

Writing a Business Plan: Why It Is Worth the Time and Effort

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Are you thinking about approaching a Bank for finance to support your business? If you haven't already gone to see the Manager then you may not know that the first thing he will want to see is your Business Plan.

Perhaps you are not convinced that all the time and effort needed in preparing a plan is essential; if so then here are the main benefits for both you and your business.

1. No matter how good a communicator you are, you will never be able to convey your vision for the business as successfully as a perfectly put together Business Plan. It provides a clear understanding as to what you want to achieve. It allows you to express your ideas in a clearer manner.
2. Too many times business owners try to sell their idea verbally and at the end of the interview with the Bank the Manager is none the wiser than he was at the start. I think you can guess the outcome of many of those requests!
3. A Business Plan will help convince both you and the Bank of the project's feasibility and viability. There's nothing like having all the facts in front of you to clarify the key issues
4. There's no getting away from the fact that a business owner who plans ahead comes across as being more ambitious and more focused. A well prepared Business Plan demonstrates you have vision and that you know what you want
5. With numerous ideas floating around in your mind, the pitfalls or stumbling blocks to success are never that visible. A mind buzzing and full of ideas will rarely achieve clarity. A Business Plan forces you to put your ideas down in writing and in an orderly manner. The result of this could be you going in a completely different direction than you initially thought of, or even abandoning your idea altogether. Not a pleasant thought, but which would you prefer? The loss of your hard capital or the opportunity to re-think your idea?
6. It is an ideal tool to monitor progress against the objectives you have set yourself (we will cover objective setting later). By checking progress against your Plan, you will be able to spot if you are moving away from your original vision and so you will know what has to be put right
7. Imagine if you didn't have this check in place; an unnoticed change in direction or a slippage in achieving your objectives, if left uncorrected for too long, could

be fatal to your business. On the other hand, it may transpire that a shift from your original vision could be a better alternative, but at least recognising this change allows you to adjust your course in a planned, structured and controlled manner

8. Every action you take has a consequence, and a Plan helps make these consequences much clearer. Being aware of the possible effect of your chosen direction allows you to plan ahead, leaving you better able to cope with whatever the world of self employment can throw at you. This is one thing that "mental planning" would not achieve

9. Putting your thoughts on paper may make you realise that you need to do more research on the demand for your product or service. It could also highlight that more investigation on your competitor's products or services is needed. Additional research could help avoid a potentially costly mistake or even uncover a hidden advantage, which you had not seen before!

10. A Plan will guide you as to how much money is needed to make an idea work. In your mind you may have a rough figure of what you'll have to commit, but until you do a Cash Flow Forecast you may not realise that an overdraft limit will be required, in addition to a loan for your equipment. If the mention of preparing a Cash Flow Forecast brings you out in a sweat, don't worry as later in the book I'll be showing you exactly how to do one

11. A Business Plan will help you get funding. One of the main reasons Banks turn down requests for loans is a lack of information to assist in making an informed decision. If the Manager doesn't have enough knowledge about your idea or business then he won't feel comfortable enough to support you. He has to understand your business before he can say yes. Sometime in the future he may have to justify to his superiors why he lent you the money, so he needs as much information as possible to back up his decision. A Business Plan will make him feel much more at ease and so more able to say yes

12. By the time you have finished writing your Business Plan you will have a total understanding of your business; its strengths and weaknesses, the environment it operates in, what could potentially go wrong, and what you can do to ensure your success. Doing your planning on the back of an envelope is not going to achieve this

You should realise by now that it's essential to have a Business Plan; it could be the difference between success and that dreaded "f" word - failure! It's all about understanding the importance of planning ahead.

Spend time putting your thoughts on paper in a structured and logical manner. It will pay you dividends, both in getting the Bank to take you seriously and securing the future of your business.

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