



Business Start Up

*How to Write
an Effective
Business Plan*



NEWFOUNDLAND & LABRADOR ORGANIZATION OF
WOMEN ENTREPRENEURS

How to Write an Effective Business Plan



A business plan is a written document that describes your business, its objectives and strategies, the market you are targeting and the financial forecast for your business.

Writing a business plan is a solid investment of your time and talent, whether your business is an idea, a startup or an established company.

Here are three reasons why:

Requirements and Eligibility

A business plan is required for permits and licenses needed to operate your business in certain municipalities and provinces. Some provincial and federal funding and support programs for business also require a business plan as part of the application.

Sustainability and Growth

A business plan is key to attracting investors and partners in your business. Financial institutions, venture capitalists and private investors will use your business plan to determine their potential return on investment (ROI).

Continuous Improvement

Preparing your business plan will help you focus on how your business will need to operate to give it the best chance of success. It will assist in setting realistic and timely goals to help secure funding, it will help measure your success, clarify operational requirements and establish reasonable financial forecasts.

Here are the steps to creating your business plan.

Step 1: Research

Your research should focus on the following three areas:

- General business principles
- Information specific to your industry/market
- Information specific to your region

General Business principles

This includes your mission, goals, and milestones for creating and growing your business. You need to identify why you want to create this business, what your business will need to grow and what success looks like. Aligning your vision and knowledge with essential business acumen ensures your mission, goals and milestones are realistic and sustainable.

Information specific to your industry/market

This includes regulations, suppliers, equipment, training, human resources, buildings or locations, certifications, and other key ingredients to operating in your chosen industry. Market information includes demographics, trends, competitors and opportunities that could impact your industry now and in the future.

Information specific to your region

This includes municipal, provincial and federal bylaws, programs, incentives, licensing, permits and other regulatory requirements of your business. This also includes trends that could affect your cost of doing business, such as upswings or downturns in real estate, employment, infrastructure development,

or economic growth. Demographics are important here as well. While industry demographics can help identify market trends for your specific product, regional demographics can match your product to local consumer preferences, culture and habits.

Some online resources are listed below. Ensure when you are using the internet that you use secure, trustworthy websites. Government publication websites are preferable because of the accuracy of the information provided.

- Statistics Canada 1-800-263-1136 www.statcan.gc.ca
- ACOA Business Information Services <https://www.canada.ca/en/atlantic-canada-opportunities/services/business-information-services.html>
- Immigration, Population and Growth Skills <https://www.gov.nl.ca/ipgs/>
- MQO Research www.mqoresearch.com
- Financial Performance Data by Industry <https://www.ic.gc.ca/eic/site/pp-pp.nsf/eng/home>
- Family Expenditures in Canada Catalogue – This publication will highlight average family expenditures for a variety of consumer items
- Household Expenditures – This publication will highlight goods and services bought by various households throughout Canada
- Family Food Expenditures Catalogue – Highlights dollars spent on various types of food per household
- Population projections
- Manufacturing statistics
- Canada Post – 1-800-267-1177 www.canadapost.ca
 - ◊ Demographics and Income Statistics for Postal Areas
 - ◊ Household Figures for Letter Carrier Offices
 - ◊ lists populations for various postal code communities in Canada.
 - ◊ Household Figures for Non-Letter Carrier Offices
- Local, Municipal, Provincial, and Federal Government Departments and Agencies
- Business and Industry Associations/Trade Publications/ Periodicals
- Business and Industry Trade Shows and Exhibitions
- Local Public, Business, and Educational Institution Libraries
- Business Professional Services, e.g. Accountants, Lawyers, Consultants, Insurance Brokers, Financial Institutions
- Business and Educational Seminars / Courses, etc.
- Other Business People/Known Acquaintances/Competition/Internet
- Community Accounts (www.communityaccounts.ca)



Step 2: Compiling

Once you have your research and data in hand, begin organizing and writing your draft business plan.

How long should a business plan be?

The length of the plan will depend upon the specifications of your audience and the volume of pertinent information. For example, if you have a robust business plan but your audience has requested a maximum of two pages, you may wish to write a plan including all information you feel is valuable, and create from that a customized smaller document to meet the specifications of your audience.

Another approach is to write a succinct version first, then enhance specific sections as needed.

Organizing your information

A standard business plan includes:

- Executive Summary
- Company description
- List of products and services
- Marketing and sales strategy
- Financial projections

Additional sections may be added, depending on the size of company and requirements of the audience or program to whom the business plan will be submitted.

Executive Summary

The executive summary is the first thing your audience will read when you submit your business plan. It is a summary of your key points and also your 'first impression.'

Write this section last, in two pages or less. Create the outline of your executive summary from the first and/or last sentences from each section of your business plan. (See Step 3)

Company Description

This section introduces you and your company.

Include company name and location and purpose of your company.

Lead with your vision or mission statement, if you have one.

A mission statement is a public, bold, and motivating statement clarifying what your company does (and does not) do. For example, LinkedIn has as its mission statement: "connect the world's professionals to make them more productive and successful."

(https://about.linkedin.com/?trk=homepage-basic_footer-about)

Briefly describe your products and services.

Outline your value proposition: explain the problem your customers have and the solution provided by your products or services. For example, among the value propositions used by Apple for its iPhone is a focus on security and ease of use, highlighting security measures protecting your phone while enabling the user to unlock it with a single touch.

Include in your description the scope of markets served: demographics and regions

This outlines your market reach now in terms of customer profiles and locations. This also clarifies whether your company is exporting now, export ready or choosing to focus on local markets.

Conclude with a summary of your company's competitive edge.

Briefly describe your industry to provide context for your business operations and performance.

Is your industry highly competitive? What gives you and your company an

advantage in your markets? This could include your personal experience and acumen, company history and legacy, brand share, niche markets, or skilled workforce: any element that can help your company stand out and achieve market share.

List of Products and Services

This description will provide your stakeholders with a clear understanding of each product and service that is going to be available.

List each product and service, describing each in clear detail.

List any patents, trademarks, copyrights, or other unique holdings and offerings for products, services and any supporting proprietary elements or intellectual property.

You want potential investors and reviewers to see your offerings and projected success as something unique to you and your company, in other words, something that 'they cannot get anywhere else.'



Marketing and sales strategy

This includes two key components:

- Analysis of existing conditions and trends
- Actions and projections based on the analysis

The market analysis includes what is happening now in your region and industry, what is going on in the areas you want to conduct business, and the potential influence (or interference!) from other businesses. This section should include a

thorough examination of the competition, contingency plans, a measurement of the risk you are undertaking, as well as what you and the business will be able to tolerate. This is the sturdy foundation of your strategy and your business plan.

The actions and projections should then flow from the analysis.

Highlight connections and explain how the decisions reflect industry and regional realities as well as your potential competition, risk tolerance and company mission. This is the proverbial architecture rising atop your sturdy foundation of analysis, that invites the investors and customers into your world that assures delivery on promises and enhanced return on investment.

Financial projections

Included here are three financial statements:

Income Statement

Statement of Cash Flow

Balance Sheet

The income statement is the standard measurement tool used to report your projected revenues and expenses. Your financial projection has to include how much money you plan to borrow, the interest charges, and money you will invest from your savings.

Since financial projections and reporting are new undertakings for most of us, make sure you work with an accountant on these projections.

Your projection should include:

- Short-term projection, by month, for the first year. Startup costs, like licenses, permits, and equipment costs, go into your short-term projection.
- Mid-term projection, typically two to three years, broken down by year
- Long-term projection, typically five years, broken down by year



The Statement of Cash Flow discloses how a company raised money and how it spent those funds during a given period. It is also an analytical tool measuring the enterprise's ability to cover its expenses in the near term. Generally speaking, if a company is consistently bringing in more cash than it spends the company is considered to be of good value.

The Balance Sheet is an overall look at the financial position of a business at a particular point in time.

It shows what the company owns, what it owes, as well as its net worth on the date when the balance sheet was prepared. It accounts for all the company's assets minus all the company's liabilities. The remaining amount is figured to be the net worth of the company.

When collecting your numbers:

Compare your numbers with similar companies in your industry to keep things realistic.

Allow for variation in things, including the price you are planning to sell your products or services at, future funding requirements, changes in raw material or staffing costs, and anything else you can reasonably think of.

Be as accurate as possible. Get quotes rather than estimates, where applicable.



Consider each element in detail. 'Office setup' may initially mean furniture and carpets; 'extras' such as surge-protected power bars, light bulbs and wifi boosters can add up to a significant cash requirement as well.

Provide a best-case and a worst-case scenario. No additional projections are required.

Provide a brief explanation/analysis of these three statements to put the numbers into context.

For example:

According to the projected financial statements, the first year total revenue is projected to be \$00,000. Revenue is projected to be \$00,000 in year two, and \$00,000 in year three. Expenses are projected to be \$00,000 in the first year, \$00,000 in the second year and \$00,000 in the third year. This would leave a net income of \$00,000 in the 1st year, \$00,000 in year 2 and \$00,000 in year 3.

Other considerations on which to elaborate include the total amount of required funding, what these funds will be used for (equipment, inventory, etc.), where each source of funding will come from (bank, owner, family, etc.), and any repayment details that have been considered. Lenders will want to see that you are capable of their repayment terms through your financial demonstration.

Step 3: Executive Summary

To recap, the Executive Summary appears at the beginning of your business plan, but is written last.

It highlights the key points that will be made and substantiated in your plan.

An executive summary is ideally 1-2 pages, longer for a more substantial plan.

Length is less important than content: if pertinent information is included clearly and succinctly, those reading it will be clear on your plan before reaching the details and evidence in the sections that follow.

The executive summary is also your 'first impression': make it professional, concise and enthusiastic. Explain the fundamentals of the proposed business: what is your product/service, who will be your customers, who are the owners, what do you think the future holds for your business and your industry.

To create the first draft of the executive summary, read through your business plan and pull out the first and/or last sentences from each section. Capture key words and phrases as well. If you feel you are missing something, locate it within

the business plan, summarize it briefly, and add it to your draft. Once you have the elements you need, edit or rewrite them so that the text flows and has a clear beginning and end.

Step 4: Appendices

This section will contain all of the documents that back up the statements and decisions made in the main parts of your business plan. Organize appendices in alphabetical order, labelled 'Appendix A: Contracts', 'Appendix B: Samples', etc. and refer to them throughout your plan where applicable, for example, "See picture of building in Appendix A".

Appendix items could include:

- Personal resumes
- Copies of leases, mortgages, purchase agreements, etc.
- Contracts
- Pictures
- Charts or research data
- Design samples

Also, include an Appendix for Works Cited. If you are using information from any other source besides your own primary research you should keep track of it and cite it. This is to be done with any publication, online or in print.

There are different styles for citations. MLA is one example:

<http://www.library.mun.ca/researchtools/guides/citations/mla/mlaquickguide/>

Step 5: Review and Revise

Once all pieces of your business plan are written and assembled, read through from beginning to end several times, making revisions after each reading.

First, read for content. Is all necessary information included?

Second, read for flow. Is the information organized well?

Third, read for grammar. Check punctuation, spelling and sentence structure.

Fourth, read for formatting. Paragraph spacings, bolded headings, font style and sizes should be consistent

Fifth, read through again to see if any of the above four steps need repeating.

Then, share your plan with trusted individuals who can comment on content, flow and readability: your accountant, lawyer or other service provider, for example, or colleagues who can read as 'potential investors' and give constructive feedback. Make any further changes as required.

Step 6: Share and Prepare

Share your business plan with your audience.

Prepare for their response.

Also, prepare to review your business plan on a regular basis – annually, for example, or when there are changes affecting your company, its customers and markets. A business plan that is up-to-date and ready to submit can save valuable time when competitions open for funding or opportunities to pitch for funding or assistance arise. A regular review of your business plan can help clarify paths for growth and identify your readiness to tap emerging opportunities, then attract the investors or partners needed to realize that potential.

Keep it simple. Keep it fresh. Keep it real. Do this in your business plan, and it will reward you with options and opportunities to support you and your business.