

THE BUSINESS PLAN

A business plan is a well-thought-out evaluation or analysis of your business venture, covering every conceivable facet and perspective in logical, concise, and where possible, statistically detailed terms. It proves that what you are about to do, have done, or may do, has substance, merit, and a demonstrable probability of success. This is a functional document which, when properly prepared and followed, is a key element in your management thinking and decision-making processes.

Define your dream.

There are a multitude of very important reasons why every business venture must establish and maintain an on-going business planning process. Perhaps the most critical motivating factor is that without one, the chance of acquiring financing from any source at any time is extremely small or non-existent.

Commercial and other sophisticated capital sources (bank, venture capitalist, angel/private investor, government sources of money) regardless of form (debt, equity, hybrids/combinations of each) will not give serious consideration to funding needs without written and convincing proof.

That proof, in whole or in part, is your business plan.

GENERAL TIPS

Make it brief, to the point and easy to read. The summary items (Source & Application of Funds, Statement of Purpose, Executive Summary) and financial projections are the first parts of the plan your banker or investor will read. If they make financial sense, then the rest of the plan will have additional value. Use layman's terms (or include a glossary) if your industry uses technical terms.

As a rule of thumb, unless you are requesting a very large amount of money, **the plan should not exceed 25 pages**. Voluminous research data, surveys, letters of intent, catalog pages, samples, diagrams and other information should be included in a separate binder or as an appendix to the basic plan.

Use a market driven approach. Marketing is the engine that drives the projected sales revenues. Demonstrate and substantiate how the customer will benefit and be motivated to purchase your products, goods or services.

Exploit your company's unique selling point (USP). Explain what will give your company a competitive edge in the marketplace (patents, trade secrets, copyrights, barriers to entry, etc.).

Emphasize management strength. Convince the reader that you have the skills and expertise needed to actively manage the business. If you need a key employee (i.e. a chef in a fancy restaurant) indicate the incentives that will keep them with you.

Present attractive, yet realistic, financial projections. Paint a realistic picture - substantiated by assumptions - of where your company is going with the funding. Be detailed and keep it credible.

Weave the theme “This is how you get your money back” into the entire plan. Be definite about how investors will get their money back and when. For lenders, show that their funds are adequately secured and that your cash flow more than covers their interest and principal payments.

Avoid computer software business plans where you plug in numbers. Individualize your financial projections because no two businesses are alike and a start-up company will not fit the standard industry norms.

Expect to spend a minimum of several weeks working on your plan. As you gather information, the plan will need to be continuously revised and edited. It's not unusual to spend up to a year developing a detailed plan.

Borrow enough money up front. Don't assume that the bank will loan you more money if you need it in the future.

Do your homework. It is likely that the loan officer will have to present your plan to a loan committee. If your plan is not complete enough to sell itself, your chances of approval are slim.

Prepare and rehearse your oral pitch.

Proofread the plan. Have someone else read your plan for style, spelling, grammar, accuracy, consistency, and completeness. If it is an easy plan to read and understand, it will be easier for possible financing sources to say "YES!"

Learn from your mistakes. If you are rejected by the first bank you contact, find out why, fix the problem and reapply at another institution.

If the lender can answer yes to every question associated with the 8 C's, they will probably make the loan. You will soon be experiencing 80-hour workweeks, sleepless nights, no vacations, domestic squabbles, and punitive government regulations. You may also experience a level of satisfaction unmatched by anything else you will ever do.