

## Developing a Business Plan

Your business plan is probably the most important document you ever prepare for your business. Before you even start your business, you should prepare a business plan. A business plan is a description of the business, a road map that will help you get to your desired destination. It gives you an idea of the obstacles that lie ahead and can point out possible alternate routes. A good plan can be the difference between success and failure.

Business plans are important for clarifying your business strategy and setting operational milestones. However, for most entrepreneurs, the most important reason to create a business plan is to **get funding**. Investors and lenders want to make sure that you have a plan to operate and grow your business profitably, so they receive make a profit on their loan or investment in your business.

A business plan is the company's core strategy, its recipe card for success. A realistic business plan is the root requirement for planning a new business or expanding an existing business. To make it work, a business plan must be realistic and objective.

A typical business plan for a business has the following sections.

### Executive Summary

One to two pages and should be written after you have completed the other sections of your business plan. The executive summary should tell your story. It should show your passion and get the reader's attention. It describes what you do, how you are going to do it, how much money you will make and how much funding you need. Your executive summary must be clear, concise and compelling so that people will read further. Many business find it helpful to **complete this section last**.

### Company Overview

This explains the structure of the business and its history. Include your company name, legal status and ownership structure. Your company overview should include your mission statement and outline where your company has been and where you are at right now. Only include information that is relevant to the product or service you are describing.

### Products and Services

What products and/or services are you selling, what is unique about it and why will you be a success. Indicate any regulations that will effect you and show that you have or can meet the requirements.

### Market Overview

Here is where your market research pays off. Be as specific as you can about your market. Outline the industry you are in, how you fit in, and what will be your market share. You will want to provide answers to questions such as:

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- Who is your primary customer? What are the demographics of this customer base? It is very important to know your customers as success depends on you being able to meet customer needs.
- Why have you chosen this customer base and how large is it? You need to know that there is enough room in this market for you and that it is not already saturated.
- What are the trends that are influencing and affecting your market (customer base) and are you addressing these trends?
- Who is your competition and how will you be able to compete? By knowing and understanding your competition you will be able to better position your product or service in the market place.
- If your business is seasonal (ie u- pick operation), explain how you will handle this challenge
- What is the price of your product or service? How does this compare to similar products in the market?
- How will your product be distributed?

## Market Strategy

The marketing plan is very important - you can have the best product in the world but if you have no sales, you have no business. Through your marketing strategy you will address the following issues:

How will you make customers aware of your product or service?

Where will you sell your product (ie farmers' market, farm gate sales, retail, etc)?

When will you launch your marketing plan?

## Operating Plan

Your operating plan will address how the business will actually run. Including topics such as:

- Where will your business be located?
- What facilities and equipment do you have and what do you need?
- How will you run the business?
- How will you keep track of inventory?
- How will you keep costs down to remain competitive?
- What is your plan for growth?
- How does this business mesh with your existing business? *It is important that you keep separate records for each different business you have. This way you will know what is making you money and what is not.*

## Management

This section is like a mini resume for each of the management team where you demonstrate how the various business roles will be filled. Investors pay particular attention to this section. They want to know that you have the right people for your business as the quality of your people will determine the success of the business.

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- Indicate who is on your team, their qualifications and responsibilities (ie production, marketing, accounting etc).
- If you do not have people in these positions right know because of the size of your business, provide a time frame to put your team together.
- How will you overcome any labor shortages?

## Objectives

What are you aiming for and when will you do it. Be specific. You will want to include sales targets and projected profitability in this area.

## Risks

There are always risks, so it is best to explain what the risks are and what strategies you have in place to handle them.

## Exit Strategy

*(If you are looking for equity investors)* How and when do your investors make their money? How much will they make?...A cautionary note: An “angel” investor tends to expect at least 10 times their investment. You might think that’s too much, but the reality is that many businesses fail completely and the investor gets nothing back.

## Financials

This section is absolutely critical. When making financial projections, it is important to explain any assumptions - how you determined the figures you used. If you are looking for financial assistance, lenders will want to know where you will get financing for your business and how you will spend the money. They will also want to see historical records for the past three to five years.

At a minimum, you need:

- Funding Requirements
- Month by month pro-forma income statement for the first year *It is important to keep your statements current and to refer to them on a monthly basis.*
- Quarterly income statement for the first three years
- Month by month cash flow forecast for the first year
- Balance Sheet

If a company is to stand the test of time, then its business plan must do the same. Businesses can remain on the right path, and be prepared to confront new challenges and seize new opportunities by continually reassessing and revising their plan.

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As you venture out into the marketplace will be asked if you have a business plan. Do consider your plan a professional document and be prepared to be both concise and detailed. This document should boost investor trust in you and help you in any sales pitches you may have to present. You will need your business plan for raising money.

## Annual business plan

Business planning is most effective when it's an ongoing process. This allows you to act quickly where necessary, rather than simply reacting to events after they have happened. The main aim of your annual business plan is to set out the strategy and action plan for your business. This should include a clear financial picture of where you stand - and expect to stand - over the coming year.

Your annual business plan should include:

- an outline of changes that you want to make to your business
- potential changes to your market, customers and competition
- your objectives and goals for the year
- your key performance indicators (KPIs)
- any issues or problems
- any operational changes
- information about your management and people
- your financial performance and forecasts
- details of investment in the business

## A typical business planning cycle

There are a number of key steps you should consider incorporating into your business planning routine. Below is an example of a typical business planning cycle:

1. review your current performance against last year/current year targets
2. work out your opportunities and threats
3. analyze your successes and failures during the previous year
4. look at your key objectives for the coming year and change or re-establish your longer-term planning
5. identify and refine the resource implications of your review and build a budget
6. define the new financial year's profit-and-loss and balance-sheet targets
7. conclude the plan
8. review it regularly - for example, on a monthly basis - by monitoring performance, reviewing progress and achieving objectives
9. go back to step 1

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