Five Major Business Plan Mistakes

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Below are typical sections in a business plan, with five common mistakes interjected.

1. Executive Summary. This should both summarize the business plan and capture investor interest in reading the entire plan.

Mistake #1*. Spending minimal time on the executive summary since many investors will not read further if the summary is uninteresting. It is critical to perfect the executive summary and it should be no longer than a few pages.*

2. Company. This should include mission, business strategy, value proposition, legal business description, risks, and other information.

3. Market Analysis. This demonstrates how well management knows its target market and customers. Many investors look closely at the potential size of the market for a venture's offerings.

Mistake #2*. Overlooking the importance of this section, using general descriptions, and omitting market research that supports demand.*

4. Competitive Analysis. This is an extension of the market analysis and should include a discussion of competitors, prices, differentiation, and barriers to entry. Many investors see a red flag if a company’s plan states "we have no competition."

5. Products and Services. In this section, describe the products and services. Include reason for demand, unique advantages, packaging, services and support, value, product lines, research and development, and future plans.

6. Marketing and Sales. Success requires a strong sales strategy, and this section should fully describe the marketing and sales plan. Include distribution channels, sales cycle, your pricing, positioning, and promotion.

Mistake #3. *Favoring product superiority over marketing and sales. Investors weigh marketing and sales heavily, sometimes more than the product or service itself. A light treatment is likely to raise doubts about management.*

7. Management Team. "Who" is in charge is extremely important, particularly in a new venture. Illustrate the breadth and depth of the management team, biographies, and new roles.

Mistake #4. *Presenting a management team that lacks critical skills or experience. It may be necessary to recruit these skills or offset them with alliances. Investors also often prefer a "been there, done that" management team.*

8. Finance. Include capital required plus income statements, balance sheets, and optionally cash flow statements. Statements should generally cover five years. Established firms should include past and future years. Start-ups should add a 12-month spread on the first year.

Mistake #5. *Projecting initial sales as flat (zero) followed by an exponential increase. Particularly for start-ups, a "hockey stick" projection is questionable even if it may be possible.*