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Chapter **1**

Preparing to Do a Business Plan

Planning is serious business. For many companies, a solid business plan is the difference between success and failure. Many people going into business for the first time want to rush right in, create a website or hang up a sign, and start making money — a natural response for anyone excited about a new business idea. But taking time up front to prepare can pay off in many ways down the line, especially when it comes to writing a business plan. And face it: After your company is up and running, you may not have all the time you need to devote to the major pieces of your plan. So, first lesson learned: A business plan is not an expense of either time or money; it's a necessary investment for a profitable future!

But all that being said, we also want to make something else abundantly clear to you: We live in volatile times! In fact, it's hard to find anything in the recent past of business and economic life that hasn't been as disruptive as the present — a revolution in communications technology, globalization, a potentially “new world order” emerging, financial market gyrations, artificial intelligence (AI) and robotics, breakthroughs in neural science, environmental disasters, and on and on. So how can you plan when who knows what might come next?

Fair question. But before you get started on this admittedly lengthy journey, we want to let you in on a little secret: Planning is *not* about prediction. Nope. What it's actually about is a rational *process of understanding* — your market, your customer, your competitors, your organization, and yourself. That is, serious planning forces you to consider exactly and precisely what's going on out there today. Where you go after that all depends; some things do have a higher probability of occurring than others. But by knowing the realities of the present, you are going to be far better prepared to quickly pivot when those pesky unknowns pop up — and trust us, they will. They always do; that's life.

So put aside any starry-eyed thoughts you might have about this book being your magical little crystal ball to gaze into the future. It isn't. But it is your realistic guide to comprehensively analyze a potential business venture and undertake a deeply detailed review of what needs to be done to get that venture off the ground. And if something totally unexpected jumps up to bite you? By rigorously internalizing what we cover in this book, you'll be far better prepared than anyone else to respond quickly and proactively to get back on the road to success. That, dear reader, is our solemn commitment to you. Now let's buckle up and get started!

Identifying Your Planning Resources

Having the right resources at the right time can make business planning easier and more successful. Fortunately, you can now find more useful and usable business-planning resources than ever before, from websites, books, seminars, and real, live experts. Of course, you may also find plenty of stuff that isn't worth looking at — much less paying for. And just as you can't always judge people by their resumes, you can't evaluate a site simply by its likes.

As you begin to put together your business plan, you may discover that you need some additional tools — an online tutorial in marketing, for example, or business-planning software that can help you create and refine your written document. Don't be afraid to use these — they can help!



REMEMBER

But let's also recognize the obvious: *You* are the single best resource for your business planning efforts — your creativity, persistence, and willingness to dig in and do the heavy lifting. No pain, no gain.

Checking out the variety of sources out there

Obviously, you've already selected one of the best hands-on business-planning sources around (all right, the best, in our humble opinion). But admittedly, you can also find other useful business-planning tools out there — particularly ones that concentrate on specific areas, such as how to do digital marketing, the ins and outs of start-up financing, or others that focus on particular kinds of businesses, such as not-for-profits or selling on eBay. Hey, we even have a slew of these alternative sources available within the *For Dummies* series — check 'em out!

While you can't always tell a book by its cover, you can find out a lot by reading through its table of contents. You should also try dipping into the first chapter. If you're browsing on the web, booksellers like Amazon.com often include a detailed table of contents, along with the first chapter, directly on their website. Readers' reviews and ratings that you can find online can also help steer you toward other particularly useful books. And don't forget to ask colleagues, business advisers, family and friends, or investors to list their favorite business-planning go-to sources. The results may surprise you.



REMEMBER

The basic principles of business planning may be timeless, but certain subjects — where and how to acquire funding, for example — change rapidly. An unrevised three-year-old site may already be ancient history. If you want to find timely information, such as details about tax considerations for a small business, be sure to check the source's original posting or publication date.



TIP

For the timeliest info, turn to relevant blogs, podcasts, social media, chat rooms, magazines, newspapers, and journals. For a broader and deeper sweep of trends and events, read the books. They offer a terrific way to keep up on what's happening in the world of business in general — and your industry in particular. The business press also provides an efficient way to routinely scan the business environment for trends or new developments that may affect your business plan. If you're not sure what online or print sources focus on your particular industry or your geographic region, do a quick search on the Internet (see the next section for more details).

Surfing the Internet



TIP

Today, countless numbers of websites offer information on business planning. Some are free; others tease you with a sample of what they have to offer and then charge you for more detailed data via “freemium” options. In our experience, some of the freebies can be just as helpful as the pay-now sites, so we suggest that you first check the no-cost offers before surrendering your credit card data. In

INTERNET HOTSPOTS FOR BUSINESS-PLANNING INFO

A treasure trove of business-planning information and resources is available online. To help you sort through all the riches, we've put together a list of popular sites that provide useful and reliable tips, tools, and examples — including dozens of real-life business plans:

- **www.sba.gov:** The Small Business Administration (SBA) site is far and away the best source of information about planning, funding, starting, and running a small business. You find useful FAQs, as well as counseling help and shareware software programs that you can download for a nominal fee.
- **www.irs.gov/smallbiz:** A great site if you run a small business or are self-employed. The IRS provides all kinds of useful industry and profession-specific information. The site also includes links to other helpful non-IRS business resources on the web.
- **www.nfib.com:** The National Federation of Independent Business (NFIB) calls itself the largest advocacy organization to represent small and independent businesses in the United States. Its website features a set of tools and tips that small business owners may find useful.
- **www.score.org:** The Service Corps of Retired Executives (SCORE) offers free consulting to start-up business owners. Along with a way to contact SCORE, their website includes updated success stories about a variety of small- and medium-sized businesses. Also useful is a list of business-related links.
- **www.nolo.com:** You can't find a better place than Nolo to turn for basic information on the legal aspects of virtually any kind of business. The website also offers free advice, including info on insuring your home business, independent contractor arrangements, trademarks and copyrights, debts, bankruptcies, and employment law.

particular, the U.S. federal government offers heaps of solid information on planning, starting, and operating your own business through its Small Business Administration site (www.sba.gov). And if you reside outside the United States, you will likely find that many public institutions in your region offer similar resources; business planning, after all, is not a U.S. monopoly.

Lists of the hottest business-related websites have a way of going out of date fast — kind of like teenage fashion when you think about it. And a resource that appears hot to one would-be entrepreneur may not be suited for another. Your best bet is to scout around the web yourself, looking for useful resources. On

search engine sites, the keywords *business* and *plan* lead you to plenty of generic business-planning information; if you Google “business plan website,” you will be taken immediately to countless pages that link to sources, some that offer free advice, others that sell products. For a more efficient hunt, tailor your search by using keywords specific to your business area (*technology, retail, travel, children’s games, social media influencer, ethnic beauty products, financial services*, and so on) along with the words *business plan* and see what you come up with. Make sure to bookmark any promising sites so that you can return to explore them later in more detail. Check out the nearby sidebar “Internet hotspots for business-planning info” for helpful website addresses.



TIP

Beyond sharing some basic business-planning tools, the Internet is also a great place to search for the latest information about competitors, markets, business trends, new technologies, you name it — all the things you need to know to put together a complete picture of your business environment. We’re constantly amazed at how much information you can find in corporate press releases, company home pages, executive bios, online business blogs or magazine articles, Securities and Exchange Commission (SEC) registrations, and thousands of other publicly available online documents.

And one last thing: Don’t be hesitant to simply email or dial up a potential source of information relevant to your search. You’d be surprised at how helpful others can be when you ask them in a polite and sincere manner. Kindness counts!



WARNING

The Internet may be a gold mine of business information, but you may also find plenty of fool’s gold. Unlike typical print-based informational articles, which are typically fact-checked for accuracy, as we’ve sadly come to know much of the info on the Internet hasn’t been validated. Often the website providing the info is simply trying to sell you something or scrape and then peddle your private profile. So be cautious out there.



REMEMBER

Follow three simple rules when you use the Internet for business research:

- » **Make sure the material is current.** Many web documents aren’t dated, so you may not know whether what you read is the latest scoop or ancient history. Look for a date. If you can’t find one, dig a little further to make sure that the information is still relevant; you can often do this by cross-checking the facts on another website.
- » **Know your sources.** In the wide world of the World Wide Web, you may be hard-pressed to know exactly where the stuff you read comes from. If you read a rave review of a new business-software program, and the review comes from a respected business source, you can put your faith in it (and just as true, a blatantly negative one might be from a paid troll). If it appears without a source, be suspicious. Similarly, if the grammar and spelling of the review seems odd — or clearly wrong — be on guard.

» **Double-check key facts and statistics.** If you use specific pieces of information — about business trends, markets, competitors, technology, and so on — as the central building blocks of your business plan, make doubly sure that they're correct. If you build your financial projections on a forecast that the market for digital widgets will grow at 40 percent a year, for example, you better make sure that information is true and not some widget inventor's private fantasy. And if the data is absolutely crucial to your plan, follow the advice of the old sage: *If still in doubt, throw it out.*

Purchasing business-planning software

Business-planning software allows you to automatically assemble all the components of a business plan, turning them into a printer-ready, spiffy-looking document. The best programs also make easy work of the financial parts of business planning — creating income statements and cash-flow statements, for example, or making financial projections. Some software programs add graphics, such as tables and charts, which provide an easy way for your audience to see what you describe in the written document.



WARNING

Business-planning software programs can sometimes make the job of business planning *too* easy. With all their bells and whistles, they may trick you into skipping the serious (that is, difficult) work of creating and writing an effective plan. Keep in mind that the best software-planning tools guide you through the important aspects of business planning and then keep track of your words, sentences, and paragraphs. But they don't think for you. You still need to do the serious mental work yourself.



TIP

Investors, and bankers who make a living reviewing and funding business plans, are all too familiar with the look and feel of the most popular software-generated business-planning documents. If you use one of these programs, make sure you customize your plan to make it unique. The last thing you want is for your business plan to look exactly like a hundred others that cross a VC's (venture capitalist) desk every month.

Seeking professional help

No one knows the ins and outs of planning and running a business better than people who have done it. And most businesspeople are happy to share their experience and expertise, as long as you don't plan on becoming a competitor! Many are even willing to mentor first-time entrepreneurs. Don't be afraid to turn to a seasoned veteran for advice if you run into questions you can't answer or run out of ideas to get your business off the ground.



TIP

Finding expert advice is surprisingly easy. The first place to look is in your own contact list. You may have an easier time getting help from someone you already know on a personal level. Ask your friends and colleagues for suggestions. Other good places to look for help are the local Chamber of Commerce, a nearby college or university (the local junior college might have an evening course on business start-ups), or the business section of your favorite news source. And don't forget one other invaluable location that we should all hope never disappears: your friendly local library. The pros there can usually point you to a mass of relevant data specific to your inquiry. These sources are not limited to the United States; like nearly everything else, mentoring has gone global. For example, in the UK the British Library has excellent help for folks seeking start-up advice; see www.bl.uk/business-and-ip-centre/about.

Of course, you may end up paying for expert advice. Nothing odd about that — in fact, there's a whole industry out there ready and willing to help. When you really need a lifeline, the advice could be well worth it. Later on, your advisers may pay you back by becoming your mentors or advocates, cheering on your business as you search for funding or those elusive first customers.



REMEMBER

Choose experts with experience in a business similar to the one you're planning. After you identify a person, decide exactly what kind of assistance you need. You can't ask someone to plan your whole business for you, after all. But you can ask them to fine-tune the look of your web page, for example, or review and critique your financial projections.



TIP

Retired businesspeople represent a rich — and underused — source of expertise. By default, they have more experience than almost anyone else, and they often look for ways to use their experiences to help others. Contact the Service Corps of Retired Executives (SCORE), a nationwide organization that works with the Small Business Administration (SBA) to provide help to business owners. SCORE (www.score.org) has a free online newsletter and provides free email counseling. The group also has local chapters around the country, with retired businesspeople ready and willing to help.

Finding friendly advice

Many local communities have organizations of businesspeople who convene to share ideas, exchange contacts, help each other out, and just plain socialize. Lots of research shows that Americans especially seem to love this sort of clubbiness, but it's definitely not limited to one demographic. Some groups consist of folks who've worked in the same industry or firm in the past or share mutual interests, and other organizations focus on helping specific groups like women, recent immigrants, people of color, LGBTQ people, or freelancers. Thanks to the Internet, you can find business groups that regularly schedule either online or in-person support meetings.



TIP

Business networking organizations are an invaluable resource for help in planning and running your business. For information about what's available in your community, check with your local Chamber of Commerce. There's nothing better than talking to someone who's been there, done that, so you don't fall into avoidable traps. Ask whether they have a mentoring program. Because websites change so fast, the best way to find a networking organization is through a detailed and thorough search using keywords.

Assembling Your Planning Team



REMEMBER

The first step in creating a business plan is realizing that creating a plan is vital (see Chapter 2 if you're still wavering). The first question you come across after your realization is this: Who's supposed to put the darn thing together? In some sense, the answer depends on how big your company is — a new start-up or small and medium enterprise, or an established larger organization:

- » **A new start-up:** If your business is just out of the blocks or about to launch, then there's no question that the key founder(s) has to do the work. That means you. But don't fret: Who better to create a view of the future and set business goals and objectives than the person responsible for reaching the goals and making the future happen?
- » **Small businesses:** If your business is only yourself and a couple of other colleagues, making a plan for the company is your responsibility. You might have one or more trusted insiders or external mentors who can offer wisdom, but in reality, something as critical as a business plan can't be outsourced. Own it.
- » **Medium-size companies:** If your company is a bit bigger, the process of creating your written plan requires more organization — and more people. Putting together a plan is a big job, and involving all your key people has a certain advantage: Everyone involved in the plan has a stake in making sure that your company succeeds. And they will appreciate the inclusion.
- » **Large corporations:** If you're part of a big company, you may need to bring in people who work on business planning full-time, if they're not already there. Make certain, however, that you don't create an independent planning staff. You don't want your plan to take on a life of its own and get completely divorced from what's happening with your business and those who make the day-to-day decisions. You have to make sure that your planners don't create the plan all by themselves. Your planning staff should always work alongside the managers and owners who actually have to execute the business plan. (See Chapters 16 and 17 for details on implementation.)

Setting the ground rules



REMEMBER

Putting together a business plan resembles any project that involves teamwork, from building a house to running a relay race. The clearer the ground rules, the smoother the process — and the happier your team. Make sure that your ground rules do three things:

- » **Identify key steps.** Typically, the process of writing a business plan includes five distinct steps: research, first draft, review, revised draft, and final review. You can specify as many or as few of these steps as you think you need. Just make sure that you spell them out up front.
- » **Clearly assign duties.** Everyone involved needs to know exactly what you expect from them. You can use the key steps you identify to create separate sets of tasks, and then you assign each task to members of your team (see the next section).
- » **Establish a schedule.** Although writing up a business plan is a big job, the process doesn't need to be a long and drawn-out affair. A business plan has to be timely, responding to the current business environment — not the way it looked six months ago. After you complete the preliminary research, the rest of the steps are fairly straightforward. To keep your project on track, set specific due dates for each component of the plan and each step in the process. Assign the members of your team as much time as they reasonably need, but no more, and be fair but forceful in having them meet deadlines.

Delegating responsibility

If your company is large enough to boast a management team, you should divvy up the work involved in putting together your written business plan. We're not suggesting that you delegate responsibility just to make your job easier (although it certainly does). Different people bring different insights to your plan. With a team in place, you have a wider array of people and perspectives ready to read and review drafts, offer suggestions, and fine-tune the document to make it as good as you possibly can.



REMEMBER

We can't give you a simple formula for putting together your team. Every business is different. We can't even tell you the ideal number of people to choose — that depends on the size of your company and the complexity of your plan. But here are a few tips that can help you create an efficient and effective team:

- » **Keep your team lean and mean.** Too many planners are like too many chefs in the kitchen — they get in each other's way. A bloated team can mean endless meetings and too many points of view. Involve only the number of people you think you really need to get the job done.

- » **Appoint people who want the job.** Sure, you may have trouble finding volunteers who jump up and down at the chance to work on a business plan. But you need to make sure that whoever you choose is at least willing and able to complete the task. To spark your people's enthusiasm, take time to explain why creating a written business plan is so important. See Chapter 2 if you need help convincing your team of the importance of a plan.
- » **Organize your team around the plan.** By accomplishing this, you make sure that your people know the purpose of their task and how their work fits into the larger picture. Some of the assignments are straightforward. Your financial person takes charge of the financial review. Your marketing head puts together the customer segmentation section. However, if certain pieces of the plan are more complex than others or require tight coordination among units, think about assigning a small group to work on them.
- » **Put one person in charge.** Keeping track of the whole process can be a job in itself, especially if you have a large team or a complicated plan. Name one person as the project director to manage the team and ensure that employees complete tasks on schedule. Make sure every person on the team understands that the person you choose has the ultimate authority.
- » **Appoint a wordsmith.** A business plan is a written document. If you're lucky, you have someone on your team who enjoys writing — or at least has the talent to put words down on paper with clarity. Pick a lucky person to be in charge of writing key sections of your plan, such as the executive summary. They can also serve as senior plan editor, checking grammar and spelling and making sure that the writing style is clear and consistent throughout the plan.

Putting Your Plan on Paper or in Cyberspace

When you first set out to create a business plan, the task seems overwhelming. Right off the bat, you need to answer fundamental and sometimes difficult questions about your company and what you see for the future. You have to decide what targets to aim for as you look ahead and set specific business goals and objectives. To succeed, you have to take the time to know your

- » Industry
- » Customers
- » Competitors

- »» Company resources
- »» Company's unique qualities
- »» Company's advantages
- »» Basic financial condition
- »» Financial forecast and a budget

You also have to prepare for changes you will make to this list down the road. That means thinking through other options and alternatives and being on the lookout for new ways to make your company prosper. Few business plans ever pan out according to the first cut, so the more you can build flexibility into it, the better.



WARNING

You don't want to scare people — yourself included — with a giant written plan. The longer your plan is, in fact, the less likely people are to read it. Ideally, your written plan should be 15 or 20 pages maximum. You might even consider putting the whole thing into a PowerPoint format, knowing you can support the main bullet points with all the exhibits, appendixes, and references that you think it needs, along with a brief written summary if desired. If you want to glance at a sample business plan, check out the Appendix.



WARNING

Some of your colleagues might want a hard-copy print version of the plan (and why are we thinking of the age-challenged here?), but you will likely choose to commit it to a soft format version. That way, you can add or delete pages and swap entire sections in or out as your business plan changes — and it *will* change. Fortunately, however, the table of contents you use — all the major sections of a business plan — stays the same. If you do choose the soft-copy route, and it's up and available on your internal website, be sure you have all the required security walls in place beforehand. Breaking into your business plan might not be equal to cracking the corporate safe, but it can still result in serious damage; the last thing you want is to find that the plan is for sale on the Dark Web. So be prepared; the hackers out there — may their pitiful little souls burn in you-know-where — are dangerous.

To avoid becoming overwhelmed, and to keep the business-planning process in perspective, break up the plan into the basic sections that every good business plan needs to include. This should apply to both a written plan as well as a PowerPoint presentation. Take a moment to review the sections of a business plan.

Executive summary

Your executive summary touches on every important part of your business plan. It's more than just a simple introduction; it's the whole plan, only shorter. In

many cases, the people who read your plan don't need to go any further than the executive summary; if they do, however, the summary points them to the right place.

The executive summary isn't much longer than a page or two, and you can wait until you complete the rest of the business plan before you compose it; that way, all you have to do is review the plan to identify the key ideas you want to cover.



REMEMBER

If you want to make sure that people remember what you tell them, follow the Public Speaker's Rule of Three: You have to summarize what you're going to say, say it, and then reiterate what you've just said. The executive summary is the place where you summarize what your business plan says.

The preceding little note might be helpful to recall if you deliver a summary of your business plan as a verbal plea to a VC (venture capitalist) or some comparable funding source. The *senseis* of Silicon Valley are known for requiring their acolytes to make the Big Ask as succinctly as possible, which has become known as “the elevator pitch.” (The idea being that these gurus' time is so valuable that all you've got is the minute or so it takes to ride up the elevator with them to their palatial office digs.) But aside from the personal indignity involved, it's actually not a bad idea. See whether you can boil down your concept to as simplified a version as possible — say, two or three sentences at most (but please, don't take James Joyce as a model here). Chapter 4 gives you more on this topic.

Company overview

The company overview provides a place to make general observations about the nature of your business. In the overview, you highlight the most important aspects of your industry, your customers, and the products and services you offer or plan to develop. Although you should touch on your company's business history and major activities in the overview (if you're an ongoing enterprise), you can leave many of the details for the later sections.

To put together a general company overview, you need to draw on several key planning documents, including the following:

- » **Values statement:** The set of beliefs and principles that guide your company's actions and activities
- » **Vision statement:** A phrase that announces where your company wants to go or paints a broad picture of what you want your company to become

- » **Mission statement:** A statement of your company's purpose; establishes what it is and what it does as a business entity — and succinctly demonstrates its relationship to your vision
- » **Goals and objectives:** A list of all the major goals that you set for your company, along with the objectives that you have to meet to achieve those goals

To begin constructing these statements, turn to Chapters 3 and 4.

Business environment

Your business environment section covers all the major aspects of your company's situation that are beyond your immediate control, including the nature of your industry, the direction of the marketplace, and the intensity of your competition. Look at each of these areas in detail to come up with lists of both the opportunities that your business environment offers and the threats that your company faces. Based on your observations, you can describe what it takes to be a successful company.



REMEMBER

Pay special attention to how your industry operates. Describe the primary business forces that you see, as well as the key industry relationships that determine how business gets done. For example, has the digital revolution occurred there yet, and if not, when will it? Talk about your marketplace and your customers in more detail, perhaps even dividing the market into segments that represent the kinds of customers you plan to serve. Finally, spend some time describing your competition: their characteristics, how they work, and what you think you may see from them in the future.

For more information on how to explore your business circumstances and the overall environment that your company competes in, check out Part 2.

Company description

This section should go into much more detail about what your company has to offer. The description includes information about your management, the organization, new technology, your products and services, company operations, your marketing potential — in short, anything special that you bring to your industry.

In particular, look carefully and objectively at the long list of your company's capabilities and resources. Sort out the capabilities that represent strengths from

the ones that show weaknesses. In the process, try to point out where you have real advantages over your competitors.

Examining your company through your customers' eyes helps. Today many interested observers of business organizations want to know your plans for dealing with issues of environmental sustainability, social responsibility, and creating staff inclusiveness policies. Be sure you address these. With a consumer viewpoint, you can sometimes discover customer value that you didn't know you provide, and as a result, you can come up with additional long-term ways to compete in the market.

To start to put together all the things that your company brings to the table, flip to Chapters 9 and 10.

Company strategy

Company strategy brings together everything that you know about your business environment and your company to come up with future projections.



REMEMBER

Map out your basic strategies for dealing with the major parts of your business, including the industry, your markets, and competition. Talk about why your strategy is the right one, given your business situation. Describe how the strategy is likely to play out in the future. Finally, point out specifically what your company needs to do to ensure that the strategy succeeds. Inquisitors of business plans often like to ask, “What is the one worst thing that might throw you off track?” so be sure you've got a reassuring answer if the question comes up.

Everybody knows that the future is uncertain, so you need to talk about the ways your business world may be different in the future. List alternative possibilities for action, and in each case, describe what your company is doing to anticipate the changes and take advantage of new opportunities. Explain how your current resources might be rapidly transformed to meet new possibilities and what critical signals you will monitor to determine if and when such a pivot is necessary.

To prepare for change in your business world and to get info on how to think strategically about your company's future, turn to Part 4.

Financial review

Your financial review covers both where you stand today and where you expect to be in the future.

Describe your current financial situation by using several standard financial statements. True, these statements don't make for the liveliest reading, but the people who are interested in the financial part of your business plan expect to see them, and some of these folks will have a magnifying glass in their hands. For everyone else, make certain that your financial statements are referenced and support the assumptions and arguments that you make in the other sections of the business plan. The basic financial statements include the following:

- » **Income statement:** A list of numbers that adds up all the revenue that your company brings in over a month, a quarter, or a year and then subtracts the total costs involved in running your business. The total is your *bottom line* — the net profit that you make during the period.
- » **Balance sheet:** A snapshot of your financial condition at a particular moment, showing exactly what assets your company owns, liabilities that exist including money it owes, and its net worth.
- » **Cash-flow statement:** A record that traces the flow of cash in and out of your company over a given period, tracking where the money comes from and where it ends up. The cash-flow statement only tracks money when you actually receive it or spend it. Potential investors are particularly interested in when you plan to achieve “positive cash flow” status — that is, cash inflows become greater than outflow and you are not reliant on outside injections of cash to pay bills and stay solvent.

Your projections about your future financial situation use exactly the same kind of financial statements. But for projections, you estimate all the numbers in the statements based on your understanding of what may happen. These are called *pro forma* statements. Make sure to include all the assumptions you made to come up with your estimates in the first place.

To get a head start on your financial planning, flip to Chapters 11 and 12.

Action plan

Your action plan lays out how you intend to carry out your business plan. It points out proposed changes in management or the organization, for example, as well as new policies or procedures that you expect to put in place. Also include any additional skills that you, your managers, and your employees may need to make the plan work. Finally, you want to talk about how you will generate excitement for your business plan inside your company, creating a culture that supports what you want to accomplish. Only then can you have real confidence that your business plan is going to succeed.



TIP

If your plan is for a new venture or start-up, potential investors are especially interested in two key issues: Who are you (the specific individuals to whom they will give their money), and how will they get it back with a decent multiple (that is, the “exit strategy”)? They want assurances that you and your team have the chops to make the plan work, and that they will receive a financial reward that the risk of a new venture necessarily entails. This latter point means having a clear plan of when and how to monetize the new venture to the satisfaction of those providing the risk capital. Be sure you’ve considered these questions beforehand.

For more background on how to make your business plan work, head to Chapters 16 and 17.