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How to avoid common mistakes when building your business plan

You may think a business plan is something you put together when you need a loan and want to impress your bank.

But according to BDC's Daniel LaBossière, Assistant Vice-President, Business Development, a business plan is really an invaluable management tool that helps you set clear objectives for your company and describes exactly how you'll achieve them.

"It's not a one-time affair. A business plan can be consulted on a regular basis and should be revisited often. It's the best way to document where your company is going, and it should evolve with your business," he says.

Allow for adjustment time

LaBossière feels that the most common pitfalls can be avoided if entrepreneurs take the necessary time to put together a sound document.

"Allow yourself ample time to do your research and adjust your plan. Overall, it's important to tie everything together and make sure that your narrative is backed up by solid facts."

Here are a few areas where LaBossière believes entrepreneurs should be particularly vigilant.

Make detailed assumptions

The core of any good business plan is based on solid assumptions, which enable you to do accurate forecasting. "You can think of an assumption as a premise that helps you forecast future results, and allows you to simulate how your business will perform."

Entrepreneurs will typically need to make assumptions about three key areas when writing a business plan: Sales, variable costs and **fixed costs** (def.).

"In the simplest form, you're projecting what sales you'll need to cover fixed and variable costs," LaBossière says. "Entrepreneurs often fail to include detailed assumptions that are clearly broken down. You have to show that you've given your plan a lot of thought."

Detailing your assumptions and objectives will also help you establish specific marketing strategies and identify resources that are required to meet your objectives. "Everything in your business plan has to tie together," he says.

Don't forget start-up requirements

A common mistake in business plans is omitting to outline start-up requirements. "It's not enough to simply say, 'We need $400,000.' It's important to clearly discuss the specifics so that the reader feels you've done your homework."

"Do I have sufficient working capital? Will my real estate needs change? What are my hiring needs? What are my possible sources of funding and how will they be used? These details give your plan credibility and build confidence that you know exactly where you're going."

Have supporting information

Backing up your assumptions is also crucial when writing an effective business plan. "If you're trying to make a case, you'll need the ammunition to support it," says LaBossière.

Supporting information can include feasibility studies, surveys, market analyses, information about key competitors and industry overviews. The reader should see clear footnotes that point to your supporting documents.

"Keep the information clear and concise. Bankers want to see the facts, but avoid overwhelming the reader with irrelevant data."

Emphasize human resources management

Business owners often overlook human resources management in business plans—when it's actually a major element to consider.

"HR poses many challenges to entrepreneurs today, particularly when recruiting in a shrinking labour market," LaBossière says. "You have to show that you know precisely how you'll attract skilled staff to operate your company."

Business plans should include your organizational structure, as well as clear HR requirements such as recruiting and outsourcing strategies.

Get outside help

"It may be wise to take a first stab at your plan yourself since you're very close to your own company's reality," LaBossière says. He encourages business owners to use business plan templates as a way to get started.

"Having a consultant revise your plan can help you make a stronger business case. It's good to have that objective point of view. Sometimes it's difficult to see weaknesses in your document and where you can improve it."