

Business Plans 101

July 30, 2007

By Syndicated Columnist Cathy Harris

A business plan acts as a road map or compass; without it you will certainly get lost in your business.

The biggest business plan mistake is simply putting it off.

A business plan contains a description of your business, an evaluation of your main competitors and several financial calculations.

But why are so many people so afraid or intimidated by business plans? Is it because of the myth that they have to pay big bucks to get someone to write it for them?

Many new business owners are so over-enthusiastic about their business concept, that they are desperately eager to begin and don't have the patience to look at the economic realities involved in their business.

Filling out the many financial forms in a business plan can be an overwhelming process for any new business owner. Many are so intimidated by the financial calculations that they want to skip this process. If you recognize either of these tendencies in yourself, it's even more important that you prepare your financial calculations carefully – and pay attention to what they tell you. Don't try to get out of it by telling yourself that your financial estimates will be wildly off base and yield useless results.

To alleviate this type of intimidation many have with a business plan, it's imperative that Certified Public Accountants (CPA) and bookkeepers be a part of your business support team.

Remember you are the brains of your business; your accountant is the heart and your attorney is the lungs. An accountant helps you keep track of your money and an attorney helps you protect it.

You might also want to take a course in accounting and buy the latest accounting program. Most businesses use the Quicken (www.quicken.com) program which cost about \$30 to \$40.

Remember in business you should do what you're good at doing and let other experts come in and do what they are good at. Too many business owners are

afraid to admit that don't know everything and they don't want to be criticized – and this is why they refuse to brainstorm with financial, marketing, and legal advisors. Having that type of mentality will sink you in the long run. As your business grows and changes so will your support team, advisory council, or brainstorming group.

Since over 90% of start-up businesses are funded by private sources such as retirement or pension plans, unemployment insurance payments, savings accounts, etc., many people skip the business plan stage. Other than the research stage, writing a business plan can be the most important stage of opening a business.

Some experts recommend writing a business plan because it offers an operating budget. Even if you don't need money to start your business, writing a business plan will help you see if your idea will be strong from the start. Without a business plan, you leave far too many things to chance.

Some of the reasons for writing a well-thought out and organized business plan dramatically increase your odds of succeeding as an entrepreneur.

If you started your business without writing a business plan and now you are close to running out of funds, then chances are you need to do an expansion business plan to look for other financing options while you move your business to the next level.

The key to receiving financing for your business is never wait until you run out of money to try to obtain money. The Small Business Administration (SBA), banks and investors rather deal with you while you still have funds to start or expand the business.

When seeking out funding for your business you need to follow these sources: 1) make yourself known to financing sources well in advance of asking for financial help; 2) approach multiple sources of financing; 3) educate yourself on the available financing options; 4) know which options are available to your type of service or product; 5) determine which options to pursue at various phases of your company's growth and 6) always be ready to prepare your business for financing.

You definitely will need a business plan if you are going to apply for: a business loan, need investors, have business partners, have a management team, or is selling the business. In other words, you need a business plan.

You can use your business plan as a tool to generate interest from financiers, prospective employees and strategic partners.

Before you even start to write your business plan, get copies of loan applications used by banks, commercial finance companies, and government agencies (Small Business Administration). These applications will give you a good idea of how much financial information you will need to include in the business plan.

There are many different types of business plans: 1) start-up plans, 2) expansion plans, 3) strategic plans, 4) investment plans, 5) operational plans (annual plans, internal plans, etc.), 6) growth plans, 7) product plans, 8) feasibility plans, and many other names.

The most standard business plan is a start-up plan, which defines the steps for a new business and the expansion business plan which will take the business to the next level or to a larger market.

Internal plans are not intended for outside investors, banks, or other third parties.

A business plan page count is not a good way to estimate how good your business plan will be. Instead, measure the plan by readability. A good business plan should provide a reader with a general idea of what a business owner is trying to accomplish after skimming or browsing over it for 15 minutes.

The more standard start-up and expansion plans developed for showing outsiders normally run 20-40 pages of text – easy to read, well-spaced text, formatted in bullets, illustrated by business charts and short financial tables – plus financial details in appendices. Never write a business plan 50 or more pages.

The minimum sections of a business plan are essentially the same. But an expansion business plan or other business plans will require more financial information than a start-up business plan.

At a minimum, your business plan should have the following sections: 1) **Executive Summary**: Write this last. It's just one or two pages of highlights; 2) **Company Description**: Legal establishment, history, start-up plans, etc.; 3) **Product or Service**: Describe what you're selling. Focus on customer benefits; 4) **Market Analysis**: You need to know your market, customer needs, where they are, how to reach them, etc.; 5) **Strategy and Implementation**: Be specific. Include management responsibilities with dates and budgets. Make sure you can track results; 6) **Web Plan Summary**: For e-commerce, include discussion of website, development costs, operations, sales and marketing strategies; 7) **Management Team**: Describe the organization and the key management team members; 8) **Financial Analysis**: Make sure to include at the very least your projected Cash Flow and Profit and Loss tables.

The most important part of a business plan is the Executive Summary. The Executive Summary is an outline of the entire business plan. If you do not have a good Executive Summary, chances are the SBA, bankers and potential investors will not read the entire business plan.

The next most important parts of the business plan are the “Cash Flow Sheet” and “Profit and Loss Sheet.” The cash-flow projection is just a forward look at your checking account.

Remember the Small Business Administration (www.sba.gov) website contain vital and free information to educate a potential or expanding business owner on business plans.

There are lots of resources out there to help you write a business plan. There are books, colleges and universities that work with Small Business Development Centers (www.sbdc.uqa.edu) and counselors and mentors at the Service Corps of Retired Executives (SCORE) www.score.org. They provide low-cost classes on how to write business plans from \$40 to \$60.

Just remember that the most important audience for a business plan is YOU! Only you are accountable to all of the statements, claims, stats and facts inside of business plan.

Remember by skipping the business plan stage chances are your business will face many, many risks and you might find yourself out of business within 2 to 5 years.

Cathy Harris is a motivational speaker and business consultant. She is available for Lectures, Seminars and Workshops. She is also the author of the book series “How To Take Control of Your Own Life” (www.howtotakecontrol.com) and can be reached through her company at Angels Press, P.O. Box 870849, Stone Mountain, GA 30087, Phone: (800) 797-8663, Fax: (678) 254-5018, Website: <http://www.angelspress.com> Email: info@angelspress.com