

business map

A practical guide to business planning

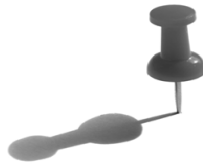
By Lorraine Ball



Published by:
SPS Publications
www.spsbooks.com

Copyright 2007 by Lorraine Ball
Roundpeg
1003 East 106th Street
Indianapolis, IN 46280
www.roundpeg.biz

All rights reserved. Printed in the United States of America. Except as permitted under the United States Copyright Act of 1976, no part of this book may be reproduced or distributed in any form or by any means, including storage in a database or retrieval system, without the prior written permission of the publisher.



introduction

If I suggested that you drive to a place you had never visited before, without a map, GPS or a clear set of directions, you'd probably tell me it was a bad idea. Why? Because without one of these tools it is likely you would get lost, arrive late, or perhaps never arrive at all.

It seems obvious: If you are not sure how to reach your destination, you need to consult a map! And yet, every day I meet business owners who drive their businesses without any kind of map. The result? They get lost, fail to meet their objectives, or fail completely.

As a small-business owner, you need a map — a business plan! Without it, you are traveling blind.

Often, the road to achieving your goals is a series of small steps. Creating a schedule for these interim steps or milestones will help you track progress toward the overall goal.












Every business faces challenges and obstacles along the Road to Success. A good business plan outlines the possible obstacles, critical risks, and alternative approaches a company can take to achieve its goals.

As you develop your business plan, remember this: It does not matter how simple or complex it is — the process, not the finished product, is what's most important. Your plan does not have to be perfect. It can be as elaborate as an MBA thesis or as simple as a few double-spaced typed pages. What *is* important is that you have a plan that demonstrates you took the time to ask and answer tough questions about your business.

There is no time like the present to begin. With this book and the companion CD, you can begin building your plan and get on the Road to Success today!

Wishing you much success,

BUSINESS MAP LEGEND

	Top Ten Mistakes	1
	What Should Your Plan Contain?	9
	History and Position to Date	13
	Market Research	21
	Business Strategy	33
	Operations	43
	Financials	53
	Milestones	61
	Executive Summary	63
	What Goes in the Appendix?	67
	Closing Thoughts	79

10

top ten mistakes – and how to avoid them!

You can make the road to success even smoother by avoiding the common mistakes that business owners make. As you write your business plan, watch out for these ten potholes, roadblocks and detours.

1. No Plan

Many business owners put off writing a business plan until they have no choice because their banker, investor, or potential landlord requires it. This is a huge mistake! It is easy to put off writing your plan for “someday when you have the time.” But you will never have enough time unless you make the time. The busier you are, the more you need a plan to guide and simplify your decision-making process and automate day-to-day operations. A well-thought-out plan will help you do just that.

Writing a plan does not have to be overwhelming or incredibly time consuming. You can get started with a simple outline and refine it along the way. To begin, find a three-ring binder. (No excuses that you don’t have time to go to the office supply store! *Everyone* has at least one binder lying around somewhere!) Next, add to your binder a stack of loose-leaf or copier paper with the holes already punched.

Finally, get a set of tabs or dividers so you can label each section of the plan. The titles of each section should be:

- Executive Summary
- History and Position to Date
- Market Research
- Business Strategy
- Operations
- Financial Performance
- Appendix

Each section has its own set of questions. You will find them in the Appendix of this book and on the companion CD in a file labeled

Questions.doc. Print out these questions and insert them in the appropriate section of your binder. Now you are truly ready to get started.

As you read through this book, jot down notes and insert them in the appropriate section. And if you already have collected information for a business plan, use these tabs and dividers to organize your existing notes.

Do not get hung up on grammar or spelling. This first draft is for you. It does not have to be a Pulitzer Prize–winning novel or a doctoral thesis.

Get your thoughts on paper, and then revise them. Too often, people get stuck trying to make the first sentence perfect and they never make it to the second page. Do not let this happen to you!

2. No Clear Audience

Business plans are written for many different reasons: to take to the bank for a loan, to prove to potential investors your plan is marketable, or simply to guide your business.

While the outline is the same, the amount of detail required in each section varies depending on the primary reader. Before you begin writing, decide for whom you are writing. Who will be your primary reader?

Are you applying for a loan? Then your primary reader is probably a commercial loan officer and members of the lender’s underwriting team. For this audience, you must pay careful attention to the numbers. Be sure you spend a significant amount of time building realistic financial projections. Good plans are written in stages, and it is common to make adjustments in your assumptions during the process. Before you submit the plan to the bank, double check to be sure your numbers are consistent throughout.

For a banker, one of the most important questions the plan should answer is: When will the business have positive cash flow? Be careful not to confuse profits with cash flow. Remember, profits don’t guarantee cash in the bank! Debts, startup loans, and disbursements to owners may erode cash reserves. Be sure you can prove the business will be able to repay a loan before you ask for one.

In contrast, a plan written to sell an idea for a new business to an investor or venture capitalist will have a slightly different emphasis. Almost a sales document, this type of plan is written to persuade investors you can take advantage of an opportunity by generating significant rewards for everyone involved. Investors evaluate the people and their track records, the idea,

the market, and the technology. To capture their attention, you should focus on three elements:

- How big is the opportunity?
- What is your ability to execute the idea effectively?
- Why is the investment worth the perceived risk?

Most investors understand it is impossible to create realistic projections for truly innovative ideas. Therefore, they are more concerned with seeing proof that you have done your homework (spent time on research) and that you have the skills to manage the business.

Also of importance to this reader is the specific plan of attack and timeline in the form of milestones. These key indicators demonstrate to potential investors that you have a plan to gauge whether your strategy is on track.

Even if you do not need external funding, a written operating plan helps organize your business activities and creates a process to achieve your goals.

The planning process defines objectives, establishes priorities, and outlines specific steps to achieve your goals. When you are writing for yourself, and perhaps for a management team, the most important sections are operations and business strategy. Do not spend a lot of time writing a detailed history. Instead, focus on how you will get to the future!

This type of business plan is a living, breathing document that organizes your time and resources. Updated frequently, it is never quite finished. If need be, it can always be adapted for potential investors or lenders, but it is meant first and foremost to be a tool for you and your management team.

3. Too Much Detail or the Wrong Type of Detail

There is a story about an impatient young man who went to visit an old Bible scholar. He demanded the old man tell him everything he needed to know about the Bible while standing on one foot. The old man smiled, stood on one foot, and said, "Do unto others as you would have them do unto you! All the rest is commentary."

Why do I include this story in a book about business planning? It is not because I think business owners require divine intervention (although maybe they do sometimes). I include the story because it contains a wonderful lesson for business owners.

Regardless of what you believe about the origin of the Bible, most people agree it is a complex work with multiple themes and messages contained in its pages. And yet, in a few words, the old man summarized the content, presenting it in a form many people would agree captures the essence of the document.

The lesson is simple. As you write your business plan, imagine you are writing for an impatient young man and try to meet his challenge. Boil down the description of your business to a simple message, deliverable while standing on one foot. Too often, particularly in the product description, owners get bogged down in the detail, providing way too much information for the reader.

Limit your product description section to a simple overview, focusing on the problem your product solves and its unique features. Information regarding variations or new features to be added should be included in the product strategy. Product specifications, charts, and graphs regarding product performance, detailed sketches, and descriptions belong in the appendix. The same is true for the management section. Summarize your career highlights and put the detailed resume in the appendix.

Research is important, but do not get bogged down in reporting the details in your plan. As you review your research, select the most relevant facts to support your plan of attack. Also include references to your sources in case the reader checks your facts.

Finally, hold your reader's attention by making your points simply and avoiding jargon and industry slang.