

## Guidelines to Writing a Winning Business Plan

### I. Some General Information

About one million new businesses are started each year in America. Of those million, only one will survive five years. Two hundred thousand may sound like a lot of companies, but that is not many at all. This translates into only one in five businesses that will make it to their fifth anniversary.

That is an alarming statistic! Why in the world would only one in five businesses in the "Land of Opportunity" survive only a relatively short period of time? There are several reasons why, yet the one reason that is most common just happens to be the most controllable.

The bottom line is that there is no magic equation for success. However, one basic rule holds true: *"A business owner who fails to plan, plans to fail."*

A business plan helps entrepreneurs think through their strategies, balance their enthusiasm with fact, and recognize their limitation. It will help you avoid potentially disastrous errors like undercapitalizing, creating negative cash flow, hiring the wrong people, selecting the wrong location, and pursuing the wrong market.

A good business plan requires time. Plan on *fifty to one hundred* hours of work to write a complete and comprehensive business plan, including research, documentation, analysis, and review.

Entrepreneurs should really start planning at least *six months*, preferably *twelve to eighteen months* before they plan to open their business. This is only due to the time you need to devote to its start-up while working another job. Six months gives you the minimum time to sharpen and focus your business ideas, test your assumptions, and improve your management skills.

If you don't want to wait, then dig in and begin your incredible journey. Maybe you are the type of person who can accomplish the following elements in a shorter time period. Whatever category you fit in, consider these essential elements...

### II. Your New Enterprise - Before Start-Up

Decide on the kind of business you want to start.

The answer will depend on a few important elements:

- How much money you have to invest;
- Whether you can attract other investors;
- The amount of return you want;
- Ask yourself what you do well.
- Ask yourself what you like to do well.
- Ask yourself what you like to do most.
- Are you willing to work harder, longer hours?
- Do retail sales, manufacturing, service business, import/export (or whatever); fit your interests and/or expertise?

#### Consider a Start-up's Impact

- Your income will suffer.
- Your work hours will multiply.
- Your family relationships will be strained.
- You will have expended your personal cash, or be in debt.
- You will sometimes feel like you're running behind.
- You may become more irritable, or critical with people around you.
- You will see less of your friends and family.

- You may get more headaches, backaches, or stomachaches.
- You will feel guilty at times if you are not working.
- Your life, for a time, may seem like all work and no play.

Don't despair; these feeling and circumstances are a normal part of starting a business, or embarking on a new project. Just don't give up. As Robert Donovan once said, "Giving up is the ultimate tragedy."

### Research Resources:

#### Start your research.

- Your local Chamber of Commerce - it will assist you whether you are a member or not.
- Trade shows - a one-stop shopping source for businesses, suppliers, and various consultants.
- Trade - association executives - asks them what is "hot" in the marketplace.
- Trade - magazine editors - send a press release to as many as possible.
- Local networking meetings - a tremendous source for leads. Start your own if you have to.
- Federal, state, and university programs.
- Your state commissioner of Economic Development.
- U.S. Embassy in the country or countries you plan to do business.
- Businesses in noncompetitive locations. (Magic phrase: "I've got a problem and I think you can help me.")
- Small Business Administration
- Small Business Development Center

- Newspaper Editors - send them a press release also.

**Define your business.** Write a mission statement - fifty words or less - that outlines what you will sell and to whom, and what will make your business different (Your Unique Selling Advantage).

*Example:* To provide useful, applicable solutions to business owners and managers, in the areas of marketing, business planning, finance, accounting and promotion, and to fully utilize our management team's experience and knowledge to increase revenues of each of our client's enterprises and companies.

### III. The Business Plan

**Name Your Business.** This is a vital decision.

*Advice:* Keep the name straightforward and descriptive. Make it as distinctive as possible. Avoid grandiose, overworked adjectives. Be careful of a name that is close to a trademarked name.

Your business name should be like a headline of an article. Describe who you are and what you do in your name whenever possible. A dangerous marketing tool is to make customers guess what you do. Your competition may already have a descriptive and straightforward name.

**Select Outside Advisors:** You will need a competent attorney, management consultant, accountant, insurance agent, and banker. Also helpful: A marketing consultant will save time, money, and misspent effort.

Convince yourself that proper business planning is an absolute necessity. *Your business plan is the heart and soul of your operation and the most important set of documents provided by you to any lending institution or potential investor.* It explains all the financing you need. Most importantly, it will give your financial sources persuasive information about your venture.

Put your business plan to multiple uses. A comprehensive and realistic business plan will help you accomplish many essential objectives, including the following:

1. Take charge of your entrepreneurial life. The business plan is evidence of your initiative. It shows that you have the

discipline to focus your energies on an important project and that you understand how to achieve progress and growth, solve problems along the way, and achieve ultimate goals. The business plan is the foundation and pillars of your vision and will allow you to structure your ideas into reality.

2. Lay out a master blueprint. The business plan is to the entrepreneur what a set of detailed architectural drawings are to the builder. It determines the details of how you are going to reach your objectives. It shows you every step of the way, where you plan to go, in relation to where you actually are. It will also help you plan, or pursue an alternate (and possibly better) route. The business plan is a powerful management tool.
3. Communicate your master plan to members of your team. The business plan constitutes a concrete statement of purpose, which allows you to communicate to your colleagues a step-by-step agenda for reaching your goals. Some portions of the business plan can also be used in training and coordinating meetings, as well as teaching staff persons what their role and accountability will be in making your business function successfully.
4. Attract money to your project. Potential suppliers of capital and other needed resources (bankers, brokers, investors, future partners, etc.) will place great value on your business plan as they weigh the decision on whether to participate with you.

Your ability to create trust and respect can be greatly enhanced through interpersonal contact with these potential suppliers of capital. However, you may not even get a chance to get to know these people on a personal basis. Therefore, you must have a professional document to present in written form. Your business plan will be your initial selling tool, your business resume, when attracting lenders to participate with you in your venture.

#### **IV. What Potential Suppliers of Capital Look at First**

There are four critical areas of the business plan that investors will weigh very heavily. These areas are:

1. Your Management Team
2. Current and Projected Financials
3. Your Products or Services
4. Your Marketing Plan

Make sure that you build a strong case for each of these areas. They are most important.

**Your management team is very important.** Potential investment sources place a tremendous amount of importance on the team of managers that will be making crucial day-to-day decisions. The success or failure of your enterprise will depend on the experience, maturity, and common sense of you, your partners, your board of directors, and your management staff.

Any management team needs balance. This balance will give you the ability to provide the organization with four essential elements:

1. Planning
2. Organizational Skills
3. Control
4. Leadership

Balance within the management team as a whole, of the behavioral, technical, and conceptual skills applicable to both the production and delivery of a product or service is vital. At a minimum, the management team must have, or develop, skill in marketing, finance, and operations.

The strength of your management team must be diligently articulated in your business plan. A company with a formal structure will greatly enhance its ability to raise capital, and achieve its goals in less time and with far less expense.

Use honesty in the judgment of yourself and each member of the management team. Don't allow yourself to stray from truth or reality. If your management team is weak in any of these areas, you should consider bringing in top-notch, experienced individuals to your board for directions as well as inspiration. Outside professionals can offer you

enterprise tremendous leverage, without carrying them on your payroll.

Develop a formal organizational chart. If your enterprise is a small or medium-sized business, it is reasonable to have a smaller "organizational" chart. Identify the different managers and departments within your enterprise. Use your chart to incorporate key management personnel with key responsibilities.

If any responsibilities cannot be fully covered by your inside management team, mark that area and contract with consultants and professionals who specialize in these areas to assist your growth and development.

**Financials - Present and Future.** Determine your cash needs. Project your expenses and review your sales and profit objectives.

*Tip:* If you have access to a computer, purchase an inexpensive business plan organizer. When it comes to the financial section, business plan software will save you enormous amounts of time and energy, and help you create the use of cash flow budget by using various reports.

These reports should compare actual with budgeted expenses on a monthly basis.

You should also prepare a preliminary balance sheet. List your assets and liabilities to create a "snapshot" of what your company looks like at a given moment. Your balance sheet will be a necessary tool for your banker and accountant.

The financial projections that you document into your business should be well thought out. Plan on devoting a lot of time to their development. If you have to tell the investor to ask your accountant about something regarding your financials - that's a big mistake. *Remember:* This is your business and you must understand all the aspects including the financials.

To avoid this, include projections on:

1. Your Profit & Loss Statement
2. Your Balance Sheet
3. Your Cash Flow Statement

When calculating your projections for the future, illustrate monthly figures for the first year and

quarterly figures for years two and three. Annual figures can be presented for years four through ten if you are comfortable with these projections.

Many novices miscalculate the cost of sales. Entrepreneurs are often too concerned with developing the product and why people need the product, but forget to calculate the cost of the delivery system. Therefore, remember to ask yourself, "What is the cost of the sale?"

**Your product or service** is obviously very important when attracting potential capital sources. Discuss the characteristics of your products and services. How do they differ from similar products and services? What customer reactions may be anticipated due to these characteristics? Explain how you will satisfy customer needs and wants.

Describe any unique, value-added characteristic your product or service provides to the customer and how this will give your company the competitive edge. If your product or service has evolved over the past few years, explain how and why.

Are there any tests or case studies that have been performed that will help you back up your claims? Obtain that vital information and document it in your plan.

What is the product's or service's life cycle? Explain it to the investor. You may even want to create a simple chart covering the life cycles of your products and services. Also include the time factors influencing your ability to make money and the effects of economic cycles.

1. Introduction Phase - Intense marketing campaign that introduces a new or unique product or service. Sales take off and growth occurs.
2. Maturation Phase - The market begins to be saturated with the unique product or service. Competition increases as awareness of product becomes common.
3. Leveling-Off Phase - Newer, more unique products enter the market. Loyal customers continue to buy your product or service. Not-so-loyal customers begin to look at alternatives and eventually may shift their business to the newer items.

Discuss your plans for the next generation of products and services that will be introduced in the near future.

Be prepared to contact several different investment sources and groups to discover which capital sources will be most interested in your particular venture. For example, some suppliers of finances will only look at real estate transactions. Others may only consider franchise concepts, while others may wish to invest in a manufacturing enterprise.

**Your marketing plan** is next on the list of importance. This area requires a fair amount of study and analysis on your part. Although it may seem like a lengthy task at the outset, you can have a lot of fun with it. Here is where you find out who is out there; what the competition offers, and what they don't; if your product or service will outsell the competition; what Unique Selling Advantage (USA) you will have over your competitors, etc.

You may even discover that the timing is not right for your enterprise and it would be beneficial not to go ahead with your plans. This would not be a negative finding. The time and money you would save if you should wait for a better time, or pursue another market, would be invaluable. Your future enterprise may depend on what the market dictates after a carefully designed marketing analysis.

The marketing plan is actually broken into two separate sections: *Market Analysis* and *Marketing Strategies*.

*Market Analysis* describes the existing marketplace in which you plan to operate your business. Key points for defining the market segment for your products and services are:

1. By product features
2. By life-style of your targeted customers
3. By geographical location
4. When applicable, by season, time of the year, etc.

How many competitors share your market? How is the share of the market distributed among the major participants? Is the market growing at a rapid rate? What are the major trends toward development of the shared marketplace? Summarize your view of the

trends and the implied opportunities from your market analysis.

You will also want to list the strengths and weaknesses of your product or service. When covering your strengths, you need to be sure to place at least as much emphasis on marketing as do on your product, if not more.

List several distinct advantages over the competition in the following areas:

1. Actual performance
2. Quality and reliability
3. Production efficiencies
4. Distribution
5. Pricing
6. Public image or reputation
7. Business relationships or references

If you know of any weaknesses in your product or service, list those also, and show what steps you are taking to alleviate the problem(s).

*Marketing Strategies* is the science of planning for and executing a promotional campaign that will generate sales for your enterprise. These strategies are to enhance, promote, and support the advantages, features, and benefits of your products and services.

This section should be designed with one word in mind: **Strategy**.

When thinking about a strategy, you will be able to specifically define your business activities, strengths, and direction. What type of strategy would you put together if your life depended on a plan to get away from an enemy who is bound and determined to see you fail.

Think of your competition as the enemy. They absolutely do not want you to succeed. Your strategy, depending upon how much you want to succeed, should be defined to capture your share of the market in as little time as possible.

How do/will your customers perceive your company and product, relative to the competition? *This is critical!* A good way to find out is to ask them.

Conduct a market survey. This is an easy and inexpensive way to find out the answer to this important question.

What can be said about your competitors' products or services that will change your customers' minds? What is your Unique Selling Advantage? (A discussion on this topic follows this section.)

What will be your strategies to promote your products and services? Will you use television or radio? Is it better to conduct seminars or participate in trade shows? Will you use telemarketing or outside sales representatives? Do you need to hire a Public Relations Agency? Will you sell your products and services locally, nationally, or internationally? Have you considered direct mail? Will you use brochures and flyers? What other creative ways will you come up with to generate leads?

Here are a few other questions you should give serious consideration:

- Are your strategies consistent with your evaluation of the marketplace and your capabilities?
- Have you defined your targeted market into a narrow window, or does your product appeal to a large market?
- Are your strategies based on facts or assumptions?
- Is your appraisal of the competition open minded and honest?
- Is the expected return on investment sufficient to justify the risks?
- Have you thoroughly examined other strategies that your competitors are using? Could some of their strategies be adapted to your environment.
- Is your strategy legal?

### Marketing Tip

Look at customer gripes in the industry first, then create a marketing strategy. Look at everything about your industry that could gripe, frustrate, or irritate a potential customer.

Ask people what irritates them. Try to internalize the same problems and experience your customer's frustrations before creating your marketing strategies.

## V. Your Unique Selling Advantage (USA)

It is important to understand how vital it is to adopt your own USA, and implement it from the CEO down through the sales team, and on to your clerical staff. Everyone within an organization should have a solid understanding of what sets you apart from the competition.

Your USA is that single, unique advantage, benefit, essence, appeal, or big promise that holds your product or service out to the prospect - one that no other competitor offers or advertises. You should be able to articulate in one or two crisp, clear paragraphs the Unique Selling Advantage of your business product or service.

### The Backbone of your entire business concept

- A. Your USA is literally the unique advantage that distinguishes your business from that of anyone else. This is a concept that your entire enterprise should be built around.
- B. Without a USA you cannot build a consistent and effective marketing campaign.
- C. There is some unique advantage that you should basically build your entire marketing efforts around. You need to define it in a clear paragraph. Once you have developed your own USA, formulating a winning marketing strategy will come much easier. Therefore, tell it accurately, straightforwardly, and intelligently.
- D. A USA may be that your product is made entirely of all-natural ingredients or has a guarantee for double the amount of time over your competitors. Maybe you offer three times more follow-up by calling, writing to, or actually visiting your customers after they purchase your product or service.

Maybe your product is entirely hand made, the only product in your area, and the competition will take years to produce something as good as you offer. Maybe your business stays open two hours longer than all of your competitors for added convenience to your customers.

## Contents

*Note* - the format of your business plan or the amount of detail it contains, how fancy and image oriented it is, etc., may vary according to the intended use and readership. The following summary of the ingredients of the business plan is intended to show you the elements needed to compose a winning plan that will attract potential financial resources to your venture.

Listed below are the items that you should consider including in your business plan:

**I. Cover Sheet.** If you are appealing to prospective investors, money brokers, bankers, venture capitalists, etc., include a cover sheet preferably on company stationery, displaying company emblems, logos, etc. This will help place your application in a framework of legitimacy.

Keep your cover sheet as simple as possible. Identify yourself, your business, and the institution or party to whom you are addressing your application. Include the date the plan is submitted. Here is a checklist of items to include:

- A. Business Information
  - 1. Name of business
  - 2. Location, address
  - 3. Telephone numbers
  - 4. Contact person(s), including titles
- B. Business paragraph: promotional description of business goals, potential, and outlook.
- C. Amount of capital required: current and anticipated future needs.

- D. Whenever possible state the name or names of persons recommending you to the investor.

**II. Table of Contents.** This index will not only help your prospective lender to understand the roadmap you are placing before him, it will also make a statement about you (i.e. you are organized, thorough, sensitive to the needs of those you are approaching, and able to manage the "Big Picture"). Type the Table of Contents last.

**III. Executive Summary.** This portion of the Business plan must be designed to capture and hold the interest of the party to whom the plan is being presented. It is also the only portion of the business plan that everyone who sees your business plan is sure to read with care. Make sure it can be read in a few minutes. Make it good! Keep it somewhere between two and five pages of typed copy.

This critical executive summary encapsulates the entire business plan in a few paragraphs by giving the most succinct statement possible as to the nature and objectives of your business.

- A. Its mission.
- B. Its unique "selling advantage".
- C. Your projections for the future (sales and profits)
- D. Your needs (capital and other resources)
- E. Procedures and timetables for repaying investors.
- F. The amount of capital you are requesting.

This summary is a crystallization of the entire business plan in a quick, overview format. Don't neglect this section; it will demonstrate that you can focus with clarity on your goals, and state in no-nonsense fashion who you are, what you want, and where you are going.

**IV. The Context of Your Business.** This statement provides a "big picture" perspective of the industry to which your business belongs and prepares the reader to understand better how your business fits into the total picture. It should include:

- A. Growth potential: in view of the trends described above, provide a statement (in dollars) of the future growth potential of the industry in which you are competing.
- B. New products and developments: what new developments have arisen in the recent past that will make your product or service more attractive to the public?
- C. Economic trends: evidence that spending trends are favorable to the industry.
- D. Industry outlook and trends: the future of the industry according to industry leaders, experts, economists, government forecasters, and other authoritative spokespersons.
- 4. Legal control of process and/or product?
- G. Do you have any contacts and agreements? (Identify here and include copies in the Appendix; examples: resale agreements, service contracts, leases, etc.)
- H. What are your operational procedures?
  - 1. For ventures involving manufacturing a product, include:
    - a. Physical space requirements
    - b. Machinery and equipment
    - c. Raw materials
    - d. Inventory and supplies
    - e. Personnel requirements
    - f. Capital estimates
  - 2. For ventures involving selling or retailing, include:
    - a. Physical space requirements
    - b. Purchasing procedures and plans
    - c. Inventory system
    - d. Staff and equipment
    - e. Training
    - f. Credentials

#### V. Profile of Your Business.

- A. What is the precise nature of your business?
- B. Provide a brief history of the business or how you developed your products and services.
- C. What are the economic trends? Is there evidence that spending trends are favorable to the industry?
- D. What is the organizations detail (legal structure, personnel resources, operational patterns, organization chart) of your business?
- E. What are the factors that influence your business (i.e. local economic factors, seasonality, dependence on special vendors or suppliers)?
- F. What are your patterns of research and development?
  - 1. The nature of your test-marketing procedure?
  - 2. Results achieved?
  - 3. Product development?

*Note:* This information, and similar details you may wish to include, constitutes the profile of your business. This section should provide the reader with the concept of how your business works and why it has a unique chance to shine in the marketplace.

## VI. Profile of Your Specific Market.

- A. Precisely state who the consumers of your products or services are.
- B. The geographical scope of your market, including size and population.
- C. Growth potential of your target market.
- D. Your ability to satisfy the market's demands.
- E. How your business plan will enable you to attract new customers while keeping the customers you have.

When developing a profile of your target market, it is important to remember that your research will determine the strength of your analysis. The time you spend on this section should be spent wisely. Your local library, your telephone and the Internet will be your strongest allies. Use them to their fullest!

Take advantage of the information and statistics already available in books, directories, and case studies. Thorough research will impress potential investors more than you can believe. So again, spend your time wisely here.

*Note:* Be thorough in structuring this market profile. Show that you have done your homework with great care and due diligence.

**VII. Anticipated Challenges and Planned Responses.** This section of the business plan set forth your contingency strategies for dealing with anticipated barriers and challenges. Some of the main types are these:

- A. Dealing with competition:
  1. Your major competitors (similarities and differences when compared with your business.
  2. Their strong points and weaknesses;
  3. How your "edge" (Unique Selling Advantage) will enable

you to prevail and stay on course;

4. How you guess the competition will try to block you and how you will respond.
- B. Weak areas where you believe you may be vulnerable and how you intend to compensate, for example:
  1. Obsolescence factors
  2. Cheaper products on the horizon
  3. Cyclical trends in the marketplace
  4. Possible economic downturn in the future
  5. Turnover of key employees
  6. Seasonality of your products and services
  7. Offering a benefits package to employees (whether or not to)
- C. Legal factors:
  1. License requirements that you must satisfy or maintain.
  2. Restrictions and regulations under which you must operate, given the nature of your business.
  3. Future changes in legal or governmental policies that may affect your business, and how you will respond.
  4. Any governmental agencies that you must need to apply to. (A franchise must comply with FTC [Federal Trade Commission] regulations; a radio station must comply with FCC [Federal Communications Commission] regulations; etc.)

D. Protection issues:

1. Patents, copyrights, trademarks, and other protection procedures you have in place.
2. How to assure that business secrets are preserved.

E. Key man contingencies:

1. The depth of your management team.
2. Management procedures in place to assure continuity of leadership.
3. Plans for responding to the loss of important personnel.

F. Staffing:

1. Personnel needs you anticipate having , overtime (requirements, training, benefits, expansion) and how these needs will be met.
2. Policies on minority issues.
3. Policies on temporary versus permanent staff.
4. Policies on racism, or prejudices.

*Note:* This section must demonstrate that you have covered the problem bases and have carefully crafted contingency plans in place. The information in this section will provide your business plan with more credibility than you think. Be practical and reasonable. Show that you have really done your homework.

**VIII. Marketing Plan.** We have all seen great businesses, with a super location and a unique product, go broke and close their doors. In most cases this tragic problem can be traced to poor marketing and promotion. This could be because the owner of the business did not know how to market his or her products and services.

Many business owners make the mistake of thinking they don't have to advertise or promote their

“superior products or services.” **WRONG!** Nothing could be farther from reality. Small business owners tend to ignore or (given the benefit-of-the-doubt) forget four key Marketing areas, and end up going out of business. These four critical areas are:

1. Publicity
2. Promotions
3. Merchandising
4. Market Research

Here's the secret. Each of these four marketing areas does not have to cost you one dime. You don't have to spend any hard money on these free things.

How do you reach your customers to let them know who you are and what services you provide without spending any money?

First, you must define your market. Who, or what, is your targeted audience? Who will listen to your story, and who will buy from you once they have heard your case?

The first rule in the area of marketing is a very simple one: know your market. It's simple to determine who your customers are. *Entrepreneur Magazine* gives good advice in this area: “All you have to do is forget that you are selling your product or service, and put yourself in your customer's place.” It's almost like the Golden Rule: “Do unto others as you would have them do unto you.” *Entrepreneur* goes on to say, “Ask yourself questions such as these:

- Where do I go to buy it?
- What makes me buy it?
- What media do I watch, read, listen to, that make me decide to buy?”

Simply put, you must know what media your market draws to.

You must develop a rock-solid marketing plan. Your profits will literally rise or fall on the basis of how well you develop and implement your marketing plan. Here is your chance to show your entrepreneurial expertise in its best light. Carefully consider the following ideas and strategies, and implement each one of them in your plan:

- A. Marketing strategies that you will be focused on.
- B. Reasons for these strategies: information, feasibility testing, competitor track record, and/or creative insight into the market.
- C. Pricing Note: Pricing a product or service is sometimes as much a decision – based on customer acceptance – as cost. Therefore, consumer research and competitor track record and pricing, customer acceptance, etc., should be demonstrated as your basis. In other words, *“Charge what the market will bear.”*
- D. Your timetable.
- E. Your marketing budget.
- F. Guarantee policies.
- G. Presentation and packaging.
- H. Professional resources you will need to implement you plan.
- I. How you will monitor the response of the market to your campaign.
- J. How you will test one approach against another.
- K. Advertising and promotional intentions.
- L. Media you will use to promote your enterprise, and related costs.

**XI. Financial Projections.** Here is the heart of your business plan, the point in time where your vision is quantified in terms of dollars and cents, and units of time: days, weeks, months, and years. All persons reading your plan will go through your financial projections with great care. Your financials should be broken down into monthly projections for the first year and quarterly for the next two years. Based on this scenario you should include the following projections. These projections (sometimes called the “computation trio”) should be prepared according to three scenarios: Profit & Loss Statement, Balance Sheet, and Cash Flow Statement.

- A. Profit & Loss Statement: Based on the marketing plan you have developed, determine projected revenues over time. Typically, projections become outdated given the impact of all the variables at work in a given enterprise and its market environment. Adjustments will need to be made constantly as you implement mid-course corrections over time.

Next, calculate your cost of goods and/or services sold (COGS) as well as all your anticipated fixed overhead costs. Keep in mind that your COGS will generally fluctuate with revenue volume while fixed overhead costs will exist on a continued monthly basis.

The net difference of total revenues less total costs will determine the profit or loss of your enterprise.

- B. Balance Sheet: The balance sheet gives the profile of the worth of your company at a given moment in time. This statement lists all of the company’s assets (cash, accounts receivable, inventory, machinery and equipment, real estate, etc.) and all of the company’s liabilities (accounts payable, notes payable, taxes and interest payable, salaries and wages currently owed, etc).

The difference between the assets and the liabilities constitutes the net worth of the company (also called the owner’s equity) at any particular moment in time. If you have a track record when the business plan is developed (as in an expansion of an existing operation) then the balance sheet may show considerable equity. Work with your accountant to develop the details of the balance sheet (in quarters or years).

- C. Cash Flow Statement: When you plot expected revenues against anticipated expenses, and tally the running net balances by unit to time, you are projecting your cash flow. Cash flow totals are a critical index of how successful your business will be. Be sure to identify all changes in detail. Leave nothing to the imagination. Be conservative and realistic.

*Note:* As in all numbers exercises, work with your accountant on the details.

**X. Implementation Schedule.** This portion of the business plan accomplishes the following:

- A. Identifies when you expect needed financing to kick in.
- B. Lists the main steps of the marketing campaign charted by date.
- C. Gives the scheduled dates of the production and delivery programs that will fulfill the obligations of sales.

The implementation schedule will enable you to coordinate and manage your enterprise in a systematic and controlled way. This section of your business plan is of critical importance both internally (as a management tool) and externally (as a means of persuading others that you have the “smarts” to put your project into effect).

**XI. Statement of Resource Needs.** If you are using your business plan for the purpose of generating needed resources from lenders or investors, this item will summarize your precise needs (amount, terms, date needed) and identify how the resources will be used. In the case of financing, your cash-flow projections will, of course, reflect how these funds will be repaid.

In the case of capitalization involving equity partners, your projections will give an indication of the growth of equity and the anticipated timetable for the sharing of profits.

**XII. Appendix.** This section of the business plan might include some or all of the following:

- A. Footnotes from the text (i.e., assumptions used in projections, further sources of information).
- B. Supporting documents.
- C. Articles, clippings, special reports.
- D. Biographies.
- E. Bibliographies.
- F. Graphs and charts.

G. Copies of contracts and agreements.

H. Glossary of terms.

I. References: lenders, investor, or other bankers, suppliers, trade creditors, etc., who can give positive feedback on your past performance.

## Practical Tips

### Be Realistic.

Build your business plan with a sense of realism and practicality. Do your homework carefully and think through every detail that could have a bearing on the success of your project. Your business plan should be a carefully crafted action document not a speculative piece of fortune-telling.

### Document Your Claims.

Where you are basing projections on specific assumptions (i.e., projections about market response to your goods or services) give evidence that the assumptions are based as closely as possible on fact. Assemble and apply expert opinion to substantiate your projections. Use newspaper and magazine articles, university studies, interviews of prominent people who are familiar with your market, etc.

### Create a Unique Selling Advantage.

If you have an “edge” that will raise your chances and persuasively identify you as separate from your competitors, emphasize this advantage boldly.

### Be Flexible.

Your business plan is a road map that allows you to check your position, velocity, and direction on a constant basis. As you monitor your progress, you will need to implement midcourse corrections periodically. You will certainly need to adjust your business plan from time to time as your assumptions are updated according to real life feedback from the “trenches” and as market conditions shift.

### Use Technology to Good Advantage.

The new computers and software on the market can be a tremendous help to you in developing portions of your business plan, especially the financial portions. With the help of computers, you can play “what if” and gain valuable insight into future outcomes, based on the strategic adjustment of variables (i.e., pricing services in relation to variable costs). Have your local accounting experts explain the details.

You might wish to invest in the equipment and software to service your own needs in these regards. Computer hardware is very much within the reach of most budgets these days, and recent software developments place effective software programs within easy reach as well.

#### **Attend to packaging.**

The business plan should be clean, conservative, simple, well-prepared, clearly written, error-free, and appropriately bound. Your plan should look impressive though not slick. You don't want to make a statement about being a big spender for superficiais. If you are presenting the business plan to prospective financial sources, you should bind the materials in such a way that they will open flat on a desk top. For internal use, the business plan should be organized in a three-ring binder, where updates can be easily incorporated.

#### **Present the Plan Skillfully and Graphically.**

Consider using projection technology and similar support equipment when presenting your plan to prospective funders. Presenting economic and chart-orientated information in attractive, visual ways will help to solidify your position.

### **Patents, Copyrights, Trademarks, and Secret Formulas**

There are countless stories about companies in the multimillion-dollar range whose origination was based on an idea from Ralph Waldo Emerson which basically said: "Build a better mousetrap and the world will come knocking at your door."

That quotation was never more true than in today's world of high technology and expanding markets. Companies from far and wide are being developed on a work-wide basis to produce and distribute products that were never even dreamed of just ten years ago.

If you are a start-up business, or even an established business that has new products, ideas, or technology that will improve someone's standard of living, and want to place your product on the market, your products should be patented, or trademarked, and all your written material should be copyrighted.

The two basic kinds of patents are either Mechanical or Design. The distinction between the two is that a Mechanical Patent is for a new product that operates mechanically, something no one has ever developed before. A Design Patent is an improvement to a

previously patented product. That is, its design makes the older product better. However, there is a great possibility of infringement on the older patent if all you did was change the design, leaving the mechanics to operate as they used to.

A case in point, one which everyone would understand, is automobiles. Here, the design changes are radical, changing every month if you follow closely the trends in the market place. Each change in design is Design Patented. Design Patents last for three years. Mechanical Patents last for 17 years and can be renewed thereafter.

*Note:* It is strongly suggested that you seek the advise of an attorney who specializes in patents, copyrights, trademarks, and secret formulas.

### **Government Contracts**

Many new businesses have been established just to handle government contracts. If you are establishing a new business to handle government contracts, or if you are already established and handling government contracts, this should be totally revealed in your Business Plan.

There are many advantages and disadvantages to this. You must use your own knowledge and expertise to determine these factors. Obtaining a contract is not easy. Yet the government spends hundreds of billions of dollars annually in just about everything you can think of. Government contracts are a very lucrative source of business.

What your business is and what your expertise is will determine whether you are capable of handling a government contract. You must bid for a government contract, and if you are successful, this business could mean your ultimate success.

On the other hand, all government contracts are subject to cancellation or withdrawal. In which case you may have spent many thousands of dollars that cannot be recovered. All contracts carry a "save or hold harmless" clause.

You may also look into those companies that already hold contracts with the government. You may be in a position to sub-contract from them.

Your Business Plan should indicate whether your company is in a position to handle government contracts, and to what degree you can handle them.

## Business Resource Directory

**Small Business Administration (SBA) Answer desk** is the only national toll-free telephone service providing service providing information on small business problems and concerns. This service provides general information on SBA programs and other programs available to assist the small business community. The Answer desk can be contacted by e-mail, ([answerdesk@sba.gov](mailto:answerdesk@sba.gov)) and 1-800-827-5722).

**Small Business Development Centers (SBSDC)** provide individual counseling to small business clients covering all aspects of business operation from start-up to expansion. The local SBDC is:

McLennan Community College  
Small Business Development Center  
401 Franklin Avenue  
Waco, Texas 76701-2108  
Phone Numbers are:  
254-714-0077  
1-800-349-7232  
FAX 254-714-1668

### North Texas Small Business Development Center Specialty Centers

**Center for Government Contracting**  
1402 Corinth Street  
Dallas, Texas 75215  
214-860-5822

**Environmental Assistance**  
1402 Corinth Street  
Dallas, Texas 75212  
214-860-5821

**International SBDC**  
2050 Stemmons Fwy.  
World Trade Center #156A  
Dallas, Texas 75342  
214-747-1300

**SBDC fro Enterprise Excellence**  
7300 Jack Newell Blvd. South  
Fort Worth, Texas 76118  
214-860-5821

**Technology Assistance Center SBDC**  
1402 Corinth Street  
Dallas, Texas 75215  
214-860-5822

## Web Sites for the Entrepreneur

**American Express Small Business Exchange**  
Links to hundreds of web sites about small businesses such as starting your business, creating an effective business plan, managing your business and expanding your business.  
[www.americanexpress.com/smallbusiness](http://www.americanexpress.com/smallbusiness)

**Business Start-Up**  
Common Questions asked by small business owners.  
[www.bizcoach.org](http://www.bizcoach.org)

**Department of Agriculture**  
USDA forecast. Food and Consumer Services  
[www.usda.gov](http://www.usda.gov)

**Entrepreneur Magazine**  
Links to hundreds of web sites about small business  
[www.entrepreneur.com](http://www.entrepreneur.com)

**Small Business Administration**  
An inclusive site covering all aspects of small business from formulating the idea to financing the dream  
[www.sba.gov](http://www.sba.gov)

**Texas Department of Economic Development**  
Includes regional wage charts, city pages, tourism, business services division, regional and county economic development sites, Texas Manufacturing Assistance Center, etc.  
[www.tded.state.tx.us](http://www.tded.state.tx.us)

**Texas General Services Commission Contracting  
/Bid opportunities**  
[www.gsc.state.tx.us](http://www.gsc.state.tx.us)

**Texas Marketplace**  
[www.inmarketplace.state.tx.us](http://www.inmarketplace.state.tx.us)

**Texas Smart Jobs Fund**  
[www.tded.state.tx.us/smartjobs](http://www.tded.state.tx.us/smartjobs)

**Texas Statistics**  
[www.bide.state.tx.us](http://www.bide.state.tx.us)

**Texas Taxes**  
[www.windows.state.tx.us](http://www.windows.state.tx.us)

**Texas Workforce Commission**  
[www.twc.state.tx.us](http://www.twc.state.tx.us)

**US Census Bureau**

The Census page contains information on Business statistics, women and minority-owned business survey, annual capital expenditures, and other information

[www.census.gov](http://www.census.gov)

**USDA Publications and Data through Cornell University**

[www.usda.mannlib.cornell.edu](http://www.usda.mannlib.cornell.edu)

**Yahoo-Business and Economy: Small Business Information**

Links to hundreds of web sites about small businesses.

[www.smallbusiness.yahoo.com](http://www.smallbusiness.yahoo.com)