



# Writing A Successful Business Plan

Why it is important for you to develop a concise and coherent business plan.

By Charles R. Hall

Although traditionally considered an exercise for larger companies, business plans today are strategic tools not only for obtaining financing, but for forming alliances, recruiting key employees and managing external relationships for any size company. It is an important management tool internally, and it enables management to plan company growth and to anticipate and analyze changes in a structured way. Managers sometimes argue that it is useless to write a business plan because the marketplace is changing so rapidly that any plan is quickly outdated. While it is certainly true that change is a matter of course, the process of preparing a business plan is just as important as the plan itself. It forces management to think through the business in detail and set realistic, but challenging, objectives and associated benchmarks against which the company's future performance can be measured.

## WHERE TO START

Perhaps more importantly, the business plan commits the entire management team to the same goals and ideals. The process of working out the plan's objectives invariably forces management to reconcile different visions of where the company stands and where it is headed — an exercise particularly important to companies with multiple locations and operations.

Historically, the business plan has been a company's first-line tool for obtaining funding and other types of outside support. Private equity investors and venture capital firms will ordinarily reject backing a company that does not have a written plan. Investors are seeking evidence of high growth potential and whether they will realize their investment returns. They tend to look hard at the track record of the company; the overall market; the feasibility of achieving sales forecasts; the uniqueness of the product/service being offered; and the quality of the management team. ♦

Bankers have traditionally focused on when and how the principal and interest will be repaid and the availability of collateral to cover any loan losses. As such, loan application packages tend to consist of little more than

past and current financial statements. However, bankers today are putting more emphasis on how a company would survive possible setbacks. As such, many bankers are requiring business plans to be included in a loan

application package, and a high-quality business plan can help a company stand out favorably in today's intense competition for loan funds.

**THE PURPOSE**

No longer read exclusively by insiders and traditional lenders, business plans must do more than demonstrate a sufficient level of competence. A well-conceived business plan is a tool for "selling" the positive attributes of the company and its products/services — every bit as much as advertising and promotion. Strategic alliances covering such areas as joint research, product development and marketing efforts have become increasingly vital for growing companies, often including a combination of financial backing and access to well-established distribution channels. Obviously, potential partners invariably want to examine a company's business plan before committing themselves to such long-term partnering arrangements.

As companies increasingly look to mergers and acquisitions as a means of expansion (and to divestitures as a means of gaining liquidity), business plans become more necessary. Companies seeking acquisition candidates typically use the candidate's business plan as one of their first screening tools. Similarly, if the managers of an acquisition candidate want to stay on after an acquisition, they will probably be extremely interested in the long-term plans of the acquirer.

For many growth companies, obtaining a large customer or gaining a commitment from a major distributor can be an important milestone. Large, well-known organizations are often reluctant to enter into arrangements with companies that are an unknown entity. A convincing business plan can help to dispel doubts.

Writing a plan must be managed just as most other important business projects are managed. It requires advance preparation, delegation, refinement and discipline. The process of preparing a business plan involves identifying likely users, gathering accurate and con-

vincing information and carefully outlining the plan before writing. Despite the enormous impact that a well-developed business plan will have on a company, it is amazing how many managers prepare plans that poorly articulate their company and their vision.

**THE PROCESS**

There is the temptation to simplify the process by choosing from the impressive array of software products that provide interactive, menu-driven means to create a complete plan. While many of these integrated business plan software products are convenient and useful for leading one down the business-planning path, the downside is that they can result in boilerplate plans that funding sources immediately recognized as derived from a "canned" source.

Other companies choose to employ a professional consultant to aid in their strategic business planning. Outside advisers are useful for guidance, general advice, and to review your plan and suggest possible sources of capital. They should not, however, be original authors of your plan. Your business plan should convey your own drive and determination to succeed, and no one can better add that vital element of enthusiasm than you and your management team.

Regardless of the process used to develop the business plan, the key sections that should be covered in a good business plan are as follows:

**Executive Summary.** This is the most concise section of the business plan, covering all of the key points. Outside parties typically review the executive summary first to determine if your company is a potential candidate before deciding to read further.

**Company Description.** This first full section of the business plan covers the company's vision, mission, history, current status, strategies and plans for the future.

**Management and Organization.** Many potential investors consider the management team to be the most important predictor of a successful business. This section should describe members of



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the management team and their backgrounds, as well as any needs for additional key people. Key outside advisers and consultants should also be discussed.

**The Market and Competitors.** This section must define the company's market, the industry, current and potential buyers, and competitors. The plan should explain the key factors influencing how buying decisions are made, how the market is segmented, market positioning and what sort of defense strategy you envision to fend off competitors.

**The Product or Service.** In this section, the features, components, quality and benefits of the product(s) or service(s) are described in detail. Issues that must be addressed are how the product or service will be produced and at what cost and how the crucial activities of quality control and after-sale service will be performed.

**Marketing and Sales.** The business plan must describe the company's selling methods, how sales staff is trained and how support is provided. Your marketing plan should discuss the results of market research and the value proposition of your product or service. Effective marketing, often through advertising and public relations must also be described.

**Financial Information.** The most important elements of this section are the financial forecasts, including balance sheets and the statements of cash flow and income. They must be consistent with the discussion of the company's past performance trends and the data presented in other sections of the plan. For plans used to solicit financial backing, this section should also include a funding request that states how much money is needed, why it is needed and how it will be used. Finally, you need to consider the likely payback for the investors and their need for an exit strategy.

Once all of these sections have been formulated, the plan is ready for final rewriting and presentation. Extensive editing is highly recommended, along with careful attention to presentation details. The plan should be tailored to the preferences and

concerns of its readers, including insiders using the plan to guide the company. Given the dynamic markets within which garden center retailers operate today, periodic revisions of the business plan will be necessary in order to

maximize its utility as a tool for management and investors. 🌸

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