Example company inc.
Business plan

section 1—executive summary

[The format of this business plan is designed to meet several requirements in addition to internal business planning. In the first paragraph of the executive summary, you will want to summarize the performance of your company to date and describe the market. In the second paragraph, summarize the activities in the most recent year, and in the final paragraph, include a short statement about your goals. A sample executive summary is shown below.]

Example Company Inc. has been in business for the past 15 years servicing both private and public entities in the environmental consulting field. Presently the company has performed well on all its contracts to date and will be stabilizing our growth in 2009. The main market that Example Company Inc. has focused on is environmental support for road design projects, with a secondary market of federal government contracting, and a tertiary market of private contracting. Financially, Example Company Inc. enjoys good cash flow and is positioned well going into the year 2009.

For the year of 2008, the recession has had a negative impact on Example Company Inc.'s growth. Even though from a revenue and profit standpoint, it has been our best year, from a personnel standpoint we are approximately half the size we were last year. State transportation agencies continued to be most of our market and federal agencies have seen budget cuts and project delays. Example Company Inc. has shrunk the staff, but still is able to service all areas of NEPA (National Environmental Protection Act) environmental consulting and will watch the overhead closely.

For 2009 Example Company Inc. has two main goals: one is to continue to keep the overhead low based on the severity of the economic recession, and the other is to market new projects.

VISION AND MISSION

 [There has to be a higher reason to get into business other than the goal of making a lot of money. If the vision or mission of your company is to be rich, it will create a philosophy that will foster short-term business decisions. Sample vision and mission statements are shown below.]

The Vision that the owners of Example Company Inc. have is to contribute to the quality of life of society through sustainable growth.

The Mission of Example Company Inc. is to offer high-quality environmental consulting services. These services are designed to enhance the client's business and allow them the opportunity for sustainable growth.

Major Accomplishments

[Since this is for the business, it may be pretty short when you are just starting out—maybe a couple of bullet points.]

Present Market

[Should be a couple of bullets. A general analysis of the market.]

section ii—business history, background, and objectives

Business History

[Start out with the history of you. This is a great exercise in self-analysis. When I did my history, it was pretty obvious I had a strong sales background but lacked in other areas. Every year that you are in business, you need to add a paragraph.]

GOALS AND OBJECTIVES

Short-Term Goals and Objectives

[Objectives are the steps to get to the goal. There is a restaurant close to my business and the owner said that her goal is to put more "butts in the seats." This is a nice goal but it would have been better if she had said her objective was to have the best food for the price and the best service. If she can accomplish that then the end result would be more "butts in the seats." Realize that if you only have a goal to make a lot of money with no steps to get there, you won't make it to your goal.

One of my goals was to be able to live in the town where my family and friends are located. This gave my company a business philosophy of not trying to maximize profits and make as much money as possible, but instead made us customer-friendly with an attitude of getting the job done even if we lose a little money.

Long-Term Goals and Objectives

[Fewer changes from year to year here. Should be compatible with the vision and mission statement. Big objectives like building an office building would go in here, maybe on a multiyear time frame. Also preparing the business for sale or employee buyout is a multiyear objective that might have several objectives involved along the way.]

SALES AND MARKETING OBJECTIVES

[State who your target customers are and how you are going after them.]

MAJOR ACCOMPLISHMENTS TO DATE

[Similar to business history, but more on the successes side of the equation.]

INITIAL CAPITALIZATION AND FUNDING

[Where is the money coming from, how much are you putting in, and what do you owe?]

MANAGEMENT

[Who are the managers and what are their responsibilities? Really need to hash this out with any partners.]

SECTION III—BUSINESS ENVIRONMENT

EXTERNAL FACTORS

[What's the environment like (i.e., laws, infrastructure (roads), anything that can impact your business)?]

SECTION IV—SERVICES OFFERED

PRESENT PRODUCTS AND SERVICES

[What type of products or services are you offering? Really look at yourself, the business, and the market. Too little or too much is bad. The description for my company is only two sentences.]

PLANNED CHANGES TO PRODUCT LINE OR SERVICES

[What additional products or services do you plan to offer? This is an important strategic section as your company grows.]

SECTION V—PRESENT MARKET

DESCRIPTION OF PRESENT MARKET

[This should cover geographic areas, government versus private, and a general description of your customer/client.]

GROWTH POTENTIAL IN MARKET

[Growth or lack of growth in your market. Sometimes things slow down, it's important to document that.]

MAJOR CUSTOMERS

[I have about six. If you have a retail store or restaurant you might have one (public), but you really should define them demographically and geographically.]

CURRENT MARKETING EFFORTS

[Since my company is so specialized, this is a small section. I would think that for a business that is promotionally dependent, this could have several subheadings outlining the different types of media (radio, TV, newspaper). Find out what your successful competitors are doing and emulate them.]

PRICING POLICY

[Another area to do some competitive snooping. Can you be competitive if the market is price based? Does your competitor have great services for a reasonable price?]

CREDIT AND COLLECTION POLICY

[An important part that businesses neglect. No business is better than bad business and clients that don't pay. What are your terms? How do you collect past due accounts? Be prepared to be flexible on payment terms—as a microbusiness you are at the end of the line.]

BUSINESS SEASONALITY CHANGES

[Really important in the retail/restaurant trades. I have a friend whose retail business drops to zero for three to four months after the holidays. For me it's field season in the summer, report writing in the winter. How are you going to get through the lean months and have cash to start back up? Does it hit all at once and you need a bunch of money? If so, then you should get a big line of credit.]

SECTION VI—COMPETITION

PRIMARY COMPETITORS' PROFILES

[Another important section. Who are you competing with and what are their strengths and weaknesses? I knew of vice presidents for a large grocery chain that shopped at the competition to see what they were doing. If you can get in their business legally, take notes, see what the marketing is, and see what their pricing structure is.]

Example company inc. ADVANTAGES AND DISADVANTAGES

[Analyzing the previous sections including competitive analysis, pricing, marketing, environmental factors, finances, and seasonality (if applicable), this section should be an accurate depiction of your company's strengths and weaknesses.]

SECTION VII—MARKETING PLAN

TARGET MARKET—PRIVATE SECTOR/INDUSTRY

[General sectors, geographic limitations, areas that you might want to avoid.]

TARGET MARKET—GOVERNMENT

[General sectors, geographic limitations, areas that you might want to avoid.]

MARKETING STRATEGIES

Based on your target market, what things are you going to do to develop and expand these markets.

OTHER MARKET SEGMENTS

[Make a numbered list: Large companies, small companies and local firms, state and local government, consumers, etc.]

SECTION VIII—MANAGEMENT AND ORGANIZATION

MANAGEMENT TEAM WITH STRENGTHS AND WEAKNESSES

[Look at yourself in the mirror. Ask your significant other and any mentors you have. Do some soul-searching. Here is my humorous strengths and weaknesses section:]

The management team currently consists of the president and corporate secretary/treasurer. The president's strengths are in the areas of marketing and management. The president's weakness is the inability to have an attention span of more than two minutes. He also can get off subject immediately and talks too much. The president has strengths in the technical areas of hazardous waste and noise consulting and has the ability to identify his weaknesses and stay out of everybody’s way as much as possible so that they can do their job.

GOALS FOR MANAGEMENT TEAM DEVELOPMENT

[What type of classes or certifications do you need? Are you lacking in the accounting area? Do you need more management skills? Knew a baby boomer landscaper in his 50s who took a class in how to deal with millennials.]

MANAGEMENT SUCCESSION PLAN

[Microbusinesses like mine have a difficult time setting up a succession plan. The problem is that in a closely held company, you would need to promote someone into an ownership position. This can create control issues, information issues, and philosophical differences. Eventually it can lead to legal issues and liability issues for the minority owners. Sometimes a family member such as a child can take over the business, but depending on how hard you work they might not be interested.]

PLAN FOR ADDITIONAL PERSONNEL

[I have gone both directions in this section, added and then laid off. Unless I foresee major changes this is my standard language:]

Additional personnel will be added on an as-needed basis and only when there is enough work to be done based on a full-time equivalency. Example Company is starting to use several contract employees on a full-time basis and is starting to interview prospective employees. Subcontractors and contract employees who perform well will be the first to be hired as employees, with incentives and bonuses for performance. The plan continues to be to stabilize the staff in 20XX.

SECTION IX—BUSINESS RESOURCES

MAJOR OPERATING EQUIPMENT

[A detailed list of major operating equipment with a description, date of purchase, initial cost, and estimated value. Important to calculate when to replace aging equipment and the potential cost of replacement. Companies can get blindsided by depreciated equipment that they haven't planned on replacing. In my business this means copy machines, computers, and select technical items (noise meters, etc.).]

MAJOR SUPPLIERS

[This is another important section. These major suppliers are the ones that without one of them, your business will fail. It is important to identify these suppliers and take care of them, not only by paying on time but also by being easy to work with. If you don't pay these suppliers or you are a demanding jerk, they just might fire you. At the end of my relationship with a wind developer, he owed me quite a bit of money and had been so awful to work with that I finally had enough. I ended up demanding that he pay all his bills before I gave him some critical information for his project. Even though he asked to negotiate, he had treated me so poorly that I demanded everything, ruining the project and leading to his eventual bankruptcy.]

OTHER OUTSIDE SOURCES

[Tier two suppliers, not as important as the tier one suppliers above.]

QUALITY CONTROL PROCEDURES

[How do you keep the quality of your products or services high? I think any business owner must be neurotic about quality. The more competitive the industry, the more the little things distinguish you from your competitor. Also the ability to make things right with the customer when they do go wrong is critical. Remember, if you don't sweat it, you won't make it.]

LABOR REQUIREMENTS

[Do you need skilled labor? Is it seasonal? Where do you get the labor force, and are they available when you need them? You need to do some thinking about turnover, type of employees, etc. Nothing worse than getting the business and not being able to service it because of a labor shortage.]

TRAINING NEEDS

[What are the training needs of your employees and when should you schedule them. Is your business seasonal, so you should train your employees during the off season? What is the best value that will increase their competency and not waste their time? You need to give new employees a chance to understand your system and get up to speed; too many companies just throw new employees into the ring and let them fight it out. I try to forecast increase in sales and bring new employees on and train them in the expectation of the demand increasing. It can cause a profit lag until the market demand catches up, but allows them time to come up to speed.]

NUMBER OF EMPLOYEES

[Full-time and part-time. As a general comment—I always like hiring people part-time to see if they work out and then making them full-time. But if the market is hot, you may have to offer full-time immediately.]

SECTION X—FINANCIAL PLAN/DATA

SALES AND PROFIT TRENDS

[List the year, revenue sales, and profit or loss. My first two years were losses, my next three years I made a poverty-level wage. So your first five years in business, you'd better be prepared to go on a diet. Every year, I add to the list and I make a conservative projection for the coming year, which is always about 10 to 20 percent less than what I usually make.]

CAPITAL BUDGET

[My consulting business does not have a high capital budget for equipment. If you do have a lot of equipment, it's critical that you budget for adding and replacing equipment as needed. But don't add too many too fast. There is nothing worse than having five end dumps and four backhoes in your yard doing nothing, each of them a house payment.]

ASSUMPTIONS FOR PROJECTIONS

[Reasonable assumptions for projections, please; without a lot of blue sky. If you think you're going to take off like a rocket, you need to be specific with the backup assumptions.]

LINE OF CREDIT

[Line of credit is interesting. When I started my business, my line of credit was a second mortgage on my house. One of my mentors did personal guarantees on his major transactions well past the time when the bank required it from him. For business it's pretty important to have a good line of credit and try to use it sparingly. One of the quintessential business failures used his line of credit to live on, and when it was up he had to declare personal bankruptcy. I mentioned him earlier as the guy that gave his wife a $3,000 a month allowance for three years and didn't tell her how poor the business was performing or of the impending bankruptcy. A line of credit needs to be used for the business as much as possible because if you have paid attention earlier to starting your business two years before you start your business, you should use the funds to invest in the company as opposed to using them for living expenses. I got my second mortgage line of credit because I had developed equity in my house following the "You, Inc." plan. I did it a couple of months before I got fired so that I would have it ready when I started my business. If I would have waited until I got fired it would have been next to impossible, as the banks look at your ability to repay the loan, not your assets. It's hard to repay a loan with no income.]

EXPLANATION OF DEBT AND/OR GUARANTEES

[Who do you owe money to—mom and dad, best friends, in-laws? Same as the line of credit, how much is it, what is the interest rate, what are the terms, and who has the loan?[

I always thought when a business went bankrupt it was like those old cowboy movies where the cowboy gets shot, does a quick soliloquy, and then dies. Businesses bleed to death over a long period of time and the owners borrow money from everybody to keep it going. Many times a microbusiness bankruptcy results in a personal bankruptcy and if you have borrowed money from relatives/friends/in-laws it makes for a very awkward Thanksgiving dinner. So you need to gauge this carefully because even though there are a whole universe of reasons why a business goes bankrupt, it always comes down to running out of gas.]

ACCOUNTING METHODS

[Is it accrual or cash? You better know the difference and what works best for you. We use the accrual method which I recommend because it is more accurate in telling you at any given time about what you have and what you owe. With cash accounting, you make entries when you pay a bill and when you get the cash.]

ABNORMAL, NONRECURRING, AND UNUSUAL ITEMS ON THE MOST RECENT FISCAL YEAR-END FINANCIAL STATEMENT

[Anything weird happen to the business? Was it good and can you repeat it, or was it bad and can you prevent it from happening again?]

DETAILS ON ALL OUTSTANDING COMPANY LOANS TO OFFICERS, DIRECTORS, STOCKHOLDERS, OR EMPLOYEES

A description of what loans are out there, the terms and amount.

[Be careful of thinking that the company is your own personal piggy bank. The previous example of the owner who raced cars and siphoned off money from his company so he could fix his race car is a cautionary tale. We all know it ended up with turnover and eventual bankruptcy. Also knew of a company where the owner of a consulting company was siphoning off money to build a resort. Lost his key employees and never really recovered his business.]

OUTSTANDING CONTINGENT LIABILITIES, WARRANTIES OR OTHER CLAIMS

[Did you guarantee any work or make any agreements that if they do this, you will do that? Anything that might bite you legally in the future needs to be put in the plan.]

DELINQUENT COMPANY STATE OR FEDERAL PAYROLL AND INCOME TAXES

Any past due taxes with description, penalties, and payment plans.

[For two reasons you should always pay your taxes. First is the obvious one which is that you need to pay your taxes and that it becomes a personal liability that can follow you even though the business goes bankrupt. Also, it's pretty easy to research a company and see if they have any liens, lawsuits, etc. You might find that suppliers will tend to shy away from you or make you pay up front for supplies. What's interesting is to see companies that play with their taxes by not paying their state taxes and get liens which they eventually pay off. When I see federal tax liens in the business weekly, I know that they are the businesses that are in serious trouble.]

BONDING CAPACITY

A description of what bonding capability you have, with limitations and terms and conditions

[Important for construction jobs, so get bonding in place before you need it. I had bonding for a long time and never needed it so I eventually dropped it.]

SCHEDULE OF COMPENSATION OF OFFICERS AND DIRECTORS

[Schedule of the officer and director compensation. That includes salaries and all bonuses for the owners.]

REPORT OF JOBS IN PROGRESS

[A list of the major jobs that are in progress, along with their budgets, percent completed, and percent of budget left. Are they over budget? Monthly, I run an Excel spreadsheet of all the active jobs and jobs that we have gotten but are not under contract yet. Since this is a business plan, you would just list the larger or longer-term contracts.]

SCHEDULE OF NOTES AND LOANS PAYABLE

[The schedule for payment needs to be plugged into your budget. As a microbusiness, you need to structure your personal finances and company finances around the business and any debt that it incurs.]

OTHER NEEDED ASSISTANCE

[Other assistance not covered in the rest of the business plan.]

OTHER PERTINENT INFORMATION

[Anything else you can think of including—maybe health issues, impending divorces, etc.]