Preparing Your Business Plan

The final stage in building a dream for a new venture of your own is developing your business plan. A business plan is a written document that describes all aspects of your business venture — your basic product or service, your prospective customers, the competition, your production and marketing methods, your management team, how the business will be financed, and all the other things necessary to implement your idea. It might be called the "game plan" of your business.

BUSINESS PLANNING — THE "BIG PICTURE"

WHY CONSIDER THE "BIG PICTURE"?

When you start your business you will find that there are many things that happen that you didn't expect, or didn't work out the way you expected. Don't worry. Your experience in this regard won't be unique. This happens to almost everyone. What is important is for you to be prepared for this to happen and ready to make adjustments. In making these changes it is important that you don't lose sight of what it is that you are really trying to do. This means that you need to keep in mind the "big picture," which is brought together in the business planning process.

THE STEPS IN THE BUSINESS PLANNING PROCESS

The business planning process focuses on the future. It enables you to relate what you wish to achieve to what your business concept or idea can deliver. It entails working your way through each of the following steps in a logical and sequential way.

1. Develop a Vision Statement

A *vision statement* focuses on the "what" of your business and should describe your idealized perception of what your business will look like under perfect conditions, if all your goals and objectives have been met. It lays out the "super goal" that you would like your business to achieve. The key components of your *vision statement* will be:

- Name of your planned business venture
- Product/service offering you plan to provide
- Target market(s) you intend to serve

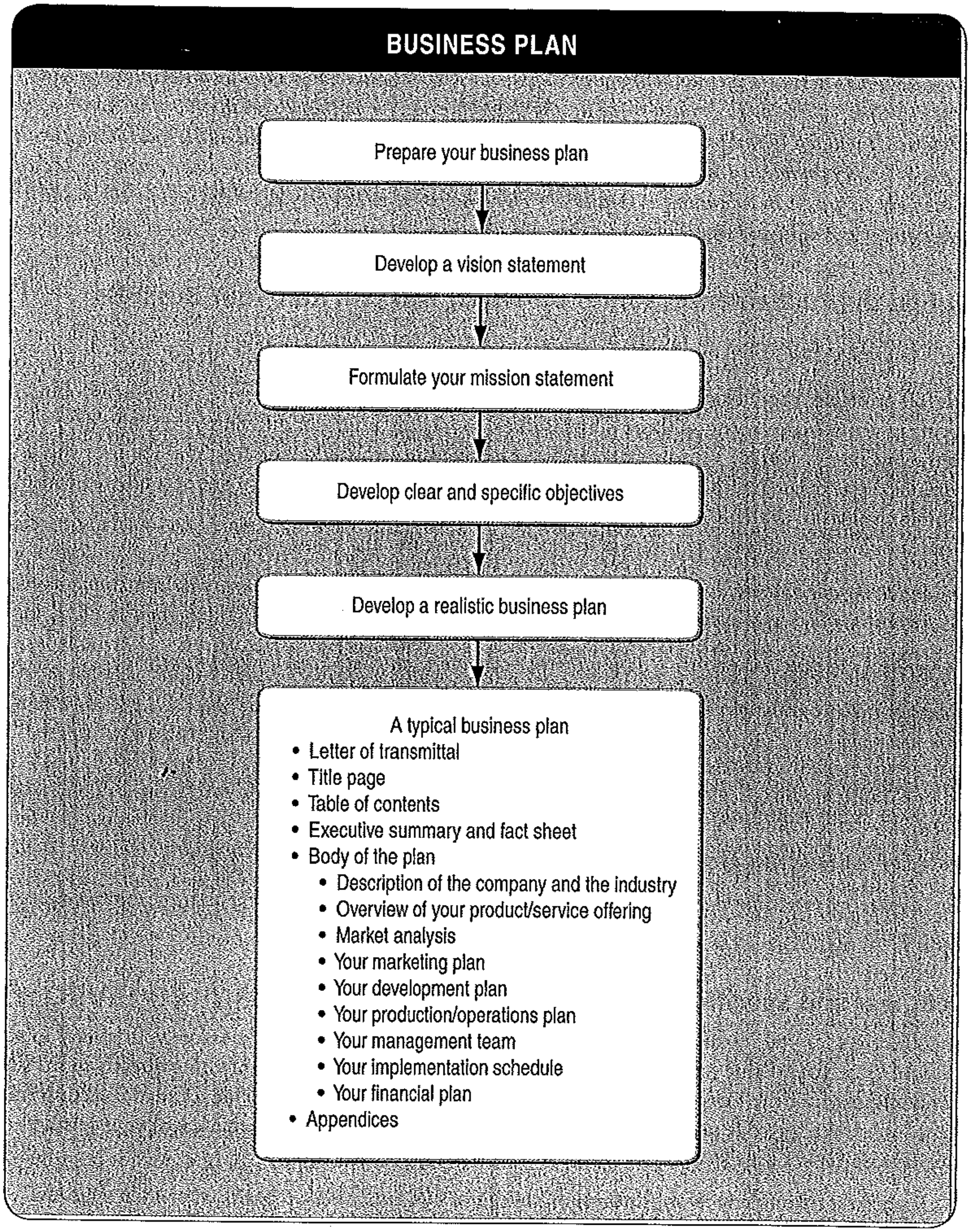
Your *vision statement* should be short (a sentence or two). It should also be easy to understand and easy to remember.

For example, a typical *vision statement* for a new sporting goods retailer might be:

The Hockey House plans to provide a wide range of hockey-related products and services to casual skaters, minor league hockey players, community clubs and organizations, and competitive hockey teams and players.

2. Formulate a Mission Statement

A *mission statement* focuses on the "how" of your business. It defines the purpose of your venture, outlines the reason for the existence of your business, and provides some understanding of how your business will be operated. It is, in fact, the "super strategy" of your business. The key components of your *mission statement* will describe:



- What your business will do
- Its market focus, niche, or particular image
- Your planned location and the geographic market served
- How you plan to grow the business
- Your sustainable uniqueness, or what will distinguish your business from others and will continue to do so on a long-term basis

Your mission statement should be a series of short phrases that addresses each of these elements. For example, a mission statement for The Hockey House might state:

The Hockey House will provide a broad range of skates, sticks, pads, sweaters, and other related hockey equipment and services intended to meet the requirements of ice and in-line hockey players at all levels of ability, from beginners to semi-professional and professionals. It will also sell related supplies and equipment such as goal nets and timers, with a view to being the one-stop shop for hockey in Manitoba and northwestern Ontario. It will sell to individuals, teams, and community clubs through a retail outlet located adjacent to a major hockey complex in Winnipeg and a Web site but will also produce a four-colour catalogue and call personally on groups in communities outside the city. Our principal competitive edge will be the breadth of selection we can offer and the quality of service we plan to provide.

3. Define the Fundamental Values By Which You Will Run Your Business

Many arguments, particularly in family businesses or partnerships, occur because the members do not share common values, even when they often assume that they do. For a new business to have a good chance of succeeding, all principals should agree on a basic set of values by which they will operate. The process of discussing and trying to achieve agreement on these values is likely to identify points of difference that should be addressed before the business is started. This process can be conducted in two steps. The first step requires you and any other principals associated with the business to define their own personal values. The second step consolidates the common values by which the business will be operated.

An example of a statement of business values might look like the following:

In conducting our business, we will implement our vision by conducting our affairs so that our actions provide evidence of the high value we place on:

***Integrity** by dealing honestly with our customers, employees, suppliers, and the community*

***Responsibility** by taking into account the environment in which we do business, community views, and the common good*

***Profitability** by being conscious that an appropriate level of profit is necessary to sustain the business and allow our values to continue to be observed*

***Value** by providing quality products that are recognized as delivering value for money*

***Employees** by providing quality, equitable opportunities for development in a healthy workplace, with appropriate rewards*

4. Set Clear and Specific Objectives

Setting objectives for your business provides you with yardsticks with which to measure your ability to achieve your vision. Objectives define measurable targets whose achievement can also contribute directly to the successful accomplishment of the mission of your business. Unlike "goals," which provide a broad direction for your business, "objectives" provide you with the means to measure directly the performance of your business.

Business objectives usually relate to such issues as:

- Return on investment the business should achieve
- Desired level of market position or market share
- Projected stages of technological development
- Specific levels of financial performance

To be effective an objective should:

- Refer to a specific outcome, not an activity
- Be measurable
- Be realistic and achievable based on the actual capabilities of the business
- Contain a specific time deadline

For example, a reasonable set of objectives for The Hockey House might be:

1. *To generate $xxxx in sales by the end of year one*
2. *To achieve $yyy in after-tax profits in year one*
3. *To increase inventory turnover from x times to y times during year one*

Figure 11.2 on p. 338 near the end of this Stage outlines a framework that will enable you to develop the "big picture" for your business.

5. Make It Happen! Develop a Realistic Business Plan

Your business plan is the most important business document you will ever prepare and it is also probably the most difficult. It takes a lot of time, research, self-discipline, and commitment to complete properly and is not a lot of fun. However, regardless of whether you intend to start a small, part-time business in the basement of your home or launch a sophisticated, high-growth venture, you still need a business plan.

Your business plan is the culmination of all your self-evaluation, ideas, research, analysis, assessment, round-table discussions, bull sessions, schemes, and daydreams. It lays out the details so that everyone can see precisely where you are now, where you are going, and how you plan to get there. It presents everything about you and what you intend to do — your goals and objectives, opportunities and threats facing you, your business strengths and weaknesses, and so on. It is a comprehensive but concise disclosure of all aspects of your business venture.

How you define your business plan, however, affects your approach to writing it. If you view it as a very complex and boring task, your plan will come across that way to any reader. As a result, many business plans are dry, rambling, and highly technical because the entrepreneurs behind them see them largely as some sort of formal academic exercise.

Your business plan should be viewed as a selling document, not unlike a piece of sales literature you would distribute about your company. Except that with your business plan, rather than just promoting a particular product or service, you are selling the whole company as a package. If you are really excited about your company and the idea on which it is based, it should come through in your business plan. Your plan should convey to readers the excitement and promise that you feel about your venture.

Notice in Entrepreneurs in Action #44 the time and effort Kent Groves dedicated to the development of his business plan. He spent over a year researching the mail-order industry, studying the competition, and asking questions of people who were experts in the business. Then, with the assistance of an accountant, he wrote his "road map" to guide him through every aspect of the implementation of his business. With the plan, he was also able to win the confidence of a banker who provided him with the necessary line of credit to carry his seasonal business over its slow periods. His business plan has become a combined operations manual/corporate bible that can be continually referred to so that he knows if, in fact, the business is evolving as he had originally anticipated.

WHY DEVELOP A BUSINESS PLAN?

Your business plan can accomplish many things for you and your proposed venture. These can largely be categorized into two basic areas:

1. **For the internal evaluation of your business,** both as a checklist to see that you have covered all the important bases and as a timetable for accomplishing your stated objectives
2. **For external use** in attracting resources and obtaining support for your venture

From an internal perspective, developing a plan forces you to seriously consider the important elements of your venture and the steps you feel are necessary to get it off the ground. Your plan can be used to inform employees about the goals and direction of your business. It lets everyone know how they fit into the organization and what you expect of them. Your plan can also help you develop as a manager. It requires you to deal with problems relating to competitive conditions, promotional opportunities, and other situations that your business will encounter.

Externally, your business plan can serve as an effective sales document and is considered by many experts to be the heart of the capital-raising process. Any knowledgeable banker or prospective investor will expect you to be professional in your approach, fully prepared, and armed with a thoroughly researched, well-written business plan when seeking their support. Very little money has been raised for business ideas scribbled on the back of envelopes or on restaurant placemats, despite considerable folklore to the contrary.

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Entrepreneurs in action

Business Plans: The Lies We Tell Our Bankers?

Some business people call them "the lies we tell our bankers." In this economy, however, a company looking for credit must put a lot more than creative writing in its business plan.

Kent Groves, president of catalogue retailer Maritime Trading Co. (MTC) of Falmouth, N.S., and a former Nutrilawn International manager who spent a lot of time approving franchises, knows the importance of business plans. "Some of the best plans I saw were put together by people who totally ignored them once the loan was approved. And their franchises were in trouble."

Groves took a year to research the mail-order industry, studying catalogues, trade magazines and reports, and asking questions of industry experts. Then, with an accountant, he spent six weeks writing what he calls a "road map to guide you through every aspect of your operations."

The result: a 68-page plan with 16 appendices. Groves' Rand-McNally approach to mapping business highways offers an executive summary, mission statement ("we are the leader in the direct marketing of the highest quality Maritime products in the world"), profile, industry overview, and bibliography. And he provided details on sales and marketing, operations, and financing. "It helped to have an accountant who would say, 'Those figures don't make sense,'" says Groves. "She asked the hard questions."

Most of Groves' efforts were geared to winning a line of credit — essential for a firm that makes all its money at Christmas. But the effort proved frustrating: MTC's application was rejected by Scotiabank, CIBC, and Hongkong Bank. The setback soured Groves: "The banks advertise 'We support small business.' Yeah, until you need money. What a crock!"

After moving to Nova Scotia full-time in June, Groves approached the Royal Bank in Halifax. There he met account manager Earl Covin, who got excited by his plan. "It was a breath of fresh air," says Covin. "I didn't have to do a lot of background work. It had more detail than most bankers ever expect, and it was very realistic." Once past the collateral hurdle — Groves' father helped out — the bank approved a $75,000 credit line in a day.

Beyond winning financial support, MTC's business plan has become a combined operations manual/corporate bible. Says Groves, "We continually check our expenses and they're right on track. We know where we stand." So when he saw catalogue costs coming in 25% below projections, he knew he could boost marketing spending 20%.

More importantly, revenue projections are also on budget. Another catalogue company, using one of the same mailing lists as Groves, received a 1.5% response rate — "dead on" for MTC's projections. MTC forecast an operating deficit of $49,200 at the end of September; the actual amount was $45,000. With his catalogues just hitting the market in October, Groves still expects sales to reach $100,000 by Dec. 31.

Like most road maps, MTC's business plan allows for dirt roads and detours. "When we stray," says Groves, "we know it and at what capacity we're varying. What's important is flexibility that allows you to make changes." (www.maritimetrading.com)

Source: Allan Lynch, *PROFIT* magazine. Lynch is also author of *Sweat Equity: Atlantic Canada's New Entrepreneurs* (Halifax, NS: Nimbris Publishing, 1996).

In the course of attracting external support for your venture, a number of people may have occasion to read your plan. These include bankers, suppliers, prospective customers, and potential investors. Each of them will be viewing your business from a slightly different perspective. Bankers, for example, are primarily interested in the business's fixed assets and other available collateral. They want to know if you can pay back their loan at prevailing interest rates. Venture capitalists and other private investors, on the other hand, are more interested in their expected return on investment. They tend to like innovative products and services in growth industries that promise significant returns. These differing viewpoints should be taken into account in developing your plan.

Shelley Dufault of Urban Canine definitely learned the value of having a well-formulated business plan when she went to her banker to obtain a start-up loan for the business she wanted to start with her daughter (Entrepreneurs in Action #45). The business was started largely on the basis of their observation that there were

Other considerations

ADVANTAGES OF PREPARING A BUSINESS PLAN

A business plan:

- Helps you to face reality and the facts
- Forces you to think ahead and consider the future
- Assists you in summarizing your skills and points out the strengths of others involved in your venture
- Helps you identify and define your product/service, pricing strategy, distribution strategy, and marketing and promotional strategy
- Establishes the amount of financing or outside investment you require
- Outlines the financial future of your business through projected statements such as cash flow, income and expenses, and balance sheets
- Provides you with an effective sales tool
- Inspires confidence in yourself and projects that confidence to others

Source: Dawn Braddock, "How to Write a Business Plan that Makes Good Business Sense," *Business Sense*, November 2000, pp. 16–17.

only a couple of companies offering any kind of day care service for pets, and none offering the kind of special service they wanted for their dogs. Their research, however, indicated there was a growing demand across North America for pet-related products and services as consumers with high discretionary income wanted to spend more money on pampering their pets. With no local competition, they thought they should jump into the market.

When they went looking for the money, however, their banker told them bluntly — no business plan, no loan. Dufault reluctantly spent the next three-and-a-half weeks putting together their plan. For her it was a painful experience and a lot harder than she expected it to be. But in the end, when she presented it to the banker, her loan was approved within a couple of days, largely on the strength of the plan.

HOW LONG SHOULD YOUR BUSINESS PLAN BE?

Business plans can be broadly categorized into three types: the summary business plan, the full business plan, and the operational business plan.

The Summary Business Plan

Summary business plans commonly run about 10 pages or so, considerably shorter than the 40 or so pages traditional for business plans. Summary business plans have become increasingly popular and accepted for use by early-stage businesses in applying for a bank loan, or they may be all that is required for a small, lifestyle business such as a convenience store, home-based business, graphic design company, or consulting firm. A summary business plan may also be sufficient to whet the appetite of friends, relatives, and other private investors who might subsequently receive a copy of the full plan if they are sufficiently interested.

The Full Business Plan

A full business plan similar to the one you would develop by following the samples at the end of this Stage will likely run from 10 to 40 pages. This is the traditional plan. It covers all the key subjects in enough depth to permit a full exploration of the principal issues. The full business plan is most appropriate when you are trying to raise a substantial amount of external financing or if you are looking for a partner or other major private investors.

The Operational Business Plan

The operational business plan will usually exceed 40 pages in length but is used only infrequently, such as when a business is planning to grow very rapidly and must try to anticipate a wide variety of issues. Or it might be

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Entrepreneurs in action

Importance of plan can't be overstated

ENTREPRENEURS FIND LENDERS DEMAND THE DOCUMENT

One of the most common mistakes aspiring entrepreneurs make is not taking the time to develop a proper business plan for their new venture. "Of all the types of business documents, the business plan is by far the most important," says the Canada/Manitoba Business Service Centre (C/MBSC).

For the uninitiated, a business plan is a document that describes all of the different aspects of the proposed venture. It should include information about such things as the owners, the product or service they plan to offer, who their customers are, who their competition is, whether it's a growth industry, their marketing strategy, who the management team will be, and how they plan to finance their venture.

Roland Gagné, a business development officer with C/MBSC, said in an interview it never ceases to amaze him how many entrepreneurs come through the centre's doors with either no business plan or a bad business plan.

"There are huge amounts."

The Assiniboine Credit Union also sees lots of them, according to Nigel Mohammed, the institution's manager of community services. And like Gagné, Mohammed said he can't stress enough the importance of having a good business plan.

"We focus on the business plan because that puts us in a better position to gauge if the business is going to be a success," he said. "We also take into account their credit rating and their assets, but fundamentally, it comes down to the plan they have developed."

Shelley Dufault, co-owner of Urban Canine, a new doggie day care she and her daughter Jana-Rai Dufault opened last spring in Winnipeg, was one of those entrepreneurs who thought she could get away with not having a formal business plan. But she found out differently when she went to see her banker for a startup loan for their business. "He said he wanted to see a business plan," Shelley said, and his message was clear: no plan, no loan.

She reluctantly spent the next three and a half weeks painstakingly putting together a detailed plan with help from the C/MBSC.

PHOTO BY KEN GIGLIOTTI, *WINNIPEG FREE PRESS.*

"It was a lot harder than I ever thought it would be," she confessed. "It was brutal."

The C/MBSC's Gagné and the ACU's Mohammed said one of the benefits of having entrepreneurs develop a business plan for their new ventures is that it forces them to take a long, hard look at what they want to do and how they're going to do it. It also helps them to identify strengths and weaknesses in their plans, and to address issues before they become problems.

Mohammed said a good business plan also can serve as a blueprint for managing the business on an ongoing basis, and helps keep the owner focused for the longer term.

"They should go back and look at it probably on a monthly basis," he added, and also update it where needed.

Dufault said while putting their plan together was a painful experience, it was worth it.

"I have to say, it was one of my proudest moments when I got that finished," she said. "I gave it to my banker and three or four days later he called me and said, 'you got your loan, and you got it solely on the basis of the strength of your business plan... It was excellent.'"

Dufault said it taught her a valuable lesson, and one she now shares with other aspiring entrepreneurs.

"I really thought I could do it without it, but it was the most important thing I did," she added.

(www.urbancanine.ca)

Source: Murray McNeill, *Winnipeg Free Press*, Monday, November 7, 2005, page B3.

Other considerations

TIPS FOR DEVELOPING YOUR BUSINESS PLAN

Here are some pointers to consider in developing your business plan:

- **Business planning involves a great deal of work** Be prepared to spend weeks — or months — completing your plan.
- **Work on sections at a time** While this undertaking may appear overwhelming at first, don't get discouraged. Break the project down into manageable chunks and work on each chunk separately.
- **Be brief but complete** Although you may have volumes of important material, aim for a plan that is brief and succinct but includes everything important to the business.
- **Focus on your intended reader** Use your plan to organize your efforts around your objectives to ensure you have all the bases covered.
- **Use layman's terms** Avoid highly technical descriptions of your products, processes, and operations.
- **A business plan is a "living" document** Update it as your knowledge grows and whenever your plans become more concrete.
- **Be realistic** Base your projections on the results gathered from your analysis. Be honest about both positive and negative findings.
- **Discuss your firm's business risks** Your credibility can be seriously undermined if existing risks and problems are discovered by readers on their own.
- **Don't make vague or unsubstantiated statements** Back up your statements with background data and market information.

Source: Adapted from *Entrepreneurial Edge*, Edward Lowe Foundation, "How to Develop and Use a Business Plan" (www.edwardlowe.org/index.elf?page=sserc&storyid=7704&function=story), accessed June 7, 2010.

part of an annual process where it is necessary to get into great detail about distribution, production, advertising, and other areas where it is essential for everyone involved with the organization to understand clearly everything that is going on. Traditional business plans that grow to this length should be avoided as they reflect a lack of discipline and focus.

WHO SHOULD WRITE YOUR BUSINESS PLAN?

You should write your business plan. If someone else develops the business plan for you, it becomes their plan, not yours. If you are part of a management team, each individual should contribute his or her part to the overall project.

Do not under any circumstances hire someone else to write the plan for you. This doesn't mean that you shouldn't get help from others in compiling information, obtaining licences, permits, patents, and other legal considerations, or preparing your pro forma financial statements — only that the final plan should be written by you and your team.

The people who may be assessing your plan want to know that you see the big picture as it relates to your business and understand all the functional requirements of your company, not that you can hire a good consultant. It is very difficult to defend someone else's work. If you put your business plan together yourself, you have a better understanding and feel for the business. Your business plan should be a personal expression written in your own unique style, though of course it should look professional and businesslike.

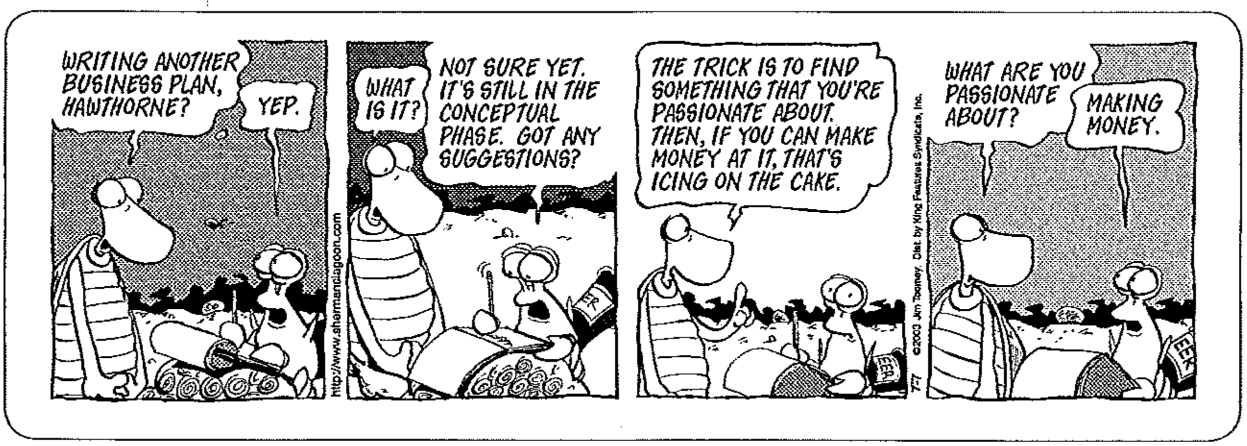
HOW LONG DOES IT TAKE?

Putting together a business plan does not happen overnight. A plan for a relatively simple, straightforward business might be completed within a few weeks, while a plan for a complex, high growth new venture could take several months.

WHAT SHOULD YOUR PLAN CONTAIN?

Your business plan is the nuts and bolts of your proposed business venture put down on paper. You will have to decide exactly what information to include, how your plan can be best organized for maximum effectiveness, and what information should be given particular emphasis. All plans, however, require a formal, structured presentation so that they are easy to read and follow and tend to avoid confusion. A number of forms and sample outlines for a business plan are available, but virtually all suggest that business plans contain the following components: (1) letter of transmittal, (2) title page, (3) table of contents, (4) executive summary and fact sheet, (5) body, and (6) appendices. The contents of a typical business plan are outlined in Figure 11.1. on p. 328. You can use this framework as a guideline to assist you in the development of the plan for your business.

SHERMAN'S LAGOON



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1. LETTER OF TRANSMITTAL

The letter of transmittal officially introduces your business plan to the reader. It explains your reason for writing the plan, gives the title of the plan or the name of your business, and outlines the major features of your plan that may be of interest.

2. TITLE PAGE

The title page, or cover page, of your plan provides identifying information about you and your proposed business. It should include the name, address, and telephone number of the business as well as similar information about yourself. The date the plan was finalized or submitted to the recipient should also be included on the title page.

3. TABLE OF CONTENTS

The table of contents is a list of the major headings and subheadings contained in your plan. It provides readers with a quick overview of the contents of your plan and allows them to quickly access the particular sections that may be of primary interest to them.

4. EXECUTIVE SUMMARY AND FACT SHEET

The executive summary may be the most important part of your business plan. It must capture the attention of the reader, stimulate interest, and get the reader to keep on reading the rest of your plan. In two or three pages this summary should concisely explain your business's current status; describe its products or services and their benefits to your customers; provide an overview of your venture's objectives, market prospects, and financial forecasts; and, if you are using the plan to raise external financing, indicate the amount of financing needed, how the money is to be used, and the benefits to the prospective lender or investor.

FYI FOR YOUR INFORMATION

BUSINESS PLAN OUTLINES AND TEMPLATES

Here are some examples of Web sites that have detailed instructions, outlines, or templates for developing a comprehensive business plan.

Community Business Development Corporations Online business plan is a Web-based application allowing new and aspiring entrepreneurs the ability to prepare a three year business plan online. (www.cbdc.ca/obp.php)

Canadian Youth Business Foundation The **CYBF Interactive Business Planner** is a tool designed to guide both new and experienced entrepreneurs through the process of writing a comprehensive business plan. (www.cybf.ca/entrepreneurs/interactivebusinessplanner.php)

Writing an Effective Business Plan A downloadable Business Plan Workbook that can be used as a tool for helping you put your business plan together from The Entrepreneurship Centre, Ottawa. (www.entrepreneurship.com/tools/pdf/businessPlanWorkbook.pdf)

Business Planning and Financial Forecasting A well-developed business plan guide and outline, with heavy emphasis on putting together your financial plan. (www.smallbusinessbc.ca/pdf/bpff2002.pdf)

BizPlanIt's Virtual Business Plan This unique and free online resource mirrors the major sections of a business plan, and enables you to learn the fundamentals of writing a business plan. (www.bizplanit.com/vplan.html)

Money Hunt Business Plan Template A U.S. site claiming to have the best business plan outline on the Web. (www.moneyhunt.com/mhtemplate.html)

Most Canadian banks can also provide you with basic templates and tools to help you develop your business plan.

This summary should give the essence of your plan and highlight its really significant points. In many instances the summary will either sell the reader on continuing to read the rest of the document or convince him or her to forget the whole thing; the game may be won or lost on the basis of the executive summary.

The fact sheet should appear as a separate page at the back of the executive summary. It summarizes the basic information that relates to your venture:

1. Company name
2. Company address, telephone/fax numbers, e-mail address
3. Type of business and industry
4. Form of business organization (proprietorship, partnership, or corporation)
5. Principal product or service line
6. Registered patents or trademarks
7. Number and name of founders/partners/shareholders
8. Length of time in business
9. Current and/or projected market share
10. Funds invested in the business to date and their source
11. Additional financing required
12. Proposed terms and payback period
13. Total value or net worth of the business
14. Name of business advisors (legal counsel, accountant, others)

FIGURE 11.1 A TYPICAL BUSINESS PLAN

Business Plan Contents

1. Letter of Transmittal	• Introduce your business plan to the reader • Outline the major features that may be of interest
2. Title Page	• Provide identifying information about you and your proposed business. Name, address, and contact numbers for the business as well as key company contacts
3. Table of Contents	• A list of the major headings and subheadings contained in your plan
4. Executive Summary and Fact Sheet	• A 1–2 page summary of the most important points in your plan • May be the most important part of your business plan • Your Fact Sheet summarizes the basic information that relates to the venture
5. Body of the Plan	
Company and the Industry	• History and current situation of your company • Goals and objectives for the business • Principal characteristics and trends in the industry
Product/Service Offering	• Detailed description of your product or service • Outline stage of development and proprietary position
Market Analysis	• Describe the profile of your principal target customers • Indicate current market size, trends, and seasonal patterns • Assess the nature of your competition • Estimate your expected sales and market share
Your Marketing Plan	• Detail the marketing strategy you plan to use • Describe your marketing plan with respect to your sales strategy, advertising and promotion plans, pricing policy, and channels of distribution
Your Development Plan	• Outline the development status of your product and what is still required to get it to a market-ready state • Are there regulatory, testing, or other requirements that still have to be met?

Your Production/Operations Plan

- Outline the operating side of your business
- Describe your location, kind of facilities, space requirements, capital equipment needs, and labour requirements

Your Management Team

- Identify your key management people, their responsibilities, and their qualifications
- Indicate the principal shareholders of the business, your principal advisors, and the members of your board of directors

Your Implementation Schedule

- Present an overall schedule indicating what needs to be done to launch your business and the timing required to bring it about
- Discuss the major problems and risks that you will have to deal with

Your Financial Plan

- Indicate the type and amount of financing you are looking for and how the funds will be used
- Outline your proposed terms of investment, the potential return to the investor, and what benefit is being provided
- Provide an overview of the current financial structure of your business
- Prepare realistic financial projections that reflect the effect of the financing; include:
  - Cash flow forecasts
  - Pro forma profit and loss statements
  - Pro forma balance sheet
  - Break-even analysis

6. Appendices

- Supporting material for your plan, including:
  - Detailed résumés of the management team
  - Product literature and photographs
  - Names of possible customers and suppliers
  - Consulting reports and market surveys
  - Copies of legal documents
  - Publicity material
  - Letters of reference

5. BODY OF THE PLAN

The body of your business plan is by far the longest component, because it presents the detailed story of your business proposition. It should be broken down into major divisions using headings, and each major division divided into sections using subheadings. It is probably better to have too many rather than not enough headings and subheadings.

What follows is a typical overview of the kind of material that should be included in the body of your plan.

Your Company and the Industry

Describe the start-up and background of your business and provide the reader with some context within which to fit all the information you will be providing later in your plan.

Familiarize the reader with your company; the industry within which you will be competing, your understanding of it, and where it is headed; and what opportunities you see for your business.

YOUR COMPANY

BACKGROUND Give the date your business was started, its present form of organization, its location, and pertinent historical information on the firm. Name the founders and other key people, how your key products or services were chosen and developed, and what success the business has achieved to date.

CURRENT SITUATION Discuss such issues as how you have identified your market opportunity, assessed the competition, and developed some unique factor or distinctive competence that will make your business stand out from the rest.

FUTURE PLANS Discuss your goals and ambitions for the business and your strategy for achieving them.

THE INDUSTRY

PRINCIPAL CHARACTERISTICS Describe the current status and prospects for the industry in which your business will operate. How big is the industry? What are its total sales in dollars? In units? What are typical industry standards, gross margins, seasonal patterns, and similar factors?

MAJOR PARTICIPANTS Identify the major industry participants and describe their role, market share, and other performance measures. What are their principal strengths and weaknesses and how do you feel you will be able to successfully compete in this situation?

INDUSTRY TRENDS Discuss how you feel the industry will evolve in the future. Is it growing or stable? What do you feel industry sales will be five and ten years from now? What general trends are evident and how is the industry likely to be affected by economic, social, technological, environmental, and regulatory trends?

YOUR PRODUCT/SERVICE OFFERING

DESCRIPTION Describe in detail the product or service you plan to sell, explaining any unique characteristics or particular advantages. How will features of your product or service give you some advantage over competitors?

Indicate the stage of development your product is at and whether prototypes, working models, or finished production units are available. Include photographs if possible.

PROPRIETARY POSITION Describe any patents or trademarks you may hold or have applied for, or any licensing agreements or other legal contracts that may provide some protection for your product or service. Are there any regulatory or government-approved standards or requirements your product must meet? How and when do you plan to obtain this certification?

POTENTIAL Outline your market opportunity as you see it and explain how you plan to take advantage of it. What are the key success factors in this business and how do you plan to exploit them to your advantage?

Market Analysis

This section of your plan should convince the reader that you thoroughly understand the market for your product or service, that you can deal with the competition and achieve sufficient sales to develop a viable and growing business. You should describe the total market and how you feel it can be broken down into segments. You can then indicate the segment or niche you plan to concentrate on and what share of this business you will be able to obtain.

Your analysis of the market may be based on:

1. Market studies available from private research firms and government departments and agencies
2. Statistics Canada or U.S. Census Bureau data
3. Information from trade associations and trade publications
4. Surveys or informal discussions with dealers, distributors, sales representatives, customers, or competitors

This is often one of the most difficult parts of the business plan to prepare, but it is also one of the most important. Almost all other sections of your business plan depend on the sales estimates developed from your market analysis. The outline provided in Stage 7 can help you in this process.

TARGET MARKET AND CUSTOMERS Identify who constitute your primary target markets — individual consumers, companies, health care or educational institutions, government departments, or other groups.

Examine beforehand if these target markets can be segmented or broken down into relatively homogeneous groups having common, identifiable characteristics such as geographic location, age, size, type of industry, or some other factor. Present these facts in the most logical or appropriate format.

Describe the profile of your principal target customers. Who and where are they? What are the principal bases for their purchase decisions? What are their major applications for your product? What principal benefit will they obtain from using your product rather than one of your competitors'?

Identify, if possible, some major buyers who may be prepared to make purchase commitments. If possible, get a purchase order.

MARKET SIZE AND TRENDS Estimate the size of the current total market for your product or service in both units and dollars. How are sales distributed among the various segments you identified? Are there any strong weekly, monthly, or seasonal patterns? Ensure you include answers to these questions.

Describe how the market size for each of these segments has changed over the past three to four years in units and dollars. Outline how it is expected to change over the next three to four years.

Include the major factors that have affected past market growth (e.g., socioeconomic trends, industry trends, regulatory changes, government policy, population shifts). What is likely to happen in these areas in the future?

COMPETITION Identify each of your principal competitors. Make a realistic assessment of each of these firms and its product or service offering. Compare these competing products or services on the basis of price, quality, performance, service support, warranties, and other important features.

Present your evaluation of the market share of each segment by each competitor, its relative profitability, and its sales, marketing, distribution, and production capabilities. How do you see these factors changing in the future?

ESTIMATED SALES AND MARKET SHARE Estimate the share of each segment of the market and the sales in units and dollars that you feel you will acquire for each of the next three to five years. This should be developed by month for the next year and annually for each year thereafter. This information can best be presented in tabular form. Indicate on what assumptions you have based these projections.

Your Marketing Plan

Your marketing plan outlines how your sales projections will be achieved. It details the marketing strategy you plan to use to establish your product or service in the marketplace and obtain a profitable share of the overall market. Your marketing plan should describe *what* is to be done, *when* it is to be done, *how* it is to be done, and *who* will do it insofar as your sales strategy, advertising and promotion plans, pricing policy, and channels of distribution are concerned.

PRICING Summarize the general financial characteristics of your business and the industry at large. What will be typical gross and net margins for each of the products or services you plan to sell? How do these compare with those of other firms in the industry? Provide a detailed breakdown of your estimated fixed, variable, and semivariable costs for each of your various products or services.

Discuss the prices you plan to charge for your product. How do they compare with your major competitors'? Is your gross margin sufficient to cover your transportation costs, selling costs, advertising and promotion costs, rent, depreciation, and similar expenses — and still provide some margin of profit?

Detail the markups your product will provide to the various members of your channel of distribution. How do these compare with those they receive on comparable products? Does your markup provide them with sufficient incentive to handle your product?

Indicate your normal terms of sale. Do these conform to industry norms? Do you plan to offer cash, quantity, or other discounts?

Indicate how long it will take you to break even, basing your opinion on your anticipated cost structure and planned price.

SALES AND DISTRIBUTION Indicate the methods you will use to sell and distribute your product or service. Do you plan to use your own salaried or commissioned salespeople, rely on manufacturers' agents or other wholesalers and distributors, or utilize a more non-traditional means of distributing your product such as export trading companies, direct-mail selling, mail-order houses, party plan selling, or other means of selling directly to the final consumer?

If you plan to use your own sales force, describe how large it will be and how it will be structured. Indicate how salespeople will be distributed, whom they will call on, how many calls you estimate it will take to get an order, the size of a typical order, how much you estimate a typical salesperson will sell each year, how he or she will be paid, how much he or she is likely to make in a year, and how this compares with the average for the industry.

If you plan to use distributors or wholesalers, indicate how they have been or will be selected, who they are if possible, what areas or territory they will cover, how they will be compensated, credit and collection policies, and any special policies such as exclusive rights, discounts, and cooperative advertising programs.

Indicate any plans for export sales or international marketing arrangements.

ADVERTISING AND PROMOTION Describe the program you plan to use to make consumers aware of your product or service. What consumers are you trying to reach? Do you plan to use the services of an advertising agency? What media do you plan to use — radio, television, newspapers, magazines, billboards, direct mail, coupons, brochures, trade shows? How much do you plan to spend on each medium? When? Which specific vehicles?

Outline any plans to obtain free publicity for your product or company.

SERVICE AND WARRANTY PROGRAM Indicate your service arrangements, warranty terms, and method of handling service problems. Describe how you will handle customer complaints and other problems. Will service be handled by the company, dealers and distributors, or independent service centres? How do these arrangements compare with those of your competitors?

Your Development Plan

If your product or service involves some further technical development, the planned extent of this work should be discussed in your business plan. Prospective investors, bankers, and others will want to know the nature and extent of any additional development required, how much it will cost, and how long it will take before your business has a finished, marketable product.

DEVELOPMENT STATUS Describe the current status of your product and outline what still remains to be done to make it marketable. Do you presently have only a concept, detailed drawings, a laboratory prototype, a production prototype, or a finished product? Is further engineering work required? Has the necessary tooling to produce the product been adequately developed? Are the services of an industrial designer or other specialist required to refine the product into marketable form?

COSTS Indicate how much money has been spent on product development to date and where it has been spent. Present a development budget indicating the additional funds required, how they will be spent, and the timing involved in completing the project.

PROPRIETARY ISSUES Indicate any patents or trademarks that you own, have, or for which you plan to apply. Are there any regulatory requirements to produce or market the product? Has the product undergone standardized testing through the Underwriters' Laboratory, the Canadian Standards Association, or some other agency? If not, what are your plans? Have you tested the product at all in the marketplace? What was the result?

Your Production/Operations Plan

Your production/operations plan outlines the operating side of your business. It should describe your plant location, the kind of facilities needed, space requirements, capital equipment needed, and your labour requirements.

If your plan is for a manufacturing business, you should also discuss such areas as your purchasing policy, quality control program, inventory control system, production cost breakdown, and whether you plan to manufacture all subcomponents of the product yourself or have some of them produced for you by someone else.

LOCATION Describe the planned location of your business and discuss any advantages or disadvantages of this location in terms of the cost and availability of labour; proximity to customers; access to transportation, energy supplies, or other natural resources; and zoning and other legal requirements.

Discuss the characteristics of your location in relation to market size, traffic flows, local and regional growth rates, income levels, and similar market-related factors.

FACILITIES AND EQUIPMENT Describe the property and facilities currently used or that will be required to operate your business. This should include factory and office space, selling space, storage space, property size and location, etc. Will these facilities be leased or purchased? What is the cost and timing of their acquisition?

Detail the machinery and equipment that is required for your manufacturing process. Is this highly specialized or general-purpose equipment? Is it leased or purchased? New or used? What is the cost? What will it cost for equipment set-up and facility layout? What is its expected life? Will it have any residual or scrap value?

If possible, provide a drawing of the physical layout of the plant and other facilities.

MANUFACTURING PLANS AND COSTS Develop a manufacturing cost outline that shows standard production costs at various levels of operation. Break down total costs into raw material, component parts, labour, and overhead. Indicate your raw material, work-in-process, and finished goods inventory requirements at various sales levels. How will seasonal variations in demand be handled?

Indicate your key suppliers or subcontractors for various raw materials and components. What are the lead times for these materials? Are back-up suppliers or other alternatives available?

Outline the quality control procedures you will use to minimize service problems. Do you need any other production control measures?

On the basis of this configuration of facilities and equipment, indicate your production capacity. Where can this be expanded? Do you have any plans to modify existing plant space? What is the timing and cost?

LABOUR Describe the number of employees you have or need and their qualifications. Will they be full-time or part-time? Have you developed a job description for each position? What in-house training will be required? How much will each employee be paid? What kinds of pension plan, health insurance plan, profit-sharing plan, and other fringe benefits will be required? Have you registered with the necessary government departments?

Indicate whether your employees will be union or non-union. If employees will be members of a union, describe the principal terms of their contract and when it expires.

ENVIRONMENTAL AND OTHER ISSUES Indicate any approvals that it may be necessary for you to obtain related to zoning requirements, permits, licences, health and safety requirements, environmental approvals, etc. Are there any laws or regulatory requirements unique to your business? Are there any other legal or contractual matters that should be considered?

Your Management Team

Your management team and your directors are the key to success. You should identify who your key people are; their qualifications; what they are being paid; who has overall authority; who is responsible for the various functional areas of the business such as sales, marketing, production, research and development, and financial management; and so forth.

In most small businesses there are no more than two or three really key players — including yourself. Concentrate on these individuals, indicating their education, qualifications, and past business achievements. Indicate how they will contribute to the success of the present venture. Don't hire friends, relatives, or other people for key positions who do not have the proper qualifications.

Many external investors are more concerned about the management of the business than the business itself. They invest in the people rather than the project. They will conduct a thorough and exhaustive investigation of each of your key players to determine whether they are the kind of people in which they wish to invest. This portion of your plan should instill confidence in the management of your business in the mind of the reader.

DESCRIPTION OF MANAGEMENT TEAM Outline the exact duties and responsibilities of each key member of your management team. Prepare a brief résumé of each individual indicating education, professional qualifications, employment experience, and other personal achievements. (You will include a complete, more detailed résumé for each of these individuals in an appendix to your plan.)

DIRECTORS Indicate the size and composition of your board of directors. Identify any individuals you are planning to invite to sit on your board. Include a brief statement about each member's background, indicating what he or she will bring to the company.

MANAGEMENT AND DIRECTORS' COMPENSATION List the names of all members of your management team and board of directors and the compensation they will receive in fees or salary. Initially, at least, you and your management team should be prepared to accept modest salaries, perhaps well below what you received in your previous job, if you hope to attract external investors to your business.

SHAREHOLDERS Indicate the name of each of the individual shareholders (or partners) in your business, the number of shares each owns, the percentage of ownership, and the price paid.

Describe any investors in your business other than your management team and members of your board. How many shares do they have? When were these shares acquired? What price did the investors pay?

Summarize any incentive stock option or bonus plans that you have in effect or plan to institute. Also indicate any employment contracts or agreements you may have made with members of your management team.

PROFESSIONAL ADVISORS Indicate the name and complete address of each of your professional advisors, for example your lawyer, accountant, banker, insurance broker, and management or technical consultants. Disclose any fees or retainers that may have been paid to any of these people.

Implementation Schedule and Risks Associated with the Venture

It is necessary to present an overall schedule indicating the interrelationship among the various events necessary to launch your business and the timing required to bring it about. A well-prepared schedule demonstrates to external investors that you have given proper thought to where you are going and have the ability to plan ahead. This schedule can be a very effective sales tool.

Your plan should also discuss the major problems and risks you feel you will have to deal with in developing your business.

MILESTONES Summarize the significant goals that you and your business have already reached and still hope to accomplish in the future. What still needs to be done for the business to succeed? Who is going to do these things? When will they be completed?

SCHEDULE Develop a schedule of significant events and their priority for completion. What kind of strategic planning has been done to see that things occur as necessary? Have you developed a fallback or contingency position in case things don't come off as you have planned?

RISKS AND PROBLEMS You might start by summarizing the major problems you have already had to deal with and how they were resolved. Were any particularly innovative or creative approaches used in addressing these issues?

Identify the risks your business may be faced with in the future. What are you attempting to do to avoid these? How will you deal with them if they arise? How can their impact on your business be minimized?

Summarize the downside risk. What would happen in the "worst case" scenario? What, if anything, could be salvaged from the business for your investors? Have you developed any contingency plans in case any of these risks should occur?

Your Financial Plan

Your financial plan is essential to enable a prospective investor or banker to evaluate the investment opportunity you are presenting. The plan should illustrate the current financial status of your business and represent your best estimate of its future operations. The results presented should be both realistic and attainable.

Your financial plan should also describe the type of financing you are seeking, the amount of money you are looking for, how you plan to use these funds in the business, the terms of repayment and desired interest rate, or the dividends, voting rights, and redemption considerations related to the offering of any common or preferred stock.

FUNDING REQUESTED Indicate the amount and type (debt or equity) of funding you are looking for. For what do you intend to use the money? How will it be applied in your business — to acquire property, fixtures, equipment, or inventory, or to provide working capital?

Give an overview of the current financial structure of your business. Indicate the level of investment already made in the business and where the funds came from. What effect will the additional capital have on your business in terms of ownership structure, future growth, and profitability?

Outline your proposed terms of investment. What is the payback period and potential return on investment for the lender or investor? What collateral, tax benefit, or other security is being offered?

CURRENT FINANCIAL STATEMENTS If your venture is already in operation, you should provide copies of financial statements (profit and loss statement and a balance sheet) for the current year and the previous two years.

FINANCIAL PROJECTIONS In developing your financial plan, a number of basic projections must be prepared. These should be based on realistic expectations and reflect the effect of the proposed financing. The projections should be developed on a monthly basis for the first year of operation and on a quarterly or annual basis for another two to four years. These projections should include the following statements:

1. **Profit and loss forecasts** These pro forma income statements indicate your profit expectations for the next few years of operation of your business. They should be based on realistic estimates of sales and operating costs and represent your best estimate of actual operating results.
2. **Pro forma balance sheet** Your pro forma balance sheet indicates the assets you feel will be required to support your projected level of operations and how you plan to finance these assets.
3. **Projected cash flow statements** Your cash flow forecasts are probably your most important statements, because they indicate the amount and timing of your expected cash inflows and outflows. Typically, the operating profits during the start-up of a new venture are not sufficient to finance the business's operating needs. This often means that the inflow of cash will not meet your business's cash requirements, at least on a short-term basis. These conditions must be anticipated so that you can predict cash needs and avoid insolvency.
4. **Break-even analysis** A break-even analysis indicates the level of sales and production you will require to cover all your fixed and variable costs. It is useful for you and prospective lenders and investors to know what your break-even point is and how easy or difficult it will likely be to attain.

An example of each of these statements and a discussion on how to determine the break-even point for your venture is presented in Stage Eight of this book.

6. APPENDICES

The appendices are intended to explain, support, and supplement the material in the body of your business plan. In most cases this material is attached to the back of your plan. Examples of the kind of material that might be included in an appendix are:

1. Product specifications and photographs
2. Detailed résumés of the management team
3. Lists of prospective customers
4. Names of possible suppliers
5. Job descriptions for the management team
6. Consulting reports and market surveys
7. Copies of legal documents such as leases, franchise and licensing agreements, contracts, licences, patent or trademark registrations, and articles of incorporation
8. Letters of reference
9. Relevant magazine, trade journal, and newspaper articles

Other considerations

THE SEVEN DEADLY SINS FOR BUSINESS PLANS

Less than five minutes. That's the amount of time your plan has in the hands of many potential investors before they decide to turn "thumbs up" or "thumbs down" on it. In other words, they evaluate a document that may have taken you weeks or even months to prepare in just a few moments. For this reason, it is absolutely imperative that you avoid errors that will doom your plan to the rejection pile no matter how good other sections of it may be. We term these blunders the "Seven Deadly Sins of Business Plans," and here they are for you to recognize — and avoid:

Sin #1: The plan is poorly prepared and has an unprofessional look (e.g., no cover page, a cover page without contact information, glaring typos). This carelessness triggers the following investor reaction: "I'm dealing with a group of amateurs."

Sin #2: The plan is far too slick (e.g., it is bound like a book, is printed on shiny paper, and uses flashy graphics). This leads investors to think: "What are they trying to hide behind all the glitter?"

Sin #3: The executive summary is too long and rambling — it doesn't get right to the point. This failure to be concise leads investors to think: "If they can't describe their own idea and company succinctly, I don't want to waste my time — and certainly not my money — on them."

Sin #4: It's not clear where the product is in terms of development — does it exist or not? Can it be readily manufactured? If investors have to ask these questions, they may conclude: "I can't tell whether this is real or just another pipedream; I'll pass on this one."

Sin #5: No clear answer is provided to the question: "Why would anyone ever want to buy one?" Many entrepreneurs seem to assume that their new product or service is so wonderful that it will virtually sell itself. This kind of blind faith on the part of entrepreneurs leads investors to think: "How naive can you get? Even a machine that grew hair on the heads of bald men would need a marketing plan. These are truly amateurs."

Sin #6: It gives no clear statement of the qualifications of the management team: This oversight leads investors to conclude: "They probably have no relevant experience — and may not even know what relevant experience would be!"

Sin #7: Financial projections are largely an exercise in wishful thinking: This over optimism leads potential investors to conclude: "They have no idea about what it is like to run a company, or (even worse) they think I am incredibly naive or stupid. Pass!"

The moral is clear: keep a sharp lookout for these deadly errors, because if you commit even one, your chance of obtaining financial support and other forms of help from sophisticated investors will fade quickly.

Source: Robert A. Baron and Scott A. Shane. *Entrepreneurship: A Process Perspective.* 2nd Edition. (Thomson South-Western 2008), p. 220.

CONCLUSION

It is important that your plan make a good first impression. It should demonstrate that you have done a significant amount of thinking and work on your venture. You should ensure your material is presented to prospective investors, lenders, and others in an attractive, readable, and understandable fashion.

Figure 11.3 on p. 341 provides a checklist that you can use to assess your finished plan for completeness, clarity, and persuasiveness.

The length of your business plan should not exceed 40 double-spaced, typewritten pages, not including appendices. Each section should be broken down into appropriate and clearly identifiable headings and subheadings. Make sure your plan contains no errors in spelling, punctuation, or grammar.

Prepare a number of copies of your plan and number each one individually. Make sure each copy is appropriately bound with a good-quality cover on which the name of your business has been printed or embossed.

FYI FOR YOUR INFORMATION

SAMPLE BUSINESS PLANS

Before starting on your business plan, it may be a good idea to see what a typical plan actually looks like. There are a couple of examples included with this book, but here are some Web sites that have some sample plans as well.

CCH Business Owner's Toolkit This site provides the component elements of sample business plans for three fictitious companies to illustrate the type of information that is essential to the creation of a high-quality business plan. (www.toolkit.com/tools/bt.aspx?tid=buspln_m)

Palo Alto Software This site contains sample business plans for 500 different businesses, including a flower importer, software publisher, tennis pro shop, buffet restaurant, Internet café, medical equipment company, and many others. (www.paloalto.com/sample_business_plans/categories.cfm)

Business Plan Archive An educational Web site created by the University of Maryland to archive business plans and other information about companies; covers a broad range of industries, principally from the dot-com era. You must register first and can then access the plans in the archive. (www.businessplanarchive.org)

Moot Corp Competition — The Super Bowl of Business Plan Competitions A library of different business plans, each of which was a finalist in the Moot Corp competition for MBA students from all over the world. (www.businessplans.org/businessplans.html)

SmallBusinessPoint.com, Inc. A sample of business plans from existing successful profitable companies and start-ups. The business plans are available for a nominal fee. (www.smallbusinesspoint.com/sampleplans.aspx)

FIGURE 11.2 **DEVELOPING THE "BIG PICTURE"**

1. DEVELOP YOUR VISION STATEMENT
   a. Write short phrases to describe each of the three elements in your vision statement:
      – the name of your planned venture
      – your product/service offering
      – the target market(s) you plan to serve
   b. Combine these phrases into a single sentence

____
____
____
____
____

2. FORMULATE YOUR MISSION STATEMENT
   a. Write short phrases to describe each of the following elements of your business:
      – what your business will do
      – its market focus, niche, or particular image
      – its planned location and geographic market served
      – how growth of the business will be achieved
      – your sustainable uniqueness or distinguishing characteristics
   b. Combine these phrases into short, linked sentences.

____
____
____
____
____
____

3. DEFINE THE FUNDAMENTAL VALUES BY WHICH YOUR BUSINESS WILL BE RUN

Step 1 Personal Values

Have each principal involved in the business complete the following framework for five values that they hold to be personally important.

a. *Value:* Express as a single word ______________________________
   What: A brief explanation of what the word means to you. ______________________________
   ____
   ____
   Why? Outline why it is important to you that the business operate this way. ______________________________
   ____
   ____

b. *Value:* Express as a single word ______________________________
   What: A brief explanation of what the word means to you. ______________________________
   ____
   ____

Why? Outline why it is important to you that the business operate this way. ______

c. *Value:* Express as a single word ______

What: A brief explanation of what the word means to you. ______

Why? Outline why it is important to you that the business operate this way. ______

d. *Value:* Express as a single word ______

What: A brief explanation of what the word means to you. ______

Why? Outline why it is important to you that the business operate this way. ______

e. *Value:* Express as a single word ______

What: A brief explanation of what the word means to you. ______

Why? Outline why it is important to you that the business operate this way. ______

Step 2 Values by Which the Business Will Be Managed

Complete Step 2 from the information provided by each of the principals in Step 1. Include only values that were *common to all principals.* Others should be included only after discussion, negotiation, and consensus among all individuals. Since some values will differ, it is necessary for all parties to agree which will be the common values used to guide the operations of the business. This list should contain five or six values at a maximum and it is important that they be compatible with each other. Each principal will then have to decide whether he or she will be able to work in a business where, perhaps, only some or none of his or her personal values will be given expression.

a. *Value:* ______

What: ______

Why? ______

continued

Developing the "Big Picture" — continued

b. *Value:* ______

What: ______

Why? ______

c. *Value:* ______

What: ______

Why? ______

d. *Value:* ______

What: ______

Why? ______

e. *Value:* ______

What: ______

Why? ______

4. DEFINE YOUR OBJECTIVES

The business's vision will be achieved when the following objectives have been attained:

a. Objective ______________________________

b. Objective ______________________________

c. Objective ______________________________

d. Objective ______________________________

e. Objective ______________________________

FIGURE 11.3 CHECKLIST FOR ASSESSING YOUR BUSINESS PLAN

After completing your business plan you should thoroughly review it. This checklist will help you to do so. Decide whether or not you think the answers you have provided are clear and complete. Evaluate the information from the standpoint of a prospective investor or lending agency and ask yourself whether you are satisfied with your responses.

	Answer Is Included (X)	*Answer Is Clear (Yes/No)*	*Answer Is Complete (Yes/No)*
1. YOUR COMPANY AND THE INDUSTRY			
a. Type of business you are planning	______	______	______
b. Products or services you will sell	______	______	______
c. History of the company	______	______	______
d. Why does the business promise to be successful?	______	______	______
e. Your future goals and objectives	______	______	______
f. Description of the industry	______	______	______
g. Major participants and significant trends	______	______	______

General Comments

____

____

____

____

____

2. PRODUCT/SERVICE OFFERING			
a. Description of your product/service	______	______	______
b. Present stage of development	______	______	______
c. Patent/trademark position	______	______	______
d. Other formal requirements	______	______	______
e. Growth opportunities and key factors for success	______	______	______

General Comments

____

____

____

____

____

continued

Checklist for Assessing Your Business Plan — continued

	Answer Is Included (X)	Answer Is Clear (Yes/No)	Answer Is Complete (Yes/No)
3. MARKETING ANALYSIS AND PLAN			
a. Who are your target customers?			
b. What are their characteristics?			
c. How do they buy?			
d. How large is the market and its various segments?			
e. Factors affecting the market			
f. Who are your competitors? How are they doing?			
g. How much of the market will you be able to attract?			
h. What will be your principal marketing strategy?			
i. Have you detailed all aspects of your marketing plan?			
(i) Pricing			
(ii) Sales and distribution			
(iii) Advertising and promotion			

General Comments

	Answer Is Included (X)	Answer Is Clear (Yes/No)	Answer Is Complete (Yes/No)
4. PRODUCTION/OPERATIONS PLAN			
a. Where will your business be located?			
b. What are the characteristics of your location?			
c. Description of machinery and equipment you will require			
d. What are your costs to produce your product?			
e. What are your inventory requirements?			
f. Who will be your principal suppliers or subcontractors?			
g. Description of your quality control procedures			
h. How many employees will you require?			
(i) What type?			
(ii) How will they be paid?			
i. Will you require any licences, permits, or other authorizations?			

General Comments

5. MANAGEMENT TEAM

a. Who will manage your business?	____	____	____
b. What are their qualifications?	____	____	____
c. What is the size and composition of your board of directors?	____	____	____
d. What are your managers and directors being paid?	____	____	____
e. What is the ownership structure of the business?	____	____	____
f. Who are your advisors and consultants?	____	____	____

General Comments

6. FINANCIAL PLAN

a. How much money will you need to start the business and sustain it for the first few months?	____	____	____
b. How much money do you have now?	____	____	____
c. How much more do you need?	____	____	____
d. How will this additional money be used?	____	____	____
e. What kind of collateral or security will be provided?	____	____	____
f. How will this money be repaid?	____	____	____
g. Provided financial statements:			
For the current year	____	____	____
For the past two years	____	____	____
h. Total estimated net income:			
Monthly for the first year	____	____	____
Quarterly or annually for the next two to four years	____	____	____
i. Estimated cash flow situation:			
Monthly for the first year	____	____	____
Annually for the next two years	____	____	____
j. What is your estimated financial position at the end of each of the next three to five years?	____	____	____
k. What sales volume will you need to break even?	____	____	____

General Comments

continued

Checklist for Assessing Your Business Plan — continued

7. APPENDICES

Do you need to include the following appendices?	*Yes*	*No*
a. Product photographs and specifications	______	______
b. Résumés of your management team	______	______
c. List of prospective customers	______	______
d. List of possible suppliers	______	______
e. Job descriptions for management team	______	______
f. Consulting reports	______	______
g. Market surveys	______	______
h. Legal agreements and contracts	______	______
i. Publicity articles and promotional pieces	______	______
j. Other supporting material	______	______