

Make Business Plans Realistic and Useful

Many prospective entrepreneurs regard business plans as annoying academic exercises, useful only to provide file stuffing for potential lenders or investors. Ironically, lenders and investors who receive such plans are apt to view them the same way and move on to the next applicant.

A real business plan should be regarded as a useful and dynamic tool. It should be able to help guide business decisions and serve as a yardstick for measuring outcomes. If external events invalidate some aspect of the plan, it should be revised to conform to the new evidence. Thus, the plan can continue to serve as a relevant guide while remaining ready for use as a reference for providers of capital.

A useful plan must be grounded in reality. Start by defining a significant customer problem that your proposed product or service can solve. The problem's existence should be supported by real evidence such as surveys, verifiable interviews, or marketing research studies. These sources should also help clarify your prospective customer base; i.e., the group that actually has the problem your product or service will solve.

Next, explain how you'll reach your customer base and motivate these people to buy. Once again, your assertions should be based on hard evidence, such as surveys and interviews of actual prospects.

You should also include any secondary evidence, such as published studies, that supports the size and accessibility of your market. Wherever possible, your surveys or interviews should be conducted using actual members of your prospective customer base.

This means you must either conduct the research yourself or hire an outside professional to do the legwork.

Every business has particular factors that are vital to success, such as location, owner or employee skills, or access to essential materials. Your plan should identify the vital factors applicable to your business and explain how you will meet their requirements.

Be careful to ensure that your financial projections are as realistic as possible. Revenue projections should be supported by market research to the extent possible. Projected cost categories can be compiled from published materials, but realistic dollar costs should be determined through contacts with prospective suppliers. Try to identify potential pitfalls (such as seasonal revenue variations or inventory shortages) and provide concrete and supportable contingency plans for dealing with them.

If you'd like help with developing your business plan, contact our office at 630-953-4900.