

Creating a Business Plan

Whether you are just thinking about starting a business, or are already up and running, your business plan is an essential ingredient to your success. The business plan is where you lay out everything that you know about your business and why you believe your business will succeed. It will serve as a guideline for the formation and development of your business. It will help you to make decisions and to measure your successes or shortfalls along the way. It is also a document that lenders such as financial institutions or the Small Business Administration will use to determine whether to loan you money for your business. In short, no business should be without a business plan.



Although there is no single formula for writing a business plan, all business plans should include a description of the business, the marketing strategy, finances — both current and projected, and details on management. Following is an outline of elements common to all well-written business plans.

Executive Summary This is the most important section of your business plan, especially to lending institutions. As a brief history of your company, and a concise synopsis of your entire plan, it must grab readers' attention and tell them why your business idea will be successful. Although it will be the first section of the business plan, it should be written last, after you have worked out the details of the rest of your plan.

Market Analysis

Here you must demonstrate your knowledge of the industry that your business is in. This section should include: a description of and outlook for the industry, information about your target market, market test results, lead times, and an evaluation of the competition. Remember that a main objective of your plan is to convince lenders and others of the potential of your venture. The Web and its many search engines and directories will prove to be a useful tool here.

Company Background/Description

More detail than summarized in your Executive Summary, but still a high level look at your business, it should draw from your market analysis and explain the idea that initiated your start-up. What are the dynamics of the industry that lead you to believe that there is a need for your product or service, or that you may have a competitive

advantage? Success factors that might be included here are product or service superiority, strategic location, qualified personnel, etc.

Organization/Management

This section should include the organizational structure of your company as well as the names and backgrounds of lead members of the ownership and management teams. Readers will want to know who does what and why they were chosen for their responsibilities. Also include any advisory boards/committees or industry consultants that play a key role in the start-up or running of your business.

Your Service or Product

Again, drawing from your market analysis, this will be a detailed discussion of how your particular service or product will be a benefit to current or future customers in the market. What need does it satisfy, or what problem does it solve? Convince the reader that people will be willing to pay for your solution and that is why your business will be successful.

Marketing/Sales Strategy

How do you plan to attract customers? Will you advertise in print, or on radio or television? Will you get your company listed on online search engines or advertise on other web sites? What percentage of your operating budget will be earmarked for marketing?

Financials

If you own an established business, you will need to include historical financial data: income statements, balance sheets, and cash flow statements for each year you have been in business (usually for up to 3 to 5 years). Both established businesses and start-ups should include prospective financial data, again for 3-5 years: forecasted income statements, balance sheets, cash flow statements and projected capital expenses. This is also the critical section where you would explain to prospective lenders how much money you need to borrow to start or grow your business.

Remember that you should not consider your business plan a "one and done". A good business plan will help you get started, but will also help you stay running. Even growing, successful businesses should maintain a current business plan. It should be a living, work-in-progress, evolving as your business knowledge and experience grows. It will also help to navigate the inevitable twists and turns of your particular business and the economy in general. For more information on what makes a good business plan visit www.sba.gov.