Business Plan Standards for Infrastructure Grant Fund Program

A well written business plan is essential to the success of a new business for several reasons. It requires that the new business owner thoroughly think through all the steps that need to be followed to develop a successful business. It requires the new business owner to answer the critical questions: Who will manage the business and will they have all the skills and experience to make it profitable? Will there be enough customers who will buy the business's products or services? How much can I charge for these products or services, and will the business be able to compete? Where will the start-up money come from? How long before the business turns a profit? What will be the risks and how will the risks be addressed?

The well written business plan is also a tool to obtain financing for the business. It demonstrates to lenders, investors, or grant sources that the business idea has a good chance to succeed, and that their money won't be lost in a failed venture.

And finally, a good business plan is the roadmap for the owners and management to follow. If the new business is falling short of its projected revenues or if expenses are exceeding what was predicted, it gives management the opportunities to make adjustments before it is too late.

The minimum elements of a good business plan are:

- The Company and the Industry – this section demonstrates a thorough understanding of the Industry and how the proposed business will be set up to operate within the Industry. It should also address the new company's strengths and weaknesses in the Industry.
- Product and Related Services – this section should discuss how the proposed products and/or services will distinguish themselves in the market place. What is unique or better? How will they be produced? How do they address a market opportunity?
- Market Research and Analysis – this section is critical because it is directly related to the sales projections in the pro forma financial statements. It addresses who the potential customers are and how much of your products/services they are likely to buy. Market research involves getting information from published sources, from surveys or questionnaires, and from Industry "insiders". Almost without exception, there exists "market gatekeepers" that stand between the proposed products/services and the customers. These market gatekeepers may be middle-men, such as brokers, wholesalers, or retail managers. It is essential that these market gatekeepers be identified and interviewed extensively during the market research. They will have the best knowledge of whether or not the proposed products/services have a good chance or not of successfully penetrating the markets and who the biggest competitive threats will be.
- Competitive Analysis – this section demonstrates that the owner/entrepreneur is fully aware of the competitive forces in the marketplace. It explains the new business's strengths over the competition and how the new business will

overcome the competitors' advantages and compensate for weaknesses upon entering the marketplace. Once again, market gatekeepers can be extremely helpful in getting realistic information about the competition.

- Marketing Strategy – this section describes in detail the methods the new business will employ to successfully penetrate the marketplace. Will it require sales people? What will be the market share goals for the first three years? How will these goals be achieved? What will be the costs of advertising and promotion?
- Management and Ownership – The specific people who will be managing the new venture should be identified here. Complete resumes of key management people should be provided. If the owners don't posses adequate management expertise for this particular business, it may be essential to find an industry partner who, in return for an ownership share, will provide experienced management to the venture. If so, the industry partner should be identified, along with the specific expertise provided to the venture. The terms of the partnership should be explained here too.
- Milestones, Schedule, and Strategic Planning – this section should discuss the schedule for the development of the new venture, along with key anticipated milestones such as financing completed, construction completion, opening of business, achievement of breakeven, etc. Any strategic planning, such as annual business objectives should be included here.
- The Critical Risks and Problems – a listing of critical risks, anticipated problems and how they will be overcome should be discussed. This section greatly strengthens the business plan because it demonstrates that the owner/management is fully aware of the various pitfalls that the new venture will likely encounter and how the management plans to deal with them.
- Financial Data and Projections – this section should include the Sources and Uses of Funds, three years of pro forma profit/loss statements, cash flows and balance sheets, and a Breakeven Analysis. All the assumptions that were made in the pro formas should accompany them on a separate narrative sheet. The forecasts of revenues (sales) should tie in with the information learned in the Market Analysis.

The above list of business plan elements outlines just the basics of a good business plan. For more detailed information regarding the business plan elements and the critical questions that need to be addressed, it is suggested that one of the many business planning guides currently in print be used.

Guidance on writing a business plan can be found in "Writing Business Plans That Get Results, A Step-by-Step Guide" by Michael O'Donnell. BBEDC may have copies available or it can usually be ordered at Amazon.com.