

## **STRUCTURE OF A BUSINESS PLAN FOR PASS**

Individuals whose work goal for a PASS involves being self-employed must complete a business plan. There is no single correct way to prepare a business plan. The format that follows and the elements in each of its 10 parts are borrowed from business-plan descriptions provided by the Small Business Administration and Cornell University. They are comprehensive and will provide the kind of information without which a business cannot be run effectively. This format is recommended for a PASS business plan, but is not required. However, a PASS business plan must cover the elements in each part that are relevant to the business in question. For assistance in preparing a business plan, contact the Small Business Administration, Chamber of Congress, local banks, Service Corps of Retired Executives (SCORE) or other business owners. Also, information on helpful Internet web sites is shown at the end of this document.

### **1. Title Page**

The title page should show the name of the business, the date, the owner's name, address, telephone number, and, if applicable, the owner's fax number and e-mail address.

### **2. Plan Summary**

The summary should introduce the plan, summarize its major points, and be signed and dated at the end. It should answer these questions:

- Who is the owner, and how is he or she qualified to run this business?
- What is the business?
- Who will be the customers?
- How much money will the business earn?
- How much money will be needed to start and operate the business through its first year?
- How much money will the individual need to raise to start the business?
- Is there a good market for the business that makes it a good idea?

### **3. Table of Contents**

The table of contents follows the summary and should list the sections of the plan, with page numbers. This will make it easier to understand the plan.

### **4. Problem Statement**

The problem statement describes the need of potential customers that is not met, and that the individual's business will meet.

## 5. Business Description

The business description should answer such questions as the following about the business in detail:

- What type of business is it (retail, wholesale, service, manufacturing, project development, etc.)?
- What products and/or services will it provide?
- How will it meet the need described in the problem statement?
- What is the outlook for future needs in this business area?
- Where will it be located, and in what type of space (individual's home, leased office space, etc.)?
- When will it operate (hours, days, etc.)?
- What legal structure and/or business form will it have (sole proprietorship, partnership, corporation, limited liability corporation, etc.)?

## 6. Marketing Plan

The marketing plan should provide detailed information about the target customers, how they will be reached and communicated with, and the current and future market environment. For example:

### a. Customers

- Who are the potential customers?
- Where are they located?
- What are their buying habits for similar products or services?
- If customers are individuals, what are their ages, income brackets, educational levels, genders, ethnic or cultural backgrounds, etc.?
- If customers are other businesses, what are their characteristics, needs and future trends?

### b. Competitors

- Who are the five most direct competitors?
- How long have they been in business?
- How are their businesses doing (thriving, failing, just surviving, etc.)?
- Can the new business equal or beat their price and quality?
- What are the competitors' strengths?
- What are the competitors' weaknesses?
- Are there opportunities for shared business, joint ventures, or other forms of working together?

### c. Communication

- What is the advertising strategy (media, Internet, word of mouth, yellow pages, etc.)?
- What form of marketing is effective for this product or service?
- What type of marketing materials will be used?
- How will the impact of the advertising be measured?

### d. Growth and Development

- What external factors (social, political, economic, etc.) affect this business?
- How will market niches be identified?
- How flexible will the business be in terms of being able to redesign existing products and services or create new ones in a changing marketplace?
- How will new markets be identified for existing products and services?
- How will new investments be timed to sustain business growth?

## **7. Financial Plan**

Sound financial management is one of the best ways to keep a business profitable and solvent. Each year, thousands of potentially successful businesses fail because of poor financial management. The business plan should identify the actual amount of money needed to open the business (start-up costs) and to keep it open (operating costs).

### a. Start-up Budget

The start-up budget should allow for expenses such as:

- Business purchase and/or franchise
- Site acquisition or initial lease payments during development
- Site preparation
- Permits
- Equipment, including telephones and computers
- Furnishings
- Supplies
- Utilities
- Initial inventory of goods
- Insurance
- Advertising, printing, signs
- Employee wages and fringe benefits (before opening day)
- Vehicle leasing or purchase

## b. Potential Sources of Start-up Funds

The plan should:

- Identify how much owners' equity/income is available.
- Identify prospects for business loans, grants and investment capital, including the state vocational rehabilitation agency, and describe the terms for each.
- Establish priorities based on preferred terms and likelihood of success.

## c. Profit/Loss Forecast

The plan should estimate sales income for each month of the first year, for each quarter of the next 2 years, and describe how the individual came up with these numbers. It also should estimate the following expenses for each month of the first year and each quarter of the next 2 years:

- Raw materials costs;
- Employee wages and fringe benefits;
- Site costs (lease or mortgage payments, utilities, maintenance, etc.)
- Vehicle expenses (gas, insurance, maintenance, lease payments, etc.)
- Supplies
- Accounting/bookkeeping
- Depreciation
- Equipment replacement and repair
- Travel
- Service contracts
- Commissions
- Loan repayments, including interest
- Taxes (federal, state, local, sales, income, property, etc.)
- Insurance
- Advertising
- Franchise fees
- Bad debts

The following references, available at many public libraries, can be used to help determine the net profit from gross income:

- Thompson Business Register;
- Continuing Business Patterns (for the area in which the individual will do business);
- Dunn & Bradstreet's Industry Norms and Key Business Ratios
- R.M.A. Annual Statement Studies

#### d. Cash Flow Analysis

Using the profit/loss figures, each month's profits should be adjusted to account for the time differences in collecting and spending money.

### **8. Operations Plan**

The operations plan is the "how to" part of the business plan and describes the specific methods and activities that the business will involve. It should answer the questions in parts a. through j. below.

#### a. Processes, Standards, and Technology

- Will the business have, or be able to afford, the most current information, skills and technology?
- What regulation standards (Food and Drug, Public Health, OSHA, etc.) must the business meet?
- Do guarantees apply to the products or services provided by the business?

#### b. Production/Services Scheduling and Sales Goals

- How will sales and marketing be coordinated with production?
- Are there enough working hours available to meet sales targets?
- What effect does expanded marketing have upon equipment life, space utilization, etc.?

#### c. Inventory Acquisition, Storage, Distribution, and Accounting Policies

- What inventory system is generally used for this kind of business?
- What safeguards will there be against inventory theft?
- Is inventory accounted for according to the standards for this kind of business?
- Is inventory easily entered, stored, withdrawn and returned for production needs?

#### d. Productivity Standards

- Is production timed by unit or by task completed per hour?
- What is the industry standard?
- Can this business be competitive if it exceeds the industry standard?

#### e. Equipment/Materials/Supplies

- What must the business purchase, lease or make?
- Can the cost of equipment be returned in profit over a reasonable length of time?
- Are distributors locally available? What is their delivery time? What is the re-order schedule?
- Does the equipment have a time-limited useful life? Are the supplies perishable?

f. Quality Control Factors

- What methods will be used to ensure ongoing customer satisfaction and to determine the reason(s) for any dissatisfaction?
- How will recurring quality problems be documented over time to discover patterns and assist in the development of remediation strategies?
- What staff incentives might be considered to ensure consistently high quality?
- How do the quality-control measures that this business will use compare to the quality-control standards for this type of business?

g. Worksite Requirements

- Is there sufficient heat, air conditioning, light, electrical capacity, etc.?
- Does the design and/or structure of the site support production needs?
- Is the site accessible to people with physical disabilities?
- Do appropriate loading facilities exist?
- Is there street front visibility, nighttime lighting, security?

h. Actual Costs of Sales

- For each unit of production or billable hour of service, what are the costs in wages, materials, supplies, light, heat, utilities?
- What costs must be brought down to meet a desired market price?
- Can savings in any cost category be achieved that increase profit without compromising quality?

i. Lead Times

- How long will it take to "tool up" before the first unit is delivered or the service is first provided?
- Will "take down/refit" cycles in the production schedule result in non-productive wage expenses?
- Will pre-production training times be needed which will be done without income?
- Will delays in obtaining equipment or materials affect the ability of the business to meet its commitments?
- How will shipping or transportation affect timetables?

j. Other Timing Factors

- Are there high and low sales-volume periods?
- Is it a seasonal business?
- How often will additional shifts be needed?
- Is production done on a routine, standardized basis, or is it done on-call?

## **9. Human Resource Management Strategy**

### a. The Work Force

- What specific business and technical skills will be required to manage the business?
- How many and what type of employees will be needed?
- What will be their job descriptions?
- What will be the lines of authority and internal communication structures?
- What is the recruitment strategy and hiring process?

### b. Personnel, Policies and Practices

- What will be the wage scales?
- What benefits will be offered?
- What other incentives will be offered?
- What reasonable accommodations can you expect to provide?

### c. Staff Development Plan

- How will workers initially be assessed?
- What will be the ongoing evaluation procedure?
- How will the staff receive ongoing training and supervision?
- What will be the disciplinary procedures?

## **10. Supporting Documentation**

Supporting documentation may include one or more of the following or similar types of documents:

- Drawings and prototypes
- News clippings
- Marketing materials
- Proposed contracts, leases, etc.
- Floor plans, descriptions of renovations
- Equipment list
- Letters of endorsement
- Published statistics
- Copy of applicable licenses, permits, etc.
- Copy of letters of intent from suppliers, etc.

## 11. Assistance Using Internet Web Sites

Following are some web sites that may prove helpful in completing a business plan:

- Small business information from NAFTA.NET's Internet web site:  
<http://www.nafta.net/smallbiz.htm>
- The University of California's web site:  
<http://www.csulb.edu/~sbsluss/BasicBusiness>
- Small Business Administration's phone number (1-800-827-5722) and web site:  
<http://www.sba.gov>
- Service Corps of Retired Executives (SCORE)'s phone number (1-800-634-0245) and web site: <http://www.score.org>
- American Express's web site:  
<http://www.americanexpress.com/smallbusiness>