



Do I need a business plan?

By [Palo Alto Software, Inc.](#)

Not everyone who starts and runs a business begins with a business plan, but it certainly helps to have one. If you are seeking funding from a venture capitalist, you will certainly need a comprehensive business plan that is well thought out and demonstrates sound business reasoning.

If you are approaching a banker for a loan for a start-up business, your loan officer may suggest a Small Business Administration (SBA) loan, which will require a business plan. If you have an existing business and are approaching a bank for capital to expand the business, they often will not require a business plan, but they may look more favorably on your application if you have one.

Reasons for writing a business plan include:

- Support a loan application
- Raise equity funding
- Define objectives and describe programs to achieve those objectives
- Create a regular business review and course correction process
- Define a new business
- Define agreements between partners
- Set a value on a business for sale or legal purposes
- Evaluate a new product line, promotion, or expansion

What's in a business plan?

A business plan should prove that your business will generate enough revenue to cover your expenses, but a business plan may vary depending upon whom your audience is. If you

are writing a plan for your colleagues and partners, for example, to expand an existing business, then the focus of that plan may be more operational than financial. Yes, you are going to show your partners how this expansion will mean more revenues, but they are going to want to know the nuts and bolts of how this new venture is going to be implemented.

If you are writing a business plan for a bank, your bank manager will want to see that your ideas are well thought out, but the most important aspect to him or her will be your financials. Are your assumptions realistic? And will the cash flow of the business be enough to ensure that you can make the monthly payments for the loan that you have requested? If your business is making \$1,000 a month and your payments are \$1,200 a month, the bank is likely to turn you away.

When considering an investment opportunity, most venture capitalists look at the obvious trends and market niches. Transcending the business elements, however, the most important factor in a decision to invest in a company is the quality of the people. In real estate, the three biggest criteria are "location, location and location." The venture capital axiom is "people, people and people."

Vcs will ask, how experienced are the people that are going to run this business? Do they have knowledge of the industry? Have they started successful ventures in the past?

What makes a successful business plan?

- Presents a well thought out idea
- Contains clear and concise writing
- Has a clear and logical structure
- Illustrates management's ability to make the business a success
- Shows profitability

Bringing it all together...

Your business plan is like your calling card, it will get you in the door where you'll have to convince investors and loan officers that you can put your plan into action. You want your calling card to look impressive, so make sure your business plan is printed out on good quality paper, you have checked the spelling and grammar and that your numbers add up. Anyone who sees errors while reading your plan will wonder whether you are going to make similar errors in running your business.

A great business plan is the best way to show bankers, venture capitalists, and angel investors that you are worthy of financial support. Make sure that your plan is clear, focused and realistic. Then show them that you have the tools, talent and team to make it happen.

<http://atkinsmarketingsolutions.com>

