

# The Value of a Business Plan

Whether you're a new start-up business or a mature company looking to meet annual growth targets, a business plan can be an effective tool to meet your goals and achieve success. A key benefit of business planning is the ability to create a united team, focused on a specific direction set for the company.

A business plan is a written document describing your business and how it operates, along with its vision, goals and objectives. Business plans are most commonly associated with start-up companies; however, all companies can benefit from having a plan which is continually updated for rapidly-altering industry dynamics and internal company changes.

The most effective business plan will evolve as your business grows and changes. It is a dynamic document that will guide decision making and operations at any stage that your business is in.

If you are intending to start a business, a business plan can help you turn your vision and capital into a viable business. It will provide support and direction in securing financing from lenders and investors. If you're operating an existing business, a business plan enables you to communicate your vision to employees and those who interact with your business.

If you are growing your business, a business plan empowers you to raise capital to expand, manage growth and mitigate risks. Finally, when you plan on exiting the business, a business plan can help facilitate the development of a plan to transfer ownership, sell your business, or wind it down.

## Purpose of the business plan

It can help keep you and your team focused on annual and longer-term goals, assess resource needs, and help you identify and critically think through opportunities and risks within the business. Writing out or updating your business plan forces you to think about your entire company, dissecting and planning within all of the moving parts: sales, marketing, production, customers, employee levels, and financial needs. When you consider all of the moving parts as a whole, you are less likely to miss any key factors and can identify key issues before they become a problem.

The purpose of a business plan dictates the scope and level of detail required and may need to be updated as your business evolves and your goals change. It can be used for general internal purposes or a very specific need, such as raising capital for growth. An external party may require more detail to understand your business and industry than internal partners or colleagues.

## Key components of the business plan

While there are core components, the overall structure and contents of plans may vary. Below is a summary of sections to consider including within a business plan:

### Executive Summary

- One page summarizing the key aspects of the entire plan.

### Business Overview

- Description of the business, purpose, vision statement and values. What makes your business great?

### Products / Services

- Description of products/services and highlighting their unique value proposition.

### Sales and Marketing Plan

- How do you market your products and/or services to your customers? What is the sales strategy to get customers to purchase? Do you employ sales reps or agents?

### Employee organization chart

- Matrix of roles and reporting lines. Critically assess this chart to determine if you have the right individuals to accomplish your plan and vision for the company. Are there any vacancies that need to be filled or a new role that should be created? Are there any employees approaching retirement? What is the plan if a key employee leaves? What is the bench strength in the company at all levels?

### Customers / Suppliers

- Who are your customers and suppliers? Are agreements in place? Why do your customers buy from you and why will this continue?
- Breakdown of sales by customer and purchases by supplier. Are there customer concentration risks or suppliers critical to your business? If so, how are you working to decrease these risks?

### Industry / Market

- Total overall market and projected growth rates in the industry and the company position within it (i.e. market share and market positioning)
- Description of local economy
- Competition (both direct and indirect) and plan to win business
- Consideration of strengths, weaknesses, opportunities and threats (SWOT). Allows for critical thinking about the company, often identifying areas for growth and provides an objective view of risks and improvement areas

### Growth identification

- In what areas could the business grow revenues and profitability (new markets or products, capital investment to improve margins, growth through acquisition, etc.)?
- What is the plan to execute on the identified growth?

### Financial Information

- Historical financial performance and a forecast with key assumptions. Consider including income statement, balance sheet and cash flow information.
- Your forecast should include the next 12 months and 3 to 5 years. The 12 month forecast should illustrate the most detail with key assumptions, including revenues and costs.
- The qualitative aspects of the plan should tie into the financial forecasts.

### Exit strategy

An exit strategy lays the foundation for a successful transition of your business, and also supports retirement or accomplishing other goals. Planning for this will allow you to consider all of your options, including strategies that may take time to implement.

- If selling the business, effective business planning during the life of the business will contribute to selling the business at the best price.
- If you plan on passing the business to children or transferring to a key employee or partner, it may take time to integrate or facilitate the transfer.

A business plan can be an effective tool for business owners to succeed over the long term. With a sound business plan, you will have clearly defined goals, a strategy for reaching them and a useful understanding of the environment in which your business is operating. A business plan doesn't have to be complicated or time consuming. It simply requires you to consider the factors that will affect your business and allows you to create an execution plan.

In developing a business plan, consider working with your trusted advisors, peer groups, local Small Business Centre, and key employees to seek different perspectives and ensure that your plan meets your objectives. Knowing that you have well-thought-out plans and sound financial information provides comfort in making key decisions. Your business plan isn't written in stone – expect the unexpected and update your plan when necessary.

**For more information, please speak with your BMO financial professional.**



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