



Lecture 06; Writing a Business Plan

By the end of this lesson, students should be able to:

- Explain the importance of continuous business research in response to changing economic, demographic, and competitive environments.
- Differentiate between external and internal research and describe how each influences business decision-making.
- Identify and apply the steps of external research, including understanding industry trends, customer profiling, demographics, and competition.
- Evaluate the need for making adjustments to business ideas based on research findings, including modifying, scaling down, or redirecting the business.
- Conduct an internal analysis by assessing skills, systems, structure, values, personnel strengths/weaknesses, and overhead costs.
- Define overhead costs and explain their role in long-term business sustainability.
- Prepare and interpret a SWOT analysis, recognizing internal strengths/weaknesses and external opportunities/threats.
- Apply strategic tips for effective business management, including responding to negative information, managing costs wisely, and incorporating feedback.

Writing clearly, accurately, and briefly is a crucial business skill because it serves four key functions. First, it conveys information, helping communicate goals, ideas, and updates while providing a permanent record. Second, it clarifies ideas by forcing the writer to think through and refine their message. Third, writing demonstrates seriousness, signaling commitment and dedication. Finally, it creates accountability, reducing misunderstandings and offering a reference to assess alignment and future outcomes.

Why Write A Business Plan?

The main reason many start-ups fail is poor planning, which highlights the value of preparing a solid business plan. Skipping the effort of developing a detailed plan can be costly. A carefully researched business plan allows entrepreneurs to:

- define and improve their business idea,
- stay focused on key goals,

- identify weaknesses early and correct them before they escalate,
- hire the right people by clearly outlining needed roles and skills,
- navigate difficult business conditions with a clear roadmap,
- persuade investors that the concept is viable,
- prove to lenders that they can repay borrowed funds,
- demonstrate reliability to potential customers, and
- secure required licenses and permits.

The Essentials of Good Planning

A business plan's primary purpose is to compare expected sales with the costs of producing and selling a product. It is not meant for praising an idea, but for analyzing what customers and the market indicate. Effective business planning requires identifying who will buy the product, how many will buy it, and whether future demand will be strong enough. For example, a business selling ice cream must calculate all related costs—materials, equipment, licenses, utilities, and more—and determine how many units must be sold to cover these expenses. If projected revenue exceeds total costs, the business is likely to generate profit.

A Sample Business Plan Layout

A strong business plan focuses on reliable information and clear explanations rather than appearance or lengthy detail. It typically includes nine key sections, though not all are mandatory as long as the essential criteria are addressed.

1. Cover Page & Table of Contents: A professional cover and an easy-to-navigate content list create a good first impression.
2. Executive Summary: A short overview of the product or service, its advantages, target market, goals, and basic profit expectations.
3. Product/Service Description: Explanation of the idea's origin, purpose, design, competitive position, target customers, and profitability estimates.
4. Business Description: Outlines goals, location choice, legal structure, organization, and comparisons with similar businesses.
5. Market Potential: Presents market research, including demographics, demand, trends, competition analysis, and data sources.
6. Marketing Strategy: Details promotional plans, pricing, distribution, sales organization, costs, and market entry barriers.
7. Financial Overview: Provides financial forecasts, balance sheets, cash-flow projections, break-even analysis, and funding needs using clear tables and charts.
8. People Behind the Plan: Describes the team's skills, experience, staffing needs, wages, job roles, and training plans.
9. Exit Strategy: Explains when to expand management during growth or when to close or sell the business if it becomes unprofitable.

Overall, a well-organized business plan should be clear, factual, easy to read, and tailored to meet the reader's expectations.

Common Errors in Business Plan Writing

-Being overly wordy: Just as no one would introduce themselves by recounting their entire life story, a business plan shouldn't be overloaded with unnecessary details. Each section must remain focused, brief, and to the point.

-Insufficient coverage: Many plans fail because they lack enough information to properly address all key sections, including the core factors behind why businesses often fail.

-Overconfidence or poor judgment: Entrepreneurs who rely solely on optimism, charisma, or enthusiasm rather than solid data fail to gain credibility. Every part of the business plan must be based on thorough research and verifiable facts; even one exaggerated claim can undermine the entire document.

Additional Tips for Creating a Strong Business Plan

1. Maintain focus on the plan's purpose

- Be clear about why the plan is being written: Is it for securing financing, obtaining licenses, or something else?

- Summarize the main goal in a single sentence and let it guide the entire document.

2. Communicate in a way the audience will understand

- Identify who will read the plan.

- Learn their preferences—ask if necessary.

- Use an appropriate tone.

- Consider their level of knowledge and ensure the language and terminology are accessible.

3. Organize the plan thoughtfully

- Ensure the content flows logically and coherently.

- Make sure each paragraph supports the central idea.

- Include charts, details, and explanations that reinforce key points.

- Remove unnecessary information.

- Make it clear what the reader should understand or do after reading.

4. Revise and polish the final document before submission

- Check that layout, spacing, and headings are visually effective.

- Ensure the content is easy to read and navigate.

- Have multiple people proofread it.

- Craft strong opening and closing statements to leave a lasting impression.

Business Plan Advice from Experts

- Avoid trying to impress lenders or investors with complex terminology or technical language.
- When calculating expenses, be sure to include your own living costs—such as housing, transportation, insurance, utilities, food, and personal spending—even if you plan to rely on savings or family support initially.
- Keep the plan brief and focused; steer clear of lengthy sentences and paragraphs.
- Be clear and direct. Vague writing does not reduce objections or hide uncertainty—it only harms your credibility.
- Have a professional review all data and financial figures before sharing the plan.
- Prepare three financial projections—worst case, expected case, and best case—for years one, three, and five. For instance, if you expect to gain 10% of a market, also estimate outcomes at 5% and 15%.
- Check with local banks to see if they provide business plan templates; aligning your plan with a lender's preferences can increase your chances of approval.
- Use charts and graphs rather than excessive text to clearly present complex financial data.
- If needed, hire an accountant to assist with the financial section—this investment may prove worthwhile.