

## THE ENTREPRENEUR AND THE BUSINESS PLAN

Creating a business plan is essential for an entrepreneur. The primary value of this exercise is to have a written outline of the essential aspects of the business, which provides a baseline for evaluating its economic viability. Although it is a crucial step in any venture, it is often overlooked. Failure to create a business plan could significantly impact the ability of the entrepreneur to succeed in the short or long term, as well as make it difficult to finance the operation.



A business plan could range from a one-page outline to a comprehensive document that includes a market analysis and financial projections. It was reported that the initial business plan for Southwest Airlines was scribbled on the back of a napkin; however, it is more likely that the entrepreneur will take the time and effort to develop a more comprehensive plan that would interest an investor in his vision for the prospective business.

The business plan should outline the objectives of the company, which is essential for a critical analysis of its viability. It will become a pitch deck or selling tool for dealing with current and future business relationships, including lenders, investors, and vendors. When launching a new venture, the entrepreneur will likely want (and need) to seek advice from industry experts and consultants. Taking the time to outline a vision and operational framework

for the business may expose weaknesses in the planning process, which could impact the timeline for launching the business. The business plan will serve as a necessary tool to accelerate the process, save time and avoid delays.

The primary components of a business plan are as follows:

- **Executive Summary:** What is the objective of your venture?
- **Mission Statement:** What is your company's purpose? The mission statement is an enduring reminder of the scope of operations and the reason for creating the product or offering of the service. Whereas vision statements are forward-thinking and describe your company's "why," mission statements describe the "who" and "what" of your business.
- **Vision Statement:** What is your company's key purpose and long-term goals? A vision statement should be a realistic and credible projection of the company's future.
- **Core Values:** What are your core principles and ideals? Core values describe what the company stands for and serves as a guide for decision making, which binds the company to the corporate culture that was envisioned by the founders.

- **Management Team:** Who is leading your company? Investors and lenders will scrutinize the management team; therefore, it is critical that the business plan identifies a strong management team and outlines the scope of services and responsibilities for each member.
- **Business Profile:** What are the most important points about your company? Consider the company overview like an introduction or elevator pitch for your business.
- **Target Market:** Who have you identified as the most likely customers of your products and/or services? How will you reach them and build the good required for repeat business?
- **Form of Organization:** What type of entity will be used to launch the business and why?
- **Products and Services:** What types of products and/or services will be sold?
- **Risk Analysis:** What are the risks for both your company and in the industry(ies) in which it operates? How will the company defend itself against the risks that it may face?
- **Use of Funds:** How will you fund the launch and growth of the business? If the entrepreneur intends to raise capital, prospective investors will want to understand how the investments will be used to further the business enterprise and earn a return on their investment.
- **Marketing Strategy:** How will you sell your products and/or services? A marketing strategy typically answers the “4 Ps: Product, Promotion, Price, and Place,.” It also includes a “SWOT” Analysis, which evaluates the company’s strengths and weaknesses vs. its competitors, along with opportunities and threats.
- **Employee Development:** How will the company recruit and train employees and what is the succession plan?

### Key Considerations

To start the process of drafting a business plan, the entrepreneur will outline the basic business concept, which should always be followed by current research and data that proves the concept. The old standard approach of “what,” “where,” “why,” “how,” “when,” and “who” is a good approach to starting the exercise. The plan should be in a form that will provide insight into the business model and become a tool for dealing with future business relationships.

In drafting a business plan, it will be beneficial to use short term goals and objectives that can be modified as the business expands. Business models typically evolve over time. If the projections are long term, they may not paint a realistic picture of outcomes that may be delayed or made impossible due to unanticipated circumstances that were beyond control.

The business plan should also be conservative in predicting revenue and capital requirements. It is rare that a plan directly aligns with the realities of how much funding is actually required to launch and grow a business. The entrepreneur should also be realistic about the strategies that will need to be implemented should the business confront adversity during the initial stages. Entrepreneurs cannot rely solely on the uniqueness of their idea or inventions as the basis for the business strategy. The company’s management team, economics, vision and passion will be the persuading factors for the investor or lender.

After a concept has been developed, the most important task for the entrepreneur is to test market the product or service before taking the next step. The entrepreneur must accept the fact that although he or she may believe they have developed the next best thing, many have failed before they have found the right product or service. The success factor lies in the economics vs. the invention or the actual product.

Conducting an analysis to assess the current facts and risks relating to the business, as well as those that may be confronted, is extremely valuable. The SWOT analysis will help identify critical issues and priorities before, during and after the initial launch.

For a business to succeed - even with an incredible business plan - a capable management team with strong values and skills must be committed to lead the company. Having a well-rounded team in place with technical, financial and accounting skills is often overlooked in the beginning. In fact, it's just as important to have those skills when launching the businesses as when the product or service begins generating revenue. Another key component of an effective business plan is to establish goals, strategies and tactics coupled with metrics for measuring success or failure. Finally, the entrepreneur will need assign roles and responsibilities for accomplishing each task and identify ways it will measure accountability and results.

### Summary

As Benjamin Franklin once said, "If you fail to plan, you are planning to fail." A comprehensive business plan is a necessary and strategic tool for entrepreneurs. It will not only help the entrepreneur focus on the specific steps necessary to see their idea to fruition, but it is critical for attracting investors and securing funding, and will better position the entrepreneur to achieve their short and long term objectives.

For further information on establishing a business and creating a business plan, please contact PLDO Managing Principal Gary R. Pannone at 401-824-5100 or email [gpannone@pldolaw.com](mailto:gpannone@pldolaw.com).



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