

Developing a Business Plan



value-added & alternative agriculture

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OVERVIEW

Business plans are like road maps – they provide a picture of where you currently are, where you want to go and what you need to do to arrive at your destination. Business plans are essential to the effective operation of a business. The exercise of composing a business plan is not necessarily an enjoyable one; it requires considerable thought, a certain amount of research, and good discipline to collect and organize the information it contains. But, just as you would not typically embark on a trip to a totally new location without taking a look at what you need to get there, so, too, does a business plan provide you with the guidance necessary to begin the operation of your business.

OVERVIEW OF THE PLAN'S CONTENTS

A typical business plan is written for one or more of the following reasons:

- To obtain financing from a lender or investor
- To outline the business' goals, objectives and activities for management
- To educate employees on the goals and objectives of the business

There are several different approaches to organizing a business plan, but most of them contain some version of the following topics:

- I. Executive Summary
- II. Mission/Vision Statement
- III. Goals/Objectives
- IV. Situational Analysis (SWOT)
- V. Marketing Plan
- VI. Financial Plan
- VII. Management Plan
- VIII. Contingency Plan
- IX. Supporting Documents

Executive Summary: The Executive Summary is a one-page overview of the entire plan's contents. It provides the reader a quick look at the goals, plans and purposes of the business. A prospective lender often uses the Executive Summary to determine whether it is worth the time to read the entire plan. So, make sure that your Executive Summary offers a concise picture of your proposed operation.

Mission/Vision Statement: This is a 25- to 50-word statement that explains the purpose of your business. When writing the statement, think about the "Yellow Pages" listing your enterprise would have, and then explain why your enterprise would fall into that category. This approach helps you focus on writing a concise statement that communicates your message quickly and effectively to those outside of your operation.

Goals and Objectives: Goals and/or objectives identify the specific and quantifiable plans you have for your enterprise. Goals should be SMART: specific, measurable, achievable, realistic and timely. (See the Fact Sheet in this series on Time and Goal Management.)

Situational Analysis: The Situational Analysis takes a look at both the internal and external factors that can affect the success of your business. The internal factors review the enterprise's strengths and weaknesses; the external factors evaluate the enterprise's opportunities for success and threats to its potential success. (See the Fact Sheet in this series on SWOT Analysis.)

Marketing Plan: The marketing section of the business plan outlines the enterprise's proposed target market, the "4 P's" of the strategy (product/service, pricing strategy, promotional strategy and logistics [place]), and the steps that the enterprise expects to follow in order to grow its business. (See the Fact Sheets on Finding a Customer, Developing a Marketing Plan and Market Research.)

Financial Plan: The financial plan contains all of the financial statements, budgets and financial analyses that show the projected income and expenses for the enterprise. Most lenders and investors pay very close attention to the information contained in both the marketing and financial sections of a business plan. So, special care should be taken to assure that the analysis is thorough and realistic. (See the Fact Sheet in this series on Financial Planning.)

Management Plan: The management section describes the owners and managers of the business, their educational backgrounds and experience. Lenders are concerned about business owners who have an understanding of the nuts and bolts of business operations, and more specifically, experience in the type of business that will be operating on borrowed capital.

Contingency Plan: Another term for a contingency plan is “exit strategy”. While most new businesses shy away from the idea that their enterprise might not be successful, the basic facts of business existence is that four of every five

new ventures do fail. Entrepreneurs should consider carefully the conditions under which they will decide to close the operation. In general, an ongoing operating loss, without any hope of recovering the capital, is a good measure to use in deciding to close an enterprise.

Supporting Documents: Supporting documents consist of additional material that will bolster the information contained in the business plan. These can include more detailed financial and cash flow statements, copies of lease agreements for land and/or equipment, information from advisors and/or consultants who have assisted (or who will assist) in the operation of the business, and copies of market research data.

Like every other aspect of business operations, business plans are not cast in concrete, but they are the snapshot of what current circumstances are – and what is considered to be likely in the future. The plan offers a strategic starting point for the business, and it helps a business be proactive as it moves forward.

RESOURCES

A more detailed overview of the contents of a business plan can be found at:

- <http://pods.dasnr.okstate.edu/docushare/dsweb/Get/Document-981/F-909web.pdf>
- <http://agebb.missouri.edu/mgt/farmbusplan.htm>

The following web site is a portal site to different approaches to writing a business plan:

<http://www.ces.purdue.edu/extmedia/ec/ec-735.pdf>

Note: There are business plans available for purchase. However, it has been the experience of the writer of this Fact Sheet that these “for pay” plans generally do not offer additional assistance beyond what can be obtained free of charge.