

BUSINESS PLANS

Blueprints for success

Try driving from North Dakota to New York without a map. That experience would be much like starting or running a business without a business plan. There are many highways to travel and many turns to make. Planning will show you your destination and the best route to get you there.

A business plan is a written document that clearly defines the goals of a business and outlines the methods for achieving them. Remember the three M's of a business plan: A complete business plan should describe the Money, Management and Marketing strategies to be used in the business. Dreams and ambition are great and important, but what really counts in the business world are results. The bottom line is: will or does your company make a profit?

A comprehensive business plan is the best tool available to help a small business raise money by informing potential lenders about your company. A business plan also can be a communication tool for investors, suppliers, employees and others interested in understanding the operations and goals of your business. A good business plan will also be vital when you decide to sell your company. Most importantly, it will aid you in managing the day-to-day operations of the company.

Although planning is critical to your success, it is often overlooked in favor of intuition or "gut feeling." The business plan helps you rationalize your business decisions.

Elements of A Business Plan

It is important to establish realistic goals with a sound methodology for achieving them. A business plan:

- Is the management and financial blueprint for a business start-up and profitable operation.
- Is written by the owner with outside help as needed.
- Explains how the business will function and depicts its operational characteristics.
- Details how the business will be capitalized and managed.

A simple outline of a business plan would be as follows:

- 1. Executive Summary** - typically a one-page summary of the entire business plan.
- 2. Business description** - business name, address, form of organization, type of product or service, and general background of the company.
- 3. Goals and objectives** - state reasons for starting your business and goals for the first couple of years.
- 4. Sales and marketing** - identify your market and compare your competitor's strengths and weaknesses. Discuss your marketing/advertising strategies and pricing policies.
- 5. Management/operating requirements** - describe the equipment, facilities and people necessary to generate your products and services. Address how your products and services will be produced and made available to the customer.
- 6. Financial management** - the most critical part of your business plan. Address sources and uses of funds and present the financial future for the business. It should include three year historical financial statements (if available); anticipated sales volume including break-even point; three year projected income statement; balance sheets; and a 12 month cash flow budget for the first year and quarterly for the second & third years. (See projected income statement form on page 19 and monthly cash flow on page 21-22)

If you are just starting a business, your plan should also include:

- Projected start-up costs.
- Expected profit or return on investment (ROI) for the first year.
- Projected income statement and balance sheet for three years.
- Projected monthly cash flow statement for 12 months.

If you have a young or established business, your plan should also include:

- Income statement or tax returns and balance sheet for the last three years.
- Projected income statement and balance sheet for the next three years.
- Projected monthly cash flow statement for 12 months.

View a sample plan on the web at: <http://www.sba.gov/starting/indexbusplans.html>