

WRITING THE BUSINESS PLAN

Anyone who starts a new business will invariably be told, "Write your business plan first. "

For some folks, of course, writing a large document with financial forecasts becomes a hurdle that cannot be overcome. Other people become trapped in the sheer magnitude of the project.

Either way, no usable plan is produced, and the business is probably at greater risk as a result.

Here are some practical tips based on my 9 years experience as a small business accountant, consultant, and college educator.

Small Business Means Small Plan

The concept of business planning came from the world of big corporations and even today many "how to" books recommend plans based on that model.

Thus, we are told to create a plan with 11 or more sections plus financial projections.

The very size of this task is daunting. Writing such a document seems to take forever.

And the value received from such an exercise is, in my opinion, limited.

My suggestion is to cut down the scope, pour your resources into higher-yield areas, and get it done!

Keep It Really, Really Simple

Don't even think about 11 sections. Four will do the job, particularly on your first Plan. Your goal is to get through all 4 sections in 10 to 12 pages.

No more than that. You'll bog down, get frustrated, and never finish.

Here are your sections: Marketing, Human Resources, Operations, and an Executive Summary.

Marketing Is Your Most Important Section

Marketing is the first section you write, and it is by far the most important. Spend at least 3 pages here, and possibly 4.

Identify your major products, your primary market, why people would want to buy from you, how they will find about you, an analysis of your competition, price lists, etc.

While you could probably write 50 pages on these topics, compress everything into just a few pages, and plan to flesh them out later on.

Here's the main point: if you own the business, your primary responsibility is to market that business.

And that's true whether you're starting a new business, or re-starting an existing business.

What Comes After the Marketing Section

Write these last sections in any sequence that's easiest for you. The Human Resources section depends on how many people you intend to hire. If you are the only employee, a resume will suffice.

If you intend to hire people, use several paragraphs to describe in broad terms who will be hired, when they will be hired, and how much you will pay.

An organization chart is also very helpful, both in organizing your thoughts and in communicating

your thoughts to others.

The Operations Section describes in broad terms how your company will deliver its goods or services.

After all this, the Executive Summary will almost write itself. Keep it to 2 pages, max.

By The Numbers - the Financial Analysis

If you take this plan to the Bank to get a business loan, here's exactly what will happen: the Lending Officer will skip all your wonderfully crafted prose, and go right to the numbers.

They want to see whether your numbers make sense, or whether you're being unduly optimistic.

If they express substantial doubt, listen to them! They've been down this road before. They know, better than most of us, that sometimes the best business decision is the decision not to do business!

Forecasting these financials is by far the most difficult part of writing the business plan. Seriously consider engaging a small business accountant or business consultant to help you with this part.

Get A Reality Check

Once your plan is written and the financials generated, check it out by having other experienced people review it.

Your banker is an obvious choice. So is an accountant.

But here are some other good sources. Key suppliers are a wonderful source of information. They often can provide good rules of thumb, as well as sources of inexpensive equipment or stock.

Most important, talk to several people who do what you are proposing to do. You'd think they would refuse to talk with you, and if you're planning to set up shop just around the corner, they probably won't talk to you.

But if you're not perceived as an immediate competitive threat, most small business owners will share some of their hard-earned insights into the "whats" and "what-nots" of their field.

And of course those insights are by far the most valuable of all.

So, why are you going to write a business plan? The answer is very simple: to get an idea of where you're headed before you commit a large amount of your time, and energy, and money.

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