

Why write a business plan?

Preparation of a well thought out business plan should be one of the primary goals of any and every business, existing or start-up. The formal business plan process sometimes seems intimidating, but is actually quite straightforward. A formal business plan serves four critical functions:

- Helps management or an entrepreneur to clarify, focus, and research business or project development needs.
- Provides a considered and logical framework within which a business can develop and pursue business strategies over time.
- Serves as a basis for discussion with third parties such as shareholders, banks, investors, and other interested parties.
- Offers a benchmark against which actual performance can be measured and reviewed.

Just as no two businesses are alike, so it is with business plans. A business plan is not homework assigned by a lender or a potential investor. There are no software programs or magic templates that will swiftly and effortlessly produce a strong, complete business plan. It is important to tailor a plan's contents to suit the particular company's circumstances, needs, goals, and direction. Nonetheless, most plans follow a well tried and tested structure on preparing a plan that is universally applicable. A business plan should tell the following story:

- Business history, or origin of a new business's idea
- Overview of what the business does, with a focus on how revenues are earned
- How the business is managed, structured, how records are kept, etc.
- Description of the market, how the product/service is marketed, and to whom
- If financing is required, how much, why, and how will it be repaid

This story 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. By the end of the story, this narrative should set the stage for the accompanying financial projections, particularly the income projections.

Preparation of a comprehensive plan will not guarantee success in raising funds or mobilizing support. However, lack of a good solid plan will, almost certainly, hinder growth and/or ensure failure.