

Business Plan: Game Plan for Success

*Kentucky Center for Agriculture & Rural
Development (KCARD)*



Value of Planning

- “Failing to plan is planning to fail.”
- “It pays to plan ahead. It was not raining when Noah built the Ark.”
- “Good plans shape good decisions. That’s why good planning helps to make elusive dreams come true.”
- “In preparing for battle, I have always found that plans are useless, but planning is indispensable.” Dwight D. Eisenhower



Reasons for Developing/Updating a Business Plan

- Value of the Planning Process
- Answers Who, What, Where, When, Why and How for the Business
- Defines Goals & Benchmarks for the Business
- Easier to Solicit External Support



Basics of a Business Plan

- Description of Business
- Marketing Plan
- Management Plan
- Financial Management Plan
- Financial Projections
- Supporting Documents



Description of Business

- Products
- Ownership and Structure
- History
- Mission
- Location and Facilities
- Goals for Business



Marketing Plan Components

- Positioning in the Marketplace
- Product Line
- Pricing Strategy
- Target Markets
- Sales Forecast
- Sales Force
- Service
- Distribution
- Advertising & Promotion
- Research & Development



Management Plan Components

- Organizational Structure
- Roles and Responsibilities for Each Management Team Member
- Hiring and Training Personnel
- Salaries and Benefits
- Meeting Schedule
- Corporate Records



Financial Management Plan and Projections

- Type of Accounting System
- Inventory Control System
- Loans
- Insurance
- Capital Equipment & Supply List
- Breakeven Analysis
- 3-year Pro Forma Cash Flow and Income Statement Projections
- Balance Sheet

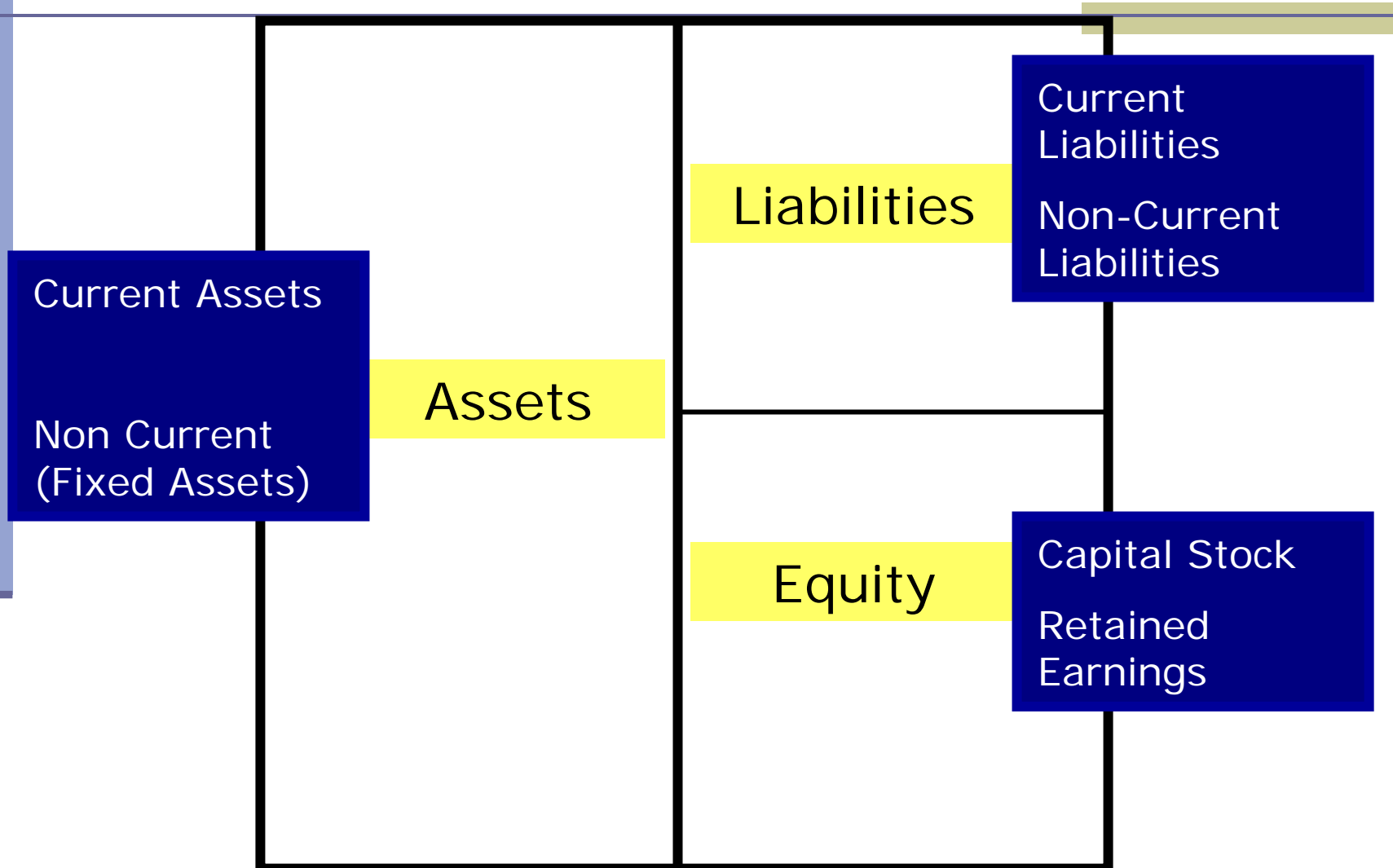


Balance Sheet

- What you own? **Assets**
- What you owe? **Liabilities**
- What's the difference? **Equity or Net Worth**



What a Balance Sheet Looks Like



Income Statement (P&L Statement)

- Not the same as a cash flow
 - Does not include loans, grants
 - Does not include principal payments, distributions
- Accrual adjustments to cash income
 - Inventories
 - Payables
 - Receivables
 - Prepaid expenses



Income Statement

Sales
Minus Cost of Goods Sold
= Gross Profit
Minus Expenses
= Net Income



Cost of Goods Sold

- Should be the direct costs of the products that you are selling
- COGS includes:
 - Products Costs
 - Plant Labor
 - Plant Utilities
 - Freight
 - Packaging



Statement of Cash Flows

- Measures CASH in-flows and out-flows
- Net cash flow IS NOT net income
- Grants, loans, contributions ARE NOT income; they ARE in-flows
- Principal payments, allocations, capital purchases ARE NOT expenses; they ARE out-flows



Other Possible Components

- Executive Summary
- Supporting Documents—tax returns, licenses, resumes, etc.
- Description of Business Operations
- Capitalization Strategy

