

27 Really Common Business Plan Mistakes (And How To Avoid Them)

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Introduction

There are plenty of books on the market that tell you how to write a business plan. There are also lots of websites where you can download business plan templates. Yet every day, lenders and investors still receive error-laden business plans that quickly find their way on to the reject pile. The sad thing is that some of those terrible business plans are actually for very good businesses – it's just that the founders of those companies made a complete mess of the most important document they will ever write.

The point of this book, as the title suggests, is to highlight *27 Really Common Business Plan Mistakes* so that you won't be one of the entrepreneurs to repeat them. Some of these mistakes – identified by investors and lenders – are fundamental, some of them obvious, and even though some are pretty trivial, including any of them in your plan could jeopardize your hopes for success.

This book assumes you've already bought a book called something like *How To Write A Brilliant Business Plan* that sets out the sections you should include and the structure you should follow. This book won't attempt to cover the same ground, instead, it will show you how NOT to write a business plan, so that you won't waste either your time or your money. If you follow the advice on these pages, you can be pretty sure that whoever reads your plan will take both you and your business seriously.

Bullet Books are short, waffle-free guides that help you make the most of every working day. Our tagline is 'Ammunition for Success' and each volume is designed to get straight to the heart of the matter. Quick to read and cheap to buy, Bullet Books are the antidote to bloated and over-priced business books that bury the important information inside layers padding.

So... let's not waste any more time. Let's find out what these really stupid mistakes are so that you can crack on and write a truly smart business plan.

I. Not understanding what a business plan is for

The biggest reason good entrepreneurs sometimes end up writing bad business plans is because no one really told them *why* they should write one. Loads of books tell you that you *should* write one, and plenty of them show you *how*, but unless you understand *why* you need to write one, there's a good chance you're wasting time that would be better spent growing your business.

Broadly, the best business plans should do *all* of the following jobs:

Set out the future growth of your company in such a way that it becomes both a road map *and* a yardstick for the founders and management team

Entice investors to consider putting their money and energy into your venture

Persuade a lender to offer your company a loan

Enthuse and excite potential senior employees to join the business

Some business plans do all of these things, but most are written to either attract investment or secure a bank loan. The mistake entrepreneurs in this situation often make is that they write the business plan they *think* an investor or bank manager *wants* to see and they end up treating it like a box-ticking exercise.

This is dumb for three very good reasons:

A professional investor or bank manager will have read many more business plans than you'll ever write and they'll pick up on your lack of enthusiasm for writing it. They will then inevitably wonder if that means you feel the same way about the business

You miss out on the most important reason to write a business plan, which is to prepare a detailed road map that will guide you and your senior team through the first few years of your business. *Whatever else you want your business plan to do, it absolutely must inspire and encourage you to believe that you're on the right path*

Whatever the purpose of your business plan, its real *value* is in identifying potential problems and pitfalls in advance so that you can put the solutions in place to deal with them. This gives you – as well as lenders and investors – the confidence that your business will succeed, no matter what the future holds.

If your business plan gives you confidence, it will inspire confidence in everyone who reads it.

2. Not knowing who it is for

It really shouldn't make a difference if you are writing a business plan with the intention of sending it to potential investors and lenders, or if you're just writing it to help you understand your business better: the content of the plan should still be the same.

Many entrepreneurs get themselves tied up in knots by trying to write a business plan for every possible reader – a potential employee, a family member they hope will back them, a bank manager, a venture capitalist or even a former boss they want to impress. The danger is that by writing for specific people, you tailor the content of your plan to impress them. In doing so, you may shift the emphasis of some sections, or neglect to include information that should be there.

It therefore makes sense to visualize ONE person who will read your business plan and write it just for them... and that person should be a potential investor who is an individual rather than an employee of a large venture capital firm.

Writing for a private investor forces you to scrutinize your plan more critically than you would if you were writing it for yourself, or even for a bank manager. If someone is going to put their own money into your business, then they want to be absolutely sure of your business model, your credentials, your financial forecast, your technical specifications, your hiring strategy... in fact everything down to your supplier contracts and the level of rent you pay. They would need to know every detail about your business before handing over their hard-earned cash, and so you need to put every single one of those details into your plan.

When you visualize the recipient of your business plan, keep the following in mind and it will help you create the right tone and produce the best possible business plan.

Assume the recipient is intelligent but doesn't know anything about your industry, your business or you. If, for example, you intend to open a coffee shop, it's fair to assume that your reader has been in a coffee shop and knows that companies like Starbucks are billion dollar entities, but you shouldn't assume that they know about the wholesale cost of coffee or the size and value of the market in your territory. If you operate in a specialist sector, you will need to give a lot of background to your industry but **DON'T USE JARGON**. Even if you've been featured in countless industry magazines in the past few years, assume they have never heard of you or your reputation.

Assume your imaginary recipient is more skeptical than the most skeptical person you know.

It's probably best to **assume** that they don't have a sense of humor. Jokes are for meetings and phone calls, not documents.

Assume they love their money like a member of their family and they would never entrust it to anyone unless they were absolutely sure it will be properly taken care of.

Assume that they have lots of opportunities to invest and that your business plan is just one in a high, teetering pile on their desk.

If you can explain your business to someone like this, impress them with your idea and convince them of your ability to make it happen, then you will write a brilliant business plan. By writing your plan for just one person, you don't risk diluting your idea and its impact, which is what can happen when you try to please everyone.

The really great thing about picturing a mythical private investor as your intended recipient is that you will be including everything in your business plan that anyone else – a lender, a venture capitalist, a future partner – would want to see too.

3. Not understanding what your reader wants

Want to know why the Twilight novels sold in their millions? Want to understand why Dan Brown's books sell out before they are printed? It's because both Brown and Twilight author Stephanie Meyer understand what their reader wants – and they make sure they give it to them. The more you understand what potential readers want from your business plan (or your vampire novel), the more likely it is – in fact, you are pretty much guaranteeing – that they will love what they're reading.

If you are writing for an investor...

You need to understand that an investor wants to make money in a reasonable time frame. They are not looking to put money into a business that you carry on running until you retire. They want their money back and they want a good return. Some investors will be happy with 20% a year, some will want 100%, and you need to do your research to make sure you are meeting each investor's criteria.

You need to give potential investors the information they need to assess how likely it is that they will get a return if they put money into your venture. They need to understand how you'll make money for them, the risk they're taking and when they are likely to see a return. You will also need to explain how they'll get their money back, perhaps through a stock market flotation, a management buy out or a trade sale.

Remember: a good business doesn't always mean a good investment. Investors are interested in making money for themselves, not helping you develop a fabulous lifestyle business.

If you are writing for a lender...

You need to understand that banks are not in the business of taking risks. They want to lend out \$100 and KNOW that they will get it back in steady repayments over a set number of years. They don't care how exciting or profitable your business is, they only want to see that you will have no problems making your repayments. And just in case you hit a rough patch, they'd really like to know that you have plenty of collateral that they can seize if you default on your repayments.

If you are writing to get a grant...

Make sure you understand the reasons why the grant-giving body hands out cash. They will have certain objectives, like increasing local employment or creating opportunities for disadvantaged or marginalized groups, and you need to make sure that your business plan demonstrates how *your* business helps them meet *their* objectives.

Remember, grant-giving institutions usually have a limited number of grants to give out each year. You are in competition with all the other applications they receive. The way to give yourself the

best possible chance of getting their money is to show how perfectly your business meets their criteria.

While everyone likes to be involved in a brilliant and exciting new venture, that's unlikely to be the most important thing your prospective readers are looking for. The more you understand what they will be scouring your pages to see, the more you can be sure their eyes will light up when they find exactly what they're looking for.