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## The Makings of a Business Plan

Gwinnett Chamber of Commerce presentation

Creating a long-term business plan for your company is one of the most critical things you can do to help you combat the high failure rate as a new business. More than 80% of new companies fail in the first five years of operation. The number one reason is for lack of working capital. The number two reason is due to lack of proper planning. If you do your planning properly, you will know how much working capital you will need.

If done properly, your business plan will not become another book on your shelf. It will become your operating budget for the next several years, whose numbers you can use to fill in your budget fields of your accounting software. You can then directly measure your actual results compared to the business plan.

Just as a home builder would not undertake the building of a house without a blueprint (even though in Georgia, I really think that some builders do!), a successful business owner will not form or try to run their business without a business plan. The opening sentence in my textbook on Managerial Accounting when I was completing my MBA said that “a business that fails to plan, plans to fail”, and that “Every well-run business has a business plan”.

In addition to determining the financial impact of your business over the next three to five years, we address over 50 other items relating to the operation of your business. The purpose of this is to really make you focus on your business by asking some pretty tough questions.

What are some of the issues you address in a long-term business plan besides the financials?

- Your mission statement- What can you say in one to three sentences that totally summarizes the purpose of your company? A good mission statement can be a critical element in defining your business and communicating to employees, vendors, customers, and owners, partners, or shareholders.
- How is (or will be) your company structured? Who are the officers? Board members?
- What services (current and future) will you be offering? You would be surprised how many companies I see that cannot answer this question!
- How do you compare to your competitors? What makes you different (and hopefully better than your competition (not just pricing, but also in the actual product or services)?)
- Who are your main competitors? Where are they? I recently informed one of my clients who had thought he had found the perfect location that there were **39** competitors (as defined by him) in a three mile radius of his proposed perfect location!
- What's going on in the market place for your product or service? How big of a market is it and what percentage do you think you can capture? You would be amazed at how many people think that they will capture at least 25% of the market and then be bought up by the likes of Microsoft!
- What are the buying patterns of your customers? What “makes them tick”?

- How will you effectively promote or market your product? Successful start-up companies usually spend 10% or more of their first year's revenue on marketing their product or service.
- What does your management team look like? What skills do they bring to the table? What are your "weak links" and what will you do about it? Remember, if you are going after financing, the bank will look at the management team as being the company. The success of your company (and thus the bank's investment) will depend on the strength of the key players in a company. They won't mind so much that you have a "weak link" as long as you have an action plan to fix this weakness.
- What are your personnel plans for the present and future? How much are you going to pay your people? Are you top-heavy on staffing or salaries?
- On the financial section, what are the important assumptions you made in building the budget? How long will it take you on an average to collect on your billing? How quickly will you pay your bills? How long and at what interest rate will you finance your loan(s) if you are going after funding?
- All financials (income statement, balance sheet, cash flow statements, break even analysis, revenue forecasts, personnel plans and financial ratios) must be calculated and also backed up with supporting documentation! Most business owners know their product or service "inside out" but don't have a clue when it gets to the accounting side of the business plan.

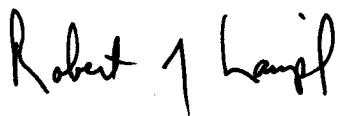
These are just some of the issues addressed in our business plans. A typical business plan if done correctly will take between 30 and 50 or more hours to complete. Much of this time is spent by the client with our guidance all along the way. We provide an outline of questions to be answered, instructions on how to answer the questions, and samples of completed client input.

If we do primarily the financials and the binding of the finished business plan, it usually takes us 20 – 30 hours and will cost between \$4,000 and \$6,000. If we do the majority of the plan, you are looking at between \$4,000 and \$5,000 on an average. Prices vary mainly due to the complexity of your business plan regarding the methodology needed to build your revenue and expense models. We can also review and suggest changes to complete business plans prepared by you for between \$1,000 and \$2,000. Many smaller business plans have been completed in the \$3,000 to \$4,000 range.

This will be the best investment in your business' future that you can make, as many business owners secure business loans with personal assets, such as your home for collateral. If the company fails due to improper planning, you could lose your personal assets. I have had to tell clients to cut their losses and get out of their business before they mortgaged their house and other assets. We have saved other clients from potential losses by the research we did on their proposed business locations and reviewing lease contracts before they obligated themselves to the terms and conditions on the lease.

Remember... Failure is not an option. It is, however, a nagging possibility that helps to keep you focused!

Thanks...



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