

Part I

Mapping Your Path to Work

Answers To Your Work Questions

From New York Makes Work Pay

The Nuts & Bolts of Great Business Plans

Creating a Business Plan Where Imagination Meets Discipline

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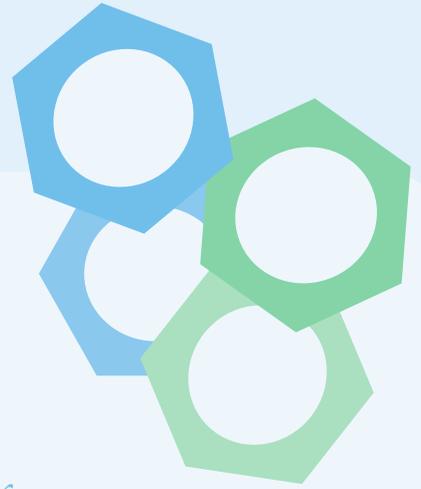
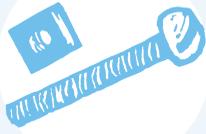
In This Guide

You may want to consider becoming self-employed as a career option. Although it may be true that a great percentage of small businesses do not succeed during the first critical five years, it is also true that the majority of those did not succeed because they did not have good business plans. Part I of this two part series, will provide the essentials of the business planning process for you to review as you consider the possibilities of owning and operating your own business.

-  What is a Business Plan?
-  Why is a Business Plan Important?
-  The Business Plan Format
-  Who Can Help You Write a Business Plan?

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This booklet is part of a series of New York Makes Work Pay publications that help New Yorkers with disabilities plan a path to employment.



What is a Business Plan?

- ✓ A business plan is a road map for entrepreneurs and aspiring entrepreneurs.
- ✓ It is a written document that helps the entrepreneur and aspiring entrepreneur to look ahead, allocate resources, and identify problems and opportunities.
- ✓ The business plan describes key aspects of the business such as the nature of the business, the market research and marketing strategy, business operations, and projected financials.

Why is a Business Plan Important?

- ✔ As the old saying goes: “Not having a business plan is the best plan to fail.” It is critical for all entrepreneurs and aspiring entrepreneurs to have a business plan. Many small businesses fail because of fundamental shortcomings in their business planning. It must be realistic and based on accurate, current information and educated projections for the future.
- ✔ Besides using the business plan for your own personal planning, the business plan is important when forming a partnership, when applying for a small business loan, when growing the company, when talking to investors, and when selling the company.
- ✔ A business plan is not a checklist, where you address sections one by one. It is a living, breathing document. You are telling a story, and bringing a venture to life. It is about a company, not a product or an idea. It is your roadmap for the future of your business.
- ✔ A company has many facets, and these are reflected in the various sections of the plan.
- ✔ Most critically, the sections are **highly interdependent**. They must be internally consistent and “hang together.”
- ✔ As you subsequently make changes to one section, you will find yourself having to go back and make adjustments to a number of other sections.
- ✔ Your business plan is a document that should be revised after the launch of your venture.

It is the **discipline** of the plan that will help you see critical flaws in your idea, in your target market, how you plan to price, your cost requirements, your operational approach, your marketing methods, and so forth. You will have to continually adapt as you learn more about this business and the industry within which it will operate.

- ✓ Using the plan as a framework, it will help you to ‘tweak’ or adjust aspects of what you propose to do in ways that make the venture more viable.
- ✓ A business plan is also an objective and fact-based document.
 - / Address the upside and the downside.
 - / Make clear you understand what can go wrong.
 - / Be conservative.
 - / Importantly, the plan is not written in first person, so be sure to eliminate all use of ‘I’, ‘We’, ‘Our’, and ‘Us’. Use your company name to refer to the business.

It is critical that you organize your plan in a logical fashion. If you divide sections among team members, some sections require multiple people for a number of weeks; others might only require a single person and can be accomplished in a shorter time period.

- ✓ Complete the financials last, but finish the economics fairly early in the process.
- ✓ The market section will be the hardest and take the longest. You should start on it right away.
- ✓ While the document will be written by various members of your team, it should always have the same “voice.” Be sure that the tone is the same, regardless of who is writing the section.

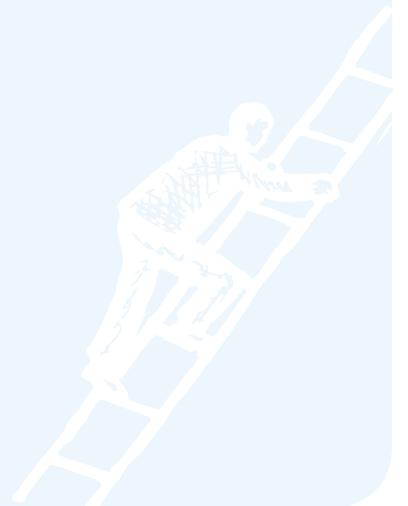
The Business Plan Format

A logical approach is to break the overall plan down into four stages as described below:

Four Stages

1. First, attack four key sections: the **Industry**, the **Company/Concept/Products**, the **Market**, and **Economics**; these sections will lay out the nature of the opportunity and how you are going to capitalize on it;
2. Then, go after the **Marketing, Design and Development, Operations**, and **Management Team** sections; These sections really get at the nitty-gritty of how you will make things operational;
3. Then address the **Risks and Assumptions, Timetable, Financials** and the **Offering or Deal**. Here you focus on implementation, what can go wrong, how the business will perform, and how much money is needed.
4. Finally, write the executive summary.

Be sure that you maintain the internal consistency among sections in the final document. Ultimately, the plan will be an invaluable guide to help you grow and sustain your business including helping you access financial resources.



A Breakdown of the Major Sections of Your Business Plan

The Executive Summary (2-3 pages max)

Although this is the first section of the plan, the Executive Summary is the last section that you write. The Executive Summary concisely summarizes the essence of the business and the **key decisions made by the business in each area of the plan**. It is not merely an abbreviated business plan. The reader should get a clear, basic picture of the business, and be enticed to want to read more.

Many businesses fail to consider adequately their markets, their customers and a business model that will enable them to achieve success. Instead they often get wrapped up in an interesting technology or product, which is not the same thing as an attractive business. The questions below will help you focus on the aspects of your executive summary that are relevant to the business plan. These are some initial considerations that first time readers (venture capitalists, angel investors, banks, business plan judges, etc.) look at before going on to evaluate the business and the soundness of your financial projections. Make sure that your executive summary provides answers to these questions in addition to giving the reader an overview of the highlights from your business plan for the new venture.

Opportunity Statement

- ☑ What is the nature of the opportunity or problem (the underlying need)?
- ☑ What forces are creating the opportunity?
- ☑ Why is the opportunity now? What is the size of the opportunity?

Business Concept and Product or Service

- ✓ How would you describe the business to a potential investor, team member, or customer if you had only a short elevator ride to share together? Make sure you have a succinct and powerful way to express your business concept.
- ✓ What is unique about this venture?
- ✓ Develop a brief concept statement for the product or service that can be shown to potential customers.
- ✓ How will the product be used? What are some unique features? What existing problem(s) will you solve with your service or product offering? What are the primary benefits to customers? How does your solution improve or replace current offerings?

Competitive Advantage

- ✓ What special knowledge or technology do you possess and how will you protect it?
- ✓ What are the barriers to entry? Who will the competitors be?
- ✓ How will your service or product compare to those of your competitors in terms of usefulness, cost, styling, ergonomics, time-to-market, strategic alliances, technological innovations, compatibility with related product, etc?

Description of the Target Market

- ✓ Briefly define your relevant market.
- ✓ What is the current size and expected growth of your target market?
- ✓ What segments will you be targeting?
- ✓ Who will your first customer(s) be?
- ✓ What proof can you offer that your target customers will value your product or service?



Essence of Marketing Approach

- ✓ What do you need to do very well in order to win this market?
- ✓ Indicate the key marketing methods used to accomplish sales.
- ✓ Summarize your pricing position relative to the rest of the industry.
- ✓ Summary the distribution channel approach.

Technology and Operational Issues

- ✓ What technology will you employ?
- ✓ Where are you in terms of Research & Development (R&D) on the products/services?
- ✓ Will production be handled by you or outsourced?
- ✓ What is unique about your approach to production or operations?

The Team

- ✓ Who are you and why can you do this?
- ✓ Briefly summarize your team's qualifications.

Economics

- ✓ What are the firm's sales margins and volumes?
- ✓ Is the cost structure more fixed or variable?
- ✓ Make clear the model for making money.

Financial Highlights

- ✓ When will breakeven be achieved?
- ✓ What is the level of potential sales of your product or service?
- ✓ What level of profits do you expect to achieve?

Financial Need

- ✓ How much money are you requesting?
- ✓ From what sources are you looking for money and in exchange for what (e.g., how much equity)?
- ✓ What is the return rate for investors and when will they receive it?

Top Five Do's

1. Prepare a complete business plan for any business you are considering.
2. Seek help and assistance when writing a business plan.
3. Do industry, market, and competitor research.
4. Be realistic when writing a business plan.
5. Business plan is a living and breathing document, therefore update your business plan at least every 6 months.

Top Five Don'ts

1. Never avoid writing a business plan.
2. Don't be jack of all trades.
3. Don't proceed with your business without adequate understanding of accounting and financials.
4. Don't exaggerate your estimates: don't be too high on estimation of future sales, don't be too low in the estimation of the expenses.
5. Don't ignore or dilute the weaknesses in your business plan, rather address them.

Who Can Help You Write a Business Plan?

Writing a business plan can be an intimidating effort, however, there are several organizations that have offices across New York State that provide assistance with writing a business plan, by providing business counseling, access to resources, training opportunities, networking opportunities, access to finances, and much more.

The following organizations offer free services to entrepreneurs and aspiring entrepreneurs in New York State:

New York State Small Business Development Center

Phone: (800) 732-SBDC

<http://www.nyssbdc.org/>

SBA Women's Business Centers

<http://www.sba.gov/services/counseling/wbc/>

SCORE - Small business mentoring and training

Phone: (800) 634-0245

<http://www.score.org>

The Entrepreneurial Assistance Program

Phone: (212) 803-3234

www.empire.state.ny.us/BusinessPrograms/EAP.html

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