

# Business Plan Basics

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*So you have an idea and you are ready to begin the daunting process of actually launching a business. Of course, drafting a business plan immediately springs to mind. But why write a business plan at all? How will it help you succeed? What elements are essential? What pitfalls should you avoid? Read further and find out!*

It seems that creating a business plan has become a required part of the entrepreneurial process, but what are the real benefits and drawbacks of developing a business plan?

## Why?

First and foremost, writing a business plan forces you to realistically assess the true strengths and weaknesses of your concept. It prepares you to exploit opportunities and deal with threats as they come your way.

Of course you probably want to lure investors, strategic partners and top-notch talent to your company. No one gives money or support to a venture that they expect to fail – so you should use your business plan to convince people that your company will succeed.

But don't get caught in the trap of thinking of a business plan as a static document that is written for outsiders alone. Good plans are constantly evolving and serve as your strategic roadmap to success on a day-to-day basis.

## How?

For starters, let's examine a short list of things that you need to think about:

- Do you understand the intricacies of your business model? Is your concept feasible? Why are you starting this business and what valuable skills and knowledge do you bring to the table?
- Do you understand the consumers you are targeting? Who are they? Why will they want to buy what you are selling? How will you reach them?
- Is the industry healthy and stable? What are your competitors doing and how will you set yourself apart from the crowd?
- How will your company be managed? What business principles will guide your operations, hiring practices, customer service, quality controls, etc...?
- Are you an able financial manager? Do you understand how to translate your ideas into cash and become profitable? What are your projected startup costs, margins, and overhead?
- What problems or weaknesses will you have to overcome and how will you deal with them? What opportunities can you exploit to achieve success? How will you manage change and stay innovative and relevant as time passes?
- What benchmarks will you strive for on the path to success? What time frame will be required to reach specific milestones?

## What?

You have to know what to include in your business plan in order to create a useful, comprehensive reference tool for yourself and others.

Any good business plan will include the following basic elements:

- An executive summary providing a synopsis of the entire plan
- A description of your vision, your business model, and the products or services you offer
- A market analysis to assess your target market, your competitors and the external business environment
- An organizational plan to demonstrate how you will turn your ideas into reality
- A sales and marketing plan to explain how you will appeal to customers
- Financial data to demonstrate that your business model is viable
- A timeline to lay out goals and objectives

Remember, longer is not necessarily better. It has become vogue to crank out 100 page plans for even the most simple business models, but the quality of the information you present will have far greater impact than the quantity.

Also, don't look too far into the future or make unrealistic projections. Business plans that look farther than a few years down the road are exercises in speculation, and people can spot dishonesty a mile away. Keep it simple and real!

The entire point of business plans is to present a clear, concise analysis of the business to other people, and to help focus your time, effort and resources appropriately. By understanding the basics, you can ensure that your business plan will serve your needs effectively.