

# THE SUCCESSFUL BUSINESS PLAN

## Secrets and Strategies

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### MAIN IDEA

A business plan is designed to be a road map for a company. A well written and professional business plan articulates a company's goals and acts as a guide for future growth and development.

The vast majority of business plans are written to secure funding. However, a well thought out business plan can be beneficial to any company whether it is large or small, just starting in business or long established. In essence, a business plan specifies where the company is heading, and how you plan on getting there.

The process of preparing a business plan is also highly instructional and provides an opportunity to learn more about the company.

### OUTLINE OF A BUSINESS PLAN

- 1. Executive Summary** A one- or two-page section which clearly and compellingly summarizes the entire business plan. Most readers will decide whether to go through a plan in detail on the basis of this summary.
- 2. Company Description** Basic details of the business - an introduction to your company and its history to date. Should provide an idea of what your business is, how far you've developed and where you plan to go.
- 3. Industry Analysis** Trends, characteristics and standards of the industry within which your company operates. Although your company is unique, it will still be subject to the forces affecting the industry. This section shows that you are aware of and understand external business conditions.
- 4. Target Markets** Most business investors work by the maxim that it is easier and less risky to get a piece of an existing market than to create a new market. In this section, you aim to show that the target market for your product or service is definable and accessible.
- 5. Competition** To be effective, you have to understand the strengths and weaknesses of your competitors. You also have to maintain a balanced and realistic view of your own competitive position from the perspective of the customer and your own internal resources. This section outlines these factors.
- 6. Marketing Plan, Sales Strategy** Marketing and sales is at the heart of any company's business. An effective marketing plan should show a realistic, cost-effective approach to positioning your product or service and motivating customers to purchase. Sales strategy should outline appropriate sales methods to be adopted to secure the sales level necessary to sustain your business.
- 7. Operations** The operations section explains the day-to-day functions of the company. It details how your company is structured to be able to handle fundamental and long-term operating requirements.
- 8. Management & Organization** This section details the experience, qualifications, skills and personalities of the company's management team, and how they are structured along lines of organizational responsibility.
- 9. Long-Term Dev. & Exit Plan** A long-term development section sets out your ideas on how the company will grow over time, potential risks, milestones and a realistic plan for all those who have invested in the business to recoup their capital.
- 10. Financials** The financial section reflects all other sections of the plan, and translates decisions into tangible form. It should include an Income Statement, Cash-Flow Projection and Balance Sheet. A Break Even Analysis, Source and Use of Funds and Assumption Sheet may also be included.
- 11. Appendix** Include in the Appendix any compelling supporting material which will reinforce the impact of the business plan. The Appendix often contains all the detailed information which is summarized in other sections of the business plan.

## 1. WHY WRITE A BUSINESS PLAN?

### Main Idea

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### Supporting Ideas

The advantages of writing a business plan are:

1. It enables a manager to make better business decisions in the future.
2. Preparing a business plan educates the management on the financial aspects of the company, particularly from a cash flow and break even perspective.
3. A plan draws together in one document industry and marketing information critical to your business operations.
4. The plan can anticipate future obstacles that may arise.
5. A business plan sets out future goals and the criteria by which progress can be measured.
6. A plan can highlight new and profitable operational areas that may be available to your company.
7. A business plan can be persuasive to a funding source such as an equity investor, bank, etc.
8. A plan enables a business manager to increase understanding of the company and gain an increased control over future success.
9. A well written and refined business concept as detailed in an effective business plan will distinguish you from any competitors and give a competitive edge in many situations.
10. An effective plan saves money and time by keeping your business operation focused on the area where you enjoy the greatest market advantages.
11. The process of developing a plan is fun. It gives you a chance to visualize where the business is headed, and what you plan on achieving in the future.

The factors which contribute most to the success of any business and which should dominate a business plan are:

1. The actual concept of the business. What is it the specific competitive advantage your company enjoys? Do you have something new, something better, service an untapped market or offer some other key benefit?
2. An understanding of the market you service. Why is the market primed and ready to accept your product or service?
3. The health of your industry. What are the general trends, and what factors have been taken into account in developing or expanding your business concept.
4. The experience, skills and abilities of the management team. Who are in the key positions in the operation, and what blend of skills and experience do they bring to bear.
5. Financial projections and control. Does the management have a realistic picture of what is required to operate and grow the company, and what specific mechanisms are in place or will be put in place to monitor and control the company's finances.

6. A clear and consistent business focus. How will the company ensure that it stays focused on its targets and resist the urge to branch out into other areas.
7. Anticipation of change. What technological, demographical or competitive changes are anticipated in the company's markets, and how will the business be positioned to benefit from these changes?

Generally speaking, developing a business plan involves five steps:

1. Identifying your basic business concept. Develop a mission statement style paragraph which sets out exactly what your business is working towards. Decide on your goals and the purpose of writing a business plan.
2. Gather all available data on the feasibility and the specifics of your business concept.
3. Refine your business concept based on all the information gathered. Adapt your original business concept in the light of the market specific information.
4. Outline the specific elements of the business plan that are applicable. Add information about your company, your product or service and your markets to the plan framework.
5. Refine the plan, looking at it from the perspective of your target market. Put yourself in their position and look at your plan without bias.

Generally speaking, the business plan itself (without any appendages) should be around 20 pages long. Anything longer and busy people won't find the time to read it. Anything shorter and the business will appear trivial.

### Key Thoughts

*"Even if you have all the money you need, you still need a business plan. A plan shows how you'll run your business. Without a plan, you don't know where you're going, and you can't measure your progress. Sometimes, after writing a business plan, you may change your approach, or even decide not to go into a certain business at this time."*

– Eugene Kleiner, Venture Capitalist

*"We don't just want to make secure loans; we want to make good loans. A good loan is a loan with a high probability of being repaid from the primary source, such as the business without interrupting the lifestyle of the borrower. Collateral makes a loan "safe", not necessarily good. It's not fair to make a loan if the collateral is good if the business plan is shaky. We're not interested in getting people's homes; we're interested in successful businesses."*

– Robert Mahoney, Bank of Boston

*"Writing a business plan forces you into disciplined thinking if you do an intellectually honest job. An idea may sound great in your own mind, but when you put it down the details and the numbers, it may fall apart."*

– Eugene Kleiner, Venture Capitalist

*"In our planning, we try to get away from just arithmetic projections, and try to get to the underlying issues. Planning is more than just a numbers game."*

– George James, Levi Strauss & Co.

*"The important thing about a business plan is believability. I want to see a simple logic to the whole plan. The more a plan relies on leaps of faith, the less believable it is."*

– Robert Mahoney, Bank of Boston

