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The Business Plan: A Road Map to Success

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The Business Plan: A Road Map to Success

The business plan is like a road map. The process of writing a business plan helps the business owner make good decisions and reach his or her goal or destination. The number one reason businesses fail is lack of planning! Instead of making mistakes on paper, business owners too often make them with real money and real customers. That is why many, but not all, business funding institutions and agencies require business plans and may be reluctant to fund business start-ups that cannot provide a well-developed plan.

Benefits of Planning

- It requires that the business owner evaluate the entire business
- The business plan contains written information that can be useful to employees, investors, creditors, and other interested parties.
- The business world increasingly is becoming competitive. In order to survive, a small business owner must find a well-defined market niche.
- Planning is a systematic way to identify and capitalize on new opportunities.
- Planning does not end with completion of a written plan--the process is continuous.

The steps in the business planning process are the same for all businesses, but the results differ for each one. A manufacturing company specializing in high-quality custom orders, a fast-food restaurant, a clothing retailer, and an organic herb farm all have very different plans. Each business plan is tailored to the individual business and business owner.

Parts of the Business Plan

Every business plan should include the following information.

Executive Summary

This is the first and most important section of a business plan. Its purpose is to convince the audience that this business is worthwhile. This "opening argument" must capture and hold the intended reader's attention and direct it to a specific purpose.

Business Description

This section describes the business, its history, form of ownership, percentages of ownership, the industry and industry trends and provides background information about the owners.

Marketing Plan

The marketing plan convinces the reader that an opportunity exists and that the proposed enterprise can capitalize on it. In this section, the business owner demonstrates a thorough knowledge of market demands, trends, competition, and customers. This section of the plan discusses the business's products and services, the target market, the business's location, its competition, and advertising and promotion strategies.

Operations Plan

The operations plan explains how the work will be done, how the business will be managed, and the business's location. This section describes:

- Business Inputs
- Facilities
- Operating Costs
- Licenses, Permits, Zoning, Insurance
- Capital Equipment
- Methods for Producing the Business's Product or Service
- Need for and Types of Employees
- Outside Services Used by the Business.

Financial Plan

This section discusses the investment required, sources of funds for the business, and financial statements including need for and sources of cash, equipment list, income statement, break-even analysis, cash flow projections, balance sheet, personal financial statement, and other supporting documents. Developing these financial statements is one of the most difficult tasks facing a fledgling business owner, because in most cases there is no history for reference, so these statements will be based on projections.

Attachments

These might include resumes, a rental agreement or lease, a business license, schematics, product sample, or other items mentioned in the body of the business plan.

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