

## **KEYS TO A SUCCESSFUL BUSINESS PLAN**

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A prospective business owner as well as those already in business need to develop a written plan. Written plans provide a management tool for determining specific strengths and weaknesses of an idea, documenting reasonable objectives and identifying resources to attain them. A written plan will also provide the basis for developing a more detailed business operating plan. Even though the risk of going into business cannot be eliminated, a good plan will help reduce the risk. The following outline will take you through the "thinking process" and help in gathering and organizing the necessary information.

### **Perspectives**

When starting a new business or operating an existing one, it is essential to develop and maintain a basic understanding of the changing world in which the business is operating.

1. Business Planning
2. Business Statistics
3. Business Definition
4. Business Survival
5. Economic Environment

### **Preliminaries**

#### **Personal Strengths**

A major determination of the ultimate success or failure of a business is directly related to personal characteristics and skills of the owner. A questionnaire to analyze your strengths and weaknesses to determine your "entrepreneurial qualities" can be found in Appendix E.

#### **Resume Development**

Your resume should present a positive personal image -- it is your marketing tool! Although various formats are acceptable, the following is a guideline for chronologically organizing your personal information. Most funding agencies require a personal data sheet for anyone owning twenty percent or more of the business.

### **Goal Clarification**

Realistic, but challenging goals, should be written to help clarify thinking about what the business will do for you and your customers in the future.

### **Decision-Making**

Business owners often have difficulty making decisions. Working through the steps helps analyze opportunities for choosing alternatives to achieve desired goals. Stating the problem in the form of a question increases possible alternative solutions. The following worksheet will prove helpful as you consider what business to start or how to expand an existing business.

### **Personal Financial Information**

If you plan to present your business plan to potential lenders, include personal financial information on anyone owning 20% or more of the business:

- Pertinent tax records, including tax returns for the past three years.
- An up-dated (no older than 30 days) net worth statement.

Throughout this section *critical questions will be asked*, followed by suggested sources to use while searching for answers.

### **Preparation**

Be creative in your approach and use as many resources as possible to collect information.

⇒ Key questions to consider:

*What products or services should be offered?*

*What is unique about the products or services?*

*What will the products or services do for customers?*

*What will they do in the future that they do not do now?*

*Why will each product or service be necessary to the success of business?*

### **Market Evaluation**

*What information needs to be gathered?*

Defining and evaluating the market is an essential task that may involve considerable time and effort to establish a probable demand for the product or service. There are many methods and approaches for gathering up-to-date market information. Be alert for creative opportunities!

*What geographic area will the market include?*

The target market (or market segment) is composed of customers to whom the products or services have the most appeal. For example, if analyzing the market for a

janitorial business, segments of the market might include prospective new home buyers, a subdivision where new homes are being built, or an area where expensive homes are located.

⇒ Key questions to consider:

*What geographic area will the market include?*

*What is the market population?*

*What are the population characteristics? Age? Sex? Income? Education? Employment? Employment Trends? Occupation? (if you used these to define your market.)*

Sources to Use:

- County and City Extra
- Survey of Buying Power. Demographics USA
- Lifestyle Zip Code Analyst
- Sourcebook of County Demographics
- Census Data
- State Department of Employment Security

*What portion of the population is seasonal (employees and tourists)?*

*How many tourists will visit your state or region?*

Sources to use:

- U.S. Travel Data Center
- Regional Planning Commissions
- Economic Development Professionals
- Chambers of Commerce
- Tourism Professionals

*What are the development plans of the community? Will plans change traffic flow or shopping patterns? What business and residential developments are planned?*

Sources to use:

- City and County Planners
- Industrial Development Groups
- Chambers of Commerce
- Economic Development Professionals
- Realtors

*How much money is being spent in the market area for the potential product or service?*

Sources to use:

- Survey of Buying Power. Demographics USA.
- Census of Service Industries
- Census of Retail Trade
- State Department of Revenue (Sales Tax)

- Census of Manufacturing
- Trade Associations

*What are major industry trends?*

Sources to use:

- Industrial Outlook
- Encyclopedia of Associations
- Survey of Current Business (monthly)
- Wholesalers and Manufacturer Suppliers

Trend information is usually stated on a national or regional level. Therefore, a decision to enter or not enter a particular business should never be made solely on trends in the industry.

### **Competition Analysis**

Once the market has been identified and evaluated, it is important to consider competition. Understanding competitors helps project sales, avoid surprises, decrease reaction time, and understand your own business (or proposed business) better. After competition information has been compiled and evaluated, develop strategies for competing. For example, if competitors' emphasis is on a variety of products or services, specialization might be an effective approach. For an analysis, consider the following questions:

⇒ Key questions to consider:

*Who are they? Where are they?*

*How many and how strong are they (aggressive and well-managed)?*

*Do they have one product line or a variety of products?*

*What are their terms of sale?*

*Are their prices higher or lower than industry average?*

*What distribution channels do they use?*

*Who is their target audience?*

*What media do they use?*

*What is their service reputation?*

Sources to use:

- Census of Retail Trade
- Trade Associations
- State Business Directories
- International Directories
- County Business Patterns
- Business Directories
- Yellow Pages

### **Market Share**

Market share is an allocation of total sales of similar businesses. Utilize results of the market evaluation and competition analysis to realistically estimate if there is room for another "like" business.

### **Marketing Strategy**

Marketing involves activities necessary for getting and keeping customers. A carefully conceived and executed marketing plan, focusing on the customer, is a major contribution to business success. Develop your overall marketing strategy by considering how the product/service will help the customer.

### **Location**

The type of product or service offered will often influence how accessible you need to be to your market. Once the market is defined and competition has been identified and analyzed, site location becomes easier. Choose your location carefully. Answering the following questions will help in choosing a location with the best advantages.

⇒ Key questions to consider:

*Is it properly zoned for the type of business? For an anticipated expansion?*

*How near is the location to other stores, offices, plants, competitors?*

*What is the cost (be cautious about making a decision on cost alone)?*

*Is there an existing lease? If so, what are the terms?*

*Will it be suitable for business?*

*How convenient to transportation?*

*Is there adequate parking?*

*Does it have easy access and exits?*

*Will it require improvements? If so, to what extent?*

*Do building(s) aesthetics and operations enhance the surrounding environment?*

### Sources to use:

- Transportation Departments (city, county, state)
- Chambers of Commerce
- Industrial Development and Planning Commissions

### **Personnel**

If there is a need to hire employees, it is important to consider the following questions:

⇒ Key questions to consider:

*What are the job responsibilities? (job description)*

*What skills are needed to perform the job? (job specifications)*

*What is labor availability?*

*What training plan will be implemented?*

*What are projected salaries?*

Sources to use:

- National Trade and Professional Associations of the U.S.
- Occupational Outlook Handbook
- American Salaries and Wages Survey
- American Directory of Organized Labor
- Employment Agencies
- Community Colleges (on-the-job training)

**Insurance**

Insurance has become a major cost to both new and existing businesses. It is important to obtain cost estimates from reputable firms. Liability insurance costs vary and may prove prohibitive for some types of businesses. Keep in mind that the purpose of insurance is to protect assets against unlikely, but potentially devastating, losses.

*What types and how much will be needed?*

Sources to use:

- State Department of Insurance
- Best's Key Rating Guide: Property/Casualty Edition
- Local Insurance Agencies

**Taxes**

There are federal, state, and local taxes that must be paid by a small business. Estimated tax expense should be listed on the income statement.

**Suppliers**

Identify appropriate suppliers that meet desired criteria.

**Political and Legal Aspects**

Insure compliance with the law by checking with proper authorities. Modify the business idea, if necessary, to conform to county, city, state, or federal regulations.

*Are there any zoning laws affecting chosen location?*

Sources to use:

- City and County Clerk

*Are there any building requirements?*

Sources to use:

- Building Inspector, Fire Marshall

*Are there any health restrictions?*

Sources to use:

- Local and State Health Department

*Are there any licensing or registration requirements?*

Sources to use:

- State Department of Professional Regulation
- Appropriate City and County Departments

*Is there a need to apply for patent, trademark, or copyright protection?*

Sources to use:

- Patent and Trademark Office

*What laws or regulations affect your proposed business? (OSHA, Labor Laws, EPA regulations, etc.)*

Sources to use:

- Appropriate State and Federal Agencies

*What form of ownership (sole proprietorship, cooperative, partnership, or corporation)?*

Sources to use:

- Accountant, Attorney

## **Inventory**

Inventory planning and control is important in projecting cash flow and its impact on day-to-day survival. Turn-around delivery time is very important to help avoid carrying too much or too little inventory. Good inventory control increases collection on sales and reduces theft.

⇒ Key questions to consider:

*What inventory, raw materials, and supplies will be needed?*

*How will potential or actual shortages be avoided?*

*Are prices likely to be steady or fluctuating?*

*What overall plans need to be made?*

## **Projections**

This section provides a "reward" for your previous hard work and dedication. You will now be able to organize, summarize, and simplify collected information in a meaningful way. Your factual information provides justification for the figures you will use in financial projections. The answer to the question, "Does my idea have a chance for success?" should become evident in this section.

1. Sales and Revenue Forecast
2. Pro Forma Income Statement
3. Pro Forma Balance Sheet
4. Cash Flow
5. Accounting Methods
6. Capital Needs
7. Break-Even