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Writing a Business Plan

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Writing a Business Plan

Alvin Wade, Associate Professor

After you've given some careful consideration to starting a business, you're ready to begin putting ideas on paper. That means preparing a business plan - a formal document explaining in some detail your plans to develop a financially successful business. If you think the business plan is just a lot of paperwork, think again. It's important for two reasons:

- Preparing a business plan forces you to think through every aspect of your business. If you need outside capital, the business plan will be one of the first things the lender or investor wants to see.
- A business plan serves as an assessment tool for the owner. As you work your way through the points of the plan, you will have to reaffirm the viability of your ideas. As you develop your business, a plan will help you keep track of the details and make sure the business is progressing as you intended.

First Things First

- Give a detailed description of the business and its goals.
- Discuss the ownership of the business and the legal structure.
- List the skills and experience you bring to the business.
- Discuss the advantages you and your business have over your competitors.

Marketing

- Discuss the products/services offered.
- Identify the customer demand for your product/service.
- Identify your market, its size and locations.
- Explain how your product/service will be advertised and marketed, including signs inviting customers.
- Explain the pricing strategy.

Financial Management

- Explain your source and the amount of initial equity capital.
- Develop a monthly operating budget for the first year.
- Develop an expected return on investment and monthly cash flow for the first year.
- Provide projected income statements, balance sheets for a two-year period.
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- Discuss your break-even point.
- Explain your personal balance sheet and method of compensation.
- Discuss who will maintain your accounting records and how they will be kept.
- Provide "what if" statements that address alternative approaches to any problem that may develop.

Operations

- Explain how the business will be managed on a day-to-day basis.
- Discuss hiring, personnel procedures.
- Discuss insurance, lease or rent agreements and issues pertinent to your business.
- Account for the equipment necessary to produce your products or services.
- Account for production and delivery of products and services.

Alvin Wade (left), Extension Associate Professor for Community Resource Development, works collaboratively with Dr. Surendra Singh, TSU Professor of Agricultural Sciences and Dr. Ruthie Reynolds, TSU Professor of Accounting and Business Law, on an entrepreneurs program in Tennessee and Mississippi.



Your Bottom Line

Summarize your business goals and objectives and express your commitment to the success of your business. SBDCs offer free, one-on-one assistance with assembling business plans. They also offer seminars on business plans. When you feel comfortable with the content and structure, make an appointment to review and discuss it with your lender. The business plan is a flexible document that should change as your business grows.

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Elements of a Business Plan

Business Description -- What do you plan to do; why are you starting the venture?

Market Analysis -- Who will be your customers; what do they want from you?

Competitors Assessment -- Who will you compete against?

Marketing Plan -- How will you reach your customers?

Operation and Management -- How do you plan to implement your idea?

Financial Plan -- How much money will it cost, and where will you get the necessary funds?

Executive Summary -- What are the fundamentals of the venture?

This *Community Resource Development* Fact Sheet is part of a series prepared by the Cooperative Extension Program at Tennessee State University.

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