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The Voice of Small Business

How to Refine a Business Plan

A solid business plan defines an entrepreneur's goals and strategies for building a successful business. And since you'll not only use it to seek a loan for or investment in your business, but also look to it as a road map for running your business, you need to make sure you get it right.

It's vital to go over your plan with a fine-toothed comb in the final stages of planning so you can make sure all the elements of your document are well defined. It's also crucial to revisit that plan as your business grows and changes.

Experts identify the following key areas where you should look for opportunities to finesse your business plan:

Marketing

Make sure you have a good handle on your target market, says Mike Mirau, owner of The Growth Coach business coaching franchise in Dallas, Texas, who often works with entrepreneurs to develop business plans. Make sure you have the right message, as well as the right vehicles in place to deliver it: Will you write articles, run a blog, build a website, advertise, speak publicly or do promotions? A teen clothing retailer, for example, might add Facebook to his or her strategy if it was previously excluded, since most teens are active social media users. "Most of the time, you're trying to get the funding to start the marketing engine, so you have to make sure that's right," Mirau says.

Competition

Make sure you've defined the factors that differentiate you from your competition, like your pricing and delivery strategy, Mirau says. Zappos, for example, might separate itself from its shoe store competitors by indicating lower prices, the convenience of ordering online and quality customer service. Glenn Friedman, managing partner of Metis Group LLC, a New York City-based CPA firm, says to make sure you've accurately explained the similarities and differences between your competitors' products or services and your own—and that you've backed that up with research.

Staffing

Sharpen your pencil from a personnel standpoint, Mirau says. "Every business plan I've ever worked with, we cut staff," he says. Many entrepreneurs overestimate the help they'll need. And since staffing is usually a company's largest expense, make sure you've accurately researched what the standard compensation is for each position and determined what it will cost to hire them. In addition, make sure you've showed how the employees you've hired have experience in the position and in the industry, Friedman says.

Financials and Projections

As you learn more about your industry and target market, you'll get a better feel for whether or not your projections are realistic. Lenders and investors want to know there's a reasonable expectation for your business to succeed, Mirau says. Ask yourself, "Did I adjust my numbers based on what I've learned in my research?" Make sure your numbers are realistic, including how much you're looking to raise, how the money will be used, how long the payback will be for the investment and what your return on investment will be, Friedman says.

Reevaluations

Do an annual review of your business plan to adjust for changing markets, suppliers, costs and technologies. Mirau takes a "strategic retreat" with each business owner he coaches to help them determine if their margins and business model supports such changes. Ask yourself if the information you've learned validates or refutes the assumptions you've made about your business, and make changes accordingly. "A good, disciplined business is always reviewing its plan," Mirau says.