

Every business needs to have a written business plan, whether creating or expanding a business. Formulating a business plan should be one of the first things done when **starting a new business**, because the primary goal of most business plans is to raise outside-investor capital. The business plan is the tool to convince others their investment is worthy.

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. 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.

A business plan is not the same thing as a feasibility study. The feasibility study determines whether the idea/project of a good or service is viable. The business plan is formalized, after the business opportunity is created. A feasibility study includes financial analysis, while the business plan focuses more on implementing well-thought out tactics and strategies. See *Information File C5-69, [Create Your Own Business Plan](#)*, for a business plan outline and template, www.extension.iastate.edu/agdm/wholefarm/pdf/c5-69.pdf.

Reasons for Writing a Business Plan

Before you start writing your business plan, determine the purpose of your plan. That means 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 - Determine the purpose of your plan. 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 lead you to well-researched and insightful answers ahead of time to identify holes in your project and force you to critically think through various aspects of your plan that you previously had not identified. Building a business plan allows you to proactively determine the most tangible answers to some of the most critical business decisions. Think of the business plan like a substitute teacher, ready to answer questions anytime there's an absence (because odds-are you won't make every decision yourself).

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. Without a business plan, objectives often become arbitrary, while business planning tends to make benchmarks more intentional and consequential.

Business planning is a 2-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 and organization to a process that may become chaotic.

Many small businesses employ contractors or freelance professionals, e.g. accounting, marketing,

legal assistance, etc. With a business plan in place, the pertinent sections can get to the right support staff, while keeping everyone on the same page.

Writing a business plan can go a long way in better understanding the competition and the market by more broadly illuminating consumer trends and preferences, potential disruptions, or other pitfalls that aren't plainly visible.

4. Obtaining financing - Business plans are often used to obtain financing from venture capitalists and banks. These capital sources will likely need a business plan and many times business plans are the most-effective way of proving business viability. 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. Lender 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 lender's purpose is to generate returns for the lending institution while protecting their investment in your business.

Business plans can be used to attract equity investors to your business. A business plan forms the basis of the offering presentation to potential investors. The business plan is the tool you'll use to convince people that working with you (investing in your company) is a smart choice. Your attorney will use the business plan in the creation of your offering documents.

5. Attracting key managers and 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.

6. Obtaining contracts - Entrepreneurship is a risky business. That risk becomes more manageable once tested against a well-crafted business plan. 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.

7. Creating joint ventures, mergers and acquisitions - Create a company profile, including history of the organization, your product or service offerings, target market and audience, what makes your business unique, etc. These profiles, found best in the first written parts of your plan, can be used to attract customers and talent.

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.

8. Avoiding the big mistake - About half of small businesses are not around to see their 5th anniversary. While there are many reasons for failure many of the most common are purposefully addressed in business plans: no market need; lack of capital; inadequate managerial team; stiff competition; or pricing.

Research, research, research! Consider spending twice as much time researching, evaluating and thinking as actually spent writing the plan.

How to Write the Plan

Business plans help to run your business, determined viable from the feasibility study! A good plan guides you through each stage of starting and managing. 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.

There is no right or wrong way to writing a business plan. What is important is picking the format where the plan meets your needs. 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](http://www.extension.iastate.edu/agdm/wholefarm/html/c5-69.html), www.extension.iastate.edu/agdm/wholefarm/html/c5-69.html.

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.

A great business plan will always have a strategic and aggressive marketing plan, including marketing objectives like:

- Introducing new products
- Extending or regaining market for existing products
- Entering new territories
- Boosting sales in a particular product, market or price range
- Cross-selling or bundling
- Entering into long-term contracts with desirable clients
- Raising prices
- Refining a product
- Having a content marketing strategy
- Enhancing manufacturing or product delivery

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 eight 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 or 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, it is essential the business plan answers the question “how do we get there?”.

Who are the Readers of Your Plan

Make your business plan adaptable based upon your audience. Although this is a diverse group, it is a finite one. Strive for versions directed at a particular audience, by including the specific reader’s interest (lender, supplier, etc.).

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.

Table 1 shows issues to emphasize or deemphasize depending on whom the plan is written for.

For example, bankers are usually looking for cash-flow while investors may be looking for growth. This is not to say that the content and direction of the business plan should be altered. However, it does mean that the focus of the plan may shift.

This means that you may have more than one version of the business plan. This works well, as long as the same story is told - just with different emphasis.

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.

Visit the [Ag Decision Maker website](http://www.extension.iastate.edu/agdm/vdstart.html), for more information on new business development, www.extension.iastate.edu/agdm/vdstart.html.

Table 1. Business Plan Targeting Summary*

Stakeholder	Issues to emphasize	Issues to deemphasize
Banker	Cash-flow, assets, solid growth	Fast growth, hot market
Investor	Fast growth, potential	Assets, large market, management team
Strategic Partner	Synergy, proprietary	Sales force, assets, products
Large customers	Stability, service	Fast growth, hot market
Key employees	Security, opportunity	Technology
Merger & acquisition specialist	Past accomplishments	Future outlook

* *Portable MBA for Entrepreneurship, William D. Bygrave, John Wiley and Son, Inc., 1994*

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