

STARTING A BUSINESS

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BUSINESS PLANNING

WHY PLAN? The value of carefully conceived business goals and plans cannot be overestimated. Even if you have all the money you need, you still need a plan. Without a plan, you don't know where you are going and you cannot measure your progress. Sometimes, after writing a business plan, you may change your approach, or decide not to enter a certain business at this time. Plans provide you with;

- Improved Resource Utilization - Goal setting and planning require management to evaluate the company's resources and thereby better determine capabilities and limitations.
- Increased Motivation - A single direction established by goal setting and planning often eliminates frustration and provides motivation.
- Improved Understanding of Opportunities, Problems, and Weaknesses
- Greater Control - Goal setting and planning encourage adherence to completion dates, standards of performance, resource allocation, etc.
- A Source of Information for Third Parties - Written objectives and plans may be useful in seeking financing, in sales, or in other situations involving third parties.
- Education - the planning process, when properly done, is a tremendous business education process.

The basic steps to putting together a plan are to **LAY OUT THE BASIC CONCEPT, GATHER INFORMATION, FOCUS AND REFINE THE CONCEPT BASED ON THE DATA YOU COMPILE, OUTLINE THE BUSINESS SPECIFICS, AND PUT THE PLAN IN A COMPELLING FORM.** An effective business plan not only identifies opportunities but also addresses ways to minimize threats. Key areas to focus on are:

- Operations - Be familiar with the products and services, and how they are affected by purchasing, production, and marketing. Such information may include environmental conditions, competition, and customer's needs.
- Finances - Key areas are resource availability, profitability, cash flow, capital requirements, and debt coverage.
- Ownership Structure - Structural issues will have major tax, legal, and financial implications.

ELEMENTS OF A BUSINESS PLAN

- Cover Sheet, Table of Contents
- Executive Summary - a clear, concise, and compelling condensation of your business.
- The Business - conveying the basics of your business.
 - Descriptive History (legal structure, location, principals, past-performance).
 - Objectives of Owners or Managers (projections and forecasts, proposed capital structure).
 - Financial Status, Funding Required - Debt, Equity.
 - Timing and Use of Funds - When and how capital will be used.
- The Product or Service - Description, industry analysis, comparison with competitors (strengths and weaknesses), research and development, patents, trademarks, franchises, special skills or talents, etc.
- Marketing Plan -
 - Overall plan, strategy and tactics including risks and pitfalls.
 - Definition of target market - size, history, demographics, geographics, and trends of market.
 - Profiles of customers and end-users; preferences and needs.
 - Strengths and weaknesses of competitors.
 - Product Lines.
 - Pricing, Advertising, Promotions.
 - Distribution Channels, Regulatory Requirements.
- Production and Operations - Description of all facets of operations including methods, workforce, principal suppliers, existing and required facilities and equipment, management and organization.
- Financial Information -
- For existing companies, provide a summary of historical data.
 - Projected financial statements (Cash Flow, Income, Balance Sheet) for three to five years.
 - Significant Financial Assumptions (interest rates, profit margins, etc.).
 - Break-even Analysis.
 - Accounting Policies.
- Supporting Documents - management biographies or resumes, organization chart, historical financial information, employment contracts or agreements, loan covenants, articles of incorporation, by-laws, key contracts or letters of intent, endorsements, photos, market research results, technical information, manufacturing information, marketing material, work schedules, floor plans, etc.

GETTING STARTED

Things to consider:

- Choosing a name for the business
- Local, state, and federal licenses

- Estimated tax payments
- Misc. tax information returns - 1099s, 1098s, Form 8300, etc.
- Sales and Use tax permits
- Real Estate Tax
- Fictitious Business Name Statement
- Insurance
- Employees - Social Security and income tax withholdings, unemployment taxes, workers compensation insurance, benefit plans, employee safety and health regulations, employee wage-hour laws, fair employment practices, immigration law restrictions on hiring, new hire reporting, etc.
- Retirement plans for the owners
- Selecting tax accounting methods
- Income taxes, Deducting expenses related to your business
- Cash-flow management
- Asset protection
- Accounting systems

Most entrepreneurs, consultants, lawyers, programmers, sales reps, artists, etc. that I have worked with are very good at what they do. I have worked with many successful business people, and unfortunately also with many smart and hard-working people who have gone down in flames. The main difference between the successes and the failures seems to be how well they pay attention to the things that they do not do well. In most cases, the failures get tripped up by lack of planning and by exercising little or no financial control over their business. They do not understand their cash flows, and at any given time do not know whether they are amazingly profitable or in the process of losing their homes. My advice is to:

- Remember that you and your business are two separate entities. Do not commingle money between them.
- Make detailed plans.
- Monitor your progress against those plans, constantly testing your assumptions and the results of your actions. Have an accounting system good enough to allow you to do this.

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