

Business plan for a Modern and Efficient Business

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1. Introduction:

In today's competitive world, Business Experts, bankers and venture capitalists generally agree that there are seven fundamental steps to creating a business plan for modern efficient businesses. 1. The introduction to your business plan; 2. The Business Description; 3. The Market Description; 4. The Development and Production; 5. Sales and Marketing; 6. The Management Team; 7. Business Plan Financials.

Learning how to navigate through the maze of massive information can be tricky, this paper presents the essentials that need to be completed and that can be perfected with the help of many internet resources, and consulting organizations in order to attain the best possible probability of obtaining financing from Individual Investors, Banks or venture capitalists or Business Angels.

2. The introduction to your business plan

The introductory elements of a business plan - the cover page, executive summary, and table of contents - determine what kind of first impression is made on readers. In many cases, the introductory elements, especially the executive summary, will determine whether readers read the rest of the Business Plan at all. Moreover, the table of contents indicates how well the entire plan is organized. For this reason, all of the introductory elements must be top-notch both in presentation and substance. A beautifully crafted plan that is unprofessionally put together will send a wrong message to readers about the professionalism and the standards of the team or person developing that business plan. The cover page must have all pertinent information, the executive summary must convince readers that the entire business plan is

worth looking at, and the table of contents must make it easy for readers to navigate through the plan.

2.1 The Cover page: How complicated can a cover page of a business plan be? Well, you might be surprised at how many business owners leave crucial information off of their cover pages. Lenders report that they frequently have to call directory assistance to locate an entrepreneur who forgot to include a phone number and other contact information on their business plan.

The purpose of a cover page is to tell the reader what he or she is about to read and how to reach the author. Your cover page is also a way to get your business plan noticed. Lenders see dozens, if not more, business plans a week and something as simple as putting your cover page on quality stock paper, may catch their eye.

The cover page should say the words "Business Plan," and should include the: Name and business name; company logo; address; telephone number; fax number; E-mail; web page. A mobile Phone number is a plus for evaluators to reach you when they have a question or to set an appointment. The date should also appear on the cover page.

2.2 The executive summary:

The executive summary is what most readers will go to first. If it is not good, it may be the last thing they read about your Modern and Efficient Business Creation Project. Lenders in particular read executive summaries before looking at the rest of a plan to determine whether or not they want to learn more about a business. Other readers will also go first to your executive summary to get a snapshot of the business and to gauge the professionalism of the management team and the viability of the business.

While your executive summary is the first part of the plan, it needs to be written last. As other sections of the plan are being created, a good practice is to designate sentences or sections for inclusion in the summary. These sections should not be cut and pasted verbatim but state the same with different words and this exercise will help remember to include the essence of these sections in the summary. The executive summary should be between one and three pages long and should include the business concept, financial features, financial requirements, current state of the business, when it was formed, principal owners and key personnel, and major achievements. Best advice from venture capitalists on the subject: 1. Use industry association statistics, market research from other sources, and other documenting information to back up statements made in the executive summary; 2. Keep the executive summary short and make it interesting. This is the best opportunity to entice readers to read the entire plan.

2.3 The Table of Contents: The table of contents provides readers with a quick and easy way to find particular sections of the plan. All pages of the business plan should be numbered and the table of contents should include page numbers. After the business plan is assembled, number the pages, go back to the table of contents and insert the page numbers. Be sure to list headings for major sections as well as important subsections.

3. The Business Description

Whether you're looking for money or simply creating an internal document, you must be able to present a clear portrait of what the company does. The business description is the corporate vision, and includes: who you are, what you will offer, what market needs you will address, and why your business idea is viable. Too many business owners make the mistake of operating without a vision; a situation which hampers their business' ability to grow and prosper. A business owner without a vision will have difficulty describing his or her business and will provide a long, rambling description, a few stock phrases, or a collection of incomprehensible jargon when asked for one. A concise, easy-to-understand description of the company will not only help the business plan, but will benefit the business team in any number of other day-to-day situations - from networking to making cold calls to approaching a newspaper for an interview. A typical business description section includes: 1. an overview of the industry; 2; a discussion of the company; 3. Descriptions of the proposed products/services; 4. The business positioning; 5. The pricing strategy.

3.1 Overview of the industry: Begin the business description with a brief overview of the industry that will be competing in. Ultimately, you want to demonstrate that you are in a "hot" industry with an excellent long-term outlook. You're also setting the stage for the company description by showing where it fits in the marketplace. A discussion on both the present situation in the industry, as well as future possibilities is expected. You should also provide information about the various market segments within the industry, with a particular focus on their potential impact on the business. Be sure to include any new products or other developments that will benefit or possibly hurt the business. Are there new markets and/or customers for the company and companies such as the one you are trying to create?

General Tips from Venture Capitalists: 1. Feel free to be dramatic. You can describe your industry like you're telling a story. Grab the reader's attention with strong, exciting language that will get them interested in your industry and your business;

2. Answering "why" makes any description stronger. Saying "the market will grow at 25% annually" may sound impressive. But what caused that rate of growth? Adding "...because a growing number of baby boomers now entertain at home instead of going out" makes it stand out; 3. This is not a discussion of the competition. That information will come later in the competitive analysis portion. Instead, provide an overview of the industry in which this business and other companies will compete; 4. Many business plans make the mistake of basing their market observations on conjecture. Instead, research the industry and back up observations with facts. Be sure to note all sources; 5. Trade associations are excellent sources of information about trends in the industry. To find the trade association for your industry, you can consult for example the Gale Encyclopedia of Business and Professional Associations; 6. General business newspapers and magazines (like the Wall St. Journal or Business Week) and trade newspapers and magazines (those covering a specific industry) often report industry-wide trends as well. Many research and university libraries carry various trade publications and newsletters. Look in Bacon's Media Directories for lists of publications, or use a database like Nexis to find references on specific subjects. Don't be afraid to include negative information about the particular industry. On the contrary, discussing the possible roadblocks the company might face shows you have a realistic view of the market; 7. A good practice is to cite information from specific newspaper or magazine articles or research reports, and include copies of these in the business plan appendix.

3.2 Discussion of the company: The discussion of the company should begin with your mission statement - a one or two sentence description of the purpose of the business and to whom the product or service is targeted. Not being clear in the mission statement indicates not being clear about the purpose of the company.

Once you have your mission statement, you can then discuss the more "technical" aspects of your company. Remember that you're telling your company's story, so even though there are specific areas you will need to cover, you will want to keep it lively and interesting. Some areas you should include are:

- What type of business is it? Wholesale? Retail? Manufacturing? Service?
- When was the company founded? Is it a start-up, or an established enterprise? What is the story behind the founding of the company?
- What is the business' legal structure? Sole proprietorship? Corporation? Partnership?
- Who are the company's principals and what pertinent experience do they bring?

- What market needs will you meet? Who will you sell to? How will the product(s) or service(s) be sold?
- What support systems will be utilized? Customer service? Advertising? Promotion?

Some Business Tips: 1. The company's focus often depends on the market. A small town general store can sell groceries, hardware, newspapers, and gasoline because they may be the only store that sells those items in the area. A larger market would require greater specialization to set itself apart from the competition; 2. Small business owners often get stuck using existing labels which don't accurately describe their companies. Ask yourself what business are you really in? What true benefits do you provide? For example, if you create corporate newsletters, are you just a "newsletter publisher" or do you "help large companies communicate important information to their clients and prospects."; 3. If it is an established company, give a brief history and cite prior sales and profit figures. If it had losses or other setbacks, explain why, and discuss what is being done to correct them. Has company ownership changed hands? Be sure to talk about why it was sold; 4. When discussing the company's principals, you don't need to run a complete resume - save that level of background for later in the plan. But don't be too brief, either. Don't just say "ABC Financial Services is being founded by John Smith." Instead, it's stronger to write something like, "Founder and President John Smith, former Chief Financial Officer of ABC Industries, brings 25 years of experience in financial services to ABC Financial Services."

3.3 Descriptions of the proposed products/services: Describe each of the products or services with a particular focus on how it will be used. Go into as much detail as necessary for the reader to get a real flavor for what you are selling. What are the applications and the end uses? Underscore the specific features or variations that the products have. Stress the USP: Be sure to emphasize the Unique Selling Proposition (USP). The USP is the proprietary information that sets the product or service provided apart from the competition. If the business plan is used primarily to solicit funds, then remember that the USP is what the reader will want to see. If it is an internal document, the USP will be critical to the sales and marketing strategies. Without a USP, the product or service will appear drab and there will be no compelling reason for people to buy it. Example of a USP? For a food product, Coca-Cola's secret proprietary recipe.

Some Tips: 1. Focus on the success factors. In other words, think about how you are going to make money. Why will the products or services be successful in the marketplace? There are any number of reasons you can use such as:- "it's a well-organized business", "we use state-

of-the-art equipment”, “our location is exceptional”, “the market is now ready for our product”, “its a great product at a fair price”, etc; 2. If you are selling a product, you may want to include full specifications. If available, include a quality photograph as well; 3. One of your challenges will be to keep the "unique" in your USP. If there is a chance your competition will begin offering products or services that also have your unique features, then you should also discuss how you plan to remain ahead of the competition; 4. Be specific in describing your competitive edge. Don't just say something like "we intend to provide better service." Explain how you will do so, and why that sets you apart from your competitors.

3.4 The business positioning: Position is your identity in the marketplace: how you want the market and your competitors to perceive your product or service. While the USP is based on features of the product or service, the positioning is based on your customers and competition. Federal Express positioned itself as a reliable and dependable overnight delivery service for businesses. MTV and VH1 play many of the same music videos, but MTV is positioned as the choice for young, hip viewers, while VH1 is considered the station for more mature viewers. If you run a dry cleaning business you can be the fastest, the most dependable, the cheapest, or the business providing the best service. A mail-order gift business can emphasize price, convenience, a flexible returns policy, unique products, or some combination of these. A hairdresser may be positioned as hip, traditional, pampering, inexpensive, or convenient. You may think that positioning is based on image. Develop your business position by answering the following questions with brief, direct statements:

What is unique about your product or service? What customer needs does your product fulfill? How do you want people to view your products or services? How do your competitors position themselves?

Some Useful Tips: 1. Research competitors by shopping their stores or calling them to see what they offer and what they charge for it; 2. Create a list of your competitors strengths and weaknesses, look at areas such as distribution, pricing, value, service, timeliness. If you were undertaking market research, for example, look at depth of research, price, and frequency of survey, add-on services, and reputation in the marketplace. A dry cleaner would look at pricing, location, services such as delivery, hours of operation, quality of their cleaning, whether or not they are computerized and if they provide services such as tailoring and mending; 3. If appropriate, research your competitors in trade magazines to unearth their strengths and weaknesses; 4. In order to position yourself in the market you will need to

understand standard industry practices, such as pricing, billing, distribution. This information is usually available from trade organizations.

3.5 The pricing strategy: Discuss what you will charge for the product or service and how the price is derived. For example, a luxury gift importing business sets prices not only to cover costs and make a profit but to position products as luxury items. A printing shop with a good location charges slightly more than its competition because it has a convenient location and it has determined that the market will bear the higher price. Once you have briefly explained the pricing and rationale, discuss where this pricing strategy places you in the spectrum of the other providers of this product or service. Next, explain how your price will: get the product or service accepted, maintain and hopefully increase your market share in the face of competition, and produce profits.

Some Tips from Investors on Pricing Strategy: 1. Investors are used to seeing (and rejecting) business plans in which an entrepreneur says the product or service they want to create will be higher in quality and lower in price than those of their competitors. This makes a bad impression because it's usually unrealistic. If you really do have a higher quality product, it will appear that you may plan to under price it, and consequently undersell it; 2.

Costs tend to be underestimated. If you start out with low costs and low prices, you leave yourself with little room to maneuver, and price hikes will be difficult to implement; 3. If you charge more than competitive existing products, you will need to justify the higher price on the basis of newness, quality, warranty, and/or service; 4. If a price will be lower than that of an existing, competing, product or service, explain how you will maintain profitability. This may happen through more efficient manufacturing and distribution, lower labor costs, lower overhead, or lower material costs; 5. Discuss how higher prices may reduce volume, but result in high gross profit.

4. The Market Description

This section is designed to provide enough facts to convince an investor, potential partner or other reader that the business has enough customers in a growing industry, and can garner sales despite the competition. It is one of the most important parts of the plan, taking into account current market size and trends, and may require extensive research. Many of the sections that follow in the business plan - from manufacturing to marketing to the amount of money you need - will be based on the sales estimates you create here.

This section should describe four elements at least: Customers; Market Size and Trends; Competition; Estimated Sales.

4.1 Customers: It is important to be thorough and specific when creating a description of the target customer for the product or service. This description defines the characteristics of the people you want to sell to and should indicate, among other things, whether the customers are cost or quality conscious, under what circumstances they buy, and what types of concerns they have. If you have an existing business, list the current customers and the trend in your sales to them. To create a customer definition, describe the target customers in terms of common identifiable characteristics. For example, a catering company could target professional couples in the Athens metro area who need to hire caterers for their kids' parties. Or it could target corporate event planners in Thessaloniki responsible for procuring caterers for internal meetings.

4.2 Market Size and Trends: This section defines the total market size as well as the slice of the market the business will target. Use numbers as well as trend information to make a case for a viable current market and its growth potential. After you define the total market, create a description of your target market by using geography, company size, business organization, lifestyle, sex, age, occupation, and other characteristics to describe the companies or consumers likely to buy your product or service.

4.3 Competition: The competition section indicates where the products or services fit in the competitive environment. Presenting the business in the landscape of its competitors proves that you understand your industry and may be prepared to cope with some of the barriers to your company's success. Present a short discussion of each of your primary competitors. If possible, include their annual sales and their market share. Each assessment should include why these companies do or do not meet their customers' needs. You should then explain why you think you can capture a share of their business. Strengths and weaknesses can fall into a number of different categories. Sales, quality, distribution, price, production capabilities, image, and breadth of products/services are all ways companies differentiate themselves. Ask yourself: Who is the price leader? Who is the quality leader? Who has the largest market share? Why have certain companies recently entered or withdrawn from the market? These factors are critical to a successful competitive analysis.

4.4 Estimated Sales: Estimated sales for the business are based on your assessment of: the advantages of the product or service, the customers, the size of the market, and the competition. This should include sales in units and Euros for the next three years, with the

first year broken down by quarter if that's appropriate for your industry. These numbers will be crucial to other financial documents you present later in the plan. Use a one-paragraph summary to justify your projections. Be sure to use a succinct statement of what sets apart your product or service from other companies in the marketplace. Include a brief discussion of any customer commitments. Also state why you envision your customer base growing, and indicate how you will garner this business.

5. The Development and Production

In this section you will describe the current state of your product or service and your plan for completing its development. This is also where you familiarize your reader with how your product is created or your service delivered. This section must include details of development costs, location and labor requirements. After furnishing this information, you will be expected to generate some financial forms, including operating expenses, cost of goods, and cash flow.

5.1 Development Status: Describe the current status of the product or service and what remains to be done to make your product or service ready to be marketed. Include a schedule detailing when this work will be completed. Consider using a traditional outline to create a product development schedule, or modify the launch plan you have created for internal use and provide a simplified version here. Readers of your plan, especially potential investors, will scrutinize your development plan to determine if you have thoroughly thought through all facets of the development of your product or service.

Tips: 1. Include provisions for obtaining a patent/trademark/or copyright, or other steps that are important to the development of your business; 2. if your business plan is for a service company, there is still a strong need for a development status section. Service companies have to set up offices, make plans for fielding calls, get stationery and business cards, conduct market research, gather references, and do a sample mailing of sales pieces, among other things; 3. Venture capitalists and other lenders often focus on a few industries and will be well acquainted with the development procedure for a product or service like yours. For this reason, be sure to create a high-quality, detailed plan.

5.2 Production Process: An investor will only provide money for a business he or she understands, so walk the reader through the stages of product production from the inception of the idea to when it can be sold. With a service company, describe the process of delivering the service. A company that helps its customers determine Web strategy, for example, would

describe the process of finding out about client objectives, researching current offerings on the Web, and presenting a solution. If you were starting a winery, your production process section would describe the harvesting, fermenting, and bottling processes.

Make or Buy: Part of your production process discussion will be a justification of the make or buy strategy for production components. Make or buy strategy focuses on whether you will create all components necessary for the production of your product or service in-house, or buy a service or a product to add to yours. If you are starting a consulting business, you might state in your plan that paying for the services of an administrative assistant (buy), will increase profits by enabling the company principals to spend more time on money-generating activities. A pillow production company, would discuss spikes in production and the cost savings incurred in subcontracting sewing (buy) rather than keeping the sewing (make) in-house.

Location, Location, Location: Also discuss geographic location for the production of your product or service. Justify this decision as well, by talking about savings in rent or lease, convenience to suppliers, labor, materials, or other factors important to your business.

5.3 Cost of Production and Development: Present and discuss a design and development budget. This budget should include the cost of the design of a prototype as well as the expense to take it into production. Be sure to include labor, materials, consulting fees, and the cost of professionals such as attorneys. While the cost of production section may be easier to delineate for product companies, this section is important for all businesses. Service businesses have expenses such as consulting services, training for principals, and preparation of materials, among many other things.

5.4 Labor Requirements: Your management team is outlined in the management section. This section provides details of other labor that you will need to start up and run your business. Address how many people you require and what skills they need to possess. Be sure to cover the following issues:

1. Is there sufficient local labor? If not, how will you recruit?
2. Is labor trained? If not, how will you train them?
3. Cost of labor, current and future.
4. Plans for ongoing training.

5.5 Expenses and Capital Requirements:

You must also create three financial forms that will build a foundation for the Financials section of your plan: operating expenses, capital requirements, and cost of goods. Generate

spreadsheets for the year in which you establish your business as well as projections for two years after. You may require the help of an accountant or someone familiar with the cost of doing business in your industry and chosen business.

Operating Expenses: By creating a financial form called Operating Expenses, you pull together the expenses incurred in running your business. Expense categories include: marketing, sales, and overhead. Overhead includes fixed expenses such as administrative costs and other expenses that remain constant regardless of how much business your company does. Overhead also includes variable expenses, such as travel, equipment leases, and supplies.

Capital Requirements: This form details the amount of money you will need to procure the equipment used to start up and continue operations of your business. Capital Requirements also includes depreciation details of all purchased equipment. To determine your capital requirements, think about anything in your business that will require capital. For a diaper delivery service this might be a van, washing machines and dryers, irons and ironing boards, and supplies. Manufacturing companies obviously require more equipment for production. This equipment can fall into three categories: testing, assembly, and packaging.

Cost of Goods: For a manufacturing company, the cost of goods is the cost incurred in the manufacturing of the product. For a retail or wholesale business, the cost of goods (sometimes called the cost of sales) is the purchase of inventory. To generate a cost of goods table, you need to know the total number of units you will sell for a year as well as what other inventory you have on hand, and at what stage of production those units exist. For a manufacturing company, the cost of goods table will include materials, labor, and overhead related specifically to product manufacturing.

6. Sales and Marketing

This section of your business plan describes both the strategy and tactics you will use to get customers to buy your products or services. Sales and marketing is the weak link in many business plans, so take your time with this section. A strong sales and marketing section can serve as a roadmap for you, or as an assurance to potential investors that you have a workable plan and the resources for promoting and selling your products and services. The three components of your sales and marketing section include: 1. Strategy; 2. Method of Sales; 3. Advertising and Promotion.

6.1. Strategy:

In previous sections, you've been asked to define your product, positioning, pricing, target customer, market, and competition. Now you need to wrap up all those assumptions into a cogent sales and marketing strategy. Think of this statement as an action plan for how you will get customers to buy your products. It will support the tactics you describe later on in this section.

Your strategy may be only a few sentences in length, or it can be a couple of paragraphs. Important elements for a sales and marketing strategy include who you are targeting with your initial push and what customers you have designated for follow-up phases. Other elements of a sales and marketing strategy are:

1. How you will find your prospects, and once you find them, how you plan to educate them about your product? For instance, if you are using direct mail, you might want to talk about what kinds of mailing lists you plan to purchase.
2. What features of your product or service you emphasize to get customers to notice your product.
3. Any sort of innovative marketing or sales techniques you will employ. For example, you may sell your product by mail order when your competitors use only traditional retail channels. Or you may be the first in your industry to offer leasing.
4. Will you focus your efforts locally, regionally, nationally or internationally? Do you plan to extend your efforts beyond your initial region? Why?

6.2. Method of Sales: Describe available distribution channels and how you plan to use them. Many entrepreneurs fail to give adequate thought to a method of sales. How you get the products to the end user - your method of distribution and sales - is one of the most important elements of your plan. In this section you demonstrate the ability and knowledge to get your products into the hands of your target customers. You must also elucidate your plan for reaching your distribution channels. Will you be selling directly to your customers? Will you be using sales representatives, distributors, or brokers? Do you plan to have a direct sales force in place? See the list of definitions for some help in determining what method of sales to use. Will you use a "ground service"? Will you use a next-day delivery service like Parcel post? A trucking company? Make sure to include these costs when you calculate your financials later in the plan.

Some Tips: 1. don't make the mistake of confusing sales with marketing. Sales focuses on how you get your products into the hands of your customers. Marketing is concerned with how you educate your potential customers about your product; 2. If you're using an outside or

indirect sales force - like sales reps or distributors - be sure to describe the companies that will be carrying your products. What are the benefits of using these specific firms? What unique talents do they bring to the table?; 3. Many small businesses assume that a sales effort can be set up with minimal timing, effort and expense. This is not the case. It can take as long as a year for a sales person to become acquainted with a product and territory. Even if you use sales reps who are intimate with a territory and market, expect there to be ramp-up time; 4. Don't assume a distribution network will give your products or services equal sales time. You may need to create an incentive structure that will encourage your network to push your products or services.

6.3 Advertising and Promotion: Your advertising and promotion campaign is how you communicate information about your product or service. This section should include a description of all advertising vehicles you plan to use - newspapers, magazines, radio & TV, Yellow Pages, etc. - as well as your public relations program, sales/promotional materials (such as brochures and product sheets), package design, trade show efforts, and the like. If you're using advertising and/or a PR agency, be sure to discuss their talents and what efforts they are contracted to make on your behalf.

Some Tips on advertising and Promotion:

1. Make sure that your advertising and promotion tactics support your sales tactics. For example, if you use sales reps, you will probably need to discuss with them what kinds of promotional materials you will supply. If you use direct mail sales, what kind of direct mail packages will you be producing?
2. Think about using examples or samples to support your discussion of promotional tactics. If you have a copy of an ad you've run, or a mock-up of an ad you plan on running in the future, include it in your business plan. You can place these samples in a separate "Exhibits" section at the end of the plan.
3. Unique product packaging is also a key promotional tactic. You probably will want to discuss the benefits of your package design, and include a sample in your business plan.
4. If you have a public relations plan in place, include a copy of your press kit, and a list of targeted media in your business plan. This will further demonstrate that you know exactly how you plan to reach your target audience.
5. If trade shows will be an integral part of your marketing strategy, be sure to include a trade show schedule outlining at which expos you'll be exhibiting. And don't forget to explain why you've chosen those shows.

6. If you are providing a business-to-business service, some areas to cover in this section include: trade shows, trade magazine advertising, publicity, direct mailings, product sheets, and other promotional materials. For consumer products, you should also discuss the types of advertising and promotion you will do to introduce the product and what kinds of sales aids will be provided to dealers.
7. If advertising or promotion is a critical expense, you should include an exhibit showing how and when these costs will be incurred.

7. The Management Team

A good management team can take even a mediocre idea and make it fly. In fact, strong entrepreneurial teams have been known to move from business idea to business idea, repeatedly creating and running thriving companies. Conversely, weak management often cannot build a strong business out of even the best idea. For this reason, the management section of your business plan must demonstrate that the team you have assembled, or will assemble, is a winner. Each member of management must of course be talented and have experience relevant to your business, but it is also important that the people on your team have complementary skills. 1. Description; 2. Ownership; 3. Board of Directors/Board of Advisors; 4. Support Services.

7.1 Description: Use this section to describe company management including the responsibilities and expertise of each person. Many lenders and venture capitalists base their investment decisions on the strength of the company's principals. Demonstrating that your management team possesses, or will possess, an array of complementary skills will help convince investors that your business has a bright future. For positions you have yet to fill, detail who you will need to hire to achieve the goals set out in the product development schedule. Describe the talents this person needs to possess and how the addition of that person will help the company meet its objectives.

7.2 Ownership: A short section on who owns and controls your company will help readers derive a better understanding of who will be making decisions. Potential lenders, many of whom will require a significant stake in the company in exchange for funds, will also be interested in what portion of the company's equity is available.

7.3 Board of Directors/Board of Advisors: A strong board of directors or board of advisors is an asset to a business. It can add credibility to your management team and increase your likelihood of success. In this section, outline who is on your board, listing their names,

employment, training, education, and expertise. Highlight each board member's experiences and how they will help your business thrive. Many small business owners use the skills of board members to provide expertise and assistance they currently cannot afford to hire. If this is the case in your business, use this section of your business plan to play up the fact that your company has acquired this expertise by having a board. If the board members have industry connections, good reputations, or potential to raise capital for your business, be sure to include these facts.

Tips on Board Selection: 1. Use your board of directors descriptions as an opportunity to demonstrate your good business judgment by making it clear how each member will positively impact the company; 2. Create a board that complements existing management. If, for example, you own a small technology company but don't have any marketing experience, search for board members who can provide that help. Create a chart to determine the kind of talent needed to move your company ahead. List the skills your management possesses. You can then make a list of the skills you need to acquire and the people who possess those skills; 3. Avoid the common mistake of creating a board of directors made up of friends. Make a list of your needs first and then slot friends and colleagues in as appropriate, not the other way around; 4. If you have not formed a board of directors or advisors yet, use this section to discuss the kind of talent and experience you plan to assemble for your board.

7.4 Support Services: Strong support services - including attorneys, accountants, advertising agencies, as well as industry-specific services - help indicate others' faith in your business as well as your ability to attract talent to your business. Having support services in place also indicates to readers of your plan that you have thought through all of the support you will need for the business to thrive. In your description of each support service, describe what strengths the company or individual possesses, as well as what experience or contacts they bring to your company.

8. Business Plan Financials.

Financials are used to document, justify, and convince. This is the section in which you make your case in words and back up what you say with financial statements and forms that document the viability of your business and its soundness as an investment. It's also where you indicate that you have evaluated the risks associated with your venture. If you are writing a plan for investors, include the following sections: 1. Risks; 2. Cash Flow Statement; 3. Balance Sheet; 4. Income Statement; 5. Funding Request and Return.

Even if your plan will be used only as a road map for your business development, you still should create a cash flow statement and an income statement so you have figures by which you can gauge your company's performance.

8.1 Risks: No business is without risks. Your ability to identify and discuss them demonstrates your skills as a manager and increases your credibility with potential investors. You will show that you've taken the initiative to confront these issues and are capable of handling them. The opposite is also true. Should a potential investor discover any unstated negative factors, it will undermine the credibility of your plan and endanger your chances of gaining financing or other support.

The following list of problems is by no means complete, but should give you an idea of some possibilities.

- Your competitors cut their prices
- A key customer cancels a contract
- The industry's growth rate drops
- Design or manufacturing costs exceed your projections
- Your sales projections are not achieved
- An important ad campaign flounders
- Important subcontractors fail to make deliveries
- Your competitors up-the-ante by releasing a new, better product or service
- Public opinion of your product or service changes
- You can't find trained labor

8.2 Cash Flow Statement: A cash flow statement shows readers of your business plan how much money you will need, when you will need it, and where the money will come from. In general terms, the cash flow statement looks at cash and sources of revenue minus expenses and capital requirements to derive a net cash flow figure. A cash flow statement provides a glimpse of how much money a business has at any given time and when it is likely to need more cash. Analyze the results of the cash flow statement briefly and include this analysis in your business plan.

8.3. Balance Sheet: Unlike other financial statements a balance sheet is created only once a year to calculate the net worth of a business. If your business plan is for a start-up business, you will need to include a personal balance sheet summarizing your personal assets and liabilities. If your business exists already, include past years' balance sheets up to the balance

sheet from your last reporting period. Analyze the results of the balance sheet briefly and include this analysis in your business plan.

Tips: 1. as with all financial documents, have your balance sheet prepared or at least reviewed by a reputable accountant; 2. do not include "projections" that include dates and events already in the past. Old projections are more tolerable if your projections were right than wrong; 3. Avoid large income or expense categories that are lumped together without backup information about the components.

8.4. Income Statement:

The income statement is where you make a case for your business' potential to generate cash. This document is where you record revenue, expenses, capital, and cost of goods. The outcome of the combination of these elements demonstrates how much money your business made or will make, or lost or will lose, during the year. An income statement and a cash flow statement differ in that an income statement does not include details of when revenue was collected or expenses paid. An income statement for a business plan should be broken out by month the first year. The second year can be broken down quarterly, and annually for each year after. Analyze the results of the income statement briefly and include this analysis in your business plan. If your business already exists, include income statements for previous years.

Tips: 1. as with all financial documents, have your income statement prepared or at least reviewed by a reputable accountant; 2. Avoid insufficiently documented assumptions about your company's growth. In other words, if you say you expect your firm to grow by 30% in the first year and 50% in the second, you need to document why those numbers are attainable. It can be because similar companies have had this growth path; because the industry is growing at this rate (cite the source for this data); or because of projections from a specific market researcher, industry association, or other source; 3. Include effects of seasonality and business cycles in all projections. For example, if you are in the gift business, you would need to show the Christmas buying season or the Wedding season. If you're a consultant, you might experience higher sales late in the year when companies are trying to use up their annual funds, or at the beginning of the year after budgets are approved; 4. Do not include "projections" that include dates and events already in the past. Old projections are more tolerable if your projections were more right than wrong; 5. Avoid large income or expense categories that are lumped together without backup information about the components.

8.5 Funding Request and Return:

State the amount of funding and the type (debt or equity) of investment you seek. It is important here to provide a breakdown of how the money will be applied. Discuss what effect the capital will have on the business' potential to grow and profit, when the money is needed, and what investment has already been made in the company.

Investors will also want to know what they will receive in return for their capital. Be as clear as you can in this section both about the potential upside and the potential downside of investing in your business. A common mistake in a business plan is to be unclear in this section, which turns potential investors away. If the company founders have invested in the company, include this in your plan. Some investors are encouraged by founders putting their own money on the line.

Finally, create an exit plan that describes how investors will get their money out of your company. One common investor worry is that even if a business is profitable, it may be difficult for them to get a good price for their shares. A cash-out option in five years or assurance that the company will become a strong candidate for a purchase or an IPO (Initial Public Offering) are what many venture capitalists and lenders will insist upon.

Tips on Funding Request: 1. Include the following elements as appropriate: minimum amount to participate; how this capital and future investment will dilute current and subsequent ownership; payback period and return on investment; why the investment is sound; collateral being offered; current investors; access to additional funding sources; what percent, if any, an investor could recoup via tax benefits, liquidation or other means if the business goes sour ; 2. Include future financing needs. In other words, don't just look at what you need today, but give an idea of what financing you will need in the future to take your company to the next step toward success; 3. Be sure to document how investors will make money and what return they will get. This can't be stressed enough. If you're asking for money, you can't just say something like "you'll make lots of money from this." You need to show how much money they should expect to make from their investment; 4. Avoid unrealistic company valuation; 5. Don't be penny-wise and pound-foolish by asking for less money than you think you'll need because you think it will help you get the money. It may be better to ask for more up-front than to have to go back to your financial resources when you've run out of cash.

9. Conclusion

The process of Business plan creation requires some skills and a systematic approach or methodology to complete successfully all the steps of the document. In a world where there is a scarcity of financial resources available for investment in risky and riskier ventures, it is essential that the document convince the risk takers that the modern and efficient business has a very high likelihood of succeeding and that your business plan and your management team are a good risk for investors to back. The Essentials presented in this paper together with a review with financial experts will offer a good probability of obtaining financing from Individual Investors, Banks or venture capitalists or Business Angels for your Modern and Efficient Business Venture.

10. Bibliography:

[1] Eric S. Siegel, Brian R. Ford, Jay M. Bornstein (1993), The Ernst & Young Business Plan Guide (New York: John Wiley and Sons).

[2] Bent Flyvbjerg, Mette K. Skamris Holm, and Søren L. Buhl (2002), "Underestimating Costs in Public Works Projects: Error or Lie?" Journal of the American Planning Association, vol. 68, no. 3, 279-295.

[3] Bent Flyvbjerg, Mette K. Skamris Holm, and Søren L. Buhl (2005), "How (In)accurate Are Demand Forecasts in Public Works Projects?" Journal of the American Planning Association, vol. 71, no. 2, 131-146.

[4] Claude Maire, (1992) Le Business-Plan, Construire et utiliser un plan de developpement. Editions d'Organisation, Paris, France.

11. Internet Links (2006):

1) E-Business Plan in Greek on the internet:

Επιχειρηματικό Σχέδιο (Business Plan) και Διαδίκτυο

http://www.go-online.gr/ebusiness/specials/article.html?article_id=185

2) Business plan software and 60 free business plans

<http://www.bplans.com/>

3) USA Small Business Administration

(Programs and services to help you start grow and succeed)

<http://www.sba.gov/smallbusinessplanner/index.html>

4) [Business Plan Center with a Library of Real Business Plans](#)

(Business Plan Software, Samples, and Strategy)

<http://www.businessplans.org/>

5) Business plan from Wikipedia, the free encyclopedia

http://en.wikipedia.org/wiki/Business_plan

6) [Business Plan Archive](#)

An archive of business plans from both successful and unsuccessful businesses.

<http://www.businessplanarchive.org/>

7) Trial & free software & Excel templates for business plan, financial projection plans, cash flow forecasting plus business planning tools, models, samples, etc.

<http://www.planware.org/>

8) Score counselors to America's Small Business

Score offers useful business templates for both entrepreneurs starting businesses and entrepreneurs with ... Business Plan for a Start-up Business

http://www.score.org/template_gallery.html

9) Government of Canada Interactive Business Planner (IBP)

The IBP is the first business planning software product designed specifically to operate on the World Wide Web.

<http://www.cbsc.org/ibp/en/index.cfm>

10) Lisbon Science and Technology Park

Taguspark Business Plan creation internet resources

<http://onli.browser.pt/bp/build.html>

11) UK Government Business Plan Business Link

The essential role that creating and using a business plan plays in starting a successful new business.

<http://www.businesslink.gov.uk/bdotg/action/layer?topicId=1073869162>