

Business plan is more than a roadmap, it's a tool

Guest Column:

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Everyone has heard how some companies started with a few diagrams scribbled over a kitchen table or dorm-room desk, which energized the founders to achieve success. Such tales may indeed be true, but the vast majority of startups benefit by creating a written business plan.

In usually no more than 25 or 30 pages, a business plan shows how a new venture will begin, grow and prosper ó what product or service it will make, the problem it will solve, who will buy it, how it will be produced, sold and serviced, and what level of funding it will need and when. While written to attract investors, potential business partners and key employees, one of the most important audiences of a business plan may be its author. Howø that?

Anyone who has written a plan knows that itø outdated nearly as soon as it is completed. Thatø because the world constantly evolves: new competitors emerge, the cost of capital goes up or down, supplies become scarce, or any of a hundred other factors change. Entrepreneurs who are best able to ride the turbulent seas of building a business can figure out how a changing world will affect their assumptions and projections ó and then create a response. A written plan helps them do that.

Writing a business plan is a rigorous intellectual exercise. For example, talking about the competition requires thoroughly understanding who you want to sell to, why they buy, how they buy and why others selling to that market have succeeded or failed.

Having total command of this level of detail will enable you to have a productive conversation with an investor who, you can bet, will ask questions like, øIf you have underestimated first-year demand by 50 percent, what would that mean for the company?ö Without having worked out the details ó and putting them down on paper forces you to work them out ó you wonø be able to enlist others to your cause.

In teaming with you, investors, partners and employees are taking a risk. Your plan helps them understand the nature of the risk and how it can be mitigated.

Investors in particular want to know that you understand the character of your business, and completing a written plan, whether you are a novice or veteran entrepreneur, helps you gain that understanding.

The Rhode Island Business Plan Competition, unique in that it is open to anyone 18 years of age or older regardless of previous experience or current affiliation, gives emerging entrepreneurs an opportunity to hone the critical skill of thinking through a business idea. And when you have done it once, you will be prepared to do it again.

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