

A Business Plan For Success

Where You're Headed, How You're Getting There and Why You're Going

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Whether you are starting a new business, expanding an existing one or merely trying to survive, in order to increase your chances of success, one tool can do it all: a business plan. What's more, that same business plan will not only help guide your business to success, it can also be an extremely useful tool to obtain financing for your operation, convince your suppliers to extend credit to your business and assist you in marketing your products or services.

Only about 30 percent of all businesses in the United States today have a written business plan. This statistic was discovered through the efforts of The Entrepreneurship Institute (TEI), a nonprofit organization based in Columbus, Ohio. This naturally raises the question: why haven't the other approximately 70 percent of businesses taken the time to plan their business's path to success?

The most common reason cited by business owners and managers about why so few have business plans is a lack of time. The experts claim that this lack of business plans demonstrates how few business owners and managers actually understand the many benefits provided by even the most basic business plan.

Business and marketing plans should include detailed financial projections and cash forecasts complete with all assumptions on which those projections are based.

What is a Business Plan?

A business plan, at its most basic, establishes goals for your business. With those goals established, the business plan allows you to chart the fastest, most effective and least expensive course to reach those goals. In other words, the business plan is nothing more than a road map to whatever goals you may set for yourself and the business.

A business plan will force you to crystallize your thinking, taking into consideration everything that affects your business. You will have to analyze, assimilate, calculate,

revise and make decisions about the products or services that you provides. You will have to think about how to make a profit through a marketing campaign.

In the course of setting goals and preparing a business plan, there are three questions you should be able to answer.

What Business Are You Really In?

What is happening in the business environment that could affect your operation?

How do you organize all the resources you have (human, financial, material, etc.) to meet the challenges ahead?

In other words, who are you (business), where are you going and how do you plan to get there? If you can answer these questions for yourself, potential investors, lenders as well as your suppliers and customers will be far more willing to do business with you.

There is no one best way to prepare a business plan. The process normally begins with a "defining of the opportunity and need." Every successful product or service must fill a specific need within a market. Success is based on filling this need more effectively than the competition. This may be a better solution to a problem, a lower priced product, quality enhancements, more variety or superior customer service.

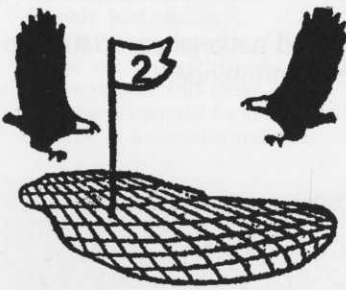
Most new products and services are the result of failures by existing companies to adequately meet the needs or demands of the market. The business plan should address a detailed and clearly defined business opportunity including an analysis of all of the risks, the current state of the market to be tapped including competitors and potential competitors, plus the existing business and technical expertise.

What is the Need That is to Be Addressed By Your Business Venture?

Is this need already addressed by others? Most importantly, is there money to be made delivering the product or service?

The final component of the business plan attempts to answer that last question, can you make a profit providing a product or service? A key element to any business plan relates to financial issues.

(Continued on Page 17)



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(Continued from Page 16)

How much money is needed to bring the product or service to market? Once on the market, what funds are necessary in order to sustain the business until such time as the venture becomes profitable?

All business and marketing plans should include detailed financial projections and cash forecasts complete with all assumptions on which those projections are based. Forecasts should be developed for a three to five year period and include three different business scenarios (optimistic, pessimistic and most likely).

The document is now ready to serve as a guide in the development of your business. Naturally, over time, the business plan will be revised to reflect changing situations and newly acquired knowledge.

Setting Up Your Business Plan

Your business plan will need some type of structure. Depending on how you plan to use it, the contents of the business plan will vary. If you're not interested in raising financing, but simply want to use the business plan for your own personal evaluation of the operation, then forget the formalities of a typewritten, formatted, indexed document.

Naturally, if you are planning to use that business plan for startup, expansion funding or to attract outside investors, then you will need to make it promotional, substantive and succinct.

Business Plan Design

While there are no set rules for designing a formal business plan, there are some guidelines that will help.

A business plan should be typewritten including page numbers, an index for easy reference, a glossary if you are using words and terms that are foreign to potential investors and a cover page outlining your intents.

The document should be inserted into a clear binding or cover.

Your plan should be approximately 25 to 50 pages long. The length depends on many factors, including type of business, supporting documentation, etc. Again, there is no set rule on the length of a business plan; 25 to 50 pages is simply used as an average.

While each business plan is different, depending on the business and what the plan will be used for, here is an outline of items that might be addressed in a business plan.

First, begin with a one to two page Summary of the proposed venture. This should include the company's goals and purpose, the product features and market potential, capital required and technical and operational milestones. Since venture capitalists may never look past the summary, it has to be good. State the purpose of needed funds, what these funds will enable the company to achieve, as well as how the investor or lender will benefit.

Second, you should have a Table of Contents. List the different sections of the plan. Organization of the plan will

show something about your ability to organize a business.

Management abilities is another, and probably the most important, key to funding by outside sources. One venture capitalist was recently quoted as saying: "Anyone can come up with an idea, but we look for the person(s) who can take the idea and build a business around it."

After the table of contents, you will want to include your Statement Of Purpose. This section will outline the company overview, goals and objectives, company strategies and critical success factors.

Next is the Operations Plan section, which should include the background summaries of the principals, employee staffing requirements, a company organization chart, a product and service description, the purchasing and production planning overview, etc.

The next section will be the Marketing Plan. This section should include a product and service description (in more detail than outlined in the Operations Plan), a market description, promotional strategy, pricing strategy, distribution channels, business location as well as an analysis of the competition.

The last section will be the Financial Plan. It will include the balance sheet, income statement, cash flow statement, sales statistics, staff additions, payroll expenses, capital additions, depreciation expense, debt amortization, accounts receivable, accounts payable, material flow, and detailed expenses. All projections should be based on a five-year time period. The more comprehensive that your business plan is, the better your chances are of successfully obtaining the financing you need for your business.

It should go without saying that you must understand your business better than anyone. Having a computer do the work for you isn't going to impress anyone except yourself. If you are having difficulty finding the information you need, consult with an expert.

A viable business plan is no assurance of success. During the course of any business venture, conditions change and the operation is forced to adjust to events beyond its' control. However, a business plan will help minimize the number of unforeseen events that can negatively impact on your business as well as improve the odds of successfully surviving the pitfalls normally encountered by every business.

(Editor's Note: Mark E. Battersby is a frequent contributor to Turf magazine, writing on financial and business matters. He resides in Ardmore, Pa.)

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