The Business Plan

A business plan is written for two purposes. One is to demonstrate to yourself that you have thought of everything you will need to make your business successful. Go through the process to feel confident that you haven't overlooked something important.

The other reader of your business plan might be a person or an organization that will lend money. The plan needs to show them that your business is a worthy use of their money.

A business plan does not have to be lengthy to be effective. All business plans include certain key elements, which address the important issues in most business start-ups or expansions/improvements. If these basic elements are included in the plan, in an articulate and concise manner, then the plan has a chance to succeed. The length of the plan is unimportant-- content is. Be sure to indicate early in the plan why the plan is being presented. If you are seeking money, say so and state the amount and the general purpose. Do not keep a reader in suspense as to why he is spending his valuable time reading your document. Business Plan Pro software provides a simple and effective means of creating a business plan. But you don't need specialized software. You can start with a pencil and a piece of paper.

The following are the key elements in any business plan. These elements are not chiseled in granite and can, of course, be altered for specific situations. The order in which they appear can also be altered with one exception--the first element--the introduction or executive summary.

The elements are as follows:

I. The Introduction (Executive Summary)

Should include
- a brief business history/profile,
- a sketch of the principals (resumes can be included in the appendix) and
- the purpose of the plan.

II. Product

What does the business sell, produce or service or expect to sell, produce or service? Here's a good place for a bit of comment on why it is unique--if it is unique.

III. Competition

Who else is doing what you are doing, or planning to do? How are you similar and how are you different? A clear understanding of your rivals indicates to your reader that you have researched and analyzed your industry.

IV. Target Market Segment

Who is going to buy your product, where are they located, and why will they buy from you? How will you attract them in your direction? The more clearly you can define your market segment, the more precisely you can tailor your approach.

V. Amount of Financing Needed

Precisely state the amount of financing needed.
VI. Uses of Financing

How will the money be used? What equipment will be purchased? What level of salaries will be paid? What amount of inventory will be stocked? Be sure to include an amount for contingencies. Detail in this section is appreciated.

VII. Financial Projections

A pro-forma cash flow/profit and loss is necessary. A 12 month detailed statement is best with gross figures (i.e., sales, gross margin, gross profit, net profit) extended out for two or three years. Be sure to include supporting notes concerning sales estimates and expenses. The figures presented will have to be defended to the reader.

VIII. Personal Financial Statements

A statement of net worth (i.e., balance sheet) will more than likely be needed for each of the key players in the firm. Most investors will require a personal pledge from the business partners before committing their funds. The firm's partners will need to obtain the proper documents from their personal accountant or financial advisor.

Another way to say this is that anybody (including a bank) who is considering putting their money into your business is going to ask you how much of your own money you are putting into the business. Why should they put anything into your business, if you are not willing to commit much of your own resources?

IX. Appendix

An appendix should include any supporting documents, which have been cited in the body of the plan. This can include resumes, samples of the described product, or legal documents validating collateral for the financing.

To re-emphasize, when you are compiling a business plan there is no substitute for accuracy, clarity, and conciseness. Include all that is needed but only what is needed.

Tips for Putting Your Plan Together

1. Don't over diversify your venture. It's a plan--not a portfolio.

2. Identify and discuss key personnel--at length.

3. Describe your product in layman's terms. Don't use jargon.

4. Focus on the market and your product's ability to fill the demand.

5. Be painfully realistic. For example, don't overstate sales.

6. But… don't dwell on the numbers.

7. Discuss possible problems and planned steps to correct them.

8. And remember… a business plan that describes an insurmountable market position… is by definition written by naive people.