



IS WRITING A BUSINESS PLAN STILL OF VALUE?

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By Tara Carr, Small Business Development Director at UW-Green Bay

Some believe there is no added value to writing a business plan. Politicians and media outlets, such as Forbes and LinkedIn, have reported that 80% of businesses fail within the first 18 months and 80-90% of start-ups will fail in their first five years. Is this true? If so, why?

Conversely, practitioners in the entrepreneurial trenches have dissimilar data and viewpoints. For example, the Small Business Administration (SBA) is reporting different statistics indicating 66% of businesses with employees survive at least two years and 50% of new business survive five years or more.

No matter what statistics you research or believe, owning a business is a risk...a HUGE risk! Entrepreneurs are known to commit their lives to fulfil their vision, working long hours at the expense of family time, investing personal savings, and often pledging their remaining assets. The commitment and sacrifice is all in effort to participate with the goal of winning the “entrepreneurial game.” Despite the risk, there are several appealing benefits to owning a business. Many people want to own their own business in effort to seek the American Dream of controlling their own destiny, following their passion, the attractiveness of working autonomy, having a sense of pride in creating something of their own and/or striking it rich!

Entrepreneurs are often known for that special skill or expertise in determining “feel” for a customer's need or demand. However, is that skill sufficient enough to run a successful business? How can taking the time to create a business plan be helpful? A business plan can reduce the risk while improving chances of success. Knowledge is power and by having the knowledge of the whole business, including what it takes to run and operate the business, can better equip the owner to be effective and profitable. As an entrepreneur, wouldn't you want to maximize your chances of being successful and do everything possible to make that happen?

Why have a business plan? Very simply...do the research before spending thousands, or tens of thousands, of dollars or possibly bankruptcy to find out your business idea was wrong or perhaps just a hobby. The data supports that entrepreneurs that develop a business plan are twice as successful in increasing business growth and securing financing. It is the entrepreneurs' responsibility to convince investors that the business is viable by showing realistic and reasonable sales and financial statements. Understanding the costs involved in a business is crucial to its success. Whether or not the business can pay the bills and possibly breakeven are extremely important factors to know.





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Writing a business plan is a proactive approach to taking a concept (that exists in the head of the entrepreneur) and writing it down on paper. The plan is a map, per se, of what the business will look like, what product or service will be sold, who the customers will be and how the bills will get paid. The business plan includes the strategic outline of marketing, operations, budgeting and financial forecasting.

Why do businesses fail? Will having a business plan guaranty success? As a realist, probably not, as very few things in life are guaranteed, and a business venture could fail for a variety of factors: choosing a business that cannot make money, lack of expertise, unrealistic product pricing, insufficient capital (money), poor location, poor inventory management, high fixed costs, poor credit agreements, unexpected growth, personal use of business funds, competition, low sales, failure to understand the market and customers buying habits, and/or relying on a specific customer.

The UW-Green Bay Small Business Development Center, and its affiliation with the U.S. Small Business Administration, proactively works with entrepreneurs in developing a business plan. When working with entrepreneurs, the first questions we ask: What do you want to do? How are you going to get there? Who is going to buy your product or service? How are you going to capture those customers? What is your pricing strategy to make money? How will you balance the checkbook?

According to the SBA, the world has been downsizing, but the rate of small business start-ups has grown. In Wisconsin, 1.2 million workers are employed by small businesses (over half of the workforce) and small business employers make up 97.7% of businesses. The current small business growth is in women and minority own businesses (55.6% increase in minority ownership). With the help of the SBA and SBDC, the rate for small business failures has declined. The goal of the Small Business Development Center is to assist entrepreneurs prepare to startup their business by strategically planning each facet of the business, while maintaining fiscally responsible decisions. Critical thinking, data analysis, market research, and financial preparations are just a few ways that the Small Business Development Center works with clients to prepare to live the American Dream.

The Wisconsin Small Business Development Center (SBDC) at the University of Wisconsin Green Bay is part of a statewide network of SBDCs working with business owners and entrepreneurs to facilitate business growth and improvement, and to launch successful new companies. The Small Business Development Center offers a variety of services: no-cost business consulting, customized business solutions, financial management, growth & strategic planning, and professional development training.

