

PERSONAL ASSESSMENT

Are You Ready to Start a Business? – A short personal assessment tool.

Being your own boss is wonderfully exciting, but isn't for everyone. Anyone considering starting a business needs first to consider if they are suited for it, personally and professionally.

There is no right or wrong answer to each of these questions. This is a self-evaluation to help you think through critical aspects of your personal and business readiness to be self-employed. It is designed to help you assess your reasons and qualifications for going into business, to help you set personal and business goals, consider if this is the right time to start a business, if you have the freedom, flexibility and resources to start a business, to consider your health and stamina, and how you will balance family and business.

Suggestion: It is recommended that you bring a completed version of this self-assessment to your first MI-SBDC counseling session. It will provide a profile of you and your readiness and help your counselor become acquainted with you.

To self-assess, ask yourself the following questions and answer as honestly and in as much detail as possible.

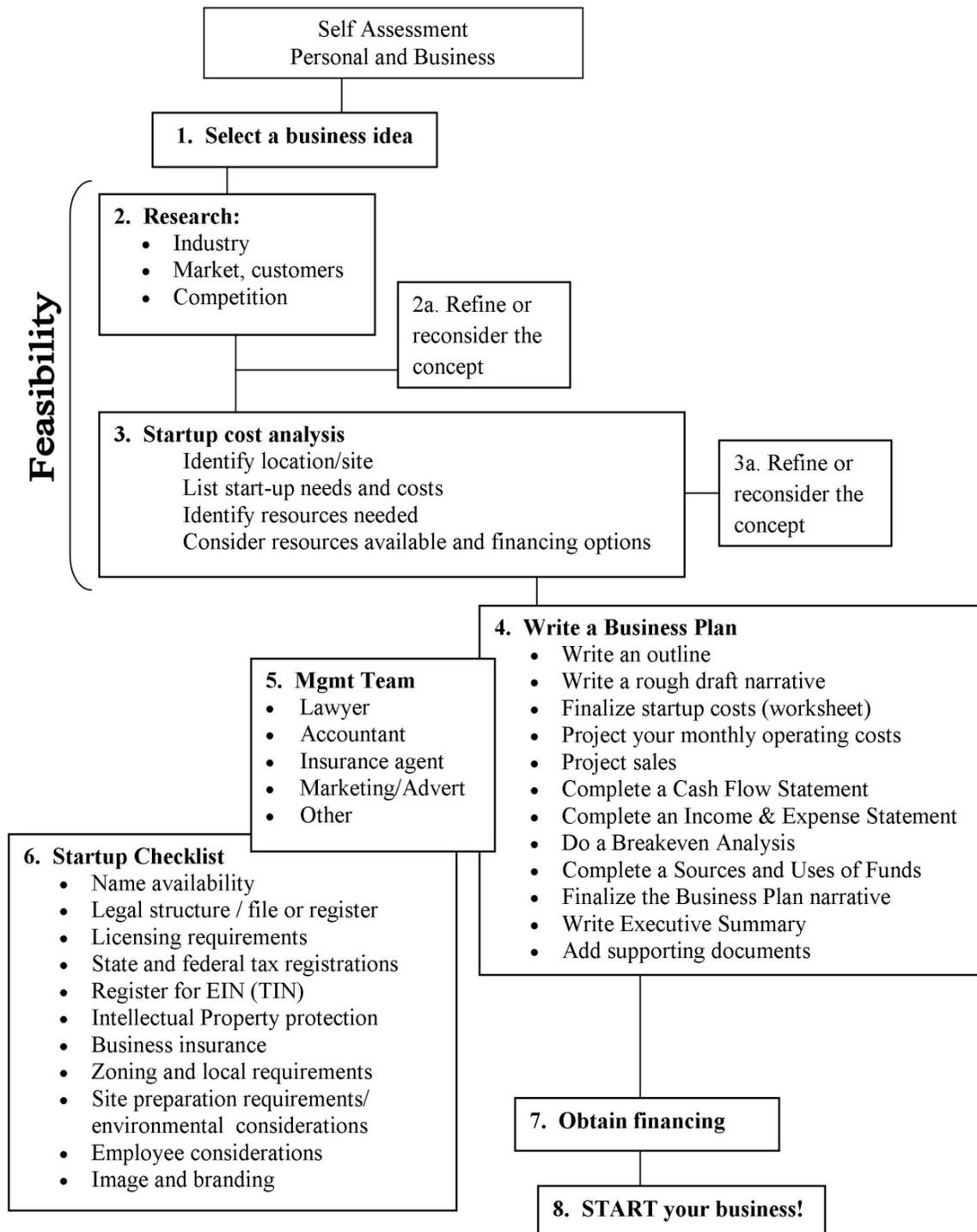
SELF ASSESSMENT: Are You Ready To Be In Business?

1. Why do I want to start a business? OR Why am I in business?
2. Specifically, what kind of business do I want to start (or am I in)?
3. Why do I believe I can make this type of business work?
4. Why do I believe this type of business is sustainable?
5. What education, skill or experience do I have in this industry?
6. What is my true purpose and/or the **goal I hope to accomplish with this business?**
7. What is the **financial goal** I am seeking to achieve?
8. If I will need financing, do I have the resources and credit worthiness necessary to be eligible?
[High credit score plus assets, collateral and good financial history.]
9. What are my strengths?
10. What are my weaknesses?
11. What is my physical, mental and emotional health and stamina?
12. What knowledge and skills do I have to start and control the day-to-day operations of a business?
13. Do I know and understand the technology necessary to be competitive in this business?
14. Do I have good judgment in people and ideas?
15. What sacrifices and **risks** am I willing to take to be successful?
16. What will it take for me to balance personal life and business demands?

STEPS TO STARTING A SMALL BUSINESS

"What do I need to do and what comes first?" That's the question most often asked by people considering starting a business. There is a logical sequence of actions and a process for starting a business. MI-SBDC has created a "checklist" of that process: "Steps to Starting a Business" charts the tasks in recommended order to help you stay on track, manage the various steps, and give you the confidence of knowing you have considered all the essential elements. An explanation of each step follows the chart.

Steps to Starting a Business



STEPS TO STARTING A BUSINESS (CONTINUED)

1. Select a business idea.

Step #1 is deciding on what type of business you want to start. Many people choose to start a business around something they know and are passionate about. The first question every would-be business owner needs to ask about his/her product or service idea: ***“What PROBLEM does it SOLVE or what NEED does it FILL?”*** There are many reasons why consumers make purchase decisions, but the primary one is need. Market research will help you answer this question.

2. Market Research (Feasibility)

Market research is the first and most important task you need to accomplish BEFORE you start your business, to determine if your idea is *feasible*, which according to Webster's Dictionary means “capable of being done; suitable.” Market research is the gathering of facts and figures to make an informed decision about the market potential for your business, about the prospects for success and the direction your business will take – both at the start and periodically as you continue on your business journey.

A. Type of Research Needed: The following describes the type of research needed using the example of a pizza parlor, which is part of the fast food industry:

- **Industry** is the BIG PICTURE of what's happening in the “total world” of your particular type of business. Look for answers to questions like: *What's happening in the fast food industry these days – how many pizzas get sold in the US or Michigan each year, are there increased sales, specialty pizzas, healthier alternatives, changes in sizes or packaging, more or less pizza parlors in and out of business, etc? What's the BIG PICTURE in the pizza world?*
- **Market** is population of consumers or businesses that buy your particular product or service – you can generally define them by a common set of characteristics. **Market segments** are groups within that population that you can define by even more specific set or sets of characteristics. Questions to answer could include: *Who and how many folks are buying fast food in the area or location I'm considering? How often do they buy? Can I group and identify them based on any common characteristics such as age or ethnicity?*
- **Customers** are the individual people or businesses that will buy your product or service. A good exercise is to define your ideal customer and work backwards – where there's one you can find another just like it, then another, and so on. *How many households exist in my geographic area? How many of these eat pizza, and how often? How much pizza are these prospective customers likely to purchase in a year? (Customers x frequency x price = market potential.)*
- **Competition** is any business that sells a product or service that is exactly like what you want to do (DIRECT) or that may be similar to or an alternative to your product or service (INDIRECT). *Where are other pizza shops? What are they like? What and where are other fast food, and/or grocery store food options? Why would these prospective customers buy your pizza (and not the other choices)? Is there an unmet need, am I offering something totally unique, are they dissatisfied with other choices?*

B. How and where to do research (secondary)

- **Local Library.** The best source of information is still the library. Many have business librarians and/or space dedicated to business reference materials. Look for information in sources and references related to your particular type of business, such as periodicals, trade journals, newspapers, industry association and other reference books. Some of the books in which you might find information include:



- Directory of Trade Associations
 - Trade Journals and Industry Publications
 - Encyclopedia of American Industries
 - Standard and Poor's Industry Surveys
 - IBIS World Industry Market Research
 - Encyclopedia of Global Industries
 - Standard Industrial Classification Manual (statistics)
 - Economic Census, i.e., Census of Retail Trade, Census of Wholesale Trade, or Census of Selected Services
 - Other governmental statistic sources published by federal, state, and local agencies
 - RMA (Risk Management Association) Annual Statement Studies
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- Many libraries also have subscriptions to online market research tools that your librarian will be able to access for/with you. Or the librarian can assist you in how to locate information through the **Michigan Electronic Library** at www.mel.org **Library**, which provides all Michigan residents with free access to online research tools, full-text articles, books, and more.
 - From the home page, select the "Business" button to see a long list of research tools and business information resources such as data generators "Business Decision" and "Demographics Now: Business and People" as well as the [Encyclopedia of American Industries](#).
 - These research resources are available to you 24/7. It may take a little effort for you to learn how to use them on your own but they will be very valuable for periodically checking on marketplace conditions as well as for developing target marketing campaigns.
 - **Internet.** To get the most out of internet searches and make the best use of your time, it is important to define your search terms/strings as precisely as possible. The following are suggestions for more effective and efficient internet searches:
 - Make a list of all the keywords and strings of keywords associated with your type of business.
 - As you search, keep track of which key words or strings of key words you used so you don't end up duplicating the search at a later time.
 - Save time by visually scanning the search results to see if a result site contains potentially significant information. If it does, print out the materials for later reading and highlighting of relevant facts and the URL so you can find your way back to the site if you need to, and also to be able to cite the source in your business plan.
 - Valuable websites for checking on competitors:
 - www.mel.org *DemographicsNow: Business and People*
 - www.yellowpages.com
 - www.thomasregister.com
 - www.hoovers.com
 - www.zapdata.com
 - **Talk to people in the industry.** Gain some valuable insights on opportunities and challenges by speaking to people who know it from the inside. Even better, you might find a mentor if you can connect with someone who owns a successful business like the one you want to start, preferably someone who won't be a direct competitor and is outside the geography of your intended service area.

C. Other forms of research (primary)



- **Surveys.** Build and conduct your own survey or focus group to gather information from businesses or persons who might be potential customers.
- **Visit and “shop” the competition.** Observe your closest competitors from the perspective of a customer based on what matters most to customers related to purchasing this product or service. Compare their business model to yours: Strengths that you'll have to work hard to overcome; weak points that may be opportunities of which you could take advantage.
- **View similar businesses’ advertising and websites.** Study what they do, the image they present, the character of their marketing.
- **Talk to successful business owners.** You might find a mentor if you can connect with someone who owns a successful business like the one you want to start, preferably someone who won't be a direct competitor and is outside the geography of your intended service area.
- **Hired or paid research.** There are many companies that will conduct market research for a fee and can easily be found through the internet. If you find a modestly priced offering, keep in mind that high quality market research is very expensive. Keep in mind, too, that the information is free if you're willing to take the time and effort to search for it, as noted above.
- **College or university marketing students.** Many schools offering business courses, specifically in marketing, are looking for “real world” projects in which to involve their students. Check around your area for schools that offer marketing courses. Identify the professors teaching those courses and contact them directly. Timing may be an issue as they would have to plan your project into their course and it might take a term or two before that could happen.





Market Research Information Checklist

Gather information for all the items that relate specifically to your type of business.

Industry

- Associations related to my industry
- Size of industry
- Growth potential
- Historical trends (growth/decline)
- Seasonal or economic trends
- Other related industries
- Distribution channels
- Opportunities indicated
- Threats indicated
- Other

Market

- Businesses (B2B) or consumers (B2C) or both
- Total number of potential buyers
- Segments – groups with similar attributes
- Segment with greatest need, demand
- Market trends – political, social, environmental

Customer Profile – Consumers by segment

- Size of group
- Predominant gender
- Age
- Ethnicity
- Education level
- Occupation
- Income level
- Average amount of debt
- Home owner or renter
- Car owner
- Marital status
- Family status - # of children or not
- Pets – Type and number
- Media activity – magazines, newspapers, social media, television, radio, smart phone, other
- Purchase preferences – in person, internet, phone, catalog, other
- Product and/or service characteristics most highly valued by purchaser
- Payment preference – cash, credit
- Frequency of purchase

- Quantity of product/service purchased at each purchase
- Average dollars spent annually on this type of purchase
- Customer preferences and perceptions (quality, convenience, brand and image, exclusiveness, mass appeal....)

Customer Profile – Businesses by segment

- Industries, markets, or segments
- Products or services
- Number of employees
- Length of time in business
- Geography, location
- Purchasing patterns – how much, how often
- Purchasing process
- Outsourcing
- Local, national, or international purchaser
- Economic factors that influence the market
- Government policies that influence the market

Competition

- Direct competitors
- Indirect competitors
- Potential future competitors
- Annual sales and revenue
- Marketing and advertising methods and results
- Geography, location
- Distribution channels
- Outsources
- Sources for production, services, inventory, other

Competition Comparison

- Strengths
- Weaknesses
- Opportunities to differentiate
- Other _____



3. Startup Cost/Financial Resources Analysis (Feasibility)



The business you have in mind may not be the business model you can afford.

One of the most common reasons businesses fail is “hitting a financial wall” either before opening or soon thereafter, as a result of one or more contributing factors such as:

- An insufficient estimate of the true cost of starting what you have in mind; finding out you need to spend more than you have to get it open or keep it going;
- An unrealistic expectation about resources you might tap into because you find out too late that there aren't any grants and startup loans are difficult to obtain;
- Or a misconception about how quickly you will start making money, meaning you might need sources of cash to keep a business afloat until it does start making money.

You need a well-researched estimate of what it will cost to start the business you have in mind so you can match it to the reality of your available resources and/or your ability to get conventional financing. This may lead to refining your idea to make your startup possible, based on your personal situation.

The good news is that where there's a will there is a way! Determining that you would not be able to pull together or be loan-eligible for that level of funding resources does not mean you won't be able to start the business.

- **It does mean you will have to rethink how you'll start.** The majority of businesses start by “bootstrapping” – starting with what you have at hand, perhaps working at it part time, building slowly but steadily. Every large business started as a small business, many of them building and growing one success or customer at a time.

The following page shows a summary of categories of common startup costs. Some of these may apply to your business and some may not but chances are there are some on the list you hadn't thought of.

For example: If you are relying on your business to pay your personal bills, you need to factor in living expenses for a moderate period of time until the business can afford to “pay you a wage.” Another example: One of the top reasons for business failures is not having enough cash to ride out the business ramp-up time. It's important to factor in cash to cover expenses until the business is projected to reach breakeven. In other words, if sales are not generating enough cash to cover all the bills and you have no other savings or loans to tap into, how will you pay the rent, or utilities, or.....?

Startup Cost Analysis Summary

For each item on this list, there should be an accompanying list itemizing the detail.

Land and Buildings

Purchase down payment or pre-paid lease	\$ _____
Closing costs	\$ _____
Remodeling/build out	\$ _____
Utility deposits	\$ _____
Other	\$ _____

Equipment

Furniture	\$ _____
Fixtures	\$ _____
Production machinery/equipment	\$ _____
Computers/software	\$ _____
Telecommunication equipment	\$ _____
Cash registers/POS systems	\$ _____
Vehicles	\$ _____
Signs	\$ _____
Shipping and installation	\$ _____
Other	\$ _____

Materials and Supplies

Starting inventory	\$ _____
Production materials/components	\$ _____
Office supplies	\$ _____

Marketing, Image and Branding

Marketing and design consultants/planning	\$ _____
Advertising	\$ _____
Promotional items/activities	\$ _____
Other	\$ _____

Operations Fees and Expenses

Professional fees (accountant, lawyer, etc.)	\$ _____
Patent/trademark fees	\$ _____
Insurance (Health, Life, Fire, Liability, other)	\$ _____
Licenses and permits	\$ _____
Trade association memberships	\$ _____

Personal Living Expenses

From last paycheck to opening day	\$ _____
3-6 months after opening day	\$ _____
Moving expenses	\$ _____

Cash Reserve/Contingency/Working Capital

Opening expenses	\$ _____
Wages/salaries	\$ _____
Other	\$ _____

TOTAL	\$ _____
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Sources of Financing / Startup Resources

Once you know the cost to start your business, there are resource and finance issues to consider:

- How much do you need to start and where will it come from? Your savings? Selling your car? Asking your friends or family? Some of the more common forms of personal financial resources are:
 - Savings
 - Home Equity
 - Cash Value of Life Insurance
 - Credit Cards
 - Retirement Plans
 - Keeping your day job
 - Working part time as you build your business

- **GRANTS:** Are you hoping for a grant? We've all seen the infomercials, websites, advertising, or received robo-phone calls, telling us there is "millions in free money." The myth of "free money" has been around for decades, and clever scammers are only too happy to sell you a book or offer to write a grant – for a very hefty fee without delivering anything that provides you with the results you sought. The fact is that the U. S. government does have grant programs but generally speaking, virtually all grant money flows to local governments, state agencies, and nonprofits. If you still want to look for grants, you can search at www.grants.gov. The following is excerpted from www.sba.gov:

"SBA does not provide grants for starting and expanding a business. Government grants are funded by your tax dollars and, therefore, require very stringent compliance and reporting measures to ensure the money is well spent. As you can imagine, grants are not given away indiscriminately. Some business grants are available through state and local programs, nonprofit organizations and other groups. These grants are not necessarily free money, and usually require the recipient to match funds or combine the grant with other forms of financing such as a loan."

- **LOANS:** Are you hoping to get a loan? Traditional and non-traditional lenders have criteria on which they qualify or reject business loan requests. The following are key lender considerations:
 - **CHARACTER:** What is your credit history and score? Lenders are looking for reliable borrowers who have demonstrated responsibility and have a high credit score (700 and above) over a period of at least 3-5 years.
 - **CASH:** Lenders expect you to have "skin in the game" and be able to put up 20-30% of the total startup cost either as cash or cash plus equity investment.
 - **COLLATERAL:** Lenders generally expect you to pledge assets against the loan that have a net value greater than the loan amount. Keep in mind that purchase value isn't resale value and banks discount the value of even brand new equipment to what they think they could get if they have to sell it to satisfy the debt.
 - **SBA Loans:** The SBA does not directly make loans but does have a variety of loan guarantee and/or support programs available through commercial lenders and Certified Development Financial Institutions (CDFI's). For more information visit www.sba.gov.
- **ON-LINE BROKERS/DEALERS:** Web sites that provide a platform for submitting your loan request documents/application for financing consideration by conventional lenders or investors.
 - <https://exchange.co.com/>
 - www.lendingclub.com/public/how-peer-lending-works.action
 - www.ondeckcapital.com/
 - www.fundable.com/
 - <http://fundablefast.com/home.html>



- **LINC (Leveraging Information and Networks to access Capital)**. An SBA initiative matchmaking service to help entrepreneurs get a date with a lender.
 - <https://www.sba.gov/tools/linc>
- **CROWD FUNDING:** Crowd funding is a relatively new form of raising funds to support ideas or projects by contributions or loans from individuals or interested parties through a networked and publicly observable platform. It is being used in support of a wide variety of activities from artists and journalists, political campaigns, charitable purposes, invention development, entrepreneurship, to scientific research and more. Various platforms offering this type of funding can be searched on the internet. Because it is relatively new, the state and federal rules governing these kinds of solicitations and securities are still evolving, so it is strongly recommended to seek professional advice before engaging in crowd funding.

Equity crowd funding (ownership based), is still a complex work-in-progress with SEC (Securities and Exchange Commission) rules not yet finalized. To facilitate Michigan equity crowd funding, the state legislature passed the “Michigan Invests Locally Exemption” (MILE), which allows small businesses to raise capital by reaching out to Michigan residents to invest in their companies. There are many regulations governing this type of funding and serious consequences for violations of either the Federal or State regulations.

Anyone considering crowd funding should thoroughly research the advantages and disadvantages, and consult an attorney and/or accounting/finance professional who is knowledgeable and experienced in crowd funding. It is extremely important to consult with a securities attorney for guidance before deciding on or entering into equity crowd funding.

For more detailed information on this and other forms of financing, see the section “Financing a Business” beginning on page 39.

Decision Point – Is it Feasible?

Once you’ve gathered and reviewed your market research and financial information, you can make knowledge-based decisions: To go forward as you intended or to modify your plan.



- Weigh the facts and make decisions based on what you KNOW, not “think” or “feel”.
- Is there a need in the marketplace for your product or service?
- Can you generate enough sales to achieve your personal and business goals?
- Can you justify the investment and risk?
- What is your value proposition?

After research and informed consideration, most entrepreneurs adjust their original concept in some way, and quite often a smaller scale startup is the option chosen. Always be prepared for the possibility that expenses will be more than you projected, or that sales will develop more slowly than you expected.

NOTE: Once you have made the decision to proceed, Steps 4, 5 and 6 will happen somewhat simultaneously, though they are numbered according to a recommended sequence.

4. Write a Business Plan

In spite of the fact that one of the major reasons for business failures is lack of planning, just mentioning the task of “writing a business plan” makes many aspiring (and existing) entrepreneurs cringe. There’s no question it does take time and commitment for research, organizing information, evaluating, and writing down your actionable plan.

So why should every entrepreneur go to the trouble of creating a written business plan?



1. If you’re looking for financing or investment, lenders and investors require a written plan. A completed business plan provides the information needed, and communicates your ideas to others, as the basis of a financial proposal. A decision on whether to extend financing, investment, or credit will be based on all the information in the business plan, not just the financials.
2. But the most important reason is YOU! It’s not enough to “have it all in your head” since ideas and thoughts aren’t a plan – what’s in your head is ideas, and they are like clouds that change form from minute to minute. The process of putting a business plan together, including the information-gathering, thought and analysis, and activity of writing out the information you’ve discovered along with your ideas and measurable goals forces you to see the business project in its entirety, including its strengths and shortcomings.
3. Writing your business plan is a virtual simulation. Before you invest a chunk of money, it allows you to get to know the economic environment, test the financial scenarios, identify and locate your markets, figure out the what/how/when/why of operations and management, and more. It allows you to consider and adjust, to pinpoint needs or opportunities. Writing a business plan can reduce your risk and increase your chances for success!
4. Once launched, your written business plan is a management tool: It provides benchmarks and milestones you can use to measure your success; it is also a tool to remind management of the business goals as well as communicate them to employees as a means to keep everyone heading in the same direction.

Business Plan Overview

- [Cover Page](#)
- [Table of Contents](#)
- [Executive Summary](#)
- **Section 1 -- Company Introduction**
- **Section 2 – Market Analysis/Marketing and Sales**
- **Section 3 -- Management and Operations**
- **Section 4 – Financials**
- [Appendix](#)

Most everyone needs help in putting a business plan together. There are several well-written brochures and books available at libraries and bookstores for guidance. Most large accounting firms have manuals available. Various legal and financial consultants are listed in the Yellow Pages and online.

For more assistance or for a schedule of workshops or seminars on business planning, visit www.SBDCMichigan.org.

Business Plan Outline

1. COMPANY INTRODUCTION

Introduce and describe your company. How/why was your company formed? How long has your company been in operation? Where is the company located and what is its legal entity?

You may want to highlight the following elements within this section:

- *Overview of company history/capabilities*
- *Location and hours, legal entity*
- *Product or service description, present state of development (if applicable)*
- *Mission and vision*
- *Intellectual property status (patents, copyrights, etc., if applicable)*
- *Commercialization strategies (brief summary, if appropriate)*
- *SWOT analysis (your strengths; weaknesses; how you will overcome those weaknesses)*

2. MARKET ANALYSIS/MARKETING AND SALES

Industry Analysis

Paint a picture of what is happening in your specific industry overall so you can plan how to take advantage of market opportunities. Similarly, industry awareness will help you determine if your sales projections are realistic. For example, is the industry large enough to support another supplier; how fast is your industry growing (sales \$, number of customers, profits); are there some segments growing faster than others?

You may want to highlight the following elements within this section:

- *Current industry size, status, and trends (to understand how to position your company for market opportunities and to identify areas of growth or decline)*
- *New products or services in the industry*
- *Trade associations that support your product/service (potentially a great resource of industry and market information)*
- *Opportunities and threats affecting the industry (and how you will capitalize on the opportunities and handle the threats)*

Market Analysis

Provide a good description of your market (all who might buy your product or service), then group them into primary and secondary markets. Your primary market is the group that is likely to buy the largest quantity of your product, or that is likely to buy more of your most profitable product. Secondary market includes those customers who will buy, but probably not at the same volume level as your primary target. Next you should estimate how large your target markets are (number of potential customers, how much are they likely to spend in a given year). Then, predict how fast your target markets will grow. Be realistic. Even if every customer loves your product, they all have limits on their ability to spend.

You may want to highlight the following elements within this section:

- *Market size and trends*
- *Quantify available markets (number of potential customers, how much are they likely to spend in a given year)*
- *Predicted annual growth rate of markets*
- *Define your primary and secondary markets*

Customers

It is important for a company to know exactly who they are targeting with their products/services, where the customers are located, why they are interested in the product/service, and when/how/why they will purchase the product/service. Describe your ideal customer in terms of their attributes or demographics



(age, gender and income or business type, size and location) so that your selling approach will make sense to them.

You may want to highlight the following elements within this section:

- *Description of target market (who is your ideal customer?)*
- *Geographic area for target market (within 60 mile radius? nationwide?)*
- *Problem that company is solving for the market (what do they need?)*
- *Buying behavior (how often, how many products?)*
- *Decision making process (how much lead time, is it a group decision?)*

Competition

Who is your competition? Competitors include other suppliers who provide similar products (direct competitors) as well as those who provide a product in the same general category (indirect competitors). For example, a retail video rental store competes with other video rental companies, and also with other forms of entertainment such as movie theatres, HBO, etc.) How much of the market do your competitors hold? Who has the largest share of the market and what are their strengths and weaknesses? What is your competitive advantage against the competition?

You may want to highlight the following elements within this section:

- *Indirect & direct competitors? Who are they and where are they?*
- *Competition analysis (what they do, how they do it, their strengths and weaknesses, how you might differentiate)*
- *Market share held by competitors (or annual sales volume)*

Marketing/Sales Plan

Your Marketing and Sales Plan needs to focus on the key characteristics of your target customers, their demographics and buying behavior, and their attitudes about your product. Why will a customer buy from you and not a competitor?

Set realistic sales goals that recognize the size of your industry, the size of your target market, how strong your competitors may be, and your ability to produce the product. Understanding your customers will also help you determine your sales force and distribution plans. Does your product require a direct sales approach? Will customers feel comfortable ordering online? Do customers need to see the product before purchasing? How many contacts will they need before agreeing to purchase?

Once you know your sales targets, you can plan your communications strategy around how many prospects you need to reach. Customers need to be aware of your company; and they have to want your product, have the ability to purchase it, and be satisfied with their purchase so that they will purchase again and also spread your name to others. Your advertising needs to include the media (such as print ads, radio, direct mail, billboards, events, publicity) that best reach your target market. And you will need to get the word out on a regular basis, so draft your communications plan onto a calendar, with regular communications activities throughout the year.

Often, partnering with a company that provides a complementary product can open the door to a broad base of potential customers. (For example, a Subway Shop may open next to a gas station.)

Pricing is an important part of your marketing mix. Estimate sales at various price levels. Investigate your target customers' expectations about price in addition to what your costs are.

You may want to highlight the following elements within this section:

- *Marketing and sales objectives*
- *Current customer profile (if applicable)*
- *Potential customers feature/benefit analysis (what are they looking for or do they need?)*
- *Potential teaming partners (who they are, why selected, if appropriate)*
- *Pricing: price points, margins and levels of profitability at various levels of sales*
- *Sales plan (methods and process, sales expectations for sales people, distribution channels, margins for intermediaries, customer service and warranties)*



- *Advertising: Year 1 detailed marketing communications plan including implementation plan; Year 2-5 general plan, marketing budget/costs, assumptions. See page 47 for an example of a Marketing Action Plan (schedule, timeline, and budget).*

3. MANAGEMENT AND OPERATIONS

Your Management and Operations section needs to focus on how the business will be run: The management team and the experience and skill they bring to the business as well as how you will manage the company, who will be responsible for running the day-to-day operation as well as the steps and processes necessary to get the work of your business done. Even the best and brightest entrepreneurs cannot do everything. Identify key work areas that will ensure customer satisfaction and company growth and make sure staff understands their responsibilities. This ranges from how the telephone should be answered to what is your return policy; from how do we reach more customers, to what is the most cost effective level of inventory? Note: Documented processes (job descriptions, training plan, activity steps, etc.) will help you develop consistency and quality in production, sales, delivery, and follow-up customer care.

Human Resources Plan

Who is on your management team? How many staff members will you hire and in which roles? How much money will you spend? What are your goals for staffing? Estimate the costs and benefits of full-time, part-time and contract employees. How will new employees be trained? Critical areas include Operations, Sales, and Finance, and each function needs to be defined. How will decisions be made? Where are your greatest strengths? What skill areas and team members need to be added?

You may want to highlight the following elements within this section:

- *Management team*
- *Organizational structure (chart)*
- *Staffing objectives (job duties and basic work schedules – this may include outsourced roles)*
- *Board of Directors, Advisory Board (if appropriate)*

Operations Plan

You may want to highlight the following elements within this section:

- *Basics on how work will be processed*
- *Use of subcontractors for work activity*
- *Quality control*
- *Facility needs (site and/or floor plan are helpful visuals)*
- *Manufacturing needs (equipment, work flow)*

Research and Development Plan (if applicable)

Plan for your company's future and growth. Whether you will be developing new products or expanding to additional locations, a growth plan is important. What are your goals and plans in this area? What obstacles do you foresee while trying to achieve your objectives? Will you require additional financing to obtain your research and development objectives?

You may want to highlight the following elements within this section:

- *Research and Development objectives*
- *Milestones and contingency plans*
- *Difficulties and risks and how to overcome them*
- *Special budget needs*

4. FINANCIALS

In a narrative as well as charted, identify the financial goals and plans for your company. What do you need and how will you obtain it? What is your company's financial history? Start by estimating your monthly costs, both fixed and variable. That total tells you at a minimum what you need to generate in



revenue – and then you can work backwards and calculate how many products you'd need to sell, or how many hours of service you'd need to complete, to at least break even (income = expenses).

The following elements should be included in this section:

- *Assumption page - A list of your explanations for the numbers in the financial projection. An uninformed reader should be able to understand how the figures being presented were derived.*
- *Cash flow projections - This will compare the money coming in to the money going out on a month-by-month basis. Can you pay your monthly bills?*
- *2-5 years profit & loss statements – Different than cash flow, a P&L includes some different categories and will show you and a potential lender if your company is projected to grow or is growing financially and according to your targeted goals.*
- *Start-up or growth capital needed – An itemized or categorized list of how the money borrowed/invested will be spent.*
- *Financing needed and equity/debt options - Ask for what you have assumed in the financial projection. For example, if the projection assumes a \$50,000 at 7.0% for 10 years, that is what you ask for.*
- *Alternative scenarios option – You may want to present a "best case" and "worst case" scenario.*
- *Terms and conditions of any previous financing – Include information on any existing debt and equity arrangements.*
- *Commercialization/strategy (if applicable). Some business plans take an idea or invention from conception to the market place. One needs to address those issues as the timeframe for such a project is usually very long.*
- *Exit strategy - How is the money going to be extracted from the business? Do you plan to sell the business? Will your children inherit it?*

APPENDIX

Supporting documents related to content you have referenced in your plan, which you or another reader may wish to refer to for more detail or verification, may include the following:

- *Principal's resumes and/or list of owners with over 20% of the stock*
- *Personal income tax forms if required*
- *Letters of recommendation, purchase orders, other*
- *Site/floor plans*
- *Contracts*

And now that the plan is complete....

Cover Page (Allow one full page in actual document)

Every business plan needs a cover page. The cover should show the following information (fill in for your business):

Company Name
Address
City, State Zip
Web Site Address

Company Owner's Name
Email Address
Phone Number / Fax Number
Company Logo (if available)
Date

Organization name and address the business plan is submitted to (*leave blank if you don't know yet*)



Table of Contents (Allow one full page in actual document)

Come back to this section and fill in the page numbers when the business plan is complete.

Table of Contents:	Page Number
Executive Summary	xx
Company Introduction	xx
Marketing and Sales	xx
Industry Analysis	
Market Analysis	
Customers	
Competition	
Marketing/Sales Plan	
Management and Operations	xx
Human Resources Plan	
Operations Plan	
Research & Development Plan	
Financials	xx
Financial narrative	
Assumptions	
Sources and Uses of Funds	
Cash flow projections	
Appendix	xx

EXECUTIVE SUMMARY

The Executive Summary section provides an overview of the Business Plan, highlighting the primary ideas from each of the business plan components. Also, include in this section the purpose for writing the plan, i.e., "to obtain financing."

Even though this section comes first in the business plan, it is written after all of the other sections have been completed, as a one or two page summary of the highlights. The order in which the highlights are presented depends on the audience that will be reading it. For example, if the plan will be read by an investor, it might be best to lead off with strong financial highlights.

- *Company Introduction*
- *Industry Analysis*
- *Customers*
- *Market Analysis*
- *Competition*
- *Marketing/Sales Plan*
- *Human Resources Plan*
- *Operations*
- *R&D Plan (if appropriate)*
- *Financials*

5. Develop Your Business Management Team

As noted in a previous section, many people choose to start a business around something they know how or love to do. That technical skill or specific knowledge/experience becomes the centerpiece of the business, the product or the service offered. However, a strong, operational business framework is critical to producing and delivering your product or service. Consider your knowledge and experience gaps and anticipate and plan for how you will cover those gaps and manage all the important business functions. Who do you know that might help you in the early stages, and where do you need to incorporate specialized assistance? Some of the areas to consider are:

- Financial management -- accountant or bookkeeper
- Legal advice -- attorney
- Risk management -- insurance agent
- Site or facilities -- realtor and/or local economic development organization
- Marketing and advertising -- specialized consultants (graphic design, web development, marketing)
- Human resources -- staffing service/consultant
- Technology and computer systems -- IT services consultant

6. Complete the Startup Checklist

The following tasks are related to forming and finalizing the business entity itself. These tasks may be completed at any time in the startup process, and many people form a business entity, file for an EIN, and make other registrations as a first step. But the recommended sequence is first to determine if there is a market opportunity for the business (feasibility) before establishing and registering an entity that might need to be “undone” if it is determined not to be feasible.

Name and Legal Structure

To learn more about the advantages and disadvantages of various legal structures refer to the chapter entitled Ways to Legally Structure a Business and Registering A Business Name starting on page 20. The decision of what legal structure to select may be very complicated, therefore, it is recommended that you consult an attorney and/or tax professional before deciding which structure is best for you.

Licensing

The State of Michigan does not have a generic business license, and legal entity registration is not a license. Licenses are required for certain vocations or occupations that may be conducted within a business. Local governments may also require business licenses. See pages 25-26 for more on licenses.

State and Federal Tax Registration

Businesses operating in Michigan may visit www.michigan.gov/business, Michigan Business One Stop website, a portal for new and existing businesses to access services for doing business in our great state -- from information about licensing and permits, to tax registration and unemployment insurance. See pages 28-30 for more details.

Employer Identification Number (EIN) – Taxpayer Identification Number

Generally, an EIN is required by the IRS if: 1) The business will have employees; and/or 2) the business operates as a corporation or partnership. See page 28 for more details.

Intellectual Property (IP) – Patent, Trademark, Servicemark, Copyright

A patent is a grant of a property right to the inventor, issued by the United States Patent and Trademark Office. A trademark is the “brand name” by which products are identified by a particular manufacturer or distributor. A trademark is a word, phrase, symbol or device, or any combination other than a trade name adopted and used to identify products and to distinguish them from similar products made or sold by others. A service mark is similar to a trademark and is used to identify and distinguish between services sold or advertised by a person from similar services of others. A copyright enables its owner to exclude others from reproducing certain kinds of works. See pages 26-27 for more details.



Business Insurance

Contact an insurance agent to determine the types of insurance the business should purchase. Shop around. Insurance rates and types of coverage vary greatly among insurance carriers. See page 48 for more details.

Zoning and Local Requirements

It is important for startup and expanding businesses to make sure that the planned location or occupied facility is in compliance with all the local laws and regulations. Although Michigan does not have a generic business license, check with your local governmental units (cities, townships, villages, etc.) as they may require businesses to be licensed. See page 26 for more details.

Employee Considerations

If employees are hired, there are responsibilities at both the state and federal government levels, see pages 33-38 for more details.

Purchasing an Existing Business

If you are considering purchasing a business, it is important to understand what you are getting into by requiring detailed information from the seller regarding its business operations and finances. As the purchaser of even a portion of a business, you may be responsible for the previous owner's liabilities, regardless of any contractual language to the contrary. Make sure that the seller of the business provides you with proof that there are no hidden liabilities. In addition, the seller of the business should obtain Form 5156, Request for Tax Clearance Application online at www.michigan.gov/taxclearance to request a tax clearance from Michigan Department of Treasury. For further questions you may contact Michigan Department of Treasury/Tax Clearance at 517.636.5260. (It would be wise to obtain a copy of this Tax Clearance Request letter from the seller prior to the closing date or signing any purchase agreements.)

Image and Branding

A very critical aspect of business marketing is the message, verbally and visually, that you use to identify your business and attract customers. Plan it carefully and consider its staying power. Much of the value of a business accrues from the recognition of the "brand" and reputation you achieve. For more details and guidance on marketing, see the chapter entitled Marketing Your Business starting on page 44.

7. Obtain Financing (if applicable)

If traditional lending is your financing path, begin visits to lenders just as soon as the business plan is completed, before a site lease or purchase agreement is signed. Your MI-SBDC office will provide information on lenders in your area. For more information on financing, see the section "Financing a Business," page 39.

8. START your Business!

Congratulations! Your planning, persistence and determination have paid off. **Now the journey and real hard work begins.** Don't hesitate to contact your closest MI-SBDC office for ongoing assistance.

