

Project Business Plan Guide

Rural Health Network Development Grantees

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Contents

- Background and Purpose2
- Getting Started3
 - What is a business plan?.....3
 - The Business Plan Process4
- Preparation6
 - Phase 1: Gathering Existing Plans6
 - Phase 2: Product and Service Development6
- Writing7
 - Phase 3: Writing Your Business Plan.....7
 - Network and Project Description7
 - Network Mission:8
 - Network Vision:8
 - Primary Project Goals:8
 - Project Strategic Objectives:8
 - History and Culture:8
 - Business Structure and Governance:9
- Market Analysis and Plan9
 - Glossary: 10
 - Network Members: 10
 - Target Market and Member Needs: 10
 - Products and Services: 11
 - Key Messages:..... 11
- Operational Review 11
 - Leadership Team and Skills: 12
 - Desired Experience and Relationship: 12
 - Delivery: 12
 - Key Initiatives: 12
 - Key Resources: 12
 - Key Partners: 13
- Financial Outlook 13

Glossary:	14
Start-up Cost:	14
Estimated Operational Cost:	14
Projected Revenue:	15
Forecasted Net Income:	15
Reference Resources	16

Background and Purpose

Rural Health Innovations (RHI), LLC, is a subsidiary of the National Rural Health Resource Center (The Center), a non-profit organization. Together, RHI and The Center are a leading technical assistance (TA) and knowledge center in rural health. In partnership with The Center, RHI enhances the health of rural communities by providing products and services with a focus on excellence and innovation. RHI is providing technical assistance to the 2017 cohort of 51 Rural Health Network Development (Network Development) grantees through a contract with the Federal Office of Rural Health Policy (FORHP).

Sustainability of grant funded programs is a goal of FORHP funding. Having a Business Plan for your Network Development project is critical to project success and sustainability. A project Business Plan will help your network understand how all the critical components of their project are working together to successfully meet project goals and strategic objectives, and successfully deliver valued services to your members. *In this guide, the project Business Plan will incorporate only the products or services identified in your Marketing Plan that are critical to your project’s sustainability.*

This project Business Plan Guide is designed in concert with the associated project Business Plan Template and Product and Service Development Canvas to provide guidance to Network Development grantees. This toolkit is supported with an educational webinar: [Project Business Planning Toolkit](#). The webinar will be recorded and posted on RHI’s Network Aim for Sustainability Portal as a resource [webpage](#).

Getting Started

What is a business plan?

A business plan is a compilation of plans. It can be created for an entire organization, or for a portion of an organization, such as your Network Development project. A business plan describes, and demonstrates, how each component of the project is working together to achieve its project goals and strategic objectives. The business plan shows the aggregated effort and forecast three to five years into the future, ultimately describing project sustainability.

For your Business Plan, you will be focusing on your Network Development project. Your project Business Plan will act as a road map showing the way toward successfully delivering your products or services. It summarizes strategic, operational, marketing, and financial components of your project.

Plans to have in-hand as you develop your Business Plan include your project's Strategic, Evaluation, Marketing, Workplan or Operational Plan, and Financial Plan, as your Business Plan will build off all these critical plans.

This project Business Plan is meant for both internal and external use. Internally, it serves as a road map providing milestones and documenting reference points you can lean on as you continue to implement and execute your integrated and complex plans, all aimed at achieving your goals and strategic objectives and delivering valued services to your members. As an external document, the business plan will help convince external readers of the ongoing viability of the project, its ability to be sustained, and its worthiness as an investment. Investors need to be sure that their time, resources, or funding will return a benefit. External readers may include new partners, new members, and funding organizations. This is the tool you will use to convince people that working, or investing, with you is a smart decision.

The Business Plan Process

There are three phases in writing a business plan.

Phase 1: Gather Existing Plans You will gather the plans already developed for your project, including your Strategic Plan, Marketing Plan, Operational Plan and Financial Plan. You will refer to information in these plans as you compile your Business Plan.

Phase 2: Complete Product and Service Development This phase involves completing marketing, operational, and financial thinking for each of the products and services that are key to the sustainability of your project, those products and services designed for your primary target market. This is also the time to develop a financial outlook for your selected products or services. You will need to consider how much of the indirect costs to allocate to your selected product or service, along with calculating development and operational costs of your products or services. This is also the time to develop your forecasted net income for your project. Often a three to five-year timeframe is used during forecasting. Financial planning should be done with key staff members and with input from appropriate partners or board members.

Phase 3: Writing the Business Plan You will develop the business plan itself while summarizing components and information from all your completed plans that describe your strategic, marketing, operational, and financial thinking. The work of Phase 3 is summarizing your work from Phase 1 and 2 and compiling them into the project Business Plan and is done by network staff.

	Phase 1: Gather Existing Plans	Phase 2: Complete Product and Service Development	Phase 3: Writing the Business Plan
Who?	Network leadership	Network leadership with input from stakeholders	Network leadership and staff
What?	Refer to information from already-written plans	<ol style="list-style-type: none"> 1. Completing marketing and operational thinking for each product and service included within the Business Plan 2. Completing financial thinking for each product or service included within the Business Plan 	Summarizing and aggregating details from each of the gathered and completed plans into specific sections of the Project Business Plan.
Why?	To assist in building the business plan and ensure that all of our plans are aligned toward your project goals	<p>To identify significant marketing and operational decisions related to each project product and service and the associated costs.</p> <p>Ensure that all of the interconnected and integrated components of a project’s products and services are accounted for in operations and financial estimates of costs and revenues.</p>	Create a document for both internal and external readers that provides insight on the projects ability to sustain its work over time.
How?	<p>Retrieve the following:</p> <ul style="list-style-type: none"> • Strategic Plan • Evaluation Plan • Marketing Plan • Operational Plan • Financial Plan 	<p>Use the Product and Service Development Canvas for each product and service.</p> <p>Use the Financial Outlook Worksheet for each product and service.</p>	Use the Project Business Plan Template.

Preparation

Phase 1: Gathering Existing Plans

Gather the following documents as you will refer to them as you write your project Business Plan:

- Strategic Plan
- Evaluation Plan
- Marketing Plan
- Operational Plan
- Financial Plan

Phase 2: Product and Service Development

Before writing your project Business Plan, it's important to take time to think through and complete planning for each of your products and services. In phase 2, choose two to three products, or services, that are critical to your project's sustainability. These may be the products and services designed for your primary target market.

We recommend completing the Product and Service Development Canvas to help you think through the marketing, operational, and financial components for each of the products and services. This may take some time and will, most likely need input from both staff and partners. Be sure to schedule enough time for in-depth, structured discussions.

Note: The Product and Service Development Canvas and Financial Forecast Outlook Worksheet are separate documents. Both should be completed prior to writing your project Business Plan.

With completed Product and Service Development Canvases you have all the information you will need to write your project Business Plan. Include each of the completed canvases as appendices to the project business plan.

Writing

Phase 3: Writing Your Business Plan

All your work to this point (Phases 1 and 2) has prepared you to begin writing your project Business Plan. Phase 3 will walk you through the four components of a business plan and provide step by step instruction to assist you in writing your plan. Use the Project Business Plan Template to write your own project Business Plan. Your business plan is made up of the following components:

Network and Project Description: Provides high-level profile or overview of the network's mission, vision, history, and governance plus grant project goals and strategic objectives.

Market Analysis and Plan: Documents members' needs, product or service descriptions, and key messages statements to promote the product or service.

Operational Review: Describes the leadership skills and attributes that contribute to the success of the product or service, describes desired target market experience and relationship, and outlines methods for delivering and communicating about the product or service. This section also includes key initiatives, key resources, and key partners.

Financial Outlook: Defines development and operational costs of the product or service, as well as expected income and forecast.

Network and Project Description

The information in this first section is foundational for the business plan. It provides the reader with just enough information to make sense of the rest of the plan along with a profile or overview that provides context for the network's services, infrastructure or operations, and financial projections.

NETWORK MISSION: Articulates your network’s overall function. It describes how the network will achieve its vision in relation to specific objectives and customer needs while answering the question, “What is the purpose of your network?”

NETWORK VISION: Expresses your network’s aspirations. It outlines where your network aims to be in the next two to three years, acting as a beacon for your grant goals.

PRIMARY PROJECT GOALS: The future conditions or performance levels that your network intends to attain through the life of the grant. Project goals often describe the desired outcome of the project.

PROJECT STRATEGIC OBJECTIVES: Aims or responses an organization articulates to address major changes or improvement, competitiveness or social issues and service advantages. Strategic objectives describe the pathways moving toward project goals and the network vision.

Using the template: For completing the above sections, insert your network’s mission, vision, project goals, and strategic objectives in the appropriate place in the template. All of these can be found in your Strategic Plan or Marketing Plan.

HISTORY AND CULTURE: This information provides the context for the network’s activities and infrastructure. A brief overview of dates, main points, and significant achievements is an appropriate level of detail for the business plan. You may want to pull some of this information from your network’s history section in your Strategic Plan. An area that may be new for you to consider is your network’s culture.

To consider the culture of your network ask, “How do we do our work, while meeting our mission and implementing our work plans?” In a way, your culture describes how your network staff lives its values. For example, you may have high expectations for excellence, view the network as a learning organization, while striving to be friendly and helpful.

Using the template: For completing this section, History and Culture, choose highlights from the history section of your strategic plan and add cultural information to the appropriate space in the template. Keep this section to 250 words or less.

BUSINESS STRUCTURE AND GOVERNANCE: Business structure is a description of your network’s leadership and staff alignment. It provides a picture of leadership, staff reporting relationships, and the division for responsibility. Business governance describes how decisions are made. Network governance is usually located within the network’s by-laws or memorandum of agreement (MOA) or understanding (MOU). You may want to reference RHI’s [Board Development](#) presentation as it addresses structure and governance.

Using the template: Completing this section, Business Structure and Governance, is new thinking and cannot be found in a previous plan. In chart or narrative form, briefly describe your network’s business structure and governance (decision making pathways) in the appropriate space in the template. Keep this section to 250 words or less.

Market Analysis and Plan

The purpose of marketing is to determine the best fit of a target market product or service to member or customer needs, and then communicates the value of that product or service to your members and customers. This implies two assumptions: 1) your target market knows how its members value your products and services, and 2) your target market can communicate that value in a way that your members and customers understand. The key is that your members and customers see and understand the value from their own perspective.

GLOSSARY:

Key Message: Description of benefits customers or members can expect from your organization's products and services.

Product or Service: Offerings that a network provides to satisfy the needs of its customers or members. A product is a tangible item, such as a telemedicine monitor, and a service is an intangible item, such as database maintenance.

Target Market: A group of people, or organizations, sharing one or more characteristics that cause them to have similar product or service needs.

Value Proposition: Describes the benefits customers or members can expect from your products and services.

Using the template: For completing this section, Market Analysis and Plan, use your Marketing Plan and refer to your completed Product and Service Development Canvases: Marketing Thinking section and include summarized information.

NETWORK MEMBERS: List your network's current members and provide a short description that offers the reader a brief insight as to why each organization is a member. You are building a profile of your members here. Information you might want to include in these profiles includes: mission, type of organization, longevity of membership, location or town, specific equipment or connectivity, network products or services used, and shared resources.

TARGET MARKET AND MEMBER NEEDS: The purpose of this section is to describe underlying needs of the target market and members. To determine member needs you will need to understand the jobs they do and the problems they are trying to solve. Include the issues that are frustrating or can get in the way of the work they are doing, as well as the benefits of the jobs they do.

PRODUCTS AND SERVICES: Incorporate the two to three products or services from your marketing plan into your project Business Plan. You identified those specific products and services because they met the needs of your primary target market, aligned with the network’s mission, vision, and project strategic objectives while contributing to your project’s sustainability.

Note: If you only listed one product or service in your marketing plan, please include one to two additional products or services. You may need to step back to Phase 2 and complete a Product and Service Development Canvas for each of these additional products and services before continuing with writing your Business Plan.

KEY MESSAGES: A key message describes the value that the target market or members perceive when receiving or using your product or service. A well-crafted key message spells out how the product or service addresses your target markets’ or members’ pains and gains. The key message is often referred to as the value statement or value proposition.

Operational Review

The purpose of an operational review is to demonstrate your project’s ability and capacity to sustain the operational requirements of the marketing section of your Business Plan. In this section, you will illustrate that your network has the leadership capacity, a clear understanding of your target market’s desired experience and relationship with your project, that you have considered and thought through how you will deliver your product or service, know who your key partners are and have identified the resources, and infrastructure needed to successfully deliver your products and services.

Using the template: For completing this section, Operational Review, refer to your completed Product and Service Development Canvases: Operations Thinking section and include summarized information.

LEADERSHIP TEAM AND SKILLS: This section describes the leadership skills and attributes that contribute to the success of your project. Keep this section concise and succinct. The key is to show the reader that your project has the leadership capacity to be successful in successfully delivering your projects and services. This section is new thinking and will not be found in another plan. Keep this section brief.

DESIRED EXPERIENCE AND RELATIONSHIP: In this section, you will describe your understanding and insights of the target market's desired experience and relationship as they learn about, receive, and use your product or service. Your insights will influence the delivery methods you chose to use. Experiences and relationships may include situations, or type of environment, such as: personalized, interactive, remote, efficient, convenient, self-service, automated, collaborative, etc.

COMMUNICATION AND DELIVERY: In this section, you will describe methods used to deliver your products and services to the target market, including the timing. How the product or service is delivered to the target market is influenced by their desired experience. Examples may include real-time and in-person delivery, such as a care coordination or a navigator service, 24/7 online access and availability, such as, recorded webinars or shared files, real-time remote, such as, telehealth consultation, or peer-sharing discussions.

KEY INITIATIVES: Key initiatives refer to significant actions or workgroups needed to develop, implement, support, and deliver your product or service. These are initiatives that take six to 18 months to implement and are key to bringing the product or service to life. Often key initiatives are focused on building infrastructure or capacity of the project.

KEY RESOURCES: It is important to examine your project's infrastructure and assess what is needed to make the product or service delivery possible. This includes identifying the most important tools, technology, expertise, staffing, materials, and financial resources needed to develop, implement, support, and deliver the product or service.

Example: If you provide care coordination services, supporting infrastructure may include establishing dedicated care coordinators at each site that are responsible for implementation of the care coordination services. If you

provide telemedicine services, your infrastructure may include dedicated telemedicine rooms, scheduling methodologies, and technology.

KEY PARTNERS: Key partners may be needed to develop, implement, support, and deliver your product or service. These are partners, not necessarily members, that without them the product or service may not be viable. Therefore, it is very important to accurately and creatively identify who they are. Key partners may be both inside and outside of your network, so challenge yourself to think 'outside of the box'.

Financial Outlook

The purpose of the financial outlook section of your project Business Plan is to convince the external reader that the project's financial outlook is positive and achievable. External stakeholders may include potential new members, key investors, or potential funders. A positive and achievable project financial outlook supports current members' willingness to invest time, resources, and funding to a project. A positive financial outlook is one of many moving parts that contribute to project sustainability.

This section of your project Business Plan demonstrates that you have thought through costs and revenues of your project, including a summary of the individual financial outlook forecasts for each product or service. Often this section of the business plan is in the form of a chart. See the Project Business Plan Template for an example format.

A complete financial outlook has four components:

- 1) Start-up costs
- 2) Estimated operational costs
- 3) Projected revenues
- 4) Forecasted net income

GLOSSARY:

Assumptions: Describe a circumstance, decision, or environment that is anticipated, and expected, to influence strategic, marketing, operational, or financial components of an organization or project.

Pricing: Describes the amount customers pay for each unit of a specific product or service. Units vary depending on the product or service.

Pro Forma: Financial forecast based on assumptions or decisions that influence the financial outlook of a product or service.

Projected: A term that can be used interchangeably with forecast.

Using the template: For completing this section, Financial Outlook, refer to your completed Product and Service Development Canvases: Financial Thinking section and include summarized information.

START-UP COST: Start-up costs include costs that are incurred during development of your product or service. This may include designing, creating, or piloting a new product or service. These costs are sometimes considered research and development (R&D) and may also be referred to as development costs. If a product or service is already developed and is past the design and piloting stages, then your financial outlook for that product or service will be zero.

Note: Use the Financial Outlook Forecast Tool to calculate start-up costs.

ESTIMATED OPERATIONAL COST: Operational costs are those incurred while producing and delivering the product or service. These costs are identified by considering how the project is operationalizing its marketing decisions and what infrastructure is already in place within the project or network. An example includes: desired experience, delivery methods, key initiatives, key resources, and key partners. Operational costs include both direct and indirect costs. It is important to understand the cost of each product and service so that net income for each product and service can be calculated.

Direct Costs: are costs needed to produce or deliver a product or service, such as, equipment fees, service subscriptions, and inventory replacement.

Examples of direct costs include, payroll, fuel, travel, etc. They are often recurring costs, that exists as costs that are repeated with each delivery or production of the product or service.

Indirect Costs: are typically expenses related to general administration of the project or organization, for example, accounting services, board expenses, insurance premiums, office space rent, utilities, supplies, and technology.

The total amount of indirect cost is allocated to each product or service. There are many ways to allocate indirect costs to each product or service. Examples of allocation calculations include percentage of total direct costs, and percentage of revenues.

Assumptions that influence estimated operational costs are often related to expected direct cost variables and demand for the product or service. For example, increased payroll costs, number of services provided, etc.

Note: Use the Financial Outlook Worksheet as a tool to calculate operational costs.

PROJECTED REVENUE: Revenue is the amount of income generated through sales or other funding sources related to a specific product or service. There are two components to calculating revenue: the price and the unit of the sale. Price is established based on the cost of the product. Examples of unit payment types include physical product, per-use basis, and per time-period basis.

Assumptions that influence estimated revenue are often related to income variables and demand for the product or service. Examples include, changes in source of income for a product or service, number of services provided, etc. This could also include decisions to increase the number of project members or shift from grant funding to membership dues or sales.

Note: Use the Financial Outlook Worksheet as a tool to calculate projected revenue.

FORECASTED NET INCOME: Net income is equal to total revenue minus total operating costs. The net income of a product or service illustrates the financial outlook of a product or service and in most cases excludes start-up costs.

A forecast is a best guess of what the future may look like, and always includes assumptions about the future. Building scenarios using different assumptions is also referred to as developing a pro forma. It is common for a business plan to forecast net income three to five years into the future.

Note: Use the Financial Outlook Worksheet as a tool to calculate forecasted net income.

Using the template: For completing the Forecast Net Income section, compile the forecasted net income information for each of your products and services and provide an aggregated total net income.

Resources

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