

# **Business Plan Outline**

Thinking of writing a business plan? Here is a business plan outline, listing the sections of the business plan in the order in which they will appear in your completed business plan with a brief explanation of each section to help you get organized and guide you through the writing a business plan process.

## **The Executive Summary**

While appearing first, this section of the business plan is written last. It summarizes the key elements of the entire business plan.

## **The Industry**

An overview of the industry sector that your business will be a part of, including industry trends, major players in the industry, and estimated industry sales. This section of the business plan will also include a summary of your business's place within the industry.

## **Market Analysis**

An examination of the primary target market for your product or service, including geographic location, demographics, your target market's needs and how these needs are being met currently.

## **Competitive Analysis**

An investigation of your direct and indirect competitors, with an assessment of their competitive advantage and an analysis of how you will overcome any entry barriers to your chosen market.

## **Marketing Plan**

A detailed explanation of your sales strategy, pricing plan, proposed advertising and promotion activities, and product or service's benefits.

## **Management Plan**

An outline of your business's legal structure and management resources, including your internal management team, external management resources, and human resources needs.

## **Operating Plan**

A description of your business's physical location, facilities and equipment, kinds of employees needed, inventory requirements and suppliers, and any other applicable operating details, such as a description of the manufacturing process.

## Financial Plan

A description of your funding requirements, your detailed financial statements, and a financial statement analysis.

## **Executive Summary**

### **Definition:**

An **executive summary** is an overview. The purpose of an executive summary is to summarize the key points of a document for its readers, saving them time and preparing them for the upcoming content.

Think of the executive summary as an advance organizer for the reader. Above all else, an executive summary has to be clear and concise.

In business, the most common use of an executive summary is as part of a business plan. The executive summary in a business plan serves the same purposes as an executive summary in any other document and one more – in a business plan, an executive summary also has to entice the reader to read the rest of the business plan.

For this reason, the executive summary is often called the most important part of the business plan. If it doesn't do what it's supposed to do, the business plan will be set aside unread.

## **Writing the Executive Summary of the Business Plan**

While the business plan's [executive summary](#) is the first thing the readers of your business plan see, it should be the last part of the business plan you write.

The purpose of the executive summary of the business plan is to provide your readers with an overview of the business plan. Think of it as an introduction to your business. Therefore, your business plan's executive summary will include summaries of:

- a description of your company, including your products and/or services
- your mission statement
- your business's management
- the market and your customer
- marketing and sales
- your competition
- your business's operations
- financial projections and plans

The executive summary will end with a summary statement, a “last kick at the can” sentence or two designed to persuade the readers of your business plan that your business is a winner.

## How to write an Executive Summary

To write the executive summary of the business plan, start by following the list above and writing one to three sentences about each topic. (No more!)

If you have trouble crafting these summary sentences from scratch, review your business plan to get you going. In fact, one approach to writing the executive summary of the business plan is to take a summary sentence or two from each of the business plan sections you've already written. (If you compare the list above to the sections outlined in the [Business Plan Outline](#), you'll see that this could work very well.)

Then finish your business plan's executive summary with a clinching closing sentence or two that answers the reader's question "Why is this a winning business?"

For example, a business plan's executive summary for a pet-sitting business might conclude: "The loving on-site professional care that Pet Grandma will provide is sure to appeal to both cat and dog owners throughout the West Vancouver area."

## Tips for Writing the Business Plan's Executive Summary

- Focus on providing a summary. The business plan itself will provide the details and whether bank managers or investors, the readers of your business plan don't want to have their time wasted.
- Keep your language strong and positive. Don't weaken the executive summary of your business plan with weak language. Instead of writing, "Dogstar Industries might be in an excellent position to win government contracts", write "Dogstar Industries will be in an excellent position..."
- The executive summary should be no more than two pages long. Resist the temptation to pad your business plan's executive summary with details (or pleas). The job of the executive summary is to present the facts and entice your reader to read the rest of the business plan, not tell him everything.
- Polish your executive summary. Read it aloud. Does it flow or does it sound choppy? Is it clear and succinct? Once it sounds good to you, have someone else who knows nothing about your business read it and make suggestions for improvement.
- Tailor the executive summary of your business plan to your audience. If the purpose of your business plan is to entice investors, for instance, your executive summary should focus on the opportunity your business provides investors and why the opportunity is special.
- Put yourself in your readers' place... and read your executive summary again. Does this executive summary generate interest or excitement in the reader? If not, why?

Remember, the executive summary of the business plan will be the first thing the readers of the business plan read. If your business plan's executive summary is poorly written, it will also be the last, as they set the rest of your business plan aside unread!

## The Industry

When writing a business plan, the Industry section is best organized as two parts: an overview of the industry and a summary of your business' position within the industry.

Before writing this section of the business plan, use these questions to focus your research:

### Writing a Business Plan: Industry Overview

What is the size of your industry?

What sectors does this industry include?

Who are the major players in this industry?

What are the markets and customers for this industry?

What are the industry's estimated sales this year? Last year? The year before?

What national/economic trends have affected this industry and how?

What national/economic trends might affect it in the future and how?

What is the long-term outlook for this industry?

### Writing a Business Plan: Position in the Industry

What products or services will your business be selling?

What is your Unique Selling Proposition ? (What is it about your business that makes it unique and sets it apart from competitors?)

What are the barriers to entry in your industry?

How will you overcome these barriers?

Who are your competitors?

What is the market share of your competitors?

What is your business' competitive advantage (i.e. your market niche or estimated market share)?

What is your target market?

How are you protecting your product or process (i.e. patents, copyrights, trademarks, franchise rights that you either hold or plan to acquire)?

### **How to Write a Business Plan: The Industry Section**

Once you have all this information, you'll write this section of the business plan in the form of several short paragraphs. (Remember, each of these paragraphs is a summary, not a detailed point-by-point explanation.) Use appropriate headings for each paragraph. (See the sidebar for a business plan sample of this section of the business plan, from the Royal Bank.)

But where do you find the information that you need for writing the Industry Overview section of your business plan? Page 2 of this article provides some Canadian resources to make your task easier and some tips for conducting business plan research.

When you're writing a business plan and looking for information on Canadian industries, Industry Canada is your logical first stop. Their [Business Information By Sector](#) offers the ability to search by alphabet, industrial sector, or Trade Team Canada sector and includes a link to Technology Roadmaps.

Also on the Industry Canada site is this compilation of [Economic Analysis And Statistics](#), which includes links to more Industry and Trade Statistics.

Another primary source for industry and economic information that you can easily access online when you're writing a business plan is [Statistics Canada](#). From this home page you can find a wealth of free statistical information; on their [services page](#), you'll find listing of both free Internet publications and publications for sale.

There are also provincial offices of statistics where you'll be able to find more economic, social, and demographic statistics relating to your industry and the business environment. Here, courtesy of Statistics Canada, is a list of [Provincial and territorial statistics offices](#).

An excellent secondary source for economic information is Canadian Economy Online, a website also run by the Government of Canada. Their [About Business](#) page lists research resources by topic, source, and link, which makes it very easy to use.

The Canada Business Service Centres located in each province also offer excellent collections of resources online, and telephone and email information services. You'll find a list of links to the Canada Business Service Centre in each province in my [Provincial Programs and Services Resources](#).

The business sections of national newspapers and business magazines will also be helpful; these often carry features on past and future business trends.

And don't forget your local sources of business information when you're researching your business plan, such as your Economic Development Centre, Chamber of Commerce, or Women's Enterprise Centre, or the business section of the local library.

### How to Write a Business Plan: Doing Business Plan Research

If your business is related to manufacturing, when you're writing a business plan begin by determining the North American Industry Classification System ([NAICS](#)) of your particular industry, and the sector and sub-sector if applicable. This will make it easier for you to find statistical information relating to your industry. If your business is a service, begin with Industry Canada's [service industry profiles](#).

Refer to the list of questions on the previous page of this article on how to write a business plan as a research guide. Whenever you find a piece of information that you want:

- a) check its date and determine whether or not the information is current enough to be valid;
- b) write down the date and source of the information, as you'll need to cite your information sources in the business plan.

When you're writing a business plan, you want your research information to be as up-to-date as possible. After all, there's no point in starting a business if you don't want it to succeed.

## Market Analysis

When writing a business plan, the focus of the Market Analysis section is a thorough examination of your target market, those people that you intend to sell your products or services to.

The first step is to define your target market. Even if you intend on selling a service only in your own town, you're not selling that service to everyone who lives there. You need to know exactly what the people who might be interested in buying your product or service are like, and how many of them there are.

Then you need to make some projections about them, in terms of how much of your products or service they might buy, and how they might be affected by trends and policies.

As always when you're writing a business plan, research is the key. Before writing the Market Analysis section of the business plan, use these general questions to start your research:

### Target Market

How old are they?

What gender are they?

Where do they live?

What is their family structure (number of children, extended family, etc.)?

What is their income?

What do they do for a living?

What is their lifestyle like?

How do they like to spend their spare time?

What motivates them?

What is the size of your target market?

But don't stop here. To define your target market, you need to ask the specific questions that are directly related to your products or services. For instance, if you plan to sell computer-related services, you need to know things such as how many computers your prospective customer owns. If you plan on selling garden furniture and accessories, you need to know what kinds of garden furniture or accessories your potential customers have bought in the past, and how often.

### **Projections About The Target Market**

What proportion of your target market has used a product similar to yours before?

How much of your product or service might your target market buy? (Estimate this in gross sales and/or in units of product/service sold.)

What proportion of your target market might be repeat customers?

How might your target market be affected by demographic shifts?

How might your target market be affected by economic events (e.g. a local mill closing or a big-box retailer opening locally)?

How might your target market be affected by larger socioeconomic trends?

How might your target market be affected by government policies (e.g. new bylaws or changes in taxes)?

### **Writing The Market Analysis Section Of The Business Plan**

Once you have all this information, you'll write the Market Analysis in the form of several short paragraphs. Use appropriate headings for each paragraph. If you have several target markets, you

may want to number each. (See the sidebar for a sample of this section of the business plan, from the Royal Bank.)

Remember to properly cite your sources of information within the body of your Market Analysis as you write it. You and other readers of your business plan will need to know the sources of the statistics or opinions that you've gathered from others.

On the next page are tips and suggestions for researching the market analysis section of the business plan, including sources for Canadian information.

When you're researching the Market Analysis section of the business plan, Statistics Canada is an excellent place to start. Their [Community Profiles](#) offer free information about all Canadian communities. Here you'll find information such as Earnings and Work statistics, conveniently presented for easy comparison between the community and the province it's located in.

You may also want to take a look at Statistic Canada's [Studies](#) section; you might find one that's relevant to your market research.

In [Conducting Business Plan Research For The Industry Overview](#), I wrote about several other excellent online sources of information for researching the business plan, such as provincial and territorial statistics offices and Canadian Economy Online, which may also be useful when you're researching the Market Analysis.

GDSourcing Research & Retrieval's [Canadian Market Resources](#) is a must-visit page when you're researching online; it lists free and low-cost sources of demographic and psychographic data geared to small businesses.

But there are also a great many local resources for information about your target market that you'll want to explore. Besides the local library, the local Chamber of Commerce, Board of Trade, City Hall, Economic Development Centre, local government agent's office, provincial business ministry, local phone book and yellow pages will all have information that will help you define your target market and provide insights into trends.

These are all secondary sources of information (Others have conducted the research and compiled the information.) You may also want to conduct your own market research (use primary data). For instance, you might want to design a questionnaire and survey your target market to learn more about their habits and preferences relating to your product or service. My article, [Guide To Do-It-Yourself Market Research](#), explains the basics of market research and gives tips for sampling and accessing your target market.

Does all this sound time-consuming? It is. But it needs to be done if your business plan is going to have any validity. You can have the most fantastic product or service in the world, but if no one's interested in buying it, it will just gather dust. If you don't have the time or the research skills to thoroughly define your target market yourself, hiring a person or firm to do the market research for you can be a wise investment.



# Competitive Analysis

The competitive analysis section can be the most difficult section to compile when writing a business plan. Before you can analyze your competitors, you have to investigate them.

The first step of preparing your competitive analysis is to determine who your competitors are. This isn't the hard part. If you're planning to start a small business that's going to operate locally, you can identify your competitors just by driving around or looking in the local phone book. The main question for you will be one of range; if your business plan is centred around the idea of opening a bakery, how far will customers be willing to drive to get fresh buns or bread?

However, it may be that your local business will have also have non-local competitors. If I'm selling office supplies, for instance, I may also have to compete with big-box retailers within a driving distance of several hours, mail order companies, and companies that offer office supplies online. You want to make sure that you identify all your possible competitors at this stage.

Secondly, you need to gather the information about your competition that you need for the competitive analysis. This can be the hard part. While you can always approach your competitors directly, they may or may not be willing to tell you what you need to know to put together this section of your business plan.

You need to know:

What markets or market segments your competitors serve;

What benefits your competition offers;

Why customers buy from them;

And as much as possible about their products and/or services, pricing, and promotion.

## **Gathering Information On Competitors**

A visit is still the most obvious starting point - either to the bricks and mortar store, or to the company's Web site. You can learn a lot about your competitor's products and services, pricing, and even promotion strategies by visiting their business site, and may even be able to deduce quite a bit about the benefits your competitor offers. Go there, once or several times, and look around. Watch how customers are treated. Check out the prices. You can also learn a fair bit about your competitors from talking to their customers and/or clients - if you know who they are. With a bricks and mortar local competitor, you might be able to find out about the reasons customers buy from them by canvassing friends and acquaintances locally.

Other good "live" sources of information about competitors include a company's vendors or suppliers, and a company's employees. They may or may not be willing to talk to you, but it's worth seeking them out and asking.

And watch for trade shows that your competitors may be attending. Businesses are there to disseminate information about and sell their products or services; attending and visiting their booths may be an excellent way to find out about your competitors.

You'll also want to search for the publicly available information about your competitors. Newspapers, magazines, and online publications may all have information about the company you're investigating for your competitive analysis. Press releases may be particularly useful.

Once you've compiled the information about your competitors, you're ready to analyze it. Tips and instructions for analyzing the competition are on the following page.

### **Analyzing The Competition**

The competitive analysis section of the business plan is not just a list of information about your competitors. It's the analysis of the information that's important.

Study the information you've gathered about each of your competitors and ask yourself this primary question:

How are you going to compete with that company?

For many small businesses, the key to competing successfully is to identify a [market niche](#) where they can capture a specific target market whose needs are not being met.

Is there a particular segment of the market that your competition has overlooked? For example, if you hope to start a book store, and your competitor sells all kinds of books to all kinds of people, might you be able to specialize in children's books, or educational books and supplies?

Is there a service that customers or clients want that your competitor does not supply? What if you want to start a business offering computer repairs and you discover that none of the other computer repair businesses in town offer home service? Computer owners may have a desire for in-home repair services that you could meet.

The goal of your competitive analysis is to identify and expand upon your competitive advantage - the benefits that your proposed business can offer the customer or client that your competition can't or won't supply.

### **Writing The Competitive Analysis Section**

When you're writing the business plan, you'll write the competitive analysis section in the form of several paragraphs. You may wish to give each paragraph a separate heading.

The first paragraph will outline the competitive environment, telling your readers who your proposed business' competitors are, how much of the market they control, and any other relevant details about the competition.

The second and following paragraphs will detail your competitive advantage, explaining why and how your company will be able to compete with these competitors and establish yourself as a successful business.

Remember; you don't have to go into exhaustive detail here, but you do need to persuade the reader of your business plan that you are knowledgeable about the competition and that you have a clear, definitive plan that will enable your new business to successfully compete.

## Marketing Plan

When writing the business plan, the Marketing Plan section explains how you're going to get your customers to buy your products and/or services. The marketing plan, then, will include sections detailing your:

- Products and/or Services and your Unique Selling Proposition
- Pricing Strategy
- Sales/Distribution Plan
- Advertising and Promotions Plan

The easiest way to develop your marketing plan is to work through each of these sections, referring to the market research you completed when you were writing the previous sections of the business plan.

(Note that if you are developing a marketing plan on its own, rather than as part of a business plan, the marketing plan will also need to include a Target Market and a Competitive Analysis section. You can find out how to do these sections of the marketing plan in ["Writing The Market Analysis Section of The Business Plan"](#) and ["Writing The Competitive Analysis Section"](#).)

### **Products and/or Services**

This part of the marketing plan focuses on the uniqueness of your product or service, and how the customer will benefit from using the products or services you're offering. Use these questions to write a paragraph summarizing these aspects for your marketing plan:

What are the features of your product or service?

Describe the physical attributes of your product or service, and any other relevant features, such as what it does, or how your product or service differs from competitive products or services.

How will your product or service benefit the customer?

Remember that benefits can be intangible as well as tangible; for instance, if you're selling a cleaning product, your customers will benefit by having a cleaner house, but they may also benefit by enjoying better health. Brainstorm as many benefits as possible to begin with, and then choose to emphasize the benefits that your targeted customers will most appreciate in your marketing plan.

What is it that sets your product or service apart from all the rest? In other words, what is your Unique Selling Proposition, the message you want your customers to receive about your product or service that is the heart of your marketing plan? The marketing plan is all about communicating this central message to your customers.

Continue onto page 2 to learn how to set a pricing strategy for your products or services.

### **Pricing Strategy**

The pricing strategy portion of the marketing plan involves determining how you will price your product or service; the price you charge has to be competitive but still allow you to make a reasonable profit.

The keyword here is "reasonable"; you can charge any price you want to, but for every product or service there's a limit to how much the consumer is willing to pay. Your pricing strategy needs to take this consumer threshold into account.

The most common question small business people have about the pricing strategy section of the marketing plan is, "How do you know what price to charge?"

Basically you set your pricing through a process of calculating your costs, estimating the benefits to consumers, and comparing your products, services, and prices to others that are similar.

Set your pricing by examining how much it cost you to produce the product or service and adding a fair price for the benefits that the customer will enjoy. Examining what others are charging for similar products or services will guide you when you're figuring out what a "fair" price for such benefits would be. You may find it useful to conduct a [Breakeven Analysis](#).

The pricing strategy you outline in your marketing plan will answer the following questions:

What is the cost of your product or service? Make sure you include all your [fixed and variable costs](#) when you're calculating this; the cost of labour and materials are obvious, but you may also need to include freight costs, administrative costs, and/or selling costs, for example.

How does the pricing of your product or service compare to the market price of similar products or services?

Explain how the pricing of your product or service is competitive. For instance, if the price you plan to charge is lower, why are you able to do this? If it's higher, why would your customer be willing to pay more? This is where the "strategy" part of the pricing strategy comes into play;

will your business be more competitive if you charge more, less, or the same as your competitors and why?

What kind of ROI (Return On Investment) are you expecting with this pricing strategy, and within what time frame?

Continue on to the next page to learn how to put together the Sales and Distribution part of the marketing plan.

## **Sales and Distribution Plan**

Remember, the primary goal of the marketing plan is to get people to buy your products or services. The Sales and Distribution part of the marketing plan details how this is going to happen.

Traditionally there are three parts to the Sales and Distribution section of the marketing plan, although all three parts may not apply to your business.

### **1) Outline the distribution methods to be used.**

How is your product or service going to get to the customer? For instance, will you distribute your product or service through a Web site, through the mail, through sales representatives, or through retail?

What distribution channel is going to be used?

In a direct distribution channel, the product or service goes directly from the manufacturer to the consumer. In a one stage distribution channel it goes from manufacturer to retailer to consumer. The traditional distribution channel is from manufacturer to wholesaler to retailer to consumer. Outline all the different companies, people and/or technologies that will be involved in the process of getting your product or service to your customer.

What are the costs associated with distribution?

What are the delivery terms?

How will the distribution methods affect production time frames or delivery? (How long will it take to get your product or service to your customer?)

If your business involves selling a product, you should also include information about inventory levels and packaging in this part of your marketing plan. For instance:

How are your products to be packaged for shipping and for display?

Does the packaging meet all regulatory requirements (such as labelling)?

Is the packaging appropriately coded, priced, and complementary to the product?

What minimum inventory levels must be maintained to ensure that there is no loss of sales due to problems such as late shipments and back orders?

## **2) Outline the transaction process between your business and your customers.**

What system will be used for processing orders, shipping, and billing?

What methods of payment will customers be able to use?

What credit terms will customers be offered? If you will offer discounts for early payment or impose penalties for late payment, they should be mentioned in this part of your marketing plan.

What is your return policy?

What warranties will the customer be offered? Describe these or any other service guarantees.

What after-sale support will you offer customers and what will you charge (if anything) for this support?

Is there a system for customer feedback so customer satisfaction (or the lack of it) can be tracked and addressed?

## **3) If it's applicable to your business, outline your sales strategy.**

What types of salespeople will be involved (commissioned salespeople, product demonstrators, telephone solicitors, etc.)?

Describe your expectations of these salespeople and how sales effectiveness will be measured.

Will a sales training program be offered? If so, describe it in this section of the marketing plan.

Describe the incentives salespeople will be offered to encourage their achievements (such as getting new accounts, the most orders, etc.).

Lastly, when you're writing a marketing plan, you need to develop an Advertising and Promotion plan. The next page of this article provides details on how to do this.

## **Advertising And Promotion Plan**

Essentially the Advertising and Promotion section of the marketing plan describes how you're going to deliver your Unique Selling Proposition to your prospective customers. While there are literally thousands of different promotion avenues available to you, what distinguishes a successful Advertising and Promotion Plan from an unsuccessful one is focus - and that's what your Unique Selling Proposition provides.

So think first of the message that you want to send to your targeted audience. Then look at these promotion possibilities and decide which to emphasize in your marketing plan:

**Advertising** - The best approach to advertising is to think of it in terms of media and which media will be most effective in reaching your target market. Then you can make decisions about how much of your annual advertising budget you're going to spend on each medium.

What percentage of your annual advertising budget will you invest in each of the following:

- the Internet
- television
- radio
- newspapers
- magazines
- telephone books/directories
- billboards
- bench/bus/subway ads
- direct mail
- cooperative advertising with wholesalers, retailers or other businesses?

Include not only the cost of the advertising but your projections about how much business the advertising will bring in.

**Sales Promotion** - If it's appropriate to your business, you may want to incorporate sales promotion activities into your advertising and promotion plan, such as:

- offering free samples
- coupons
- point of purchase displays
- product demonstrations

**Marketing Materials** - Every business will include some of these in their promotion plans. The most common marketing material is the business card, but brochures, pamphlets and service sheets are also common.

**Publicity** - Another avenue of promotion that every business should use. Describe how you plan to generate publicity. While press releases spring to mind, that's only one way to get people spreading the word about your business. Consider:

- product launches
- special events, including community involvement
- writing articles
- getting and using testimonials

For more about publicity, see ["Getting Publicity For Your Business"](#).

**Your Business' Web Site** - If your business has or will have a Web site, describe how your Web site fits into your advertising and promotion plan.

**Tradeshows** - Tradeshows can be incredibly effective promotion and sales opportunities - if you pick the right ones and go equipped to put your promotion plan into action. My article "[Trade Show Tips](#)" explains how to choose appropriate trade shows and gives display tips to make the most of your trade show experience. Read more about trade shows in the [Trade Show Library](#).

### **Other Promotion Activities**

Your promotion activities are truly limited only by your imagination. If you plan to teach a course, sponsor a community event, or conduct an email campaign, you'll want to include it in your advertising and promotion plan. Remember, sporadic unconnected attempts to promote your product or service are bound to fail; your goal is to plan and carry out a sequence of focused promotion activities that will communicate with your potential customers.

While small businesses often have miniscule (or non-existent) promotion budgets, that doesn't mean that small businesses can't design and implement effective promotion plans. Visit the [Business Promotion Library](#) for a host of inexpensive ideas to get your promotion plan off the ground.

No business is too small to have a marketing plan. After all, no business is too small for customers or clients. And if you have these, you need to communicate with them about your products and/or services.

## **Management Plan**

When writing the business plan, the Management Plan section describes your management team and staff and how your business ownership is structured. People reading your business plan will be looking to see not only who's on your management team but how the skills of your management and staff will contribute to the bottom line.

A convenient way to organize the Management Plan section of your business plan is to break it into sections detailing your:

- Ownership Structure
- Internal Management Team
- External Management Resources
- Human Resources Needs

**The Ownership Structure** section describes the legal structure of your business. It may be a single sentence if your business is a sole proprietorship. If your business is a partnership or a corporation, it may be longer; you want to be sure you explain who holds what percentage of ownership in the company.



**The Internal Management Team** section will describe the main business management categories relevant to your business, identify who's going to have responsibility for that category, and profile that person's skills.

The basic business categories of Sales and Marketing, Administration and Production work for many small businesses. You may find that your company needs additional management categories such as Research and Development and/or Human Resources.

It's not necessary to have a different person in charge of each business management category you decide to use in your company; some key management people may fill more than one role. Identify the key management people in your business and explain what functions each team member will fill.

This is your management team outline. You may wish to present this as an organizational chart in your business plan, although list format is fine.

Along with this outline, the management plan will include complete résumés of each member of your management team (including you), and an explanation of how each person's skills will contribute to your business' success.

Follow this with an explanation of how your management team will be compensated. What salary and benefits will management team members have? Describe any profit-sharing plans that may apply.

If there are any contracts that relate directly to your management team members, such as work contracts or non-competition agreements, you should include them in an Appendix to your business plan.

But what about external management? Continue on to the next page to learn how you can effectively use external management resources and how to describe these resources when writing a business plan.

Besides your internal management team, those reading your business plan will be extremely interested in knowing how you plan to use External Management Resources.

While External Management Resources are often overlooked when writing a business plan, (and running a business), using External Management Resources effectively can make the difference between management success and failure.

Think of External Management Resources as your internal management team's backup. They give your business management plan credibility and an additional pool of expertise. There are two main sources of External Management Resources you should utilize and describe in this section of the business plan; Professional Services and an Advisory Board.

In the **Professional Services section** of your business plan's Management Plan, list and describe all those external professional advisors that your business will use, such as accountants, bankers,

lawyers, IT consultants, business consultants, and/or business coaches. These professionals provide a "web" of advice and support outside your internal management team that can be invaluable in making management decisions.

Additionally, it's a smart move to set up an **Advisory Board** for your business as soon as possible. An Advisory Board is like a management think tank; the members of your Advisory Board will provide you with additional advice to run your business profitably and well. If you choose your board members carefully, they can also provide expertise that your internal management team lacks.

When selecting people to serve on your Advisory Board, you obviously want people who have a genuine interest in seeing your business do well and have the experience and expertise to provide good advice. Recently retired executives or managers, other successful entrepreneurs, and/or vendors would be good choices. You will not want to include anyone on your Advisory Board who may have a conflict of interest, such as lawyers, accountants, customers (or a direct competitor). An Advisory Board of just two or three people can be a powerful management tool for a small business.

When you're writing your business plan, you'll want to describe who is on your Advisory Board, listing their names, titles, experience and expertise and explaining how each member will contribute to helping you run a profitable business.

If you're writing a business plan in preparation for starting a business, and don't yet have an Advisory Board, be sure to include this section anyhow, describing your plans for setting up an Advisory Board and describing the types of people you will approach to serve on your Board.

Having an Advisory Board, or planning to have one, shows those reading your business plan that you have the foresight to seek advice and make your management team as strong as possible - an important consideration when most businesses fail because of mismanagement of one type or another.

The last issue you need to address in the management plan section of your business plan is your business' human resources needs. Information on how to do this is on the next page...

The trick to writing about your business' human resources needs in the management plan section of your business plan is to be able to describe your human resources needs specifically.

To write something such as, "We'll need more people once we get up and running" will impress no one.

Begin with the bottom line. How many employees will your business need and what will it cost you? This is what will be of most interest to the people reading your business plan.

First, consider how your business' human resources needs can best be met. Will it be best for your business to have employees or should you operate with contract workers or freelancers? Do you need full-time or part-time staff?

Outline your staffing requirements in this section of your business plan, including a description of the specific skills that the people working for you will have to have.

Now you're ready to calculate your labour costs. You can calculate the number of employees you will need by figuring out how many customers each employee can serve. As an example, if it takes one employee to serve 150 customers, and you forecast 1500 customers in your first year, your business will need 10 employees.

Next, determine how much salary each employee will receive, and total the cost of salary for all your employees.

Add to this the cost of [Workers' Compensation Insurance](#) (mandatory for most businesses) and the cost of any other employee benefits, such as company sponsored medical and dental plans to calculate your total labour cost.

You also need to describe how you're going to find the staff your business needs, and how you're going to train them.

Your description of staff recruitment should explain whether or not sufficient local labour is available, and how you're going to recruit staff if you need to go further afield.

When you're writing about staff training in your business plan, you'll want to include as many specifics as possible. What specific training will your staff undergo? What ongoing training opportunities will you provide your employees?

Even if your plan for your business is to start as a solo act, you need to include this section on Human Resources Needs in your business plan to demonstrate that you've thought about the staffing your business may require as it grows and that your business has (or will have) human resources policies in place. Business plans are about the future, and how your business is going to succeed.

## Operating Plan

When writing the business plan, the operating plan section describes the physical necessities of your business' operation, such as your business' physical location, facilities and equipment. Depending on what kind of business you'll be operating, it may also include information about inventory requirements and suppliers, and a description of the manufacturing process.

Keeping focused on the bottom line will help you organize this part of the business plan; think of the operating plan as an outline of the capital and expense requirements your business will need to operate from day to day.

You need to do two things for your readers in the operating section of the business plan: show what you've done so far to get your business off the ground (and that you know what else needs to be done) and demonstrate that you understand the manufacturing or delivery process of producing your product or service.

So divide the operating section of the business plan into two parts, starting with the **Stage of Development** section.

In this section, describe how your product or service will be made, and identify the problems that may occur in the production process.

Then show your awareness of your industry's standards and regulations by telling which industry organizations you are already a member of and/or which organizations you plan to join, and telling what steps you've taken to comply with the laws and regulations that apply to your industry.

Explain who your suppliers are and their prices, terms, and conditions. Describe what alternative arrangements you have made or will make if these suppliers let you down.

Explain the quality control measures that you've set up or are going to establish.

When you're writing this section of the operating plan for the business plan, start by explaining what you've done "to date" to get the business operational, followed by an explanation of what still needs to be done. Follow this with a subsection titled "Risks" that outlines the potential problems that may interfere with the production process and what you're going to do to negate these risks. The rest of the development stage part of the operating plan will be divided into subsections such as "Industry Association Membership", "Suppliers" and "Quality Control".

The second section of the operating plan part of the business plan is the Production Process section. Details of how to prepare and write this section of the business plan are on the next page.

While you can think of the Stage of Development part of the operating plan as an overview, the **Production Process** section lays out the details of your business' day to day operations.

Remember, your goal for writing this section of the business plan is to demonstrate your understanding of the manufacturing or delivery process for your product or service, so you need to let the readers of your business plan know that you've crossed all your 'tees'.

Make sure you include all these details of your business' operation:

**General:** Do an outline of your business' day to day operations, such as the hours of operation, and the days the business will be open. If the business is seasonal, be sure to say so.

**The physical plant:** What type of premises are they and what is the size and location? If it's applicable, include drawings of the building, copies of lease agreements, and/or recent real estate appraisals. You need to show how much the land or buildings required for your business operations are worth, and tell why they're important to your proposed business.

**Equipment:** The same goes for equipment. Besides describing the equipment necessary and how much of it you need, you also need to include its worth and cost, and explain any financing arrangements.

**Assets:** Make a list of your assets, such as land, buildings, inventory, furniture, equipment and vehicles. Include legal descriptions and the worth of each asset.

**Special requirements:** If your business has any special requirements, such as water or power needs, ventilation, drainage, etc., provide the details in your operating plan - as well as what you've done to secure the necessary permissions, such as zoning approvals.

**Materials:** Tell where you're going to get the materials you need to produce your product or service, and explain what terms you've negotiated with suppliers.

**Production:** Explain how long it takes to produce a unit, and when you'll be able to start producing your product or service. Include factors that may affect the time frame of production and how you'll deal with potential problems such as rush orders.

**Inventory:** Explain how you'll keep track of inventory.

**Feasibility:** Describe any product testing, price testing, or prototype testing that you've done on your product or service.

**Cost:** Give details of product cost estimates.

When you're writing this section of the business plan, you can use the headings above as subheadings and then provide the details in paragraph format. If a topic does not apply to your particular business, leave it out.

The best part is that once you've worked through this business plan section, you'll not only have a detailed operating plan to show the readers of your business plan but have a convenient list of what needs to be done next to make your business a reality.

## Financial Plan

It's at the end of your business plan, but the financial plan section is the section that determines whether or not your business idea is viable, and is a key component in determining whether or not your business plan is going to be able to attract any investment in your business idea.

Basically, the financial plan section of the business plan consists of three financial statements, the income statement, the cash flow projection and the balance sheet and a brief explanation/analysis of these three statements.

This article will lead you through the preparation of each of these three financial statements on the following pages. First, however, you need to gather together some of the financial data you'll need to prepare these financial statements for your business plan by examining your expenses.

Think of your business expenses as broken into two categories; your start up expenses and your operating expenses.

All the costs of getting your business up and running go into the start up expenses category. These expenses may include:

- business registration fees
  - business licensing and permits
  - starting inventory
  - rent deposits
  - down payments on property
- 
- down payments on equipment
  - utility set up fees

This is just a sampling of start up expenses; your own list will probably expand as soon as you start writing them down.

Operating expenses are the costs of keeping your business running. Think of these as the things you're going to have to pay each month. Your list of operating expenses may include:

- salaries (yours and staff salaries)
- rent or mortgage payments
- telecommunications
- utilities
- raw materials
- storage
- distribution
- promotion
- loan payments
- office supplies
- maintenance

Once again, this is just a partial list to get you going. Once you have your operating expenses list complete, the total will show you what it will cost you to keep your business running each month.

Multiply this number by 6, and you have a six month estimate of your operating expenses. Then add this to the total of your start up expenses list, and you'll have a ballpark figure for your complete start up costs.

Now let's look at putting some financial statements for your business plan together, starting with the Income Statement.

The Income Statement is one of the three financial statements that you need to include in the Financial Plan section of the business plan.

The Income Statement shows your Revenues, Expenses, and Profit for a particular period. It's a snapshot of your business that shows whether or not your business is profitable at that point in time; Revenue - Expenses = Profit/Loss.

While established businesses normally produce an Income Statement each fiscal quarter, or even once each fiscal year, for the purposes of the business plan, an Income Statement should be generated more frequently - monthly for the first year.

Here's an Income Statement template for a service-based business. It's followed by an explanation of how to adapt this Income Statement template to a product-based business.

## YOUR BUSINESS NAME

Income Statement for the year ending \_\_\_\_\_

(Row listing each month)

### REVENUE

REVENUE: Services

Service 1

Service 2

Service 3

TOTAL REVENUE: Services

REVENUE: Miscellaneous

Bank Interest

TOTAL REVENUE: MISCELLANEOUS

TOTAL REVENUE

### EXPENSES

DIRECT COSTS

Materials

Equipment Rentals

Salary (Owner)

Wages

EI Expense

CPP Expense

WCB Expense

TOTAL DIRECT COSTS

GENERAL AND ADMINISTRATION

Accounting and Legal Fees

Advertising and Promotion

Bad Debts  
Bank Charges  
Depreciation and Amortization  
Insurance  
Interest  
Office Rent  
Telephone  
Utilities  
Credit Card Commissions  
Credit Card Charges  
TOTAL GENERAL AND ADMINISTRATION

TOTAL EXPENSES

NET INCOME BEFORE INCOME TAXES

INCOME TAXES

NET INCOME

Not all of the categories in this Income Statement will apply to your business. Leave out those that don't apply and add categories where necessary to adapt this template to your business.

To use this template as part of the business plan, you'll need to set it up as a table and fill in the appropriate figures for each month (as indicated by the line "row listing each month"). There are links to two excellent examples of Income Statements provided by the Royal Bank in the sidebar of this article.

If you have a product-based business, the Revenue section of the Income Statement will look different. Revenue will be called Sales, and inventory needs to be accounted for. For instance, if you look at the Royal Bank's example of an [Income Statement for Kamiko's Fine Foods](#), you'll see the Revenue section of the Income Statement described as:

SALES

COST OF SALES

OPENING INVENTORY

PURCHASES

ENDING INVENTORY

GROSS PROFIT

The Expense portion of the Income Statement, however, is very similar to the template I've provided above.

Ready to move on to the next financial statement that you need to include in the Financial Plan section of your business plan? The Cash Flow Projection is next.



The Cash Flow Projection shows how cash is expected to flow in and out of your business. For you, it's an important tool for cash flow management, letting you know when your expenditures are too high or when you might want to arrange short term investments to deal with a cash flow surplus. As part of your business plan, a Cash Flow Projection will give you a much better idea of how much capital investment your business idea needs.

For a bank loans officer, the Cash Flow Projection offers evidence that your business is a good credit risk and that there will be enough cash on hand to make your business a good candidate for a line of credit or short term loan.

Do not confuse a Cash Flow Projection with a Cash Flow Statement. The Cash Flow Statement shows how cash has flowed in and out of your business. In other words, it describes the cash flow that has occurred in the past. The Cash Flow Projection shows the cash that is anticipated to be generated or expended over a chosen period of time in the future.

While both types of Cash Flow reports are important business decision-making tools for businesses, we're only concerned with the Cash Flow Projection in the business plan. You will want to show Cash Flow Projections for each month over a one year period as part of the Financial Plan portion of your business plan.

There are three parts to the Cash Flow Projection. The first part details your Cash Revenues. Enter your estimated sales figures for each month. Remember that these are Cash Revenues; you will only enter the sales that are collectible in cash during the specific month you are dealing with.

The second part is your Cash Disbursements. Take the various expense categories from your ledger and list the cash expenditures you actually expect to pay that month for each month.

The third part of the Cash Flow Projection is the Reconciliation of Cash Revenues to Cash Disbursements. As the word "reconciliation" suggests, this section starts with an opening balance which is the carryover from the previous month's operations. The current month's Revenues are added to this balance; the current month's Disbursements are subtracted, and the adjusted cash flow balance is carried over to the next month.

Here is a template for a Cash Flow Projection that you can use for your business plan (or later on when your business is up and running):

## CASH FLOW PROJECTIONS

(Add a row of monthly headings to cover one year period)

### CASH REVENUES

Revenue from Product Sales

Revenue from Service Sales

TOTAL CASH REVENUES

## CASH DISBURSEMENTS

Cash Payments to Trade Suppliers

Management Draws

Salaries and Wages

Promotion Expense Paid

Professional Fees Paid

Rent/Mortgage Payments

Insurance Paid

Telecommunications Payments

Utilities Payments

TOTAL CASH DISBURSEMENTS

## RECONCILIATION OF CASH FLOW

OPENING CASH BALANCE

ADD: TOTAL CASH REVENUES

DEDUCT: TOTAL CASH DISBURSEMENTS

CLOSING CASH BALANCE

Remember, the Closing Cash Balance is carried over to the next month. Once again, to use this template for your own business, you will need to delete and add the appropriate Revenue and Disbursement categories that apply to your own business.

The main danger when putting together a Cash Flow Projection is being over optimistic about your projected sales. Terry Elliott's article, [3 Methods of Sales Forecasting](#), will help you avoid this and provides a detailed explanation of how to do accurate sales forecasting for your Cash Flow Projections.

You may also want to read [Sales Forecasting](#) (from Canada Business Service Centres), which outlines the steps of sales forecasting for a new business.

Once you have your Cash Flow Projections completed, it's time to move on to the Balance Sheet.

The Balance Sheet is the last of the financial statements that you need to include in the Financial Plan section of the business plan. The Balance Sheet presents a picture of your business' net worth at a particular point in time. It summarizes all the financial data about your business, breaking that data into 3 categories; assets, liabilities, and equity.

Some definitions first:

[Assets](#) are tangible objects of financial value that are owned by the company.

A liability is a debt owed to a creditor of the company.

Equity is the net difference when the total liabilities are subtracted from the total assets.

All accounts in your General Ledger are categorized as an asset, a liability or equity. The relationship between them is expressed in this equation: Assets = Liabilities + Equity.

For the purposes of your business plan, you'll be creating a pro forma Balance Sheet intended to summarize the information in the Income Statement and Cash Flow Projections. Normally a business prepares a Balance Sheet once a year.

Here is a template for a Balance Sheet that you can use for your business plan (or later on when your business is up and running):

YOUR COMPANY NAME

BALANCE SHEET As At \_\_\_\_\_ (Date)

### ASSETS

#### Current Assets

Cash in Bank

Petty Cash

Net Cash

Inventory

Accounts Receivable

Prepaid Insurance

Total Current Assets

#### Fixed Assets

Land

Buildings

Less Depreciation

Net Land & Buildings

Equipment

Less Depreciation

Net Equipment

### TOTAL ASSETS

### LIABILITIES

#### Current Liabilities

Accounts Payable

Vacation Payable

EI Payable

CPP Payable

Federal Income Tax Payable

Total Canada Customs & Revenue

WCB Payable  
Pension Payable  
Union Dues Payable  
Medical Payable  
PST Payable  
GST Charged on Sales  
GST Paid on Purchases  
GST Owing  
Total Current Liabilities

Long-Term Liabilities  
Long-Term Loans  
Mortgage  
Total Long-Term Liabilities

**TOTAL LIABILITIES**

**EQUITY**

**EARNINGS**

Owner's Equity - Capital  
Owner - Draws  
Retained Earnings  
Current Earnings  
Total Earnings

**TOTAL EQUITY**

**LIABILITIES AND EQUITY**

Once again, this template is an example of the different categories of assets and liabilities that may apply to your business. The Balance Sheet will reproduce the accounts you have set up in your General Ledger. You may need to modify the categories in the Balance Sheet template above to suit your own business.

Once you have your Balance Sheet completed, you're ready to write a brief analysis of each of the three financial statements. When you're writing these analysis paragraphs, you want to keep them short and cover the highlights, rather than writing an in-depth analysis. The two Financial Plan samples in the sidebar (under "Elsewhere On The Web") will show you what these analyses will look like. The financial statements themselves (the Income Statement, Cash Flow Projections, and Balance Sheet) will be placed in your business plan's Appendices.