisfy the investors who review its potential. If the plan is to be used primarily to assist in managing or measuring operations, the content should provide benchmarks against which actual performance can be compared. Business plans can do any or all of the above and will also provide strategic and financial plans for the first years of operation.

Because each health-care organization will have unique planning practices, the writer should make liberal use of organizational expertise in developing the plan. The result is more likely to reflect current business practices in the setting and may serve to enlist support for the project.

A Generalized Planning Format

All nurse executives spend considerable time putting out fires and correcting the course of projects gone awry. With the increasing

pressure to produce cost-efficient services, the margin for misdirected efforts is shrinking, and projects must come in on time and on budget. The amount of good planning needed to accomplish this end is considerable. Additionally, new ventures receive close scrutiny in organizations, particularly from financially oriented board members. Thus, the quantity and quality of planning are critical to the success of a project.

Once the nurse executive has assumed a methodical planning format as a means for designing and approving projects, other nurse managers can use the established format to put forward their ideas. The process not only adds clarity but also saves time and energy that previously might have been spent spinning around the system.

The basic format of a business plan includes the components shown in Figure 1. Each component can be tailored to meet the needs of the specific venture and could be excluded if desired. The

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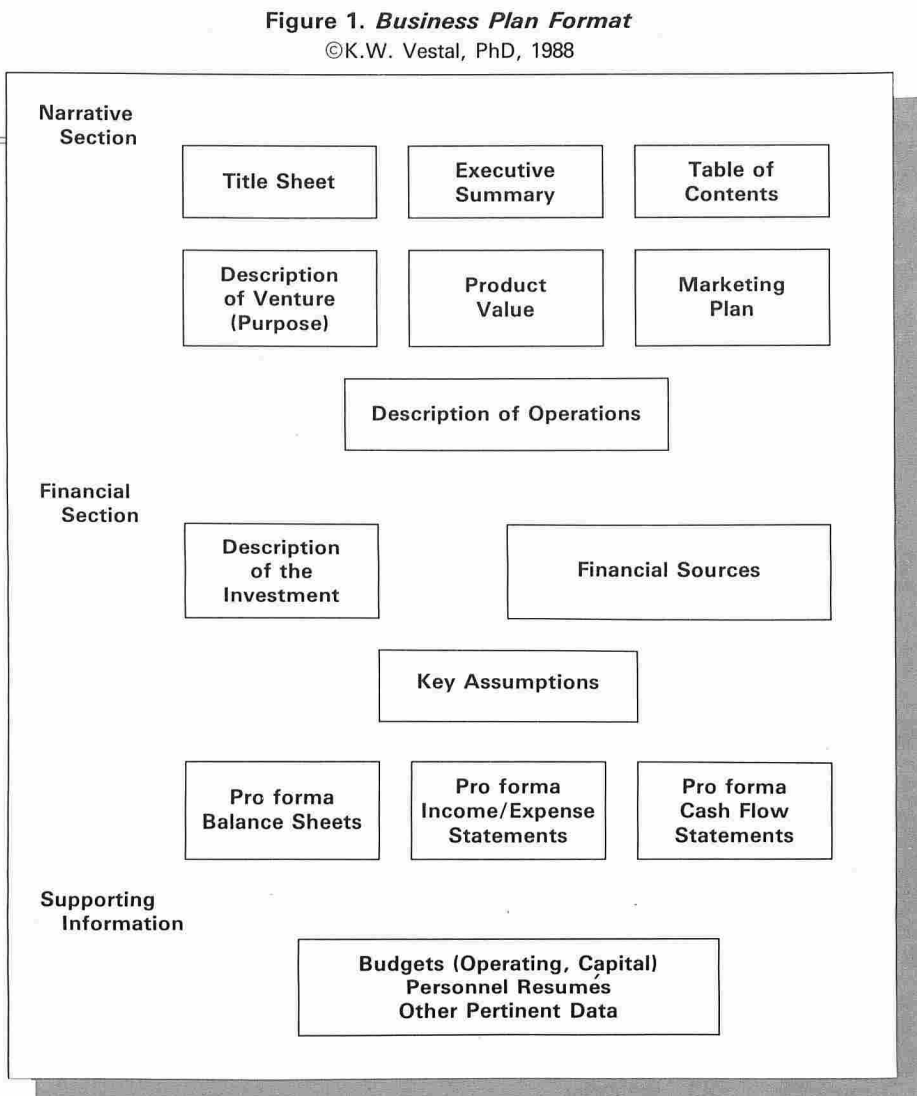
exact content should enable the reader to clearly understand the proposed project without medical lingo and technical language impeding understanding. Obviously, the document should be as concise as possible because its reviewers will be people with limited time to wade through words.

The Narrative Section

The narrative section includes the proposed descriptions of the venture. Each element of the narrative section should meet a goal and contain succinct, accurate information. A brief overview of each is helpful in understanding the intent to be accomplished.

Title sheet. The cover page should include the name of the venture or proposal, the author or leader of the effort, the date of the submitted document, and the date of the anticipated project implementation. The goal of this element is to clearly define the project, leaders, and timeframe.

Executive summary. The goal of the executive summary is to provide a clear, brief overview of the entire project. This element of the plan is often the most critical piece to write, considering that many reviewers will rely on these 1- to 2-page summaries for most of their information. In an effort to reduce time spent reading proposals, many reviewers will read only the executive overview and financial summary. Understanding that, the writer must painstakingly condense the essence of the proposal into a succinct summary. Included will be statements of project purpose, market niche and plans, the project's value in relation to the organization's overall mission, and financial forecasts. Of financial importance is a brief summary statement of initial investment and expected return on investment



with timeframes. If the writer experiences difficulty writing the executive summary, the venture may be too broadly defined or not planned as well as necessary.

Table of contents. A table of contents serves as a guide to the document and can be easily referenced with tabs to make usage easier.

Description of the venture. The goal of this section is to briefly but clearly describe the exact purpose of the project or business and the expected outcome. The product or service should be defined in relationship to the item being produced and to the consumer who

will use it. Again, if this section exceeds one-half page, the project is probably poorly defined.

Product value. The goal of this element of the business plan is to describe why this product should be produced. The organization's mission, its strategic plans, and the project's commercial or public value should be interrelated to show support for this venture. If a positive value structure cannot be built, this venture may not be in the best interest of the organization and should be carefully scrutinized.

Marketing plan. The goal of this section is to summarize the market

research, analysis, and planning that support a need for the product. The information in this section should be more than supposition and should be based on legitimate data gathered by reputable marketing research techniques. Otherwise, once produced, there may be no real market for the product. This section can also identify competitors, price competition, and expected positioning of the product. Will it be the first product of its type? Will it be the highest priced or the lowest?

Description of operations. The goal of this section is to describe how the business will operate. The exact content will reflect the type of business, special points to be discussed, and information needs of the reviewers. However, the section should provide enough information to prove that the business can be run effectively and to describe how it will be run and by whom. After reading this section, the reviewer should be able to envision the operation and have confidence that all bases have been covered. Additional information may include the organizational chart, the style of management, the kind of people to be hired, and how the operations will be organized to produce the product. If exact names are available, include them on a chart, and attach resumés at the end of the plan. The writer may want to describe the production schedule and capital needs in terms of special equipment, space needs, employee relations, and expected compensation/benefit practices. Again, content should be tailored to the venture being proposed but must adequately describe the operations of the business.

Financial Section

The financial section should in-

clude financial goals, pro forma documents, and pricing strategies. Financial goals will serve as a measurement guide as the business gains momentum. Often health-care institutions use goals such as the number of treatments, visits, or encounters as a guide to success. However, the goals are increasingly expected to be related to profits — the difference between expenses and revenues as reported in the income statement as a measure of financial performance. This “bottom-line” view is necessary in an environment that is continually requiring increased efficiencies in the face of reduced reimbursement. Thus the financial goals and objectives of the venture should be set depending on the nature of the business, market available, and goals established by the management team.

A service may be proposed that may not be expected to result in profits. That does not preclude the need for a business plan nor does it necessarily doom the venture. Yet each project must be viewed as a necessary part of the organization's strategic plan with a commitment to cover the losses and an accurate prediction of the losses as part of the plan.

Description of the investment. This section describes the overall investment needed to support this project. The section summarizes the financing needed over the first 3 to 5 years and the expected return on investment. Any information that can be summarized related to the operating and financial schedules should be included in this section.

Financing sources. A description of optional financing arrangements may be included in this section if appropriate. Although businesses in the private sector usually finance start-up ventures through

commercial lenders, not-for-profit ventures may want to consider other sources. Depending on the proposed venture, foundations, grants, and philanthropy may be sources to consider. Using commercial lenders will entail the need for additional financial planning in conjunction with organizational financial officers.

Key assumptions. The goal of this section is to make critical predictions about the expected volume of business or sales of the product upon which the operating and financial schedules can be built. Obviously, the failure to accurately forecast volume or usage can lead to financial catastrophes later. Thus the expected business usage (such as visits, treatments, or units sold) must be as accurate as possible. Gross overstatement to sell the proposal may result later in business failure, and gross understatement may result in the inability to meet demand. Through marketing research, the project's volume, pricing, and expenses must be predicted.

Operating and financial schedules. Once the assumptions are made by the management group, the financial experts can translate the information into pro forma financial statements for the next 3 to 5 years. The most commonly used financial tools are the balance sheet, income statements, and cash flow statements. From these, an operating budget can be developed that will serve as both an initial planning tool and a subsequent performance measurement.

These pro forma financial schedules are no different from those used on a daily operating basis except that they are proposed in advance based on earlier assumptions. At a minimum, the following items should be included.

The *pro forma balance sheet* relates to the proposed level of business activity reflected by the income statement. This sheet is generally used to assess the financial health of the business through ratio analysis and other tests to assure that the business has sufficient resources to operate.

The *pro forma income statement* summarizes the expected results of the operating plan. The statement details expected revenues and can be used later to judge actual performance of the business. The *pro forma income statement* should portray expected financial operations as well as monetary figures can.

The *pro forma cash flow statement* is a supplement to the income statement and provides an operational description of the effects of income and investment requirements on working capital, property, plant, and equipment and identifies the need for raising additional funding. The statement usefully summarizes the flow of cash between the income statement and the balance sheet.

Additionally, a detailed operating budget and capital budget should be developed. These budgets clearly identify how money will be spent and used. The budgets should be included in the appendices.

Nurse executives often express great hesitation at developing the financial section of a plan. In most companies, the financial officers are expected to assume responsibility for the development and oversight of financial planning and operations. Therefore, the nurse executive should, when necessary, use these services or contract with an outside source for guidance.

Supporting Information

The appendix should include any information that would be helpful to support the document but would clutter up the body of the proposal. Usually, the budgets, personnel resumes, and marketing data are included in this section.

Business Plans: A Management Must

Business planning is a process that nurse executives will increasingly use as the businesses of providing health care expand. The skills needed to write such a plan are well known to nurse leaders. The format to facilitate such planning is easy to assimilate into the planning process and document preparation.

While remembering the basic essentials of a business plan, variations can easily be made. This process, coupled with the nurse executive's extensive knowledge of health-care delivery systems, can easily result in increasing success in initiating and operating successful ventures. §

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