

Top 10 Mistakes Entrepreneurs Make When Writing a Business Plan

Writing a business plan is often a crucial first step to getting your start-up off the ground. A good plan can help you raise money, recruit members of your management team, set your marketing strategy and, perhaps best of all, refine your thinking. A plan riddled with errors? That can sink you. Here are 10 mistakes that entrepreneurs frequently make when crafting their business plans, according to Akira Hirai, a consultant in California who advises start-up companies on elements of business-plan writing, including competitive analysis and financial forecasting.

Being All Things to All People

You cannot expect a business plan to appeal to every possible audience. With this in mind, try to pick one business model, and to focus on one industry or one problem. Otherwise, you risk spreading yourself too thin, and potentially creating a sprawling plan that makes a bad first impression.

Being Boring

If a potential client gets two pages into your plan and is bored, that's a terrible sign. It is important to have the reader interested right from the executive summary on the very first page. And don't neglect your cover page: a well-designed logo never hurts.

Measuring the Size of the Market Too Optimistically

Although it may seem impressive if you project vast markets and the potential for huge sums of revenue, outsize financial estimates often appear gimmicky to investors. Worse, big numbers often make you sound as if you don't know what you're doing or how hard it will be to penetrate your target market. Don't make big promises unless you're absolutely sure you can keep them.

Lacking the Confidence to Sell Your Product

In an effort to portray confidence, too many business plans ignore the competition that a new business will face. Doing so betrays a lack of sophistication. Few if any ideas face zero competition. Even if your concept is completely original, you should take into account forces that compete with your product or service, including different solutions to a problem, different ways that customers might choose to spend their money, and inertia in the marketplace.

Repeating Yourself Too Much

Avoid repeating a few catchphrases and a few simple ideas in ten different formulations. Nobody wants to hear the same thing over and over again. Be sure to keep your plan's fundamental message consistent throughout, but employ creative language and appealing imagery to flesh out your ideas.

Using Too Much Jargon

Remember that not everyone in business is familiar with cross-industry lingo. If you have a background in a specific industry – this is especially true in science and engineering – try to use simple, specific, and concrete phrases to describe your business. Rely on general terms that most everybody will understand.

Not Being Consistent

Eliminate contradictions. Make sure that the information in your plan is consistent — that, for example, a financial chart deep within the plan does not undermine a fact used in an earlier section. Make absolutely certain that every fact about your industry, the market, and key competitors is accurate and readily verifiable.

Failing to Incorporate Feedback

Presenting a business plan about which you have not received feedback is an easy amateur mistake to make. Remember: Presenting to a top investor a draft business plan that contains silly errors or gaps in logic is worse than presenting no plan at all. Try reaching out to a few friendly contacts who have vetted business plans in the past before you begin to share it with qualified potential investors. However....

Taking Too Many Perspectives Into Account

...Do not go so overboard in anticipating lines of questioning or identifying possible flaws in your thinking that a reader will have a hard time following the narrative thread. Make sure you address some likely investor objections, but balance the desire to be clear-eyed with the overall objective, which is to make a persuasive pitch.

Failing to Acknowledge the Competition

Successful plans come in all shapes and sizes and formats, so don't worry about crafting one that looks and reads exactly like every other plan that's out there. Your goal isn't to fit in; you want your business plan to stand out. Remember: If you create a proposal that expresses your idea and your personality, you will be more comfortable and confident when you are called on to present it.

Source: Inc. magazine