

# Advanced CBA Webinar: How To Write A Good Business Plan

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June 19, 2007

12:00 p.m. – 1:00 p.m. EDT

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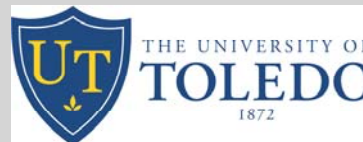
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Presentation slides can be located  
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# Dr. Sonny S. Ariss

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- Is the Director of the Small Business and Entrepreneurship Institute and a faculty member of the Department of Management in the College of Business Administration at the University of Toledo. Dr. Ariss holds a B.B.A. in Management, and an M.B.A. in Finance, both from the University of Toledo and a Ph.D. in Management from The Ohio State University. He has received multiple teaching awards, and is the 1993 and 1994 award winner of the U.S. Small Business Administration Best Small Business Case of the year.
- As Professor of Management in the College of Business Administration his current research centers in the areas of strategic planning, organization development and leadership, entrepreneurship and small business management. His articles have been published in both U.S. and international Journals, and have been presented at many national and regional conferences.
- Dr. Ariss is a recognized expert on strategic planning, entrepreneurship and business management and is an active consultant for several small and large Fortune 500 companies in their strategic planning and organization development efforts.
- He has served as the chairman of the City of Toledo Regulatory Study Commission and the Chairman of the Board of the Center for Technology Commercialization. He serves on the boards of several for profit and not for profit organizations in the Northwest Ohio region.
- Dr. Ariss is a member of Beta Gamma Sigma Business Honor Society, the National Academy of Management, the Strategic Management Society, the Decision Sciences Institute and the Society for Advanced Management.

# The Business Plan

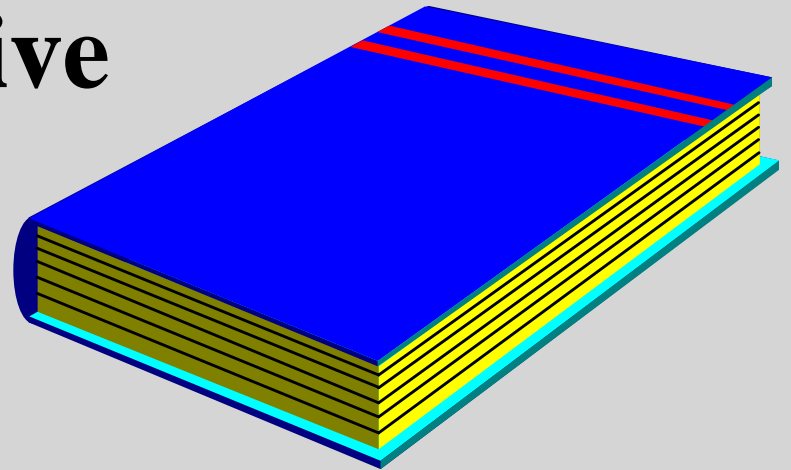
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## Writing an Effective Business Plan

Presented by

Dr. Sonny S. Ariss,

The University of Toledo





# Objectives of this Lecture

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- Explain the Purpose of a Business Plan
- Discuss the Benefits of a Business Plan
- Identify the Guidelines for Writing a Business Plan
- Discuss the Three Types of Business Plans
- Explore Each Section of the Business Plan



# What is a Business Plan?

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A business plan is the written document that details the proposed venture.

It must describe current status, expected needs, and projected results of the new business.

The business plan is the entrepreneur's roadmap for a successful enterprise.



# Benefits of a Business Plan

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Specifically for the entrepreneur:

- The time, effort, research, and discipline needed to put together a formal business plan force the entrepreneur to view the venture critically and objectively.
- The competitive, economic, and financial analysis included in the business plan subject the entrepreneur to close scrutiny of his or her assumptions about the venture's success.



## Benefits of a Business Plan, cont.

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- The business plan quantifies objectives, providing measurable benchmarks for comparing forecasts with actual results.
- The completed business plan provides the entrepreneur with a communication tool for outside financial sources as well as an operational tool for guiding the venture towards success.



## Benefits of a Business Plan, cont.

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Specifically for the financial sources:

- Details of the market potential and plans for securing a share of that market.
- The venture's ability to service debt or provide an adequate return on equity.
- Identifies critical risks and crucial events with a discussion of contingency plans.



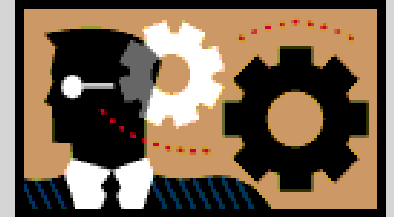
# Pitfalls to Avoid in Planning

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- Pitfall 1: No Realistic Goals
- Pitfall 2: Failure to Anticipate Roadblocks
- Pitfall 3: No Commitment or Dedication
- Pitfall 4: Lack of Demonstrated Experience  
(Business or Technical)
- Pitfall 5: No Market Niche (Segment)

# Three Main Viewpoints to Be Understood

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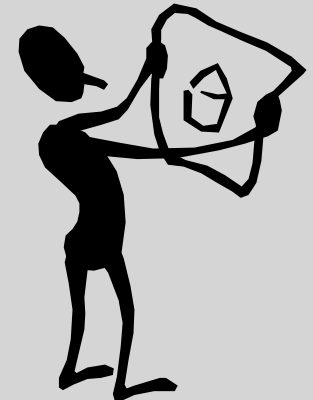


- Entrepreneurs' Viewpoint
- Market & User Viewpoint
- Investors' Viewpoint

# Who Reads the Plan?

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- Venture Capitalists
- Bankers
- Investors
- Potential Customers
- Lawyers
- Consultants
- Suppliers





# The Five-Minute Reading

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- Step 1: Determine the characteristics of the venture and its industry
- Step 2: Determine the financial structure of the plan (amount of debt or equity investment required)
- Step 3: Read the latest balance sheet (to determine liquidity, net worth, and debt/equity)
- Step 4: Determine the quality of entrepreneurs in the venture (sometimes the most important step)
- Step 5: Establish the unique feature in this venture (find out what is different)
- Step 6: Read the entire plan over lightly (this is when the entire package is paged through for a casual look at graphs, charts, exhibits, and other plan components)



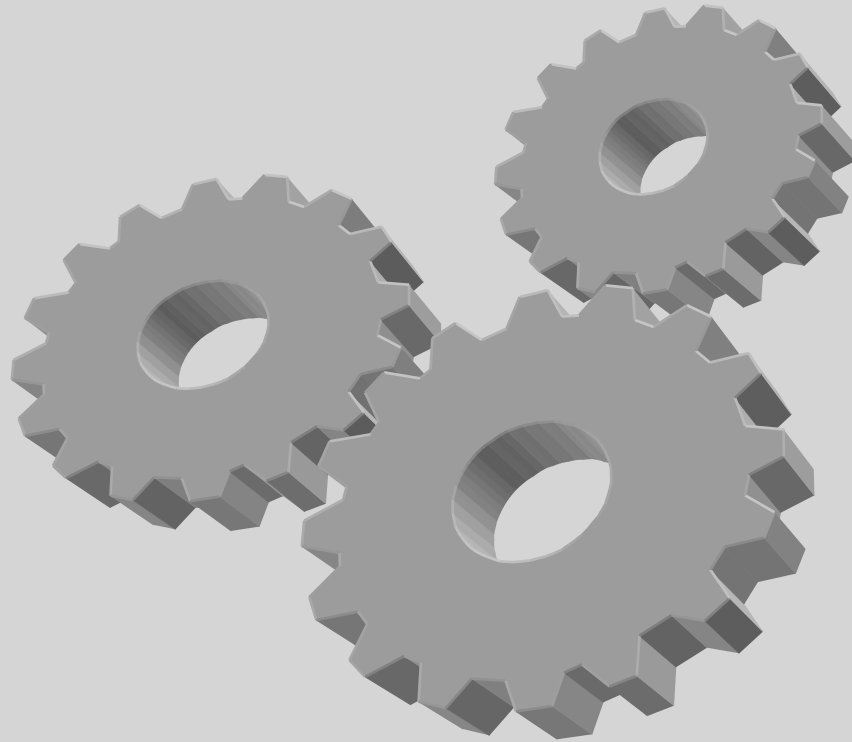
# Types of Business Plans

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- **Summary Business Plan**
  - 10 to 15 Pages
  - Works best in the early stages of development
  - To feel if investors are interested in the concept
- **Full Business Plan**
  - 25 to 35 pages
  - Works best for new ventures seeking funding
  - Serves as a blueprint for the company's operation
- **Operational Business Plan**
  - 40 to 100 pages
  - Meant primarily for internal audiences
  - Works best for creating a blueprint for a new venture's operations providing guidance for operational managers

# Elements of a Business Plan

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# Complete Outline of a Business Plan

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## Section I: Executive Summary

- A. Description of the Business Concept and the Business
- B. Summary of the Opportunity and Strategy
- C. Target Market and Projections
- D. Competitive Advantage
- E. Economics and Profitability Potential
- F. The Team
- G. Requirements of Doing Business



# Complete Outline of a Business Plan, cont.

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## Section II: Business Description

### A. Opportunity Rationale

1. Identifies Opportunity within Business Sector
2. Describes Entry Strategy and how to Capitalize on Market

### B. The Company

### C. The Product/Service

1. Merit/Uniqueness of Product
2. Potential Secondary Applications
3. Value Added Qualities



# Complete Outline of a Business Plan, cont.

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## Section III: Marketing

### A. Research and analysis

1. Target market (customers) identified
2. Market size and trends
3. Competition
4. Estimated market share

### B. Marketing plan

1. Market strategy – sales and distribution
2. Pricing
3. Advertising and promotions



## Complete Outline of a Business Plan, cont.

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### Section IV: Operations

#### A. Identify location

1. Advantages
2. Zoning
3. Taxes

#### B. Proximity to supplies

#### C. Access to transportation



## Complete Outline of a Business Plan, cont.

### Section V: Management

- A. Management team – key personnel
- B. Legal structure – stock agreements, employment agreements, ownership
- C. Board of directors, advisors, consultants

# Complete Outline of a Business Plan, cont.

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## Section VI: Financial

### A. Financial forecast

1. Profit and loss
2. Cash flow
3. Break-even analysis
4. Cost controls
5. Budgeting plans





## Complete Outline of a Business Plan, cont.

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### Section VII: Critical Risks

- A. Potential Problems
- B. Obstacles and risks
- C. Alternative courses of action

### Section VIII: Harvest Strategy

- A. Transfer of asset
- B. Continuity of business strategy
- C. Identify successor



## Complete Outline of a Business Plan, cont.

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### Section IX: Milestone Schedule

- A. Timing and objectives
- B. Deadlines and milestones
- C. Relationship of events

### Section X: Appendix or Bibliography

# Putting the Package Together

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- Appearance
- Length
- The cover and title page
- The executive summary
- The table of contents





# Guidelines to Remember

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- Keep the Plan Respectably Short
- Organize and Package the Plan Appropriately
- Orient the Plan Toward the Future
- Avoid Exaggeration
- Highlight Critical Risks
- Give Evidence of an Effective Entrepreneurial Team
- Do Not Over Diversify
- Identify the Target Market
- Keep the Plan Written in the Third Person
- Capture the Reader's Interest

# Presentation of the Business Plan

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- Know the outline thoroughly
- Rehearse the presentation
- Be familiar with any equipment





# What To Do When a Venture Capitalist Turns You Down: Seven Points

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1. Confirm the decision
2. Sell for the future
3. Find out why you were rejected
4. Ask for advice
5. Ask for suggestions for other potential investors
6. Get the name
7. Work on an introduction

# Any Questions?

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