



# SIMPLE STEPS TO WRITING A BUSINESS PLAN

MARCH 2, 2017



**Why do I need a business plan?**

**What is a business plan made up of ?**

**How do you write a business plan?**

**Common business plan mistakes**

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# Why Do I Need a Business Plan?



**A business plan is an essential roadmap for business success.**

A business plan should be in writing because it encourages rational and critical thinking, and forces you to take a good look at all aspects of the business, which will serve as a roadmap.

# Why Do I Need a Business Plan?



**It's a tool for understanding how your business is put together.**

A business plan, even just a one-pager with a few financial projections, can be a valuable internal tool. It can foster alignment, set the tone for the business and even help you craft your brand messaging.

You can use it to monitor progress, hold yourself accountable and control the business's fate. And of course, it's a sales and recruiting tool for attracting key employees or future investors.

# Why Do I Need a Business Plan?

## Internal Reasons

- To avoid big mistakes
- To determine feasibility
- To develop a game plan
- To help you stay proactive

## External Reasons

- To raise capital and obtain financing
- To attract the best talent
- To make sure everyone's on the same page

# Why Do I Need a Business Plan?

## Internal Reasons

- 1. To avoid big mistakes:** Writing a business plan allows you to think more clearly about what you're doing and where you are going. This will help you avoid big mistakes and ensure that you're sprinting down the right path.
- 2. To determine feasibility:** Setting out an accurate plan will help you determine whether your business idea is feasible.

# Why Do I Need a Business Plan?

## Internal Reasons

3. **To develop a game plan:** At a start-up, execution is everything. That means you have to set priorities, establish goals, and measure performance.
4. **To help you stay proactive:** At times during your start-up experience, you'll go through ups and downs. When your emotion gets the best of you, having a business plan lets you step back, and take an objective look at what you are doing.



# Why Do I Need a Business Plan?

## External Reasons

- 1. To raise capital/Obtain financing:** If you raise or borrow money, you will need to communicate your vision in a clear compelling way.
- 2. To attract the best talent:** When a prospect asks to understand your business, you can hand them a plan that gives them an entire overview of your business.
- 3. To make sure everyone's on the same page:** Business plan helps get your partners, friends, family, and advisors involved in your start-up heading in the same direction.

**Why do I need a business plan?**

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# What is a Business Plan Made of?

Executive  
Summary



Company Description

Organization & Management



Service &  
Product



Market Analysis



Financial  
Plan



Strategy and Implementation  
Summary



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# How do You Write a Business Plan?

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# How do You Write a Business Plan?

## Executive Summary



- Your executive summary is the doorway to your business plan.
- It is a condensed version of your business plan that highlights the points you've made in your business plan.
- Write this last.

# How do You Write a Business Plan?

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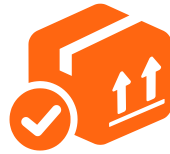
Financial  
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# How do You Write a Business Plan?



## Company Description

- This is an overview of who you are.
  - ✓ Mission: Why does the business exist?
  - ✓ Vision: What do we want our organization to be?
  - ✓ Values: Frame of reference that inspires and controls each action.
- What differentiates your company from others.
- Founding dates, owners, location, when and where it's incorporated (if incorporated).



# How do You Write a Business Plan?

## EXAMPLE of Mission/Vision/Value

### Google's Mission Statement

(Why does Google exist?)

To organize the worlds' information and make it universally accessible and useful.

### Google's Vision Statement

(What does Google want to be?)

To provide access to the world's information in one click.

# How do You Write a Business Plan?

## EXAMPLE of Mission/Vision/Value

### Google's Core Values: (only a few listed)

- We want to work with great people
- Technology innovation is our lifeblood
- Working at Google is fun
- Be actively involved: you are Google
- Do the right thing; don't be evil
- Google cares about and supports the communities where we work and live

# How do You Write a Business Plan?

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# How do You Write a Business Plan?

## Organization & Management



- Organization and Functions
- Management Team
- Backgrounds and Experience
- List of Outside Services/Advisors
- Table of Estimated Personnel Costs

# How do You Write a Business Plan?

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# How do You Write a Business Plan?

Describe the problem that you solve for your customers and the solution that you are selling.

Service &  
Product



- What the product or service is.
- How much it costs?
- What sorts of customers make purchases, and why?
- What customer need does each product or service line fill?

# How do You Write a Business Plan?

You should also have answers to these questions.

Service &  
Product



- Are products or services in development or existing?
- What is timeline for bringing new products and services to market?
- How will you acquire your products?
- Is a steady supply of products available?
- What are your plans for future products or services?

# How do You Write a Business Plan?

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# How do You Write a Business Plan?

- Industry Description and Outlook
- Target Market
- Competitive Analysis

## Market Analysis



Know your industry, target market, and competitors

# How do You Write a Business Plan?

- **Industry Description and Outlook**

Discuss current state of your industry overall and where it's headed.

## Market Analysis



Relevant industry metrics like size, trends, life cycle, and projected growth should all be included here.

# How do You Write a Business Plan?

- **Target Market**

Discuss your customer's needs, where your customers are, how you reach them and how to deliver your products to them.

## Market Analysis



Understanding things about your customers like age, socioeconomic status, personality, behavior, spending habits, income levels, education, and occupations will help you to market your products or services more effectively.

# How do You Write a Business Plan?

- **Competitive Analysis**

You will also need to know who your competitors are and how you stack up against them---why are you sure there's room for you in this market?

## Market Analysis



Write a detailed comparison of strengths and weakness of your specific competitors.

# How do You Write a Business Plan?

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Service &  
Product



Market Analysis



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Plan



Strategy and Implementation  
Summary



# How do You Write a Business Plan?

Outline your marketing plan, your sales plan, and the other logistics involved in actually running your business.

You'll want to cover the technology you plan on using, your business location and other facilities, special equipment you might need, and your roadmap for getting your business up and running.

Strategy and Implementation  
Summary



# How do You Write a Business Plan?

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Product



Market Analysis



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Financial  
Plan



# How do You Write a Business Plan?

Financial plan should include the following:

- Profit and loss statement
- Cash flow statement
- Balance sheet
- Sales forecast
- Personnel plan

Financial  
Plan





# How do You Write a Business Plan?

- **Profit and loss statement**

It is a financial statement that summarizes the revenues, costs and expenses incurred during a specific period of time, usually a fiscal quarter or year. Explanation of how your business made a profit (or incurred a loss) over a certain period of time.

Financial  
Plan



# How do You Write a Business Plan?

- **Cash flow statement**

Explanation of much cash your business brought in, how much cash it paid out, and what its ending cash balance was, typically per-month.

- **Balance Sheet**

Balance sheet is a snapshot of your business's financial position-at a particular moment in time and is used to calculate the net worth of a business.

$$\text{ASSETS} = \text{LIABILITIES} + \text{EQUITY}$$

Financial  
Plan



# How do You Write a Business Plan?

- **Sales forecast**

Sales forecast is your projections or your forecast of what you think you will sell in a given period (typically a year to three year).

- **Personnel plan**

Table of estimated personnel costs.

Financial  
Plan



# PROFIT AND LOSS STATEMENT EXAMPLE

**GROSS MARGIN – OPERATING EXPENSES  
= OPERATING INCOME**

**OPERATING INCOME – (INTEREST, TAXES,  
DEPRECIATION, PAYROLL, AND  
AMORTIZATION EXPENSES)  
= NET INCOME**

Revenue	
Services provided	25,000
Goods sold	5,000
Net Revenue	30,000
Expenses	
Salaries and wages	5,000
Utilities	500
Travel and entertainment	250
Rent	1,000
Computer supplies	100
Depreciation	200
Insurance	300
Interest	50
Taxes and licenses	100
Total Expenses	7,500
Income Before Tax	22,500
Depreciation	2,500
Net Increase in Cash	20,000

# BALANCE SHEET EXAMPLE

$$\text{ASSETS} = \text{LIABILITIES} + \text{EQUITY}$$

<u>ASSETS</u>		<u>LIABILITIES</u>	
Current assets		Current liabilities	
Cash	\$ 2,100	Notes payable	\$ 5,000
Petty cash	100	Accounts payable	35,900
Temporary investments	10,000	Wages payable	8,500
Accounts receivable - net	40,500	Interest payable	2,900
Inventory	31,000	Taxes payable	6,100
Supplies	3,800	Warranty liability	1,100
Prepaid insurance	1,500	Unearned revenues	1,500
Total current assets	<u>89,000</u>	Total current liabilities	<u>61,000</u>
Investments	<u>36,000</u>	Long-term liabilities	
Property, plant & equipment		Notes payable	20,000
Land	5,500	Bonds payable	400,000
Land improvements	6,500	Total long-term liabilities	<u>420,000</u>
Buildings	180,000		
Equipment	201,000	Total liabilities	<u>481,000</u>
Less: accum depreciation	<u>(56,000)</u>		
Prop, plant & equip - net	<u>337,000</u>		
Intangible assets		<u>STOCKHOLDERS' EQUITY</u>	
Goodwill	105,000	Common stock	110,000
Trade names	<u>200,000</u>	Retained earnings	220,000
Total intangible assets	<u>305,000</u>	Accum other comprehensive income	9,000
Other assets	<u>3,000</u>	Less: Treasury stock	<u>(50,000)</u>
Total assets	<u>\$ 770,000</u>	Total stockholders' equity	<u>289,000</u>
		Total liabilities & stockholders' equity	<u>\$ 770,000</u>

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# Common Business Plan Mistakes

1. Putting it off
2. Cash flow casualness
3. Idea inflation
4. Fear and dread
5. Spongy, vague goals
6. One size fits all
7. Diluted priorities
8. “Hockey stick” shaped growth projections

Resource: 8 Common Business Plan Mistakes by Tim Perry ([www.bplans.com](http://www.bplans.com))

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