
Business Planning Guide

Robert Hill, California State University, Fresno

with editing by

Elizabeth J. Gatewood, Wake Forest University

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INTRODUCTION: Writing an Effective Business Plan

The Business Plan

A business plan can serve many purposes. It is frequently used as the document to raise funding for new businesses. As such the plan is a selling document. A business plan is also a useful roadmap that can help you to get where you want to go. When you use the team approach to the planning process, the plan can be an excellent management tool that aids you in motivating employees, obtaining better information for decision-making, and improves communication within your company. In many cases, the business plan becomes a reality check for business owners. Thus, the business plan and the process of producing it can help you to establish direction, set goals, and begin the process of accomplishing those goals.

The Planning Guide

The following guide is written for use in developing plans for new as well as existing businesses. The modular approach was developed through field and classroom use. The modules follow a logical progression of steps important to any business but particularly for the early planning of a new venture or growth plans for an existing one.

Who Writes the Plan?

An effective business plan should not be done by a consultant or one of your employees. YOU should direct the process and involved as many people from your organization (or nascent organization) as possible. It comes from your goals, vision, philosophies, experiences, thoughts, and finally, your research into the business opportunity you are pursuing. This planning guide outlines the fundamentals of creating your own workable business plan.

Why Plan?

People frequently start businesses to gain more control over their professional destinies. Unfortunately, the reverse is frequently occurs. Business owners often find that they spend most of their time "putting out fires" and spend very little time on direction setting and planning. As a result, business owners often report that they are frustrated by their lack of control over their businesses. The business plan is a means of gaining additional control over where your business is headed. As described above, the mere process of planning can help you establish direction and movement in that direction.

What is a "Good" Plan?

A good business plan is a dynamic document. You don't just "set it and forget it." It should be referred to frequently in decision-making, evaluating, and future planning. Your business plan should change as the environment in which you work changes. It may contain some gospel, but the plan itself is not sacred. The world changes and so must you. You must be prepared to significantly change or even scrap ideas from your plan occasionally. Using milestones developed in the planning process will help you to determine if and when this may be necessary. Writing and maintaining an effective, dynamic, and flexible plan will be one of the most difficult tasks you will encounter in developing, growing and maintaining your business.

BUSINESS PLAN OUTLINE

Business Plan Outline

Executive Summary

I. The Company

- A. Background
- B. Current Status
- C. Future Plans

II. The Industry

- A. Chief Characteristics
- B. The Participants
- C. Trends

III. Product/Service

- A. Description of Product/Service
- B. Proprietary Features
- C. Future Development Plans
- D. Product Liabilities

IV. Technology: Research and Development

- A. Concept Development
- B. Research, Testing, and Evaluation
- C. Milestones
- D. Current Status

V. Market Analysis

- A. Target Market and Characteristics
- B. Current Market
- C. Market Trends, and Growth Potential

VI. Competitive Analysis

- A. Competitors Profile
- B. Product/Service Comparisons
- C. Market Niche and Share
- D. Comparison of Strengths and Weaknesses

VII. Marketing Strategy

- A. Market Penetration Goals
- B. Pricing and Packaging
- C. Sales and Distribution
- D. Service and Warranty Policies
- E. Advertising, Public Relations, and Promotions

VIII. Resources Required

- A. Operations

- B. Facilities and Equipment
- C. Organizational Plan
- D. Human Resources

IX. Management and Ownership

- A. Management
- B. Board of Directors
- C. Ownership
- D. Professional Support

X. Critical Risks and Problems

XI. Financial Data and Projections

- A. Funding Needs
- B. Terms of Investment
- C. Financial Projections
- D. Assumptions

XII. Supporting Documentation

The Executive Summary

Objective

The executive summary should highlight the key points of the business plan. It should focus on the market opportunity you are trying to exploit with your business concept. It should also demonstrate your capability to successfully pursue the opportunity. It should create interest in your business and make the reader want to read more.

Relevant Questions

- What type of business is this? What products/services will it offer? Why are they unique?
- How does this business solve a significant unmet need or unsolved problem? Or address a major opportunity?
- What is the current status of your business? What is your stage of development?
- What is the legal form of organization?
- Who and what is the target market?
- What percent of the total available market do you expect to obtain?
- What is your plan and strategy for penetrating the market?
- What are your key strengths in this business? What will make it successful?
- What qualifications are needed to manage the business? What are the experience, education, and backgrounds of your key people---management and advisors?
- What are your major near-term objectives? What is your schedule for accomplishing these objectives?
- What are your long- range growth and development goals? What is the time frame for accomplishing these objectives?
- What is the financial model for the business?
- What are your financing needs to accomplish your goals---current and future?

Suggested Length 1-2 pages

What to Accomplish

The entire summary should be clear and to the point. The language should be simple and demonstrate clarity of management objectives. Above all, the summary should show opportunity and a plan to meet the opportunity!

Business Concept

The opening statement should grab attention! Start with a key differentiating feature of your company, its products and/or services. Describe the nature of the business, its type, form, and status.

Product/Service

Describe your product/service. Discuss specialization, significant, or unique features. Discuss your distribution plans. Describe any relationships you have with manufacturers or suppliers that enhance development and introduction of your product or service.

Market Strategy

Describe your target market, projected share, and overall potential. Discuss the competition and what advantages you have over them. Discuss your plans for introducing your product/service and your strategy for gaining market acceptance and loyalty.

Operations

Discuss the processes involved in producing your product and getting it to market. Highlight the areas of specialization and technology that you have pioneered in the making of your products. If you plan to subcontract or license production, describe the arrangements and why they are advantageous.

Management

Discuss the people involved in your company, their management expertise and experience. Highlight their distinctive competencies. Discuss the support personnel that will be needed as the company grows. Show that the people involved are qualified and committed.

The Economics

Summarize the nature of the economics of the business, e.g., gross and operating margins, expected profitability, time to break even, key financial projections, return on investment, etc.

Funding and Investment

State the amount of funding needed and its intended use. State how the investor will achieve the desired rate of return.

Defining the Business

The Company and the Industry

Research Objective

To provide a general description of the business. To outline the competitive environment and describe how the business fits into it.

Relevant Questions

- What is your mission or vision for the company?
- When and where was your company started?
- What is the form of organization?
- Where is(are) your business(es) located?
- What proprietary rights do have? What advantages do they create?
- Who are the owners and other key people?
- What is your market?
- How do you plan to penetrate the market?
- What are your overall strengths & weaknesses?
- What are your goals and strategies for achieving them?
- How will economic, social, technological, environmental or regulatory trends affect your business?
- What, specifically, is your industry and competitive environment? What are its characteristics?
- What is the current state of the industry?
- How big is it? Where is it expected to be in 5 years? 10 years?
- Total sales? Profits? Margins?
- Who are the major industry participants (competitors, suppliers, major customers, distributors, etc.)?
- How have your competitors performed? What are their market shares?
- What competitive advantages do you have over them?

Suggested Length 2-3 Pages

What to Accomplish

Translate the vision for your business into words. Describe how your business is positioned in the market place. Discuss where you want to be positioned in the next 3-5 years.

Subheadings to include:

- I. The Company
 - A. Company Mission Statement
 - B. Background
 1. Current Status
 2. Future Plans
- II. The Industry
 - A. Chief Characteristics
 - B. Trends

Presentation Recommendations

THE COMPANY

Mission Statement

Your company mission statement should be a short paragraph. It must clearly answer the following three questions: Who are we? What do we do? Where are we headed? These are the three most critical questions for your business and should be the drivers for the entire plan that follows.

A good mission statement makes it clear to all what you are all about and should serve as a motivator for all members of your organization. Finally, while the mission statement must be narrow enough to provide direction, you must also be careful not to be so narrow as to limit flexibility and stifle creativity and ingenuity

Background

Note the form of organization chosen, the critical people involved, and what their contributions have been to date. Discuss any patents, copyrights, trademarks or other proprietary rights you may have.

Current Status

Describe where you are now. What are the major internal issues for your business and what are their implications?

Future Plans

Discuss 3-5 year goals for your business. Discuss the future development and expansion plans for your business.

THE INDUSTRY

Chief Characteristics

Discuss the current status for the industry in which the proposed business will operate. Profile it, including information on: size, dispersion, market, history, status, sales, profits, etc.

Industry Trends

Where is the industry headed? What opportunities and threats exist in the industry? Describe trends in terms of any significant events or factors that may affect the industry profitability and/or market size positively or negatively.

Products/Services

Research Objective

To describe your product or service, special features, benefits, and future development plans.

Relevant Questions

- What is the purpose of your product/service?
- What need does it serve or what opportunities does your product address?
- What are the product/service's unique features? Benefits?
- What is its life cycle? Technological? Market?
- How does it compare to "state-of-the-art"?
- Does the product/service's success depend on someone else? Who?
- What future products/services do you plan to develop to meet a changing market?
- What regulatory or approval requirements affect your product/service?
- What liabilities will the product/service expose you to?
- What testing has the product/service undergone?
- Is there more than one product/service involved? How will they affect one another?
- How does the product/service compare to similar products of competitors?
- Are there any special production or delivery considerations?
- What related services will you provide?
- How will these services enhance the product/service?

Suggested Length 2-4 pages

What to Accomplish

Explain your product/services, how the product/service is special or different. Highlight future development plans.

Subheadings to Include:

- III. Product/Service
 - A. Description of Product/Service
 - B. Proprietary Features
 - C. Future Development Plans

Presentation Recommendations

Product/Service Description

Describe your product/service and its purpose (i.e., the need it serves for the customer/client) in detail. Discuss features, benefits and capabilities. Discuss other related product or services. Note the stage of development of any new products or services.

Proprietary Features

Detail any patents, copyrights, trademarks, servicemarks or other binding agreements that protect your product or service. In general, discuss how you plan to protect your product and your competitive advantages. Brief any approvals required for production or distribution of your product or service.

Future Development Plans

Discuss future development plans for improvements and expansion of your product or service lines. Note the present and future markets targeted as well as the time frame for development.

Technology: Research and Development

Technology: Research and Development (Optional)

Research Objective

To provide an overview of your product and its unique characteristics. To outline the product's past, present and future development.

Relevant Questions

- How much of the product is developed? Development costs to date?
- What technical tests has the product undergone? Market tests?
- Have you applied for, or received, patent or other protection?
- When will the product be ready for mass production and distribution? Who will produce it?
- What spin-off products do you plan to develop in the future?
- What are the major risks or problems associated with the product's development?

Suggested Length 1-2 pages

What to Accomplish

Describe how the product was/will be developed from concept to viable business opportunity.

Subheading to Include:

- IV. Technology, Research and Development
 - A. Concept Development
 - B. Research, Testing, and Evaluation
 - C. Milestones
 - D. Current Status

Presentation Recommendations

Concept Development

Detail how the product came about, its development time and cost. Detail your targeted applications or market opportunities. Describe ownership issues relative to the product.

Research, Testing, and Evaluation

Detail all research, testing, and evaluation activities related to your product's development. Present supporting factual data in an appendix to the plan.

Major Milestones

Discuss milestones and achievements during R&D. Detail how the product is different or superior to similar product. Note risks and problems that need to be overcome.

Current Status

Where does your R&D effort stand now? What still needs to be done and by whom?

Assessing the Market

Market Analysis

Research Objective

To demonstrate that you understand the market, that you can penetrate it, and that you are in control of the critical success factors which will enable your company to reach its sales goals. Above all, to prove there is a demand for your product or service and a place in the market for your business.

Relevant Questions

- Who or what is your target market?
- What is the size of your target market?
- Can this market be segmented? How?
- What is the profile of your targeted customers?
- What are the major uses of your product or service? In other words, what function does it provide for the customer?
- What are the buying habits of the potential customers?
- What will be the impact on the customers who use your product or service? Economic benefits? Will it change the way they do things? Will they need to purchase other goods or services to utilize yours? Will they have to change their work or living habits to use yours? Overall, how will you satisfy their needs or wants better?
- What is the growth (historical and potential) of your market?
- What are the market trends? What factors affect it?
- Why do you think you can attain the given level of market penetration?
- How will the segments and applications of your market change over the next 3-5 years?
- Have you gotten reactions from current and prospective customers? What were the reactions?

Suggested Length 3-5 Pages

What to Accomplish

Citing facts from your market research, show why and how your company will be successful. Most importantly, prove there is a sustained market for your product/service and that your potential share and profit projections are realistic.

Subheadings to Include:

- V. Market Analysis
 - A. Target Market and Characteristics
 - B. Current Market
 - C. Market Trends, and Growth Potential

Presentation Recommendations

Target Market and Characteristics

Describe your target market and profile your customer. Discuss how your product/service meets the needs/wants of this market. Discuss the "buying" record and habits of your potential customers. State the pertinent facts concerning the size, age, location/area, profession, income, and other demographic information about the market. Detail any research, studies, or surveys conducted. Include a list of these in a bibliography in an appendix.

Current Market

Describe the broader market as it now stands (The served available market or SAM). What are customers buying and why? Discuss overall market size and approximate sizes of individual segments if the market is segmented.

Market Trends, and Growth Potential

Discuss the future trends of the market. How large could the market become (The total available market or TAM)? Discuss how the market will change over the next 3-5 years. Discuss the growth potential of the entire market and your specific target market. State the rationale and assumptions on which you base your expectations for the market. Discuss fully the opportunities and threats associated with possible market trends and fluctuations. Discuss any cyclical or seasonal market trends. Propose, briefly, how you will adjust or compensate during any "off-season" periods.

Appendix Information and Analyst Summaries

Provide quotes and discussion summarizing significant facts, figures, and trends about the market (and the market potential) from various reputable sources. Make sure you properly credit the source. The objective is to pinpoint specific opportunities that exist within the industry, and how your products and services capitalize on these opportunities. The information should make it clear what problems and needs exist in your market. It should be evident that your products/services can solve these problems and/or meet the needs better than existing solutions or alternatives.

Competitive Analysis

Research Objective

To fully describe the competitive forces at work in your marketplace. To explain your strengths over the competition, how you will counteract their advantages and overcome or compensate for your weaknesses.

Relevant Questions

- Who are your nearest and largest major competitors?
- Is their business steady, increasing, or decreasing? Why?
- How does your planned business compare to your competitors' (strengths and weaknesses of each)?
- What are the similarities/dissimilarities between your business and your competitors' business?
- On what bases do you compete with them? Product? Price? Marketing/Promotion? Technology/Innovation? Other?
- In what respects is your business better? What is your distinctive competence? Operations? Management? Product? Price? Service? Distribution? Other?
- What direct (industry incumbents) and indirect (substitutes) competition will you meet?
- How does your product/service compare with the competition in the eyes of the consumer?
- If you see no competition, what kind might you create if you're successful?
- Do you threaten the major strategic objectives or self- image of the competition? If so, how will they respond? How will you respond?
- What do you know about how the competition operates? Their strategies?

Suggested Length 2-4 pages

What to Accomplish

Give a brief run-down on industry participants. Highlight your particular competitive edge.

Subheadings to Include:

- VI. Competitive Analysis
 - A. Competitors Profile
 - B. Market Niche and Share
 - C. Comparison of Strengths and Weaknesses

Presentation Recommendations

Competitors' Profile

Discuss the competition: size, age, location(s), sales, management, mode of operation, and other characteristics that are relevant. What are the strategies and philosophies of business of your competition? Also discuss the potential for new entrants into the market.

Market Niche and Share

State the approximate percentages each of your competitors' holds in the market. Discuss those that hold the largest percentages and why they have an edge. Discuss the competitors who are coming on strong and are making (or expected to make) bigger gains in the market. Discuss the particular segments of the market that each of your competitors addresses. Discuss your niche in relation to these and what percent of the total market it makes up. Describe where the market is headed and how each competitor's niche and share may change over the next 3-5 years.

Comparison of Strengths and Weaknesses

Compare your operations and management approach with your various competitors. Discuss your strengths and weaknesses in relation to your major competitors. Compare your operations and management approach. You should summarize: product superiority, price advantages, market advantages (contracts, proximity to market, proximity to labor supply, raw materials, energy, transportation, etc.) and finally, management strengths and weaknesses. Highlight whatever it is that makes your product/service and company more attractive in the marketplace

Market Strategy

Research Objective

To understand specifically how the market will be entered and penetrated, market share maintained, the stated market objectives achieved.

Relevant Questions

- What is the geographic market area---now and in the future?
- What is the sales appeal of the product/service? Why do people buy it?
- What is special or unique about the product/service "package"?
- On what basis will you attract and maintain your market? How will you expand it?
- What are the marketing priorities among segments and applications?
- Who makes the purchasing decision, and how will you reach them?
- What intensity of selling effort will be required?
- How will you sell? In-house salesmen? Manufacturer representatives? Other?
- What advertising approaches will be used?
- What promotional strategies will be used--- trade shows, demos, etc.?
- On what basis will you evaluate the effectiveness of your advertising/promotions?
- How large will your customer's average order be? Dollars? Units?
- How frequently might customers buy? How often could they be enticed to buy?
- What is the expected sales "cycle" for the product/service?
- What are the yearly sales milestones for the next 3-5 years?
- What is the pricing strategy? Margins? On what basis are prices set?
- How will pricing policies change over time?
- What will the discount policy be? Dealer pricing program?
- How might your competition respond to your strategies---marketing, pricing?
- How will packaging and labeling enhance name identification? Brand loyalty?
- What is the distribution strategy?

Suggested Length 2-3 pages

What to Accomplish

Describe your plan of action for being successful in the market. Discuss how strategies and policies will contribute to that success.

Subheadings to Include:

- VII. Marketing Strategy
 - A. Market Penetration Goals
 - B. Pricing and Packaging
 - C. Sales and Distribution
 - D. Service and Warranty Policies
 - E. Advertising, Public Relations, and Promotions

Presentation Recommendations

Market Penetration Goals

Describe your plans for penetrating the market. State what your estimated sales and share will be. Discuss the sales appeal among specific segments of the market. Discuss how you will identify prospective customers within each segment, how you will prioritize them, and how you will reach them. State your timetable for achieving these penetration goals and how your strategy may be affected by the reactions of competitors and market trends.

Pricing and Packaging

Describe your pricing policies and how they are determined. Discuss the influences of the competition, discounts, cost of goods, market forces and other factors that affect pricing. Justify your prices, particularly if they are substantially above or below the prices of similar products/services in the marketplace. Above all, demonstrate that your pricing decision is based on the market and that it will allow your company to make a profit.

Sales and Distribution

Discuss any special relationships that you may have with distributors. Mention any distribution or licensing agreements that are in force or that you are seeking. Describe how your product/service will be distributed and over what geographical area. Discuss the method(s) of sales and retailing, direct sales and other methods.

Service and Warranty Policies

Describe your service arrangements, product support, warranty terms and customer orientation of these programs. Discuss how these policies help make you competitive and how they will affect profits. Discuss the procedures for implementing these policies.

Advertising, Public Relations and Promotions

Describe your advertising, public relations and promotional programs and campaigns. Discuss the media you will use and professional services you will require to implement your plans. Describe your overall approach and strategy for introducing your product/service and gaining market familiarity and acceptance. Discuss how the company's name, or the product/service name may contribute to market identity.

Operations & Organization

Resources Required

Objective

To understand how the company will be organized and managed to accomplish your goals. To determine what/how resources will be deployed to produce and distribute products/services in a cost efficient way.

Relevant Questions

- How will you produce the product/service?
- How much of the production will be done internally? Through subcontracts?
- What are the sources of supply for components of the product? Are there backup or alternative suppliers? What are the lead times?
- What are your facility plans? Dollars? Units? Expansion capacity?
- How will you secure the necessary facilities? Lease/purchase? Other?
- What are the direct costs of production? Indirect costs? How will you track and control these costs?
- What are your productivity goals?
- What is the potential environmental impact of your processes?
- What are the advantages or disadvantages of your location? Facilities? How will you compensate for the disadvantages?
- What are the short and long-term plans for facilities and locations?
- Overall, what production or operating advantages do you have?
- What is the organizational structure (chart)?
- What is your planned personnel makeup? Number? Skills?
- What are the short-term staffing needs? Long term?
- What are the costs (in dollars) of your administration and staffing?

Suggested Length 3-4 Pages

What to Accomplish

Outline how the company will be organized to accomplish goals. Describe how you will manage resources to produce and deliver products/services efficiently and effectively. Discuss personnel needs. Provide an organizational chart and job descriptions for key personnel.

Subheadings to Include:

- VIII. Resources Required
 - A. Operations
 - B. Facilities and Equipment
 - C. Organizational Plan
 - D. Human Resources

Presentation Recommendations

Operations

Describe how you will produce the product and/or conduct service operations. Discuss the methods and processes involved. State how much will be done internally and how much will be subcontracted. Detail the raw material needs and how they will be supplied (and what backup suppliers you have). State your initial and planned production capacity in dollars and units. Break down production into fixed and variable, direct and indirect, costs.

Facilities and Equipment

Describe your location. Discuss the advantages and disadvantages of your location in terms of closeness to customers; availability of labor, suppliers, and capital; access to transportation, energy, utilities and other resources. How will the location affect production and operating costs. Describe the characteristics of the planned facilities. Highlight how the facilities and equipment give better production or operating advantages over similar businesses. Discuss the long-range needs and plans for facilities and equipment.

Organizational Plan

Describe how you are organized. How do you address issues of responsibility and authority and ensure that the work of the organization is accomplished? As best you can, draw an organizational chart. A military-like hierarchy is not necessary, but it is useful both as a conceptual tool and for communication to attempt to sketch out how your organization fits together. How will your organization look in 3-5 years? Why?

Human Resources

Discuss your current and future personnel needs. Provide job descriptions for all key current and planned positions in the appendix. How many people will need to be hired and when?

Management and Ownership

Management and Ownership

Objective

Describe how your management team operates. Ensure that the leadership is in place to move your company toward the fulfillment of its goals. Show how ownership will be distributed.

Relevant Questions

- Who are your key managers?
- What is the history of each principal? Education? Experience? Skills and abilities?
- What does each principal bring to the venture?
- What are the positions and roles of the principals? Their responsibilities? Their duties?
- What is the ownership interest of each principal?
- Do you presently have a board of directors? Who is on your board? What do they bring to the venture?
- How will you attract and compensate additional key people as you grow?
- Who is on your professional team of outside advisors? How are they used?

Suggested Length 2-3 pages

What to Accomplish

Describe your key personnel and their expertise. Indicate any gaps that need to be filled and your plans for filling those gaps. Describe the special expertise or experience of board directors or advisors. Detail ownership issues for the company.

Subheadings to Include:

- IX. Management and Ownership
 - A. Management
 - B. Board of Directors
 - C. Ownership
 - D. Professional Support

Presentation Recommendations

Management

Discuss your management team. Describe each principal's special skills and what they bring to the company. Discuss education, experience, contacts, special talents, training, skills, and abilities.

Discuss each principal's position, duties, and responsibilities. Describe the qualifications that will be needed to fill key management positions. State how you will recruit and compensate key people

Attach personal resumes and personal references of each principal and key management as an appendix. (This is a must for business plans used to obtain capital. But is less important for plans used as management tools only.)

Board of Directors

Discuss who is on your board and their value to the business. List their fields of expertise and their other relevant affiliations. Describe any special contributions they have made or are expected to make.

Ownership

Detail the ownership interest of all parties involved. Discuss how ownership may change over time, including plans pertaining to buyouts, dissolution of the company, owners leaving the company and other possible developments. Discuss the rights and privileges of all current and future owners.

Advisory Support

Describe your support team and how it will assist in the development of your company.

Critical Risks and Problems

Critical Risks and Problems

Objective

To identify the potential problems and risks associated with your business. To demonstrate your understanding of these risks and describe your plans to deal with them should they occur.

Relevant Questions

- What are the inherent risks and potential problems associated your business?
- There are three generic risks generally associated with practically all businesses. The risks are technological change, regulatory change and legal liability. What is the likelihood that your company will encounter any of these risks?
- How do you plan to avoid these problems or manage them such as to minimize their impact?

Suggested Length 1-2 pages

What to Accomplish

Address the negatives that exist or may develop. Counteract the downside by describing how you plan to avoid, minimize, or turn around the major problems and risks.

Subheading to Include:

X. Critical Risks and Problems (and Planned Response)

Presentation Recommendations

Inevitable Risks and Problems

Describe the nature of the problems and risks that your venture will be faced with. Discuss how you will avoid or minimize their impact. Discuss any liability or insurance problems you might have.

Financing, Financial Projections & Supporting Information

Financial Data and Projections

Objective

To illustrate current financial status and projections. To describe the type of financing planned; the amount required; payback terms and potential return on investment(s). In as much as possible, you should draw upon data based on your own past performance and/or on financial data drawn from comparable businesses. Be sure to take a look at publications from Robert Morris Associates.

Relevant Questions

- What are your start-up and research and development costs? Provide as detailed a list as possible rather than simply "guesstimating" overall figures for categories of items.
- Are your market entry plans justified by the projected sales, profits, and, most importantly, cash flow?
- What provisions are made for investor liquidity? What is the payback period?
- What's the potential return to investors? How does it compare to other investments?
- What are the types of funding available to you? What is or will be the makeup of your capital structure? Debt? Equity? What are the terms of investment?
- What are the financial projections for your business for the next three years? For start-ups, this should be by month for the first year and by quarter for the second and third years.
- How do your projections compare to industry norms? Have you explained the rationale for any substantial deviations from industry averages?
- What assumptions are necessary to support your projections? List them and provide explanations.
- What are the costs to produce your product(s) or offer your services?
- Do a full activity chain analysis of your operation. Where are your most significant costs? How volatile are they? Could you make them more controllable?
- Have you fully differentiated between fixed and variable costs? What is your break-even in units and dollars? When do you break-even under each of your sales scenarios? How many months before you reach positive cash flow?
- What systems do/will you use to monitor costs and manage cash?
- What are your margins? Gross? Operating? After fixed costs? After financing? Net?
- Have you analyzed your capitalization scheme? How will it affect issues such as cash flow, flexibility, control, and so on?
- Have you analyzed cost alternatives? Subcontracting? Shared services?
- Have you translated your forecasts into physical goods requirements?
- How much investment capital and working capital will you need? When will you need it?
- How much equity is or will be invested? In what form? What is the ownership distribution?
- What are your future financing plans? Do you plan an eventual public offering?

- Are the end results of financing in line with your stated goals and objectives? Does it allow for control and flexibility? Does it provide the needed resources?

Suggested length 1-2 page summary with supporting documentation provided in Appendix

What to Accomplish

This section is generally closely scrutinized by people outside your company such as bankers, investors, etc. It must be thorough and convincing. Document everything. If you are using the plan in pursuit of funding, detail how you will use the funds and how they will help ensure your success. Show that your projections are realistic, based on sound economics, comparables and revenue data developed in Phase2 and cost data from Phase 3. Support your projections with reasonable assumptions.

Subheadings to Include:

- XI. Financial Data and Projections
 - A. Funding Needs
 - B. Terms of Investment
 - C. Financial Projections
 - D. Assumptions

Presentation Recommendations

Funding Needs

State the amount and type of funding being sought. Describe the intended use of the funds. Give a breakdown of how the money will be applied. Discuss what effect the capital will have on the business in terms of growth and profitability. Specify when the money will be needed. Include a graph, table or other figure showing the amount and timing of the funds. Discuss the amount of stock or ownership that will be made available. Discuss your future funding expectations and when it will be needed.

Terms of Investment

Describe the terms of investment. Detail ownership distribution and rationale for it. Discuss the payback period and potential return on investment. Describe why investment in your venture is attractive and how it compares to other investments. Discuss provisions for owner liquidity and when and how investors can expect to recover their initial investment.

Financial Projections

Your projections must be based on realistic expectations. Be prepared to support data for a 5-year period. You should provide projections for the following:

1. Projected income by month (years one and two)
2. Projected income by quarter or year (years three-five)
3. Projected cash flows by month (years one and two)
4. Projected cash flows by quarter or year (years three-five)
5. Projected balance sheet for five years (year-end)
6. Break-even analysis

Assumptions

Assumptions are the basis for predicting the future, especially when it applies to economics, markets, and financial projections. Your projections are only as good as the assumptions on which they are based. Your challenge is to offer reasonable assumptions that the reader will see as valid. Discuss why you think they are valid and what alternatives you will pursue if they don't materialize.

Supporting Documentation

Supporting Documentation

Objective

To provide more comprehensive documentation that supports the information and claims made in the various sections of the business plan.

Relevant Questions

- Do you have photos of the products, facilities, and equipment?
- What contracts have you signed?
- Do you hold a patent, trade, service mark or copyright?
- Have you developed a bibliography of all self-produced and professional research, studies or surveys conducted or used to plan the venture?
- Have you charted the venture's sales, profits and break-even by products? Markets?
- Do you have a chart that details competitors' share and sales over a 3-5 year period?
- Have you done a competitive comparison chart of your strengths and weaknesses?
- Do you have samples of your planned advertising materials?
- Do you have resumes and personal references from potential customers, suppliers, bankers, former employers, etc. on each of the principals?
- Do you have personal financials for each principal?
- Do you have "role" descriptions for major positions and support personnel?
- Do you have an organizational chart?
- Do you have a timeline chart depicting significant milestones and priorities?
- Have you listed your equipment and other capital expenditures, with a description and the cost of each?
- Have you graphed the amount of money and timing of the funds to be infused?
- Do you have detailed financial projections?
- Have you developed budgets for key products? Markets?

Suggested Length: As needed

What to Accomplish

When using the plan as a management tool, the appendices provide you with an excellent source of stored information for all to see and use. Moreover, for the potential investor, they demonstrate that you have done your homework in all areas of the venture. Make sure the supporting documents can be easily read and understood.

Subheadings to Include:

XIV. Supporting Documentation (Appendices)

A. Company and Product(s)/Services Support Materials

1. Photos of the product(s), equipment, facilities
2. Patents, trademarks, service marks, or copyright documents
3. Bibliography of research, testing, and studies

B. Legal Support Materials

1. Ownership agreements and/or contracts
 2. Marketing agreements and/or contracts
 3. Employment agreements and/or contracts
 4. Financial agreements and/or contracts
- C. Market Support Materials
1. Magazine, newspaper, trade journal articles
 2. Brochures, drawings, mailings, and materials
 3. Market share chart
 4. Competitive comparison of strengths and weaknesses
 5. Customer contacts and status
 6. Letters of interest or intent
- D. Management/Ownership support Materials
1. Resumes of key people, references, recommendations
 2. Significant milestones and time frames
- E. Administrative and Personnel Support
1. Organizational chart
 2. Role descriptions for key personnel
- F. Financial/Investment Support
1. Break-even analysis
 2. Principal's financial statements
 3. Equipment and capital expenditure listing
 4. Additional financial statements