STARTING YOUR BUSINESS
A guide for entrepreneurs
PREPARING FOR CHANGE

Flexibility is a key component in any good business plan

Just as life changes unexpectedly, so can businesses.

That’s why business plans are written to be flexible and to be rewritten. First, it’s important to have a business plan to organize your thoughts and strategies, and perhaps even seek financing.

Chris Fosmire was a cabinetmaker who had owned four businesses when he was diagnosed with a degenerative muscular disease at age 32. He had to walk with braces and could no longer tolerate the physical demands of making cabinets. Neither did he want to sit around collecting Social Security.

“My mind was going to mush,” said Fosmire, now 43.

With the help of his sister, Michelle, Fosmire opened The Cookie Nook, a Delray Beach cookie gift business and restaurant. “I had the mind and personality for it.”

Even though he was an experienced business owner, he was entering a new field. So he worked with the Small Business Development Center at Florida Atlantic University in Boca Raton to come up with a viable business plan.

Fosmire says the business just completed its first year and now has an Internet site. His only frustration is that because of his disease and demands of the business, he can’t get out more to do sales, which he loves. “My body frustrates me a lot.”

The Cookie Nook has reached its initial goals, he says, admitting it’s probably time to rewrite his business plan to reflect changes he’s making to his operation. Business owners should periodically revisit their business plans to think through strategies to adapt to changing trends in the marketplace.

Experts say it is best for new business owners to write their own business plans, rather than hire someone. The exercise forces the owner to think through details of the business, from his customer base to plans for growth.

A business plan also is critical if you plan to seek financing. And bankers expect a business plan to contain certain elements and to clarify what is important to your business.

There are many basic business plans that are “fill in the blanks,” including one at www.sba.gov.

But be careful. “Most bankers can see a canned software program miles away,” says Bob Keltie, assistant director for The Adams Center for IT and Entrepreneurship at Florida

Atlantic University in Boca Raton. You can use business plan outlines, but avoid stock paragraphs,” he says.

Keltie says writing a business plan is easier to accomplish today because so much information and so many statistics can be found on the Internet. “Make sure your industry is solid and then narrow down your niche,” he says.

Among the typical mistakes people make in writing business plans is making sweeping generalizations, he says. For example, they write “our industry is one of the most dynamic in the country” without backing up the statement with statistics. Use outside sources to add credibility to your position.

Lenders reviewing business plans particularly look for management with experience in the industry, he says. If you don’t have the experience yourself, hire someone who does for your management team.

Passion about your business also is a factor in winning over investors or bankers.

Federico Sanchez, president of the Miami investment advisory firm LIC Capital, points to the management team that won a recent business plan competition held by Florida International University in Miami. Sanchez, one of the contest judges, says investors like to see passion “as a complement to a very well thought-out business plan and strategy.”

The business plan of the winning company, Ensol Inc., “didn’t have any holes,” he says. Ensol, which has developed vacuum packaging that increases the shelf life of food, addressed market size, distribution, financing challenges, organizational structure and management roles in its business plan.

“They also knew what they didn’t know, and they were upfront about it,” Sanchez says. “[Investors] want to know a company is aware of those things and it’s not going to hit them down the road.”

Each company is different, but the Small Business Development Center offers some general guidelines to what you might include in a business plan:

- Describe your company, along with its mission statement, initial product or service, business strategy and any research and development needed to launch the business.
- Include research about your customers: where they’re located, gender, money they make or may be willing to spend, and how often they might use your product or service.
- Provide information about your company and products. Emphasize what makes your product or service unique: Is it the technology? Or does the product stand out for certain features, quality or price?
- Do a comparative analysis of your business with competitors in terms of size, market share, locations, reputation and pricing. Remember that today’s competition is not just in the neighborhood or South Florida; it also may be worldwide via the Internet.
- Write about your management team, particularly those who have 20 percent or more ownership. Describe the skills and experience they bring to your operation. Include names and backgrounds of directors or advisers.
- Detail your financial projections and capital needs. Project cash flow by month for the first year and until a positive cash flow is maintained. What are your projections for sales by month for the first year and annually for five years? You may want to include other financial analysis and historical financial data, if you’re buying an existing company.
- Specify the amount of capital needed, stages of product or company development, and how the money will be used and loans repaid.
- Identify the critical risks and solutions for each risk.
- Prepare the executive summary. After you’ve finished with your research and complete the elements described in the outline, you’re ready to summarize your business plan. It may be the only part read by a banker, but you have to do all the rest of the work before you can write an effective summary.

Sanchez says business plans “often don’t do a good job of explaining in one phrase what their business is all about, why their strategy makes sense.”

“They get enamored with a product or service and emphasize too much the attributes of the product,” he says. “A very exciting product doesn’t make a successful venture. Those most successful have a clear strategy.”

— MARCIA HEROUX POUNDS