

How to Write a Business Plan for a New Venture

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Six important tips before you start!

1. The business plan should tell a compelling story about your venture, explaining who, what, when, where, how and why.
2. Your plan should be focused and clear. It is not about the number of pages or style of the cover.
3. Consider the audience for the plan, their sophistication, background, and experience, and write with that audience in mind. The usual audience is an equity investor with general business and financial acumen but not necessarily technical depth or industry knowledge. Modifications may be required in length or depth for other uses and audiences.
4. The plan should define specific business objectives and goals with general parameters to guide the organization.
5. Writing a business plan should force logic and discipline into a business.
6. A good business plan is a living document. It should be updated regularly. Also, previous forecasts of progress or financials should be monitored and evaluated. "Plan the work and work the plan."

Executive Summary

This section should:

- Be written last.
- Provide an enthusiastic snapshot of your company, explaining who you are, what you do and why.
- It should tell how you are financing the venture and what outside financing you seek.
- Be less than 2 pages in length.

After reviewing this section the reader should:

- Want to learn more about your business.
- Have a basic understanding about your company.
- Be informed enough to seriously consider an investment in your company.

Venture Description and Vision

This section should include:

- Mission statement (business purpose).
- Company vision (statement about company growth).

- Venture goals and objectives.
Anticipated timeline and key milestones.
Brief history of the venture.
- Anticipated exit, harvest, or other liquidity event if equity investment is sought.
- List of key venture principals.

After reviewing this section the reader should know:

- Who the venture is and what it stands for.
- Your perception of the company's growth & potential.
- Specific goals and objectives of the venture.
- Background information about the company.
- Timeline and key milestones for the company.

Description of the Market, the Need, and the Customers

This section should:

- Describe your venture industry and outlook.
- Define the critical needs of your perceived or existing market. Describe how this need is being met today, and in what way the need is unmet.
- Identify your target market.
- Provide a general profile of your targeted customers.
- Describe what share of the market you currently have and/or anticipate.

After reviewing this section the reader should know:

- Basic information about the industry you operate in and the customer needs you are fulfilling.
- The key user benefit.
- The scope and share of your venture's market, as well as who your target customers are. Provide a short run and a long run estimate.

Pro Tips: Description of the Market, the Need, and the Customers

- *Provide a short run and a long run estimate of market size. What trends or macroeconomic forces will drive growth?*
- *Focus on the user and the key benefit. The technology or product is much less interesting than most entrepreneurs think.*
- *Evidence of interest or demand from well regarded sources is always valuable.*

Description of Products and Services

This section should:

- Explain how your product and its features will address customers' unmet needs.

- Specifically describe all of your products and services. Be sure to include anything that might generate a revenue stream (e.g., selling extended warranties along with electronic products).
- Give a progress report on the design and development of the product and its associated technology. If applicable, offer a short layman's summary of underlying technology.
Explain how your products and services are competitive.
- Tell what your competitive edge is.
- Identify intellectual property created or to be created (patents, copyrights, trademarks). Have you filed?
- If applicable, show illustrations of your products: sketches, photos, mechanical CAD drawing, brochures, detailed product literature, other product descriptions, (links to) videos, prototypes, web pages and wireframes.
- Describe issues likely to arise in scaling the product.

After reviewing this section the reader should know:

- Why you are in business.
- What your products and services are and how much they sell for.
- How and why your products & services are competitive.
- Your competitive edge.

Marketing and Sales Strategy

This section should:

- Identify and describe your market – who your customers are and what the demand is for your products & services.
- Show a summary of your market research – what do the results show?
- Describe your channels of distribution and/or e-commerce site.
- Explain your sales strategy, specific to pricing, promotion, products and place (4Ps).
- Explain how customers will be initially informed of your product, and how those customers will be retained.
- Explain how relevant decision makers within customer organizations will be identified, if appropriate. Who can actually spend money in a hospital is a complex question.
- Describe your plan for after-sale service (and follow-up sales).
- List your website. Describe your social media plan for the company.
- Describe your competitors. If location is important, show on a map where you are and where competitors are located.

After reviewing this section the reader should know:

- Who your market is and how you will reach it.

- How your company will apply pricing, promotion, product differentiation and channels of distribution to sell your products and services competitively.

Operations / Manufacturing / Service Strategy

This section should:

- Identify and describe key components and people your product requires.
- Tell which components will be purchased and which will be built in-house.
- Describe your source for labor, the relative skill levels required, and your training plan for employees.
- Identify key suppliers and discuss their capabilities relative to the venture.
- Describe your plan for quality control and your plan to obtain relevant supplier certifications (e.g., ISO 9000).

After reviewing this section the reader should know:

- That your venture can deliver on the product promise it is making at a level appropriate to the desired market.
- That your venture can attract necessary labor.
- The general flow of operations within the firm.

Pro Tip: Operations

- *This section is more common with physical products rather than services or digital products. As a matter of style, for those types of ventures sometimes these details can be incorporated into the Organization section below. However, how the venture will hire skilled labor and how training will be conducted should be included in any plan.*

Organization and Management

This section should:

- Provide a description of how your company is organized as well as an organization chart, if available.
- Describe the legal structure of your venture. Remember, to shield owners from personal liability, the organization legal structure should avoid sole proprietorships and simple partnerships.
- Describe in specific terms the ownership structure, and how equity is currently distributed.
- Identify necessary or special licenses and/or permits your venture requires. Have these been obtained?
- Provide a brief bio description of key managers within the company.
- Identify key outside advisors if appropriate (e.g., consulting scientists, advisors, specialists, mentors, patent attorneys).
- Describe key roles that will be filled as the company grows.

- Describe all operating aspects of your venture (facility layout, hours of operation, staffing schedules, equipment required, suppliers, etc.), if not discussed in a separate section.
- Discuss hiring and training plans for general employees in labor-intensive businesses if not discussed in a separate section.
- Prove that you know this business (your key managers have necessary experience and/or you have a board of advisors with the necessary experience).

After reviewing this section the reader should know:

The legal form of ownership for your venture.

Who the leaders are in your venture as well as their roles.

- The general flow of operations within the firm (if not discussed in a separate section).
- How essential labor will be attracted to join the organization.
- Details on equipment, suppliers, operational days & times, facilities layouts, etc.

Pro Tip: Management Team

- *Be sure to demonstrate complementary skills among the management team. As one example, typically one person handles outside duties (sales, marketing, public relations) while another handles internal operations (service or product design and delivery).*
- *Some potential investors will not invest in a new company that does not have someone who has 51+% voting control. They say that they don't want to have to deal with a "committee". Keep this in mind as initial equity is allocated.*
- *Any prior significant commitment of equity or borrowing should be noted here and in the financial section.*

Risk Assessment

This section should:

- Identify and review sources of risk to the success of the plan including but not limited to competitive, legal / regulatory, social / societal, macroeconomic, technical and technological, personnel, and cash flow.
- Assess their likelihood.
- Judge their impact.
- Suggest methods of avoidance, mitigation, or insurance.

After reading this section, the reader should:

- Be aware of risks facing the venture, and be able to judge the effectiveness of the venture's plan to meet those risks should they arise.

Pro Tips: Risk Assessment

- *Risk is the product of the probability of an outcome and the severity of its impact.*

- Thus, any risk that threatens the venture's survival should be discussed.*
- *Specificity is much more valuable than generalities. "Customers won't buy" is a risk to any business. "Customers won't buy due to the novelty of the technology" is a more specific risk that allows for plans to be made to address the risk. Also, discuss risks that are not covered elsewhere in the plan, e.g., an alternative technology proves superior.*
 - *Risks can be positive! Present those as well.*

Financial Forecast

For a new venture, this section should include:

- Estimate of start-up costs.
- Projected balance sheet (3 years forward, by month for the first year).
- Projected income statement (3 years forward, by month for the first year).
- Projected cash flow statement (3 years forward, by month for the first year).
- A statement of assumptions describing how you arrived at each major item in the income statement and on the balance sheet
- Detailed list of capital requirements, investment requested, and specific purpose for funds raised.
- Break-even analysis, sensitivity analysis and worst case.

After reviewing this section the reader should:

- Have a good understanding regarding the financial capacity and/or projections for your company.

Pro Tips: Financial Forecast

- *You may MARKET the truth but you may not LIE. Make responsible forecasts that are consistent with the information available, business experience, and common sense.*
- *Forecasted numbers will be compared, where possible, to industry numbers and experience. A plan that forecasts winning 90% of an established market in the first two years is highly implausible. A plan that forecasts costs that are 50% of established competitors is equally implausible.*
- *The assumptions are the most crucial part of the plan, because they drive the forecasts. Be explicit about your assumptions and justify them extensively.*
- *Investors will judge your credibility on all issues with your ability to meet or exceed these forecasts. Underpromising and overdelivering is the best strategy.*
- *In its early years, a successful venture often generates more demand for cash than it receives from operations. Success risks "growing broke." Plan for working capital and expansion funds.*
- *Work in hundreds or thousands of dollars, as appropriate for the scale of the venture. Forecasts are not accurate to the dollar, and should not be reported to that precision.*

Generate Business Plan

- Include the following on the front page of your plan:
 - Company Name
 - Street Address
 - City, State & Zip
 - Phone Number
 - Email address
 - Web Address
 - Contact information for the entrepreneurial team
 - Always include resumes of key personnel in the appendix.
- Style advice:
 - Include a table of contents after the front page.
 - Remember that vigorous writing is concise. Use clear prose. Omit needless words.
 - Use headings, subheadings, graphics, and bullet / numbered lists generously but thoughtfully.
 - Typically 10-40 pages but depends upon the venture and the audience.
 - Proofread and spellcheck **twice** before submission to any audience.
 - Include a footer with page numbers, the company name, and the date.
 - “Break any of these rules [in this guide] sooner than say anything outright barbarous.” (George Orwell).

Pro Tips: Overall for The Business Plan

GOOD NEWS	BAD NEWS
<i>Evidence of Customer Acceptance</i>	<i>A Product (rather than Customer) Orientation</i>
<i>Evidence of Focus</i>	<i>A “Prepackaged” Plan</i>
<i>Management Team Suited to the Opportunity</i>	<i>Unrealistic Financial Projections</i>
<i>Proprietary Position or Technology</i>	<i>Failure to Acknowledge Critical Risks</i>
<i>Appreciation of Investors’ Needs</i>	<i>Plans to “Educate” the Market</i>
<i>Credible Financials</i>	
<i>Management with Proven Sales Skills</i>	

Authors’ note: This document was prepared as a resource for students, alumni, and friends of the University of Wisconsin-Milwaukee. It is intended as a general reference, applicable in a wide range of circumstances. It is intended as a guideline, not a template. No template fits all ventures, but do seek to cover each relevant point above. Also, directions for course projects or campus competitions may modify these guidelines and this format.

GOOD LUCK AND HAPPY VENTURING!