



How to Create a Business Plan

What is a Business Plan?

A business plan is a formal statement of a set of business goals, the reasons why they are believed attainable, and the plan for reaching those goals. It may also contain background information about the organization or team attempting to reach those goals.

Why are Business Plans Important?

Business plans are important because they help guide your business toward a more profitable future. The business plan is also important because it is a simple tool for collecting your thoughts, prioritizing your actions, and planning for your business' success.

One of the reasons that having a business plan is essential is that it will help you to consider the details of your business and its' future. As you are working on your plan, you will probably find that there are many aspects of your new business that you have not considered. Getting started with a business plan will help you to save money and time since you will be able to deal with issues before they become a problem.

Another great reason for having a business plan is that it can help you if you are trying to get outside funds for your business. Most lenders and investors want to see that you have a clear business plan before they take a risk on your business. Having a plan already drawn up shows them that you are serious about being successful at your business. If you are going to show your business plan to potential lenders and investors, make sure that the figures you use are accurate so your plan is credible.

Starting a business is a huge job and it is helpful if you have something that can help you manage the business. A business plan can act as a management tool that can help you focus on where you are and where you want to be in the future. This will help you to keep your daily tasks well managed and will also help you to accomplish long term goals as well.

If you decide to go without a business plan, chances are that your business is going to end in disaster. You can use a business plan throughout all stages of your business to guide your business towards success. While it may take some time and energy to get a business plan together, in the end it will be well worth taking the time to get it done right.

Content of a Business Plan:

Section One - Executive Summary:

The executive summary summarizes the key points of the business plan. It should define the decision to be made and the reasons for approval. The specific content will be highly dependent on the core purpose and target audience. To get a sense of the difference the purpose and target audience can make, here are two different sets of key points for an executive summary - one for a start-up seeking venture finance and one for an internal plan.

For a new venture, the executive summary might contain:

- Company information: name of company, proposed legal structure, current legal structure, minority and majority investors.
- Amount of investment requested
- Expected terminal value
- Description of market opportunity
- Objective reasons why the market opportunity can be exploited by this particular team

For an internal project plan, the executive summary might look like this

- Description of project
- Project mandate: who requested the proposal, who is being assigned to carry it out
- Strategic, tactical and financial justifications
- Summary of resources needed: staff, funds, facilities
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Section Two - Vision Statement:

The vision statement is a concise outline of your business' purpose and goals.

Section Three - Organizational background:

- a. Current status
 - i. Number of Employees
 - ii. Annual sales figures
 - iii. Key product lines
 - iv. Location of facilities
 - v. Current stage of development
 - vi. Corporate structure
- b. History
 - i. Founding date
 - ii. Major successes
 - iii. Strategically valuable learning experiences
- c. Management team –
 - i. Board members
 - ii. Owners
 - iii. Senior managers
 - iv. Managing partners
 - v. Head scientists and researchers

Section Three - Marketing Plan:

The marketing plan is a brief plan outlining how the business is going to market to its target customers. This is often broken down by explaining who the target customers are, how they are going to be reached, and the various marketing strategies to be employed.

1. Pricing
2. Demand management
 1. In economics, demand management is the art or science of controlling economic demand to avoid a recession. The term is also used to refer to management of the distribution of, and access to goods and services on the basis of needs. An

example is social security and welfare services. Rather than increasing budgets for these things, governments may develop policies that allocate existing resources according to a hierarchy of need.

3. Distribution / positioning
 1. Distribution strategy
 2. List of major distributors
4. Promotion and brand development
5. Product/service information
 1. Provide a complete explanation of the product(s) and/or service(s) that the company is offering, why there is a demand for them, and how the company intends to obtain the product (manufacture, wholesale, etc.) or supply the service (contract, employees, owner...).

Section Four - Operational Plan:

1. Manufacturing/deployment plan
 1. Facility requirements - size, layout, capacity, location
 2. Equipment requirements
 3. Space requirements
2. Information and communications technology plan
 - a. Technological requirements
 - b. Security and privacy requirements
 - c. Hardware requirements
3. Staffing needs

Section Five - Financial Plan:

1. Current Financing
 - a. Key investors or owners
 - b. Angels, friends, and family
 - c. Existing loans and liabilities
2. Funding plan
 - a. Is there anyone who can fund your business or project?
3. **Economic Assessment:** Provide a complete assessment of the economic environment in which your business will become a part. Explain how your business will be appropriate for the regulatory agencies and demographics with which you will be dealing. If appropriate, provide demographic studies and traffic flow data normally available from local planning departments.
4. Financial forecasts
 - a. Projected expenses

Section Six - Strengths, weaknesses, opportunities, and threats (SWOT):

Before finishing your business plan analyze the strengths, weaknesses, opportunities, and threats in your business. Evaluating your businesses strengths, weakness, opportunities, and threats will help you build on your own strengths, resolve your weakness, exploit opportunities, and avoid threats. This evaluation will help you create a more realistic plan of action.

Each Business Plan Should Include:

- **A Sound Business Concept:** The single most common mistake made by entrepreneurs is not selecting the right business initially. The best way to learn about your prospective business is to work for someone else in that business before beginning your own. There can be a huge gap between your concept of a fine business and reality.
- **Understanding of Your Market:** A good way to test your understanding is to test market your product or service before your start. You think you have a great kite that will capture the imagination of kite fliers throughout the world? Then craft some of them and try selling them first.
- **A Healthy, Growing and Stable Industry:** Remember that some of the great inventions of all time, like airplanes and cars, did not result in economic benefit for many of those who tried to exploit these great advances. For example, the cumulative earnings of all airlines since Wilber Wright flew that first plane are less than zero. (Airline losses have been greater than their profits.) Success comes to those who find businesses with great economics and not necessarily great inventions or advances to mankind.
- **Capable Management:** Look for people you like and admire, who have good ethical values, have complementary skills and are smarter than you. Plan to hire people who have the skills that you lack. Define your unique ability and seek out others who turn your weaknesses into strengths.
- **Able Financial Control:** You will learn later the importance of becoming qualified in accounting, computer software and cash flow management. Most entrepreneurs do not come from accounting backgrounds and must go back to school to learn these skills. Would you bet your savings in a game where you don't know how to keep score? People mistakenly do it in business all the time.
- **A Consistent Business Focus:** As a rule, people who specialize in a product or service will do better than people who do not specialize. Focus your efforts on something that you can do so well that you will not be competing solely on the basis of price.
- **A Mindset to Anticipate Change:** Don't commit yourself too early. Your first plan should be written in pencil, not in ink. Keep a fluid mindset and be aggressive in making revisions as warranted by changing circumstances and expanding knowledge.

Top Ten Do's and Don'ts:

Top Ten Do's

1. Prepare a complete business plan for any business you are considering.
2. Use the business plan templates furnished in each session.
3. Complete sections of your business plan as you proceed through the course.
4. Research (use search engines) to find business plans that are available on the Internet.
5. Package your business plan in an attractive kit as a selling tool.
6. Submit your business plan to experts in your intended business for their advice.
7. Spell out your strategies on how you intend to handle adversities.
8. Spell out the strengths and weaknesses of your management team.
9. Include a monthly one-year cash flow projection.
10. Freely and frequently modify your business plans to account for changing conditions.

Top Ten Don't's

1. Be optimistic (on the high side) in estimating future sales.
2. Be optimistic (on the low side) in estimating future costs.
3. Disregard or discount weaknesses in your plan. Spell them out.

4. Stress long-term projections. Better to focus on projections for your first year.
5. Depend entirely on the uniqueness of your business or the success of an invention.
6. Project yourself as someone you're not. Be brutally realistic.
7. Be everything to everybody. Highly focused specialists usually do best.
8. Proceed without adequate financial and accounting know-how.
9. Base your business plan on a wonderful concept. Test it first.
10. Skip the step of preparing a business plan before starting.

Some Questions to Help you get Started:

1. What is your product or service? Describe the product or service your business is providing.
2. Who are your customers? Write down all the potential customer profiles you think you will have. Your customers may come from multiple sources or have different needs.
3. How many potential customers are there? There's no point selling a product if there are only a handful of people interested. How big is the group of people who might potentially buy from you? You can look at your competitors to get an idea of the market size.
4. Who are your competitors? Imagine you're one of the customer types you described in answer 2b. Other than your new business, where else could these customers go to get the product/service?
5. When will things get done? Given the specific customers you describe above, how do you plan on reaching them? Will you buy ads, encourage referrals from existing customers, create a website?
6. What does your company look like in 1, 3, and 5 years? Answer this quickly. It's okay to "dream" a bit here. Three to five years is a long time away, and the point of this article is to get you past planning mode and into execution mode. So dream a little bit. Once you're actually executing, you'll have a better (more realistic) idea of what to aim for in 3 to 5 years.
7. In the next 3, 6, 12 months, what are specific milestones you want to accomplish? Be as specific as possible, without getting bogged down in too much detail. Otherwise, you'll be stuck in the dreaming mode for another 6 months instead of being in startup mode. For milestones farther out, just jot down general goals. A common sticking point for new entrepreneurs is trying to plan for every possible scenario 12 or 24 months out. That's impossible unless you can see the future. (If you can, drop me an email. I've got work for you.)
8. What are specific next steps you need accomplish to reach the first milestone? What can you do today? For the first milestone (within 3 months), what are tasks that need to be done? For each task, what is the next action step? Who's responsible for doing it? When will it be done? The more specific and actionable your answers, the more likely you'll move this project along. Write down some actionable tasks you can knock out today, this week, and this month.
9. How much money will it cost to make your product or provide your service? Write down all the things you might have to pay for while launching or running your business. Your

expenses will fall into three categories: fixed expenses, variable expenses, and capital expenses.

Fixed expenses are the things you have to pay for every month, whether you make one sale or 10,000 sales. Hosting, rent, employees are examples of fixed costs. Add up your fixed expenses, and you have the baseline cost of running your business.

Variable expenses are tied to your sales volume. If you're moving product, what is your cost per item? These are the expenses tied to sales. Performance bonuses, sales commissions, pay-per-click advertising are examples.

Capital expenses are one time purchases you need to make. Web design, books, a computer are examples. Some of these expenses will come before you even open your doors. That is your startup costs.

It's okay to guess. No one knows the future, and educated guesses, based on the best available information, will work.

10. How much do you have to charge to earn a profit? For bloggers, how much does it cost you monthly to run your blog? In addition to the hard costs (hosting), don't forget to count the time involved. How much would you like to earn each month? That number plus your expenses is your target sales volume.
11. (Now that you have a hard dollar amount as a target, you might need to go back to your answers in question 3 to tweak your implementation strategy.)

Creating Your Own Business Plan!

Now that you have learned how to create a business plan, it's time to start your own business plan!