



# The Business Plan

## *You have been told that you need a formal Business Plan. Now What?*

By Allen O. Jones

If you are considering preparing a business plan, you have probably been told that in order to acquire capital for your new or expanding business that you need a business plan for the capital source(s).

At ARI we believe that you should outsource the business plan preparation to a firm like ourselves that specializes in the preparation of business plans. You may write the plan yourself, perhaps using a software program or books on business plans as a guide. You will find it a time consuming process that takes you away from your business.

ARI believes that you will put your resources to their best use by spending your time working on your business and serving your customers.

However, you and those employees

you designate, will need to participate in the business planning process as it must be your plan and customized to your needs and mission.

ARI is a specialist in business planning. Your business will greatly benefit from having an outside perspective to assist in accomplishing a first class plan that is meaningful to the business and the capital source.

It may not seem so, particularly if this is the first time you have tackled the preparation of a formal business plan, but the writing of the business plan is in some ways the least of the business planning process.

**The Strategic Business Plan.** Strategic Planning is the phrase most familiar to business people when they engage professionals to assist

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them with achieving their objectives. The Strategic Planning process, which we incorporate with the preparation of the business plan, is an effective method for understanding your business.

Strategic planning will help you to define the mission, objectives, and action plans for your business.

The strategic planning process is ongoing, a fluid, active, process. It is not a one shot plan. One thing you can count on in business is change. A successful business must stay ahead of the wave to survive. If the buggy-maker business had known they were in the transportation business, they could have met the challenges of a changing market and would still be in business today.

If you have been with a major corporation that had an active on-going strategic planning process in place,

you might remember long meetings with lots of preparation. Depending on your position in the business and how well the planning was implemented, you may or may not have seen tangible results from all your work.

ARI uses a focused planning process for the small to medium sized business that does not have the resources to devote staff people full

or part time to the process. We can tailor the business plan preparation combined with strategic planning so that you can experience immediate results for

your business. And by the way, you fulfill your original need for a business plan with far superior results.

## ***Strategic Planning***

***If the buggy-maker business had known they were in the transportation business, they could have met the challenges of a changing market and would still be in business today.***

# Elements of the Business Plan

## Narrative

*Following is a typical organization of a business plan prepared by ARI. It is important for the business plan to be organized in the order, and with the right amount of detail, that makes a decision easy for the capital source. ARI's business planning process is customized to your business. We do not use fill-in-the-blank software.*

### 1. Summary

The summary of the business plan is written after the plan is complete and is intended to give the reader a quick overview of your plan that is concise and interesting enough to get the reader to read the entire plan.

### 2. The Company

**Mission.** A mission is not a motto. It is a statement of what the business is committed to accomplish and must be a deeply ingrained, intimate part of the business leader's (and the employees) daily thought process when making decisions about the business. Consider the following story to understand the mission of a business. A person was walking by a construction site. He stopped to ask a worker, "What are you doing?" The worker replied, "I'm laying bricks." He then asked a second worker, "What are you doing?" The second worker replied, "I'm building a great Cathedral." The second worker had a mission.

**The Cheshire cat in *Alice in Wonderland* responded to Alice when she asked which road should she take? "That my dear depends on where you want to go."**

You already have a general idea about what you would like to accomplish in your business but you may not have reached the point where your mission (vision) is refined enough that it is a written, intimate part of your daily decision making process. ARI will guide you through the thought process to bring out what the business is seeking to accomplish – your vision. We will start off with your thoughts and you will see your mission evolving into its final form as we go through the strategic and business planning process.

**Objectives.** Once we have a mission defined and we have worked through the balance of the business plan, we can define the objectives to accomplish the mission and then the action plans to accomplish the objectives. At the end of the process you

# Elements of the Business Plan Narrative

must implement your strategic plan and build into the implementation a system of responding to change.

**The Company History.** If you head an existing business we will interview you and collect the documents necessary to describe the history and status of the business to date.

**License Agreements, Special Contractual Relationships.** We will prepare an explanation of agreements with outsiders that are key to the business.

**Strategic Alliance.** An examination of existing or possible strategic alliances with other businesses.

**Management.** Besides being in the right place at the right time (or understanding how you can put yourself into that position) the second key factor in a successful business is people. If you are going to build a world class business you need world class people or those capable, with training, to achieve that status. Management is a key factor to an investor who wants to know who is going to be protecting and growing an investment in a business. We will present the talents of those in the business and address the issues of staffing the business with the best available people. ARI will also deal with the challenges in motivating and training employees.

**Shareholder Ownership.** A chart detailing the ownership of the business at inception, at times when significant changes were made, and the current status with explanatory notes.

### 3. The Company's Products or Services

Detail of the product you are selling or services you will be providing to the market.

### 4. Operation and Systems

Development and presentation of how the business operates. Our strategic planning tools will be used to examine the strengths, weaknesses, and opportunities of the business and the threats to the business (SWOT analysis.) Action plans will be developed to maximize the strengths, overcome the weaknesses, take advantage of the opportunities, and win when faced with threats to the business success. An example of a management tool we will discuss is the use of a daily cash projection, a must for good management of the business.

# Elements of the Business Plan

## Narrative

### **5. The Market for Your Product or Service**

This section discusses the total market for your product or service. Our market analysis capabilities are used to examine the latest in demographic data with the use of our Geographic Information Systems.

### **6. Competition**

We will guide you, using the SWOT analysis and our research capabilities, in defining the competition and assist you with the development of your competitive strategy, objectives, and action plans for capturing your share of the market.

### **7. The Company's Market**

In *The Company's Market* section we will define your target market. This section will provide part of the assumptions that you will make in estimating your revenues. We will use ARI's market analysis skills to provide a market calculation addressing such subjects as the market's awareness of your product or service and the market's receptiveness. We will prepare a calculation, using our formulas, of the potential capture rate of the target market. We will include the standard market penetration rate calculation.

### **8. The Marketing Plan**

Now that we have defined the target market, we will detail in this section the exact plans that we have developed together to sell your product or service. We will detail all the marketing tools you will use such as networking, public relations, the Internet, and advertising.

This section defines the company's commitment to obtaining its sales estimates. The marketing plan provides comfort to the lender or investor that your revenue estimates have a reasonable chance of being achieved within the time period that you have estimated.

*Following are the financial sections that are an integral part of the business plan and*



# Elements of the Business Plan

## Financial Section

*strategic planning process.*

### **9. Balance Sheet**

Includes historical year-end balance sheets and significant ratios. If this is a new business, a pro-forma balance sheet will be included.

### **10. Income and Expense Statement**

Historical income and expense statements if this is an existing business.

### **11. Estimates of Future Financial Results: Income and Expense**

Includes monthly estimates for the next 12 months of operation (or the first 12 months of operation for a new business) and four years on an annual basis.

### **12. Significant Assumptions for the Income and Expense Estimates**

This section is a narrative, by line item in the income and expense estimates, explaining the assumptions for each significant estimate.

### **13. Estimates of Future Financial Results: Cash Flow**

The cash flow statement details the sources and uses of cash as it is received. The numbers are taken from the income and expense estimates and adjusted for the expected receipt of revenue. Capital costs, financing costs, loan payments and other capital outlays are added to the uses of cash.

And now, we finally have the answer if you are seeking capital. The cash flow statement tells us how much you will need in new capital to finance your business.

### **14. Significant Assumptions for the Cash Flow Estimates**

