

Source: Forbes

Ten Things Every Good Business Plan Must Have

Cover Sheet and Table Of Contents

Kick things off with all the basics: company name, address, telephone number and contact info for all owners, along with a road map for the rest of the document. In all, your business plan should be no longer than 30 or 40 pages, including the appendix of supporting documents.

Executive Summary

Here, in no more than two pages, billboard all the important stuff. At the top, communicate your value proposition: what your company does, how it will make money and why customers will want to pay for your product or service. If you are sending your plan to investors, include the amount of money you need and how you plan to use it. You need to know the whole picture before you can boil things down, so tackle the summary after finishing the rest of your plan.

Market Opportunity

Now that you've established the product or service you're selling, explain who you're selling it to and why that group is particularly attractive. You'll want to answer questions like: How large is your target market? How fast is it growing? Where are the opportunities and threats, and how will you deal with them? (Again, highlight your value proposition.) Most of this information can be found through industry associations, chambers of commerce, census data or even from other business owners. Source all of your information in case you are asked to back up your claims or need to update your business plan.

Industry Analysis

Don't make the common mistake of thinking your business is unique. Instead, get real and size up the competition: Who are they? What do they sell? How much market share do they have? Why will customers choose your product or service instead of theirs? What are the barriers to entry? Include indirect competitors—those with similar capabilities that currently cater to a different market but could choose to challenge you down the road.

The Team

Execution is just as important as the idea. That's why institutional investors care a lot about who is on your team. Include profiles of each of your business's founders, partners or officers and what kinds of skills, qualifications and accomplishments they bring to the table. If your business is a partnership, explain why those partners were chosen; if it's a corporation, outline the corporate structure and introduce your officers. (Include resumes in the Appendix.)

Business Model / Operational Plan

This section covers the nuts and bolts of the operation, including all revenue streams (product sales, advertising, services, licensing) and cost structure (salaries, rent, inventory, maintenance). List all assumptions and provide a justification for them. List any names of key suppliers or distribution partners.

Financial Performance / Projections

If yours is a going concern, include at the very least a 12-month trailing income statement, balance sheet and cash flow statement. Then project all three statements forward at least three years. Also, do a break-even analysis that shows how much revenue you need to cover your initial investment. For early stage companies with only so much in the bank, the cash flow statement comparing quarterly receivables to payables is most important. Accounting profits are nice, but cold cash is what pays the bills.

Stress-Test Those Projections

Don't wait until disaster strikes to find out how your business will fare. Outline the worst-case, average-case and best-case scenarios for your business. Make sure you have enough cash to weather the worst of storms.

Sources and Uses Of Funds

If you are trying to raise money from investors, they will want to know how you plan to spend it—and why you plan to spend it that way. Use this section to outline your estimated one-time startup costs like site selection, new equipment, office furniture and logo design. Most entrepreneurs underestimate just how expensive starting a new business can be, so do your research before asking for funds.

Appendices

A good business plan clearly conveys the basics of a business in a hurry; put supporting documents toward the back. This hodgepodge of related material might include resumes, credit histories, industry studies, blueprints, advertising materials, press coverage, copies of leases and contracts, letters of intent from future customers, patent and trademark registrations, partnership agreements and letters of incorporation.