

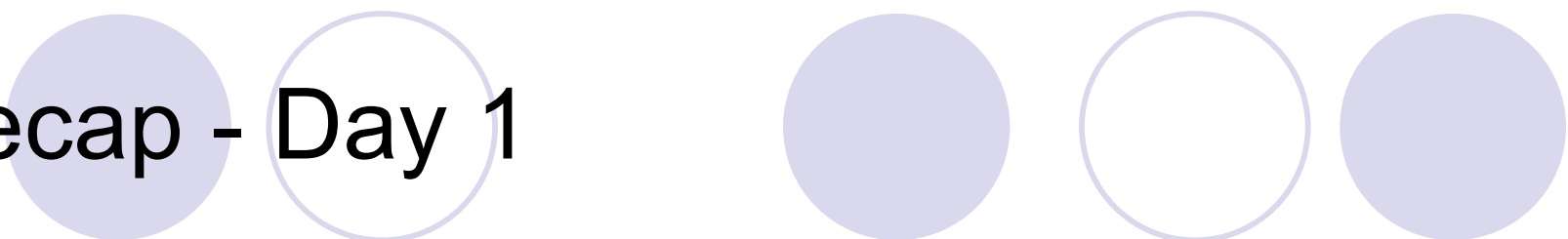
The title text is centered and overlaid on a series of five light purple circles. The circles are arranged in a slightly overlapping, horizontal line. The top row contains three circles, and the bottom row contains two circles. The text 'The Public School' is positioned above the first circle, and 'Writing a Business Plan' is positioned below the first circle. The date and day information are positioned to the right of the circles.

# The Public School Writing a Business Plan

March 7th 2010

Day 3

# Recap - Day 1



- Myths of Entrepreneurship
- Model Business
- Types of Plans
  - Feasibility Plan
  - Business Plan
  - Venture Financing Plan
- Red Tape
- Legal Structure of Enterprise
- Avoiding Squeeze Out/Maintaining Control

# Recap Day 2



- What is a Contract?
- Legal Considerations
- Leases
  - Discussion of Retail Locations/Leases
- Writing the Business Plan
  - Concept Section
  - Competition Section
  - Pricing Section
  - Customer Analysis
  - Marketing Plan



# Product/Service Plan

- Describe your Product or Service simply
  - Solves a problem?
  - Address an opportunity?
  - Need item vs. Luxury item?
- Unique Feature
- Shelf Life
- Trademarks, Copyrights, Royalties
- Govt. Approval
- Product Liability



# Product/Service Plan cont.

- Related Services / Products -- Spinoffs
- Stage of Development
- Production
- Future R&D



# Product/Service Plan Mistakes

- Overly technical or too broad
- Not realistic or too optimistic
- Failure to differentiate or explain benefits
- Failure to protect from liability or competition
- No third party evaluation
- No discussion of regulations

# Production Plan - Manufacturing

- In House Production

- Detail costs for each item by material and labor.

- Subcontractors

- Detail price and service they're providing
- Who are your backup subs?

- Home Based

- Are people making your stuff at home?
- Quality Control - how are you going to deal.
- Govt. Regs relevant to Home Based

# Production Plan - Manufacturing (cont)

- Raw Material Supplies
- Unions
- Facility
  - Production Capacity & Current utilization
  - Leased or Owned? Costs.
  - Future Capacity requirements
- Inventory Storage & Tracking Systems
  - Just In Time, Days of Supply, etc

# Production Plan - Manufacturing (cont)

- Environmental Restrictions
- Compensation / Wage Structure
  - Compensation & Training for production employees
- Quality Control Systems
- Service & Rework



# Production Plan - Service

- In House
- Subcontractors
- Home Based (?)
- Unions
- Facility
- Compensation / Wage Structure
- Quality Control Systems



# Production Plan Mistakes

- Failure to optimize to hold down costs
- Poor Inventory Control
- Failure to ID all costs
- Inadequate hiring practices & job training
- Inefficient schedule (too much OT)
- Poor plant design / wasted space
- Poor material handling/storage
- Failure to plan for long term
- Failure to have backup suppliers/subs.
- Failure to be innovative during start up.



# Management & Organization Section

- Management Team
- Compensation
- Board of Directors
- Advisory Board
- Future Management
- Insurance
- Organization Charts
- Stock Options & other Incentive Plans



# Management & Org Mistakes

- Hiring friends or relatives regardless of qualifications
- Hiring minimally qualified because you can't afford the best.
- Assuming management skills from other industries cross over to yours directly.
- Failure to get/mention non-compete agreements
- Giving away too much to employees

# Management & Org Mistakes (pt 2)

- Failure to use infrastructure to it's fullest, particularly in start up phase.
- Failure to appoint independent outside directors
- Failure to find consultants from infrastructure who can be key advisors.



# Operations & Control Section

- Admin Policy, Procedure, & Controls
  - How will orders be received and processed
  - Admin Policy & Procedure for
    - Billing the Customers
    - Paying Suppliers
    - Collection the Accounts Receivable
    - Reporting to Management
    - Providing employee training and incentives
    - Inventory Control
    - Warranties & Returns
    - Budget Control (travel, phones, supplies, etc)

# Operations & Control Section (cont)

- Flow Chart / Diagram of transaction through system
- Documents & Information Flow
  - Invoices
  - POs
  - Sales Tickets
  - Change Orders

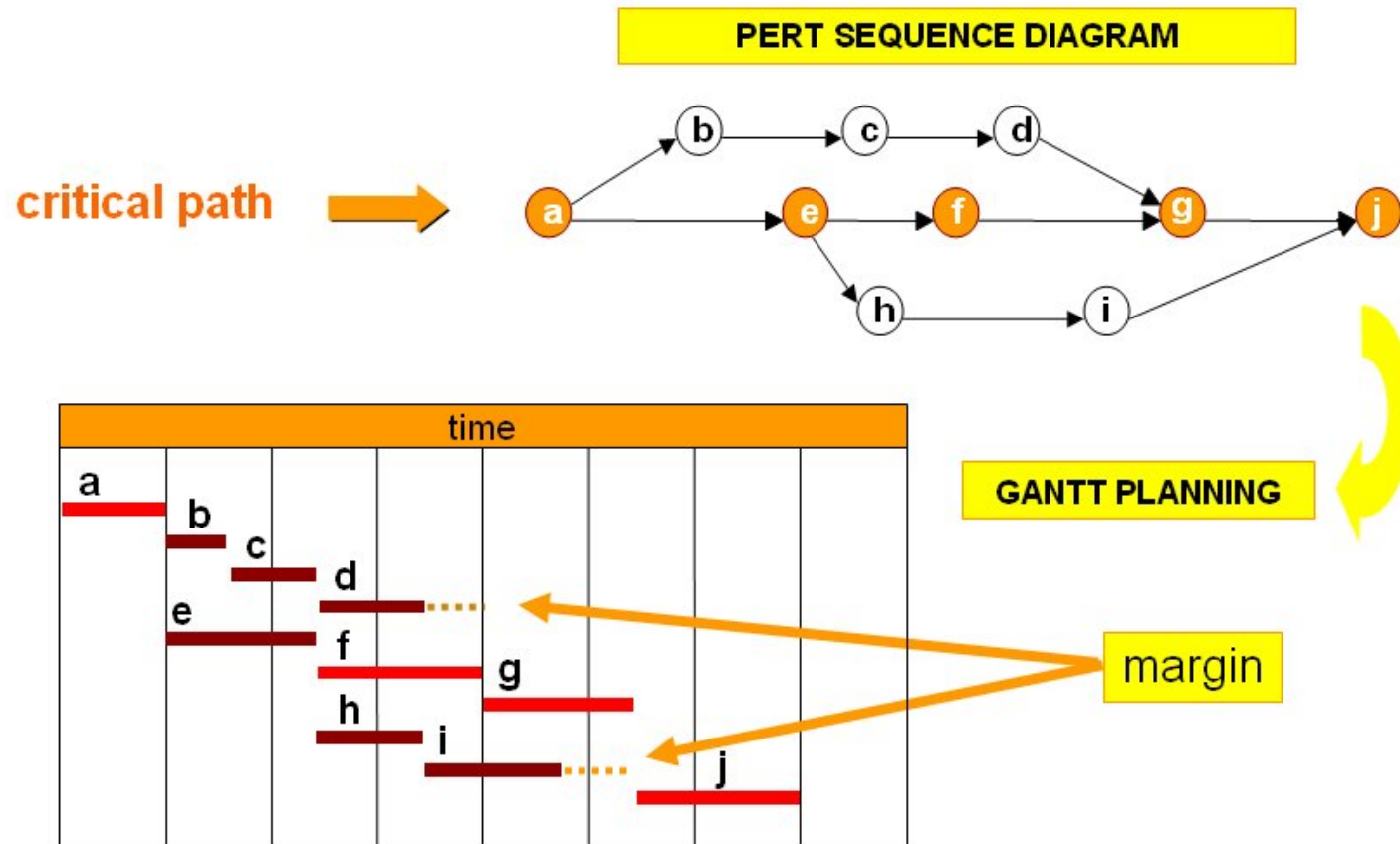


# Operations & Control Mistakes

- Inadequate system of accounting
- Not hiring enough staff
- Being over staffed
- No clear line of authority
- Inadequate training for management and staff
- Lack of cash flow trace procedure
- Lack of adequate records for IRS/govt.

# Schedule

- Often Done with Gantt Chart & PERT





# Schedule Section

- Product Development
- Manufacturing / Production Schedule
- Financial Schedule
- Marketing Flow Chart
- Market Penetration
- Management & Infrastructure

# Schedule Resources



- Resources:

- <http://www.netmba.com/operations/project/pert/>
- <http://www.openworkbench.org/>
- [http://www.youtube.com/watch?v=CW\\_wGSFavTc](http://www.youtube.com/watch?v=CW_wGSFavTc)

# Scheduling Mistakes



- Failure to identify and prioritize major goals
- Failure to identify responsibility of management with particular goals
- Unrealistic projections for accomplishing tasks
- No contingency plan when schedule breaks
- Failure to review and revise.



# Growth Plan

- New Offerings to Market
- Capital Requirements
  - Internal Growth?
  - External Funding?
- Personnel Requirements
- Exit Strategy
  - How will this help the investor 'get out'?



# Growth Plan Mistakes

- Failure to ID products or service needed for Growth
- Inadequately describing marketing for new product/service
- Overestimating revenue from new stuff
- Not planning for capital requirements
- Failing to provide an exit path for investors
- Inadequate management team for growth
- Inadequate procedure to control growth

# Contingency Plan



- What are the problems that can arise and and what can you do to fix them?

**There are known knowns. There are known unknowns. There are also unknown unknowns -- Donald Rumsfeld**



# Contingency Plan (cont)

- Sales Projections prove wrong
- Unfavorable Industry development
- Manufacturing Cost become too high
- Competitive Price war
- Labor needed unavailable
- Supply deficiencies
- Needed capital unavailable.
- Govt. interference / regulations change

# Contingency Plan (cont pt. 2)

- Product liability occurs
- Management or personnel problems arise.
- Product Development takes longer
- Salvage Value
  - If the above problems occur and kill the venture, what can be salvaged?



# Contingency Plan Mistakes

- Failure to ID market barriers
- Failure to ID uncontrollable variables
- Failure to state inability to guard trade secrets
- Failure to honestly assess the down side
- Failure to address legal liability
- Failure to develop fall back options



# The Deal

- If you're raising money you need to tell the investor what the "deal" is.
- Reasons:
  - Qualifying the reader.
  - Demonstrate you are a dealmaker
  - Debt? Equity? Length of ride?
  - Demonstrate good business structure to accomplish goals of business and investors

# The Deal (cont)



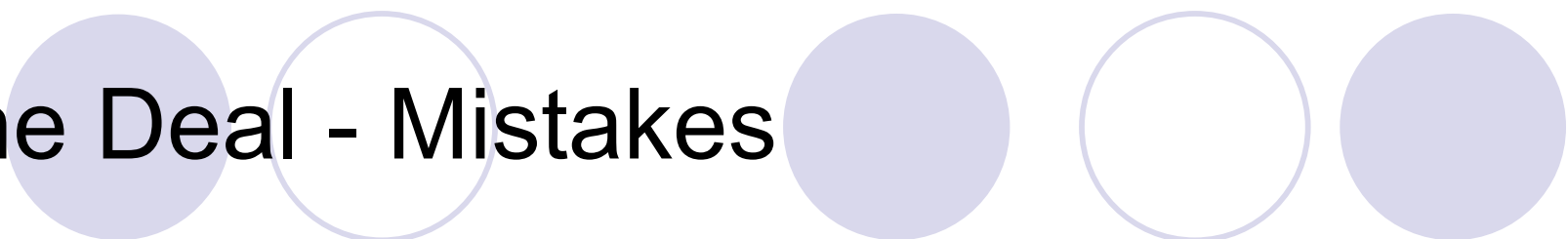
- How much money is needed to make it through to break even?
- If using debt, what collateral are you putting up?
- What's the current state of funding?
- What have the principals invested and in what form?
- What is the business structure?
- Are there tax benefits?

## The Deal (cont)



- List Percentage Ownership and Dilution of principal and investors through various rounds of financing
- Length of payback period and projected returns
- Exit Strategy for Investors
- Audited Projections ??
- Current material obligations

# The Deal - Mistakes



- Need to be realistic about adequate return for investors.
- Choosing debt when equity is required or vice versa
- Expecting investors to pay off Principals personal debt.
- Wrong business structure to attract capital.
- Failure to understand tax benefits to principals or investors (if any)