

Planning For Business Success

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Rural Economic Development

An Assessment Of My Business Strengths & Weaknesses –Am I

1. a self starter?
2. able to work independently?
3. capable of getting along with people?
4. a leader?
5. responsible?
6. organized and an organizer?
7. a good & smart worker?
8. determined to succeed?
9. physically and emotionally healthy & resilient?

Is This Business Endeavor For Us?

- Know or determine personal goals of each family member
- Shared family goals
- Business goals
 - Are they realistic, precise, measurable, etc.?
 - Assess goals for conflicts & inconsistencies
- Reference point for decisions
- Strengthens foundation of business plan

Business and family goals of Moore Dairy for next several years

- Full time employment for all family members
- 2 weeks of vacation per year for all family members
- Increase milk production to 22,000 pounds per cow
- Grow the business to a size that will, in the long term, cash flow for three families at \$40,000 per family
- Reduce debt by \$25,000 per year
- Increase contributions to Don and Mae's retirement account by \$10,000 per year
- Begin retirement plans for Dave and Mark
- Be in a position to transfer full ownership to Dave and Mark when Don and Mae retire within ten years

When To Prepare A Business Plan

- For a business startup
- To establish baselines
- To evaluate proposed major changes

‘A living document (work-in-process) that changes with the business’

“A business plan now can save time & stress later”

Business Plan: The Why & What

➤ What?

- It defines your business and your goals,
- Formally & systematically in a document, and
- It serves as your firm's resume.

➤ Why?

- To define your business/proposal in detail
- To sale your product (your business)
- To focus on departments/products/services that really make & lose money

Effective Planning Process

- Involve the right people
 - Key decision makers
 - Those directly affected
 - Resource people with ideas
- Collect necessary information
- Be very analytical
- Make decisions
- Provide contingencies for problems

Planning For Success & Profit In A Rural Business

- You have started the planning process
 - Challenge is to ‘think unconventionally while attending to key management functions’
 - Production, Marketing, & Finance
- Determine feasibility early
- Develop business plan
- Least expensive part of business development

Typical Components Of A Business Plan

- Executive Summary
- Business Description
- Mission Statement & Related Strategic Plan Components
- Production & Operations
- Marketing Analysis
- Financial Plan
- Management Profile & Personnel
- Addendums/Supporting Documents

Executive Summary: Doorway To The Plan

- First page, but written last
- Summarize key points for each section
- Short, but well written
- Target content to the audience
 - Lenders or investors
 - Family and employees
- Value of volume/length of plan??
- “Why will your business be successful?”

Business Description

- Brief overview of the business & goals
- Location (s)
- Business/farm-ranch history
- Type & size
- Facilities and equipment
- Legal structure
- Ownership structure & key people
- Strengths
- Challenges

Components From The Strategic Plan

- Mission statement – broad expression of purpose
- Objectives & goals
- Industry analysis/situation
- Competitive position
- Business strategy
- Implementation plan

Example Mission Statement

Moore Dairy will provide the consuming public with high quality, wholesome dairy products in an operation that provides a secure income for all family members and exhibits the strength and pride of the dairy industry in Erath County, TX.

Production & Operations

- What – the product or service
- How – to produce or make product/service available, including delivery
- Technology
- Description of machinery & equipment and other durable assets
- Insurance, leases/rental agreements, etc.

Market Analysis

- Commodity vs. product/service
- Research
 - Industry trends
 - Trade area
 - Target market
 - Effective demand & evaluation of competition
 - Primary vs. secondary information
- Product differentiation & competitive advantage
- Marketing, sales & pricing strategies
- Identify/understand risks & risk management

Marketing & Risk Management

Moore Dairy has participated in the Dairy Options Pilot Program. Milk sales are protected for downside risk for the next twelve-month period through the purchase of puts.

We will continue to monitor forward price contracts with our milk purchaser. Contracts and options are discussed at least once weekly at Wednesday morning family meetings.

Decisions to participate and the percentage of production are made by the family.

Financial Plan

- Feasibility
- Start-up issues
 - Personal financial statements
 - Business actual & pro forma (prospective) statements
 - Credit vs. self-financing
 - Product budgets & breakeven analysis
 - Startup costs – monthly operating stmt and cash flows
- Sources & Uses of funds table
- Capital equipment table
- Cash flow projections for 2-5 years
- Assumptions used in the cash flow analysis

Example Request

Here are the capital requirements for the Moore Dairy Farm Expansion. These costs are based on firm estimates from contractors and dairy farm equipment suppliers.

Free Stall Dairy Barn	\$469,550
Parlor	30,000
Bulk Tank	40,000
Skid Loader	23,000
Cows in August 2002	173,250
Cows Sept. 2002	33,750
Cows in October 2002	114,750
Cost Overrun - contingency	40,000
Electric Service	33,000
Manure Pit Construction	36,067
Excavating	19,350
Emergency Generator	20,000
20 X 60 Shed	<u>13,200</u>
Total Capital Required	1,045,917
From sale of beef herd	<u>24,569</u>
New credit required	1,021,348
Refinance credit request	<u>366,652</u>
Total credit request	1,388,000

Loan (Funding) Request

- \$ to start/expand the business
- Scenario analysis
- Funding periods
 - This year
 - Next 2-5 years
- Use of funds
 - Capital expenditures, operating capital, refinance
- Coordinate and reconcile with other financial information

Management Profile & Personnel

- A description of 'skills' & 'experience' of key personnel
- Duties & responsibilities of management team
- Description of day-to-day management
- Compensation
- Consultants
- Human resource/personnel management procedures

Duties & Responsibilities Of Management Team

Four family members represent the management team for Moore Dairy. Roles and responsibilities of each are listed below.

General Manager: Don Moore

1. Labor management
2. Spending decisions
3. Capital purchases
4. Selection of legal assistance
5. Oversees financial issues for the business and communicates with lenders
6. Communications with county, state, and federal officials
7. Overall decision maker, with input from partners

Giving The Plan The Right Look

- **Create a professional product**
 - Title page
 - Double space
 - Adequate margins for adding notes
- **Detailed Table of Contents**
- **Simple, easy to read**
 - Comprehensive, but not complicated
 - Avoid jargon
 - Generous use of headings/subheadings
 - Essential information -- easy to find & close to front
- **Use charts, tables, resumes when appropriate**
- **Appendix - supplementary reports, studies, etc.**

Uses Of A Business Plan

- For communication
 - Lenders -Employees -Associates
- For management
 - Monitor, to evaluate general efficiency
 - Improve decision making
- For planning
 - Discover problems & pitfalls
 - Prepare for opportunities
- To acquire funding

Summary: Benefits Of Planning

1. Determine feasibility early
2. Provides roadmap - sense of direction
3. Identify steps required for startup/change
4. Identify strengths on which to build
5. Identify weaknesses to correct/overcome
6. Weigh economic potential vs. risks
7. Organize business idea for funding
8. Maintain focus on business objectives
9. Provide benchmarks to evaluate results
10. To counter “not-for-profit” IRS audit issue

Our Commitment*

- Share Knowledge
- Pursue Partnerships
- Support Entrepreneurship and Economic Development Ventures

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Remember, Develop And Use A Business Plan For Success!

