

Writing A Business Plan What Makes A Good One

Writing a business plan can be a lot of hard work or it can be great fun. An effective plan can help your company to greatness. A poor one can lead you out of business. No plan is like asking to fail before you even start.

Not every business needs a 200 page bound business plan. However every business needs to have some idea of where they want to go and how they are going to get there. This article covers some key insights into writing a business plan that get your business to where you want to be.

The first stage of any plan is ANALYSIS. You need to take a very objective look at a number of factors that may impact your business. There are many factors to consider but the two major ones are competition and your operating environment.

Let's look first at competition. Every business has competition, even if you think your product or service is unique. How is this? Well it's quite simple really, people have choices to make. The most fundamental choice they make in most cases is whether to buy what you offer or but something else. For example I could buy a game console or I could buy groceries instead. Customers only have so much money available so your first task is to ask yourself what is my competition like and can I beat them? The more you understand your competition the more you can develop your business strategy of being different and outperforming them.

Now let's look at operating environment. This understands what factors around your area of operation are likely to affect your business performance. For some companies this includes looking around the World in other cases it's just your local neighborhood. You need to ask questions such as:

How is the economy going?

What is consumer confidence like?

Where is technology heading in my industry?

After answering all the questions you need to decide how these might negatively or positively influence your performance.

Now you know more about your competition and operating environment it's time to set some OBJECTIVES. This is what you want to achieve in the period your business plan covers. It is said that good objectives are SMART. That is specific, measurable, achievable, realistic and targeted. Here's an example of a SMART objective for a hypothetical business.

"By the end of this year we will have increased sales of product X by 7.5% over the previous year."

You can see how clear this objective is. It is much easier to achieve high performance with clear objectives.

Now you need to outline your STRATEGY. How are you going to reach your objective(s)? This is where your marketing plan often comes in as it helps describe the programs you will run to achieve your desired objective(s). To continue the example above our strategy may be to gain distribution for our product in one new major retail chain.

To make your strategy work you must then allocate appropriate RESOURCES. Certain things will need to be provided to reach your goal. This could be dollars, people, equipment, etc. Your plan must have included the resources you are allocating and why you believe this is adequate to get the result.

Every business plans also has some PROJECTIONS. This is your basic financials that you plan will deliver. Are you expecting a profit or loss? How much?

Lastly you need to allow for CONTINGENCIES. Things change all the time and your plan needs to consider these possibilities in advance. A good way to do this is to ask What if?

What if a new competitor enters our market?

What if a distributor delists our product?

What if interest rates rise?

Your analysis should give you some idea of likely contingencies. It saves a lot of stress if you have some documented ideas for dealing with them before they become a big problem.

Writing a business plan is never perfect, the plan is on paper and you're operating in the real world. However a good plan can really guide you in the right direction. Take time to put real thought into preparing your plan and above all make sure you USE YOUR PLAN!

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