



PLANNING TO SUCCEED IN BUSINESS

PREPARING A BUSINESS PLAN
FOR YOUR
NEW OR EXPANDING ENTERPRISE

A Publication
of the
Catholic Campaign for Human Development
United States Conference of Catholic Bishops
Community Economic Development Program
Business Development Initiative

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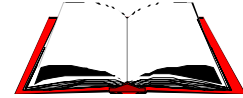
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A Business Plan is intended to demonstrate that the proposed enterprise can and will succeed, by laying out its circumstances and a detailed operational plan. It both verifies the existence of a "market" and describes how that market will be served (persuaded to buy your product). It affirms sufficient management capacity and skill to create and deliver the goods or services.

A Business Plan lays out the enterprise's financial projections — capital and other start-up costs, operating expenses, sales volumes, expected revenues, gross and net profits, and cash flow — based on operational assumptions. It will indicate how and when the business will become profitable and how it can manage repayment of any borrowed funds. It will also serve as the business's road map to success — a document that can remind the owners of their original intentions and expectations.



CASE STUDY: *This booklet includes sample material from the business plan of an actual CCHD-supported business. To protect the confidentiality of the enterprise, its name has been changed to Janitorial Services Corporation (JSC). JSC's entire business plan is far more comprehensive than the portions*

The Business Plan will incorporate the findings of the Feasibility Study, but need not contain the same level of detail. As important, its clarity and logic will affirm that a feasibility study was indeed conducted, thereby providing reassurance to prospective investors, funders, and lenders.

The first line of attack against poverty must be to build and sustain a healthy economy that provides employment opportunities at just wages for all adults who are able to work.

National Conference of Catholic Bishops



Appliance Repair



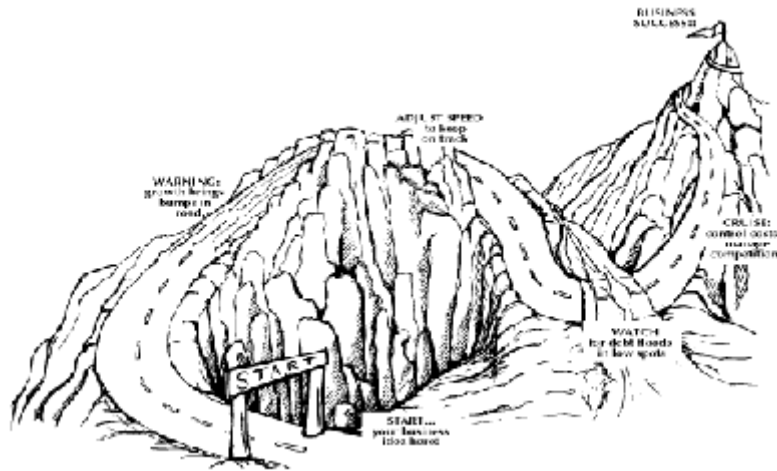
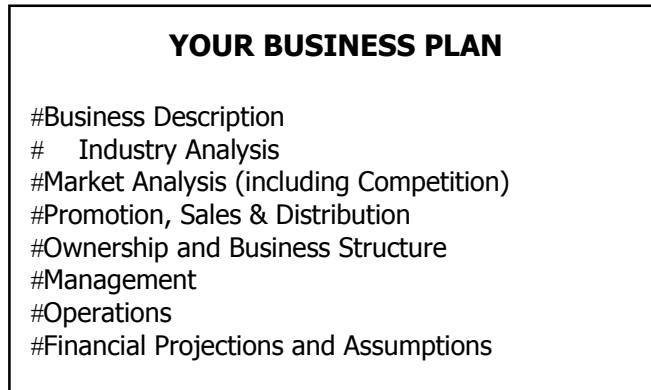
Tailoring/Alterations



Construction

I. EXECUTIVE SUMMARY

The Executive Summary of your business plan is compiled *after* the rest of the document is completed. It contains a brief summary of the key points — just one sentence or short paragraph per topic — from the plan:



For additional guidance on the preparation of a Business Plan, check out the following interesting Internet sites:

- www.americanexpress.com/smallbusiness
- www.bizplanit.com
- www.sbaonline.sba.gov/starting/businessplan

II. BUSINESS DESCRIPTION

Begin by describing the proposed business — by name and type — including its products and services. This description should be sufficiently detailed to distinguish your enterprise from others that may be similar. A bakery can make wedding cakes or bread or both. A print shop can run high-speed copiers or 4-color lithographic presses — and, in each case, its customers will be different. Your feasibility study will have helped you to refine your business's definition.



- Describe your business: Is it a print shop, a laundromat, a building construction firm or a movie theater?
- Is it a wholesale or retail business?
- Is it in the agricultural, food service, or manufacturing industries?
- Describe your specific product or service.
- What is the location or specific site for your business? A storefront in a commercial strip, an old factory in an industrial area, 400 acres in central Vermont? Why did you choose it?

SAMPLE JSC BUSINESS

DESCRIPTION: *JSC is a Building Services Contractor servicing property managers and building owners who do not want to hire in-house staff to clean their buildings. In addition to general office cleaning and restroom sanitation, JSC cleans carpets and provides a full range of hard floor surface maintenance.*

JSC seeks customers primarily in the downtown area because this is close to where its employees live and minimizes



Related Attachments

- #required licenses or certifications
- #photo, real estate survey or floor plan(s) of business property or site (and appraisal if being purchased)
- #copy of lease or sales agreement for property
- #area maps, showing specific location in relation to key landmarks and customers

III. Industry Profile

It is helpful to describe your business's broader industry as a whole — its history, trends, profitability, competitive pressures, and opportunities. This description should include the overall business climate for your type of enterprise. For example, based on recent decreases in public acceptance (and sales) and increased governmental restrictions, tobacco farming is not likely a "growth industry."

- What are the national, regional and local trends in your industry?
- Are prices for raw materials or supplies in your industry rising, falling or static? What about prices that can be charged to customers?
- Are new products or new technology changing the way your industry operates?
- What public sector actions (environmental regulations, for example) or private sector actions (union organizing, for example) affect your ability to thrive?
- Are opportunities for your growth and success increasing? Why? Will this change or continue?

SAMPLE JSC INDUSTRY PROFILE:

Contracting has grown rapidly over the past 50 years. By the year 2000, six of ten buildings will be contract cleaned. With increased emphasis on outsourcing, it is only going to grow more rapidly. There are upwards of 40,000 contractors in the country today and every reason to believe the industry will continue to grow.

Total sales volume for the industry almost doubled between 1982 and 1987, with profit margins averaging between ten and twelve percent. Today, however, margins are closer to three percent, according to the Building Service Contractors Association.

One trend among the bigger building service contractors is total facility management. This

Related Attachments

- # SIC code for your business and sector
- # affiliation with trade associations (national, state, local)
- # business trend charts

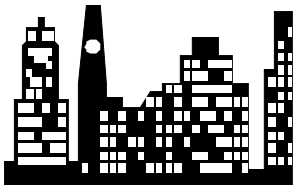
IV. MARKET ANALYSIS AND COMPETITION

Define your market area — the location of your *customers* (which may be different than the location of your building). Also describe any components of its geography, demography (population), its economic and political characteristics that affect your business prospects. For example, if the Oldsmobile assembly line in your neighborhood is going to be shut down soon, it is not a good idea to open a sandwich shop across the street from the plant.

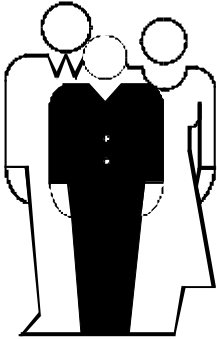
Identify and describe your current and prospective customers. A customer might be a person shopping for new shoes or another business needing secure storage for its three thousand file boxes of documents.

Finally, characterize your competition — identifying who are they as well as their strengths and weaknesses compared to yours.

- Is yours a local, regional, national market?
- If your business location is *not* near its customers, is this better, worse, or irrelevant?
- Are there enough customers who want to buy what you want to sell?
- From whom do your customers get this service or product now? Or is there no existing competition? Or is there sufficient demand in your "market" or neighborhood to support yet another dry cleaner?
- What other products or services can substitute for yours to meet the customers' needs?
- Who is the most important competition to pay attention to?
- What is their relationship to their customers? And to you?
- What proportion of the "market" is already spoken for? What proportion of the "market" do you need to secure in order to be profitable? Or are you creating a new "market?"



JSC's customers



Your customers?

SAMPLE JSC MARKET INFORMATION: *The commercial real estate market in the metro area is making a comeback after six years of stagnation. Occupancy rates for large office buildings are rising. This expanding market is a positive sign for JSC, although it is a highly competitive arena. Accounts vary in size, with the most lucrative being government agency buildings that require “living wage” contractors and others that require union contractors.*

JSC has two major customers that provide about 80% of its business, but clearly needs to expand its customer base. New clients will be sought in mid-rise and high-rise office buildings and governmental facilities. Although JSC has some experience and business in affordable housing projects, this is less profitable and therefore does not represent a priority market.

The downtown and uptown areas have a large pool of potential customers for JSC

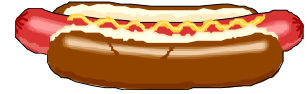


Related Attachments

- # market maps, especially if your customers are in a location different than your business
- # past, current and prospective customer list(s) (and written references)
- # market projections

V. PROMOTION, SALES, DISTRIBUTION

It doesn't really matter if you make the world's best hot dog if you cannot find customers and get that hot dog into their hands — and during their limited lunch hour! Your plans for promoting your business and building sales over time is critical to its eventual success.



Advertising or marketing is just one part of a sales strategy. Unless your prospective customers are already lining up at the door, you will need to inform them that you exist and influence them to want, need or even *try* what you have to sell. Until now, they've gotten along fine without it — or they're buying from your competition.

In addition, the price of your product or service will be a key determinant for those customers — the price must seem appropriate for the value received *and* must be at least comparable to, if not cheaper than, other providers.

- How will you find, speak to, persuade prospective customers to do business with you? Will you distribute brochures, use a neon sign, or send out a sales team working on commission?
- How will you find customers? How will they find you? By walking or driving by? Billboards, newspaper ads, word of mouth?
- How will you convince customers to switch from the competition, if any? Do you sell at a better price, make a better product, or do the job faster? Will you demonstrate your product on the sidewalk, give away free samples, provide a money back guarantee?
- Will you sell in individual items or only in case lots — by the dozen or by the carton? Will you require annual contracts or a minimum commitment from clients?
- Can you effectively compete with Wal-Mart, Taco Bell, Jiffy Lube, or Waste Management, Inc.?
- Identify the characteristics that distinguish your products and services from those of other providers — such as *organic* produce, *affordable* day care, *handmade* jewelry, *24-hour* service.

Every man has the right to work, to a chance to develop his qualities and his personality in the exercise of his profession, to equitable remuneration which will enable him and his family 'to lead a worthy life on the material, social, cultural and spiritual level' and to assistance in case of need arising from sickness or age.

Pope Paul VI

SAMPLE JSC PROMOTION INFORMATION: *JSC's sales strategy includes building a data base of 50 building managers, "peppering" them with improved sales literature, getting certified as a Minority Business Enterprise, and leveraging church connections to reach real estate owners and managers who use building service contractors.*

The intensely competitive nature of the janitorial industry creates a tremendous challenge for JSC. Estimates must be carefully prepared in order to neither bid too low (and lose money) or too high (and fail to get the business).

By creating janitorial jobs with family health benefits, pension plans, and profit sharing, JSC will be able to develop a loyal and dedicated employee base — the key ingredient



Related Attachments

- # photo or diagram of work product
- # flow chart of production or operations
- # portfolio (photos, drawings), detailed list or sample of product(s)
- # bids or production cost estimates
- # marketing plan
- # sample advertising materials

VI . OWNERSHIP AND BUSINESS STRUCTURE

Your business may be owned by any number of persons or institutions. Owners are usually those who provided the capital to start or maintain the enterprise. There are certain legal, financial and tax advantages to each form of incorporation. Familiar ownership structures include sole proprietorships, partnerships, G-corporations, S-corporations, and limited liability corporations (LLCs). The ownership structure identifies the target of responsibility, the recipient of profits, and the liability for debts and taxes. If your business is a cooperative or worker-owned subsidiary of a nonprofit organization, the details should be explained clearly so that all participants know what to expect — in terms of both benefits and obligations.

Most businesses assisted by the Catholic Campaign for Human Development are different from conventional ownership models — they are usually not sole proprietorships or for-profit corporations. Instead, they are community-owned or worker-owned, in a deliberate effort to give employees a direct stake in the future success of their enterprises. This assures that the sharing of future profits includes those who provide the labor, not just those who provide the capital.

In addition to the historical performance of the business enterprise itself (if any), the Business Plan should characterize the personal or professional track record of the owners and / or managers (especially if the business itself is new and has no track record as yet).

- What is the ownership structure (corporation, sole proprietorship, partnership, cooperative)?
- Who are the principal owner(s) — its investors or its workers?
- Is it a new or existing business, and has it been stable to date?
- Is there a Board of Directors? Who serves on it and what is the relevant expertise of each person?
- Is there a plan to provide the Board of Directors, especially new Board members, with training regarding their role and responsibilities?
- Is there a union representing the workers in your business? What is the relationship between the union and the management? What labor agreements are in place? When do they expire or require renewal?

SAMPLE JSC OWNERSHIP STRUCTURE: *JSC's innovative form of employee ownership is what makes it different. The company is organized as a worker's cooperative. Following six months of employment, workers are invited to purchase a share of stock for \$500. Each owner is entitled to one vote. Net income is distributed to all cooperative members.*

JSC promotes itself by emphasizing the benefits of its ownership structure:

- ▢ Employees, as owners, have an incentive to work hard and make the company successful.*
- ▢ Employee turnover is lower, reducing costs and increasing the level of experience.*

On the basis of work each person is fully entitled to consider himself a part-owner of the great workbench at which he is working with everyone else. A way toward that goal could be found by associating labor with the ownership of capital, as far as possible, and by producing a wide range of intermediate bodies with economic, social and cultural purposes.

Pope John Paul II
Laborem Exercens #14



Related Attachments

- # corporate documents, partnership or cooperative agreements
- # list of owners or shareholders

VII . MANAGEMENT



People make your business work, and it is the key people in your business that have the most impact on your future success. Describe the enterprise's management structure and identify the key management positions, including relevant experience and special skills.

Provide individual names and resumes of managers and officers and their relevant experience. In a small operation, you may also wish to describe the rest of the staff or crew, and the relationship between management and staff. This is also an opportunity to characterize management systems — such as policies, procedures, and access to professional services.

- Who are the key managers for this enterprise? How long will they be involved?
- Who will supervise whom, who will be responsible for what, who is in charge overall?
- How will management relate to ownership? How will the governing body relate to the owners?
- What other personnel do you have (or will you have) and what will their various responsibilities be? How will you find them? How can you assure they will remain with you? Is your compensation competitive and appropriate?
- What are the plans for adding new positions, replacing people who leave, and managing the transition between personnel changes?
- Are there staff meetings or team leaders? If it's a cooperative or collective, how will it work? How will it make decisions or reach consensus?
- Are there volunteers (unpaid personnel) carrying out regular tasks for the business? Who recruits them and trains them? Describe their skills, responsibilities, and reliability.
- Describe your management policies and procedures. Do you have a personnel manual? Do you have written financial management procedures?
- Who handles bookkeeping and payroll? Who is your auditor or accountant?
- Do you have legal counsel?
- Who provides your banking and credit services?

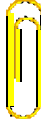
SAMPLE JSC MANAGEMENT INFORMATION:

The JSC founder, Mr. H, serves as President of the cooperative, first elected in 1998. Mr. H provides leadership to the Board of Directors, overseeing all company operating policies, educational opportunities for members and evaluation of the General Manager.

Mr. B., who has helped build two previously successful businesses that create jobs for unemployed people, is JSC's general manager. Mr. B is responsible for all operations, including staff supervision and customer service systems, and is accountable to the Board of Directors.

Ms. E is the Chief Financial Officer and the cooperative's Treasurer, formerly acting as JSC's bookkeeper. Ms. E has two years experience in property management and oversees all financial transactions and record keeping for JSC.

JSC is currently seeking an Operations Manager to take over day-to-day supervision of workers, suppliers and contracts.

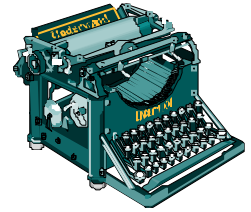


Related Attachments

- #resumes of key managers
- #organizational chart
- #list of professional service providers

VIII . OPERATIONS

Potential partners, investors, lenders, and funders will want to know how your business will operate. Describe all production, delivery, staffing, training, and infrastructure issues. This is also an opportunity to identify the risks or potential trouble areas for the enterprise and describe how you will succeed regardless.



The stages of production and delivery (of the service or the product) should be described. For a producer of *goods*, the production process may look like this:

raw materials to factory + production and labor add value + warehouse or display inventory + sales and promotion to find customers + delivery of goods to customer(s) + customers pay for goods after delivery

For a provider of *services*, the production process may look like this:

sales and promotion find customer(s) + workers assigned to contracts + supplies and labor combine to serve customer(s) + customers pay for service after completion

SAMPLE JSC OPERATIONS: *The company makes a substantial commitment to safety training for its personnel, because the janitorial industry has a high rate of worker compensation and disability claims. JSC has earned a recent reduction in its workers compensation premiums due to good performance and intends to keep these costs low through training, supervision and economic incentives.*

The JSC office is staffed from 8:30 am to 5:00 pm daily, so that customers rarely get an answering machine. Most JSC janitors carry beepers, making it easy to reach them about customer concerns. The General Manager is

If you have additional expectations for your business beyond its basic survival — such as wanting the business to improve the lives of low-income residents or employees — this should be described also. What are the social and economic effects sought (number of new jobs, number of retained jobs, number of new business owners, availability of more affordable services, safer neighborhood)? You may wish to explore the possibility that your business plan will result in a thriving enterprise without having the "job creation" results that were anticipated.

- How will you produce or deliver the "goods?" How long does it take to make? How big is it to ship? Is it perishable?
- Will your work vary by season, day of week or time of month? Do all your customers want your service on Fridays and none on Mondays?
- What skill or expertise is applicable? How many people will it take to do the job?
- What equipment is required? What components, inventory, or supplies are necessary?
- Will you start with a smaller array of goods and expand later, or offer every choice to customers at your grand opening? When will you know it is time to expand or grow?
- Do you need telephone operators to take orders? Will you be open 7 days a week? Will you distribute by truck or by mail?
- How will you package the products and what will that cost?
- Do you need to be licensed, approved, certified, inspected? How about insurance, bonding, cash on hand (to make change), credit card servicing accounts?
- Describe your technological systems. Do you have computers or typewriters for the person who handles clerical duties. Do you have a phone system that can accommodate your expected growth? Do you have a phone answering machine to tell customers your store hours and current specials? Do you issue pagers to your field staff? Do you have a security alarm system to protect the property and its contents?
- What "market" support do you require or rely upon to succeed? Identify your collaborators, suppliers, technical resources, and partners — and what value they bring to your enterprise.
- What are you going to do if your projections fall short, if nobody buys what you are selling? Do you have an alternative plan?
- How can you limit the risk? How can you reduce your losses? How quickly can you / will you change

Each needs the other completely:
capital cannot do without labor, nor
labor without capital.

Pope Leo XIII

Rerum Novarum (28), 1891



Related Attachments

- #resumes of key personnel and leadership
- #organization chart
- #Board roster
- #personnel policies
- #professional services contracts

IX. FINANCIAL PROJECTIONS AND ASSUMPTIONS

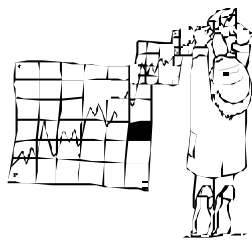
Financial presentations are the most important information in your Business Plan, because they are sometimes the first pages that prospective investors or lenders review — and first impressions count. Prepare them carefully and review them twice to make sure they are clear and accurate.

Start-up and Capital Costs

Begin by developing a list of all your business start-up costs — those items which will need to be purchased only once (or not replaced for an extended period of time). This may include equipment, leasehold improvements, vehicles, initial supplies or inventory, furnishings, and employee recruitment and training. Your figures should be verifiable through recent quotes and bids from suppliers.

If you have insufficient funds to pay for these start-up items out of your own pocket, you will need to borrow capital. The costs of financing — interest and fees on any loan — become a part of your ongoing expenses.

Income Statement & Balance Sheet



In this section, you should present your current and projected balance sheets and income statements (for the next 3 - 5 years). The income statement identifies all of your expenses and revenues, month-by-month for the first year and annually for each subsequent year. Seasonal variations in production or volume of business should be accurately reflected as well as the anticipated delay in receipt of payments from customers (some will buy on credit or contract for services to be paid for at a later date).

The balance sheet will display the company's assets (cash, equipment, inventory) and its liabilities (such as loans borrowed to buy equipment). It will also show the total net worth of the business (owner's equity and/or any stockholder's or investor's equity) — a figure that should increase over time.

Summarize your historical balance sheets and income statements, if they exist, for the past three years — to show how the business's volume of activity, profitability and net worth have improved steadily.

Key Ratios

Key operating ratios for each year can be calculated from your financial statements.

#**"Liquidity"** How much cash is available after current obligations are paid to date? Ideally, a business should have sufficient liquidity to cover its expected expenses for the next 3 months or more.

#**"Quick Ratio"** How do all liabilities compare to all assets? Ideally, liabilities should be less than assets — so that the company has a positive (rather than negative) net worth.

- Beyond surviving and breaking even, will you provide any return to your investors? How much? When?
- What security or collateral (business or personal) do you have to offer to a lender?

Cash Flow

Present your projected short-term cash flows — determining how much money must be *spent* each day and week? How much money will *come in* each week? Will it vary from month to month, season to season? You should know this from your feasibility study.

Determine your “profit margin” — what percentage you will make on each sale. And then, when will your enterprise “break even?” Do your revenues (for each period) cover your variable and fixed expenses for that same period?

- What is the approximate cost to produce each item, to deliver each hour of service, to serve one customer?
- What is the approximate revenue per item, per hour, per customer?
- Will you be able to remain solvent, pay your bills, and make payroll? How will you handle creditors and debtors?
- Will you need a line of credit for the periods of negative cash flow? Will you be able to repay your loan(s)?

SAMPLE JSC FINANCIAL INFO: *JSC's goal is to grow by 50% per year in 1998, 1999, and 2000. Profit margins in our industry average 3-5% although with careful cost controls, a gross margin of 10% is not unreasonable.*

JSC plans to end the 1998 fiscal year with a net profit of 5% which should enable it to

Every effort should be made that at least in the future, only an equitable share of the fruits of production accumulate in the hands of the wealthy, and a sufficient and ample portion go to the workingmen.

Pope Pius XI

Quadragesimo Anno, 1931

Assumptions

Describe all the operating and production assumptions that lie behind these financial projections (and how you calculated them). For example:

- # The rate you expect to pay for each budget item: rent per square foot, cost per telephone line, monthly lease on copying machine, quarterly payments for employee health insurance, unemployment insurance premiums, dollars per gross or ton of raw material items.
- # The annual expense increases (like Cost of Living Adjustments) that you are applying to utilities, taxes, insurance, general supplies. Is it 3%, 5%, or more?
- # If borrowing money, the floating or fixed rate of interest on loans and how you expect that might change (such as an interest rate tied to “prime”) in the next few years.
- # How and when you will add new workers to the team, and what kind of pay increases you project for existing employees.
- # Any anticipated changes in supplies or material costs. You may get inventory at a lower rate once you have grown sufficiently to make larger orders. You may also need additional production equipment after you have more regular customers.
- # The proportion of goods which may go unsold each month or be sold at significant end-of-season discounts. What proportion of your foods are so perishable that they must be discarded if not sold within one day or one week?
- # The effect of inventory scheduling (and early payment requirements by you) as well as average time to sale (and delays in receipt of payments from customers).



Related Attachments

- #past audits or tax returns
- #current or proposed budget
- #historical balance sheets/income statements
- #personal financial statements for every individual who is "backing" your enterprise
- #any written bids, contracts or agreements

Now, go back and prepare your Executive Summary following the guidelines in Section I of this publication.

