

Have you hugged your business plan today?

By Nancy Dahlberg
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Entering the Miami Herald's Business Plan Challenge offers a terrific benefit — even if you don't end up winning. It might just be the kick start you need to get that business plan in the works.

"There is a learning curve for entrepreneurs and writing a business plan requires the writer to look at every aspect of the business," said Martin Luytjes, a professor at Florida International University who teaches business planning and often requires his students to write them. "It's a great exercise in developing the critical thinking that is necessary to be a success in business."

You'll need a business plan if you are seeking investors or a bank loan. But even if you are bootstrapping it, it helps you set goals and start preparing a roadmap for your business.

"Whether raising capital or not, writing a business plan provides a rigorous, methodical way to think through a new business concept in its entirety," said Robert Hacker, an FIU business professor and a Business Plan Challenge judge. "While the plan will change after testing by the market, a thorough plan better prepares the entrepreneur."

Here in South Florida, some students get a very early grounding in business planning. The programs taught in Miami-Dade and Broward public schools through the Network for Teaching Entrepreneurship — NFTE South Florida — give students a solid grounding in developing a business idea, writing a full business plan and presenting it to judges during NFTE's annual contest as well as preparation for soliciting potential clients, partners and investors. Many students have gone on to start their businesses.

So let's get started. What should be in a business plan?

There is no single formula for a business plan. But experts generally agree plans should include: An executive summary; a clear company description that also conveys the need in the marketplace for the product or service; management team expertise; a market analysis that includes size and potential growth of the industry; an analysis of the competition; a marketing strategy; a growth strategy; funding sources and financial projections.

People are afraid of the financial section of the plan, but they needn't be. It's really just giving a snapshot of your company in numbers. This should include revenue streams and projections, cost drivers including launch costs, your current financial situation and financial needs.

One of the key parts of the business plan is the executive summary, generally two pages that highlight the rest of your plan.

"It's critical because it's the elevator pitch of the plan," said Luytjes. With highlights of the product description, industry, management team, financials, target market and opportunity, "it needs to demonstrate, 'hey, you know what, that could really work.' "

Although this comes first in the plan, it should really be written last.

Hacker, who also teaches a workshop at FIU called “Developing a Killer Business Plan,” says his students often have trouble with identifying large market opportunities. The attendees also often tend to ignore the customer problem to be solved or only superficially understand that customer.

“New entrepreneurs tend to devote too much time to financial models and not to devote sufficient attention to the early part of the process — understanding the customer and sizing the market opportunity,” said Hacker, author of *The Billion Dollar Company: An Entrepreneur’s Guide to Business Models for High-Growth Companies*.

Another common mistake: Business plans tend to be overly optimistic because entrepreneurs are looking through rose-colored glasses, Luytjes said.

For that reason, entrepreneurs often have trouble with evaluating the critical risks — not just understanding what the risks are, but including in the plan how the business owner will manage them, said Luytjes, who owned Chicken Kitchen franchises and wrote business plans for them.

Where can you find out more about writing a plan?

There are plenty of templates on the Web, and the Small Business Administration provides good instruction on the topic. The various templates ask good questions to consider, but in the end the entrepreneur needs to write his or her own plan, the experts say.

Hacker says the venture capital websites and blogs provide the best advice on how to prepare a business plan. He particularly likes the advice from Sequoia Capital (<http://www.sequoiacap.com/ideas4>.)

Once you have it written, “a business plan is a living and breathing document.

Keep it updated,” said Beatrice Louissaint, president of the Southern Florida Minority Supplier Development Council, which matches minority businesses with large corporate partners, and a Challenge judge.

The biggest mistake entrepreneurs make is to look for money from angel investors without a business plan that has been revised numerous times and is up to date, adds Barbara Boxer, who heads the Women Angels in Miami, Milwaukee and Chicago and a Challenge judge. “The well thought out business plan is the first step in the multistep process of starting a business,” she said.