

HOW TO WRITE A BUSINESS PLAN

The business plan tells a story about the purpose, the people, the product, the marketing and sales, and the financial resources required for the company. It is a management tool for starting and running a business. It can be broken into key parts:

- 1.) Executive Summary
- 2.) Company Overview
- 3.) Business Environment
- 4.) Company Description and Strategy
- 5.) Action Plan
- 6.) Financial Review

Getting started

First, to help you get focused, write out a list of facts about the company you plan to start. What do you visualize? Try to do the following things as you go: (taken from Business Plans for Dummies, p.13)

- *Look closely at your industry
- *Get to know your customers
- *Check out your competitors
- *List all your company's resources
- *Note what makes your company unique
- *List your company's advantages
- *Figure out your basic financial condition
- *Put together a financial forecast and a budget

Using these questions as a jumping off point, you can start to get a clearer picture of your business on paper.

Now for the actual Business Plan:

1.) Executive Summary

This is a one to two page positive statement highlighting the strongest aspects of the business plan. It is basically a summary of what is about to be read, and it argues for the success of the plan. This part of the plan has to grab the reader's attention to ensure that s/he looks at the rest of the plan. (Note that in the attached example*, the summary claims an 80% jump in profits for the first year-- that's a great attention getter for any potential investor!)

2.) Company Overview

This part of the plan broadly covers all aspects of the company, including the mission, values, corporate goals and objectives, and vision statements:

* mission statement - should lay out clearly and concisely (100 words or less), the realistic goals and objectives of the company. A bad example would be for a restaurateur to say, "We will continually improve our service, food quality and preparation." This is unrealistic and will make potential investors leary. A better statement might say, "We will strive to become the premiere Pan-Asian restaurant in the Boston area in terms of service and quality of food." This statement identifies the market niche, and gives a more realistic goal.

* values statement - tells what the corporate philosophy is and how the company sees itself in relation to the environment or community it's part of. (See attached example* values based on respect for the land, the people they work with, and the customers.)

* corporate goals and objectives - a statement of the goals which must be achieved to carry out the business mission. It will deal with issues relating to product, marketing, investment, manufacturing environment, and policies. It may also go into detail about how these goals will be supported- including time frames for hiring employees and closing certain business agreements (such as leases and marketing

* not attached. Ref Tiffany (1997)

agreements). This is also the place to quantify various business results such as investments, profits, and returns on investments.

*vision statement - This is where you answer the question, "How do you see your company being perceived/received in the future by the industry and customers?"

3.) Business Environment

Clearly define the market environment, including market trends, segment growth, buyer behavior, and competition.

*market trends - be sure the trends are heading in a positive direction either because of growth, or level of decreasing taxes and restrictions. Be sure to back up your claims with factual data (see sample plan- "...annual U.S. wine consumption triples...")

*market segment growth - this is where you refine your discussion and give a description of a particular element of the industry. Here the business planner researches valid sources for supporting statistical information that will help precisely define the market. Good market segment analysis makes it possible to theorize about buyer behavior. In other words, this analysis helps the business planner to identify the person(s) most likely to buy the product. (see attached for excellent example a of customer profile that will enable the company to direct marketing efforts properly.) A study of the competition should be included here in order to determine market potential and accurate market planning. Such a study of the competition will hopefully yield insights about which markets are currently unattended or easy to penetrate with products.

*marketing and sales - As a result of the above analysis, a marketing and sales plan should be formulated. In this document include schedules such as- but not limited to- unit sales schedules, gross revenue from sales schedule, marketing programs, and projected results, costs, and a schedule of milestones tied to timeframes.

4.) Company Description and Strategy

This section should give an in depth description of the company and strategy. Include a list of personnel and their backgrounds. Additionally, state positions which will need to be filled and list what the desired qualifications for these positions might be. Also, include in an appendix names of the founders with short resume-type summaries of their expertise that will support the growth of the business.

*growth strategy- a narrative explaining how business will grow in terms of revenues, profits, production, and human resources. It should include information that details the execution of these plans.

***competitive advantage** - tells why your product is better than the others. This is done by detailing the strengths and weaknesses of your product in comparison with the competition.

***operations** - this section requires significant detail if your business is a manufacturing concern. If you are producing a product you need a well-engineered manufacturing plan which shows things like raw materials, labor, and capital equipment. Once the product is made you have to plan for packaging and shipping, or warehousing. Also include a list of operations managers, who they are, what their qualifications are, and what their job descriptions are. You should also have a schedule of milestones for operations.

5.) Action Plan

This gives a five year plan of action. You should be specific about the steps to be taken in the first year, including what you will buy, whom you will train, what business seminars and shows you will attend, and how you will set up sales territories. In any business, plans often have to be adjusted to accommodate unexpected situations, but the first year plan is critical and is less apt to require change than year five. The plan should include information about finite activities to be undertaken by management in order to achieve financial and other goals.

6.) Financial Review

This is a critical part of the business plan as it offers the 'bottom line'. It is a series of projected balance sheets, income statements, and cash flows for the business, usually over a four or five year period.

***balance sheet** - a financial statement that is like a snap shot of the financial condition of the company at a particular moment in time. It lists all assets and liabilities that the company has as accounts, in a chart of accounts.

***income statement** - this, on the other hand, shows the change in accounts over a period of time. It is made up of accounts such as sales, cost of sales, expenses and profits, etc... At the end of any period of time any income calculated is credited to the assets and equity side of the balance sheet. (Any loss would be debited.)

Conclusion

While this document serves as a guide to writing a business plan, you must remember that different types of businesses require different planning resources. It is not our intent for this document to go in to depth about how to prepare (i.e., doing the market research and product planning) for writing the business plan. This is because setting up different businesses requires different expenditures of time and money. For example, costs for market research can range from several hundred dollars to several million. In order to correctly gauge the costs required for your plan's research, you must diligently examine the viability of your product in its domain. Since such

examination varies widely from business to business, instruction for this phase is outside the scope of this project.

HELPFUL HINTS

(taken from The Small Business Troubleshooter)

- 1.) **Be sure to reflect reality in your plan.** It is easy to get carried away with dream visions that are impossible to implement. Also, investors want to see what is really going to happen with their money; a stable, slowly but steadily growing company is worth more to them than one that goes after fame and fortune without a solid base.
- 2.) **Be specific.** Explain how you intend to get from A to Z clearly and concisely. Show the investor that you have thought things through thoroughly and have considered carefully your options.
- 3.) **Be flexible.** Don't let small setbacks throw you off course. Stay creative, and look for new ways to reach your goal. Circumstances often change during the planning stage- go with the flow- or better yet, see if you can redirect it in the way that works best for you.
- 4.) **Recognize available resources.** Keep track of the names of those who might be of assistance to you in your development stages. Seek out the help you need.