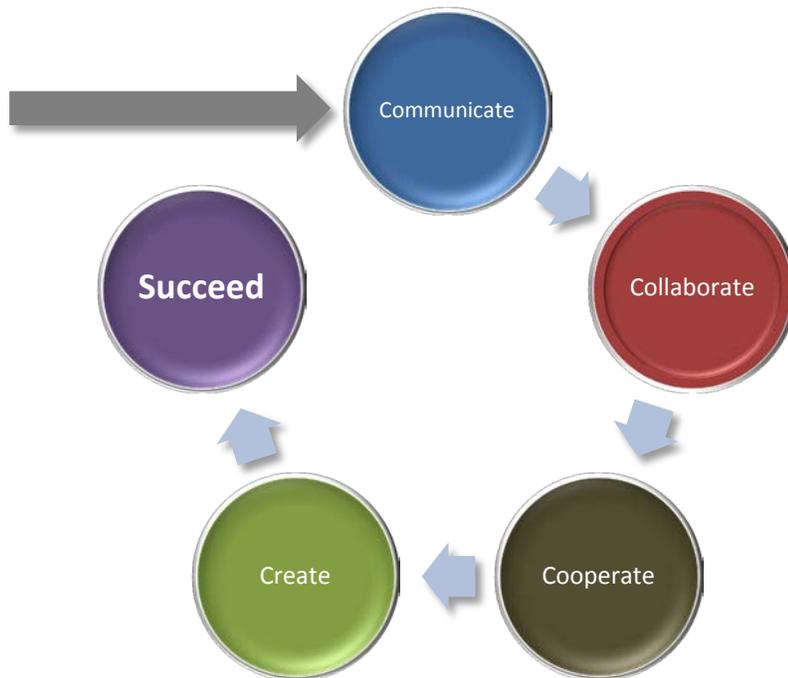


Business Plan Checklist for Small Businesses

BUSINESS PLAN CHECKLIST FOR SMALL BUSINESSES

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Business Plan Checklist for Small Businesses

INTRODUCTION

What is a Business Plan? A business plan is a planning and budgeting tool that assists the entrepreneur relative to relating the condition and direction of his/her business to bankers, investors, and other interested parties. The business plan provides a map for "outsiders" as they attempt to develop an understanding of the emphasis of the business. It provides a statement of the goals and objectives as well as a description of the operations of the business. It effectively communicates to sales persons, suppliers, managers, auditors, production personnel, creative personnel, and marketing personnel what the entrepreneur intends to do and how to do it in order to achieve the goals set for the business.

The success of many small businesses depends by and large on the goals and objectives and the allocation of resources the entrepreneur establishes as documented via the business plan. The lack of planning produces an environment characterized by disorganization, management by crisis, and failure to anticipate future opportunities all of which can lead to business failure.

This Business Plan Checklist is designed to assist the entrepreneur in developing a working business plan. The Checklist is a brief summary of key areas that the author, based on his experience, has discovered should be addressed by the entrepreneur relative to creating a new business or in the expansion or reorganization of an existing business.



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BUSINESS PLAN CHECKLIST

Statement of Purpose

1. Is the Business Plan:
 - A. An operating and policy plan?
 - B. A financing plan/proposal?
2. The company name is: _____
3. The company address is: _____
4. Form of ownership:
 - A. Sole proprietorship
 - B. Partnership
 - C. Regular corporation
 - D. Sub-S corporation
 - E. Other
5. What is the major purpose of the organization or project?
6. What key concepts will make the company successful?
7. Who are the principals?
 - A. What is each principal's background in business?
8. Who is requesting financing?
9. What is the total amount of money required for the project?
 - A. ___% provided in house?
 - B. ___% financed?
10. Is financing being sought in the form of:

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- A. Debt,

- B. Convertible debentures, or

- C. Equity?

11. How will the funds be used?
12. In what ways will these funds benefit the business?
13. Why is the loan or investment a good idea?
14. How will the funds be repaid?
15. What other resources are available to help make the company/project a success?
16. Human resources
17. Financial resources
18. Intangible resources
19. Other resources

Description of the Business

1. What is the nature of the business (e.g., merchandising, retail, manufacturing, service, etc.)?
2. What are the goals and objectives of the business? (Short-term and long-term).
3. Is this a start-up of a new business, expansion of an existing business, reorganization or takeover of an existing business?
4. Why is the form of the business the best choice (e.g., corporation, sole proprietorship, etc.)?
5. What is unique or outstanding about the company?
6. What are its strengths?
7. What are its weaknesses?

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8. What will be done about the weaknesses?
9. Will the company set new trends or follow established ones?
10. Why will the company be profitable?
11. What product(s) or service(s) will the company offer?
12. Will the new product(s) or service(s) be profitable immediately? If not, how soon?
13. Is the industry growing or declining?
14. What is the projected rate of technological obsolescence?
15. How does the industry behave relative to the overall economic climate?
16. What is the market? How big is it? What percentage of the market will the business expect to have?
17. Is there potential for growth in the market?
18. How will the market be penetrated?
19. Will the company employ a sales force or will it rely on commission agents? What will the pricing strategy be?
20. What can the company offer that the competition can't or doesn't offer or duplicate? How will the company produce or provide the product(s) or service(s)?
21. Will equipment be leased or bought?
22. When will the company open (if it hasn't already)? Why was this date chosen?
23. What hours and days of the week will the company be open? Will company hours be adjusted seasonally?
24. Will operations be conducted in house or will they be jobbed out?
25. Why have you chosen your particular location?
26. What management and other personnel are required and available for the operation?

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FOR A NEW BUSINESS

1. What experience do the principals have in the business?
2. Will prospective trade suppliers provide any managerial and/or technical help?
3. Will the business be able to obtain trade credit?
4. If any contract work is planned, what are the terms? List all existing contracts or letters of intent.
5. How will the business compensate for late payments from customers?

FOR A TAKEOVER

1. When and by whom was the business started?
2. Why is/was the company being/ / sold?
3. How was the purchase price determined?
4. Is sales increasing, decreasing, or steady?
5. If the business is in decline, why? And how can it be turned around?
6. If it is already successful, can this trend be continued and perhaps even enhanced?
7. If it is already successful, can this trend be continued and perhaps even enhanced?
8. How will your management make the business more profitable?

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MARKET

1. What are you going to sell? Define your products or services very clearly and specifically. Identify key characteristics?
2. What are you going to sell? Define your products or services very clearly and specifically. Identify key characteristics?
3. What is the marketing mix?
4. What is the marketing mix?
5. Is the product(s) or service(s) one that customers will purchase more than once?
6. Is it a standard product or service, or a current fad?
7. Who are you going to sell to (Customer profile?). Assess marketing opportunity; select target markets; determine scale of effort; consider alternative approaches; select a grand strategy.
 - a. Where is your target market(s)?
 - b. What is the size of your market(s)?
 - c. What is the size of your market in your area?
 - d. What is your expected share in your area?
 - e. Analyze the marketing situation: (a) the environment, (b) internal situation [audit sales and costs].
8. Address your promotion opportunities. What will you do to reach and maintain this market?
9. How do you plan to enlarge your market? Is there growth potential?
10. If the market expands, will your share increase or decrease?
11. Does your operation rely on demand from another industry?

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12. Address pricing opportunities. How much will you charge for your product or service? Do you have a range of prices?
13. How did you determine your prices?
14. Are your prices competitive?
15. Do your prices allow you to make a profit?
16. Why would someone pay your prices?
17. Can you justify higher prices as a result of the special advantages your product or service offers?
18. Will you extend credit to your customers?
19. Will you extend more credit as the business grows?
20. What will the terms be?
21. Can you afford to extend credit? Do you have the extra capital needed to carry the accounts receivable?
22. Can you afford to write off bad debts?
23. How will you evaluate credit risks?
24. How will you collect overdue accounts?
25. How will you sell your product or service?
26. Discuss channel opportunities. What will your distribution channels be? How will you make deliveries?
27. What is your policy for returned goods?
28. What is your approach for building and maintaining good customer relations?
29. What are the goals and objectives (G&O) and the policies of the marketing plan? Do the marketing G&O's and policies coincide with the company G&O's?

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COMPETITION

1. Where are they located?
2. Is the competition in your target market long-standing or not very well established?
3. Characterize their business: Is it stable, growing, or declining?
4. What strengths do they have? What weaknesses?
5. What have their successes and failures taught you?
6. How is their business similar to yours? How is it different?
7. What will your operation offer that theirs doesn't?
8. What is their quality of services, price range, and accessibility to your target market(s)?
9. How do you plan to monitor the competition?

LOCATION

1. Where will your business be located?
2. Why are the most desirable site and building for your business?
3. Have you considered other buildings and areas?
4. Do you need any special permits or licenses?
5. Are there any zoning restrictions that would affect your business?
6. What kinds of potential customers live in, work in, or pass through the area?
7. Is the local traffic fairly heavy all day?
8. Is there adequate parking?
9. Can motorists easily turn into your site?
10. Is there public transportation nearby?
11. Are there pedestrians in the area who could be potential customers?
12. Is your building on the sunny side of the street?
13. If your building will be open at night, is the street lighting good?

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14. Are there plans for new roads (highways) that could draw traffic away from your location?
15. What other types of businesses are in the neighborhood?
16. How many businesses in the neighborhood are doing well?
17. How many new businesses opened in the area last year?
18. How many went out of business in the last year?
19. Do you have direct competition in the area? What price lines do they carry?
20. What is the history of businesses in your building?
21. What are the lease/purchase/rent terms?

OPERATIONS

Describe the flow of activities through your business and any other activities required for production or delivery of your products or services. Include graphics such as flowcharts, time tables, and time lines.

1. What are the production processes in your business?
2. Are any special facilities required for production?
3. What kind of equipment is required? Be specific!
4. How does your building accommodate your needs? Be specific about space, layout, and access to transportation and include a plan for each floor of the building.
5. What level of inventory must you maintain for raw materials, work-in-progress, and finished goods?
6. What is the cost of maintaining these inventories and their storage areas?
7. How does the cost of subcontracting compare to that of in house operations?
8. How about purchasing vs. leasing plant, facilities, and equipment? Which is more cost effective?
9. How can production costs be minimized without sacrificing quality?

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MANAGEMENT

1. What business experience do you have?
2. What management experience do you have?
3. Do you have direct operational and management experience in this particular type of business?
4. Was your managerial experience acquired elsewhere--i.e., in a different kind of business, a club or team, civic activities, or church work?
5. What formal and informal education have you had that contributes to your managerial abilities?
6. Personal data: age, residence (past and present), skills and interests, reasons for going into this business.
7. Are you in good health? Fit for the job? (Stamina is important!).
8. If you are incorporated for any length of time, will anyone else be able to take your place? What effect would it have on the business?
9. What personal qualities do you have that will make your business successful?
10. Why will you be successful in this venture?
11. What are the major operating areas of your business? (purchasing, sales, promotion, and so forth) Include an organization chart.
12. What management tasks need to be performed? Who will perform them?
13. Who will report to whom? Include an organization chart.
14. Who will make the final decisions?
15. How will planning be conducted?
16. Include your resume as a supporting document and also include a personal financial statement if this plan will be used as a financing proposal.

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17. What will your duties and responsibilities be?
18. What are your personnel needs now? What will they be in 1-2 years? In 5 years?
19. What skills should your managers have? What qualifications will they need?
20. Are the people you want to hire available now?
21. Will they work full-time?
22. What salaries and fringe benefits will they receive?
23. Will training be necessary? If so, how will this cost the business in time and resources?
24. What "other" resources will you draw on? Accountant? Lawyer? Insurance Broker?
Consultants or advisors?
25. Can accounting operations be handled by a service bureau or financial institution?
26. If incorporated, who will be on your Board of Directors? Corporate Officers?

PERSONNEL

1. What kinds of skills will the Company require now and in the future?
2. Are skilled employees available in the local labor pool, and in the quantity needed?
3. Will there be job descriptions for each employee?
4. Will employees work full, part, or free time?
5. Is temporary help or employee overtime a viable approach?
6. What are the prevailing wage scales? Salaries or hourly wages?
7. Will you provide fringe benefits? Which ones? At what cost to the Company?
8. Will the Company conduct in house training? Do you have specific programs planned?
9. Do you have well-defined personnel policies? Include a copy in the supporting documents.

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APPLICATION AND EXPECTED EFFECT OF LOAN OR INVESTMENT

1. What is the general purpose of the loan or investment? (i.e., new equipment, inventory, working capital).
2. Is each major expense category clearly identified and adequately explained?
3. Review each expenditure. Is it needed at all? Could it be reduced?
4. What suppliers will you purchase from? What items? At what prices?
5. Have you included sales tax, delivery, and installation charges?
6. How will the loan or investment make your business more successful?

VENTURE DEVELOPMENT SCHEDULE

The Venture Development Schedule shows the sequence of events that will take place as the business plan is put into action and the operation progresses from idea to reality. This usually takes the form of a chronological chart or time-line, which shows clearly all of the activities, when they take place, and how they are interrelated. An outside reader should be able to see at a glance how everything relates to everything else, and to use the chart to follow the progress of the operation.

1. What goals have you set for yourself? How will you measure your performance?
2. What activities are needed to reach these goals?
3. How much time is required for each activity?
4. What critical events in the development sequence must take place before the next activity can occur?
5. Have you established a timetable for the achievement of your goals? Include a time-table or chart as a supporting document?
6. Are your goals realistic?
7. Have you made allowance for unforeseen problems?

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FINANCIAL PLAN

The financial plan is utilized to translate everything that has been written about into numbers. The first question one should ask at this point is, "What is the source of initial dollars?" After addressing the initial investment, the financial plan should develop a unique impression regarding the source of money in terms of sales. All assumptions, qualifications, and clarifications relating to the financial numbers should be clearly stated!

1. Prepare a "Sources and Applications of Funds Schedule"
2. Prepare a "Capital Equipment List"
3. Prepare a "Performa Cash Budget Statement."
4. Prepare a "Performa Income Statement"
5. Prepare a "Performa Balance Statement."
6. Prepare a "Breakeven Analysis Statement."

Note: All schedules, lists, and statements should be prepared relative to the first year on a monthly basis and on an annual basis for the remaining 3 to 5 years.

