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Using A Business Plan To Improve Chances for Success

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A good business plan can help identify potential business-failure characteristics and improve the chances for business success. A business plan is a road map that identifies business goals and presents a plan for achieving them. A business plan should force the new business owner to determine the feasibility of the proposed idea and its start-up requirements, to evaluate the need and potential payback of borrowed money and to develop the groundwork for more detailed operational plans.

Development of a business plan should be a basic management practice for a new business venture. A business plan should provide a detailed description of the business operations including such key factors as:

- Overall business description
- Product/service description
- Market analysis & development of marketing strategies
- Operational/production guidelines
- Management overview
- Financial plan

Some of the most critical aspects of a business plan are the financial projections for the new business. Financial projections should show the profit potential of the venture. If the projections do not show an adequate return in a reasonable time period, then the proposed business venture should be reevaluated.

Many failed businesses mention “lack of capital” as the primary contributor to business failure. However, businesses often do not adequately plan and additional capital often just postpones the eventual failure of the business¹. A formal business plan should be written but does not have to be long nor expensive, but it does require the investment of time and attention.

Many business plans are developed in order to secure funding from commercial lenders. However, a business plan should also be developed to communicate plans to the business owner/manager as a guide for evaluating the potential and actual results of the business venture.

There are many different business plan formats that can be used to guide the business planning process. The example that follows is one such format.

¹ The Business Plan, Small Business Development Center, Bradley University, Peoria, IL.

Example Business Plan Format

- 1 Summary/Statement of Purpose
- 2 The Business
 - Description of business
 - Operating procedures
 - Personnel
 - Business Insurance
- 3 Description of Products or Services
 - Description of Product Line
 - Competitive Product Analysis
- 4 Market Analysis
 - Description of Total Market
 - Industry Characteristics and Trends
 - Target Market
 - Competitor Analysis
- 5 Development of Marketing Strategy
 - Overall Marketing Strategy and Target Market Identification
 - Market Penetration/Distribution
 - Pricing Policy
- 6 Description of Operations/Manufacturing
 - Methods, Means, Capacity
 - Sources of Supplies, Costs
 - Strengths and Weaknesses.
- 7 Presentation of Management Plan/Organization
 - Key People and Their Strengths
 - Organizational Structure, Chart, and Responsibilities
 - Staff Requirements, Employment Forecasts
- 8 Presentation of Financial Potential
 - Position, Data, Requirements
 - Past Financial Statements (If You Have Them)
 - Financial Projections
 1. Profit/Loss Statements
 2. Balance Sheet
 3. Cash Flow Statements
 4. Capital Expenditure Estimates
 - Loan Applications
 - Capital Equipment and Supply List
 - Breakeven Analysis
 - Assumptions Upon which Projections were Based
- 9 Supporting Documents
 - Tax returns of Principals for Last Three Years
 - Personal Financial Statement
 - Copy of Proposed Lease or Purchase Agreement for Building Space
 - Copy of Licenses and other Legal Documents
 - Copy of Resumes of all Principals
 - Copies of Letters of Intent from Suppliers, etc.