



So What?

Patrick and Kristina graduated from college the same year and both decided to start their own businesses. Kristina created a carefully crafted business plan, but Patrick thought it was a waste of time. Why spend time writing a business plan on “paper” when collecting money is the real world?

Both Patrick and Kristina wanted to open their own businesses. Kristina used her business plan for her application, while Patrick just threw together some financial documents and hoped for the best. Can you guess which business owner had more success in obtaining a loan?

A good business plan is a company’s blueprint for success. No entrepreneur should be without one. And business plans aren’t just for start-ups, either—existing businesses need them for a variety of reasons, including assessing new products, preparing for expansion, and placing a value on the company. There are many benefits to creating a business plan, and it is easier to do than most people think. Read on to learn the steps for creating this important document for your business.



SAMPLE PAGE

Get With the Plan



A **business plan** is your company’s business model in written form. This important document is like a map and a compass. Would you start out on a long journey without knowing which direction you’re going or where you want to end up? Of course not! And you shouldn’t start a business without planning ahead, either.

Although each business plan is unique, a typical business plan contains the following sections in the following order:

- Cover page
- Executive summary
- Table of contents
- Company description
- Product(s) offered
- Market analysis
- Strategy and implementation
- Management plan
- Financial plan
- Appendices

Cover page

Before distributing copies of your business plan, print a formal cover page to accompany each one. The cover page should include:

- Your business’s name, address, and phone number
- The owner or CEO’s name
- A number for tracking purposes (example: copy 4 out of 15)

Objectives

- 1 Discuss the components of an effective business plan.
- 2 Demonstrate procedures for developing an effective business plan.



If you are an established business, rather than a start-up, you will need to provide historical financial data (income statements, balance sheets, and cash flow statements) for the past 3-5 years. Whether you are an established business or a start-up, you'll need to provide prospective financial data (projected income statements, balance sheets, and cash flow statements) for the next five years. If you are a start-up business, you might want to start with quarterly or monthly projections for the first year and add data from there.

Appendices

The appendices to your business plan are the extra bits of information that support the points you have already made. The appendices you include may be altered depending on who is receiving the particular version of the plan. Typical business plan appendices may include:

- Management résumés
- Letters of reference
- Market research studies
- Copies of leases
- Contracts
- Relevant magazine articles
- Licenses
- Legal documents such as patents
- Credit history
- Company literature (marketing or sales materials, such as ads, brochures, catalogs, etc.)
- List of business associates, including attorney and accountant
- Building permits
- Product pictures

Summary

A business plan is your company's business model in written form. To create your business plan, you must develop a cover page, write an executive summary, create a table of contents, write a company description, write a product(s) offered section, perform a market analysis, write a strategy and implementation section, write a management team section, put together a financial plan, and compile the appendices.



1. What is a business plan?
2. What is the most critical part of the business plan?
3. Why is the company description section of the business plan important?
4. What information should be included in the product(s) offered section of a business plan?
5. Why is a market analysis critical to a business plan?
6. What does the strategy and implementation section of a business plan show readers?
7. Why are readers interested in the management team section of a business plan?
8. List the three financial documents you must include in your business plan.

The Gray Zone

Araya is composing a business plan for her start-up company. For now, she will be creating a variety of gift baskets for special occasions, including birthdays, anniversaries, and housewarmings. Araya feels that her business plan needs something "new" in the product(s) offered to create her own line of gift baskets. Araya has no concrete information about the future, she is unsure if this information in her business plan will help investors won't know the difference. What do you think? Is it acceptable to include something you *might* do in your business plan, just to make it sound better?

SAMPLE PAGE

