

Session Seven

Building a Business Plan — Part A: Answering the Key Questions

If you fail to plan, you plan to fail.

— Anonymous

Overview:

Up to this point in the course, as a member of the Aspira Business Club, you have been laying the groundwork to begin writing a formal business plan. You have already developed a clear business idea that responds to an opportunity. You have considered how to structure your business and evaluated your strengths and weaknesses. Finally, you have thought about how you will finance your start up. Now that you have reached this point, you are ready to begin drafting a written business plan. A business plan is a formal presentation of your business idea that will be evaluated by potential partners, investors, creditors, suppliers, salespeople and other supporting organizations. Anyone with an interest in your business will want to review your plan.

This session and the following two sessions are designed to provide guidance in drafting a written business plan that follows a generally accepted format. According to the Small Business Administration, a US Government agency that supports entrepreneurs, a business plan must respond to four key questions:





- What service or product does your business provide and what needs does it fill?
- Who are the potential customers for your product or service and why will they purchase it from you?
- Where will you get the financial resources to start your business?
- How will you reach your potential customers?

Over the last several weeks, you have put some serious thought into each of these questions. You may even feel that you know exactly how to respond. The next phase is to start putting your answers in writing. Once you have drafted a response to these questions, as you will during this session, you will have already written the basic sections of your plan. In Session 8, you will learn about ways to finance your business (Question 3). Session 9 offers you a chance to get specific about market research (Question 4). Lastly, in Session 10, you will learn strategies for presenting your plan.

Note to instructor: Given that writing a business plan is both intensive and time consuming, Sessions 7 through 10 reduce the amount of structured class time. Instead, the instructor may opt to allow students time to work individually or on teams while in class or in a computer lab, or could keep the sessions short so that students can work independently. *Please note that this business planning exercise will exclude preparing the section on financial data that is typically required of adult entrepreneurs.*

Session Goal: To begin the formal process of drafting a business plan by understanding the business plan's purpose and structure.

Section activities at a glance:

Suggested Activities	Time	Objective
 7.1 What is a Business Plan?	15	Provide an overview of the basic structure and sections of a business plan. Describe how entrepreneurs, investors and lenders use business plans.
 7.2 Brainstorming Session — The Key Questions	40	Allow students to put their initial responses to Key Questions on paper.
 7.3 Writing Your Plan	60	Allow students unstructured time to work individually or on teams to draft their written response to key questions.
 7.4 Session VIII Preview and Assignments	5	Provide overview of next session's topic. Clarify time and meeting place of next activity. Discuss milestones and dates for completing the business plan.



Activity 7.1: What is a Business Plan?

Time: 15 minutes

Purpose: Provide an overview of the basic structure and sections of a business plan. Describe how entrepreneurs, investors and lenders use business plans.

Materials Needed: Chalkboard or flip chart, participant handouts.

Facilitator Presentation — Discussion Notes:

A business plan works for an entrepreneur in the same way that a building blueprint works for an architect. No architect would think of starting construction without first feeling confident that the blueprint shows a good design. Similarly, no business idea will get off the ground unless the entrepreneur behind it invests some time in developing a detailed business plan.

A business plan is a document that shows your intentions, strategies for running your business, and the capabilities and experience that you (and your partners) have to offer. Some entrepreneurs get frustrated by the exercise of developing a business plan, especially when they're eager to start selling their service or product. However, you shouldn't view it as an obstacle, but as a necessity. Most of us have heard the saying: "If you fail to plan, you plan to fail." Getting a good business plan on paper is a challenge facing any entrepreneur and the most important goal of the Aspira Business Club.

In case you are wondering what a business plan has to do with you, Handout 1 provides some of the answers.

Approaching the Business Plan

Business plans usually follow the same general format, which you will see in Handout 2: Business Plan Outline. So that you don't feel overwhelmed when you first looking over the business plan outline, you may want to categorize each bullet into three categories by writing a 1, 2, or 3 next to it.

The first category would be items where you have already begun developing a response. You may remember a previous handout, assignment or journal entry where you addressed this question or issue. All points under category one just require to organize information you already have.

The number two category would include points that you have thought over but are not necessarily written yet. These bullets should not take you too long to develop.

Lastly, the number three category, includes points in areas where you do not feel that you have a clear response prepared. These areas will be the most difficult for you to address and will require more effort.

Don't stress out too much if you feel that you are writing '3' in a lot of places. The next three meetings of the club will address most of these points and allow you time to get your plan up to speed in each area.

Discussion questions:

- a) Look at Handout 1. With your business in mind, who represents each of these interested groups specifically? In other words, who might your creditor be? What about your supplier?
- b) What specific questions will people have about your type of business?
- c) As a young entrepreneur, what additional questions might you face? How do you plan to respond?
- d) Referring to Handout 2, what parts of the business plan will be the easiest to prepare? Which will be the most difficult?



Activity 7.2: Brainstorming the Key Questions

presentation

Time: 40 minutes

Purpose: Allow students to put brainstorm how they plan to respond to Key Questions about their business.

Materials Needed: Chalkboard or flip chart, markers, participant handouts.

Facilitator Presentation — Discussion Notes:

(Encourage students to use Handout 3 to write down ideas.)

Now that club members have had an opportunity to become familiar with the business plan format and take a quick assessment of what needs to be done, we can benefit from talking through each of the major points as a group. According to the Small Business Administration, a business plan should answer four key questions:

- 1) What service or product does your business provide and what needs does it fill? **Ideas and Opportunities – (Session 5)**
- 2) Who are the potential customers for your product or service and why will they purchase it from you?
- 3) How will you reach your potential customers? **Marketing (Session 9)**
- 4) Where will you get the financial resources to start your business? **Finance (Session 8)**

Handout 3 breaks these key areas into a series of questions:

- What type of business am I interested in starting?
- What will I name my business?
- What services or products will I sell? Where will I be located?
- What skills and experience do I bring to the business?
- What will be my legal structure (for profit, non-profit, partnership)?
- What equipment or supplies will I need?
- Who are my customers and how will I reach them?
- Will I need a business license or other permission to operate? What about insurance coverage?
- What financial resources do I have?
- What additional resources will I need and how will I get them?
- How will I compensate myself, my partners, my staff?

Your answers to these questions will help you create a focused, well-researched business plan that should serve as a blueprint. It should detail how the business will be operated, managed and paid for.

At this point, we will hold two back-to-back brainstorming sessions. The first session serves for teams or individuals to respond to each question on their own. For the second session, the club will come together into one group so that each member can provide constructive criticism and additional ideas to other business plans.

Activity Plan:

Session I

- 1) Break students into small groups. A group consists of students who are all working on the same business plan. If any students are working individually, they should work alone during the first brainstorming session. Allow groups or individuals to find quiet places to work where they are not disturbed by other meetings.
- 2) In the case that your club will work as one business plan team throughout, skip to Session II.
- 3) Remind students of the ground rules for brainstorming sessions: be open to new ideas; be respectful; give each other time to talk; piggyback ideas; keep criticism constructive; agree to disagree, etc.
- 4) Ask each group to spend 20 minutes going over the points on Handout 3.
- 5) At least one person should be designated to record responses.
- 6) The purpose of Session I is to put initial ideas on paper and make sure that every member of a business plan team gets involved.
- 7) Business plan team members should attempt to come to some agreement as to how they will present each point.
- 8) Teams members should start taking responsibility for the responses they will draft.

Session II

- 1) After business plan teams have met, the students should return to the larger group.
- 2) The facilitator should call on one member of each group who will share the group responses.
- 3) Starting with the first group, the facilitator should ask for the responses to each questions, which the student can read from the sheet.
- 4) Pausing after about every three questions, the facilitator should ask the other members of the club to comment, offer suggestions, add information, etc.
- 5) Once one person/team has finished receiving feedback, another team should take its turn.
- 6) The purpose of this session is to allow each team to receive feedback from club members and the facilitator before moving forward.



Activity 7.3: Writing Your Plan

Time: 60 minutes

Purpose: Allow students unstructured time to work individually or on teams to draft their written response to key questions.

Materials Needed: Computers for each business plan team or individual; diskettes for saving work.

Activity Plan:

Students should be allowed unstructured time at the club meeting (if computers are available) or should be dismissed early to dedicate time to their plans. The club facilitator and/or business plan mentors should be available to guide and encourage students. Advise students who are preparing business plans on teams to spend time dividing sections among each other to be written up before the next session.



Activity 7.4: Assignments & Session 8 Preview

Time: 5 minutes

Purpose: Provide overview of next session's topic. Clarify time and meeting place of next activity. Assign background reading, journal entry and research topics.

Materials Needed: None

Steps to Cover:

- 1) Using the Objectives Section of the Session 8 Facilitator's Guide, preview the topics that will be discussed during the next session.
- 2) Determine a reasonable goal for students to reach this week as they begin drafting their plans outside of class (e.g. Sections 1-4 from the Outline in Handout 2).
- 3) Make sure that students are clear on the next meeting time and place of the *Aspira Business Club*. Indicate how any schedule changes will be communicated and decide if you or a student will send a reminder.

Handout 1:

Who Cares About My Business Plan?

1) You Do!

The exercise of writing a business plan will help you better define your business opportunity, ideas and strategy. You will go through a useful process of crystallizing your thoughts and organizing concepts into a clear message that makes sense to anyone who reads it. You may identify potential problem areas that you had not seen before. A good rule of thumb is that an entrepreneur who cannot produce a good business plan will get into trouble trying to run a business. So use this process as a test of your motivation to make your idea a reality. Even as a successful business owner, you will occasionally review your original plan for guidance and encouragement.

2) Your Creditors

Creditors are the banks, credit unions or people who are willing to lend you money to get your business started. Since their money is on the line, they will want to see how you plan to use it and, most importantly, how you plan to pay it back. Creditors have experience judging business plans and they will look at how realistic your plan is. They might ask, for example, if the profits you are predicting during Year 1 are really possible. They will look at the experience of similar businesses and try to predict what your will be. They will also look at your past experience with repaying loans and other debt (found in your credit history) for evidence that you are a trustworthy borrower.

3) Your Investors

Investors are similar to creditors in that their money is on the line. However, as you will see more in Session 8, investors don't expect you to pay them back. Instead, they enter in an arrangement where they benefit from your success. For example, an investor may agree to provide the funds you need now for a percentage of your profits or a percentage of the business ownership later. However, if your business fails, investors lose their money. Therefore, they will be very interested in the strength of your plan.

Note to self: Often young entrepreneurs have trouble attracting traditional creditors and investors to their business. If you are under 18, you cannot take out a business loan and would have to rely on a parent or another adult to do this on your behalf. You will find that most institutions feel that you have too little experience to give you money. However, don't let this discourage you. Several nonprofit organizations and foundations hold business plan competitions every year. The best plans are awarded grants to pay for start-up costs. You may want to start exploring your options now.

4) Potential Partners

A business partner is the ultimate investor in your business: someone who takes on the same responsibility of the business' success as you do. When asking a partner or partners to join your team of business owners, you are asking them to invest significant time and energy in the business. Partners assume the same risk that the business has trouble getting started or even fails. On the same note, partners stand to benefit as much as you will from your business' success. For all of these reasons, someone you are inviting to be a partner will want to review your plan carefully.

5) Your Salespeople

Imagine that your business idea is a unique T-shirt design that you know will soon be on the cutting edge of fashion. Unless you plan to go door-to-door selling t-shirts, you will have to find clothing storeowners who are willing to stock your shirts in return for a percentage of the sales price. These salespeople will want to know that your product is good quality and that your business is solid, since their customers will come to them if there is a problem. Imagine if your shirts shrunk to half their size after one wash. Or if the shirts were so popular that the orders doubled in one month. Your salespeople would want to know how to avoid problems or how your business will respond. They will want to see this information in your plan.

6) Your Suppliers

Suppliers are on the opposite side of your business from the salespeople since they help create your finished product. To go back to the T-shirt example, a supplier might be a company in El Salvador that produces the cotton shirts to the design you specified. Suppliers take on some risk because they often create the product before it has been proven to sell. What would happen if you ordered 1000 shirts from your supplier but could only sell 200 of them? Your supplier wants to know that your company is financially solid and will pay them for their work. They also want to see that your sales plan is realistic, and that you won't be over or under ordering. Suppliers will often ask to see the business plan for a new company before committing to manufacture the goods.

Handout 2:

Sample Business Plan Outline¹

The following outline of a typical business plan can serve as a guide. You can adapt it to your specific business. Breaking down the plan into several components helps make drafting it a more manageable task.

1. Cover sheet

2. Statement of purpose

Briefly summarize your business idea and the opportunity it serves. Give your business' name, describe how it will be structured and mention who the owners are.

3. Table of contents

4. Introduction

- Give a detailed description of the business and its goals.
- Discuss the ownership of the business and the legal structure.
- List the skills and experience you bring to the business.
- Discuss the advantages you and your business have over your competitors.

5. Marketing

- Discuss the products/services offered.
- Identify the customer demand for your product/service.
- Identify your market, its size and locations.
- Explain how your product/service will be advertised and marketed.
- Explain the pricing strategy.

¹ From the Small Business Administration website:
http://www.sba.gov/starting_business/startup/guide2.html#bplan

6. Financial Management²

- Explain your source and the amount of capital needed to start your business.
- Develop an operating budget for the three months.
- Discuss your break-even point. (The point where you will have sold enough of your product or service to match your expenses)
- Develop an expected return on investment and monthly cash flow for the first year.
- Provide projected income statements and balance sheets for a two-year period.
- Explain your personal balance sheet and method of compensation.
- Discuss who will maintain your accounting records and how they will be kept.
- Provide “what if” statements that address alternative approaches to any problem that may develop.

7. Operations

- Explain how the business will be managed on a day-to-day basis.
- Discuss hiring and personnel procedures.
- Discuss insurance, lease or rent agreements, and issues pertinent to your business.
- Account for the equipment necessary to produce your products or services.
- Account for production and delivery of products and services.

8. Concluding Statement

- Summarize your business goals and objectives and express your commitment to the success of your business.
- Once you have completed your business plan, review it with a friend, mentor or business associate.
- When you feel comfortable with the content and structure make an appointment to review and discuss it with your lender. The business plan is flexible document that should change as your business grows.

² An adult entrepreneur would be expected to complete this section in detail. For the purpose of this course, you will focus on the sections that are underlined and give only a brief description of how you plan to finance your business.

Handout 3: The Big Questions

(based on the Small Business Administration Website)

- What type of business am I interested in starting?
- What will I name my business?
- What services or products will I sell? Where will I be located?
- What skills and experience do I bring to the business?
- What will be my legal structure (for profit, non-profit, partnership)?
- What equipment or supplies will I need?
- Who are my customers and how will I reach them?
- Will I need a license? What about insurance coverage?
- What financial resources do I have?
- What additional resources will I need and how will I get them?
- How will I compensate myself, my partners, my staff?