

Guide to Developing a Business Plan for Malaysian Service Providers in PV (Part I)

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From

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Notice

- This Business Plan Guide is specifically for service providers in Malaysia involved in photovoltaic.
- This Guide is to be used only as reference for developing a business plan in photovoltaic.
- This Guide is not a substitute for engaging the services of a consultant.
- The business plan developed by the user requires information specific to the company, its objectives and markets.
- Pusat Tenaga Malaysia is not responsible or liable for losses incurred from the use of this Guide.

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1. Introduction

1.1 Purpose of a Business Plan

Business Plans for Management

A good business plan is an effective management tool, which enables companies to plan their business expansion or growth in a structured manner. Business plans allow management to think about their business and markets to establish realistic business directions. Business plans do not necessarily have to provide details of each activity but should serve as a guide to commit everyone within a company to work towards a single business direction. Furthermore, business plans allow management to coordinate diverse activities, allocate resources efficiently and used as a tool to track a company's progress towards a business direction.

Business Plans for Financiers

Companies also develop and submit business plans for assessment to financiers (e.g. banks, venture capital companies and government agencies) to obtain financing and grants and other companies to form partnerships, mergers and acquisitions. Such organisations require a business plans to assess the risks and rewards before committing themselves to a company. Large companies who are potential customers or distributors may be reluctant to enter into a business relationship with small growth companies since they may have doubts about the companies' capabilities and objectives. Thus, a good business plan submitted to these large companies helps to dispel such doubts.

1.2 Types of Business Plans

A general business plan is usually a 30-50 page document describing the overall activities of a company's business objective but does not necessarily describe individual activities of the plan in detail. An operational business plan provides detailed information of related activities such as a marketing plan, advertising and promotional plan, human resources plan and manufacturing business plan and may exceed beyond 50 pages. Similarly, a financial management plan contains detailed information about a company's historical and projected finances including balance sheets, cash flow and income as well as operating budget. Another category is a summary business plan, which highlights key points of a business plan usually in 10-15 pages. The business plan described in this document or guide is for a general business plan.

1.3 Tables and Charts in Business Plans

Tables and charts are just as important as the textual write-up in a business plan since they improve reader understanding and appreciation of a company's plan. The advantage of using tables is it simplifies reading a business plan by organising related information. On the other hand, charts complement the textual write-up by illustrating the relationship of key information. Thus, the use of tables and charts are highly recommended in writing a business plan and should be used extensively where relevant.

1.4 Business Plan Template

A **Business Plan Template** accompanies this **Business Plan Guide** and therefore the reader should use this Guide as a reference when using the Template. The arrangement of the Guide and Template are organised in similar sequence into:

- Executive Summary
- Company Overview
- PV Market and Industry
- Business Strategy for PV Business
- Market Strategy for PV Business
- Financial Projection
- Roadmap for PV Business

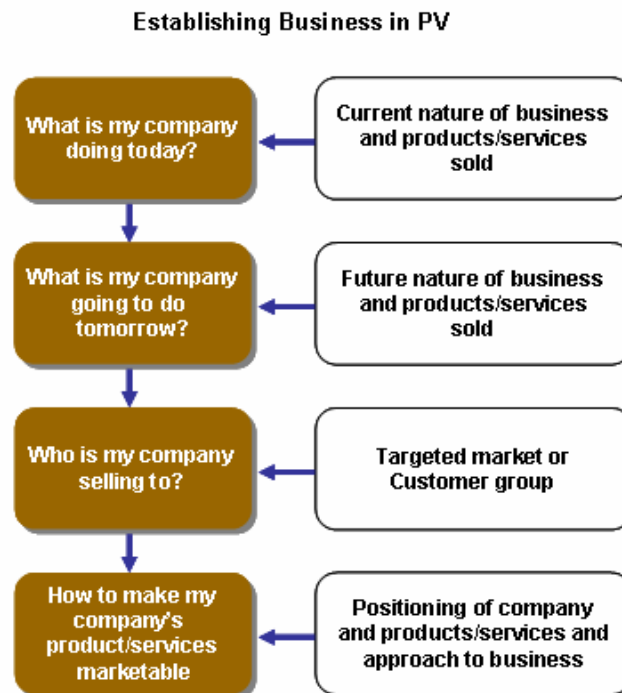
2. Preparing a Business Plan

The service provider has to undertake three preparatory activities before it can start to develop a business plan. The preparatory activities include (1) establishing the service provider's business in PV, (2) engaging in business and market research and (3) developing the outlines of the business plan. The following describes the preparatory activities.

2.1 Establishing Company's Business in PV

This is the first stage prior to developing a business plan and basically establishes what a company intends to do and market. Thus, the service provider should state:

- Current and future products and services to market;
- Target markets or customer groups that it intends to sell; and
- Positioning of its business including products and services.



2.2 Conducting Research

Business plans are only as reliable and effective as the information about the company and its market. Thus, a business plan should fit the current and future scenario of the company's organisation, market and industry for PV. If the business plan does not fit,

then the service provider faces risk of failure in its business for PV. Thus, research reduces the risks of venturing into a new business or business expansion. Furthermore, it is important that research should focus on gathering information that is relevant to service provider’s business intentions.

The service provider must be objective when researching about its own company and the market whether they have a negative or positive impact on the company. An objective business plan ensures business objectives are realistic and achievable. Potential sources of information for researching the market and industry include trade or business magazines; websites including online news services, company websites, association websites and PTM’s website; attending seminars and trade exhibitions; and discussions with other companies and organisations involved in PV.

The following table briefly describes the common type of information sought in research before developing a business plan.

Information sought for Business and Market Research

Areas of Research	Key Information Sought
Research about the service provider’s own company	<ul style="list-style-type: none"> ■ Nature of business and business directions ■ Location of business ■ Key management involved in PV business ■ Organisational structure and workforce ■ Key facilities to develop PV business ■ Current and future alliances and partners ■ Company strengths and weaknesses ■ Market opportunities and threats to business ■ Major and type of financing sought (if any)
Research on the service provider’s products and services	<ul style="list-style-type: none"> ■ Products and services marketed ■ Key markets or target customer groups ■ Marketing vehicles for PV business ■ Advertising and pricing strategy ■ Patenting, licensing and trademark (if any)
Research on the market and industry	<ul style="list-style-type: none"> ■ Description of target markets ■ Market potential and trends ■ Competitors in the market ■ Government regulations and programmes ■ Factors affecting the industry and market

2.3 Outlining the Business Plan

Once the service provider has established its business intentions in PV and engaged in research, the next step is to outline the company's thoughts for the business plan. Outlining involves putting all the key or important points into various categories or areas of the business plan as illustrated in the following diagram. This ensures not only all the key points have been included under each area but also ensures key points are plausible and logical. This ensures reader confidence in the business plan especially to potential financiers and saves time rewriting a business plan.



2.4 Documentation

Service providers are usually required to include certain documents into a business plan when seeking financing from external sources such as banks and investors and may be required from potential business partners. Type of documents to include depends on the individual financier's or partner's requirements but are usually proof of the company's existent as a legal entity and those related to financial matters. Possible documents required include:

- Articles of Association and Certificate of Registration issued by the Companies Commission Malaysia (CCM);
- Latest audited annual report submitted annually to the Companies Commission Malaysia;
- Financial statements, letter of credit facilities and fixed deposits from banks;

- Award of contracts including tenders, purchase orders and supply agreements with customers; and
- Licensing agreements, distribution rights and patents owned by the company.

These documents are usually incorporated at the end of the business plan but very much depends of the financiers or partner's instructions. The service provider should also incorporate relevant photographs such as its office(s), warehouse, equipments, machineries if any and previous PV installations to enhance the business plan. Other possibilities include certificates, letters of commendation or appreciation from clients and suppliers' technical literature.

3. Key Areas of a Business Plan

3.1 Executive Summary

An executive summary should be a 2-3 page snapshot about the (1) service provider, (2) its business offerings and markets, (3) business and marketing strategy for PV and (4) a five-year financial projection of the business. The executive summary is the first part of the business plan that is normally read but written only after the rest of the business plan has been completed. It is important to incorporate only key information of interest into the executive summary. Information of interest include company strengths supporting the PV business, unique selling proposition, market potential, marketing and major markets, revenue and profitability growth of the PV business.

When read by readers outside the company such as potential financiers, the purpose of the executive summary is to generate their interest about the service provider's business and intentions. Potential financiers such as banks and venture capital companies regularly receive business plans competing for their attention. Thus, the objective of the executive summary here is to gain their attention and subsequently interest to read the main body of the business plan.

For potential partners in large companies, the executive summary serves board members and senior directors who need to be aware of the service provider's business plans. Furthermore, board members and senior directors in large companies receive numerous reports regularly and often do not read reports from the beginning to the end. Thus, the objective of the executive summary is to gain their attention about the service provider's business plan and encourage further reading.

3.2 Company Overview

Company's Business Directions in PV

This section of the business plan comprises 2-3 paragraphs summarising the service provider's current business and future directions for PV within the next five years. The objective of this section is to provide the reader an understanding on the company's thoughts and objectives for PV before reading further. This allows the reader to appreciate the decisions made by the service provider to develop its PV business.

Important information for this section of the business plan includes:

- The current nature of the service provider's business in PV

- Service provider's future directions in the PV business
- Anticipation on the market for PV

About the Company

This section of the business plan contains a synopsis or background about the service provider including its capabilities and usually 2-3 pages. Anyone evaluating or assessing a company would need a prior understanding of the company's history and current status to appreciate the business direction undertaken by the service provider.

Important information for this section of the business plan includes:

- Number of years in business, paid-up capital, revenue and shareholders
- Key senior manages and their background: -
 - Academic qualifications
 - Responsibilities
 - Work experience related to PV
- Current experience in PV including: -
 - Products and services marketed or offered
 - Key markets for products and services
- Company's workforce
- How the company manages its business
- Current business alliances and major markets or customers

Current Scenario for Company's Business in PV

This section is an extension "About the Company" and generally 2-3 pages focusing on the service provider's business scenario for PV i.e. factors affecting the business. The main purpose of this section is to assess the service provider's capabilities and prospects to develop its PV business.

Important information for this section of the business plan includes:

- Current status of the company's business in PV

- Views on opportunities for the service provider
- Plans to establish company in the PV business
- Major challenges to developed the PV business
- Major strengths and weaknesses within the company
- Key drivers for the service provider's PV business
- Experiences the company can leverage to develop its PV business

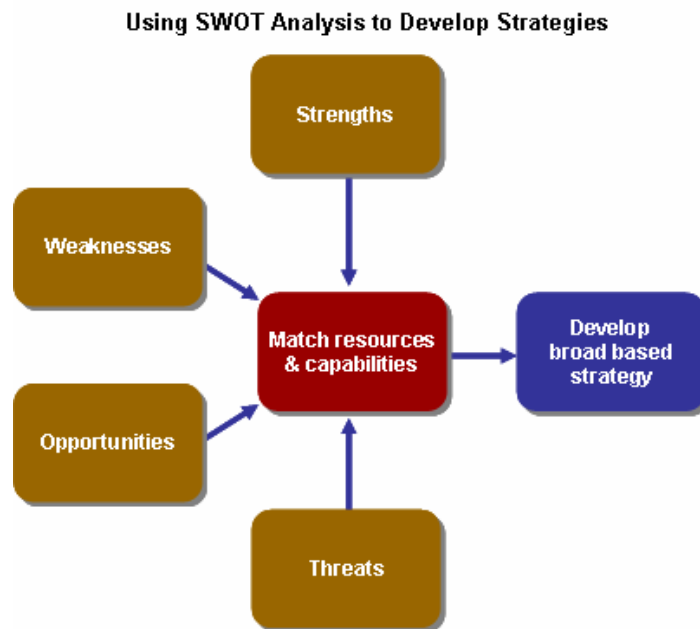
SWOT Analysis

A SWOT (strengths, weaknesses, opportunities and threats) analysis is a management tool used to analyse factors that are favourable and unfavourable to a company. Henceforth, it has become a useful tool in business planning to analyse favourable and unfavourable factors that can affect a company's business objectives. A SWOT analysis analyses a company's:

- Internal **strengths** (S) **favourable** to a company e.g. possession of specialist skills or experience; wide marketing or distribution channel; innovative product or services; quality processes and procedures; and alliances with technology partners.
- Internal **weaknesses** (W) **unfavourable** to a company e.g. undifferentiated products or services; lack of experience; lack of capital to finance business venture; and lack of an established marketing or distribution channel.
- External **opportunities** (O) **favourable** to a company e.g. shifting or entering into a new market that offers increased revenue; potential revenue in the overseas or international markets; and entering into a market left vacant by a competitor.
- External **threats** (T) that are **unfavourable** to the company e.g. entering a market with established competitors; new competitor entering the market; unfavourable government policies towards PV; and price competition leading to price war.

When developing a SWOT analysis, the service provider should be objective about the company's strengths, weaknesses, opportunities and threats. Too often companies

exaggerate their strengths and opportunities and downplay their weaknesses and threats. Thus, an objective SWOT analysis ensures a credible and achievable business plan.



A SWOT matrix is used to developed broad strategies based on a company’s SWOT analysis. Based on the SWOT matrix, the service provider should not target markets simply because they are lucrative but target markets, which it has a better chance of succeeding. The service provider achieves this by selecting markets, which it can leverage on its strengths. The following table describes the strategies to follow based on the SWOT matrix.

Strategies based on SWOT Analysis

	Strengths	Weaknesses
Opportunities	Pursue business strategies based on internal strengths	Overcome weaknesses to pursue opportunities
Threats	Use internal strengths to reduce the impact of the threats	The “Achilles Heel” and a defensive strategy undertaken

Mission Statement and Concept of PV Business

In this section the service provider should propose the company’s mission statement and describe its approach and driving force in the PV business. This section is usually

2-3 paragraphs with an accompanying single sentence stating the company's mission statement. It is important that the service provider's mission statement and its approach to the PV business align with realistic growth opportunities in PV.

Important information for this section of the business plan includes:

- Purpose of the service provider's business in PV i.e. mission statement
- Motivating factors to enter into or expand the PV business
- Markets for the service provider's business
- How the service provider will approach the PV business

3.3 Research on PV Market and Industry

The main objective of research is to identify potential markets or customer groups for the service provider's products and services as well as market factors that could affect its business. Service providers seeking financing would have to convince financiers such as banks and investors that a market exists for their products and services. This section of the business plan is 4-10 pages depending on the complexity of the service provider's market and industry.

Important information for this section of the business plan includes:

- Target markets or customer groups
- Size of the target markets or customer groups
- Market and industry trends affecting service provider's market
- Factors driving the service provider's market
- Trends in prices of PV that could impact the PV market
- Competitors in the service provider's market
- Threats to the service provider's market for PV
- Government programmes supporting or hindering growth

3.4 Business Strategy for PV Business

Location of the PV Business

Business location is where the service provider physically conducts its business, which may differ from its registered address. This section of the business plan is usually 2-3 paragraphs describing the location of the service provider's business including the company's head office as well as branch offices, warehouse and production/fabrication facility if any. The service provider may also market its business through third parties such as other service providers, which it has formed a business alliance and should briefly describe this in the business plan.

Important information for this section of the business plan includes:

- Physical location(s) of the service provider's business
- Type of activities conducted at the location(s)
- Advantage of operating from the location(s)

Management and Organisation

This section describes the service provider's organisation including how it is organised and managed. This section is usually 1-3 pages depending on the size of the company, various activities engaged by the company's workforce and any significant issues affecting the company's management. Include an organisational chart even if the company is a small organisation for the benefit of readers (especially potential financiers, investors and business partners) in order to appreciate the service provider's organisational set-up.

Important information for this section of the business plan includes:

- Company's organisational set-up including organisational chart
- Key managers driving the PV business including their roles
- Management issues affecting business and its remedial actions
- Recruitment plan including categories of workforce for the next five years
- Plans to improve the quality of the workforce e.g. through training

Facilities

This section describes facilities currently used and future plans to acquire facilities to conduct the PV business effectively. Facilities include equipments (e.g. testing equipments and specialised IT equipments), warehouse, production/fabrication facility and technology acquired or developed by the service provider. This section is 2-3 paragraphs but may stretch 1-2 pages if the service provider has several facilities to describe.

Important information for this section of the business plan includes:

- Major facilities currently used in the PV business
- Future facilities to acquire to develop the PV business
- How current and future facilities would be used to develop the business

Strategic Alliances

A strategic alliance is an arrangement between two or more companies to collaborate to achieve a common objective. Strategic alliances can take many forms and include forming a joint-venture company; technical collaboration; outsourcing work; supply agreements with suppliers and distributors; and joint marketing. This section is 2-3 paragraphs but may stretch 1-2 pages if the service provider has strategic alliances with several companies.

Important information for this section of the business plan includes:

- Current alliances established with other companies
- Future alliances to develop PV business
- How current and future alliances would be used to develop the business

3.5 Market Strategy for PV Business

Positioning of PV Business and Business Offerings

The business plan should briefly describe the service provider's products and services and their applications in PV in 2-3 paragraphs. It is not necessary to describe in detail but the service provider should explain how its products and services fills the need of the PV market. This section should also include a single sentence statement describing the service provider's positioning of its business. Positioning is the image created by

the service provider on how it wants to be perceived by the market and to differentiate itself from the competitors. This perception is created through advertising and promotional activities, product and service offerings and quality of the service provider's services.

Important information for this section of the business plan includes:

- Unique selling proposition including positioning statement
- Current products and services marketed by the service provider
- Future products and services to develop
- How the products and services would be used or applied

Key Markets

This section describes the target markets for the service provider's products and services in 2-3 pages. The target markets should be based on research of the market and SWOT matrix. For financiers, it helps to justify that the service provider has a potential market for its products and services. The markets can be viewed in various ways such as by targeted customers, customer groups, distribution channel; geographical markets; by installation e.g. grid and off-grid PV installations; and public and private sector markets.

Important information for this section of the business plan includes:

- Market segments for the products and services
- Future markets for the products and services
- Use of the products and services in the target market segments
- The potential of the market segments targeted
- Factors in the identified markets that would affect demand

Sales Strategy

In 2-3 pages, the next step to describe is the sales strategy describing how the products and services will be sold to reach the customers.

- Most importantly is identifying the distribution channel that best fits the service provider's business strategy. Thus, the service provider may have

more than one distribution channel serving different market segments. Distribution channels include direct sales to the customers; appointing distributors and commission agents; and partnering with other service providers.

- The service provider should consider complementing other sales strategies to develop a competitive edge. These include after sales service to the customers for a specific period (e.g. warranties, technical support and free maintenance); technical support and training programmes to distributors and partnered service providers; ensuring quality service; and efficient handling of enquiries.

Important information for this section of the business plan includes:

- Identifying and describing distribution channels for the target markets
- Products and services marketed through the distribution channels
- Identifying and describing other complementing sales strategies

Promotional Strategy

This section is usually 2-3 pages and the purpose of advertising and promotion is to generate awareness about a company and its products and services with the objective to generate interest and eventually sales. The service provider should focus on key messages to position its business, products and services to its target markets. These include benefits from the service provider's solutions, products and services as well as company strengths and experiences.

Examples of advertising and promotional activities include a well-designed and informative website; advertising in trade magazines; directory and website listing in trade related websites; company and product literatures; direct presentations to potential customers; participating in trade exhibitions; presentations in seminars; engage in press releases; promoting existing installations as a showcase of the service provider's experience. The service provider should not prematurely promote new products and services before they are available since it creates customer disappointment and gives time for the competitors to react.

Advertising and promotional activities is a cost to the service provider and therefore should consider the best options available within their budget. Service providers considering the overseas markets may apply for SME grants from the Malaysia

External Trade Development Corporation (MATRADE) to promote their business overseas. MATRADE also assists in organising and leading overseas trade missions and exhibitions for companies.

Important information for this section of the business plan includes:

- Category of advertising and promotional undertaken
- Description of activities under each category

3.6 Financial Projection

Financial business plans contain detailed information about past financial performance and financial projections. Information incorporated into financial business plans includes historical and projected balance sheet, cash flow projections and income statements. Other important information includes desired financing (e.g. leasing, bank loans, venture capital and equity) and use of the funds (e.g. working capital, capital expenditure and repayment of debt). Due to the complexity of a financial business plan, the service provider may engage the services of a qualified professional.

However, financial projections in general business plans use a simplified projection of income that can be done in-house. However, it is important that the financial projection is in line with market realities. The objective here is to provide the reader (including financiers, investors and company's management) an overview of the financial feasibility of the business. The key areas of a financial projection include the expected (1) revenue, (2) expenditure and subsequent (3) income. The projected revenue and expenditure should be supported by plausible assumptions.

3.7 Roadmap for PV Business

A roadmap is a schedule of key activities of the business plan i.e. critical to the company's success. A roadmap outlines the steps undertaken by the company to develop the business and usually for a period of three to five years. The roadmap also serves as a checklist of major activities and an indication to potential financiers and business partners of the company's ability to plan its development. The roadmap is organised by period and can be by year, quarter or by month. Most general business plans are organised by year while operational business plans are generally organised by quarter or by month.