

# Planning for a Healthy Business



FDIC



**SBA**

# Pre-Test

- Locate the Pre- and Post-Test Form at the back of your workbook.
- Complete the BEFORE Training column to assess your knowledge on this topic *before* participating in this class.

In your workbook



# Agenda

- Welcome, Pre-Test, Agenda, and Learning Objectives
- Case Study: Sophia's Planning Process
- Introductions: Where are *you* in your planning process?
- Introduction to the 4-Step Planning Model
- Summary, Post-Test, Evaluation

# Learning Objectives

- Explain how an evolving planning process can help you make key decisions as business owners.
- Describe how to convert a vague idea into a resource plan.
- Explain the importance of a healthy personal credit score and healthy relationships with lenders.
- Describe how a business plan helps motivate stakeholders to understand and support your business ideas.
- Explain the benefits of creating a day-to-day action plan for running a small business.

# Introducing Sophia

See page 4 in your workbook.

- How can Sophia make her new cell phone repair business a success?
- She will complete four planning steps over a two year period.
- As her business grows, her planning approaches will change.
- As we review Sophia's planning process, relate the four planning steps to your business.

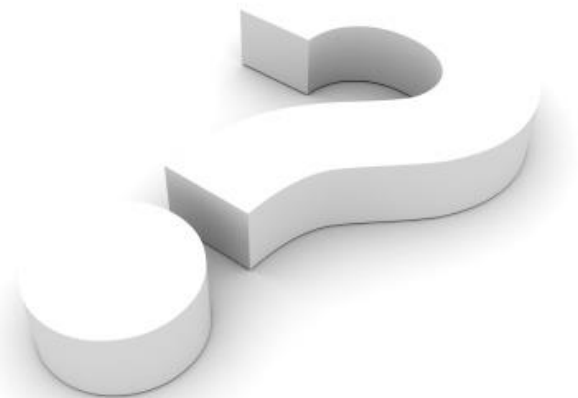
I have a great idea! NOW what?



# Where Are YOU in Your Planning?

Complete the worksheet on page 5 of your workbook.

- For each planning stage, record if you have completed it, if you are working on it, or if you have not yet started.
- There are no wrong answers.
- You will introduce yourself and share your planning stage.



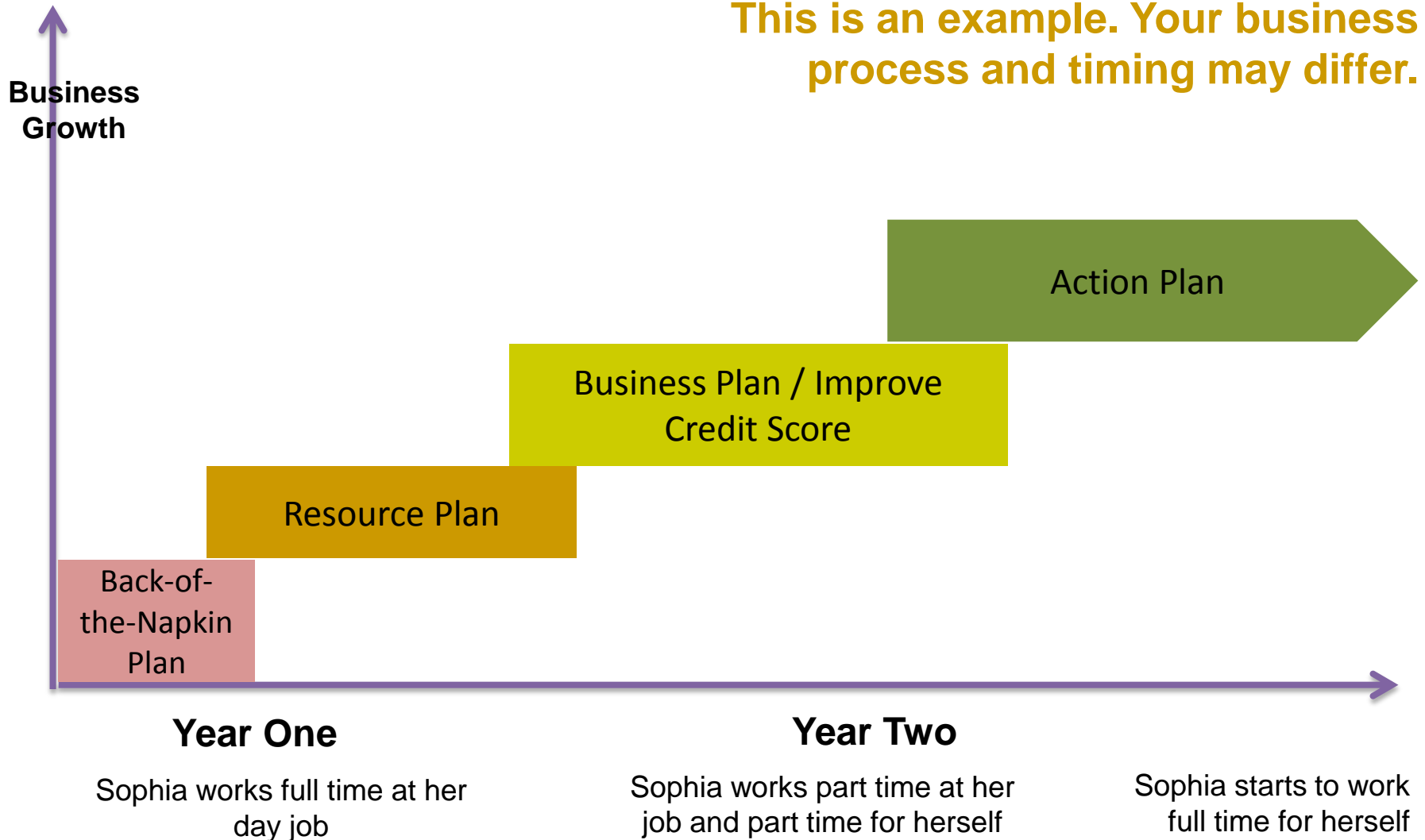
# The 4-Step Planning Model

See page 6 in your workbook.



# Sophia's Planning Process

This is an example. Your business process and timing may differ.





# Step 1: The Back-of-the-Napkin Plan

## Sophia's Back-of-the-Napkin Plan

Fix smartphones, tablets ..  
and appliances? (Maybe later?)

What is my credit score?

Do I need a website?

Who is my competition?

Who can help me find answers?

Am I ready for all this?

# Step 1: Key Questions

- What benefits (monetary and non-monetary) do I want to get from my business?
- What size business do I need to build to achieve those benefits?
- Have I identified a real business opportunity on which I can capitalize?
- What assets do I need to purchase, rent, or lease? Who will I need to hire?

**DO YOUR  
HOMEWORK**

**See page 7 in your workbook for some questions to answer at the beginning of the planning process.**

# Step 2: Sophia's Resource Plan



See pages 8–9 in your workbook.

Sophia estimates start-up costs for her first six months of business will be:

• Space, equipment, and supplies	\$18,250
• Skill development	1,100
• Staff (accountant and bookkeeper)	1,200
• Other (insurance and taxes)	450
• <b>Estimated total:</b>	<b>\$21,000</b>

**Note:** Living expenses are *not* included in a resource plan.

# Step 2: The Resource Plan, cont.

See the bottom of page 9 in your workbook.

Sophia's estimated start-up costs:	\$21,000
Sophia's share (owner equity)	- 7,000
<b>What Sophia needs to raise:</b>	<b>\$14,000</b>



# Step 2: Resource Planning Ideas

**Interview stakeholders, competitors, and other business owners for ideas.**

- Ideal locations
- Locating discounted equipment and supplies
- Pros and cons of buying in bulk (too much inventory affects cash flow)
- Fair wages and benefits for employees
- Federal, state, local, and sales taxes
- Insurance
- Pay for services (such as website design and hosting)- pay more up front or pay higher monthly installments?
- Am I ready to go on to the next step?

# Step 3: The Business Plan

See pages 13–14 in your workbook.

- Tells a story that makes your idea come alive
- Convinces others to make a stake in you
- Projects three years into future
- Clearly outlines business development plans in financial terms



# Step 3: Sophia's Business Plan

- Sophia and her family worked hard to raise her credit score.
- Sophia met with a banker several times to get feedback and advice.
- She took a class on business plan writing.
- Sophia shared her plan with family and friends.
- This process took time ... and it paid off! Family and friends funded her start-up costs!



# Sources of Financial Support

See page 15 in your workbook.

- Angel investors
- Bootstrapping
- Crowdsourcing
- Friends and family members
- Incubators
- Local and state economic development organizations
- Peer-to-peer lending
- Small business loans
- Venture capital

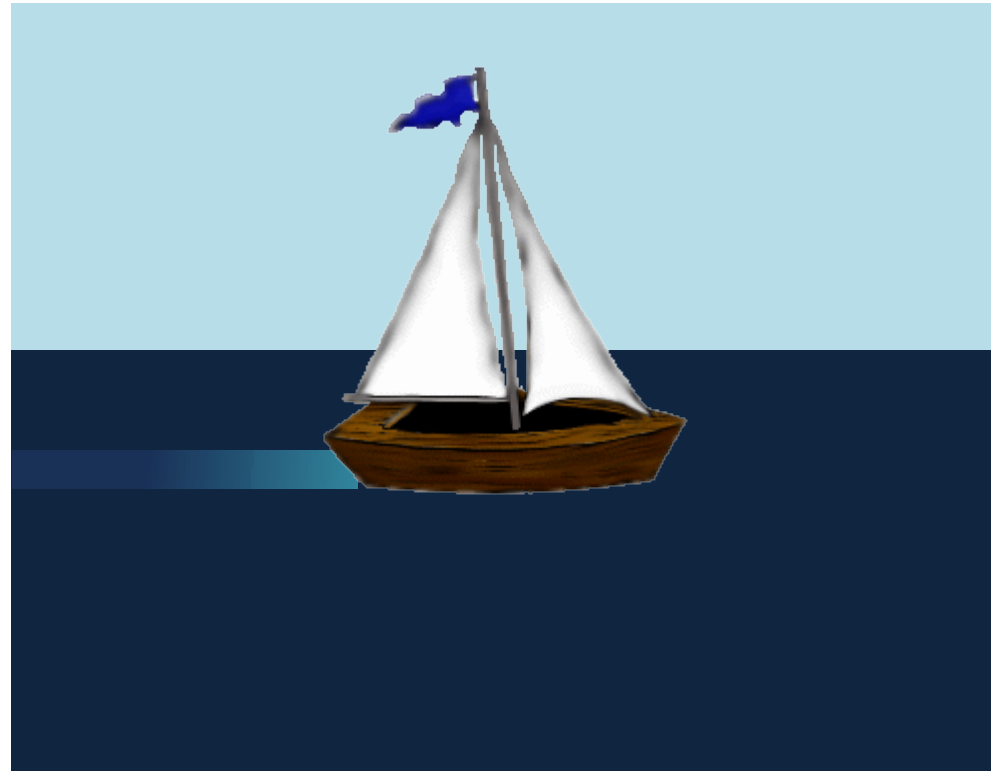




# What does it mean to be strategic?

If you want to meet up with this sailboat, which direction would you steer?

- Plan for the future
- Plan for change
- Learn from the past (including mistakes)
- Minimize risk
- An **action plan** helps you stay strategic



# Step 4: Sophia's Action Plan

See page 16 in your workbook. These goals are SMART.

SMART Goals	Tasks	Success Criteria	Time Frame	Resources
Achieve an average monthly customer count of 500 within three months	<ul style="list-style-type: none"> <li>• Advertise in <i>Business Journal</i></li> <li>• Increase social media outreach</li> <li>• Identify effective marketing opportunities</li> </ul>	<ul style="list-style-type: none"> <li>• 400 customers in month 1</li> <li>• 450 in month 2</li> <li>• 500 in month 3</li> </ul>	September	<ul style="list-style-type: none"> <li>• \$300 for ad</li> <li>• Flyers in college common areas and coffee shops</li> <li>• Website upgrade</li> </ul>
Reduce rental costs by 10% by the end of this year	<ul style="list-style-type: none"> <li>• Negotiate terms with landlord</li> <li>• Work with lawyer to draw up a contract</li> </ul>	2-year lease = 10% rent reduction	December 31	Legal fees? <u>Find out how much</u>

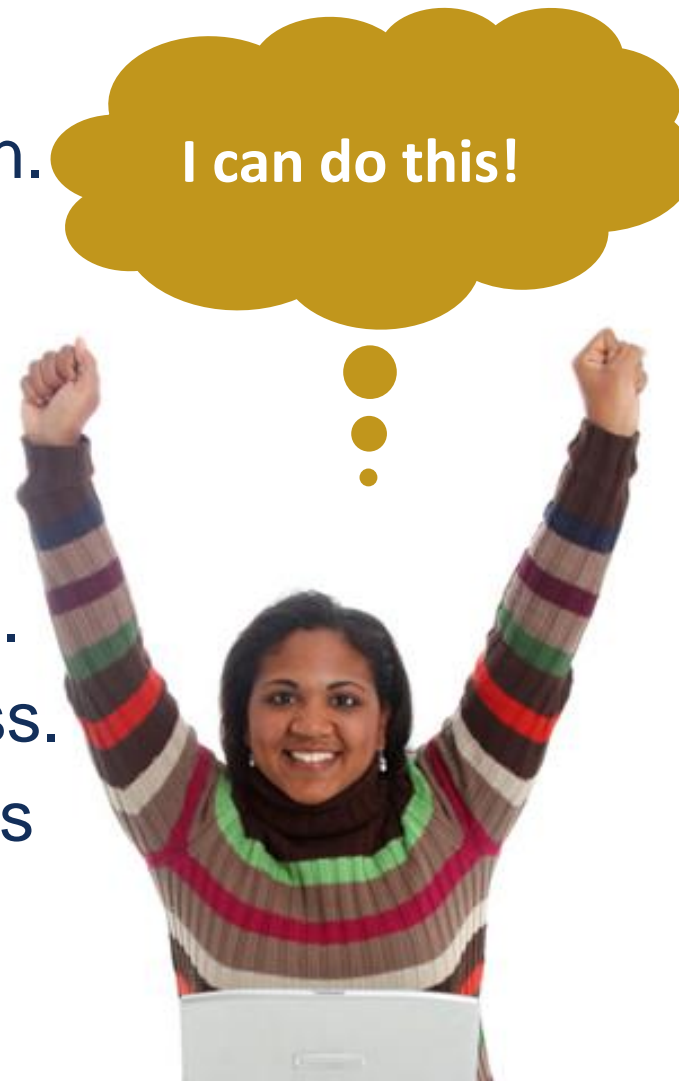
# SMART Goals

- **Specific:** State the goal precisely.
- **Measurable:** Good measurements let you know when a goal is completed.
- **Attainable:** Resources needed to complete the goal are within your reach.
- **Relevant:** The goal is applicable to your business.
- **Time-based:** The goal has a completion date or time frame.



# Summary: Key Points

- There is more than one way to plan.
- The planning process helps refine your ideas and prevent errors.
- Types of plans need to change as your business needs change.
- Make time to write a business plan.
- Engage stakeholders in the process.
- Even when you get the investments you need, you need to plan strategically to ensure a healthy business.



# Summary: Benefits and Risks

## Benefits of Planning

- Know where you are—and where you are going
- Save time and money
- Ask great questions
- Develop stakeholders in the process
- Make logical decisions
- Measure progress on tangible goals
- Focus on finances

## Risks of Not Planning

- Wasted time and money
- You do too much (and miss opportunities to delegate)
- Risk “burn out”
- Confuse or alienate investors
- Fail to do the math or to quantify “success” in practical business terms

# Summary

- What final questions do you have?
- What have you learned?
- How would you evaluate the training?



# Pre-Post Test and Evaluation

In your workbook

- If you have not already done so, assess what your knowledge on this topic was *before* you participated in this class.
- Assess your knowledge on this topic *after* taking this class.
- Complete the Evaluation Form. Your feedback is helpful!
- Return both forms to the instructor before you leave. Thank you!

