
how to develop and use a business plan

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A well-prepared business plan is more than a necessary tool to seek funding. It should also be a functional road map for your growth strategy.

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For any business to be successful, it must be started and operated with a clear understanding of its customers, its internal strengths, its competitive environment, and a vision of how it will evolve to compete in the future. A business also needs money to start, to operate, and to grow. By expending the effort to develop a comprehensive business plan, you will have a powerful tool for attracting investors. Your business plan is the roadmap for your company. It clearly states where you are, how you got there, and how you plan to proceed.

This Business Builder guides you through the process of developing a comprehensive business plan. Although businesses may vary with regard to the products or services they offer, there are specific elements a potential investor will look for in any business plan. Therefore, every well thought-out business plan includes a description of products and services, a competitive analysis, a marketing plan, a management plan, and a financial plan. Your business plan will provide you and potential investors or lenders with a clear understanding of your objectives, strategies, and financial viability.

what you should know before getting started

Why Write a Business Plan?

Business plans are prepared as a necessary instrument for raising capital from potential investors, bankers and other lenders. It is an essential document when taking your business public or selling all or part of a company. In fact, without one, soliciting a bank for funds is pointless. To lenders or potential investors, it not only provides information and reveals an evaluation of your venture's feasibility, but also reflects your management abilities. An analytical, objective business plan convinces lenders that you are capable, organized and prepared. One that is poorly researched or makes unsupported assumptions shows that you are inexperienced and, in their eyes, reckless. Lenders receive an enormous number of proposals and usually don't spend much time with them. That means your plan has only a few minutes to make a good impression, and must stand alone as an initial sales tool. Do the best job you can, and let it favorably represent you as the capable, competent business owner that you are.

It is an essential document when taking your business public or selling all or part of a company. In fact, without one, soliciting a bank for funds is pointless.

Preparing a business plan will take time, but it is well worth your investment in the long run. Not only will this document provide valuable information to outside investors and lenders, it will lay out the game plan from which to operate your firm. This is, by far, the most important use for your business plan. It will become your blueprint and direct you towards achieving your overall business goals. A typical entrepreneur has a good business idea but is rarely qualified in all areas of running a business. Good business plans are comprehensive, well thought-out documents that provide the basis for entrepreneurs to make sound business decisions. Whatever the intended use of your business plan, make sure it's thorough, accurate, and backs up all your claims with facts.

Tips for Creating a Good Business Plan

The following are some pointers to consider before creating your business plan:

- Very few people would argue that planning is unnecessary. However, it involves a great deal of work. Be prepared to spend weeks or months completing your plan.
- While this undertaking may appear overwhelming at first, don't get discouraged. Break the project into manageable chunks. One effective approach is to put each section behind a separate tab in a three-ring binder. Fill in your plan, making steady progress toward your goal.
- Although you may have volumes of supporting material, aim for a plan that is brief and succinct but includes everything important to the business. A proposal of 10-15 typed pages, double-spaced is often ideal. Leave secondary issues and details for discussion for a later meeting.
- Focus on your intended reader. Use the plan to organize your effort around your objectives to ensure that you have all the bases covered. Investors or lenders are interested in determining whether you will be able to achieve your objectives.
- Avoid highly technical descriptions of your products, processes, and operations. Use layman's terms.
- A business plan is a "living" document. Update it as your knowledge grows and whenever your strategies become more concrete.
- Be realistic and base your projections on the results gathered from your analysis. Be honest about positive and negative findings.
- Discuss your company's business risks. Your credibility can be seriously undermined if existing risks and problems are uncovered by lenders or investors on their own.
- Don't make vague or unsubstantiated statements. For example, do not just say that sales will double in the next two years or that you are adding new product lines. Back up your statements with underlying data and market information.
- You may have two sets of business plans: one internal, one external. To be an effective management tool, internal business plans usually are more detailed than those presented externally.

Who Should Write Your Business Plan?

The only right answer is YOU!

You may be persuaded by professional advisors that you need their services or maybe the software they peddle to produce an effective business plan. However, the truth is you will be doing most of the work with or without their help. A business plan is 75% research and 25% format. They can help you with your format, putting your information into a readable plan, but you will have to provide the research that makes up the bulk of the plan. The same is true with this Business Builder. It will show you what needs to go into a comprehensive business plan and how the plan should be organized for maximum readability, but you will need to do the majority of the work. It's a lot of work to be sure, but is an important investment towards your business success.

What Lenders Look For

Following are some key questions that investors and lenders will be looking to answer. Keep them in mind when writing your business plan.

- **Is there sufficient demand for your product or service?** You'll need to provide evidence that there is a customer base for the product or service you want to offer. If the product exists today, provide market potential data, market share breakdown, sales history and sales projections for the product/service. If this is a new concept, you'll want to conduct some market research and present results of surveys, focus groups, or test markets.
- **Do you have a sustainable competitive advantage?** Your product or the process for manufacturing your product may be unique enough to apply for and be awarded a patent that provides you with protection from "copy cats" for a maximum of seventeen years. Maybe your location is protected from allowing additional competition. Or perhaps you provide your service in such a way that makes you the cost leader.
- **Are you being realistic?** Although investors and lenders love to back businesses with high growth potential, they are also skeptical when the projections seem too good to be true. This is a flag to them that you may be overly optimistic, naive, or worse, deceitful. Make sure you can back up your projections with reliable data.

In the following sections, you will find a thorough discussion on what can be included in a business plan, but understand ALL OF THIS INFORMATION DOES NOT NEED TO BE IN YOUR PLAN. What goes into your plan depends upon your specific business and the information required by your lenders and investors. If you can, you may want to check with your lender or potential investors beforehand to determine their specific requirements.



process for developing your business plan

This section presents the steps for developing your business plan. This is the basic information that you will be required to provide to lenders and investors and is the minimum you'll need to operate your business effectively. Read each step and complete the tasks outlined in each. Then, depending upon the nature of your business, you may want to add further information that may prove valuable to potential investors and lenders. Where possible, examples will be included to provide you with further clarification on what you should supply. Following is a ten step process you can use to develop your business plan.

- Begin the Plan with a Summary
- Describe Your Company—Its Business, Goals and Objectives
- Analyze Your Market and Determine Your Marketing Strategy
- Describe Your Product/Service and How They are Produced
- Describe Your Management Organization
- Describe Your Operations
- Summarize Your Financial Needs
- Determine Your Proposed Financing
- Outline Your Plan(s) for the Future
- Other Considerations

These steps are presented in a logical order for discussion. Use your judgment on how you work through the process. You may be able to perform many of the steps simultaneously. Use the checklists provided in each step to ensure that your information is complete.

Begin The Plan With a Summary

Most investors and lenders are inundated with potential opportunities, so provide a focused and brief summary about one or two pages in length.

Your summary will give them a first impression of whether your business is worth further consideration. A business plan is unique to your company and, accordingly, the approach used and structure of plans vary considerably. Regardless of form, however, certain basic questions should be addressed considering your plan. They are:

- Cover Sheet: Include the company name, owner's name(s), business address, and phone number.

- **Business Description:** Briefly describe the business that you are in. For instance, is your business in high tech computer imaging, or are you a developer of shopping malls? If you have an existing company, describe your company's history, highlighting your successes/achievements that might be pertinent. Also, include your major short-term and long-term goals and objectives with the strategy and tactics that will enable you to achieve them.
- **Plan Purpose:** Describe the purpose of your business plan. Are you seeking financing from lenders and investors or are you using it to attract potential managers for your business?
- **Products/Services:** Describe your product/service sufficiently so that someone reasonably familiar with the technology or the industry can determine whether it is viable and what stage of development it's in (concept, prototype, or market-ready). Discuss the extent of invention or development required for successful commercialization of the product/service. Highlight the track record of key personnel who have completed similar developments. Explain why your product/service is better than what exists. Don't forget to include proprietary or any other sustainable competitive advantage that you may have. For instance, do you own any patents? Does your location restrict entry of additional competitors?
- **Critical Factors:** Describe the five or six critical factors that will make a difference in your success. Also, discuss your most vulnerable spot. What would happen if it were exposed, and what you will do to guard against it? For example, if you are a high tech firm in the computer imaging business, potential factors might be key R&D personnel, a highly trained workforce, state-of-the-art imaging equipment, and a strategic alliance with a reputable technical school.
- **Customers:** List your present major customers and/or describe your market potential. You'll want to highlight the results of your market analysis here.
- **Financial Picture:** Describe your financial forecasts and explain how they were determined. Include relevant assumptions such as projected market share, market potential, market penetration, etc. State your desired financing and show how the funds will be allocated. Show when and how the money will be paid back.

Describe Your Company—Its Business, Goals And Objectives

It is critical that you present a thorough picture of your company—a description of your business with your key goals and objectives.

- Describe your business. Include an explanation of the business you are in. While this may sound obvious, it really isn't. For instance, if you manufacture catalytic converters, are you in the pollution control business or the auto supply business? Different answers to that question can mean different businesses altogether. When you decide on the type of business that you're in, you'll know the types of product and services you need to provide, the market that you should target and the competitors that you are up against.
- Also include your company history, current business conditions, industry trends, and what makes you unique. To help you with your business description, ask yourself the following questions:
 - o When and why was your company formed?
 - o What is the nature of the product/service that you provide?

- o What successes have you experienced over the years?
- o What is your competitive advantage?

An example of a business description is:

Pets with Pizzazz, Inc. was established in 1989 to supply specialty collars for the pet supply industry. The premium pet supply market experienced strong growth over the past five years due, in part, to the trend that couples are delaying starting families and are opting for pets instead. Many of these are dual income couples and are choosing to spend significant amounts on their pets. Their pets are their children. Pets with Pizzazz has experienced an average annual growth rate of 30% over the past five years, maintaining its competitive edge through customer service excellence, an innovative supply system, and a patented fastener for its premium collars. The company is currently located in a 10,000 square foot building which houses its collar assembly operation.

- o Describe your goals and objectives for the short and long term.
- o What are your major goals and objectives?
- o Where do you see your firm at the end of this year, in three years, in five years?
- o What is your vision for the future of your company?

For example:

Pets with Pizzazz will be *the* premium pet supply company. In the next 1-2 years, we plan to double market share from 16% to 32% for our premium collars. By the year 2000 we plan to offer a broader product line for the premium market including specialty dishes, bowls, beds, and houses.

Analyze Your Market And Determine Your Marketing Strategy

It is critical that you understand your market. A good product is not enough to guarantee marketing success. For example, you may make the best buggy whips in the world, but this doesn't matter if there aren't customers to buy your product. This is one of the most important sections of your business plan. It will be scrutinized carefully, therefore, your market analysis should be as specific as possible, focusing on believable, reliable, achievable projections. You may want to refer to the following training Business Builders to help you with this step (available online at www.resources.zionsbank.com):

- "How to Prepare a Market Analysis"
- "How to Identify a Target Market and Prepare a Customer Profile"
- "How to Gain a Competitive Edge"
- "How to Create Your Company's Identity"

You may want to introduce this section with a one page summary highlighting the key elements of your marketing plan. Follow your summary with the information that will support this page. Finally, include additional information and evidence that you feel is necessary in the appendix.

- Potential Market: This is where you present a picture of your customers. Convey your broad understanding by describing relevant characteristics such as their demographic breakdown,

their buying habits, their interests, their special needs, and their geographic location. Explain how you did your market research, the resources you used, the types of studies you conducted and the focus groups you led. Most of the information that you need here can be found at your library, from the U.S. Small Business Administration, U.S. Department of Commerce and the Census Bureau. See the resources section for information on how to contact these groups.

Questions you should consider in describing your potential market are:

- o Who are your prospective customers?
 - o What characteristics make them similar? What makes them different?
 - o What are their buying habits?
 - o What is your projected market size for your product or service?
 - o Where are you going to sell your product? Where are your customers?
 - o How much market share do you plan on capturing?
 - o What are your customers' needs?
 - o How will you satisfy those needs?
- Sales: Include your forecasted sales volume. What do you expect to achieve in the next three years? Make sure you specify sales in dollars. If you want to include units, that's fine, but don't forget to translate units into sales dollars. Do you experience any seasonality effects? Do any of your customers account for a significant portion of sales? Are there any other unique considerations you should include?

Since cost of sales is usually a company's largest expenditure, it's important to forecast it realistically. Costs should be divided among materials, labor and overhead with special attention provided to the most significant cost components. For instance, in high tech companies, specialty materials and high-priced labor are frequently significant costs.

- o What are your material, labor and overhead costs?
 - o How does your cost of sales compare against industry norms?
- Competitive Analysis: Now consider your competitors, how they market their products, and why people buy from them. Determine their strengths and weaknesses, their position in the marketplace, and their status (growing, maintaining, scaling back). Investors sense danger when an entrepreneur suggests there is no competition for his product/service. In fact, there are two kinds of competition of which you should be aware: direct and indirect. Direct competition offers the same product/service to the same market; indirect competition offers similar products/services, only to a different market. You'll need to include a discussion on both. As you evaluate your competition, you'll want to include:

Direct competition offers the same product/service to the same market; indirect competition offers similar products/services, only to a different market.

- o Names of your major competitors
 - o Their location
 - o Products or services they offer
 - o Their market share and dollar sales
 - o Current performance
 - o Strengths and weaknesses
 - o Names of competitive operations that have recently closed with a reason why
- Market Feasibility: State why the market will support your business. Include trends in your industry, an economic analysis, and “optimistic-pessimistic-realistic” scenarios. Again, you can find this information at your library. Start with *The Encyclopedia of Business Information Sources* published by Gale Research Company for manuals, publications, trade associations, and directories on more than 1200 industries and businesses. Also include any anticipated impact that laws and regulations may have on the market.
 - Marketing Strategy: Explain how you will sell your product(s), and how you will move into new markets. Identify the specific marketing techniques you plan to use. For instance:
 - o How do you plan to identify, contact and sell to potential customers?
 - o How will you distribute your product/service? Will you sell it directly through your own sales force or indirectly through agents, brokers or reps?
 - o How will you price your product/service? Do you have a different pricing structure for different markets (retail, wholesale, catalog)? Consider materials and supplies, labor and operating expenses, planned profit and competition when determining your pricing. Include your price list in the plan.
 - o What is your planned timing for product/service introduction? Include a tentative calendar with targets for introduction.
 - o Present your promotional plan, including your budget. Make sure you describe your mix. What will you allocate for media, print, direct response and public relations? Attach any product literature or marketing brochures in your appendix.

Describe Your Products/Services And How They Are Produced

Describe your product/service in layman’s terms. Explain any niche you may have. Discuss your competitive advantage: Why people will choose your product over your competitors’, the benefits of your product/service, and how you will sustain your edge.

- Product Lines: Detail the features and benefits of your product/service. Remember, features are the characteristics of a product or service that automatically comes with it. The benefit is the result your customer enjoys—in other words, what he gets from it. For instance, a telephone company may offer an automatic switching line to re-route calls to another location in the case of a power failure. That’s the feature. The benefit to the customer is that potential sales will not be lost.
- Offerings: Explain how you acquire, produce or develop your offerings. Do you manufacture all of your products or do you purchase some from other vendors? Do you utilize contract

manufacturers? Is your service provided internally or do contract employees perform a portion of them? If your business is manufacturing or retail, list your suppliers, average inventory costs, and timing of deliveries.

- **Unique Features:** Explain your competitive advantage. What makes your product/service better, faster, more durable, etc.? Include any proprietary features. Do you have any patents, copyrights, trademarks? Include evidence of these in your appendix. Also, describe how you are going to sustain your competitive advantage.

Describe Your Management Organization

Describe your business structure. Also, include a discussion of your management team in this section. List officers and/or principal owner/managers, and detail your management team's responsibilities and qualifications. Referring to the Business Builder "How to Determine the Legal Structure of Your Business" may help you with this step (available online at www.resources.zionsbank.com). Make sure you include:

- **Legal Structure:** If you are an existing business, describe your business structure. If you're just starting out, your options include sole proprietorship, general partnership and joint venture, limited partnership, corporation, S corporation and limited liability corporation. Consult with your accountant and lawyer to determine the best approach for structuring your business.
- **Management Team:** Show that you have the talent in place to develop your product/service, sell it, and manage the financials. Explain your hiring criteria, training plan, salary and benefits structure, and your system for performance evaluation. Financiers invest in people, especially people who have run or are likely to run successful operations. Potential investors and lenders will look closely at the members of your management team. Your team should have experience and talents in the most important functions of your business, whether it's research and development, sales and marketing, manufacturing or finance. You may want to include an organizational chart to demonstrate functional interactions.
- **Resumes:** Attach detailed resumes for all key personnel in an appendix.
- **Board of Directors:** If you have a board, include their names and place of employment. If you have an advisory board, include them, too.

Describe Your Operations

Describe how you plan to operate your business. Go into detail about location, facilities, equipment, raw materials and suppliers, workforce, hours of operation, and methods of record keeping. Make sure you include:

- **Manufacturing or Service Operations:** List your basic process for producing your product or service. You may want to use a flowchart to explain it.
- **Location and Facilities:** Describe the advantages and disadvantages. Location and facilities may be crucial to projecting your business image. They can provide you with a competitive

advantage (e.g., modern, state-of-the-art facility, a strategic location). Provide plans of the exterior and interior if your customers will visit your facilities, or if you plan to manufacture your products.

- **Equipment:** List the equipment necessary for producing your product. Include leasing arrangements, service agreements, and warranties.
- **Raw Materials and Suppliers:** List the materials that go into producing your product and who will provide them to you. The reputation of your suppliers may be important to potential investors and lenders. Are any special considerations necessary for storage?
- **Staffing Analysis:** Your workforce projections should represent a head count by function or department for a specified time period. This analysis not only will allow you to better plan your hiring, but will also demonstrate to potential investors your plans to hire key personnel. Include job descriptions for all functions in your appendix.

Develop Your Financial Forecast

Most forms of business financing require forecasts. These forecasts serve to demonstrate not only the need for funds but also the potential future value of equity investments or debt repayment. Developing the proper financial forecasts is, therefore, a critical factor in obtaining capital for your business. It may be the most crucial task in determining the viability of your business. You will need to:

- Establish the need for funds in the amount requested.
- Demonstrate your ability to realize investments or repay loans.
- Indicate your understanding of the financial implications of your business's growth plans.

Your forecast should cover a minimum of three years—a period in which realistic assumptions can be made without much speculation. Your forecast should be broken out monthly, at least until you achieve positive cash flow. This is important because an overall annual cash flow total could hide some cyclical problems that you have and should provide for in your financial plan.

Referring to the following training Business Builders may help you with this step (available online at www.resources.zionsbank.com):

- “How to Prepare a Cash Budget”
- “How to Prepare a Cash Flow Statement”
- “How to Prepare a Profit and Loss Statement”
- “How to Analyze Profitability”
- “How to Prepare and Analyze a Balance Sheet”
- “How to Analyze Your Business Using Financial Ratios”

Be sure to include:

- **Operating Profit and Loss Statements:** Project revenues and expenses out on a month-to-month basis for the first year, and on a yearly basis for the next three years of operation.

All expense categories should be reflected in your financial forecasts. Although they are frequently subjective determinations, revenues and expenses should be tied to historical numbers and expected projections. Key financial ratios should be compared to industry norms.

- **Cash Flow Statements:** Project all cash receipts and disbursements out on a month-to-month basis for each of the next three years. Cash flow analysis is critical to any capital investment and the overall survival of the enterprise.
- **Balance Sheets:** Project your assets, liabilities, and retained earnings (capital) at the end of the first, second and third years. Because your balance sheet performance has an impact on your cash flow (current assets and current liabilities), it will be a key concern to potential investors. The balance sheet must be utilized with the same assumptions as the profit and loss (or income) statement. Again, you may want to compare some financial ratios to industry norms.
- **Break-even Analysis:** A break-even analysis will provide you the information on how much you need to sell to cover costs. This will be done to determine the level of sales in which a new product/service will start paying for itself. The formula for determining your break-even is:

$$\text{Break-even} = \text{total fixed costs}/(\text{selling price} - \text{variable cost per unit})$$

For instance, if Pets with Pizzazz has a fixed cost base of \$110,000, its variable costs per collar sold is \$5, and each collar sells for an average of \$25, then its break-even point is 5,500 collars.

$$\text{Break-even} = \$110,000/(\$25 - \$5) = 5,500 \text{ collars}$$

- **Notes** describing all assumptions made in the forecast. Provide a summary of all significant assumptions used in forecasts including changes in customer base, price increases, margin improvements, cost reductions, capital expenditures, etc.

When properly prepared, financial forecasts can increase the probability of obtaining capital and can act as a tool to measure and evaluate actual performance. Prepared improperly, they seriously deteriorate your chances of obtaining financing and increase your risk of not managing the business properly from a financial perspective.

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Financial Forecast or Operating Budget?

There is a distinction between a budget and a financial forecast.

A budget is a company's planned course of operating during a period and generally is structured to motivate performance as well as communicate the planning strategy. Budgets may or may not factor in the negative effects of all significant contingencies and uncertainties. The budget is prepared as part of the planning process, but normally is not an item for external distribution.

A financial forecast, on the other hand, is management's best estimate of the company's most likely results of operations and financial position in the forecast period. A good financial forecast is realistic, considers achievable opportunities and recognizes all cost factors and contingencies. More importantly,

the financial forecast covers a much broader financial perspective; the impact of assets, liabilities, income, expenses, and cash sources and uses. It is this comprehensive, realistic forecast that is used in a business plan, not the budget.

Determine Your Proposed Financing

If you are looking for funds, you'll need to include this section. If the purpose of your business plan is not to secure funds, you can omit this altogether. Based on your financial forecast, determine how much money you require, when you need the money, how you will use the money, and how you will pay it back.

You should distinguish your capital request in either of three ways: working capital financing, growth capital financing, and equity capital financing. Working capital financing is generally a short-term loan for normal business expenses to be paid back within a year through cash generated by the business. Growth capital financing is needed to finance the growth of your business, usually requiring longer-term financing, and must be paid utilizing the profits of the growth it financed. Finally, equity capital financing is obtained from investors for permanent needs and paid back through dividends, capital gains, or a share of the business.

When seeking financing, make sure you include:

- Summary of Financial Needs: State why you are seeking funds, how much you need to borrow, and how much you, or others, have to invest.

For example, a summary of financial needs could look something like this:

1. Pets with Pizzazz is seeking a loan to increase growth capital for the following:
 - a. Additional equipment to meet the increased market demand for premium collars.
 - b. Hiring of personnel to assemble additional collars.
 2. Funds needed are \$50,000. Please see "Loan Fund Disbursal Statement" for distribution of funds and supporting information.
- Loan Fund Disbursal Statement: First, you'll need to explain how you will use the funds, then back up your need with specifics. An example might be:
 1. Disbursal of Loan Funds

Pets with Pizzazz will use loan funds of \$50,000 to add resources needed for its doubling of revenues due to market share growth. This will include purchasing one piece of equipment and the hiring and training of two additional people to run that piece of equipment.
 2. Back-up Statement
 - a. The piece of equipment needed is the Super Duper Collar Assembler (\$27,000).
 - b. Training will be provided by the manufacturer on his premises in Chicago, IL (2 @ \$3,000 for \$6,000).

- c. The remaining \$17,000 will be used to pay the salaries for the two new employees during the quarter that they become trained and skilled at running the new machine.
 - d. Purchase of the equipment and the hiring of the two people will increase production by 100% and decrease unit cost by 25%. This will yield a profit sufficient to repay the loan plus interest over the next three years.
- Collateral: Describe what you will offer as security, such as accounts receivable, inventory, marketable securities and fixed assets.
 - Repayment Terms: Describe your requested payment terms.

Present Your Plan(s) For The Future

An important point to remember whether you're planning a new business or expanding an existing business is that you must show that you have the potential for continued profitability. Be sure to include:

- Startup Plan: Present the tasks involved, their priorities, how long each task will take, and who is responsible for each task. Also, include any "deliverables" for each task. Extend your plan through at least the first year.
- Three Year Plan: Again, provide the detail listed above in the startup plan. Project how your business will compete in years three to five. Much of this work has been done in the financial forecast, but you will want to support it with a clear explanation.

Other Considerations

- Table of Contents: Make sure you include a table of contents in your business plan, especially if its length exceeds more than ten pages. It should appear after your summary but before your company description. Although it is one of the first pages in your business plan, it will be one of the last that you create. Now it is fairly easy to create your table of contents if you are using a popular word-processing software package. It's worth the extra few minutes to create, especially when people, who are not as familiar with your business plan as you, must present it for consideration.
- Addendum of Supporting Documents: There are some documents that don't warrant inclusion in the body of the plan, but are important enough to offer as support. They are:
 - o Resumes of the owner and other principals.
 - o Personal financial statement of the owner that includes assets, liabilities, and net worth. Include it here only if you are a current business owner. Otherwise, you'll need to include it in the Financial section if this is your first attempt at business ownership.
 - o Evidence of credit worthiness which include letters of credit from existing suppliers, a Dun & Bradstreet rating, or a personal credit history from a credit bureau or a bank that you've worked with.
 - o Current leases for facilities, equipment, cars, etc.



- o Letters of reference.
- o Completed and current contracts including loan agreements, "high ticket" purchase agreements, service contracts, etc.
- o Legal documents of the business including articles of incorporation, titles, insurance policies, partnership agreements, patents, etc.
- o Other miscellaneous documents that provide supporting evidence to your claims.

your finished plan

- **Presentation:** For internal purposes, bind your business plan in a three-ring notebook. Since it is your working copy and intended to be updated frequently, this format will make it easier to do so. For your business plan that will be circulated externally to lenders and investors, aim for a professional look. There are a variety of appropriate folders available from office supply stores or mail order houses that you can purchase. You can also take a computer disk with your business plan or a clean copy of your business plan to your local printer and have them copy and bind it for you. You don't need to spend a lot of money here. In fact, it could even leave an unfavorable impression on prospective lenders and investors if you do.
- **Prospective Reviewers:** Your business plan should not be a mass mailing piece. You should be very selective with the people you choose to read your plan. After all, you've put a lot of sweat equity into the plan so you don't want it to fall into the wrong hands to be used by another aspiring entrepreneur. Keep track of all outstanding business plans, and request the return of those from lenders and investors that decide against you.

For your business plan that will be circulated externally to lenders and investors, aim for a professional look.

your plan as a roadmap

The business plan should be used to guide and evaluate the direction and actual operating results of the company. If, after completing the business plan, it is tossed in a drawer because it's out-of-date shortly after it was prepared, you've missed out on the real value of the business plan and its usefulness as a management tool. But, to get the full value of all your hard work, you'll have to keep it updated. Changes do occur. You can count on it. Changes within your company, changes with your customers, changes in the business environment all can render your business plan ineffective if you don't constantly update it.

Entrepreneurs and other business owners who sit down to prepare an initial business plan are surprised to discover that the process is really a corporate self-appraisal and sometimes even a personal self-appraisal. It is not an easy task by any strength of the imagination. It is this assessment aspect of business planning that makes the process so important for any ongoing operation to perform on a regular basis, even when additional financing is not a factor.

The corporate self-appraisal may be performed in conjunction with establishing an operations budget for the coming year. In conducting your corporate self-appraisal, ask yourself the following questions:

- What business am I really in?
- What skills in our organization are valuable or unique?
- What is my position in the industry?
- What is the nature of our markets?
- What customers am I serving? Where is my market?
- How do major customers view us?
- What image do we have in the marketplace?
- What image changes would we consider desirable?
- What market share do I want? When?
- What major changes are likely in our present services and projects? In the technology of our industry? In the nature of our competition?
- What, if any, plans should I have for product improvement?
- What business do I want to be in? In three years? In five years?
- How can I finance growth?
- Will my objective require capital expenditures?
- What specific steps do I need to take if the organization is to achieve my objectives?

As a result of your management assessment, the objectives of your company may be more clearly defined and stated. Also, the appraisal and planning process should put you in a position to better summarize strategies and tactics that will enable you to reach your objectives. In determining your operating strategies, consider the following with respect to your objectives:

- What will be the effect on my current organization? Do I have the proper management team, or must I recruit?
- What is the likely impact, short-term and long-term, on my financial statements? Can I afford this course of action?
- Can I raise the necessary funds for implementation? How much will I need? When?
- What will be the reaction of my bankers, stockholders, customers and community?
- What is my probability of success, and what must I do to improve my chances?
- What is the risk of doing nothing?
- How long will implementation of my plan require, and what will be the results?
- In what ways can I minimize the risks?
- When will I break even?
- When should the plan be re-evaluated for possible revision?

resources

Books

Anatomy of a Business Plan by Linda Pinson and Jerry Jinnett. (Dearborn Publishing, 1999). Covers the basics, like this document, and adds lots of examples and worksheets.

Business Plans to Game Plans: A Practical System for Turning Strategies into Action, 3rd ed. by Jan B. King. (Wiley, 2003). OK, you've got the plan. Now how do you make sure it gets carried out?

The Prentice Hall Encyclopedia of Model Business Plans by Wilbur Cross and Alice M. Richey. (Prentice Hall, 1998).

Web sites

Sample Business Plan Components. CCH Business Owner's Toolkit.

Business Planning Tools. Startup Journal / Wall Street Journal.

"Do You Hate to Write Business Plans?" by William Clark. EntreWorld.org.

Advice from our Business Plan Expert. Entrepreneur.com.

Writing a Business Plan. Inc.com.

Writer: Glen Greene

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