



How to Build a Winning Business Plan

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“If you don’t know where you’re going, any road will get you there.”

Most Los Angeles and Southern California business owners and entrepreneurs have heard this saying before. And while it may be an “old saying,” it holds true in many areas of life, including business planning. A coherent and cohesive business plan will provide a roadmap that lays out the direction for where you would like for your business to go in the future.

Unfortunately, many business owners and entrepreneurs try to lead and guide their companies based on their gut instincts, or by making spontaneous (and often not well-thought-out) decisions based on ever-changing market conditions. Doing so is the entrepreneurial equivalent of taking a road trip without a map or GPS system and just hoping you end up at your final destination.

What Your Business Plan Should Include

If you do an Internet search for “writing a business plan,” you will get about 178 million results (Google it and see for yourself). So there are obviously many different approaches to how to go about creating and writing your business plan. But any solid business plan should include at least the following seven elements:

1. An Executive Summary — This provides a brief introduction and overview of the entire plan, highlighting the significant parts of the plan. The executive summary should grab readers’ attention and set their expectations for the rest of the document.

The executive summary is relatively short — usually no more than one or two pages — but it could be the most important section of your business plan, especially if you hope to use your plan to raise funding. This is because if you don’t capture the attention and interest of lenders and investors with a compelling executive summary, they probably won’t even read the rest of the plan. While the executive summary will lead your business plan, it’s usually a good idea to write it last, after the rest of the plan has been written.

2. A Mission Statement — Write one or two simple sentences that define the company’s reason for existence. This will not only help outsiders understand your motivations for starting and growing the business, but it will also serve as a touchstone for your employees and how they do their jobs. Not having a mission statement tells others that you are not really sure of your focus or the future of your enterprise.

3. The Company’s History — Briefly describe how the business was formed and how it got to where it is now. Also describe the products and/or services your business offers and your competitive advantages — or your unique selling proposition, or USP — over similar businesses. Not including a company history will leave others with questions about why they should want to work with you or invest in your business.

4. A Market Analysis — This should provide a detailed description of your industry and your target markets. For example, who are your clients and how do you serve them? Be as specific as you can in

describing your ideal customer. Also describe your current competitors and specifically how you compete with them, as well as your future competition and the hurdles or barriers to entry to your industry.

The market analysis is what others will use to evaluate how your business stacks up against your competition and what your future might be. Failure to include this in your business plan will cause readers to assume that you don't have an understanding of your business' strengths and weaknesses. You need to be honest and straightforward about both. And if you're looking for funding, you need to explain how the money will be used to address your weaknesses and shore up your strengths.

5. A Marketing Plan — This should explain what you're doing (and plan to do in the future) to promote your company to prospects and customers. Include a marketing budget that details specifically how sales and marketing funds will be used and what the anticipated results are. Lenders and investors, in particular, will want to know that your marketing dollars are going to be used efficiently and appropriately.

6. A Personnel Plan — Your personnel or staffing plan should include all the details pertaining to each paid staff position in your company — who the employees are, when they were hired, how much they are being paid, and why the position is critical to the company. Also detail your anticipated future staffing needs, including your projected future staffing budget. Include an employee organizational chart to make it easy for readers to see your chain of command. Most importantly, include a detailed description of the backgrounds of your management team, as these are the people who will make the plan succeed.

7. A Financial Plan — A financial package for a basic business plan should include balance sheets, income statements and cash flow statements for the past three years and projected (or pro forma) statements for the next three years. These are the “meat and potatoes” of your business plan — expect them to be pored over by readers, especially potential lenders and investors.

It's important to be realistic when making financial projections, because you can't fool sophisticated readers with pie-in-the-sky numbers. Lenders and investors will perform due diligence on your financials to determine whether or not your numbers are too optimistic. Without financial statements and projections, no lender or investor is going to provide funding for your business.

Concluding Thoughts

Many business owners try to lead their companies based on their gut instincts, or by making spontaneous decisions based on ever-changing market conditions. A better approach is to build a coherent and cohesive business plan. While there are many different approaches to writing your business plan, any solid business plan should include certain elements. An outsourced CFO services provider can help you write a winning business plan that will provide a roadmap that lays out the direction for where you'd like for your business to go in the future.

About CFO Edge

CFO Edge, LLC delivers enterprise-class financial and operational performance solutions to executives throughout Southern California. Based in Los Angeles, our formerly-seated chief financial officers engage on demand as part-time CFOs, single-project CFOs, and interim CFOs to help business leaders successfully resolve pressing challenges and realize their financial and operational goals. At CFO Edge, we're passionate about helping our clients create, grow and sustain value. For more information, visit www.cfoedge.com or call 800.276.1750 Ext 101.

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