



What Is a Business Plan?

Learning Outcomes

By the end of this unit the learner will be able to:

- ✓ Research and analyze the individual components needed for a business plan.

What is a Business Plan For?

Some people are planners, and some are not. Some businesses start when there is a great idea, a moment to capitalize upon, and action has to be taken quickly. Others are launched only after a carefully laid-out plan has been enacted. Very shortly within the launch and evolution of a business, it will become apparent that a business plan is needed. The plan helps you to stay focused on priorities and to move the business forward. When you need to apply for or solicit funding, it will also substantiate the need for money and demonstrate the value of the business.

Test Your Knowledge

Getting Down to Business

There are lots of components that make up a business plan and that support the business, its growth, and its viability.

What kinds of plans can support your business, in addition to the overall business plan that you are working on in this course?

Staying Flexible

A business plan is just that – a plan. Your business plan will guide and direct you, but it won't prepare for everything. It also isn't written in stone. Make sure you pull your plan out and look at it at least once a quarter to make sure you are on track in your business and meeting the goals that you set out there. If things aren't working as anticipated, you have to consider taking the necessary action to reach those goals, or making changes that make sense given the information and resources you have.

A General Business Plan Framework

Creating a Framework

All business plans contain similar elements, but they vary in scope and tone depending on the type of business and who will read the plan. Whether you create your plan primarily for your bank (as a financial

backer), investors, or you are starting on your own, there are some elements that are more fully developed than others. However, the core elements are the same in all plans.

Some people procrastinate about committing their plan to paper, but having a framework, and acknowledging that the plan is going to help you out, makes creating the business plan an easier task. In fact, the business plan should not be an intimidating exercise at all.

If you look at any written or Internet resources, they will describe the following elements, in similar order:

- Ñ Executive summary (written last but presented first in the plan)
- Ñ Table of contents
- Ñ Company description
- Ñ List of products and services
- Ñ Market analysis
- Ñ Organizational structure
- Ñ Operations plan
- Ñ Marketing and sales strategy
- Ñ Financial projections

Other optional and helpful elements can include:

- Ñ SWOT Analysis (Strengths, weaknesses, opportunities and threats about several aspects of the plan)
- Ñ Glossary (helpful if your audience is not familiar with industry jargon)
- Ñ Supporting details (logos, graphic representations, charts)

Test Your Knowledge

Are there additional elements that you would like to add to your business plan that are pertinent to your audience or environment?

What is the ideal way to present your business plan?

Defining Our Values

Creating a business plan will help you get very clear about what your business is going to do. You might have more ideas about what you could do than you can possibly deliver in your first few years in business. In order to succeed, business leaders and successful business owners recommend that you get very clear on what you do and that you don't offer too much all at once.

In order to determine the purpose of your business, you need to define what's important to you, and what you will stand for. This means you need to be able to talk about your values, mission, and vision, which were the focus of your Pre-Assignment.

Vision Statements

A vision statement helps everyone working with the organization know where you wish to go. It should be clear, understandable, attainable, and worthwhile.

Medavie Blue Cross

To be an innovative health solutions organization.
https://www.medavie.bluecross.ca/cs/ContentServer?c=ContentPage_P&pagename=MedavieCorporate%2FContentPage_P%2FOneColumnFull&cid=1181930223704

British Broadcasting Corporation (BBC)

To be the most creative organization in the world.
http://www.bbc.co.uk/aboutthebbc/insidethebbc/howweare/mission_and_values/

Canada Post

Canada Post will be a world leader in providing innovative physical and electronic delivery solutions, creating value for our customers, employees, and all Canadians.
<http://www.canadapost.ca/cpo/mc/aboutus/corporate/visionvalues.jsf>

Goodyear

Become a market-focused tire company providing superior products and services to end-users and to our channel partners, leading to superior returns for our shareholders.
http://www.goodyear.com.jm/comp_info/mision_vision_values/

Microsoft's Global Diversity and Inclusion Vision Statement

To be led by a globally diverse workforce that consistently delivers outstanding business results, understands the various cultural demands of a global marketplace, is passionate about technology and the promise it holds to tap human potential, and thrives in a corporate culture where inclusive behaviors are valued.

<http://www.microsoft.com/about/diversity/en/us/vision.aspx#Our%20Global%20Diversity%20&%20Inclusion%20Vision%20Statement>

NOTE: This information and the related Internet links were accurate at the time of printing. We take no responsibility for the content of these sites, whether by inclusion or omission. We are not affiliated with nor endorses any organization mentioned in this course.

Test Your Knowledge

Review your own vision statement and make adjustments as necessary.

Mission Statements

The mission statement is a public, bold, and motivating statement about what your company does. It can also help people see what you don't do. Here are some examples that we thought might help you as you design your mission statement.

McDonald's

Our mission is to be our customers' favorite place and way to eat.

http://www.aboutmcdonalds.com/mcd/our_company/mission_and_values.html

Nike

To bring inspiration and innovation to every athlete in the world. <http://nikeinc.com/pages/about-nike-inc>

Bristol-Myers Squibb Company

To discover, develop, and deliver innovative medicines that help patients prevail over serious diseases.

<http://www.bmscanada.ca/en/company/mission>

Darden Restaurants

To nourish and delight everyone we serve. <http://www.darden.com/commitment/diversity.asp>

The Dow Chemical Company

To passionately innovate what is essential to human progress by providing sustainable solutions to our customers. <http://www.dow.com/latinamerica/la/en/about/mission.htm>

Then, ask yourself whether you are:

- Ñ A business owner?
- Ñ An entrepreneur?
- Ñ A freelancer?
- Ñ Or something else?

Defining the Terms

When we speak about business owners as opposed to an entrepreneur, the **business owner** is someone who owns a small or medium-sized business. The owner makes the decisions. In most cases, the plan is for the business to end when the owner retires, or be inherited by someone in the immediate family. An independent bookseller who has one or two staff is a business owner. A hairstylist who rents a stall in a big shop is a business owner, too.

An **entrepreneur** generally takes bigger risks than a business owner does, although they may look like a business owner when the company is brand new. The entrepreneur invests money from their own resources, investors, the bank, and wherever they can find the people they need. The entrepreneur has a long-term view that is focused on systematizing, growing, and then selling the business for a profit. A hairstylist who opens her own shop, and then creates a system for hair and beauty related services that meet several needs within her community and across the region, is an entrepreneur.

If you want to be a **freelancer** because you are a great writer, editor, artist, consultant, accountant, etc., then be a freelancer. Working as a freelancer is a great way to operate as a business, and to keep the freedom that freelancing and self-employment promise.

Lots of people start out as a freelancer, but then try to hire a few freelancers to work under them. Growth through hiring more freelancers can make things tricky, especially if you still want to work as a freelancer, because someone has to also be a manager. You run a good risk of frustrating and pushing out the other freelancers, especially if they see that you selectively pick from the job jar and keep the best assignments for yourself. Instead, decide if the nature of the business is such that you are actually an owner rather than a freelancer.

You get to choose what you are: freelancer or owner or entrepreneur.

Words of Wisdom

As **Michael Gerber** has taught for many years with his seminal books on *The E-Myth*, if you're an entrepreneur, you cannot grow and succeed in business by doing all the work yourself. You've got to step back and see the larger picture of the business in order to create the circumstances to move forward. If you are doing all the work, you're not systematizing a business and making it bigger; you are simply hiring yourself to do the work. If you're happy with doing the work (which Gerber refers to as working **in** the business and not **on** the business), then you need to hire a manager to run the business, and take your direction from the manager. If you want to continue in the role of entrepreneur, then **you** need to assume the role of manager and create a company where the people you hire do the work.

Test Your Knowledge

Check the term which describes you the best and completes this statement: I am_____.

- An owner
- An entrepreneur
- A freelancer

The Rules of Writing

In writing your business plan, you may have to set aside statements that you want to make in order that your plan follows some basic writing rules, and so that your readers will read and understand it easily. Those rules of writing are as follows.

Concise

Get to the point quickly and remove any unnecessary words while providing a complete picture of what you intend to do.

Correct

Use proper grammar, spelling, and formatting. As well, make sure your facts and references are valid and verifiable.

Complete

Have someone you trust and who will give you good feedback read it over to see if there are gaps, vague statements, or missing tables, charts, or references.

Compelling

It's not enough to lay it all out. Your business plan has to engage, intrigue, and convince the reader to support your business. This is why it's important to understand your audience.

Test Your Knowledge

Who will read your business plan?

What do you want readers to do after they read your business plan?

How will you get them to take action?

Who is the reader you are most concerned about?

What can you do to appeal to them?

Gathering and Analyzing Information

GO-PARSE

In the information gathering portion of creating your business plan, your research skills will be important. The kind of reading you are about to undertake here is different from reading for leisure. You need to first identify what it is you need to read, and then process the information effectively and efficiently.

There are many models available for effective reading, but they are all similar. Here is our recommended model, which you can easily remember with the acronym **GO-PARSE**.

Get Organized

Gather all the tools you need before you begin reading. Collect pens, highlighters, and sticky notes. If you are doing your reading digitally, you'll need the electronic equivalents so that you can capture, clip, and save important information. If you cannot mark up the information to be able to refer to it later, we recommend that you print it off or scan it into your computer. Make sure that you keep track of where any information originates (such as website URLs, article sources, etc.) and follow any copyright or reprinting rules.

Preview

Take a few minutes to preview the book or article you wish to read. Flip (or scroll) through it to see how it is organized. Pay attention to titles, sub-titles, and graphics. Introductions, summaries, and test activities can be helpful signposts.

If the book covers more information than you need, identify the sections or sub-sections that you will want to read. Don't go any deeper than that. Otherwise, you risk reading out of context, or getting distracted on things you do not need to read right now.

Ask

Make a list of questions that you are looking to answer. If you are stuck for ideas, turn each section heading (for the sections that you will read) into a sub-heading.

Use the five W's and How to help you:

- Ñ Who
- Ñ What
- Ñ When
- Ñ Where
- Ñ Why
- Ñ How

Read

Go ahead and read your text and mark it up. Break the text into sections if it's not broken up for you; five to eight pages is usually a good range at one time. Read each section, one at a time, while keeping your focus questions in mind.

Here are some tips for effective reading:

- Ñ Read difficult passages several times.
- Ñ Do not try to speed read or skip over words.
- Ñ If you are having trouble understanding a passage, read it out loud or move your lips as you go.
- Ñ If you get stuck on a section, mark it and come back to it later.

Once you have read a section, go back through it and underline the main points with a highlighter. Just highlight the main points or keywords – there is no point in marking up entire pages of text because you lose the attention-grabbing effects of your highlights.

In addition to highlighting, you can:

- Ñ Add numbers
- Ñ Draw shapes and arrows
- Ñ Draw vertical lines in the margin to highlight large areas of importance (like summaries)
- Ñ Use symbols to mark key points (for example: *for a definition, \$ for statistics, ? for things you want to look into further or don't agree with)
- Ñ Use acronyms to mark key points (“def” for definition, for example)
- Ñ Use different colored highlighters or pens to mark different categories of items
- Ñ Write notes in the margins or on sticky notes attached to the page

Make sure you are consistent with your markings, and don't overdo it. Remember that markup is intended to help you find important points later, so don't mark up the whole page, just the key points.

Summarize

Now it's time for a third pass on the document and to take notes on what you have read, either by hand or with a computer.

At the beginning of your notes, include full reference information, in case you want to refer back to something or need to attach them to your business plan. Bibliographical information includes:

- Ñ Document title
- Ñ Full name of authors
- Ñ Publisher and publication date
- Ñ Editor (if applicable)
- Ñ Copyright date(s)
- Ñ Volume number(s)

- Ñ Edition number
- Ñ Translator (if applicable)
- Ñ ISBN number
- Ñ URL and date accessed

Make a note of which page your information came from (the margin can be a handy spot for this.) If you are conducting a lot of research, separate your notes into the same sections as the document, and use the same underlining/markup system.

Try to avoid copying text word for word. If you do this, clearly mark it as a quote in your notes and indicate what page it came from. Do, however, include your thoughts, analysis, and questions. Again, be sure to mark them as such, perhaps using a different colored pen or highlighter.

Here are some common shorthand symbols, helpful when you are making notes:

Shorthand Symbol	Meaning
<	Decrease
>	Increase
=	Is the same as, means
≠	Is not the same as, does not mean
~	Is similar to
→	Causes, leads to
✓	Correct
C	Incorrect
i.e.	That is
e.g.	Example
vs.	Versus

More tips:

- Ñ Remove vowels to shorten words. For example, “shorthand” becomes “shrthnd.”
- Ñ Write compound words as their initials with slashes. “Because” becomes “b/c.” Without becomes “w/o.” Individual becomes “i/d” or “i/v.”
- Ñ Over time, you will create your own shorthand. Be consistent and use what works for you.

If you are taking notes by hand, make sure they are legible, leave lots of white space on your page, and number your pages. If this is a big project (which some business plans are, while others are quite brief), keep your pages in a file folder or binder for easy organization.

If you are taking notes electronically, there are programs you can use to help organize, categorize, and highlight information. Just make sure that you are focused on getting your work done rather than getting lost within the programs themselves.

Evaluate

For the final step, read through your notes with your books, web pages, etc. handy. Add any extra notes or markup as necessary. As the final pages to your notes, write out the questions that you developed in the Ask stages and write the answers that you found in your research.

PARSE in Action

Activity

Read the article on the following pages. Apply the techniques that you have learned to the article to identify information that will apply to your business planning research.

GO-PARSE Summary

Preview

Take about five minutes to preview the article. How is it organized? What sections or sub-sections will you want to read?

Ask

Make a list of questions that you are looking to answer in the table below.

Read

Read the identified sections. Then, do a second pass to highlight and markup the text.

Summarize

Next, start your notes with bibliographical information, followed by article information (organized by section, subsection, and page). Use the same underlining markup system that you used on the document.

Evaluate

Do a final read-through, adding any extra notes or markup as necessary. As the final stage, write out the questions that you developed in the Ask stage and write the answers that you received.

Question	Answer

ACE Building Celebrates Five Years of Success

Background

Ace Building was founded in 1992 after several friends gathered for their monthly breakfast meeting and decided their city was ready for a bigger, one-stop service provider that brought the best of home renovation services under one roof. These five founders were David Boss (electrical), Michael Steel (plumbing), Bill Robins (construction), Milo Friesen (banking, insurance), and Jacques Michel (HVAC). The founders spent about three months planning to combine their expertise so they could offer a robust, complete suite of services. They launched five years ago in the midst of a soft economy.

Growth

Ace Building started out just as cable television channels started airing reality shows about home and commercial building projects gone bad. They made a conscious decision to get involved with not-for-profit projects as a way to share the strength of collective expertise available in one place, show the ease of scheduling different trades when they were all working together, and build their name quickly in a competitive community. These projects included two Habitat for Humanity homes, an extension to a local seniors’ residence, and a kitchen renovation to a local fire hall.

Initially the company worked within their specialties and contracted out services they didn’t have, including painting, roofing, windows, and real estate. In the first 24 months they worked actively to recruit the additional services needed, went through growing pains with some hires that were not a good fit, and yet still managed to create a company that attracted people to come work and learn with them, and allowed them to market a full suite of services.

Commitment to Learning

The founders are all business people with a commitment to learning. Does that sound strange? It shouldn’t! They actually met while taking professional development courses in leadership, and all of them report having respect for three particular programs of study which they continue to model and demonstrate in their work. This includes Peter Senge’s work in *The Fifth Discipline*, James Kouzes and

Larry Posner's *The Leadership Challenge*, and the FISH Philosophy, which is about being present for one another, making someone's day, choosing your attitude, and play.

Accounting

Since they started in the midst of a recession, the founders were cautious with spending and made a commitment to start lean in order to effectively grow the business. During the first year, their offices were located in a garage bay on one of the commercial properties owned by Bill Robins. This worked, in part because with fewer building projects at the time, Robins' construction company did not need as much room to store their building supplies.

In the first year, receivables were \$875,000 and expenses were \$870,000, so there was not much of a profit, but the company was solvent. In the second year, the company contracted with a professional fundraiser so that they were not donating as much of their operating costs to not-for-profit projects. The fundraiser assisted in raising \$500,000 for projects in each of the second through fifth years of operations. Those funds supported charity projects without impacting operating revenues, and were in large part responsible for the growth of Ace Foundation.

Foundation

Ace Foundation is managed by a volunteer board of directors (including two of the founders). Their goal is to raise money and complete projects designed to modify living spaces for senior citizens who want to stay in their homes but could not afford the entire cost of renovations on their own. Projects are rated on a sliding scale depending on senior's incomes. The recipient contributes anywhere from one percent to 50 percent of the renovation costs. Projects that have been recipients of foundation funding include easy-to-access cupboards; stair lifts; fully integrated air conditioning/heating systems; upgrades to plumbing, electrical, and insulation; assistive devices in bathrooms (including walk-in bath stalls); and building additions where a live-in, full-time care support worker can stay, and more.

Bill Robins, the Ace Foundation spokesperson and one of the original founders, says, "The creation of the foundation was a stroke of genius, and I no longer remember who came up with the idea. It allows us to work in areas that we are really good at (as each of us have a different background) while giving back to our community in a meaningful, tangible way. We've benefited as much and more than anyone we have helped, because what we are doing feels so good. We're really looking at growing the foundation to help with the rapidly increasing demographic that is over age 55 and would like to live in their homes."

Private Company

Ace Building remains a privately held company but they have shared their annual accounting reports to demonstrate their solid position in the business community. From a meager \$5000 profit in year one, they have documented profits of \$1.2 million in each of the past two years. Some of this money is channeled into Ace Foundation, and some of it has gone to fund the beginnings of a pension plan for full-time staff who meet the terms of the program. This pension plan (a registered retirement savings plan) allows employees to match the employer contributions.

Founder Milo Friesen has a background in banking and insurance. He says, “We are interested in sustainability for our employees, and also in retaining people that are good for the company. One of our distinguishing factors is the pension and benefits plan. Lots of people who work in the trades have some kind of pension and benefits if they work unionized positions, but this isn’t always the case and we see apprentices getting laid off frequently when the economy slows down. We want to make sure we have everything that our employees need in order to sustain themselves and their families, and we also want to make sure that they know how much we appreciate the hard work they do. These plans are essential for us.”

Bill Robins goes on to say that 90 percent of staff they hire as apprentices stay on full time to work with them after they complete their trade certifications. Most of them are now working on additional trades training so that they can specialize in more than one area.

The Future

The economy has grown tremendously since Ace Building got started. The founders have created an environment where their lean start-up has quickly grown into a profitable, smart company with the talent on hand to continue to flourish. They will be interesting to watch, and remain on our list of top regional organizations to keep an eye on.

Further Reading:

- ✓ *Business Plan, By Joseph A. Covello, Brian J. Hazelgren,(2006)*
- ✓ *Business Plan, By Brian Finch,(2013)*