

Business Financing Network

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The Importance of Business Plans for Startup Companies

by Alan Kenyon

A new entrepreneur or company seeking financing must have a concise business plan or feasibility study that conveys business goals, strategies to meet those goals, and an understanding of potential problems and how they will be overcome. The plan also must illustrate the business structure, key management personnel and their experience, the amount of capital desired, and most important of all, how the loan will be repaid.

A business plan has three major sections:

- **Technical:** This section covers the business concept, the industry, your business structure, the particular product or service, and future company plans.
- **Market:** The market section provides an analysis of potential customers, your competitors and your competitive advantages, and how you will reach your desired audience.
- **Financial:** This section explains the amount of capital needed and how the funds will be allocated. It must include projections for at least three years, including income statements, cash flow statements, balance sheets, and a break-even analyses. It must show the lender how you will meet the company's expenses, but most importantly, how you will repay the loan.

Most business plans are weak in the financial section--the most important part of the business plan. It is always wise to seek professional assistance when putting together a document that determines whether or not financing for the business can be obtained.

A business plan is a road map to the future. The entrepreneur should take the time to "do it right" to maximize the probability of winning financing for the new venture.

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