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Writing a Business Plan

A business plan is a device used to develop or define business initiatives. It is often compared to a blueprint or road map. Planning a business and mapping out its course can prevent serious mistakes and uncover fatal defects. Errors made on paper are less devastating and, in most cases, can be easily corrected. Errors made during the actual operation of the business, however, can prove detrimental to its future existence. A business plan outlines where a company currently stands, where it anticipates to be in the future and how it intends to get there. The plan details who is or who will be controlling all decisions made within the organization. It describes the product/service being offered. It provides background information on the industry, a description of the market in terms of size and growth, a profile of the target consumer, an analysis of existing competition, methods for distributing products, defined pricing strategies, and all promotional vehicles intended to be employed. The business plan also provides details on the company's selected suppliers of materials, the production process, licenses and permits required, capital asset requirements, proprietary information, facility specifications, and details regarding research & development. One of the most important areas of a business plan is the financial projections. The financial projections forecast the potential profitability and capital requirements of the proposed enterprise. Well developed business plans include a three year forecast of the income statement, balance sheet, cash-flow statement, break-even analysis, sensitivity analysis, and ratio analysis. A business plan is not a magical tool ensuring success. Moreover, the act of creating a business plan does not create financial stability for its author. A business plan, on the other hand, is a tool used to help determine the feasibility of a new venture, to determine the visibility of an expansion for an existing business, or to determine whether a newly developed initiative will provide profitable results. The remaining topics to be addressed under this topic include the following:

PART A. Three Types of Business Plans

PART B. Sections of a Business Plan

PART A. - THREE TYPES OF BUSINESS PLANS: The three (3) types of business plans include a Full Business Plan, a Brief Business Plan and an Operational Business Plan. The Full Business Plan is prepared by entrepreneurs or organizations requiring large amounts of financing. In addition, aspiring entrepreneurs usually develop a full business plan to add credibility to themselves and to their proposed venture. Furthermore, these entrepreneurs usually have little business experience and therefore must prove to investors that they have "schooled" themselves in the activities of the industry and are aware of what they are getting into. Depending upon the complexity of the proposed business, a Full Business Plan can range between forty and eighty pages in length. The format provided under the "Writing a Winning Business Plan" section outlines how to develop a Full Business Plan. A Brief Business Plan is much shorter; generally between twenty and thirty pages in length. It summarizes all major functional areas of a business. It is usually created by an existing business who requires an increase in their operating loan or require a loan for a planned expansion. Furthermore, since a banker usually has a basic knowledge of the existing business (from prior visits or loan applications), fewer details are required and focus tends to be placed on the company's past ability to repay loans or other debt. A Brief Business Plan can also be used to stimulate an investor's interest and/or to monitor their reaction to the existing/proposed product or service. An Operational Business Plan is used by existing businesses to forecast their upcoming year's revenues, expenses, cash inflows & outflows, break-even point, sensitivity analysis etc. This type of business plan is often developed on an annual basis to keep key employees focused on the organization's goals, objectives, and strategies. Furthermore, an Operational Business Plan generally is prepared for internal purposes only - it's not used as a tool to apply for bank loans or acquire capital from investors.

PART B. - SECTIONS OF A BUSINESS PLAN All business plans have a basic format or structure. Below outlines and briefly describes each component of a business plan.

THE TITLE PAGE The title page of a business plan depicts the company's name and address. The name and contact number of the owner/CEO is also provided in a standard title page. Additionally, some business plan writers include a confidentiality and proprietary statement along with a disclaimer of securities. As you may suspect, the title page is one page in length.

THE TABLE OF CONTENTS The table of contents outlines a chronological listing of all sections and subsections of your business plan. Page numbering is used to reduce the reader's search for specific information. Most business plan writers place the table of contents on one or two pages; three pages are too many.

THE EXECUTIVE SUMMARY The executive summary highlights the most crucial aspects of each major business plan section. Its purpose is to entice readers (investors) so that they continue to read the entire plan. The length of an executive summary usually ranges between two and five pages.

THE MISSION & STRATEGY STATEMENTS Your mission statement details where your business is currently and where it intends to be in the future. The strategy statement usually outlines the tactics you intend to employ in order to achieve your company's missions, objectives and goals. The average length of this section generally ranges from one to four pages.

MANAGEMENT & STAFFING SECTION This section of the business plan details your company's planned or existing management team, outside supporters, strategic alliances and staffing requirements. The Management & Staffing section must prove to investors that you have developed or intend to develop, a Team that will produce the results outlined throughout your business plan.

THE OPERATIONS OF YOUR COMPANY The operations section of the business plan will provide basic information on the company's current situation and/or background information for existing businesses. Other topics addressed under this section include direct material requirements, the production process, facility specifications, permits & licenses, research & development initiatives, capital asset requirement, milestones, and external influences just to name a few.

THE MARKETING & PROMOTIONS SECTION The Marketing and Promotions section of your business plan provides background information on the industry, a description of the market in terms of size and growth, a profile of your target market, an analysis of your competition, distribution channels, your pricing strategies, and the promotional vehicles you intend to employ. The marketing & promotions section of the business plan is one of the most important sections and therefore, great consideration should be given to its structure and level of detail.

THE FINANCIAL PLAN The Financial plan is possibly the most scrutinized section of any business plan. It usually consists of three parts, namely 1) an introduction, 2) the forecasted financial statements, and 3) notes to the forecasted financial statements. The introduction tells the reader what he/she is expected to find under the financial plan. The forecasted financial statements consist of projections over a three year period of the following items; forecasted income statement, balance sheet, cash-flow statement, break-even analysis, sensitivity analysis, and ratio analysis. The Notes to the Financial Statements summarize or explain the "assumptions" made by the entrepreneur when creating the forecasted financial statements.

THE APPENDICES The appendix provides information and/or documents that support any claim made throughout the body of the business plan. Letters of intent from suppliers & customers, supporting charts & diagrams, resumes, patent or trademark documents, quotations, financial budgets, floor plans, facility layouts, and demographic charts are common examples of items appearing

in an appendix of a business plan. There are some strict guidelines to follow when structuring your business plan. The title page always appears as the first page of the business plan. The table of contents will then follow. The executive summary must follow the table of contents. Appearing after the executive summary will be your mission and strategy statements. The sequence of the next three sections is left up to the entrepreneur. Moreover, placement of Management & Staffing section, the Marketing & Promotion section, and the Operation's section usually depends on the flow of the business plan. The Financial Plan will be the next section to appear. Finally, the Appendices will ALWAYS appear as the final section of your business plan.

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