

Effective Business Plans



10 Essential Components

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The strategic business plan has emerged as an organization's most important vehicle for achieving objectives, driving change and sustaining growth. Developing a plan requires innovation, vision and discipline. Whether you are creating a new plan or updating an existing one, the following 10 steps are essential components for every business plan. Keep in mind, business plans should be modified as your business goals change.

No. 1: Identify Your Objective

A business plan should identify key objectives. They are intended to secure funding, obtain new executives, introduce new product lines and implement new strategies. With a clear and precise objective, the reader will understand the role that they play in its implementation.

No. 2: Describe The Nature of Your Business and Company Ownership

The plan should include a description of what service or product the business offers, some of their success stories, a brief business history and how the company differentiates itself from the com-

petition. Other important areas for discussion are company ownership and management's continued commitment to making the business a success.

No. 3: Define The Company's Market – Where You Are and Where You Want To Be

Current market size along with existing strategies should be compared with the projected market size once specific initiatives are implemented. Management should consider both new markets for existing products as well as methods for introducing new products. When projecting market size, consider-

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ation should be given to population, wealth, politics, climate and competition. Market research can frequently be performed by an outside organization, or internally, so that management can make informed decisions.

No. 4: Identify Advertising and Marketing Strategy

Once you have identified target markets, a method for penetrating

and to identify individuals within the management team. Backgrounds, relevant skills and experience demonstrate the team's ability to be successful. A description of positions needed to enhance or complete the team may also be useful.

No. 6: Prepare A Financial Plan

A financial plan should include realistic projected balance sheets, profit and loss and cash flow state-

importantly, meetings with these advisors should occur on a recurring basis to effectively assist in achieving short and long-term goals.

No. 8: Identify A Method for Measuring The Effectiveness of Your Plan

Creating a business plan is challenging, but even more so is its implementation. A successful plan requires the ability to effectively orchestrate and direct a diverse range of people, resources, programs and actions. Consequently, it is essential to implement a system of accountability that sets objectives and analyzes overall results.

No. 9: Develop "What If" Scenarios

Unfortunately, not every action goes according to plan and a company is often forced to make immediate decisions to deal with unforeseen problems. In a business plan, it is essential to include some "what if" scenarios that outline alternative approaches to handle unexpected situations. Key aspects to consider are alternative financing, employee and overhead reduction, revised sourcing and review of marketing strategies.

No. 10: Write A Conclusion

The conclusion should bring the entire business plan together and get the entire management team excited about its implementation. Management should restate its objectives by outlining desired goals. It should emphasize that the company is dedicated to carrying out the plan by monitoring the principal aspects on a continuous basis and by consistent communication with the management team. □

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and capturing those markets should be determined. Knowing your target market (customer demand, interests, etc.) is key to developing both advertising and marketing strategies. Marketing strategies should address both pricing and promotion plans.

No. 5: Identify Management Team and Organizational Structure

The successful implementation of an effective business plan is dependent on the team members who are responsible for implementing it. The goal is to generate excitement about management's upcoming plans and to instill faith in the company's ability to attain its goals. It's important to include a description of the organizational structure

ments. Past performance and other companies within your industry provide the greatest source of information in developing a financial plan. Important assumptions should be disclosed. Key financial ratios should be computed (break-even point, gross margin and return on investment (ROI), etc.). Consider comparing the company's projected ratio analysis to industry standards.

No. 7: Identify Professional Alliances and Advisors

Every company needs to identify a cadre of professional advisors that can support a company as it evolves and grows. Professional alliances with accountants, lawyers, bankers, insurance brokers and others should be established, and most