

What is a Business Plan?

by [Tim Berry](#)

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Business planning is about results. You need to make the contents of your plan match your purpose. Don't accept a standard outline just because it's there.

What is a Business Plan?

A business plan is any plan that works for a business to look ahead, allocate resources, focus on key points, and prepare for problems and opportunities. Unfortunately, many people think of business plans only for starting a new business or applying for business loans. But they are also vital for running a business, whether or not the business needs new loans or new investments. Businesses need plans to optimize growth and development according to priorities.

What's a Start-up Plan?

A simple start-up plan includes a summary, mission statement, keys to success, market analysis, and break-even analysis. This kind of plan is good for deciding whether or not to proceed with a plan, to tell if there is a business worth pursuing, but it is not enough to run a business with.

Is There a Standard Business Plan?

A normal business plan (one that follows the advice of business experts) includes a [standard set of elements](#). Plan formats and outlines vary, but generally a plan will include components such as descriptions of the company, product or service, market, forecasts, management team, and financial analysis.

Your plan will depend on your specific situation. For example, description of the management team is very important for investors while financial history is most important for banks. However, if you're developing a plan for internal use only, you may not need to include all the background details that you already know. Make your plan match its purpose.

What is Most Important in a Plan?

It depends on the case, but usually it's the cash flow analysis and specific implementation details.

- Cash flow is both vital to a company and hard to follow. Cash is usually misunderstood as profits, and they are different. Profits don't guarantee cash in the bank. Lots of profitable companies go under because of cash flow problems. It just isn't intuitive.

- Implementation details are what make things happen. Your brilliant strategies and beautifully formatted planning documents are just theory unless you assign responsibilities, with dates and budgets, follow up with those responsible, and track results. Business plans are really about getting results and improving your company.

Can you Suggest a Standard Outline?

If you have the main components, the order doesn't matter that much, but here's the outline order we suggest in Business Plan Pro software:

1. Executive Summary: Write this last. It's just a page or two of highlights.
2. Company Description: Legal establishment, history, start-up plans, etc.
3. Product or Service: Describe what you're selling. Focus on customer benefits.
4. Market Analysis: You need to know your market, customer needs, where they are, how to reach them, etc.
5. Strategy and Implementation: Be specific. Include management responsibilities with dates and budget.
6. Management Team: Include backgrounds of key members of the team, personnel strategy, and details.
7. Financial Plan: Include profit and loss, cash flow, balance sheet, break-even analysis, assumptions, business ratios, etc.

[An expanded plan outline](#)

We don't recommend developing the plan in the same order you present it as a finished document. For example, although the Executive Summary comes as the first section of a business plan, we recommend writing it after everything else is done.

A Standard Business Plan Outline

by [Tim Berry](#)

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There are predictable contents of a standard business plan. For example, a business plan normally starts with an Executive Summary, which should be concise and interesting. People almost always expect to see sections covering the Company, the Market, the Product, the Management Team, Strategy, Implementation and Financial Analysis.

If you have the main components, the order doesn't matter that much, but here's the order I suggest.

1. **Executive Summary**: Write this last. It's just a page or two of highlights.
2. **Company Description**: Legal establishment, history, start-up plans, etc.
3. **Product or Service**: Describe what you're selling. Focus on customer benefits.

4. **Market Analysis:** You need to know your market, customer needs, where they are, how to reach them, etc.
5. **Strategy and Implementation:** Be specific. Include management responsibilities with dates and budgets. Make sure you can track results.
6. **Web Plan Summary:** For e-commerce, include discussion of website, development costs, operations, sales and marketing strategies.
7. **Management Team:** Describe the organization and the key management team members.
8. **Financial Analysis:** Make sure to include at the very least your projected Profit and Loss and Cash Flow tables.

I don't recommend developing the plan in the same order you present it as a finished document. For example, although the Executive Summary obviously comes as the first section of a business plan, I recommend writing it after everything else is done. It will appear first, but you write it last.

Standard Tables and Charts

There are also some business tables and charts that are normally expected in a standard business plan.

Cash flow is the single most important numerical analysis in a plan, and should never be missing. Most plans will also have Sales Forecast and Profit and Loss statements. I believe they should also have separate Personnel listings, projected Balance sheet, projected Business Ratios, and Market Analysis tables.

I also believe that every plan should include bar charts and pie charts to illustrate the numbers.

Expanded Plan Outline

1.0 Executive Summary

- 1.1 Objectives
- 1.2 Mission
- 1.3 Keys to Success

2.0 Company Summary

- 2.1 Company Ownership
- 2.2 Company History (for ongoing companies) or Start-up Plan (for new companies).
- 2.3 Company Locations and Facilities

3.0 Products and Services

- 3.1 Product and Service Description
- 3.2 Competitive Comparison
- 3.3 Sales Literature
- 3.4 Sourcing and Fulfillment

3.5 Technology

3.6 Future Products and Services

4.0 Market Analysis Summary

4.1 Market Segmentation

4.2 Target Market Segment Strategy

4.2.1 Market Needs

4.2.2 Market Trends

4.2.3 Market Growth

4.3 Industry Analysis

4.3.1 Industry Participants

4.3.2 Distribution Patterns

4.3.3 Competition and Buying Patterns

4.3.4 Main Competitors

5.0 Strategy and Implementation Summary

5.1 Strategy Pyramids

5.2 Value Proposition

5.3 Competitive Edge

5.4 Marketing Strategy

5.4.1 Positioning Statements

5.4.2 Pricing Strategy

5.4.3 Promotion Strategy

5.4.4 Distribution Patterns

5.4.5 Marketing Programs

5.5 Sales Strategy

5.5.1 Sales Forecast

5.5.2 Sales Programs

5.6 Strategic Alliances

5.7 Milestones

6.0 Web Plan Summary

6.1 Website Marketing Strategy

6.2 Development Requirements

7.0 Management Summary

7.1 Organizational Structure

7.2 Management Team

7.3 Management Team Gaps

7.4 Personnel Plan

8.0 Financial Plan

- 8.1 Important Assumptions
- 8.2 Key Financial Indicators
- 8.3 Break-even Analysis
- 8.4 Projected Profit and Loss
- 8.5 Projected Cash Flow
- 8.6 Projected Balance Sheet
- 8.7 Business Ratios
- 8.8 Long-term Plan

What Makes a Good Plan?

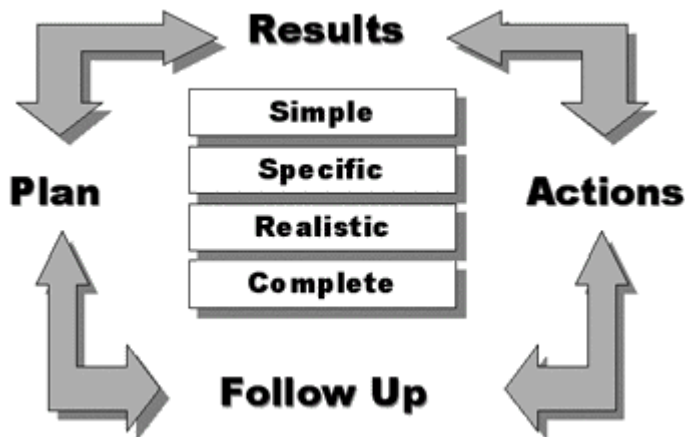
by [Tim Berry](#)

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Is it the length of the plan? The information it covers? How well it's written, or the brilliance of its strategy. No.

The following illustration shows a business plan as part of a process. You can think about the good or bad of a plan as the plan itself, measuring its value by its contents. There are some qualities in a plan that make it more likely to create results, and these are important. However, it is even better to see the plan as part of the whole process of results, because even a great plan is wasted if nobody follows it.

Planning is a Process, Not Just a Plan



A business plan will be hard to implement unless it is simple, specific, realistic and complete. Even if it is all these things, a good plan will need someone to follow up and check on it. The plan depends on the human elements around it, particularly the process of commitment and involvement, and the tracking and follow-up that comes afterward.

Successful implementation starts with a good plan. There are elements that will make a plan more likely to be successfully implemented. Some of the clues to implementation include:

1. Is the plan simple? Is it easy to understand and to act on? Does it communicate its contents easily and practically?
2. Is the plan specific? Are its objectives concrete and measurable? Does it include specific actions and activities, each with specific dates of completion, specific persons responsible and specific budgets?
3. Is the plan realistic? Are the sales goals, expense budgets, and milestone dates realistic? Nothing stifles implementation like unrealistic goals.
4. Is the plan complete? Does it include all the necessary elements? Requirements of a business plan vary, depending on the context. There is no guarantee, however, that the plan will work if it doesn't cover the main bases.

Use of Business Plans

Too many people think of business plans as something you do to start a company, apply for a loan, or find investors. Yes, they are vital for those purposes, but there's a lot more to it.

Preparing a business plan is an organized, logical way to look at all of the important aspects of a business. First, decide what you will use the plan for, such as to:

- Define and fix objectives, and programs to achieve those objectives.
- Create regular business review and course correction.
- Define a new business.
- Support a loan application.
- Define agreements between partners.
- Set a value on a business for sale or legal purposes.
- Evaluate a new product line, promotion, or expansion.

No Time to Plan? A Common Misconception

"Not enough time for a plan," business people say. "I can't plan. I'm too busy getting things done." A business plan now can save time and stress later.

Too many businesses make business plans only when they have to. Unless a bank or investors want to look at a business plan, there isn't likely to be a plan written. The busier you are, the more you need to plan. If you are always putting out fires, you should build fire breaks or a sprinkler system. You can lose the whole forest for too much attention to the individual trees.

Keys to Better Business Plans

- Use a business plan to set concrete goals, responsibilities, and deadlines to guide your business.
- A good business plan assigns tasks to people or departments and sets milestones and deadlines for tracking implementation.
- A practical business plan includes 10 parts implementation for every one part strategy.
- As part of the implementation of a business plan, it should provide a forum for regular review and course corrections.
- Good business plans are practical.

Business Plan "Don'ts"

- Don't use a business plan to show how much you know about your business.
- Nobody reads a long-winded business plan: not bankers, bosses, nor venture capitalists. Years ago, people were favorably impressed by long plans. Today, nobody is interested in a business plan more than 50 pages long

The Different Types of Business Plans

by [Tim Berry](#)

Business plans are also called strategic plans, investment plans, expansion plans, operational plans, annual plans, internal plans, growth plans, product plans, feasibility plans, and many other names. These are all business plans.

In all these different varieties of business plan, the plan matches your specific situation. For example, if you're developing a plan for internal use only, not for sending out to banks or investors, you may not need to include all the background details that you already know. Description of the management team is very important for investors, while financial history is most important for banks.

Some of these specific case differences lead to different types of plans:

- The most standard business plan is a start-up plan, which defines the steps for a new business. It covers standard topics including the company, product or service, market, forecasts, strategy, implementation milestones, management team, and financial analysis. The financial analysis includes projected sales, profit and loss, balance sheet, cash flow, and probably a few other tables. The plan starts with an executive summary and ends with appendices showing monthly projections for the first year.
- Internal plans are not intended for outside investors, banks, or other third parties. They might not include detailed description of company or management team. They may or may not include detailed financial projections that become forecasts and budgets. They may cover main points as bullet points in slides (such as PowerPoint slides) rather than detailed texts.

- An operations plan is normally an internal plan, and it might also be called an internal plan or an annual plan.
- It would normally be more detailed on specific implementation milestones, dates, deadlines, and responsibilities of teams and managers.
- A strategic plan is usually also an internal plan, but it focuses more on high-level options and setting main priorities than on the detailed dates and specific responsibilities. Like most internal plans, it wouldn't include descriptions of the company or the management team. It might also leave out some of the detailed financial projections. It might be more bullet points and slides than text.
- A growth plan or expansion plan or new product plan will sometimes focus on a specific area of business, or a subset of the business. These plans could be internal plans or not, depending on whether or not they are being linked to loan applications or new investment. For example, an expansion plan requiring new investment would include full company descriptions and background on the management team, as much as a start-up plan for investors. Loan applications will require this much detail as well. However, an internal plan, used to set the steps for growth or expansion funded internally, might skip these descriptions. It might not include detailed financial projections for the whole company, but it should at least include detailed forecasts of sales and expenses for the company.
- A feasibility plan is a very simple start-up plan that includes a summary, mission statement, keys to success, basic market analysis, and preliminary analysis of costs, pricing, and probable expenses. This kind of plan is good for deciding whether or not to proceed with a plan, to tell if there is a business worth pursuing

Common Business Plan Mistakes

by [Tim Berry](#)

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While including the necessary items in a business plan is important, you also want to make sure you don't commit any of the following common business plan mistakes:

Putting it off.

Too many businesses make business plans only when they have no choice in the matter. Unless the bank or the investors want a plan, there is no plan.

Don't wait to write your plan until you think you'll have enough time. "I can't plan. I'm too busy getting things done," business people say. The busier you are, the more you need to plan. If you are always putting out fires, you should build firebreaks or a sprinkler system. You can lose the whole forest for paying too much attention to the individual burning trees.

Cash flow casualness.

Most people think in terms of profits instead of cash. When you imagine a new business, you think of what it would cost to make the product, what you could sell it for, and what the profits per unit might be. We are trained to think of business as sales minus costs and expenses, which equal profits. Unfortunately, we don't spend the profits in a business. We spend cash. So understanding cash flow is critical. If you have only one table in your business plan, make it the cash flow table.

Idea inflation.

Don't overestimate the importance of the idea. You don't need a great idea to start a business; you need time, money, perseverance, and common sense. Few successful businesses are based entirely on new ideas. A new idea is harder to sell than an existing one, because people don't understand a new idea and they are often unsure if it will work.

Plans don't sell new business ideas to investors. People do. Investors invest in people, not ideas. The plan, though necessary, is only a way to present information

Fear and dread.

Doing a business plan isn't as hard as you might think. You don't have to write a doctoral thesis or a novel. There are good books to help, many advisors among the Small Business Development Centers (SBDCs), business schools, and there is software available to help you (such as Business Plan Pro, and others).

Spongy, vague goals.

Leave out the vague and the meaningless babble of business phrases (such as "being the best") because they are simply hype. Remember that the objective of a plan is its results, and for results, you need tracking and follow up. You need specific dates, management responsibilities, budgets, and milestones. Then you can follow up. No matter how well thought out or brilliantly presented, it means nothing unless it produces results.

One size fits all.

Tailor your plan to its real business purpose. Business plans can be different things: they are often just sales documents to sell an idea for a new business. They can also be detailed action plans, financial plans, marketing plans, and even personnel plans. They can be used to start a business, or just run a business better.

Diluted priorities.

Remember, strategy is focus. A priority list with 3-4 items is focus. A priority list with 20 items is certainly not strategic, and rarely if ever effective. The more items on the list, the less the importance of each.

Hockey-stick shaped growth projections.

Sales grow slowly at first, but then shoot up boldly with huge growth rates, as soon as 'something' happens. Have projections that are conservative so you can defend them. When in doubt, be less optimistic

A Simpler Plan for Start-ups

by [Tim Berry](#)

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Business advisors, experienced entrepreneurs, bankers, and investors generally agree that you should develop a business plan before you start a business. A plan can help you move forward, make decisions, and make your business successful. However, not all business plans are the same, not every business needs the same level of detail. You might develop a fairly simple plan first as you start a small business, and that might be enough for you. You can also start simple and then elaborate as you prepare to approach bankers or investors.

For a simple example, imagine a woman making jewelry at home and selling it at a local flea market on the weekend. A business plan could give her a chance to step back from the normal flow and look at ways to develop and improve the business. The planning process should help her understand her business. It should help her define what she wants from the business, understand what her customers want, and decide how to optimize her business on her own terms. She might benefit from developing a simple sales and expense forecast, maybe even a profit and loss, so she can plan how to use and develop her resources. She might not need to create detailed cash flow, balance sheet, and business ratios. A simple plan may be just what she needs to get going.

This first stage of a plan, that we call the Concept Kick-start, focuses only on a few starter elements. The Mission Statement, Keys to Success, Market Analysis, and Break-even Analysis give you a critical head start toward understanding your business.

However, not all start-ups are that simple. Many of them need product development, packaging, retail fittings and signage, office equipment, websites, and sometimes months or even years of payroll before the sales start. Unless you're wealthy enough to finance these expenditures on your own, then you'll need to deal with bank loans or investors or both; and for that you'll need a more extensive business plan. Start-up company or not, the plan has to meet expectations.

One suggestion for getting started is to develop your plan in stages that meet your real business needs. A few key text topics might be enough to discuss the plan with potential partners and team members, as a first phase. You may well want to add a basic sales and expense forecast, leading to profit and loss, as next phase. Adding business numbers helps you predict business flow and match spending to income.

This might be an intermediate plan, incorporating a more extensive outline and business analysis:

Outline	Topic	Table	Chart
1.0	Executive Summary		Highlights
1.1	Objectives		
1.2	Mission		
1.3	Keys to Success		
2.0	Company Summary	Start-up	Start-up
3.0	Product Description		
4.0	Market Analysis Summary	Market Analysis	Market Forecast
4.1	Market Segmentation		
4.2	Target Market Segment Strategy		
4.3	Market Needs		
4.4	Competitions and Buying Patterns		
5.0	Strategy and Implementation Summary		Annual Sales
5.1	Competitive Edge		
5.2	Sales Strategy	Sales Forecast	Monthly Sales
6.0	Management Summary		
7.0	Financial Plan		
7.1	Break-even Analysis	Break-even	Break-even
7.2	Projected Profit and Loss	Profit and Loss	
7.3	Projected Cash Flow	Cash Flow	Cash Flow

Ultimately, the choice of plan isn't based as much on the stage of business as it is on the type of business, financing requirements, and business objective. Here are some important indicators of the level of plan you'll need, even as a start-up:

- Some of the simpler businesses keep a plan in the head of the owner, but every business has a plan. Even a one-person business can benefit from creating a plan document with ideas written down, because the process of producing a plan is useful and valuable.
- As soon as a second person is involved, the need for planning multiplies. The plan is critical for communicating values, goals, strategies, and detailed implementation.
- As soon as anybody outside the company is involved, then you have to provide more information. When a plan is for internal use only, you may not need to describe company history and product features, for example. Stick to the topics that add value, that make you think, that help support decisions. When you involve people outside the company, then you need to provide more background information as part of the plan.

- For discussion purposes, text is enough to get a plan started. Try describing your mission, objective, keys to success, target market, competitive advantage, and basic strategies. How well does this cover your business idea?
- Can you live without a sales and expense forecast? Sometimes the one-person business keeps numbers in its (the owner's) head. However, it's much easier to use some tools that can put the numbers in front of you, and add and subtract them automatically. That's where a plan helps.
- Do you really know your market? A good market analysis can help you see opportunities that might not otherwise be obvious. Understand why people buy from you. What are the needs being served? How many people are out there, as potential customers?
- Do you manage significant amounts of inventory? That makes your cash management more complicated, and usually requires a more sophisticated plan. You need to buy inventory before you sell it.
- Do you sell on credit? If you are a business selling to businesses, then you probably do have to sell on credit, and that normally means you have to manage money owed to you by your customers, called accounts receivable. Making the sale is no longer the same thing as getting the money. That usually requires a more sophisticated plan.
- Do you do your taxes on a cash basis, or accrual basis? If you don't know, and you are a very small (one person, maybe 2-3 people) business, then you're likely to be on a cash basis. That makes your planning easier. However, most businesses big enough to work with a CPA and have separate tax statements use accrual accounting because they want to deduct expenses as they are incurred, even if they aren't fully paid for. By the time you are using accrual accounting, you'll probably need more sophisticated cash flow tools, and a more extensive business plan.
- As you approach banks and other lending institutions, expect to provide more detail on personal net worth, collateral, and your business' financial position. Some banks will accept a very superficial business plan as long as the collateral looks good. Others will demand to see detailed monthly projections. No bank can lend money on a business plan alone; that would be against banking law. But a good bank wants to see a good plan.
- If you're looking for venture investment, take a good look at your plan. Professional investors will expect your plan to provide proof, not just promises. They'll want to see market data, competitive advantage, and management track records. They'll want to see robust and comprehensive financial projections. True, you'll hear stories about investors backing new companies without a plan, but those are the exceptions, not the rule.

So, however you cut it, your business plan is very important, even at the early start-up stage, and even if you can keep it in your head. Before you purchase business stationery, telephones, or rent a location, you should do a business plan