Writing a Business Plan

A business plan is critical for the creation or expansion of a rural business. Essentially, the business plan tells how your business will be created (expanded) and why it will be successful.

Although a comprehensive and well thought out business plan is important to the success of your business venture, many people drag their feet when it comes to preparing one. They assert that the market changes too fast for a business plan to be useful. However, you cannot adjust your plan due to a changing market conditions if you don’t have a base plan to start with. Without a plan you will spend your time going from crisis to crisis without looking at the long-run future of your business. The major reason people don’t want to write a business plan is that it is extra work that they don’t find enjoyable. But if you are serious about creating a successful business, you need to be serious about creating a good business plan.

Reasons for Writing a Business Plan

Before you start writing your business plan you need to identify why you are writing it and how to prepare it properly. Below are eight reasons for writing a business plan. Identify which ones are relevant in your situation.

1. **Putting the pieces together** - Until you prepare your business plan, you won’t know if the internal logic of your proposal is consistent. In other words, do the pieces fit together? Writing the business plan will identify holes in your project and force you to think through various aspects of your plan that you previously had not identified.

2. **Creating a blueprint for action** - The business plan provides you with a “blueprint” or “action plan” for creating your business or business expansion. The more specific your business plan, the easier it is to implement the plan and build your business. Think of business planning as a two-stage process.

The first stage is creating the plan and the second is implementing the plan. A great business plan is worthless if it is not properly implemented. This is why it is critical that you are intimately involved in writing the business plan. If you are not involved in writing the business plan, how can you implement it?

3. **Focusing founders/management team** - During this stage of business development, the founders often become weary from the relentless onslaught of issues facing them. The business plan helps to focus their activities and presents issues in an organized manner. It tends to bring structure to a process that may become chaotic.

4. **Obtaining financing** - Business plans are often used to obtain financing from banks or other lenders. In this sense the business plan is a promotional piece to present and describe your business venture, how you will put it together and why it will be successful. The basic premise is to show that you know what you are doing and why your business will be successful.

Look upon lenders as partners. They can point out shortcomings and deficiencies of the plan. Lenders concerns about financing your business should be looked upon as opportunities to strengthen your project and increase its chances of success. However, understand the lenders role in your project. It is not the lender’s responsibility to be the financial manager of your business and make it successful. The lenders purpose is to generate returns for the lending institution while protecting their investment in your business.

5. **Attracting equity investment** - Business plans can be used to attract equity investors to your business. Equity investors in rural businesses are often producers or other local individuals. A business plan forms the basis of the offering presentation to potential investors. Your attorney will use the business plan in the creation of your offering documents.
6. Attracting key managers/employees - An important element of creating a successful business is your ability to attract key managers and employees. These individuals will want to be assured that you know what you are doing and that your business concept is viable. A well designed business plan is essential in this process. If a general manager has already been selected, the business plan should describe why this person is capable of achieving success.

7. Obtaining contracts - The success of many businesses is based on their ability to have commitments or contracts in place from users. However, potential users need to be assured that you can actually deliver on the commitment. Once again, a well designed business plan is essential for these commitments.

8. Creating joint ventures, mergers and acquisitions – Many rural businesses focus on moving up the supply chain to take advantage of profit opportunities closer to the consumer. To achieve this, it is common for businesses to create relationships with existing business in the supply chain through joint ventures, mergers or acquisitions. One of the purposes of this strategy is to take advantage of skills and experience of these businesses. Once again, a well designed business plan is essential for creating these relationships.

How to Write the Plan
The business plan should be written in plain, easy-to-read language. Use short simple sentences and easy to understand terms. Avoid jargon and terms that are unfamiliar to people outside of your industry. Determine what you want to cover in your business plan and make headings for each of the items. Begin each major section on a new page with the appropriate title (e.g. Marketing Plan). Make sure your business plan covers all of the relevant topics. To help you organize your business plan use Information File C5-69, Create Your Own Business Plan.

Fine tune your business plan. It is extremely rare to achieve the finished version of a plan in the first draft. It may need to be re-written several times. So, review, revise and rewrite.

The purpose of rewriting the plan is to fill in gaps, solidify the logic and make the plan easier to understand by the reader. It is not to add extraneous materials. So if you find the length of the plan expanding greatly after each rewrite, your efforts are probably counterproductive. At some point in time you need to declare the plan finished – for now – remembering that the plan will need to be updated as conditions change.

The business plan is a promotional document. So, in addition to your own purposes, consider the viewpoint of others you are writing the plan for (banker, investor, customer, etc.). The business plan may be used as a sales document. The content and quality of the plan should be representative of your company. Represent your company’s image and convince the reader you understand all aspects of the business.

Be honest. Do not be overly optimistic or try to hide limitations or weaknesses. Be sure to support the goals and the claims you make in the business plan. Include supporting evidence. This includes statistics, studies and other research support.

It is usually a good idea to have someone proofread your business plan who is not involved in the project. He/she can help you identify aspects of your business plan that may need additional clarification and explanation.

Proofread your plan for the following:
- Poor organization
- Vague statements
- Errors in logic
- Gaps in the plan
- Repetitive statements
- Inconsistency
- Misspelled words
- Poor grammar
- Incomplete sentences
- Mathematical errors
Questions to Answer in Writing the Plan

There are certain elements that are critical for a business plan. Below are ten questions your business plan should answer. The quality of your business plan will depend on how well you can answer them. You can use these as a “checklist” of the completeness of your plan.

1. Who are we?
2. What do we do?
3. What do we have to offer?
4. Why will someone pay for our product/service?
5. What resources do we have?
6. Why will we be successful?
7. Why would someone participate/invest?
8. How will we measure performance?

Who Should Write the Plan

Involvement in creating the business plan is critical. Although it is common and often preferable to have someone help you write the business plan, the founders are ultimately responsible for creating the ideas and content of the business plan. Stated simply, if you are not intimately involved in writing the business plan, you will not know what it contains. If you don’t know what the business plan contains, how can you implement the plan? If you cannot implement the plan, how can you create a successful business?

So, the primary responsibility for writing the business plan is with you, the founders. You can hire someone (consultant) to help prepare the plan. He/she can challenge and question assumptions and conclusions. But you are responsible for the content of the plan. The role of consultants or professional writers is only to assist you in this important process.

Place one person in charge of preparing the plan. You may divide the responsibility of preparing and/or writing various sections of the plan among the founders, or you may hire a consultant to assist you in preparing the plan. However, one person needs to be responsible for moving the process forward and integrating the various sections.

It is often a wise investment to hire a consultant to review a draft of the plan. Having an outsider review the plan, especially someone who knows the industry and is familiar with writing business plans, can be invaluable in pointing out deficiencies and shortcomings of the plan. Finding and correcting these deficiencies can greatly improve your odds of business success.

How Long Should it Be

Focus on the quality of your business plan, not its length. The length of the business plan should be the shortest version needed to adequately cover the topic. The business plan should properly and succinctly tell your story. Does it address the relevant issues? Anything more is not a sign of depth or completeness. Rather, it will dissuade people from reading the plan because of its length. Remember, focus on content -- not length.

How is Your Business Unique

Rural agriculture includes many types of businesses. Businesses range from a few producers marketing products directly to local consumers to large-scale integrated processing/manufacturing businesses. So, a business plan is a unique document. The actual content of the business plan will vary depending on the nature and complexity of the business, the stage of development and the type of financing needed. Likewise, the individuals whom you are writing the business plan for can vary substantially.

The plan must fit the needs of the business. For example, the marketing needs of a commodity processing business like ethanol are much different than those of a niche food business. The financial needs of a processing business are much greater than those of a direct marketing business. So the focus on investors and lenders is much greater. In addition, the need for risk management strategies is much greater due to the capital intensive nature of the business and the volatility of commodity markets. Conversely, the management needs of both types of businesses are substantial, although of a different type.
Because your business is unique, the role of developing a strategy to achieve success is important. Answer the three strategic planning questions:

1. Where are we now?
2. Where do we want to be?
3. How do we get there?

Although all three questions are relevant, business planning essentially answers the question of “how do we get there?”.

Who are the Readers of Your Plan

In addition to the type of business you are starting, your plan needs to be tailored to the reader of your plan. Most businesses have several types of stakeholders. A stakeholder is someone who has a stake or interest in the outcome of the business. In addition to the business founders, stakeholders include equity investors, bankers, key employees and others. Different stakeholders have different priorities. These priorities need to be balanced in the business plan.

Implementing the Business Plan

Preparing a business plan is only one step in creating a viable business. Writing a great business plan is meaningless unless you properly implement the plan. Many start-up business ventures fail because they do not focus their efforts on properly implementing the plan. Essentially this is a plan for implementing the plan. A portion of the business plan should focus on the steps required to implement the plan. It should include a timeline and milestones for when various aspect of the plan are accomplished.

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<thead>
<tr>
<th>Stakeholder</th>
<th>Issues to emphasize</th>
<th>Issues to deemphasize</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banker</td>
<td>Cash-flow, assets, solid growth</td>
<td>Fast growth, hot market</td>
</tr>
<tr>
<td>Investor</td>
<td>Fast growth, potential</td>
<td>Assets, large market, management team</td>
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<tr>
<td>Strategic Partner</td>
<td>Synergy, proprietary</td>
<td>Sales force, assets, products</td>
</tr>
<tr>
<td>Large customers</td>
<td>Stability, service</td>
<td>Fast growth, hot market</td>
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<tr>
<td>Key employees</td>
<td>Security, opportunity</td>
<td>Technology</td>
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<tr>
<td>Merger &amp; acquisition specialist</td>
<td>Past accomplishments</td>
<td>Future outlook</td>
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... and justice for all

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