

## PLANNING YOUR BUSINESS

Creating a new venture, either a new business or a new product, requires three key elements:

- Innovative idea
- Entrepreneurial drive
- Resources to go to market

Let's assume you have your innovative idea for a good hard cider product. The next element is entrepreneurial drive. At the end of this chapter is a self quiz to help you evaluate your entrepreneurial aptitude. (See Exhibit A) If you have any doubts, additional resources are listed under Exhibit B.

So now, all that's left are the resources. What are they? Time. Money. Property, plant and equipment. Labels and other intellectual property. People. These can be significant items.

The first thing to realize is that you cannot do all of this alone. You will need a management team that will include yourself, perhaps employees/partners, family members, consultants and others. You will also need to convince people outside your business organization that your innovative idea is financially sound – likely bankers or other sources of financing. You need a business plan! The business plan is your sales brochure to convince others that you have a good innovative idea and the entrepreneurial drive to succeed. The specific sections are:

- Executive Summary
- Mission Statement, History, and Objectives
- Business Organization/Operations
- Marketing Plan
- Management/Human Resources
- Financial Plan
- Supporting Documents

Executive Summary is the first part of the business plan but the last section to write. It is a brief (one or two page) synopsis that tells the story of the proposal. It is commonly called the “elevator pitch.” Imagine that you are getting on an elevator on the first floor of a bank building and the loan officer who can provide you money for the project gets on with you. You have the time it takes for elevator to go to the fifth floor to present your idea to the loan officer. That is your Executive Summary.

Mission Statement, History, and Goals and Objectives contains general information about your business. The mission statement is a concise description of your core business values. The history should emphasize the experience of you and your management team to accomplish the plan. You will need four or five general goals that can be a combination of financial, marketing, operations, and production. Objectives under each goal are specific strategies to achieve the goal. These should extend over the first five years of your business.

Business Organization/Operations includes:

- Organizational structure for your business (single proprietor, partnership, corporation, or cooperative)

- Reasons you elected to organize under this structure
- Business controls

You can include information about the accounting system you will use and who, on your management team will be responsible for accounting (you could also hire an outside accounting firm). If your business includes processing products, be sure to include an overview of the process and who will be responsible for controlling various aspects of the process, such as raw product purchasing, supplies purchasing, sanitation, food safety, etc.

The Marketing Plan needs to be extensive as this is how you will convert your hard work and planning into dollars that will pay you, your employees and partners, and your banker. You will need to clearly explain who will patronize your business and why. To determine this you will need market research to identify:

- Size of the industry in which you are competing
- Other businesses that will compete with you
- Relative size of those businesses in relation to your business
- Where the product(s) you are marketing are normally sold
- Relative volumes through those outlets.

Once you have this knowledge you can:

- Identify your target market(s) and the sizes of those markets either in number of consumers or dollars of sales or both
- Explain how and why your business will attract that market segment
- Identify the businesses that are most likely to compete for your market segment, anticipate how they might react to your entry into the market and strategize how you will address that reaction

You can include a SWOT analysis (strengths, weaknesses, opportunities and threats) for your business. Finally a detailed marketing strategy that explains how you can differentiate your business from your competitors' and how that will attract your target audience to your business. The budget for marketing should also be included.

Management/Human Resources should include

- Résumé for each of the members of the management team, emphasizing qualifications to manage the business
- Job descriptions for the critical positions in the business should be included
- Organizational chart, showing the number of employees in each position.

The Financial Plan should state the assumptions you used in developing your business plan. These could include average selling prices per unit, production costs, cost of goods, sales targets, and more. The following statements should be part of this section of your plan:

- Balance sheet, preferably projecting 5 years (first year monthly, then annual)
- Profit and loss, preferably projecting 5 years (first year monthly, then annual)
- Cash flow, preferably projecting 5 years (first year monthly, then annual)

You may need to include your personal financial statements. Separate schedules showing start up costs, production budgets, marketing budget, distribution costs, etc. should be part of this section. A breakeven analysis should appear here. A sensitivity test in the form of expected case, worst case and best case scenarios with a description of the assumptions inherent in each scenario will prove useful.

Supporting Documents will include legal documents relating to your business organization. Letters of intent from suppliers, customers, critical partners and others should be included here. Any details about assumptions made in the business plan that were not explained in the appropriate sections could be inserted here. You may need to include proof of insurance to satisfy a banker or any other documents that might increase the chances for success.

### SUMMARY

The business plan is essential for communicating to partners, investors and financiers that you have an economically viable business idea. It will serve as your “sales brochure” for you new business or product.

## SMALL BUSINESS SUCCESS QUIZ

Thinking of owning and managing your own business? It's a good idea-provided you know what it takes and you have what it takes. Are you the kind of person who can get a business started and make it go? Under each question, check the answer that says what you feel or comes closest to it. Be honest with yourself.

### Are you a self-starter?

- ☐ I do things on my own. Nobody has to tell me to get going.
- ☐ If someone gets me started, I can keep going.
- ☐ Easy does it. I don't put myself out until I have to.

### How do you feel about other people?

- ☐ I like people. I can get along with just about anybody.
- ☐ I have plenty of friends; I don't need anybody else.
- ☐ Most people irritate me.

### Can you lead others?

- ☐ I can get most people to go along when I start something.
- ☐ I can give the orders if someone tells me what we should do.
- ☐ I let someone else get things moving, then I help if I feel like it.

### Can you take responsibility?

- ☐ I like to take charge of things and see them through.
- ☐ I'll take over if I have to, but I'd rather let someone else be responsible.
- ☐ There's always an eager beaver around wanting to show how smart they are. I say, let them.

### Are you a good organizer?

- ☐ I like to have a plan before I start. I'm usually the one that gets things lined up when the group wants to do something.
- ☐ I do all right unless things get too confusing. Then I quit.
- ☐ Something always comes along and presents problems to your set-up, so I just take things as they come.

### How good of a worker are you?

- ☐ I can keep going as long as needed. I don't mind working hard for something I want.
- ☐ I'll work hard for a while, but when I've had enough, that's it.
- ☐ I can't see that hard work gets you anywhere.

### Can you make decisions?

- ☐ I can make up my mind in a hurry, if necessary, and everything usually works out.
- ☐ I can make up my mind if I have plenty of time. If I have to make a quick decision, I later question my judgment.
- ☐ I don't like to be the one deciding things.

**Can people trust what you say?**

- ☐ You bet they can. I don't say things that I don't mean.
- ☐ I try to be on the level most of the time, but sometimes I just say what's easiest.
- ☐ Why bother when the other person doesn't know the difference.

**Can you stick with it?**

- ☐ If I make up my mind to do something, I don't let anything stop me.
- ☐ I usually finish what I start - if all goes well.
- ☐ If it doesn't go right, immediately, I quit. Why beat a dead horse?

**How good is your health?**

- ☐ I am never run down!
- ☐ I have enough energy for most things that I want to do.
- ☐ I run out of energy sooner than most of my friends seem to.

**Now count the checks that you made.**

How many checks are there beside the first answer to each question? \_\_\_\_\_

How many checks are there beside the second answer to each question? \_\_\_\_\_

How many checks are there beside the third answer to each question? \_\_\_\_\_

If most of the checks are beside the first answers, you probably have what it takes to run a business. If you chose mostly second answers, you're likely to have more trouble than you can handle by yourself. It may be best to find someone to assist on the points on which you are weak. If many checks are beside the third answer, not even a good partner will be able to shore you up.

**Now think about *why* you want to own your own business.**

	YES	NO
Do you want a business badly enough to keep working long hours without knowing with how much money you'll earn?	_____	_____
Have you worked in a business like the one you want to start?	_____	_____
Have you worked for someone else as a foreman or a manager?	_____	_____
Have you had any business training in school?	_____	_____
Have you saved money?	_____	_____

## RESOURCES

Michigan State University Product Center for Agriculture and Natural Resources

Client Services

4700 S Hagadorn Road, Suite 210

East Lansing, MI 48823

Phone: (517) 432-8750

E-mail: [product@msu.edu](mailto:product@msu.edu)

Website: [www.aec.msu.edu/product](http://www.aec.msu.edu/product)

Michigan Small Business and Technology Development Center

Grand Valley State University

Seidman College of Business

510 W. Fulton Street

Grand Rapids, MI 49504

Phone: (616) 331-7480

Fax: (616) 331-7485

Email: [sbtdchq@gvsu.edu](mailto:sbtdchq@gvsu.edu)

Website: [www.misbtdc.org/](http://www.misbtdc.org/)