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Essentials for Creating a Successful Business Plan

By Atlas Business Solutions, Inc.

What is a business plan?

A business plan is a written description of what you plan on doing and how you plan on doing it. Depending upon who's going to read your business plan, and what you are going to use it for, your business plan will vary in form and length.

Whenever entrepreneurs hear the term "business plan," they envision a one-inch thick document crammed with every possible piece of business-related information. This is not always the case. A business plan has many uses, which dictates what information, and how much of it, you should include in your business plan.

For example, a business plan could be used internally to identify goals and strategies to key employees. Since people inside your business may already be familiar with your business and how it operates, such a business plan may be much shorter and less formal.

However, most entrepreneurs write business plans to obtain funding. Since many investors want to know the "ins" and "outs" of your business, your business plan needs to explain your products and services, markets, competition, industry, operations, and opportunities in greater detail. This could result in a pretty hefty document, especially when your business plan includes a detailed financial forecast.

Before writing your business plan, you will need to identify who is going to read your business plan and your reasons for writing it.

Who needs a business plan?

Every business should have a business plan of some sort. Without a plan, a business may lose focus of its goals, which could result in lost market share, customers, key employees, and money. If you don't know where you want your business to go, how will you know if your business is moving in the right direction?

A well-thought-out business plan can be the most important factor in the success of your business, so the task of creating a business plan should not be taken lightly. Most entrepreneurs write business plans to obtain funding. But more than just a tool for raising money, a business plan can help you determine if your business will be a financial success, identify and define your business goals, and decide the best methods for achieving those goals.

A business plan can also help you attract key employees, find new business prospects, and manage your business more efficiently. Just as a carpenter needs a blueprint, an entrepreneur needs a business plan, or "road map," for building, growing, and sustaining a successful business. Here are just a few things a business plan can do for you:

- Identify if there is a market for your product or service.
- Determine your competition and identify advantages.
- Estimate start-up costs, revenues, expenses, and profitability.
- Show you if your business idea is worth pursuing.

What should a business plan include?

A business plan should include all the important matters that will contribute to making your business idea a success. These generally include the following:

- Your basic business concept.
- Your products and services and their competitive advantages.
- The markets you'll pursue.
- Your strategy and the specific actions you plan for implementing it.
- The background of your management and key employees.
- Your financing needs.

Since business plans vary greatly in length and detail, the amount and type of information contained in a business plan also varies. Always keep in mind your audience's time is extremely valuable. Don't waste a reader's time by including unnecessary information just to fill pages. Your business plan should contain just enough information to accomplish its goal. No more. No less. Business plans are often 15 to 20 pages in length, but your plan may be shorter or longer.

Most business plans are presented to a reader in an outline form, divided into major sections (or chapters) and subsections. This layout makes a business plan easy to read and easy to navigate. Below is a list of the sections often included in a comprehensive business plan:

Executive Summary

- Business Opportunity
- Product/Service Description
- Current Business Position
- Financial Potential
- The Request

Company Background

- Business Description
- Company History
- Current Position/Business Objectives
- Ownership

Products

- Product Overview
- Competitive Analysis
- Suppliers and Inventory
- Research and Development

Services

- Service Descriptions
- Competitive Comparison

- Service Delivery
- Research and Development

The Industry, Competition and Market

- Industry Definition
- Primary Competitors
- Market Size

Marketing Plan

- Competitive Advantage
- Pricing
- Distribution Channels
- Promotional Plan

Operating Plan

- Location
- Facility
- Operating Equipment
- Suppliers and Vendors
- Personnel Plan
- General Operations

Management, Organization and Ownership

- Management/Principals
- Organizational Structure
- Professional Consultants
- Ownership and Boards

Goals and Strategies

- Business Goals
- Keys to Success
- Future Plans

Financials

- Beginning Balance Sheet
- Profit & Loss (Years 1-3)
- Cash Plan (Years 1-3)
- Balance Sheet (Years 1-3)
- Ratio Analysis (Years 1-3)
- Assumptions

Most entrepreneurs experience little difficulty when it comes to writing the text portion of their business plan, as long as they know what is to be said in each section. But when it comes to the financial portion of a business plan (a.k.a. “the financials”), many business plan authors get stuck.

Since financials are such a sticky subject, below is an entire section dedicated to explaining what financials are, and what financials you should include in your business plan.

What are financials?

Business plan financials estimate how well your business will perform under certain assumptions. For example, what happens to your business if it sells 10,000 widgets, or 20,000? What happens if your business acquires 50,000 customers, or only 15,000? Typically, a business plan includes three sets of financial projections: (1) most likely; (2) best case; and (3) worst case. These scenarios let readers know what will happen to your business if everything goes as planned, or if business is much better or worse than expected.

The financials most commonly included in a business plan are a beginning balance sheet and three years' worth of balance sheets, profit and loss projections, cash plans, and ratio analysis reports. Financial projections are not only essential for potential investors who need to see how you are going to repay them, they help you determine if starting a new business or expanding an existing business makes financial sense. Below are summary explanations of the financials commonly included in a business plan, along with a link to a sample. Each sample is followed by a line-by-line explanation of the information contained in the report.

Beginning Balance Sheet

A beginning balance sheet is a financial snapshot of your business at the beginning of your forecast. It lists your business's assets, liabilities, and owners' or stockholders' equity. Assets are anything your business owns that has monetary value, liabilities are the claims of creditors against the assets of the your business, and equity is calculated by subtracting your liabilities from your assets. Basically, it shows how much you have, how much you owe, and the difference is your equity level.

Please click on the link below for an example of a beginning balance sheet, along with a detailed description and explanation of the items commonly found on a beginning balance sheet.

[Beginning Balance Sheet Sample](#)

Balance Sheet

Typically, at the end of every month of operation, a balance sheet is built showing how the operation of the business affected the assets, liabilities, and equity of the business.

Please click on the link below for an example of a balance sheet, along with a detailed description and explanation of the items commonly found on a balance sheet.

[Balance Sheet Sample](#)

Profit & Loss

A profit and loss projection (P&L) shows you how much revenue your business will generate from the sale of products and services and lists your operating expenses. Revenues minus expenses is how much income your business produces. Remember, income does not equal cash. To see how much cash your business will produce, you need to take a look at your cash plan or cash flow projection.

Please click on the link below for an example of a profit and loss projection, along with a detailed description and explanation of the items commonly found on a profit and loss projection.

[Profit & Loss Sample](#)

Cash Plan

A cash plan shows you how much cash is coming into your business and how much cash is going out. It also shows how much cash will be left over or how much additional cash you will need to pay your expenses.

Please click on the link below for an example of a cash plan, along with a detailed description and explanation of the items commonly found on a cash plan.

[Cash Plan Sample](#)

Ratio Analysis

Financial ratios let you compare the projected financial performance of your business to the actual businesses in the same industry. Companies that compile financial information for ratio analysis include Dunn & Bradstreet Corporation, Moody's Investors Service, Inc., Standard & Poor's, and Robert Morris Associates.

Please click on the link below for an example of a ratio analysis, along with a detailed description and explanation of the ratios commonly found on a ratio analysis.

[Ratio Analysis Sample](#)



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