DO’s and DON’Ts of WRITING A BUSINESS PLAN

Writing a business plan is a crucial step in starting and/or operating a small business. However, the thought of writing a business plan can seem overwhelming. To help you avoid some common errors, consider these suggested do’s and don’ts of writing a business plan.

♦ Do understand that the planning process is critical to running a successful business. You gain significant expertise by writing your own business plan. You are the expert in your business and you may need to verify assumptions about your business idea, therefore, it is typically not a good idea to have someone else write your plan.

♦ Do answer key questions such as who, what, where, when, how, why and how much. A quality business plan contains considerable detail and answers pointed questions. Make sure all this information is clear.

♦ Do take time to research all components and write a comprehensive, detailed plan. If you are going to use your business plan to obtain financing, the completed plan should tell the story of your business to a potential lender. All business issues should be addressed without requiring additional explanations.

♦ Do include market research. Your business plan should discuss the size and market for your business. Market research helps to determine feasibility of your idea, an appropriate marketing strategy for your customers and the product or service’s likelihood of selling. Market research also adds credibility to your plan.

♦ Do include a financial plan and projections. This is one of the most critical parts of your business plan. It is important to research the expected future revenues and expenses for your business. Monthly income statements and cash flow projections should be included. Existing businesses should also include historical financial statements.

♦ Do explain how the plan relates to the financial projections. Always include a narrative explaining how you determined the projections. You must demonstrate that your numbers are reasonable.

♦ Do state the amount of funds requested if you are using your plan to obtain financing. If you are using your business plan to apply for start-up or growth funding, specifically state the amount of funds requested, how you intend to use those funds, and how those funds will be repaid. Also state the amount of your planned contribution to the project, as well as identify the collateral available to secure the loan.

♦ Do revise and modify your plan. Circumstances are likely to change within the course of planning, starting and operating your business. Always update your plan to reflect these changes so that it is always current.

♦ Do discuss your experience and skills in detail. Your business idea or current business strategy may be a viable one, but without good management skills to execute it, your chances for success are poor. Past experience within the industry is valuable and gives you credibility. If you are new to the business and have limited experience, discuss your plans for training and hiring key personnel.

♦ Do address strengths and weaknesses of your business idea. Do not be biased when composing your business plan. The reader will want to know both the strengths and weaknesses/risks of your business. Additionally, if you are aware of the weaknesses, you may formulate a strategy for improvement.
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♦ **Do consider all of your competition.** Address strengths and weaknesses of existing and potential competitors.

♦ **Don’t handwrite your business plan.** This will not convey a professional tone.

♦ **Don’t expect to complete your plan in a couple of days.** The business planning process is very time-intensive. On average, it takes sixty (60) hours to complete a business plan, so be prepared to spend time.

♦ **Don’t limit your plan to a minimum or maximum number of pages.** Focus on the quality of the content rather than the quantity of pages. It is better to be clear and concise than wordy and ambiguous.

♦ **Don’t misspell words or make grammatical errors.** Misspelled words and grammatical errors point to a lack of detail orientation. Use spell check in addition to having someone else look over your plan.

♦ **Don’t assume the reader of your plan is an expert in the industry.** Typically, readers of business plans see many throughout the course of a year. Most likely, a lender or reader will not be an expert on your Industry type. Therefore, you must explain all technical/operational details and avoid unnecessary use of industry jargon.

♦ **Don’t rush through writing a business plan because you want financing.** A hastily written plan with little research will not help you to obtain financing. Lenders want to see well thought-out business plans. A lender will recognize if you have not put time into writing your plan.