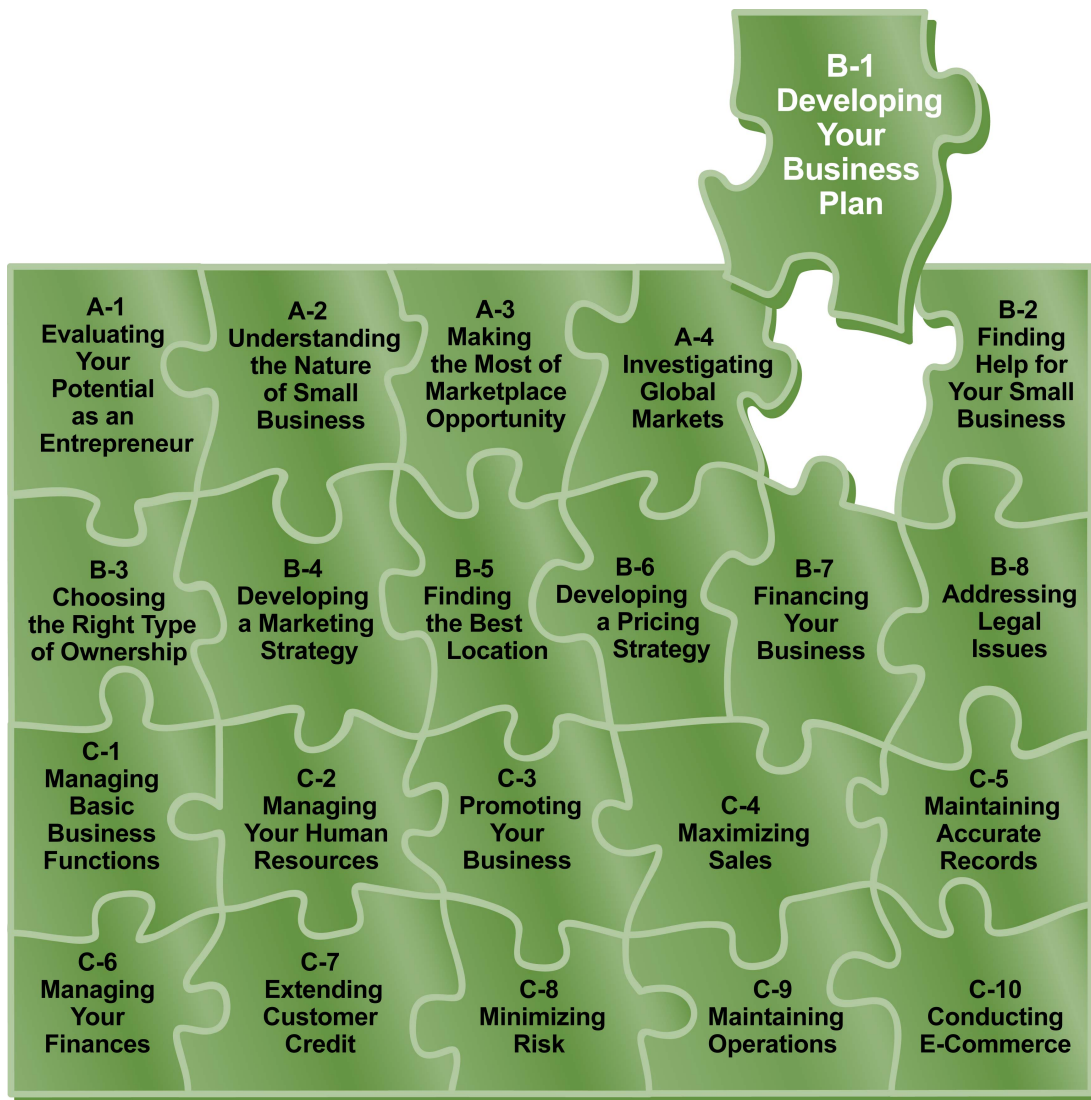


PACE

Fourth Edition

Program for Acquiring Competence in Entrepreneurship

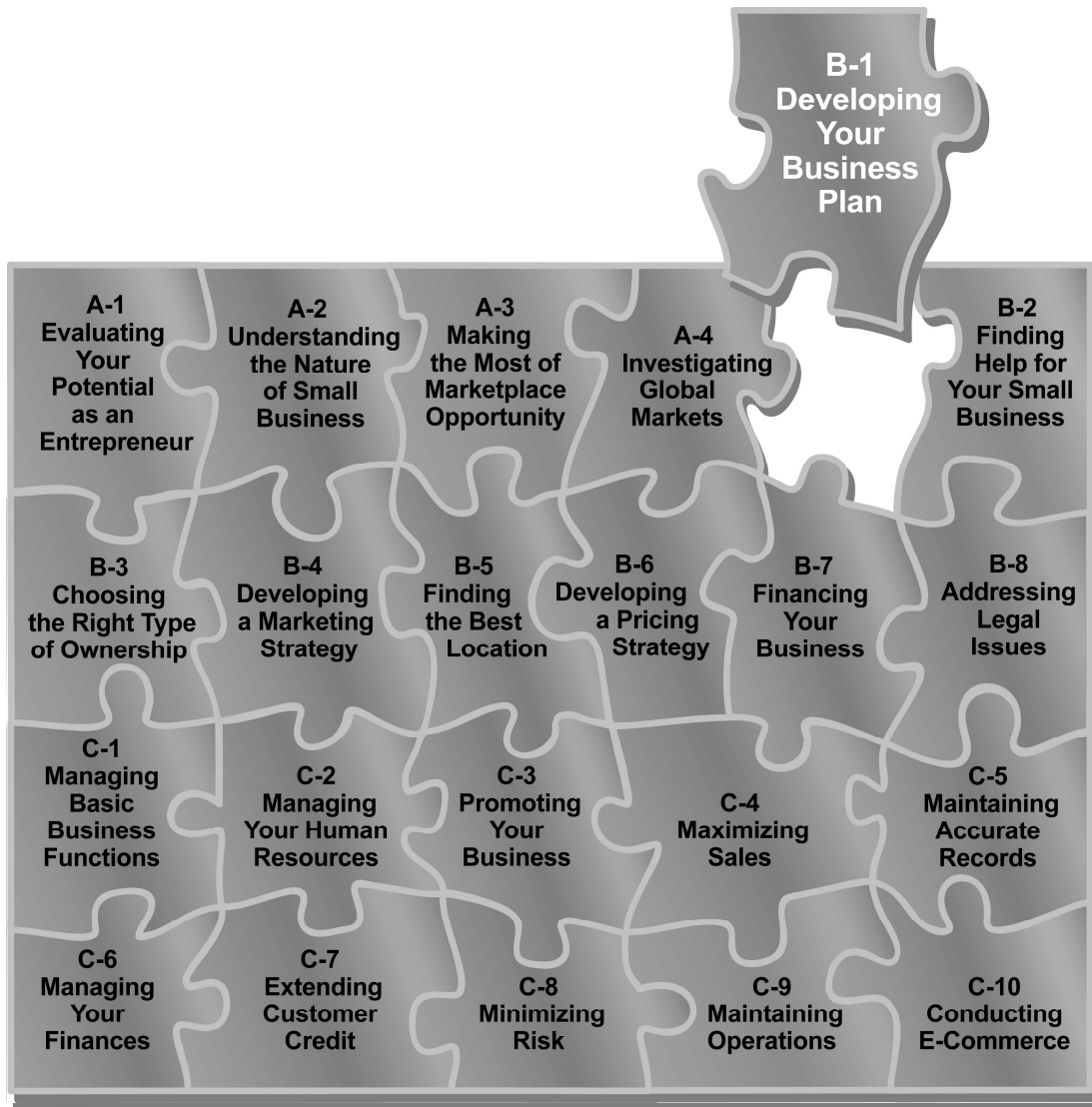


CENTER ON EDUCATION AND
TRAINING FOR EMPLOYMENT
COLLEGE OF EDUCATION
AND HUMAN ECOLOGY

PACE

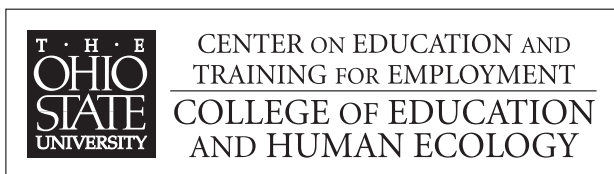
Fourth Edition

Program for Acquiring Competence in Entrepreneurship



CENTER ON EDUCATION AND
TRAINING FOR EMPLOYMENT
COLLEGE OF EDUCATION
AND HUMAN ECOLOGY

Copyright © 2007 by The Ohio State University
It is unlawful to duplicate without permission.



1900 Kenny Road
Columbus, Ohio 43210-1016
www.cete.org/publications.asp
Phone: 800-848-4815
Fax: 614-292-1260

This version of PACE was supported in part by a grant from OSU Extension.

Foreword

I am pleased to introduce you to the Fourth Edition of the Program for Acquiring Competence in Entrepreneurship (PACE). PACE represents our continuing effort to respond to the needs of the education and business communities. At no other time in history has understanding entrepreneurship been as important. For one thing, promoting entrepreneurship carries the societal imperative as small businesses as a whole contribute much to the growth and renewal of regional and national economies.

When first published in the late 1980s, PACE properly emphasized that entrepreneurship was based as much on sound planning as having products and services that were responsive to the marketplace. Through its various revisions, PACE continued to focus on the general importance of planning and managing the startup of a small business.

The current PACE edition represents a necessary break from past versions in both its format and some content. For one thing, the text format has been substantially changed from paragraphs to a series of related sections with subheadings. This change allows readers to have greater accessibility to the information, whether it is delivered via a printed booklet or a technology-based approach. And the format allows the instructor/facilitator to have greater flexibility in selecting content to accommodate the needs of various audiences and settings.

In terms of the content, PACE continues to emphasize the importance of planning and managing of a small business. But it now includes a renewed emphasis on meeting customer expectations. Any business cannot exist without a comprehensive understanding of who receives its products or services. In this sense, PACE introduces the topic of conducting e-commerce. Until recently, the entrepreneurial horizon may have been limited to serving local customers only. The advent of the Internet offers the promise of serving many more customers, but not without the accompanying challenges.

This edition was supported in part by a grant from OSU Extension and in partnership with OSU South Centers – Piketon. We hope that PACE will provide you with the understandings necessary to help you to achieve your entrepreneurship goals.

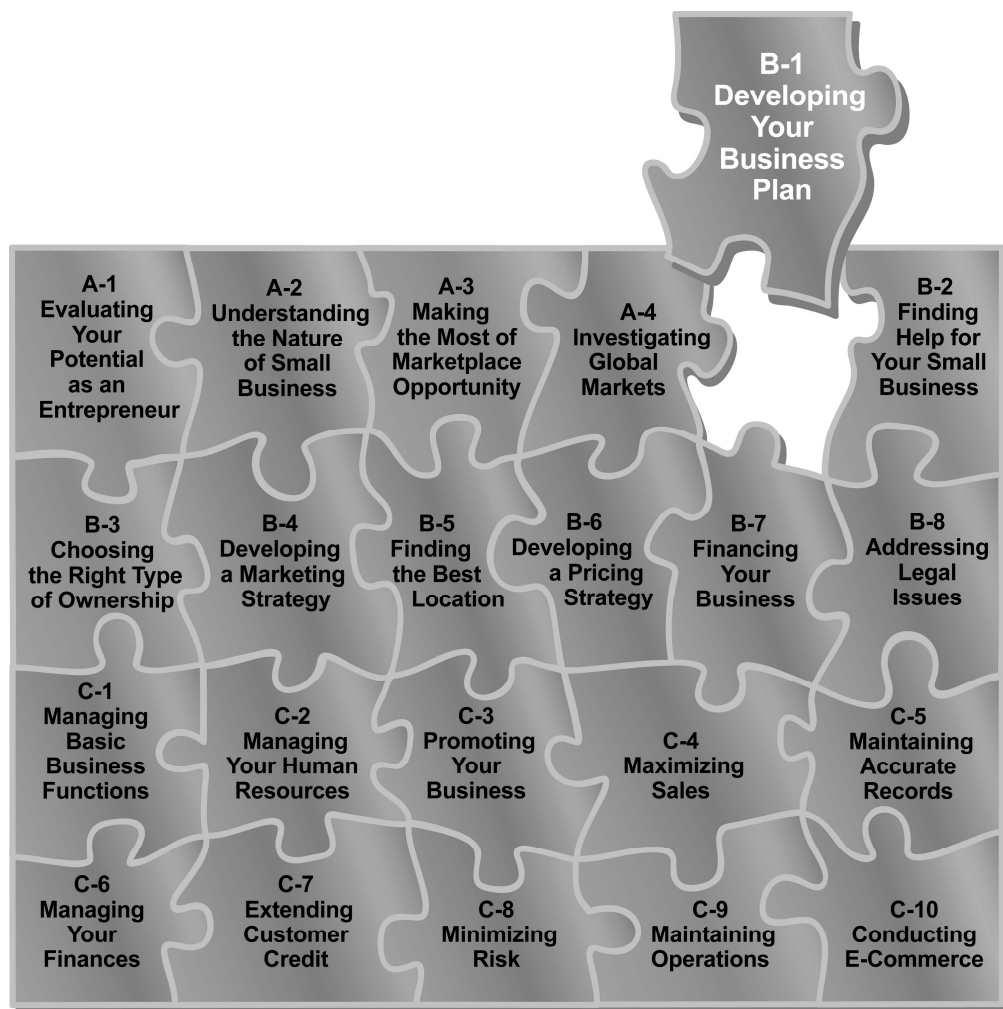
Ronald L. Jacobs
Director
Center on Education and Training for Employment

Overview

Introduction

When starting your own business, it is essential to develop an effective business plan. The business plan is your blueprint for sustaining a lucrative business. This module gives you the tools you need in order to develop a concrete strategy for operating your business.

Key point: Banks and lending agencies require this document before they will even consider funding your venture.



Continued on next page

Overview, Continued

Rationale	Your business plan clearly describes your specifications for key areas of business operations such as finances, marketing, human resources, and legal issues.
------------------	---

Objectives	<p>By the conclusion of this module, you will be able to:</p> <ul style="list-style-type: none">• Describe a business plan and the kinds of information it includes.• State the benefits of developing a business plan and the consequences of not having one.• Relate the activities in preparing to write a business plan including:<ul style="list-style-type: none">• strategic planning• conducting a feasibility study• organizing data.• Explain how to write a business plan including:<ul style="list-style-type: none">• how to organize the information you've collected• the parts of a comprehensive business plan.• Review a sample business plan in anticipation of writing your own.
-------------------	---

Relevant NCSEE standards	This module aligns with the following National Contents Standards for Entrepreneurship Education (NCSEE):
---	---

	O.09 Develop a business plan.
	I.25 Explain the nature of capital investment.
	A.08 Determine feasibility of ideas.

More information on the NCSEE is available at: http://www.entre-ed.org/Standards_Toolkit.

Continued on next page

Overview, Continued

Topics

The topics in this module are:

Topic	See Page
What Is a Business Plan?	4
Part I – Benefits of Writing a Business Plan	6
• Raising Capital	7
• Plan vs. No Plan	9
Part II – Preparing to Write Your Plan	11
• Strategic Planning	11
• Conducting a Feasibility Study	14
• Organizing Data	17
Part III – Writing Your Business Plan	18
• Organizing Your Plan	19
• Parts of an Effective Plan	21
Part IV –Business Plan Template	25

Exhibits

The exhibits in this module are:

Exhibit	See Page
Business Plan Template	25

Before you begin

After reviewing the above objectives for this module, determine whether you can already meet those objectives and consult your instructor if you can.

What Is a Business Plan?

Definition

A *business plan* is a written document that describes the:

- existing business opportunity
 - goals of the business
 - methods for achieving these goals.
-

Rationale

A solid business plan ensures that you address the key issues involved in running a successful business.

Key point: From the very beginning, you will need to present your business plan to the bank or lending agency in order to acquire funding for start-up.

Questions to ask yourself

Ask yourself the following questions and write down your thoughts in order to make sure that you have the data that you need to develop a realistic business plan:

Roles and responsibilities

- What do I want to accomplish?
- Do I have any business partners and, if so, who are they?
- Who will the customer be?
- How many employees will I need? How will I train them? How will I compensate them for their work?

Product

- What is the good or service that my proposed business will market?
- Why did I choose that product?
- How will I promote the product?

Initial decisions

- What are the costs to start my business?
 - Where should my business be located?
-

Continued on next page

What Is a Business Plan? Continued

Questions to ask yourself (continued)

Profitability

- Why do I believe that my business will be profitable?
- How soon will my business start to earn a profit?
- Will my business remain profitable in the future?

After recording your answers to these questions, can you identify any gaps in the information that you need to start developing your own business plan?

Basic parts of a business plan

The basic parts of a business plan are:

- Description
 - Marketing
 - Management or Organization
 - Operations
 - Financial.
-

Part I

Benefits of Writing a Business Plan

Rationale

Every successful business owner follows a clearly defined plan. As an entrepreneur, you'll count on the business plan to run a business that prospers far into the future. As you strategically plan, keep in mind the entire life span of the business, not just the immediate future.

Key point: With a well-developed business plan, you can avoid the costly mistakes to which many new businesses succumb.

Guiding the start-up process

You can learn a lot about running a business along the way, but how to start up a new business is not one of those things. You have to make a wide range of decisions with potentially serious consequences up front. Developing a business plan helps you:

- Establish goals to guide the planning process.
 - Determine objectives in order to identify the small steps to take along the way to reaching the broader goals.
 - Assess resources (people, capital, equipment, facilities, etc.) required to achieve goals and objectives.
 - Strategize how to use these resources in each functional area to operate a successful business.
 - Evaluate the operational and financial feasibility of the strategy.
 - Make contingency plans to respond to internal and external changes.
 - Communicate your business plan clearly to all affected parties including lenders or investors, employees, suppliers, government agencies, and customers.
-

Raising Capital

Introduction

A business plan is required when raising start-up capital. You can ask for money from either venture capitalists (loans) or the public (stock offerings). Whichever method you choose, your business plan is the sales tool that convinces lenders and stockholders that the risk they take will be rewarded.

Venture capitalists

You can present your business plan to private investors, banks and lending agencies known as *venture capitalists*. They invest in your enterprise by lending you the money to start your business.

What they offer

Venture capitalists lend you seed money to finance your business venture. Seed money usually takes the form of a loan.

Note: Seed money is also called *venture capital* or *risk capital* because there is a degree of risk in any business venture.

What they expect

Venture capitalists know the risk involved in a business start-up and expect compensation through future profits. Because they have a large investment in your company, they anticipate playing a greater role in business operations.

Key point: If the investor attempts to control your business, you may feel pressured to make it profitable the first year. This approach could be contrary to your planned rate of growth and could damage your future.

Continued on next page

Raising Capital, Continued

Initial public offering

An initial public offering (IPO) is another way to raise start-up capital. If you organize your business as a corporation, you may sell stock in your company to the public. But an IPO is usually the last resort because the public becomes part owner of your business. Although investors consider buying stock in start-ups as risky, they might decide to invest in your business and offer their capital in exchange for ownership in the form of the stock purchase.

Advantages

- When you raise capital by involving the public, you don't have to spend your personal savings.
- Going public promotes your business within the community. An IPO could assist you in attracting high quality managers and making deals with other businesses in the area.
- The money comes from many small individuals rather than a few large investors. You may find it easier to deal with the public than venture capitalists.

Note: Venture capitalists have a larger voice in running your business. They have their own money tied up in the venture for years and years as opposed to the public who can trade their stock freely on the stock market.

Disadvantages

- You'll have to compete against large firms with a proven track record.
 - If your company turns a profit, the stock will be bid up. Conversely, if it isn't profitable, investors will react to the results of your performance by bidding the stock price down.
 - The cost is high to file the proper paperwork with the Security and Exchange Commission (SEC). Every company that goes public must follow SEC regulations, so you'll have to hire accountants and attorneys to assist you with filing the SEC-required documents.
-

Plan vs. No Plan

Introduction

Whether or not you write a comprehensive business plan will have severe consequences on your success in obtaining financing and sustaining a prosperous business. The example below describes how a business plan, or lack of one, impacted the success of a small farm business.

An example

Old Time Farm has been in operation for more than 75 years. The business is currently operated by Bob Smith, using production practices similar to those his grandfather, John Smith, used in 1930. The crops produced are corn, soybeans, oats, and cattle. The farm is barely breaking even due to the increasing costs of inputs and repetitive production practices. Cropping yields have steadily decreased over the years due to improper nutrient levels in the soil. The farm operates by purchasing supplies through local agricultural suppliers that finance the purchases on a month-to-month account. The products produced on the farm are sold in the open market to the highest bidder. The First National Bank holds the mortgage on the property and will be foreclosing within the next year if the current outstanding payments are not made in November when the crops are harvested.

In a desperate effort to save this family owned business, Bob called on the assistance of his son, Mike. Mike had been exposed to business plans in some of his college classes and realized the importance of business planning in operating a business. He and his father talked about the different segments of their business relating to money, management, and marketing. They began to identify different opportunities for improvement within each.

Within the money section, they realized they were losing money paying the outrageous interest the local agricultural supplier was charging them to finance their account. They are paying 2% interest per month on the account. Upon researching their options, they determined that an equity line of credit secured by their real estate would reduce their interest charges by 50%.

The management section afforded them the option of refining their production practices. Switching from conventional tillage to no-till reduced the fuel usage of their operation by 50% due to fewer trips across the field with their equipment. Since fuel prices are 2½ times higher than they were just 10 years ago, this will result in substantial savings in fuel costs as well as reducing equipment maintenance costs.

Continued on next page

Plan vs. No Plan, Continued

**An example
(continued)**

Last, they examined the marketing strategies of their products. Mike looked at season price fluctuation of agricultural commodities. He saw opportunities for the farm to secure higher prices for its products by contract pricing their products in advance. Bob and Mike also are considering shifting the time of year their cattle are born in order for them to hit peak price periods in the market based on high demand and low supply.

These are just some of the opportunities the Smiths have realized in writing a business plan for their operation. Many more ideas have come to the forefront. They have realized which products they produce are securing the highest profit margins. They are considering shifting some of their land used for less profitable products to higher-profit products. The implementation of the information gathered in the business planning process has helped the family develop a plan to overcome their business shortcomings and will assist them in becoming more competitive in the marketplace.

Part II

Preparing to Write Your Plan

Strategic Planning

Rationale

Any venture such as starting your own business is risky. As enticing as the idea of owning a business might be, the possibility of failure looms and many businesses started in the United States are not successful. To maximize your likelihood of success, you need to strategically plan for your business.

Strategic planning is the first step in developing a business plan. It is the process by which an organization defines its strategy and makes decisions on resource allocation, including its capital and people. The decisions made during the strategic planning process will be incorporated in the business plan.

Stages of strategic planning

The following table describes the stages of strategic planning to ensure that your business is successful in the future:

Step	Action
1	Define the mission of your business venture.
2	Make the forecasts applicable to your industry and market.
3	Develop your major goals and interim objectives.

Define the mission

The first step in strategic planning is an important one because you define these key aspects of your desire to run a successful business:

- nature of the business you want to operate
- why you want to be in that business
- how the mission responds to your potential customer needs
- why you believe that the business will be profitable.

How do you define your mission? Respond to each of the four points above in terms of the business you plan to start.

Continued on next page

Strategic Planning, Continued

Make forecasts Forecasting is not just making random guesses about the future. It's a scientific way to apply the predictions of industry and market analysts to your own situation. Consider the likely future trends in vital areas such as:

- population
- economics
- competition
- technology
- consumer demand
- political and social events.

Now it's time to roll up your sleeves and jump in! Set aside a block of time to look into each of the areas listed above in order to collect the data necessary for forecasting. You can start in the business section of your local public library and branch out into specific industry and business resources.

Continued on next page

Strategic Planning, Continued

Develop goals and objectives

Strategic planning leads to the development of major goals supported by interim objectives. Follow these guidelines to set goals and objectives that are both realistic and clearly stated:

- Create goals and objectives that you will be able to achieve. Make the goals and objectives challenging but within the realm of possibility.

Key point: You can raise the stakes by presenting goals and objectives that will cause you to adjust your actions to achieve more while ensuring that you will be able to reach these milestones.

- Identify reasonable target dates for accomplishing these written goals and objectives.
- Set both long-term and short-term objectives that will allow you to track your progress on the way to achieving your ultimate goal.

Example of long-term goal: The ultimate goal is to open a new store, in addition to the one you currently operate.

Examples of short-term objective: On the road to achieving your long-term goal, you have to meet the short-term objectives of increasing quarterly sales at your existing location by 5% and cutting semi-annual expenses by 3%.

- Be prepared to adjust your objectives at any point. To facilitate this effort, you should develop a contingency plan that allows you to adjust your master plan for different scenarios.

Note: The alternative to a contingency plan is starting over from scratch when something unexpected happens. Avoid this waste of valuable resources by creating a What If? plan in case you have to quickly adapt.

Conducting a Feasibility Study

Introduction

A feasibility study is a preliminary study conducted before the real work of implementing a business plan begins. It may be viewed as research to gather information about the potential for success of the business project. The collected information is then used to further develop the business plan, which the new business will use for guidance when it starts operation.

Before expending the resources to conduct a formal feasibility study, assess the major factors that will affect your new business by completing:

- opportunity analysis
 - economic analysis
 - preliminary business plan.
-

Rationale

The feasibility study ensures that your business venture stands a good chance of succeeding. It paints a realistic picture of the business landscape so that you can see whether your business will make a profit within the first three years.

Return on investment

The return on investment (ROI) is the figure that determines whether your business is profitable. Compute the ROI and other accounting ratios to objectively measure profitability according to established accounting procedures.

Assumptions

Your feasibility study is based mostly on assumptions. These assumptions are realistic only if your economic analysis is an accurate reflection of current market conditions. If you've correctly assessed market trends, needs, and the competition, your assumptions will be correct about:

- your projected sales of goods and/or services
- your projected costs for raw material, equipment, wages, etc.
- pricing your goods and/or services competitively.

Key point: The effectiveness of your business plan relies on these assumptions being correct. All the expenses that you'll incur can be accurately estimated if your economic marketplace analysis is done well.

Continued on next page

Conducting a Feasibility Study, Continued

Assessing the major factors

Opportunity analysis – An opportunity analysis determines whether the potential profit is sufficient to start and sustain a lucrative business. This activity is an in-depth study of the fit between the product and target market that you have in mind.

Answer the following questions in order to properly analyze the opportunity for your business to be successful:

Personal information

- What do I want to accomplish?
- Do I have the skills necessary to start a business? If not, where can I get the training that I will need?
- What kind of technical assistance do I need (such as legal, financial, information technology, human resources)? If I need help, can I afford the assistance that I need?
- Will I be able to give up my present benefits and concentrate on starting my business?
- Am I willing to take the risk of investing the time, money, and effort in such an enterprise?
- Where do I see myself five, ten, or fifteen years from now?

Business information

- What kind of value does my business opportunity offer?
- Can I effectively relate this opportunity to market and industry conditions?

After recording your answers to these questions, can you justify your desire to start your own business? If not, what do you have to do in order to make it happen?

Economic analysis – An economic analysis assesses the overall financial conditions of the area where you plan to locate your business. It includes a thorough study of:

- economics
- population
- competition
- layout
- public transportation.

Continued on next page

Conducting a Feasibility Study, Continued

Assessing the major factors (continued)

Preliminary business plan – Using the data collected for the opportunity and economic analyses, complete a preliminary business plan to estimate the overall costs of starting your own business and determining its profitability. An important element of this activity is identifying when the business will begin to recover the initial capital investment and turn a profit.

Next step

With these analyses and the preliminary business plan in hand, you're ready for the feasibility study. This assessment tool will assist you in determining the likelihood that your new business will meet the expectations of your investors and your own.

Parts of the feasibility study

The feasibility study estimates both the future cash flow and income at various intervals for specified periods of time. The table below presents these required assessments:

Part	Frequency	Duration
Cash flow	Monthly	First year
Cash flow	Annual	First three years
Income	Annual	First three years

Cash flow statement

The cash flow statement presents all changes that affect cash for a specified period of time. It shows both sources of cash and uses of cash.

Examples of sources of cash: loan granted, sales made, your own personal savings

Examples of uses of cash: raw material or equipment bought, wages paid, insurance, taxes

Income statement

The income statement (or profit and loss statement) gives the operating results in terms of profit over a specific period of time, usually one year. It shows a range of factors that affect the bottom line including:

- sales revenue
 - start-up costs
 - operating costs
 - total profits.
-

Organizing Data

Introduction	The body of data that you collect serves as the foundation for some very serious decisions. Follow the guidelines below to collect very detailed information and organize it in a way that facilitates rigorous analysis.
Notebook with dividers	<p>Arrange the information in a loose-leaf notebook with dividers to separate the different categories, or separate electronic information into different file folders on your computer. Your data may address areas such as the industry, market, business needs, etc.</p> <p><u>Example:</u> Create a section for market analysis data and a separate one for information on your capital equipment needs for start-up.</p>
Categories and topics	<p>List the broad categories and group the specific subtopics under each category. Further organize the sections of information by dividing each category into subtopics.</p> <p><u>Example:</u> Divide the market analysis section into subtopics like consumer information on spending behavior, income, frequency of purchase, average dollar amount spent, and price sensitivity.</p>
Table of contents	Create a table of contents for ease of locating information when you're ready for data analysis. Reference the page number next to each category and grouping of subtopics.
Blueprint	When it's time to draft your business plan, create a blueprint by correlating the sections of the notebook to the parts of the business plan.
Next step	The next section presents the content and format of an effective business plan where you will carefully organize and clearly present the information about your plans to run your own business.

Part III

Writing Your Business Plan

Introduction Bankers receive hundreds of business plans each year, but few of these documents persuade them to take the risk of lending money to the entrepreneur. Your plan has to be one of the best in order to convince the lender that your business plan is worth taking that risk.

Dual purposes Keep in mind WHY you're writing the business plan. Its purpose is two fold:

1. You want to achieve the personal goal of running your own business.
2. The immediate need exists to raise capital for your new business venture. Present the required information in a way that appeals to bankers and investors by making it easy to follow and understand.

Note: Also develop a business plan that you can use on an ongoing basis as the need arises.

Organizing Your Plan

Requirements The table below states the requirements for your written business plan.

Element	Details
Length	Because readers know that quantity doesn't necessarily mean quality, they may be annoyed or even intimidated by a thick document. Since they may only have time to skim through the plan without paying attention to a lot of details, it's a good idea to keep your business plan to under 25 pages.
Style	Write short, concise sentences. Also keep paragraphs short and crisp. Don't force the reader to reread material – eliminate words and sentences that are irrelevant.
Format	Introduce each part of the business plan with short, clear headings. Use adequate white space between topics.
Proofing	Confirm that the final draft is free of errors – typographical, grammatical, content, etc. Don't rely exclusively on spell check; read the final draft a couple of times and ask somebody else to read it as well.
Review	Ask a financial specialist to evaluate your business plan before submitting it to the banker or venture capitalist. He or she might spot mistakes that invalidate your projections and cause the lender or investor to reject your assumptions.
Printing	Use a laser printer and high quality paper to achieve the optimal hard copy.
Final copy	Add an attractive cover page and place your business plan in a functional binder. The document's appearance is your chance to make a positive first impression.

Charts and graphs

Charts and graphs are important tools for presenting information. They aren't used just to impress the reader or make the document more attractive. These graphics help the reader understand complex data such as financial projections.

Note: Remember the saying, "A picture is worth a thousand words."

Continued on next page

Organizing Your Plan, Continued

Appendices

Appendices help the reader gain a more in-depth understanding of the facts presented in the business plan. Since the tendency is for most readers to skim through appendices, don't rely on them spending much time reading them. The appendices provide a higher level of detail on the business plan.

Example: The experience and expertise of key managers are presented in the organization/management section. If readers want more detail on these individuals, they can find resumes of key managers in the proper appendix.

Financial data

As you begin drafting your business plan, you might find it helpful to work out the financial parts before developing the rest of the document. On a separate piece of paper, clearly state your assumptions that will support the short explanatory sentences concluding each financial statement or projection.

Final draft

When you sit down to write your business plan, transferring this mountain of data into a readable proposal may seem daunting. But by following the outline on the following pages, you'll find a place for each bit of information and an order in which it makes sense.

Parts of an Effective Plan

Front matter The front matter organizes the document and sets the tone of professionalism and high quality in your presentation.

Part	Function
Cover sheet	<ul style="list-style-type: none">• name of the business and its officers• address, phone number, and e-mail of the business and its officers• date of the business plan presentation.
Table of contents	Limit this part to one page to help the reader locate the sections of interest more easily.

Body of the document Readers may quickly review this part to capture the essence of the entire business plan.

Part	Function
Executive summary	<ul style="list-style-type: none">• the purpose and objectives of the plan• a concise summary of marketing, financial, operational, and management or organizational plans• a brief description of your markets and products• the legal structure and the change addressed by the plan IF it's a plan to modify an existing business.
Description of the business	<ul style="list-style-type: none">• a description of the business opportunity you perceive• an explanation of your product/service• advantages and disadvantages relative to competitors• your competitive edge (technology, quality, training, price, locations, distribution, suppliers, etc.)• growth opportunity• reasons for believing you will be successful• your work experience and expertise, as well as that of any partners, managers, and associates• a brief history of your business IF you've been in business for a while.

Continued on next page

Parts of an Effective Plan, Continued

Market data Correlate your marketing plan to the market analysis to show how the purchasing habits of potential customers relate to your marketing plan. Point out how the four P's of marketing (product, price, promotion, and place) fit well with market conditions (product life cycle, seasonal patterns, competition, etc.).

Part	Function
Marketing plan	<ul style="list-style-type: none">• <i>Strategy</i> – your marketing strategy for entering the marketplace and gaining your market share• <i>Advertising</i> – outline of your sales promotion plan, advertising programs, and selling methods• <i>Acquisition</i> – description of your purchasing plan, suppliers, distributors, and research and development• <i>Physical assets</i> – description of your location, layout, facilities, equipment, and machinery.
Market analysis	<ul style="list-style-type: none">• <i>Target market</i> – description of your target market, an analysis of its size and nature, and why you chose that market• <i>Customer</i> – description of your potential customers (including their financial profile, needs, purchasing behavior, price sensitivity, etc.) and how you plan to attract and retain their business• <i>Competitors</i> – identification of direct and indirect competitors (how many, locations, suppliers, distribution channels, pricing, their advantages, etc.) and comparison of their practices to your own.

Continued on next page

Parts of an Effective Plan, Continued

Specific plans This part includes the plans you've made in specific areas of your proposed business such as:

- management/organizational issues
- operations
- finances.

Part	Function
Management/organizational plan	<ul style="list-style-type: none">• a description of management personnel and supervisory procedures• the number of employees needed and training provided• job descriptions and tasks involved with each job• justification for hiring consultants or specialists• legal structure and how it will support the business (officers, organizational chart, compensation methods and levels, employment contracts, partnership agreements, patents, trade secrets, and other contracts)• requirements for licenses, permits, and state and federal regulations affecting your business.
Operational plan	<p>You may think of an operational plan as pertaining only to manufacturing operations, but that isn't the case. Every business needs a plan for operations. Assess the operational components of your business including:</p> <ul style="list-style-type: none">• location, layout, facilities, equipment, machinery, fixtures, and furnishings• quality control, inventory, and production methods• purchasing methods for raw materials and finished goods.

Continued on next page

Parts of an Effective Plan, Continued

Specific plans (continued) This part includes the plans you've made in specific areas of your proposed business.

Part	Function
Financial plan	<p>Make sure your projections are reasonable; be truly conservative. Don't force growth by projecting a moderate growth rate for the first year followed by a sharp increase the next. Lenders have seen too many business plans to be fooled; they know when assumptions are credible. This part includes:</p> <ul style="list-style-type: none">• an analysis of the capitalization plan that identifies the sources and uses of funds (how much will come from personal savings, how much you need to raise, how you'll raise it – borrow from friends/family, a bank, venture capitalists, IPO)• capital equipment list of start-up costs – equipment, machinery, fixtures, and furnishings (which can serve as collateral for future loans)• summary of how you'll use the money on capital expenditures (purchase raw materials, finished goods, building improvements, etc.)• ROI that you'll offer to investors and lenders in the future• beginning balance sheet with financial conditions at start-up• projected income statements – monthly for the first year and annually for the first three years• projected cash flow monthly for the first year and annually for the first three years• break-even analysis identifying the point at which expenses equal gross revenue or the sales revenue less the cost of goods sold (no profit but also no loss)

Back matter This part includes information to further support your business plan that isn't vital. Place it here to avoid overloading the reader.

Part	Possible Contents
Appendices	<ul style="list-style-type: none">• Resumes of key managers• Articles from magazines and newspapers• Summaries of market research• Technical descriptions of your product or processes

Part IV

Business Plan Template

Introduction

You can use the business plan template that follows develop your own business plan. The text in all caps [LIKE THIS] tells you where to enter your own information and gives additional guidance on what information to include.

**[COVER SHEET
INSERT THE TITLE
OF YOUR BUSINESS PLAN HERE]**

[INSERT YOUR BUSINESS NAME HERE.]

[YOU MAY WANT TO INSERT A PICTURE OR GRAPHIC HERE.]

[YOUR BUSINESS ADDRESS]

[DATE]

This Business Plan is confidential and is the proprietary property of [INSERT YOUR BUSINESS NAME HERE]. No reproduction of any kind or release of this document is permissible without prior written consent of [INSERT YOUR BUSINESS NAME HERE].

Continued on next page

Business Plan Template, Continued

Table of Contents

	Page
Section I. Executive Summary.....	
Section II. Description of the Business.....	
Section III. Marketing Plan and Market Analysis	
Section IV. Management/Organizational Plan	
Section V. Operational Plan.....	
Section VI. Financial Plan	
Section VII. Appendix	

Continued on next page

Business Plan Template, Continued

Section I. Executive Summary

[THE EXECUTIVE SUMMARY COMES FIRST BUT IT CAN BE WRITTEN LAST, AFTER ALL THE REMAINING SECTIONS OF YOUR BUSINESS PLAN ARE COMPLETED.]

Continued on next page

Section II. Description of the Business

A. Company Overview

1. [COMPANY NAME]
2. [LOCATION – BENEFITS, LIMITATIONS, ZONING]
3. [LEGAL STRUCTURE AND WHEN FORMED]
4. [TYPE – SERVICE, RETAIL, MANUFACTURING, CONSTRUCTION]
5. [SIZE, SALES, NUMBER OF EMPLOYEES, SQUARE FOOTAGE OF FACILITIES]
6. [HISTORY HIGHLIGHTS]
7. [MISSION – WHY YOU EXIST, YOUR BUSINESS VALUES]
8. [VISION – WHERE YOU WANT TO GO; NONSPECIFIC, DIRECTIONAL, MOTIVATIONAL]
9. [IMPORTANT COMPANY FEATURES – CUSTOMERS, EMPLOYEES, OTHER STAKEHOLDERS, VALUE]

B. Nature of the Business

1. [WHAT PRODUCT/SERVICE YOU SELL?]
2. [FOR WHAT NEED, PROBLEM, OPPORTUNITY? BENEFIT TO BUYER?]
3. [FOR WHAT MARKET AREA AND TARGET AUDIENCE? MARKET POTENTIAL?]
4. [WHAT ARE THE ALTERNATIVES TO YOUR PRODUCT/SERVICE? YOUR COMPETITIVE ADVANTAGE?]

C. Key Characteristics of the Industry

1. [BRIEF SUMMARY OF THE SIZE OF THE INDUSTRY, TYPES OF BUSINESSES, HISTORY, TRENDS, CRITICAL ISSUES, AND YOUR BUSINESS FIT IN THE INDUSTRY]

D. Brief Financial Highlights

1. [SALES FORECAST, BREAK-EVEN POINT, FINANCING IF NEEDED – HOW MUCH, FOR WHAT PAYBACK, WHEN?]

Continued on next page

Section II. Description of the Business (continued)

E. Strategic Management

1. [HOW YOU ADDRESS INTERNAL STRENGTHS AND WEAKNESSES, EXTERNAL OPPORTUNITIES, AND THREATS]
2. [SUMMARY OF SHORT-RANGE AND LONG-RANGE GOALS]
3. [KEY MEASURABLE DRIVERS THAT IMPACT YOUR COSTS, REVENUE, AND BUSINESS GOALS – E.G., NUMBER OF CLIENTS OR PROJECTS PER YEAR, AVERAGE SALES PER CLIENT, RETURN ON INVESTMENT, INVENTORY TURNS, PRODUCT REJECTION RATE, QUALITY, CAPACITY, COST OF LEAD/SALE]

F. Compelling, Market-Driven Reason Why This Business Will Succeed

1. [YOUR IDENTITY – MAKE THIS A “30-SECOND COMMERCIAL” OF WORDS IN PRINT, AN ELEVATOR STATEMENT OF THE BENEFITS OF YOUR BUSINESS PLAN TO THE CUSTOMER WHO IS READING IT.]

Continued on next page

Business Plan Template, Continued

Section III. Marketing Plan and Market Analysis

A. Business, Industry, and Situation Overview

[GENERAL DESCRIPTION OF THE BUSINESS]

B. Target Market and Trade Area

[WHO AND WHERE IS YOUR TARGET MARKET?]

C. Products/Services

[WHAT NEEDS, PROBLEMS, AND OPPORTUNITIES DOES YOUR PRODUCT OR SERVICES ADDRESS?]

D. Competitive Advantage

[WHAT IS YOUR COMPETITIVE ADVANTAGE OR POSITIONING?]

E. Marketing Strategies

[WHAT ARE YOUR OVERALL MARKETING STRATEGIES?]

F. Sales Forecasts and Assumptions

[HOW MUCH MONEY WILL YOU GENERATE; INCLUDE A SALES SUMMARY FORECAST AND NARRATIVE IN YOUR ASSUMPTIONS – HOW MUCH REVENUE THE PROJECT WILL DEVELOP.]

G. Measures of Success

[WHAT KEY FACTORS YOU WILL MEASURE AND WHEN? SALES PER CUSTOMER, NUMBER OF CUSTOMERS PER DAY AND MONTH, EXPANSION OF TRADE AREA, PRODUCT RETURN RATE, ETC.?]

Continued on next page

Section III. Marketing Plan and Market Analysis (continued)

H. Milestones and Measures

1. Goals

- a. [WHERE DO YOU WANT TO GO? VISION; SHORT- AND LONG-RANGE STRATEGIC OBJECTIVES/PRIORITIES; GOALS THAT ARE SPECIFIC, MEASURABLE, ATTAINABLE, REWARDING, AND TIMED]
- b. [TACTICS – HOW ARE YOU ARE GOING TO GET THERE? MANAGEABLE TASKS AND PRECISE ACTION PLANS]
- c. [DATA GATHERING AND ANALYSIS – TRACK AND ADJUST TO PROGRESS.]
- d. [HOW DOES PERFORMANCE COMPARE TO TARGET MEASURES? WHAT ARE YOUR KEY MILESTONES AND CRITICAL SUCCESS FACTORS? WHAT “BENCHMARK” INFORMATION DO YOU NEED FOR DATA-BASED DECISIONS? WHO WILL MEASURE WHAT/WHEN? MEASURE WHAT IS MEANINGFUL.]

2. Scenario Planning

- a. [LONG VIEW: IF/THEN – WHAT ARE KEY CROSSROADS, MILESTONES, AND OTHER FACTORS THAT WILL PROMPT YOU TO CONTINUE OR MODIFY STRATEGIC DIRECTIONS?]

3. After the Plan

- a. [WHAT DO YOU NEED TO KEEP DOING OR PRESERVE? STOP DOING, DESTROY, AND LET GO? START DOING, CREATE, OR CHANGE?]
- b. [INCLUDE PROJECT NOTEBOOKS, PORTFOLIOS, CUSTOMER COMMENTS, RECOGNITION, AWARDS, MENTORING, CONTINUING EDUCATION, INDIVIDUAL, AND ORGANIZATIONAL DEVELOPMENT – TIME MANAGEMENT, ORGANIZATIONAL SKILLS, CREATIVITY, COMMUNICATION, ETC.]

Continued on next page

Business Plan Template, Continued

Section IV. Management/Organizational Plan

A. Owner and Managers

[IDENTIFY EACH INDIVIDUAL AND DESCRIBE HIS OR HER EXPERIENCE, KEY SKILLS, AND SKILL LEVELS.]

B. Employees

[HUMAN RESOURCES POLICIES AND PROCEDURES IN AREAS SUCH AS JOB ANALYSIS, JOB DESCRIPTIONS, HIRING STRATEGY, COMPENSATION, PERFORMANCE EVALUATION PROCESS, EMPLOYEE TRAINING, RETENTION, MOTIVATION]

C. Consultants and Advisors

[IDENTIFY ATTORNEYS, ACCOUNTANTS, INSURANCE AGENTS, ETC.]

D. Organizational Structure/Communications

[INDIVIDUAL JOB DESCRIPTIONS LISTING DUTIES AND TASKS WITH REPORTING STRUCTURE]

E. Individual and Organizational Development

[AS THE BUSINESS OWNER, HOW WILL YOU PREPARE FOR ONGOING CONTINUOUS IMPROVEMENT FOR YOURSELF AND OTHERS THROUGHOUT THE ORGANIZATION?]

F. Management Strategies

[HOW WILL YOU MAKE THE MOST OF THE PEOPLE INVOLVED WITH YOUR BUSINESS? WHAT CAN YOU DELEGATE OR OUTSOURCE? WHAT HELP AND SUPPORT DO YOU NEED? HOW WOULD YOU DESCRIBE YOUR ORGANIZATIONAL CULTURE?]

Continued on next page

Business Plan Template, Continued

Section V. Operational Plan

A. Location and Equipment

[WHERE IS THE BUSINESS LOCATED AND CONDUCTED? WHY: FEATURES? ANY ZONING ISSUES? WHAT EQUIPMENT AND INVENTORY ITEMS ARE REQUIRED TO START AND RUN YOUR BUSINESS? WHAT DO YOU CURRENTLY OWN? WHAT WILL YOU LEASE? WHAT WILL YOU PURCHASE?]

B. Hours of Operation

[WHEN DOES YOUR BUSINESS OPERATE – REGULAR BUSINESS HOURS, SEASONAL/SPECIAL EVENTS?]

C. How do you Design, Source, Purchase, Produce, and Distribute?

[NEW PRODUCT DEVELOPMENT, SOURCING, PRODUCTION, AND INVENTORY PROCEDURES, SALES AND DISTRIBUTION, QUALITY]

D. Data Management

[HOW DO YOU MANAGE DATA – ENTRY, PROCESSING, BACK-UP, CONTACTS, CORRESPONDENCE, BOOKKEEPING, OTHER FILES?]

E. Intellectual Property

[HOW DO YOU PROTECT DESIGNS, COPYRIGHTS, AND OTHER INTELLECTUAL PROPERTY?]

F. Risk Management

[HOW DO YOU PREVENT AND MANAGE RISK – FINANCIAL, LIABILITY, ENVIRONMENTAL AND SAFETY, SECURITY, RECORD RETENTION, SECURITY OF DATA (COMPANY, EMPLOYEE, CUSTOMER, SUPPLIER), POLITICAL RISKS, LEGAL RISKS, LOSS, DECLINE/GROWTH, OTHER?]

Continued on next page

Business Plan Template, Continued

Section V. Operational Plan (continued)

G. Insurance

[WHAT HAVE YOU LEARNED FROM AN INSURANCE BROKER ABOUT THE COSTS AND TYPES OF INSURANCE YOU NEED?]

H. Taxes

[WHAT LOCAL, STATE, AND FEDERAL REGULATIONS AND TAXES APPLY TO YOUR BUSINESS?]

I. Licenses and Permits

[WHAT PERMITS AND LICENSES HAVE YOU DETERMINED APPLY TO YOUR BUSINESS?]

J. Business Cycles

[WHAT DO YOU KNOW ABOUT YOUR BUSINESS CYCLES? PRODUCTION? DELIVERY? SALES? INVENTORY? FINANCIALS?]

K. Operational Strategies

[HOW WILL YOU MAKE THE MOST OF YOUR LOCATION, PURCHASING, AND PRODUCTION PROCESSES?]

Continued on next page

Section VI. Financial Plan

A. Financial Assumptions

1. [DISCUSS ASSUMPTIONS MADE TO ARRIVE AT FINANCIAL PROJECTIONS – HOW DID YOU DETERMINE YOUR COST OF PRODUCTION, PRICING, DOLLARS OF SALES, ETC.?)
2. [IF SEEKING FUNDING, DISCUSS HOW MUCH MONEY YOU ARE SEEKING AND WHAT THAT MONEY WILL BE USED FOR. HOW WILL THE MONEY BE REPAYED? DO YOUR FINANCIAL WORKSHEETS SUPPORT THIS?]
3. [DISCUSS YOUR BREAK EVEN ANALYSIS.]
4. [DESCRIBE WHERE NEEDED FUNDS WILL BE OBTAINED AND WHAT ALL FUNDS WILL BE USED FOR (E.G., PERSONAL CONTRIBUTION OF 20% USED TO ACQUIRE EQUIPMENT, LOAN FOR BUILDING, ETC.)]

B. Bookkeeping, Record-keeping, Accounting System & Process

1. [RATIO ANALYSIS – LIQUIDITY, LEVERAGE, ACTIVITY, PROFITABILITY, GROWTH]
2. [BUSINESS FINANCING: PERSONAL SAVINGS, EQUITY FINANCING, RISK AND REWARDS; DEBT FINANCING - CAN YOU PAY? DEBT RATIO? WILL YOU PAY? CREDIT SCORE? WHAT IF YOU DON'T PAY? OTHER SOURCES OF FINANCING]
3. [DISCUSS FACTORS SUCH AS CHARACTER, CAPACITY, CAPITAL, COLLATERAL, CREDIT, CASH FLOW, CONDITIONS OF THE INDUSTRY, MARKET, ECONOMY, CONFIDENCE, COMMITMENT.]

C. Financial Worksheets

1. [START-UP OR EXPANSION COSTS WORKSHEET]
2. [CASH FLOW PROJECTIONS]
3. [BALANCE SHEET]
4. [PROFIT AND LOSS STATEMENT]
5. [PERSONAL FINANCIAL STATEMENT]
6. [BREAK EVEN ANALYSIS]

Continued on next page

Business Plan Template, Continued

Section VII. Appendix

[IN THE APPENDIX, ATTACH ANY SUPPORTING INFORMATION SUCH AS RESUMES, PROMOTIONAL MATERIALS, CONTRACTS WITH CUSTOMERS, AND SO FORTH.]

PACE

Program for Acquiring Competence in Entrepreneurship

Fourth Edition

Cluster A – Exploring Entrepreneurship

Module A-1 Evaluating Your Potential as an Entrepreneur
Module A-2 Understanding the Nature of Small Business
Module A-3 Making the Most of Marketplace Opportunity
Module A-4 Investigating Global Markets

Cluster B – Planning for Business Success

Module B-1 Developing Your Business Plan
Module B-2 Finding Help for Your Small Business
Module B-3 Choosing the Right Type of Ownership
Module B-4 Developing a Marketing Strategy
Module B-5 Finding the Best Location
Module B-6 Developing a Pricing Strategy
Module B-7 Financing Your Business
Module B-8 Addressing Legal Issues

Cluster C – Business Management for the Entrepreneur

Module C-1 Managing Basic Business Functions
Module C-2 Managing Your Human Resources
Module C-3 Promoting Your Business
Module C-4 Maximizing Sales
Module C-5 Maintaining Accurate Records
Module C-6 Managing Your Finances
Module C-7 Extending Customer Credit
Module C-8 Minimizing Risk
Module C-9 Maintaining Operations
Module C-10 Conducting E-Commerce



CENTER ON EDUCATION AND
TRAINING FOR EMPLOYMENT
COLLEGE OF EDUCATION
AND HUMAN ECOLOGY

1900 Kenny Road
Columbus, Ohio 43210-1016
www.cete.org/publications.asp
Phone: 800-848-4815
Fax: 614-292-1260