**How entrepreneurs can create successful business plans**

**Knowledge@Wharton:** Professor MacMillan, thank you for speaking with us about the necessity of entrepreneurs writing business plans. To start with a basic question, what exactly is a business plan?

**Ian MacMillan:** A business plan to me is a 25-page, maximum 30-page, document, which is a description, analysis and evaluation of a venture that you want to get funded by somebody. It provides critical information to the reader -- usually an investor -- about you, the entrepreneur, about the market that you are going to enter, about the product that you want to enter with, your strategy for entry, what the prospects are financially, and what the risks are to anybody who invests in the project.

**Knowledge@Wharton:** Could you explain some of these elements in a little more detail and describe how entrepreneurs can develop an effective business plan?

**MacMillan:** Let me start by saying that you probably want to avoid developing a detailed business plan unless you have done some initial work. Basically what happens is that by doing a little bit of work, you earn the right to do more work. The first thing I would do before you start a business plan is think about a concept statement. A concept statement is about three to five pages that you put together and share with potential customers or investors just to see if they think it's worth the energy and effort of doing more detailed work.

The concept statement has a few pieces to it. You are going to have a description of the market need that has to be fulfilled; a description of the products or services that you think are going to fulfill that need; a description of the key resources that you think are going to be needed to provide that product or service; a specification of what resources are currently available; an articulation of what you think the risks are; and then a sort of rough and ready estimate of what you think the profits and profitability will be.

The idea is to put together this concept document and begin to share it around with people who are going to have to support your venture if you take it forward. This allows you to rethink as a result of feedback that you get. You might get word back from the various stakeholders -- like potential customers or distributors -- that this really wasn't such a good idea after all. That saves you the energy and effort of putting together a big business plan.