

Business Planning

By Glen Boyls

The business plan will help you consistently communicate your company's business strategies. The plan must be concise, business oriented, factual and believable. The plan should leave no doubt about your business objectives and financial needs. Remember, the business plan is your negotiating tool.

A solid business plan will play a *major* role in the successful growth of your business. Likewise, we believe you should consider the using a professional to help you develop your business plan. Professional business planners know what questions to ask and how to document the answers. Because they are not involved in the day-to-day operation, they will bring a fresh unassuming perspective, objectivity, and they can help you clarify key aspects of the business in terms that will appeal to the financial community.

The completed business plan should be selectively distributed to lenders and investors that are most likely to understand and appreciate your business and its potential for success. Avoid mass distribution of your plan, because a plan that has being *shopped-around* will not receive serious attention.

The following business plan outline covers the key aspects of the plan and when completed, it will address the information needs of the financial community.

Confidentiality Agreement Your plan is very important to your business and it should only be shared with those that have a need to see the plan and have signed your confidentiality agreement. An attorney can prepare a confidentiality agreement that will protect your interest, yet allow your management team, business advisors, and potential lenders and inventors to accept the agreement.

Executive Summary The executive summary must quickly capture the attention of the reader and present the key points of the plan. We recommend that your write the executive summary last.

Business Description A general description of your business. It should also reflect reasonable and attainable objectives for the business.

Products and Services What products and/or services do you offer? Start-ups may refer to products and/or services that the company will offer once it receives financing. Describe your products and/or services, introduce the reader to the values and benefits of the products and/or service, and provide a brief summary on the evolution and future of your products and/or services.

Market Strategy A clear and concise marketing strategy is *critical* to the viability of the business plan. It must explain *how* you plan to generate sales. Questions to consider include:

- Is there a *real* need or demand for the products and/or services?
- Do the products and/or services have market *appeal*?
- How will sales be generated?
- Has independent market research validated your market strategies and assumptions?
- Are sales forecasts realistic and attainable?
- How does the competition stack-up against your products and/or services?
- Are your products and/or services easily duplicated?
- Will external influences such as government regulations or international events negatively impact the success of your plans?
- Can you implement the market strategy and supporting plan?
- Have you maintained focus on your core products and/or services?

Remember the business plan is a dynamic document; it should be revisited and updated to reflect new information such as shifts in consumer demand, changes in the competition landscape, new or refined sales forecasts, etc.

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Operations Plan The operations planning section focuses on *how* the business will produce products and/or deliver services. Focus on operations and provide the information and insight the financial community needs to feel comfortable and confident in the operations aspect of your business. The following question will help you prepare this section:

- What resources (people, places, and things) do you need to produce products and/or deliver services?
- How will you produce products and/or deliver services?
- Will you use suppliers, vendors and business partners, if so how?
- Is ongoing staff training and education required to grow market share?
- Based on sales projections, when will you need to expand your resource (people, places and things) requirements?
- Will you build your business through the acquisition of similar or complementary companies?
- Are there external influences that can negatively impact the production of products and/or the delivery of services?
- Can you *successfully* implement the operations plan, if you receive the funding you are requesting?
- Have you maintained focus on the information needs of the target audience?

Quality products and/or services are expected; however, you should comment on your company's commitment to quality, quality standards and measurement techniques.

Management and Organization In this section, you will introduce your company's key executives, those *critical* to the success of the business. Depending on the company, industry and stage of growth, the executive management team may include: the founder, Chairman, Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Chief Technology Officer, President or anyone that will be a significant contributor to the company's success. Company ownership percentages, salaries and hiring timing estimates should also be provided.

For ongoing companies, an objective assessment of each member of the current executive management team may be required and changes to the team may be necessary.

The financial community places a high degree of confidence in the capabilities and track records of the key executives. In some cases, a strong success oriented executive management team will be the *most* critical factor in securing financing.

Prepare an organization chart reflecting key executives and their organization responsibilities; a picture is worth a thousand words.

Your objective in the management and organization section is to instill a sense of confidence within the financial community.

Major Milestones Prepare a simple timeline chart illustrating major activities, actual completion dates (for completed activities), and projected completion dates (for in-process and future activities). Major milestones can include: venture start-up, securing financial commitment(s), delivering first products and/or services, financial break-even point, new acquisitions, and going public. You can include a brief narrative on the successes you have already achieved below the chart.

Legal Structure Identify your company's current legal form of business, and present any anticipated changes to the legal form as a result of securing financing. The choices include: sole proprietorship, partnership, limited liability partnership, Limited Liability Corporation, S corporation, and C corporation. Pick one.

Business Planning (continued)

Capitalization Requirements This is where the rubber meets the road. What do you need to fund your business?

Because of the significance of this section, you should consider working with professional financial and business advisors on the development of your capital requirements.

It is very difficult to forecasting future cash flow; therefore, when in doubt, over estimate your capital requirements.

Some key points to consider include:

- How much capital do you need?
- Did you establish a negotiating point? You shouldn't.
- Does the capital you are requesting meet your projected cash flow needs?
- Have you included any provisions for future growth capital?
- Is the capital requirement consistent throughout the business plan?

The capitalization requirements section is backed-up by a variety of company financials, financial projections, statistics, and financial performance indicators in the attachments section of the business plan.

Business Plan Attachments The business plan is supported by a variety of documents that provide business plan details. The most common attachments include:

- Financials
- Executives Resumes
- Market Analysis
- Sales Projections

Please contact me if you have any questions regarding your Business Plan or the concepts presented in this document.

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