



The Business Plan: Common Mistakes & Best Practices

By Candace L Moon, The Craft Beer Attorney

When you are creating your business plan you will be working on financial projections, describing your vision and mission, and overall showing bankers, investors, potential partners – and yourself - how and why your future business will work. This process is not without its challenges, so this article offers guidance about best practices (or smarter ways to do things) in addition to some common mistakes to avoid.

Best Practices

The Writing Process

First, this is not a process that is best done all at once, by one person, with an immediate deadline. Instead, it is best to share and discuss with others while working on the plan. Talking through concepts and including others' perspectives and inviting feedback will result in improved quality throughout.

Incorporating good graphics throughout your business plan is also good to do. People understand information in different ways, and supporting your information with graphical representations works well.

Focus

- Be very focused with your business plan, starting with a smaller scope and more known elements and then growing and extrapolating from there.
- Your focus on the customer and diligence in researching and fully understanding the market will also serve you well throughout the creation of your business plan.
- Be cautious about overestimating your own strengths, skills, and time that you will have available to execute your plan. Understanding your strengths and limitations while projecting adequate support throughout your business plan is practical. A business plan that seems unrealistic calls into question the feasibility of the project.

Content

Ensure consistency throughout the business plan. Review and edit for consistency while developing a powerful and readable message. Inconsistencies detract from the overall impact the business plan can have on those learning about your vision.

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Design a Preliminary Feasibility Plan

To get started, create a preliminary feasibility plan. Start small and informally, drafting one paragraph for each of the following areas:

- Business idea
- Value Proposition
- Competitive advantage
- Ideal customer demographics
- A few marketing ideas to attract and retain customers
- A simplified sales forecast
- Ideas on how the business would operate
- Simplified cash flow statement

Once complete, review this plan carefully paying special attention to the finances. Do the results meet your needs and expectations - including compensation for yourself? Remember that a business plan is first and foremost for yourself and your partners. If it falls short in some ways, you may need to revisit your mission.

Feasibility Plan

Once your Preliminary Feasibility Plan passes muster, create a Feasibility Plan. This includes the following:

- Conduct preliminary research, including potential market size and competitive advances to include in your business plan.
- Fine tune our business idea and your market differentiators
- Identify additional actions for your marketing plan
- Include more assumptions for your sales forecast
- Make assumptions regarding staffing and sourcing of any needed supplies, location, etc.
- Develop the cash flow statement

Again, as before, review this plan carefully. Do the financial results still meet your needs and expectations?

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Common Mistakes

As you draft, review, and fine tune your business plan, keep an eye out for these common mistakes:

Executive Summary/ General Layout

- Opening message does not succinctly describe the business idea and why it will be successful
- The business plan layout reflects poorly on the entrepreneur
- Business focuses on you and not what you are doing for potential customers

General Company Description

Key information is often not obvious to your reader:

- Commitments
- Guarantees
- Funding from other sources
- Legal issues

Products and Services

- No focus on particular products or services
- Not enough emphasis on the current business and its challenges

Marketing

- No understanding of the market
- No clear statement about how you will generate revenue
- Your sales forecast is not believable
- Plan demonstrates a large amount of hubris

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Management Team & Organization

- Key player bios not included
- No supporting team

Financials

- No funding provided by owners
- Amount of requested funding is not supported by the financial statements
- Amount of requested funding is primarily to pay your first year salary
- Not including the three basic financial statements
- No stated assumptions on which the financial statements are made

Following these best practices and reviewing for the above common mistakes can give you a leg up on developing your business plan and could help to favorably inspire your reader(s). During the review process at each stage, remember to bring in other people to read and discuss to provide a more diverse perception of your projected reality. The ultimate beneficiary of this plan is you and your team, and the more accurate and realistic that you can be while preparing this plan the better template you will have to work from when the project begins.



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