

The “Easy Way” to a Practical Business Plan



The “Easy Way” to
a Practical Business
Plan – *no way*



First, Why Do I Need a Plan?

- ▶ Entrepreneur
- ▶ Big picture
- ▶ Risk taker
- ▶ Problem solver – “we’ll figure it out”
- ▶ Creative
- ▶ Color outside the lines
- ▶ Make the rules and break them
- ▶ “I don’t fault failure...I fault failure to try.” *Michael Jordan*

First, Why Do I Need a Plan?



Bear Creek Lodge



Mead



Cedar Rapids

The Challenge

- 1653 miles
- 30 hours
- **If you succeed, you win \$100K**

The Challenge

- You can't have a map, GPS, Mapquest
- **If you fail, you owe \$100K**

Why Do I Need a Plan?

- ▶ **Articulate the Vision**
- ▶ Focus
- ▶ Prioritize
 - ▶ Time
 - ▶ Money
 - ▶ Effort
- ▶ Guides Decision Making
- ▶ Identifies Needed Resources
- ▶ Provides a Communication Tool: Stakeholders (everyone on the same page)
- ▶ The Map that Gets You There and Helps You Succeed



What Is a Business Plan?

- ▶ Different Things to Different People
 - ▶ Entrepreneur's Guide
 - ▶ Successful CEO Roadmap – Month by Month, Quarter by Quarter
 - ▶ Staff's Direction
 - ▶ Investors/Bankers: Should I Take the Risk?
- ▶ Reality Check
 - ▶ How Can This Work
 - ▶ What Challenges Should Be Anticipated
 - ▶ The Power & Magic of Writing
- ▶ Lots of Books, Templates (including www.SCORE.org)

WHAT IT IS NOT: Theoretical Busy Work

90% of businesses fail in the first two years, mainly because of a plan failure.



The Basics of a Business Plan

- ▶ **Vision:** What You Want to Create
- ▶ **Mission:** The Purpose You Serve in the Market
- ▶ **Financials:** Sustaining Your Organization
- ▶ **Marketing:** Connecting to the Market
- ▶ **Operations:** Producing Your Products & Services
- ▶ **Roadmap:** What Has to Happen When
- ▶ **Start Up:** Basic Requirements for Starting the Organization

The Basics of a Business Plan

Vision

- ▶ What Do You Want to Create
- ▶ How Big
- ▶ By When
- ▶ How Good

Examples

“Build a successful local furniture company that specializes in providing competitively price furniture with superior service to companies of 10 to 50 employees.”

“Design Media will be recognized as the world leader in web-based training and educational delivery systems.”

The Basics of a Business Plan

Mission

- ▶ What Purpose Do You Serve in the Market
- ▶ What Do You Do
- ▶ Why Do You Exist
- ▶ Why Will Customers Buy Your Product/Service
- ▶ Explained simply, free of technical jargon

Examples

▶ What Works:

“We find the right employees to make your business successful”

“Healing – grounded in learning and supported by acts of personal kindness.”

▶ What Doesn't Work:

“We will be one of the world's premier companies, distinctive and successful in everything we do.”

The Basics of a Business Plan

Financials: View of Past & Present

- ▶ Income Statement (P&L)
- ▶ Balance Sheet
- ▶ Personal Financial Statement

Financials: View of the Future

- ▶ Your Hopes & Dreams
- ▶ Financial Needs & Goals
- ▶ Budget (P&L)
- ▶ Cash Flow Statement

The Basics of a Business Plan

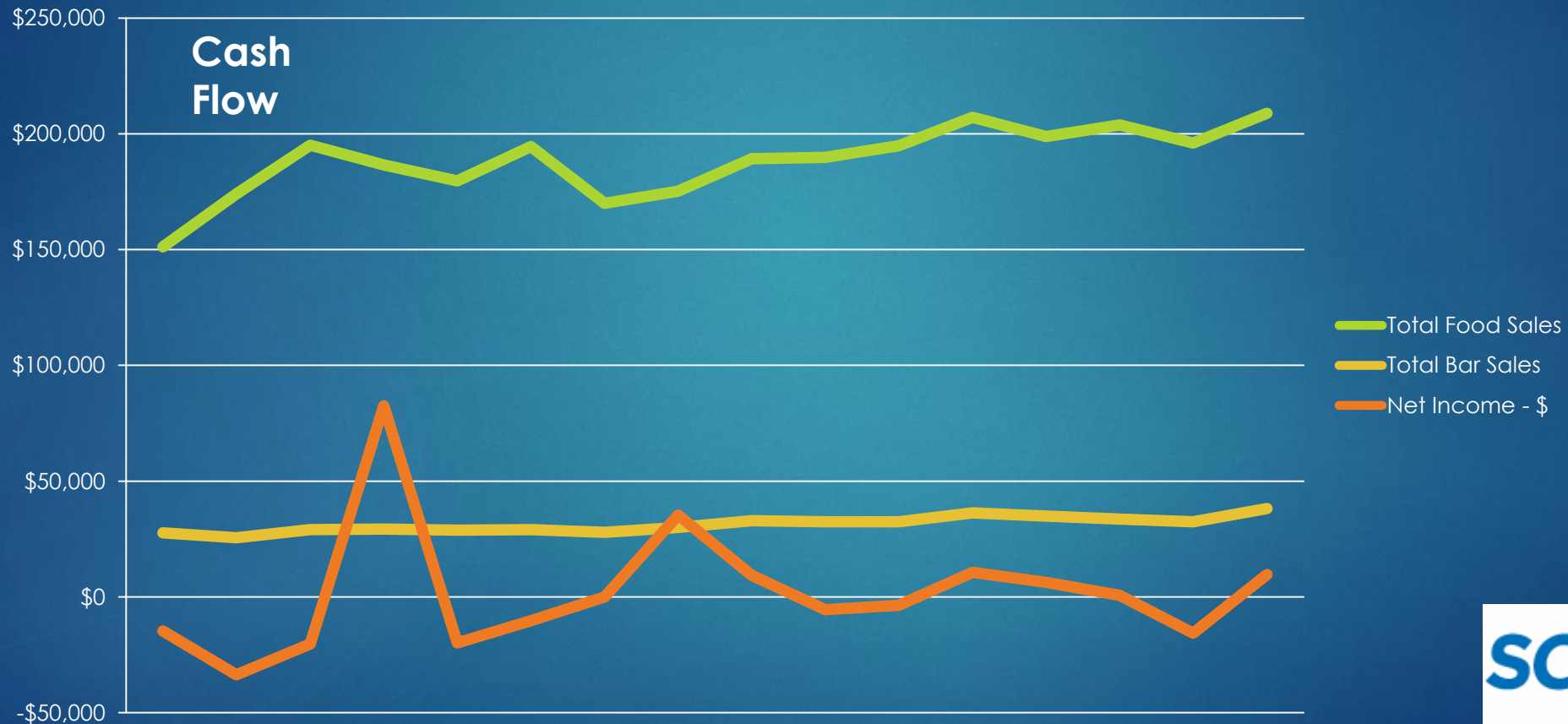
Financials: P&L/Income Statement

And Where
Are You In
Here?

Income Statement	
Gross Revenue (all sales)	\$900,000
Cost of Goods Sold (materials & labor to make product)	\$540,000
Gross Income	\$360,000 40%
General & Administrative Expenses (salaries, rent, utilities)	\$260,000
Operating Income	\$100,000
Interest Expense	\$ 20,000
Net profit before taxes	\$ 80,000 8.9%
All income taxes	\$ 27,000
Net profit	\$ 53,000 5.9%

The Basics of a Business Plan

Financials: Cash Flow Statement



The Basics of a Business

Financials: Personal Financial Statement

Assets & Liabilities

▶ Assets

- ▶ Cash
- ▶ Savings
- ▶ Retirement Accounts
- ▶ Life Insurance (surrender value)
- ▶ Property (real estate, vehicles, etc.)

▶ Liabilities

- ▶ Debts (credit cards, payables)
- ▶ Mortgage Balances
- ▶ Loan Balances
- ▶ Unpaid Taxes
- ▶ Other Liabilities

▶ Net Worth

Income & Expenses

▶ Annual Income

- ▶ Salary, Bonuses, Commissions
- ▶ Dividends, Interest, Investment Inc.
- ▶ Real Estate Income
- ▶ Other Income

▶ Annual Expenses

- ▶ Mortgage/Rental Payments
- ▶ Loans & Notes
- ▶ Taxes
- ▶ Insurance Premiums
- ▶ Medical Exp./Insurance
- ▶ Contingent Liabilities

The Basics of a Business Plan

Financials: Balance Sheet

ASSETS		LIABILITIES & SHAREHOLDER EQUITY	
Current Assets	\$5,000	Liabilities	
		Current Liabilities/Debt	\$3,000
Non-current Assets	\$10,000	Long-term Liabilities/Debt	\$4,000
		Total Liabilities	\$7,000
Investments	\$3,000	Capital/Net Worth	
		Contributed Capital	\$5,000
Intangibles	\$1,000	Retained Earnings	\$7,000
		Total Capital/Net Worth	\$12,000
TOTAL ASSETS	\$19,000	TOTAL LIABILITIES & SHAREHOLDER EQUITY	\$19,000

The Basics of a Business Plan

Financials: Balance Sheet



Think of the balance sheet as a seesaw: Assets & liabilities alone are out of balance. Capital from you makes the perfect balance.

The Basics of a Business Plan

Financials: Ratios

▶ Assets

- ▶ Accounts Receivable Turnover
- ▶ Inventory Turnover

▶ Liquidity

- ▶ Working Capital
- ▶ Quick Ratio
- ▶ Current Ratio

▶ Debt

- ▶ Leverage (debt-to-equity)
- ▶ Accounts Payable Turnover

▶ Profit

- ▶ Profit Margin on Sales
- ▶ Break-Even Graph
- ▶ Cash Flow to Current Debt Service

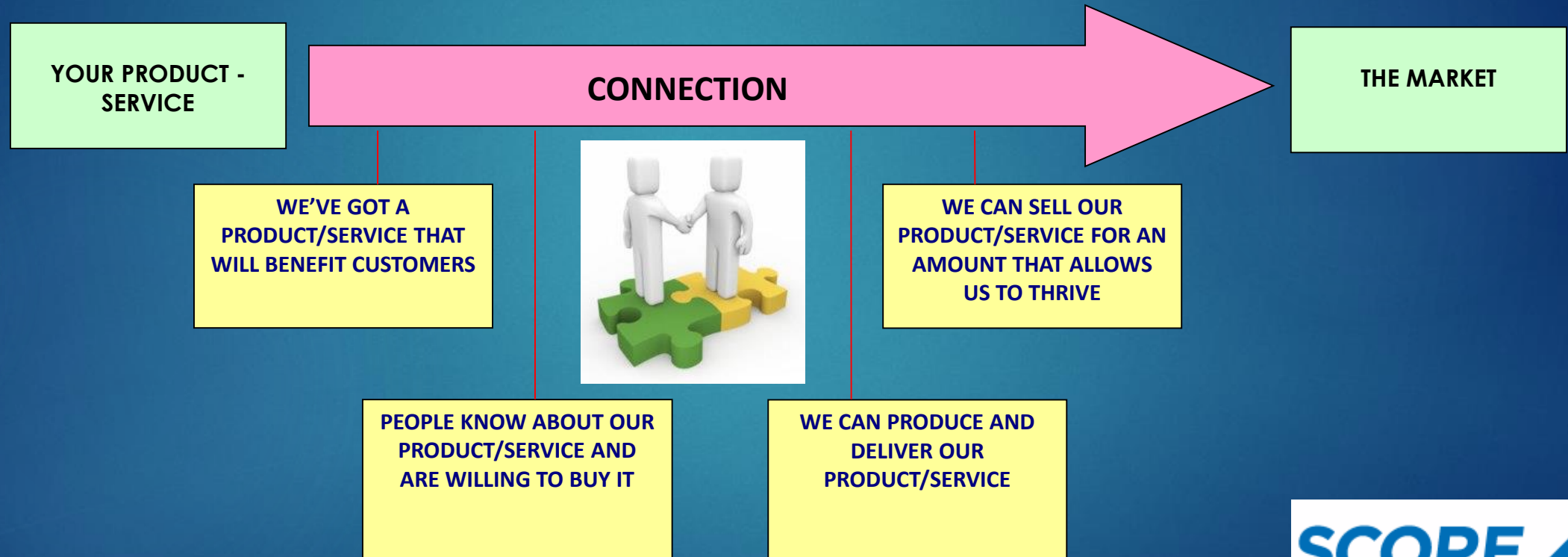
The Basics of a Business Plan

Financials: Your Valued Partners & Advisors



The Basics of a Business Plan

Marketing: Connecting to the Market



The Basics of a Business Plan

Roadmap – What Has to Happen & When

- ▶ Your Near-Term Dreams & Goals
- ▶ Near-Term Initiatives that Support Success
- ▶ Specific Activities Necessary to Achieve the Initiatives
- ▶ Quarter by Quarter/Month by Month: the Mileposts

The Basics of a Business Plan

Operations: How Are You Going to Make It Happen?

- ▶ How Are You Going to Build It?
- ▶ How Are You Going to Field Customer Calls?
- ▶ How Are You Going to Prepare the Food?
- ▶ How Are You Going to Service the Equipment?
- ▶ Cost Structure
- ▶ Equipment
- ▶ Physical Space
- ▶ Staffing, Skills, Number, Organization, Supervision
- ▶ Inventory

Uses for the Business Plan

Start Up Companies

- ▶ Vision & Mission
- ▶ Description of Product/Services
- ▶ Infra-structure Needs
 - ▶ Physical Space
 - ▶ Equipment (Production, Office)
 - ▶ Phones, Computer
- ▶ Marketing & Promotion Needs
- ▶ Staffing
- ▶ Financial Needs (budget, start up costs, cash flow projection, personal finances)
- ▶ Success Metrics
- ▶ Roadmap

Existing Companies

- ▶ Historical Trends (dollar/unit sales, profitability, COGS)
- ▶ Goals (near-term, long-term, financial, activities)
- ▶ Key Business Initiatives (new products, new markets, facilities expansions, business investments)
- ▶ Staffing (structure, additions, performance)
- ▶ Organizational Performance
- ▶ Roadmap

Business Plan for Investors

(Bankers, SBA, Private Lenders)

Typical Sections

- ▶ Executive Summary (1- 3 pages)
- ▶ Description of Products/Services
- ▶ The Market (the opportunity)
 - ▶ Customers
 - ▶ Competition (SWOT assessment)
- ▶ Operations
- ▶ Marketing Plan
- ▶ Financial Data (start-up costs, revenue forecasts, cash flow, break even analysis, balance sheet, personal finances)
- ▶ Supporting Documents (research, market demographics, equipment estimates, leases, legal documents)



The Business Plan Is Yours!

Your Roadmap to Success

- ▶ Action Plan
- ▶ “To Do” List & Priorities
- ▶ Success Metrics
- ▶ Assessment & Redeployment
 - ▶ Monthly
 - ▶ Quarterly
 - ▶ Annually

Your Key to Support

- ▶ Financing
- ▶ Partners
- ▶ Advisors: Accountability Buddy
- ▶ Staff
- ▶ Suppliers, Vendors



“In preparing for battle, I have always found that plans are useless, but planning is indispensable.”

Dwight D. Eisenhower

- ▶ **Carefully consider your priorities**
- ▶ **Just “thinking” won’t cut – must be written**
 - ❖ **If it’s not in writing, it’s not real**
 - ❖ **You can’t communicate consistently**
 - ❖ **You can’t hold yourself & others accountable**
 - ❖ **You can’t measure success**
- ▶ **Unforeseen circumstances will occur...the plan must change. But with a written plan, reassessing and redeploying will be easier.**





FOR THE LIFE OF YOUR BUSINESS

WWW.SCORECR.ORG

(319) 362-6405

Free and confidential business mentoring

Local workshops

Online expert resources