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Demystifying the business plan

Changes in the structure and organisation of health services are requiring clinicians to take on managerial and administrative responsibilities. The need for training in managerial skills has, therefore, been endorsed by the College. This article discusses one of the key concepts in management, the business plan. We briefly describe the steps involved in writing a business plan, illustrated by a hypothetical example.

The period of higher specialist training in psychiatry (as a specialist registrar) offers considerable flexibility to participants owing to the lack of a rigid structure. Responsibility for identifying and meeting one's training needs and objectives rests on the trainee. With the recent and ongoing changes in the structure and organisation of the National Health Service (NHS), it is clear that clinicians need to do much more than care for patients. Whether they like it or not, they have to take on the added responsibilities of a manager and administrator. As a result, there has been a new emphasis on training in these areas; and this move is endorsed by the Royal College of Psychiatrists (Royal College of Psychiatrists Higher Specialist Training Committee, 1998). The importance of business planning within the NHS and its relevance to the psychiatrist is highlighted by its mandatory requirement in such instances as the proposed merger of a trust, the development of a new service or setting up an academic course.

The extent of psychiatrists' involvement in management will vary depending on their primary responsibilities. However, all such practitioners need to be equipped with an understanding of the basic theoretical principles and practical skills of management. Recommended reading on this subject includes *Management for Psychiatrists* (Bhugra & Burns, 1995) and *Textbook of Management for Doctors* (White, 1996). It has been suggested that psychiatrists have a head start in management, given the nature of their training and the skills they possess (Denny, 2000). However, we would argue that to gain expertise in certain aspects of management (e.g. marketing, budgeting and business plan development), more intensive and targeted training is required. In this article, we discuss one of the key concepts in management: business planning. We briefly describe the steps involved in writing a business plan and then illustrate the discussion with a hypothetical example. This paper is not

an all-inclusive guide to business planning, but rather it seeks to introduce and familiarise this important topic.

What is a business plan?

A business plan is a written document used to outline a proposal for a new or continuing activity. The suggested activity need not be a traditional 'business', as such. A plan might be produced for an academic course, a short course, a conference, a workshop, or a research or other project. It is not just a statement as to what is intended for the project; it also attempts to justify why the proposal should be pursued. Possible justifications might include academic, financial, professional or other reasons – or some combination of these. Such justification is necessary because a business plan will often be used to help make the case for support or investment in some way.

Establishing a business case involves identifying relevant decision-makers and stakeholders (e.g. colleagues, managers, carers, patient groups and other professionals) and ensuring their support. This will ensure a more efficient expenditure of energy, as the right decision-makers will be engaged at the beginning of the project. Such activities might involve active 'politics' within any relevant organisation, and is likely to include meetings, presentations, discussions and negotiations with the relevant other parties. When opposition is met, an assessment should be made as to whether the objections are ones that make the project unfeasible. If they are, then this should be accepted. If not, a strategy must be identified to ensure they are addressed. Another vital reason to seek discussion with decision-makers and stakeholders at this early stage is to gain feedback on any unforeseen potential opportunity costs flowing from the project (for example, a new service might mean that an alternative service could never be developed). Once it is clear that the broader business case is acceptable, a short outline plan can be circulated to the key parties to confirm the outline of the project and their support for it. Time spent developing the ground for any business plan in this way is never wasted.

The development of a formal business plan provides a written record of the aims of the project, and provides an opportunity to assess whether the relevant objective



is realistic, given the costs involved. An important reason for writing a business plan is to make your ideas explicit before you invest large amounts of time and other resources in a project. It requires an honest and accurate assessment of the investment required and gains to come from a project. This approach means that you should be able to identify future costs and problems early, and then consider how to deal with them as part of your plan. It is often the case that potential problems only come to light once you begin to think through the proposed project. It is much more efficient to do this before time, energy and other resources have been invested. It is important to be realistic in assessing the likely outcome of the project and any costs involved. Even if you are keen to do something, it might not be worth doing, given the amount of your time required to complete it successfully. In assessing costs, it is always worth being pessimistic, asking yourself what might go wrong and how such problems could be addressed. It must be accepted that one very real outcome of producing a business plan is that the conclusion is reached to abandon the project, either because the aim cannot be achieved or because the costs of the project are too great given the return.

However, a business plan is not just a static document. It is an attempt to give a realistic summary at the time it is written, taking into account all the available relevant information; once the plan has been produced, it must be reviewed regularly. These review periods should be specified in the original document. Progress should be measured against the projected benefits, and these can be revised depending upon circumstances and results.

Components of a business plan

There are many different types of business plan, but they all use a similar format, as described below.

Introduction and background

The introductory section is important as it provides an opportunity to sketch out existing strengths that can be built upon. The introduction should also specify the detailed aims of the project and relevant performance indicators, so that the results can be assessed against them. It provides a justification for why the project is necessary and should seek to answer the following crucial questions. Do you have the expertise in a particular area? How does the proposed activity relate to these strengths? Is it a logical extension of current activities? How does the project fit into the broader aims of any relevant organisations? The introduction should also state whether you have identified a 'gap' in the market or a need, and should explicitly state the aim of the proposed project – for example, meeting unmet needs of a client group, generating income, increasing student numbers or raising the profile of a particular group.

Details of the proposed project

This section is the core of the proposal and should contain as much detail as possible. It should clearly specify what the new project is (e.g. a new course, a research project or a new service), what its aims are and how these aims are to be achieved. It is important to remember that these aims need to be clear, reasonable, achievable and relevant. Other crucial questions include the following. Who is the project for (e.g. stakeholders, target audience, participants)? What information is necessary for a successful project? How will the project be managed (e.g. through a steering committee; if so, who should be involved)? What are the time scales involved, and how can you ensure they are met (e.g. through the construction of a clear time plan, perhaps in the form of a Gantt chart)? Finally, attention needs to be given to predicting any potential problems and clearly stating how they can be overcome. It is advisable to be pessimistic in considering the future of the project, in that it helps in anticipating obstacles and ensures that you are already prepared with possible solutions.

Cost–benefit projections

The relevant projections will not always be purely financial in nature. Instead, they should relate to the aims of the project. They should include all likely costs and benefits from the project, and should be as realistic and accurate as possible. For long-term ventures, the projections should be made for a suitably lengthy period (3–5 years); in such situations, it is even more important to review progress against the aims regularly.

Conclusion

The conclusion should be a short summary of the project. It should review the context within which the business plan is being proposed, its aims, the essentials of the proposed project and the relevant cost–benefit projections, all of which should argue the case positively for the new venture.

Steps in writing a business plan

The sequence of processes in the writing up of a business plan are summarised in Box 1.

Box 1. Creating a business plan

1. Identify relevant stakeholders and decision-makers and ensure their support
2. Circulate a brief outline plan to confirm the nature of the project; this should include:
 - (a) clear project aims
 - (b) realistic costs and benefits
 - (c) possible problems and how they can be overcome
3. Write a full business plan
4. Circulate the plan for comments
5. Revise in the light of comments
6. Submit the plan to the relevant body
7. Monitor the project against the targets and hold periodic reviews

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From theory to practice

Having considered the theoretical aspects of business planning, we now illustrate its application with an hypothetical example. Let us suppose that a unique service exists – a dual diagnosis comorbidity service for people with learning disability – and that the local academic psychiatry unit wishes to set up a 3-year MSc course in dual diagnosis in learning disability attached to a university department. A crucial step in translating this idea into a realistic project would be to draw up a business plan. Suggestions for its contents are outlined below.

The introductory section could describe the existing service and its relevance in a clinical context, including an overview of the epidemiology of mental health problems in this group and their wide-ranging consequences if untreated. Background issues such as the history and development of the existing service (that it was set up 4 years ago, runs in-patient and out-patient services, has multidisciplinary staff input into the assessment and management of clients, and so on) and the existence of ongoing research activities and other courses (past or present) run by the department at the university could be usefully included. It might also be helpful, in this context, to include a statement of any income already generated for the university.

The aims of the course could include improving the theoretical understanding and practical skills needed in working with learning-disabled people with mental health problems, enhancing awareness of the underlying aetiological models leading to comorbidity, improving knowledge of relevant assessment and treatment strategies and of national policies, and so on. The course content and structure (a detailed description of the various modules) should be specified, and the potential students should be identified, who in this case would include senior house officers in psychiatry, specialist registrars in learning disability, psychologists, nurses, general practitioners with a special interest in this field, and policy-makers.

A vital part of this business plan is a detailed account of the income and expenditure projections over the next 3 years. Expenditure includes the cost of equipment and materials (e.g. stationery and audiovisual equipment), hospitality expenses, advertising, speakers' fees, etc. The income generated would primarily come from student fees (also dependent on a realistic assessment of expected student numbers), academic funds, and so on.

Potential problems anticipated might include lack of publicity, poor student recruitment and high student drop-out rates, and possible ways of overcoming these need to be carefully considered.

Once the initial draft of the business plan is ready, it should be circulated among experts for comments,

before submission to the relevant body within the university.

Discussion

A greater understanding of management principles at a theoretical and applied level is essential for today's (and tomorrow's) psychiatrist. Business plan development is an important aspect of management, and is increasingly used by clinicians when they embark on setting up services and academic courses. Although formal training in management, such as gaining master's degree in business administration (part-time or full-time) is becoming increasingly popular (Leonard, 2001), the majority of trainees will continue to rely on informal, unstructured and self-directed learning and training methods to acquire basic management skills and expertise. All higher specialist trainees need to make a partial shift in their training objectives from clinical areas to management and administration (although not by excluding the former), as a way of aiding their progression up the career ladder. It is important to remember that hands-on experience in the planning and execution of a management project can be the best informal training there is, and may help dispel the myth that management is for managers and not for clinicians.

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Declaration of interest

None.

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