

The following guide has been prepared and compiled by Nashville Capital Network. The purpose of this guide is to serve as a reference for any entrepreneur developing a business plan. Please consider the following suggestions and recommendations as you construct your plan. Use this guide as a means of organizing the ideas and details of your plan. Because every business is different, you may not need to follow the specific format. However, this guide will give you a detailed overview of the information many investors want to see in business plans.

The list of the various sources we used to compile this guide is cited in the *Sources and Recommended Readings* section of the guide.

Writing a Business Plan

The preparation of a written business plan is not the end-result of the planning process. The realization of that plan is the ultimate goal. However, the writing of the plan is an important intermediate stage. For an established business it demonstrates that careful consideration has been given to the business's development, and for a startup it shows that the entrepreneur has done his or her homework.

A formal business plan is just as important for an established business, irrespective of its size, as it is for a startup. It serves four critical functions as follows:

- Serves as a basis for discussion with third parties such as shareholders, agencies, banks, investors etc. The business plan is a sales document that conveys to potential investors and lenders the opportunity, ideology, and enthusiasm of a business.
- Helps management or an entrepreneur to clarify, focus and research their business or project's development and prospects.
- Provides a considered and logical framework within which a business can develop and pursue business strategies over the next three to five years.
- Offers a benchmark against which actual performance can be measured and reviewed.

Just as no two businesses are alike, neither are business plans. As some issues in a plan will be more relevant to some businesses than to others, it is important to tailor a plan's contents to suit individual circumstances. Nonetheless, most plans follow a well-tried and tested structure and general advice on preparing a plan is universally applicable.

A business plan should be a realistic view of the expectations and long-term objectives for an established business or new venture. It provides the framework within which it must operate and, ultimately, succeed or fail. For management or entrepreneurs seeking external support, the plan is the most important sales document that they are ever likely to produce as it could be the key to raising finance etc. Preparation of a comprehensive plan will not guarantee success in raising funds or mobilizing support, but lack of a sound plan will, almost certainly, ensure failure.

Preparing a satisfactory business plan is a painful but essential exercise. The planning process forces managers or entrepreneurs to understand more clearly what they want to achieve, and how and when they can do it. Even if no external support is needed, a business plan can play a vital role in helping to avoid mistakes or recognize hidden opportunities.

For many entrepreneurs and planners the process of planning (thinking, discussing, researching and analyzing) is just as, or even more, useful than the final plan. So, even if you don't need a formal plan, think carefully about going through the planning process. It could be enormously beneficial to your business.

Anticipate many weeks of hard work and several drafts of the emerging plan to get the job right. A clearly written and attractively packaged business plan will make it easier to interest possible supporters, investors, etc. A well-prepared business plan will demonstrate that the managers or entrepreneurs know the business and that they have thought through its development in terms of products, management, finances, and most importantly, markets and competition.

**** Remember to properly cite your sources of information preferably in the footer or within the body of your business plan as you write it. You and other readers of your business plan will need to know the sources of the statistics or opinions that you've gathered from others. ****

In the following sections, we discuss the preparation of a strategic plan and present ideas for preparing the outline of a business plan and writing up the detail.

1. Title Page

The first page should be your cover page that should include all of the following that are applicable: business plan name, company name, company address, company phone and fax, contact email address, website, logo, plan date, and possibly a revision number or copy number.

2. Legal Page

It's preferable and to include a legal page and a disclaimer with your business plan. The legal page can help you protect your intellectual property. If you are highly concerned about your legal position when distributing your business plan, we advise you to contact your lawyer for legal advice. Because most plans are distributed electronically, it is important to mark your plan confidential. The following is a simple sample of the legal page:

Confidentiality Agreement

The undersigned reader acknowledges that the information provided by _____ in this business plan is confidential; therefore, reader agrees not to disclose it without the express written permission of _____.

It is acknowledged by reader that information to be furnished in this business plan is in all respects confidential in nature, other than information which is in the public domain through other means and that any disclosure or use of same by reader, may cause serious harm or damage to _____.

Upon request, this document is to be immediately returned to _____.

Signature

Name (typed or printed)

Date

This is a business plan. It does not imply an offering of securities.

3. Table of Contents

A well-designed table of contents ensures that the readers of your business plan don't waste time searching through your plan for the information they are most interested in.

Your table of contents should list all the major sections within your business plan, and can also be broken down into important or clarifying sub-sections. Make sure your table of contents page is organized, clear, neat and properly numbered. Mistakes, sloppiness, or misspellings in the table of contents give your reader the impression that you are unorganized and careless right from the start. The table of contents should reference each specific exhibit (charts, graphs, financial statements)

4. Executive Summary

The executive summary is potentially the most important section of your business plan. The executive summary should be able to serve as a stand alone document, as well as a part of your business plan. It is normally the first section of your business plan that investors will read, and could be the last if it is poorly written. An executive summary should briefly describe the company, the product or service, and the unique opportunity your company is offering. It should also provide a description of your key management team members and an outline of the investment you are seeking. Don't forget to tell the reader why you need the money and how and when they can expect to be paid back.

A good executive summary is essentially a condensed but powerful summary of your entire business plan that condenses each section in the complete plan. It creates a first impression in your reader's mind of both you and your business. Use clear and concise language - although this applies to your entire business plan, it is especially important in your executive summary. Use words that command attention, and that get your reader excited about the opportunity you are presenting.

The Nashville Capital Network prefers to view BRIEF (one to five pages, 10 pt. font or higher) executive summaries. Your summary should include the information listed below. The bullet points listed under each heading form the outline of an effective Executive Summary, and you should take them into consideration when supplying your information. Financial projections validating the proposed financing are required.

Provide your summary, with the name of the company and date of the version included in the document name. At the top of the first page or on a title page, please list the Company name, contact name, phone and email contact information.

The Company Overview

- Business description: General overview of product/service
- Accomplishments to Date: Paying customers, strategic partnerships, technology development, profitability, etc.
- Value Proposition: How are you better, faster, cheaper, or different from the status quo
- Financing Sought: Use of proceeds

The Products or Services Offered

- Product or service description
- Differentiating features and benefits of your product or service. How is your technology different, better, faster, or cheaper, etc.? What is the customer problem that is solved?
- Proprietary assets – trademarks, patents, trade secrets, special production skills, process, etc.
- Regulatory and/or environmental issues.

The Market and Marketing Strategy

- Market analysis – size, anticipated growth, key changes, trends, etc.
- Summary of any market research conducted. If a totally new product, how will you change established customer buying patterns?
- Marketing strategy – How are you going to reach the market? What are your channels of distribution?
- Pricing model. How do you make money?
- Describe significant customer relationships.
- Switching costs that enable you to defend your market position with new customers.
- How do changes in the market trend and policies affect your product?

Competitive Analysis

- Who are other companies that address the same need?
- Competitors: how much of the market do they control? What are their advantages/disadvantages? How do your margins and pricing compare? If public, how are they valued?
- On what point on differentiation will you compete?

Management

- Brief backgrounds of management and other key individuals - specifically why they add value to the company, their past successes and achievements, etc. (name prior employers). Explain any history of working together.
- Identification of immediate and future personnel needs and initial organizational structure.

Financial Summary

- Projected revenues, balance sheets, expenses and cash flows or EBITDA over 3-5 year period.
- Assumptions critical to meeting the plan: Customers served, average pricing, penetration of the target market, etc.
- Funding requirements: How much cash is needed to reach positive cash flow? What is your break-even point? Will there be additional financing over time?
- Financing history to date – How much has been invested by management team? Give a Summary of share ownership.
- Use of proceeds – How will you use the proceeds?
- Brief timeline of development.
- Exit strategy – What are the possible exit strategies for your business?

5. The Corporation

5.1. Vision and Goals

Your business plan objectives should be specific goals that can be measured. Keep the list short and concentrate on three or four goals because long lists make it harder to focus. As a service company you probably won't care about gross margin or unit sales, but you can still set objectives for total billings or commissions, for personnel or contracting costs, or for customer satisfaction according to some specific measure.

5.2. Mission

Use your mission statement to establish your fundamental goals for the quality of your business offering, customer satisfaction, employee welfare, compensation to owners, and so forth. A good mission statement can be a critical element in defining your business and communicating to employees, vendors, customers, partners, or shareholders.

5.3. Keys to Success

Almost every business has keys to success that make the difference between success and failure. Define the keys that can lead to your success, for example: location, parking, professional quality, reliability, customer retention rate, etc.

6. Company Summary

6.1. Company Ownership

A company is a legal entity. Describe the ownership and legal establishment of the company. Specify whether your company is a corporation, partnership, sole proprietorship, or some other kind of legal entity, such as a limited liability partnership.

You should also explain who owns the company, and if there is more than one owner, in what proportion. If your business is a corporation, specify whether it is a C corporation (the more standard type) or an S corporation (more suitable for small business without many different owners). It is also important to specify whether it is privately owned or publicly traded.

If you are a new business and don't know what type of company to establish, you could call it a sole proprietorship, research the benefits of the different ownership options with the resources provided, then work with your lawyer and accountant to help you decide which legal form is best.

6.2. Business History and Growth Summary

Include a brief summary on how your business was established or will be established in the start-up phase. Estimate your start-up expenses (expenses incurred before you get to the starting point of your plan) and your start-up assets (assets you have before you start your plan). It is a good idea to organize your start-up costs in a table form. Everything included in the table happens before the first day of the first month of the plan.

The history and growth summary should include and of the following that apply:

- Acquisitions (capital expenditures and other businesses)
- Relationships the business has with customers and suppliers
- Joint Ventures or alliances
- Tests and research
- Product introductions
- Expansionary events
- Significant hires
- Events participated in (trade shows)

7. Product or Service Concept

7.1. The Product or Service

The product or service section is one of the most important parts of the business plan. In this section you should clearly explain your product or service, identify its features and benefits, and discuss what needs or problems they address in the market. Be sure to avoid over usage of industry jargon as the business plan will likely circulate well beyond insiders.

7.1.1. Product Description

If you are selling a product, your reader will want to know what it is, what it does, and its features and benefits. Consider including pictures if they would help your reader get a better understanding of your product. Discuss its size, shape, color, cost, design, quality, capabilities, technological life-span and patent protection. You may also wish to explain how it is produced, the materials required, and the type of labor needed.

7.1.2. Service Description

If you offer your customers a service, explain what the service is, how it works, and what needs it addresses in the marketplace. Where will you operate? What makes your service different? What

materials or equipment is needed? What are your days and hours of operation? Explain the steps in your service process and the benefits you offer your clients.

For both products and services make sure to address the following questions:

- What are the features of your product or service?
- Describe the physical attributes of your product or service, and any other relevant features, such as what it does, or how your product or service differs from competitive products or services.
- How will your product or service benefit the customer?
- What is it that sets your product or service apart from all the rest? In other words, what is your unique selling proposition, the message you want your customers to receive about your product or service?

7.2. Product Life Cycle

In this section you need to provide a description of the product or service's current position within its life cycle. You should also include the factors that might lengthen or shorten the anticipated life cycle.

7.3. Patents, Copyrights and Trade Secrets

In this section you need to include and list information related to patents, copyrights and trade secrets.

- Existing or pending copyrights or patents
- Anticipated copyright and patent filings
- Key aspects of your products or services that cannot be patented or copyrighted
- Key aspects of your products or services that qualify as trade secrets
- Existing legal agreements with owners and employees
 - Non-disclosure agreements
 - Non-compete agreements

7.4. Product Development Team

Specify your development team. If you have different development teams working in different divisions or on different parts of your product or service, make sure to list them separately. You can also list the name of the project managers in each of the division or name personnel who have had previous success record in designing new services or products.

7.5. Developmental Schedule

Mention what present development stage your product is in, for example: an idea, prototype, etc. Show a time line or chart illustrating the development schedule for your product specifying the time frame needed to bring the product or service to life.

7.6. Developmental Costs

Quantify the cost of developing your product or service during the different phases of its development. Provide a table or a chart illustrating the development costs for your product during its different developmental phases.

7.7. Future Products or Services

Research and development activities you are involved in or are planning to be involved in. R&D activities would include any in-process or future activities related to the development of new products/services. This section would also include information about what you expect the results of future R&D activities to be. Be sure to analyze the R&D efforts of not only your own business, but also that of others in your industry.

7.8. Regulatory Environment

Note any relevant regulations or regulatory bodies that will be of concern to production. Indicate any approval or steps taken to secure approval. Also discuss if the product or service has any potential to attract future regulation or oversight.

7.9. Compliments and Substitutes

Identify other products and services that either compliment your offering or act as current or potential substitutes to your offering.

8. The Market Opportunity

8.1. Industry Background

In this overview section you should include background information about the industry: a description of your primary industry; the current size of the industry as well as its historic growth rate; trends and characteristics related to the industry as a whole. You should also address the following question in this section.

- What life cycle stage is the industry in?
- What is its projected growth rate, etc.)?
- What are the major customer groups within the industry (businesses, consumers, governments, etc.)?

8.2. Market Size and Growth

Define your target market. Even if you intend on selling a service only in your own town, you're not selling that service to everyone who lives there. You need to know exactly what the people who might be interested in buying your product or service are like, and how many of them there are.

Then you need to make some projections about them, in terms of how much of your products or service they might buy, and how they might be affected by trends and policies and what is the projected growth rate. Make sure to address these questions:

- What is the size of the market?
- What is the projected growth rate?

8.3. Customer Dynamics

Know your customers whether they are individuals or businesses.

- Who are your customers (age, gender, demographics, family structure, income, etc.)?
- What do they do for a living?
- What is their lifestyle like?
- Where do they live and work?
- How do they like to spend their spare time?
- What motivates them?
- What is the size of your target market?
- What proportion of your target market has used a product similar to yours before?
- How much of your product or service might your target market buy? (Estimate this in gross sales and/or in units of product/service sold.)
- What proportion of your target market might be repeat customers?
- Will your product or service generate repeat customers?

- Are the potential customers brand loyal?
- Is the purchaser also the user?
- Are there any regional differences among customers?
- Do any social perceptions impede your product or service?

8.4. Market Trends

Understand the market trend and how it might change in the next few years. Explain how the target market may be affected due to demographic shifts, economics, social or political events.

- What are the relevant market trends?
- How might your target market be affected by demographic shifts?
- How might your target market be affected by economic events (e.g. a local mill closing or a big-box retailer opening locally)?
- How might your target market be affected by larger socioeconomic trends?
- How might your target market be affected by government policies (e.g. new bylaws or changes in taxes)?

9. Competitive Analysis

9.1. Competitors

The first step of preparing your competitive analysis is to determine who your competitors are. List your competitors and mention the type of businesses they are involved in. Include important information about your competitors whether they are public or private companies, their market capitalization, their yearly revenues or operating income and net income. Also, include their market share and specific and relevant information about the segment they compete in with your business.

- What are your competitors' products and/or services?
- What markets or market segments do your competitors serve?
- What is their market share?
- What are your competitors' revenues, operating incomes, and net incomes in the segments or divisions you are competing with?

9.2. Competitive Challenges

- Why are your competitors a threat?
- What advantages or disadvantages do your competitors have?
- What benefits do your competitors offer?
- Why do customers buy from them?
- What pricing and promotion do your competitors use?

9.3. Competitive Defense

- Why are you a threat to your competitors?
- What advantages or disadvantages do you have?
- What benefits can you offer your customers that your competitors can't?
- Why will customers buy from you?
- What pricing and promotion can you use?

9.4. Competitive Comparison

In this section you can include a comparison table that compares your product to your competitors' products.

9.5. Market Reaction

In this section you can include a comparison a brief discussion of the expected response to your product or service introduction by competitors.

10. Other Challenges

Depending on the type of your business this section should list some other business challenges which you haven't addressed yet.

11. Market Strategy

11.1. Product

Describe your service or product emphasizing the benefits to potential and current customers.

11.1.1. Positioning

Product positioning is closely related to market segment focus. Product positioning involves creating a unique, consistent, and recognized customer perception about a firm's offering and image. A product or service may be positioned on the basis of an attitude or benefit, use or application, user, class, price, or level of quality. It targets a product for specific market segments and product needs at specific prices. The same product can be positioned in many different ways.

- For whom is the product designed?
- What kind of product is it?
- What is the single most important benefit it offers?
- What is its most important competitor?
- How is your product different from that competitor?
- What is the significant customer benefit of that difference?
- What is it that sets your product or service apart from all the rest?

11.1.2. Pricing

The pricing strategy portion involves determining how you will price your product or service; the price you charge has to be competitive, but still allow you to make a reasonable profit.

The most common question small business people have about the pricing strategy section of the marketing plan is, "How do you know what price to charge?"

Basically you set your pricing through a process of calculating your costs, estimating the benefits to consumers, and comparing your products, services, and prices to others that are similar.

The pricing strategy you outline in your marketing plan will answer the following questions:

- What is the cost of your product or service? (Make sure you include all your fixed and variable costs when you're calculating this; the cost of labor and materials are obvious, but you may also need to include freight costs, administrative costs, and/or selling costs, for example.)
- How does the pricing of your product or service compare to the market price of similar products or services?
- Explain how the pricing of your product or service is competitive. For instance, if the price you plan to charge is lower, why are you able to do this? If it's higher, why would your customers be willing to pay more? This is where the "strategy" part of the pricing strategy

comes into play; will your business be more competitive if you charge more, less, or the same as your competitors and why?

- What kind of ROI (Return on Investment) are you expecting with this pricing strategy, and within what time frame?

11.1.3. Packaging

If your business involves selling a product, you should also include information about packaging in this part of your marketing plan. For instance:

- How are your products to be packaged for shipping and for display?
- Does the packaging meet all regulatory requirements (such as labeling)?
- Is the packaging appropriately coded, priced, and complementary to the product?

11.2. Sales and Distribution

Remember, the primary goal of the marketing plan is to get people to buy your products or services. The Sales and Distribution part of the marketing plan details how this is going to happen.

- How is your product or service going to get to the customer? For instance, will you distribute your product or service through a Web site, through the mail, through sales representatives, or through retail?
- What distribution channel is going to be used?
- Does the market experience seasonality?
- How will economic shifts (interest rates, inflation, recession) affect sales?
- How many current orders are held?

11.2.1. Targeted Channels

In a direct distribution channel, the product or service goes directly from the manufacturer to the consumer.

In a one stage distribution channel it goes from manufacturer to retailer to consumer. The traditional distribution channel is from manufacturer to wholesaler to retailer to consumer. Outline all the different companies, people and/or technologies that will be involved in the process of getting your product or service to your customer.

- What are the costs associated with distribution?
- What are the delivery terms?
- How will the distribution methods affect production time frames or delivery? (How long will it take to get your product or service to your customer?)
- If your business involves selling a product, you should also include information about inventory levels.
- What minimum inventory levels must be maintained to ensure that there is no loss of sales due to problems such as late shipments and back orders?

11.2.2. Sales Strategy

This section should outline your sales strategy.

- What types of salespeople will be involved (commissioned salespeople, product demonstrators, telephone solicitors, etc.)?
- What is the typical or desired order size?
- How long will it take to fulfill an order?
- Describe your expectations of these salespeople and how sales effectiveness will be measured.

- Will a sales training program be offered? If so, describe it in this section of the marketing plan.
- Describe the incentives salespeople will be offered to encourage their achievements (such as getting new accounts, the most orders, etc.).

11.2.3. Transaction Process Between Your Business and Customers

- What system will be used for processing orders, shipping, and billing?
- What methods of payment will customers be able to use?
- What credit terms will customers be offered? If you will offer discounts for early payment or impose penalties for late payment, they should be mentioned in this part of your marketing plan.
- What is your return policy?
- What warranties will the customer be offered? Describe these or any other service guarantees.
- What types of after-sale support will you offer your customers, and what will you charge (if anything) for this support?
- Is there a system for customer feedback so customer satisfaction (or the lack of it) can be tracked and addressed?

11.3. Marketing

11.3.1. Advertising and Promotion

Essentially the advertising and promotion section of the marketing plan describes how you're going to deliver your unique selling proposition to your prospective customers.

What message do you want to send to your targeted audience? Look at the promotion possibilities and decide which to emphasize in your marketing plan:

Advertising – Think of it in terms of media and which media will be most effective in reaching your target market. Then you can make decisions about how much of your annual advertising budget you're going to spend on each medium.

What percentage of your annual advertising budget will you invest in each of the following?

- The Internet
- Television
- Radio
- Newspapers
- Magazines
- Telephone books/directories
- Billboards
- Bench/bus/subway ads
- Direct mail
- Cooperative advertising with wholesalers, retailers or other businesses

Include not only the cost of the advertising but your projections about how much business the advertising will bring in.

Sales Promotion – If it's appropriate to your business, you may want to incorporate sales promotion activities into your advertising and promotion plan, such as:

- Offering free samples
- Coupons
- Point of purchase displays
- Product demonstrations
- Warranties

- Money back guarantee

Marketing Materials – Every business will include some of these in their promotion plans. The most common marketing material is the business card, but brochures, pamphlets and service sheets are also common. It is also a clever idea to include brochures, pamphlets and service sheets in the appendix.

11.3.2. Public Relations and Trade Shows

Describe how you plan to generate publicity for your business. While press releases spring to mind, that's only one way to get people spreading the word about your business. You should consider:

- Product launches
- Special events, including community involvement
- Writing articles
- Getting and using testimonials

Awards – In this section you can mention if you've won awards for your product or service, or if you have testimonials.

Tradeshows – In this section you can also mention the tradeshows which you were a part of or if you're planning to be present at upcoming tradeshows.

Websites and Domains – If your business has or will have a website or domains, include the domains to your web site and describe how your website fits into your advertising and promotional plan.

11.4. Competitive Comparison

In this section you can simply add a comparison table which compares your advertising and promotional activities to that of your competitors.

12. Business Strategy

12.1. Business Model

The business model summarizes the technological, technical, marketing and other advantages of the business. A diagrammatic description of how a business creates and delivers value often accompanies the summary. The flow chart or diagram gives you a window into the business.

12.1.1. Revenue Streams

- Identify the revenue streams of your company, product and service:
- Where and how the business acquires cash from clients?
- How does it use its cash (tracks cash streams from clients and customers to the business and through the business to its suppliers)?
- How do products and services flow from suppliers and the business to clients and customers in the reverse direction?
- How does the business connect (through sales and marketing channels) with its clients and customers?

12.1.2. Profit Margins

The profit margin is the percentage the price is marked up after all expenses are covered.

- What would you like to receive in profit from your product or services? Estimate your profit margin after you have covered all of your expenses.
- What kind of profit margin will you achieve?
- What will your business strategy be to increase your profit margin?

12.1.3. Market Share

The market share is the percentage of the total sales of a given type of product or service that are attributable to a company.

- What percent of the total market share will you be targeting for your product or service?
- What kind of market share will you realistically achieve?
- What will your business strategy be to increase and grow your market share?

12.2. Strategic Initiatives

12.2.1. Acquisitions or Partnerships

In this section you can address any acquisition or partnership ideas which you think your company might make. The four main reasons for making an acquisition or partnership include:

- To acquire complementary products, in order to broaden the line
- To acquire new markets or distribution channels
- To acquire additional mass, and benefit from economies of scale
- To acquire technology, to complement or replace the currently used one

12.2.2. Expansion

If you have strategic plans for expansion in the market, you need to describe your strategy and the reasons why you should expand your business and how such an expansion can improve the value of your business.

12.3. Timeline

In this part you need to provide timeline which defines and illustrates your business strategy and what you wish to accomplish within a specific timeframe.

13. Organization and Operations

13.1. Organizational Structure

You may wish to present this as an organizational chart in your business plan along with a narrative description of what the chart means.

13.2. Organizational Departments

Describe the main business management categories relevant to your business and the nature of their operations. Identify the name of the manager who is going to have responsibility for each function, and profile that person's skills.

- Product Development
- Manufacturing
- Warehousing and Distribution
- Sales
- Marketing
- Information Technology

- Finance and Accounting
- Human Resources
- Facilities
- Patents and Copyrights

13.3. Operations

In this section you need to describe the physical necessities of your business' operation, such as your business' physical location, facilities and equipment. Depending on what kind of business you'll be operating, it may also include information about inventory requirements and suppliers, and a description of the manufacturing process.

- Describe how your product or service will be made, and identify the problems that may occur in the production process.
- Show your awareness of your industry's standards and regulations by telling which industry organizations you are already a member of and/or which organizations you plan to join, and telling what steps you've taken to comply with the laws and regulations that apply to your industry.
- Explain who your suppliers are and their prices, terms, and conditions.
- Describe what alternative arrangements you have made or will make if these suppliers let you down.
- Explain the quality control measures that you've set up or are going to establish.
- Detail how the cost of goods sold can be impacted by operations.
- Demonstrate your understanding of the manufacturing or delivery process for your product or service.

Make sure you include all these details of your business' operation:

- General: Do an outline of your business' day to day operations, such as the hours of operation, and the days the business will be open. If the business is seasonal, be sure to say so.
- The physical plant: What type of premises are they and what is the size and location? If it's applicable, include drawings of the building, copies of lease agreements, and/or recent real estate appraisals. You need to show how much the land or buildings required for your business operations are worth, and tell why they're important to your proposed business.
- Equipment: The same goes for equipment. Besides describing the equipment necessary and how much of it you need, you also need to include its worth and cost, and explain any financing arrangements. Also indicate the desired capacity of the physical plant.
- Assets: Make a list of your assets, such as land, buildings, inventory, furniture, equipment and vehicles. Include legal descriptions and the worth of each asset.
- Special requirements: If your business has any special requirements, such as water or power needs, ventilation, drainage, etc., provide the details in your operating plan - as well as what you've done to secure the necessary permissions, such as zoning approvals.
- Materials: Tell where you're going to get the materials you need to produce your product or service, and explain what terms you've negotiated with suppliers.
- Production: Explain how long it takes to produce a unit, and when you'll be able to start producing your product or service. Include factors that may affect the time frame of production and how you'll deal with potential problems such as rush orders.
- Inventory: Explain how you'll keep track of inventory.
- Feasibility: Describe any product testing, price testing, or prototype testing that you've done on your product or service.
- Cost: Give details of product cost estimates.

14. Management

14.1. Ownership Structure

The Ownership Structure section describes the legal structure of your business. It may be a single sentence if your business is a sole proprietorship. If your business is a partnership or a corporation, it may be longer; you want to be sure you explain who holds what percentage of ownership in the company.

14.2. The Team

14.2.1. Senior Management Team

In this section make sure you provide detailed background information of you senior management team, their achievement and how they can contribute to the company. The business plan should include complete résumés of each member of your management team (including you), and an explanation of how each person's skills will contribute to your business' success. Include the business background, entrepreneurial experience, and responsibilities of key managers. Complete résumés can be included in the appendix of the business plan.

14.2.2. Board of Directors/Board of Advisors (Key Advisors)

It's a smart move to set up an Advisory Board for your business as soon as possible. An Advisory Board is like a management think tank; the members of your Advisory Board will provide you with additional advice to run your business profitably and well. If you choose your board members carefully, they can also provide expertise that your internal management team lacks.

When selecting people to serve on your Advisory Board, you obviously want people who have a genuine interest in seeing your business do well and have the experience and expertise to provide good advice. Recently retired executives or managers, other successful entrepreneurs, and/or vendors would be good choices. You will not want to include anyone on your Advisory Board who may have a conflict of interest, such as lawyers, accountants, customers (or a direct competitor). An Advisory Board of just two or three people can be a powerful management tool for a small business.

When you're writing your business plan, you'll want to describe who is on your Advisory Board, listing their names, titles, experience and expertise and explaining how each member will contribute to helping you run a profitable business.

If you're writing a business plan in preparation for starting a business, and don't yet have an Advisory Board, be sure to include this section anyhow, describing your plans for setting up an Advisory Board and describing the types of people you will approach to serve on your Board.

Having an Advisory Board, or planning to have one, shows those reading your business plan that you have the foresight to seek advice and make your management team as strong as possible - an important consideration when most businesses fail because of mismanagement of one type or another.

14.3. Remuneration of Management

In this section explain how your management team will be compensated. What salary and benefits will management team members have? Describe any profit-sharing plans that may apply.

14.4. Professional Services

In this section of you should list and describe all those external professional advisors that your business will use, such as accountants, bankers, lawyers, IT consultants, business consultants, and/or business coaches. These professionals provide a "web" of advice and support outside your internal management team that can be invaluable in making management decisions.

14.5. Principal Shareholders or Investors

List the principal shareholders of your company. Also, include a list of potential investors and their total investment.

14.6. Consultants

Mention relationships with outside consultants that will strengthen the business.

14.7. Human Resource Needs

When you're writing about staff training in your business plan, you'll want to include as many specifics as possible.

- Will it be best for your business to have employees or should you operate with contract workers or freelancers?
- Do you need full-time or part-time staff?
- How much salary each employee will receive, and total the cost of salary for all your employees. Add to this the cost of Workers' Compensation Insurance (mandatory for most businesses) and the cost of any other employee benefits, such as company sponsored medical and dental plans to calculate your total labor cost.
- What specific training will your staff undergo?
- What ongoing training opportunities will you provide your employees?

Even if your plan for your business is to start as a solo act, you need to include this section on Human Resources Needs in your business plan to demonstrate that you've thought about the staffing your business may require as it grows and that your business has (or will have) human resources policies in place. Business plans are about the future, and how your business is going to succeed.

15. Financials

Your financial plan will be highly scrutinized by your business plan reader. All the ideas, concepts and strategies discussed throughout your entire business plan form the basis for, and should flow into, your financial statements and projections in some manner. When it gets down to it, your reader wants to know if and when you will make money and become profitable.

Financial statements and projections should follow Generally Accepted Accounting Standards and must (at a minimum) include properly prepared balance sheets, income statements and cash flow statements. Bankers and investors are familiar with the correct content, organization and presentation of financial statements, and expect to see them in your business plan. Don't cut corners or attempt to devise your own method of financial and pro forma statement presentation.

15.1. Business Plan Assumptions

These are critical to properly convey the reasons behind the numbers for outsiders reviewing your financial projections. Explain how you calculated the numbers you used in your financial statements. For example, we will sell 1000 units per month at \$5.00 per unit. This is projected to increase by 4% every month, etc. Include accounting methods utilized in the financial statements (depreciation, inventory valuation, bad debt expense).

15.2. Break-even Analysis

These figures demonstrate the volume of sales, in units and dollars that must be generated to cover fixed and variable expenses. At the break-even point, you start becoming profitable. Normally this data is presented in a graph format with sales on the X-axis and units sold on the Y-axis.

15.3. Revenue Projection

In most cases, capital sources expect financial projections for a three to five year period, and historical statements for the past three years (or since inception if operating period is less than three years).

15.4. Income Statements

The Income Statement is one of the three financial statements that you need to include in the Financial Plan section of the business plan.

The Income Statement shows your Revenues, Expenses, and Profit for a particular period:

Revenue - Expenses = Profit/Loss.

The income statement should either provide detail about the classification of revenues sources and expenses or note where this breakdown can be viewed.

While established businesses normally produce an Income Statement each fiscal quarter, or even once each fiscal year, for the purposes of the business plan, an Income Statement should be generated more frequently - monthly for the first year.

Here's an Income Statement template for a service-based business. It's followed by an explanation of how to adapt this Income Statement template to a product-based business. Here's what you should include in your business plan.

- Year 1 - Monthly Projections
- Years 2 thru 5 - Quarterly or Yearly Projections
- Existing businesses should provide income statements for the last 3 years if available.

15.5. Cash Flow Projections

The Cash Flow Projection shows how cash is expected to flow in and out of your business. For you, it's an important tool for cash flow management, letting you know when your expenditures are too high or when you might want to arrange short term investments to deal with a cash flow surplus. As part of your business plan, a Cash Flow Projection will give you a much better idea of how much capital investment your business idea needs.

Do not confuse a Cash Flow Projection with a Cash Flow Statement. The Cash Flow Statement shows how cash has flowed in and out of your business. In other words, it describes the cash flow that has occurred in the past. The Cash Flow Projection shows the cash that is anticipated to be generated or expended over a chosen period of time in the future.

While both types of Cash Flow reports are important business decision-making tools for businesses, we're only concerned with the Cash Flow Projection in the business plan. You will want to show Cash Flow Projections for each month over a one year period as part of the Financial Plan portion of your business plan.

There are three parts to the Cash Flow Projection:

- The first part details your Cash Revenues. Enter your estimated sales figures for each month. Remember that these are Cash Revenues; you will only enter the sales that are collectible in cash during the specific month you are dealing with.
- The second part is your Cash Disbursements. Take the various expense categories from your ledger and list the cash expenditures you actually expect to pay that month for each month.

- The third part of the Cash Flow Projection is the Reconciliation of Cash Revenues to Cash Disbursements. As the word "reconciliation" suggests, this section starts with an opening balance which is the carryover from the previous month's operations. The current month's Revenues are added to this balance; the current month's Disbursements are subtracted, and the adjusted cash flow balance is carried over to the next month.

Make sure you include the following in your business plan:

- Year 1 - Monthly Projections
- Years 2 thru 5 - Quarterly or Yearly Projections

15.6. Balance Sheet

The Balance Sheet is the last of the financial statements that you need to include in the Financial Plan section of the business plan. The Balance Sheet presents a picture of your business' net worth at a particular point in time. It summarizes all the financial data about your business, breaking that data into 3 categories; assets, liabilities, and equity.

For the purposes of your business plan, you'll be creating a pro forma Balance Sheet intended to summarize the information in the Income Statement and Cash Flow Projections. Normally a business prepares a Balance Sheet once a year.

Make sure you include the following in your business plan:

- Year 1 - Quarterly Projections
- Years 2 thru 5 - Yearly Projections
- Existing businesses should provide current balance sheet and balance sheets from the prior 2 years if available.

15.7. Capital Equipment

Additional detail about capital equipment, real estate, leases, and physical plant can be provided in this section. Historical costs, future costs, and market value of these accounts are of particular value.

15.8. Ratios

Providing standard financial ratios helps your business plan reader to analyze how well your company will perform compared to other companies within your industry. For existing companies, show the trends over the last 3 to 5 years to outline any improvements in your performance.

If you can, explain why some ratios change. If you can't really explain the changes, at least the ratios will be in your plan, calculated correctly, so that analysts who want to work with them can find them and use them as they wish.

15.9. Sensitivity Analysis

Describe, via financial analysis, the expected performance given at least three scenarios: acceptable case, probable case, and optimal case. The key metric will likely be sales, but additional sensitivity analysis will be an instrumental inclusion.

15.10. Source and Use of Funds

This section explains to your reader which sources you expect to secure capital from, and what you specifically plan to spend it on.

16. Investment Structure and Objectives

This section outlines the amount of capital needed, various investment structures, and the estimated return to your investor. It is critically important to tell your investor how they will recoup their money, when they can cash out, and what they will receive as a return.

17. Exit Strategy

The exit strategy section of your business should also outline your long-term plans for your business. In order to attract investors for your business, it's critical to supply an exit plan so that they can get their money back and exit your company. The requirements of each investor will vary in terms of return and exit strategy they seek. Two examples follow:

Venture Capital

These investors look for a high return and an exit strategy of approximately 3-7 years. They work almost exclusively with companies that may go public or can be sold for a significant profit. However, keep in mind that going public is very rare and is unattainable for most companies.

Angel Investor

These investors typically are looking for a high return but are more flexible with the terms of the exit strategy. Angels are typically less sophisticated than venture capitalists or institutional investors.

Here are some possible exit strategies to consider:

- Initial Public Offering (a rare event for most startups)
- Merger/Acquisition
- Buyout by partner in business
- Franchise the business
- Hand down the business to another family member

18. Appendixes (Optional)

- 18.1.** Glossary
- 18.2.** Management Résumés
- 18.3.** History and Accomplishments
- 18.4.** Credit History (Business and Personal)
- 18.5.** Web Pages
- 18.6.** IT Infrastructure
- 18.7.** Supplemental Schedules
- 18.8.** Detailed Processes
- 18.9.** Additional Market Data
- 18.10.** Additional Financials
- 18.11.** List of Major Investors
- 18.12.** Reference letters
- 18.13.** Supplier and Customer contracts
- 18.14.** Lease detail
- 18.15.** Job descriptions
- 18.16.** Applicable legal documents

19. Index (Optional)

20. Attachments (Optional)

- 20.1. Analyst and Research Reports
- 20.2. Featured News Stories
- 20.3. Press Releases
- 20.4. Product Information
- 20.5. Brochures and Marketing Information

List of Sources and Recommended Readings

Books:

Brooks, Julie K. *How to Write a Successful Business Plan*. Beta Enterprises, 1987.

O'hara, Patrick D. *The Total Business Plan: How to Write, Rewrite, and Revise*. John Wiley & Sons, 1990.

Cohen, William A. *Model Business Plan for Service Businesses*. John Wiley & Sons, 1995.

Delaney, V. Robert and Robert A. Howell. *How to Prepare an Effective Business Plan*. AMACOM, New York, 1987.

Websites:

<http://www.planware.org/bizplan.htm>

<http://www.bizplanit.com/free.html>

<http://sbinformation.about.com/od/businessplanresources/>

Software:

Palo Alto Software. *Business Plan Pro 2004*, <http://www.paloalto.com>