

Starting A Business - The Business Plan

All businesses should have a business plan. This is as true for huge multi-national corporations as it is for 1-person operations.

What Is A Business Plan?

A business plan precisely defines your business, identifies your goals, and serves as your firm's resume.

The basic components include a current and pro forma (projected) balance sheet, an income statement, and a cash flow analysis.

It helps you allocate resources properly, handle unforeseen complications, and make good business decisions.

Because it provides specific and organized information about your company and how you will repay borrowed money, a good business plan is a crucial part of any loan application. Additionally, it informs sales personnel, suppliers, and others about your operations and goals.

The Importance Of A Business Plan

The importance of a comprehensive, thoughtful business plan cannot be overemphasized. Much depends on it: outside funding, credit from suppliers, management of your operation and finances, promotion and marketing of your business, and achievement of your goals and objectives.

There is an axiom in business that if the person who wants to start a business can't put a business plan together, he or she is in trouble. Despite the critical importance of a business plan, many entrepreneurs drag their feet when it comes to preparing a written document.

The argument is that their marketplace changes too fast for a business plan to be useful or that they just don't have enough time. But just as a builder won't begin construction without a blueprint, eager business owners shouldn't rush into new ventures without a business plan.

Before you begin writing your business plan, consider four core questions:

1. What service or product does your business provide and what needs does it fill?
2. Who are the potential customers for your product or service and why will they purchase it from you?
3. How will you reach your potential customers?

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4. Where will you get the financial resources to start your business?

What Should A Business Plan's Contents Look Like?

What goes in a business plan?

The body can be divided into four distinct sections:

1. Description of the business
2. Marketing
3. Finances
4. Management Addenda should include an executive summary, supporting documents, and financial projections.

Although there is no single formula for developing a business plan, some elements are common to all business plans. They are summarized as follows

Elements of a Business Plan

1. Cover sheet
2. Statement of purpose
3. Table of contents
4. The Business
 - 4.1. Description of business
 - 4.2. Marketing
 - 4.3. Competition
5. Operating procedures
6. Personnel
7. Business insurance
8. Financial Data
 - 8.1. Loan applications

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- 8.2. Capital equipment and supply list
- 8.3. Balance sheet
- 8.4. Breakeven analysis
- 8.5. Pro-forma income projections (profit & loss statements)
- 8.6. Three-year summary
 - 8.6.1. Detail by month, first year
 - 8.6.2. Detail by quarters, second and third years
 - 8.6.3. Assumptions upon which projections were based
- 8.7. Pro-forma cash flow
- 8.8. Supporting Documents
- 8.9. Tax returns of principals for last three years
- 8.10. Personal financial statement
- 8.11. For franchised businesses, a copy of franchise contract and all supporting documents provided by the franchisor
- 8.12. Copy of proposed lease or purchase agreement for building space
- 8.13. Copy of licenses and other legal documents
9. Copy of resumes of all principals
10. Copies of letters of intent from suppliers, etc.

Using The Business Plan As A Management Tool

A business plan is a tool with three basic purposes:

1. communication,
2. management,
3. and planning.

As a communication tool, it is used to attract investment capital, secure loans, convince workers to hire on, and assist in attracting strategic business partners. The development of a comprehensive business plan shows whether or not a business has the potential to

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make a profit. It requires a realistic look at almost every phase of business and allows you to show that you have worked out all the problems and decided on potential alternatives before actually launching your business.

As a management tool, the business plan helps you track, monitor and evaluate your progress. The business plan is a living document that you will modify as you gain knowledge and experience. By using your business plan to establish timelines and milestones, you can gauge your progress and compare your projections to actual accomplishments.

As a planning tool, the business plan guides you through the various phases of your business. A thoughtful plan will help identify roadblocks and obstacles so that you can avoid them and establish alternatives. Many business owners share their business plans with their employees to foster a broader understanding of where the business is going.