



What pitfalls should I avoid in business planning?

1. *Too much detail.* There is a fine line between too little and too much detail in a business plan. Minute or trivial items that dilute or mask the critical aspects of the plan should be avoided.
2. *Graphics without substance.* With the sophisticated computer software available to the average user today, it is easy to over-emphasize aesthetics while compromising substance. Graphics can be a complement to, but not a substitute for, logic and reasoning.
3. *No executive summary.* Many readers of business plans will not read past the executive summary. If it does not exist, they may not read the plan at all.
4. *Inability to communicate the plan.* The business plan should clearly outline the proposal in understandable terms. Monumental ideas are worthless if they cannot be communicated.
5. *No sensitivity analysis.* All quantitative aspects of a business plan should be tested for sensitivity. The most common areas tested are revenues and expenses. However, sensitivity analysis can be conducted on interest rates, yields, production variables, or any other quantitative measure that is relevant to business success.
6. *Failing to anticipate problems.* A good business plan will recognize potential roadblocks that could arise in implementing the plan and provide contingency plans to overcome them.
7. *Lack of involvement.* The business plan should be a team effort and involve not only management but also spouses, children, staff members, and any other stakeholders. Careful consideration should be given before making the decision to have someone outside the business prepare the plan.
8. *Infatuation with product or service.* Although a business plan should clearly explain the attributes of the business's key product or service, it should focus on the marketing plan. An entrepreneur can often become so intrigued by his/her idea that he/she forgets about the big picture.
9. *Focusing on production estimates.* When making projections, the focus needs to be on sales estimates, not production estimates. Production is irrelevant if there are no buyers.
10. *Unrealistic financial projections.* Potential investors are certainly interested in profitability so that they may earn a return on investment. However, unrealistic financial projections can quickly cause a plan to lose credibility in the eyes of investors.
11. *Technical language and jargon.* Technical language, acronyms, and jargon that would be unfamiliar to a person without experience in a particular industry should be avoided. The reader will be more impressed if he/she understands the plan.
12. *Lack of commitment.* The entrepreneur must show commitment to his/her business if he/she expects a commitment from others. Commitment is exhibited by timeliness and following up on all professional appointments. Investment of personal money is looked upon favorably because it shows that the owner is willing to make a financial commitment.