

FYI For Your Information

March 2004

Essential Elements of a Good Business Plan for Growing Companies

A business plan should be a work-in progress. Even successful, growing businesses should maintain a current business plan.

As any good salesperson knows, you have to know everything you can about your products or services in order to persuade someone to buy them. In this discussion, you are the salesperson, and your products represent your business. Your customers are potential investors and employees. Since you want your customers to believe in you, you must be able to convince them that you know what you are talking about when it comes to your business.

To become an expert you must be willing to roll up your sleeves and begin digging through information. Since not all information that you gather will be relevant to the development of your business plan, it will help you to know what you are looking for before you get started. We have developed an outline of the essential elements of a good business plan.

Every successful business plan should include the following nine items:

1. The Executive Summary

The Executive Summary is the most important section of your business plan. It provides a concise overview of the entire plan along with a history of your company. This section tells your reader where your company is and where you want to take it. It's the first thing your readers see. Therefore, it is the thing that will either grab their interest and make them want to keep reading...or make them want to put it down and forget about it. More than anything else, this section is important because it tells the reader *why* you think your business idea will be successful.

The Executive Summary should be the last section you write. After you've worked out all the details of your business plan, you'll be in a better

position to summarize it clearly. And it should be a summary, with no more than four pages.

2. The Market Analysis

The Market Analysis section illustrates knowledge of your business's industry. It also presents general highlights and conclusions of any marketing research data you have collected. However, the specific details of your marketing research studies should be moved to the appendix of your business plan.

This section should include: an industry description and outlook; target market information; market test results; lead times; and an evaluation of your competition.

3. Company Description

Without going into detail, this section includes a high level look at how all the different elements of your business fit together. The Company Description section includes information about the nature of your business and lists the primary factors you believe will make your business a success.

When defining the nature of your business, be sure to list the marketplace needs you are trying to satisfy, and describe how your products or services will satisfy these needs. Finally, list the specific individuals and/or organizations that you have identified as having these needs.

Primary success factors might include a superior ability to satisfy your customers' needs, highly efficient methods of delivering your product or service, outstanding personnel, or a key location. Each of these would give your business a competitive advantage.

4. Organization and Management

This section includes: your company's organizational structure; details about the ownership of your company; profiles of your management team; and the qualifications of your board of directors.

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Who does what in your business? What is their background and why are you bringing them into the business as board members or employees? What are they responsible for? These may seem like unnecessary questions for a one- or two-person organization, but the people reading your business plan want to know who's in charge. So tell them. Give a detailed description of each division or department and its function.

This section includes names of members of the advisory board and your plan for retaining them. What kind of salary and benefits package do you have for your people? What incentives are you offering? How about promotions? Reassure your reader that the people you have on staff are more than just names on a letterhead.

5. Marketing and Sales Strategies

Marketing is the process of creating customers... and customers are the lifeblood of your business. In this section, the first thing to do is define your marketing strategy. There is no single right way to approach a marketing strategy. Your marketing strategy should be part of an ongoing self-evaluation process, and unique to your company. However, there are steps you can follow which will help you think through the strategy you will be using.

6. Service or Product Line

What are you selling? In this section, you describe your service or product, emphasizing benefits to potential and current customers. For example, don't tell your readers which 89 foods you carry in your "Gourmet to Go" shop. Tell them why busy, two-career couples will prefer shopping in a service-oriented store that records clients' food preferences, and caters even the smallest parties on short notice.

Give the reader hard evidence that people are, or will be, willing to pay for your solution versus others. List your company's services and products, and attach any marketing/promotional materials. Provide details regarding suppliers, availability of products/services, and service or product costs. Also, include information about new services or products that soon will be added to the company's line.

7. Funding Request

In this section, you request the amount of funding you will need to start or expand your business. If necessary, you can include different funding scenarios such as a best and worst case

scenario. But remember that later in the financial section, you must back up these requests and scenarios with corresponding financial statements.

This section also includes: your current funding requirement; your funding requirements for the next five years; how you will use the funds you receive; and any long-range financial strategies you are planning that would impact your funding request.

8. Financial Data

The financials should be developed after you've analyzed the market and set clear objectives. That's when you can allocate resources efficiently. The following is a list of critical financial statements to include in your business plan packet.

Historical Financial Data

If you own an established business, you will be requested to supply historical data related to your company's performance. Most creditors request data for the last three to five years, depending on how long you have been in business.

The historical financial data includes your company's income statements, balance sheets and cash flow statements for each year you have been in business, usually up to five years. Creditors often times are interested in any collateral you have that could be used to ensure your loan, regardless of the stage of your business.

Prospective Financial Data

All businesses, whether start-up or growing, must supply prospective financial data. Most of the time, creditors will want to see what you expect your company to accomplish within the next five years. Each year's documents should include forecasted income statements, balance sheets, cash flow statements and capital expenditure budgets. For the first year, you should supply monthly or quarterly projections. For years two through five, you can stretch it out to quarterly and/or yearly projections.

Make sure that your projections match your funding requests. Creditors will be on the lookout for inconsistencies. It's much better if you catch mistakes before they do. If you have made assumptions in your projections, be sure to summarize what you have assumed. This way, the reader will not be left guessing.

Finally, include a short analysis of your financial information. Include a ratio and trend analysis for both your historical and prospective financial statements. Since pictures speak louder than words, you may want to add graphs of your trend analysis, especially if they are positive.

For more information on how to develop your financials, check out the SBA website at www.sba.gov

9. The Appendix

Provided an appendix to readers on an as-needed basis. In other words, do not include it with the main body of your business plan. Your business plan is your communication tool. As such, it will be seen by many people. You will not want everyone to see some of the information in the business section. However, specific individuals such as creditors may want access to this information to make lending decisions. Therefore, it is important to have the appendix within easy reach.

Copies of your business plan should be controlled. Keep a distribution record of everyone who has a copy. This allows you to update and maintain your business plan on an as-needed basis. Remember to include a private placement disclaimer with your business plan if you will use it to raise capital.

(NAWBO, St. Louis, MO, and Women's Business Institute, Fargo, ND)

For the complete article and to locate additional information on business plans, visit the SBA website at www.sba.gov/managing/strategicplan/guide.html#summary

Who can assist with writing a business plan?

Although writing a business plan seems like a daunting task, there are resources to help. Two SBA resource partners, the Michigan Small Business & Technology Development Centers (MI-SBTDC) and Services Corps of Retired Executives (SCORE), offer free, one-on-one assistance with assembling business plans. They also offer seminars on business plan writing throughout the year.

Once you have completed your business plan, review it with a friend, colleague or professional business counselor, such as a SCORE or MI-SBTDC counselor. When you feel comfortable with the content and structure, show the plan to employees and a lender, if applying for financing. Remember, the business plan is a flexible document that should change as your business grows.

Excerpts from the SBA Website at www.sba.gov/managing/strategicplan/guide.html and the 2003 Michigan Small Business Sourcebook

How to Start a Small Business: From Vision to Reality

This three-hour seminar is designed for those interested in learning a practical step-by-step process for starting a new business. The session will provide participants with a network and resources to use when questions arise.

April 14 or May 12, 2004
9:30 a.m.–noon

March 17, March 31,
April 28, or May 26, 2004
6 p.m.–8:30 p.m.

\$25/person

How to Write a Business Plan: Your Road Map to Success

This one-time seminar provides an overview of what is included in a dynamic business plan. It is designed for new and existing business owners who do not currently have a business plan in place. Attendees will receive worksheets that outline the basic items in a business plan, allowing them to complete the plan on their own.

April 21, 2004
9:30 a.m.–12:30 p.m.

March 10, or May 19, 2004
6 p.m.–9 p.m.

\$40/person

RESERVATIONS REQUIRED for all seminars

For more information contact the Business Development Center at 734-462-4438.

PLEASE NOTE: During inclement weather, seminars will be cancelled if Schoolcraft College closes. Tune to your local news station for information on college closings.

SAA Becomes a Reality

Last fall, as part of the Department of Defense Authorization Act for Fiscal Year 2004, Congress passed the Services Acquisition Act of 2003—SAA or the Act. Although part of the funding authorization for DOD, the Act applies to procurements by the civilian agencies as well and will be implemented in regulatory changes to the Federal Acquisition Regulations (FAR) over the next few months.

Unless you are very new to government contracts, you know that as a part of the acquisition reform movement of the 1990s, Congress emphasized the advantages of buying commercial items whenever possible. In an effort to encourage more commercial contractors to do business with the federal government, it also streamlined many requirements of a government commercial item contract.

Key to using these new provisions, generally found in Part 12 of the FAR, is the FAR's definition of a commercial item, which includes both goods and services. However, the detailed definition of a commercial good that is sold, leased or licensed to the general public was much broader and easier to apply than the definition of a commercial service, which focused on sales of substantial quantities based on catalog or market prices.

The Act significantly changes this by permitting services that are sold on the basis of specific outcomes as well as specific tasks to be considered commercial. Examples of such services include management consulting services and advertising.

Besides including more services under the commercial item definition, the Act also broadened the types of contracts that can get FAR Part 12 treatment. In the past, all FAR Part 12 contracts had to be firm-fixed price. The Act provides the benefit of commercial item treatment to both Time and Material and Labor Hour Contracts, recognizing that this is the way these items typically are sold in the commercial market place.

The Act has other important provisions for both contractors and government employees. It encourages using performance-based service contracts by allowing commercial item treatment for contracts or task orders priced up to \$25,000,000, even if the commercial item definition is not met, if the tasks to be performed are defined in measurable mission related terms, and the contractor provides similar services to the general public. The Act also directs that the FAR be amended to not prejudice the award of a contract to a contractor that allows its employees to telecommute, unless the Contracting Officer makes a written finding that telecommuting would adversely affect security, or the requirement of the agency could not be met through telecommuting. For government employees, the Act provides an Acquisition Workforce Training Fund, and an Acquisition Workforce Recruitment program.

The SAA is significant to all contractors because it is applicable to both the award of prime contracts as well as subcontracts. Even if you have a non-commercial item prime contract, the Act allows the award of a commercial item subcontract, even on a time and material or labor hour basis, to a contractor that would not otherwise be willing to work in support of the government program if it had to accept traditional government contract terms and conditions.

While now the law of the land, the Act needs to be implemented through FAR changes. It is now up to the FAR Council to make the Congressional intent a reality.

George W. Ash is a member of the law firm of Foley & Lardner in Detroit, where he specializes in government procurement issues. He may be reached at 313-442-6434.

Note. This update provides information of general interest presented in summary form, and does not constitute individual legal advice.

The Schoolcraft College English Language Institute

*Your Source for Help with
Building Your English Skills*

Business owners will find Schoolcraft College's English Language Institute valuable for employees who are not native English speakers. The institute can help in pronunciation, writing, speaking, grammar, reading and listening. Classes are six-, eight- or twelve-week workshops, in two- or three-hour blocks, providing ample time for prac-

rice, asking questions, and getting to know your instructor and fellow students. Classes are kept small and the costs are reasonable.

For more information contact the Learning Assistance Center at Schoolcraft College at 734-462-4436 or lac@schoolcraft.edu.

How to search and understand FedBizOpps.gov

FedBizOpps.gov is the single government point-of-entry for federal government procurement opportunities over \$25,000. Government buyers can publicize their business opportunities by posting information directly to FedBizOpps via the Internet. Through this portal, commercial vendors seeking federal markets for their products and services can search, monitor and retrieve opportunities solicited by the entire federal contracting community.

There are many ways to use and search for opportunities using FedBizOpps. The following information will help you use the database to obtain useful information for contracting with the government:

First, go to www.fedbizopps.gov and click on Find Business Opportunities. You will be directed to a search page that contains the following options:

- 1. Full Text Search.** This field allows you to search by keyword, NAICS code or National Stock Number. For better search results, pay special attention to the tips provided at the top of the search page.
- 2. Documents to search.** If you choose **active documents** you will receive results for opportunities that are current and open. Searching **archived documents** will give you history on products/services that were sought by the government in the past—a great way to find out what agencies to market to.
- 3. Search for.** This field lets you choose to search for synopses or awards. The synopsis will provide current opportunities. On the other hand, the award search will show you contracts that have been awarded. With this search you can see who your competitors are and what government agencies and locations they are selling to.
- 4. Search by Solicitation/Award number.** If you are trying to locate a specific solicitation or award notice and have the appropriate number, you can

enter it in this field to go directly to the document you are looking for.

5. Dates to Search. You may limit your search by indicating the Dates to Search. This allows you to narrow your search and only view opportunities that were posted during certain time frames—the last three days, one week, or two weeks.

6. Search by Place of Performance zip code.

If you only want results in your zip code or a specific zip code, you can enter it here to narrow your results. Additionally, you can truncate the zip code to extend the geographical search—if you enter '48' it will search all zip codes that begin with 48.

7. Search by Set-aside code.

Please note that if you choose to use the Set-aside field, you

will limit yourself to only opportunities that are set-aside. Therefore, if there are potential opportunities that are not set asides but match your product/service criteria, they will not appear in your results.

8. Search by procurement classification code.

To choose more than one code, use your Control, Apple, or Shift key and click the multiple numbers.

9. Search by agency. If you want to narrow your search to a specific agency, use this field to do so. Again the Control, Apple or Shift key can be used here.

10. Search by office. You can further narrow the search if you know the office within the agency that you are looking for. Also, use the "Show locations for Selected Offices" button after you choose the office name.

Once you have entered your desired search criteria, click the search button to submit your search.

In the next FYI newsletter, the FedBizOpps search results will be explained. This will help you understand how to sort through your results, read the notices, understand the information provided in the notices, find additional information and download attached documents.



Upcoming Seminars and Events

Small Business Outreach Forum

Congressman Thaddeus McCotter and the Schoolcraft PTAC are co-sponsoring a seminar to inform small businesses on current government contracting topics. The following government agencies have been invited to speak: Department of Homeland Security, Army Corps of Engineers, and General Services Administration.

March 22, 2004
9 a.m.–4 p.m.
Price to be determined.

MDOT 24th Annual Small Business Development Conference

March 29 and March 30, 2004
Marriott Hotel, Pontiac, Michigan
Registration deadline: Monday, March 1, 2004

For more information and registration information, contact Connie Durham toll free at 866-DBE-1264 or go to www.michigan.gov/documents/MDOT_Small_Business_Conference2004_83845_7.pdf.

How to Become a Government Contractor

April 8, May 13, or June 10, 2004
9 a.m.–1 p.m.
\$35/person

Did you know that the federal government purchases more than \$200 billion of goods and services every year? Find out what it takes to successfully sell your goods and services to the federal government and the State of Michigan. In addition, learn about the services and resources the Business Development Center has available to help your company with the contracting process.

Expanding Your Markets in Government Contracting!

The Schoolcraft College PTAC knows you are interested in expanding your government market. In response to your needs, we have invited the following government agencies to talk about their business practices, opportunities, contracts, incentives, and how they are a resource for your future in government contracting:

Department of the Air Force

April 15, 2004
9 a.m.–noon
\$40/person

Department of the Navy

May 11, 2004
9 a.m.–4 p.m.
\$60/person

NASA and the Jet Propulsion Lab (JPL)

June 29, 2004
9 a.m.–4 p.m.
\$60/person

General Services Administration (GSA)

July 21, 2004
9 a.m.–4 p.m.
\$60/person

Watch your mailbox for seminar details or log onto our Website at www.schoolcraft.edu/bdc/seminars.htm#government

Registration Assistance for Government Contractors

April 22, May 20, or June 17, 2004
9 a.m.–noon
\$15/person

Business Development Center clients looking for assistance completing their Central Contractor Registration (CCR), SBA's Procurement Marketing and Access Network (Pro-NET), or any other online registration are invited to the BDC's open lab. Counselors will be available to help clients understand and complete their registrations, using the BDC's computer lab.

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Upcoming Seminars and Events

Federal Supply Schedules—Finding Your Way to the GSA

Date(s) to be determined
9 a.m.–noon
\$35/person

General Service Administration (GSA) Federal Supply Schedules are contracts that allow federal customers to acquire more than 4 million products and services directly from more than 8,600 commercial suppliers.

Mike Klewicki is a GSA expert who will educate clients on the many mysteries regarding the GSA procurement arena and Federal Supply Schedules.

This class is for businesses that would like to learn about Supply Schedules, buying potential and marketing through a GSA Schedule.

Topics include:

- An overview of GSA.
- What is a GSA Schedule?
- How to get on a GSA Schedule.
- Why you want to get on a GSA Schedule.
- How to choose the right schedule for you.
- Questions & Answers.

PTACs of Michigan Seeking Grant Funding for Training

The Schoolcraft Procurement Technical Assistance Center, in partnership with Michigan PTACs, is seeking a grant to provide training to small businesses for key processes in government contracting. The training topics will include proposal writing, General Services Administration schedule completion, government regulations, and concepts and concerns for doing government contracting. We will keep you posted on the status of the grant award, and the training that will be offered for our small business community.

As always, we appreciate your suggestions on the type of training that would help your company in its government contracting endeavors. Feel free to contact us to share your thoughts: 734-462-4438 or inforeq@schoolcraft.edu.

2004 Livonia Business Expo

April 7, 2004
8 a.m.–9 p.m.

The 2004 Livonia Business Expo is a day exclusively dedicated to facilitating business networking opportunities. It also provides a forum of B2B and B2C interactions. Expo visitors can explore the booths and display areas, or attend seminar sessions on relevant business operational topics.

An evening featuring the Taste of Livonia will complement the day's activities.

For more information, or to register as an exhibitor, call the Livonia Chamber at 734-427-2122.

Certified: Woman Business Enterprise

April 21, 2004
9 a.m.–11 a.m.
\$25/person

The Michigan Women's Business Council invites women business owners to learn what it means to be certified as a Woman Business Enterprise. If you have a product or service that you would like to market to American corporations, here is your chance to explore certification. The Michigan Women's Business Council is a program of the Center for Empowerment and Economic Development, an SBA Women's Business Center. Call the Michigan Women's Business Council at 734-677-1444 to register.

Financing Growth Roundtable

June 3, 2004
9 a.m.–11 a.m.
No admission charge

When it's time to get a loan, you need to be fully prepared when you visit your bank. This session gives you a detailed look at bank lending from the banker's perspective. You'll learn about the five c's of credit; the types of loans and when and why you should use them; SBA programs; and non-bank loan programs that are available to businesses unsuccessful at getting bank support. Get answers to all of your questions about the banking process. This session is presented by TEAM SBA, including an SBA Loan Officer, a bank loan officer, and an SBTDC consultant.

Take a Personal Tour of VisTaTech

In June 2003 we announced our move to VisTaTech Center, Schoolcraft College's newest facility, built to state-of-the-art specifications. VisTaTech combines new construction with a renovation project that has transformed the former Waterman Campus Center into a complimentary space, creating an exciting venue for education/business/community partnerships.

Inside VisTaTech you will find:

- Meeting and teleconferencing capabilities that accommodate all sized groups, with interactive capabilities to send or receive broadcasts anywhere in the world.
- Sophisticated information technology labs and flexible seminar rooms for customized business and industry training programs.
- A gourmet restaurant and six of the nation's finest teaching and demonstration kitchens, providing a world-class instructional space for Schoolcraft's acclaimed culinary arts program.

Whatever professional event or activity you are planning—be it a conference, teleconference, training session, corporate meeting, industry expo, or project demonstration—VisTaTech elevates it to a new level of enjoyment and productivity.

Working with a VisTaTech account representative, you can plan an activity that makes the most of the facility's features and amenities. You also will be connected to other campus facilities, services and resources that can add value to your event. The possibilities are limited only by your imagination.

Call or email today and schedule a personal tour of VisTaTech:
734-462-4610
vistatech@schoolcraft.edu



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