

## Business Plan Development

### What is a Business Plan?

A business plan is the first step toward success in a commercial enterprise. It provides a clear direction for a new business venture. It defines the market potential of the products the company develops and provides a distinct plan on how to best realize that potential through sound business practices. The business plan requires that a company address each issue in planning a new business venture in a systematic fashion, which helps to ensure the future success of the company. Perhaps most importantly for a company developing new technologies, it demonstrates the resources and unique capabilities of the company to potential business partners and investors.

### What is a Business Plan?

New technology development must be accompanied by a strong business plan. A successful technology transfer not only hinges on the strength of a technology, but also on sound entrepreneurship. It is important to remember that even though you may have an innovative technology that has the potential to revolutionize a market, if your company does not present itself as a capable business partner, your innovation will not achieve commercial success.

### What is included in a Business Plan?

Key components of a business plan include the following items (Small Business Administration (SBA), 2004; Berry, 2000; & Palo Alto Software, 2004):

1. Executive Summary: Includes highlights from within the report, company objective, mission, and keys to success, such as the competitive advantage.
  2. Company description: Discusses company ownership, the company's history (if any), as well as the company location(s) and facilities.
  3. Product Description: Includes a detailed description of the product, the competitive landscape as it relates to that product, the ways in which the company intends to distribute the product to consumers and suppliers, and plans for future products.
  4. Market Analysis: Discusses the overall market for the product, and the individual segments within the larger market. Identifies the target market, its needs, trends, and potential growth. Includes an industry overview, and the product's main competitors. Also discusses the planned distribution channels and arguments as to why they will be effective.
  5. Strategy and Implementation: Demonstrates the additional value the product offers to consumers as compared to the products offered by competitors. Discusses the competitive advantage as it relates to the company and the product's unique strengths that differentiate it from the competition. The marketing strategy indicates the product's placement in the marketplace, pricing, promotion, and distribution. A sales strategy section addresses broad sales goals, as well as a detailed sales forecast for the first three years of operation. The methods of obtaining sales (sales programs) should be highlighted, expanding upon the information included in the product description section, and including
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all strategic alliances and the roles they play in the sales strategy. A section regarding milestones details the start-up activities, related timelines and costs, and the people and/or department responsible for each activity.

6. Management Summary: Includes an overview of the organizational structure, the roles of the management team, and a personnel plan. The personnel plan should detail the titles of the required staff members, their projected salaries, and total payroll expenses for the first three years of operation.

7. Financial Analysis: The financial plan is an extremely important section of any business plan. Care should be taken to address all financial issues and possibilities. It should discuss general assumptions, such as current economic trends, as well as more specific assumptions such as sales and cash flow projections tailored to the type of product to be sold. Key financial indicators such as turnover, collection days, gross margins, and operating expenses must be benchmarked to provide a basis for measurable results. The Financial Analysis includes the following calculations: (1) Breakeven analysis with three-year profit and loss projections, including a monthly operating budget for Year 1 and quarterly projections for following years (2) Projected cash flow including a projected balance sheet and business ratios. Long-term plans are also be addressed in this section.

8. The Appendices of your business plan may contain some of the following documents: letters of intent and/or support, resumes of key personnel, patents and license documentation.

## Business Plan Resources

Small Business Association: [http://www.sba.gov/starting\\_business/planning/basic.html](http://www.sba.gov/starting_business/planning/basic.html)

Offers helpful online publications and assistance reviewing business plans.

Palo Alto Software <http://www.bplans.com/samples/sba.cfm>

Access 60 business plans at no charge. Over 400 available with software purchase.

Small Business Development Center (SBDC) <http://www.sba.gov/regions/states.html>

Links to map of US to find local SBDC who can provide tailored assistance

## References:

Berry, T. (2000). Hurdle: The book on business planning. Retrieved September 14, 2004, from <http://www.bplans.com/hurdleonline/index.cfm?s=specs&id=1&affiliate=sba>.

Palo Alto Software (2004). Business planning tools: Sample plans. Retrieved September 14, 2004, from <http://www.bplans.com/samples/sba.cfm?affiliate=sba>.

Small Business Administration (2004). Business plan basics. Retrieved September 13, 2004, from [http://www.sba.gov/starting\\_business/planning/basic.html](http://www.sba.gov/starting_business/planning/basic.html).

