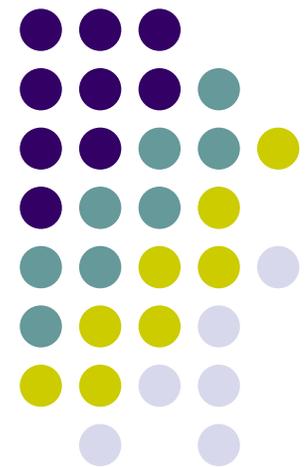


# Entrepreneurship Bootcamp – Business Planning Essentials

2008



**BDO Dunwoody LLP**  
Chartered Accountants  
and Advisors



# BDO Dunwoody LLP Chartered Accountants and Advisors

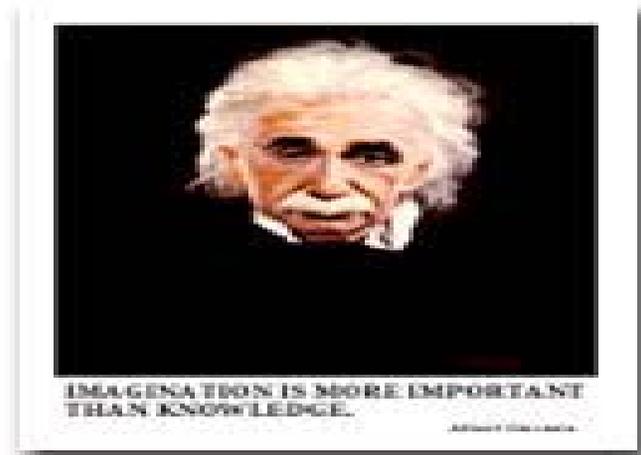


- **BDO** is the fifth largest accounting and consulting firm in the world with over 95 offices in Canada and 330 Partners
- We focus on the audit, accounting and advisory service needs of municipal and not-for-profit organizations, entrepreneurial businesses and public companies
- Our Sault Ste. Marie office is the largest public accounting and consulting firm in the community with over 45 full-time staff
- Local office has a Tax, Insolvency Consulting and IT division in addition to A&A (accounting auditing bookkeeping)
- Local office has six partners and three senior managers



# Me

- Jacob Barton, B. ECON
- Attended The University of Ottawa
- 3 years with BDO in Sault Ste. Marie
- Certified Management Consultant (CMC) Candidate
- Chartered Business Valuator (CBV) Candidate
- Specialize in:
  - Business Plans
  - Feasibility Studies
  - Business Valuations
  - Litigation Support





# Goals of Today's Session

1. To develop an understanding of the need for business planning
  - And the information required to support the plan
2. To become familiar with the components of a business plan, particularly:
  - Situation Analysis
  - Marketing
  - Operations
  - Human Resources
  - Financial Planning



# Business Plan

- Every business or organization should have a Business Plan
- Without a clear purpose and goals, an organization can quickly flounder and be lost
- The key to an effective business plan is to state your Goals, Objectives, Strategies and Actions in measurable terms that can be clearly understood by someone unfamiliar with your organization



# Reasons for Business Failure

- financial mismanagement/undercapitalization;
- managerial incompetence;
- failure to plan;
- insufficient profit margins;
- difficulty marketing the product/service;
- too much competition;
- over and underestimating sales;
- poor employer/employee relations;
- personal stress;
- inefficient management of time;
- insufficient grasp of emerging threats and opportunities;
- sudden changes in the business environment; and,
- others.



# Terminology

## Goal

ST - a process or direction you work towards in a short period of time, a stepping stone

LT - purpose of your venture

## Objective

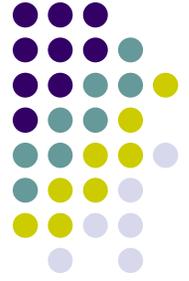
A specific measurable result expected within a particular time period, consistent with a goal and strategy. A clear "milepost" along the strategically chosen path to the goal

## Strategy

The action path the organization has chosen to realize goals. Strategies establish broad themes for future actions and should reflect reasoned choices among alternative paths

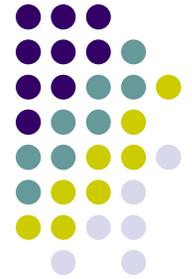
## Action

Organized activities within a strategy to accomplish an objective



# Business Plan

- A business plan is not a document although a document may be used to convey the business plan to others. Rather a business plan is the outcome of a process which results in a number of decisions about the direction the entrepreneur will take in developing the business.



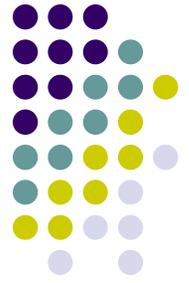
# Business Plan

1. Executive Summary
2. Introduction and Background
3. Situation Analysis
  - Industry, Competitive and SWOT analysis
4. Management Profile (key staff or advisors)
5. Marketing Plan (4P's or 3C's)
6. Operations Plan
7. Human Resource Plan (may be combined with Operations)
8. Financial Plan and Projections (notes and assumptions)
9. Key Success Factors/Unknowns, Linkages and Implementation Plan
10. Appendices and Attachments



# Situation Analysis

- The systematic collection and study of past and present data to identify trends, forces, and conditions with the potential to influence the performance of the business and the choice of appropriate strategies
  - Industry analysis, market research, SWOT



# SWOT

- Strength – positive internal influence (e.g. business degree, technical skills)
- Weakness - negative internal influence (e.g. financial management, organization)
- Opportunity - positive external influence (e.g. aging seniors, recreation)
- Threat - negative external influence (e.g. economy, weather)

# Steps in Developing a Marketing Strategy

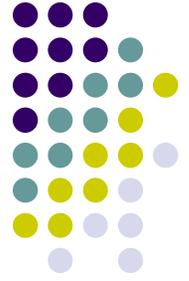




# 4 P's of Marketing

- Product
- Price
- Promotion
- Place

# Roles of Marketing – Communication Strategies



- Create/Maintain Company & Product Image
- Inform Market of Benefits
- Position or Re-position Product
- Encourage “Channel” Support
- Stimulate Trial Purchase
- Display Competitive Advantage
- Announce or Justify Product Price
- Announce an Event or Sale

# Roles of Marketing - Customer Service Strategies



- Quality Products
- Service after the Sale
- Communication
  - Christmas Cards
  - Newsletters
  - Phone calls (not just sales)
  - Birthday calls/cards
- Pickup/Delivery Options
- Expertise & Product Knowledge
- Speed & Efficiency
- Objection Handling



# Roles of Marketing - Achieving Customer Loyalty



- Lead by Example
- Discover Customer Expectations
- Develop a Service Statement
- Set Service Guidelines
- Improve or Create Service-Related Policies & Procedures
- Measure Customer Satisfaction
- Implement Employee Involvement Programs
- Rewarding & Recognizing Service Stars



# Marketing vs. Sales

- Marketing is everything that you do to reach and persuade prospects.
- The sales process is everything that you do to close the sale and get a signed agreement or contract.
- Both are necessities to the success of a business. You cannot do without either process.
- By strategically combining both efforts you will experience a successful amount of business growth. However, by the same token if the efforts are unbalanced it can detour your growth.

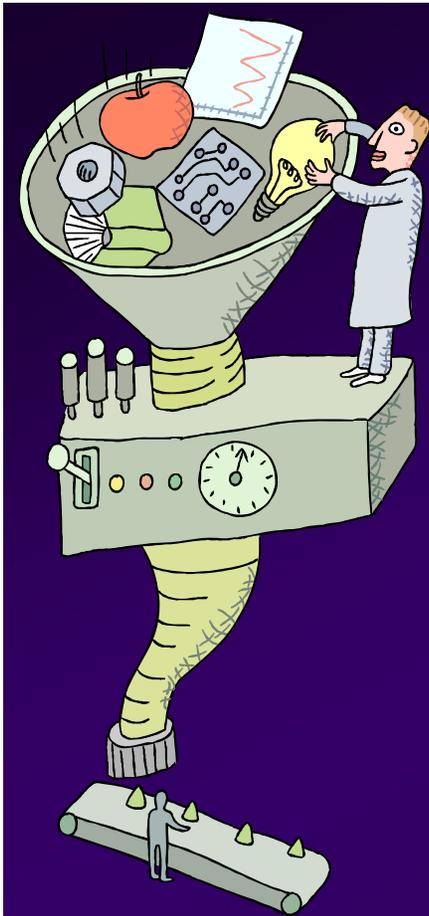


# Marketing vs. Sales

- Marketing *must* play the dominant role, if marketing is doing its job correctly, both sales and people outside the company will believe sales is playing the dominant role.
- Once marketing has created opportunities for sales to succeed by defining the product and creating the sales tools, it's up to sales to drive the success or failure of the company. At that point, marketing can best prove its dominance by stepping back and deferring to sales.



# What is Operations?

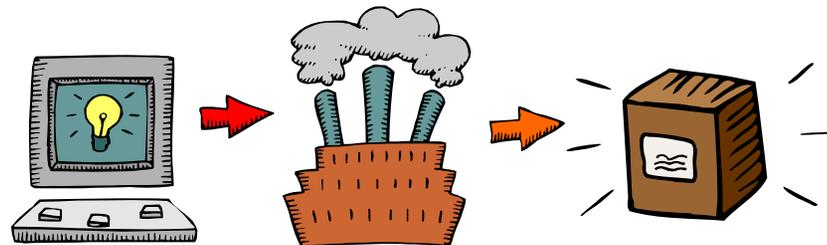


Operations includes the acquisition, storage and transportation of inputs, their transformation into useful outputs, goods or services, and the maintenance of production equipment and facilities in good working order



# Operations Management

- The management of these operations contributes to realizing company objectives
- It aims at optimizing the use of available resources, including both tangible (human, material, financial) and intangible (information, patents, know-how), while taking into consideration the external (governments, interest groups) and internal (financial and marketing policies) environments during the production of the required products





# Operations Management

- Operations management is sometimes considered a group of independent and autonomous activities. The danger of this approach is that some decisions made without considering their interrelationships with other company functions





# Operations Management

**Operations management** is concerned with the efficient and effective transformation of inputs into "desired outputs".

- Traditionally those outputs have been understood largely in manufacturing terms and in the context of profit making organizations.
- Small business operations typically deal with:
  - Human resources
  - Overhead items
  - Equipment and technology



# Human Resources

- One of the most time consuming, stressful and costly outputs is HR
- In general, human resources management is important because of its direct and indirect effects on the success of your business, Without productive employees, it is difficult for a business to succeed.

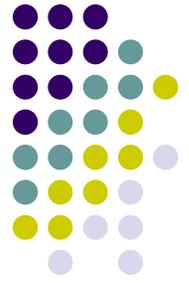


# HR Definition

Human resource management is the process of managing a company's employees. It involves planning, organizing, staffing, training, directing, controlling, compensating, motivating, and evaluating employees' work.

Human resources are an expensive asset and directly affects business success, A large portion of the profits are used to compensate employees, whose work keeps the business running. The quality of employees' work projects the image of the company in the business community.

# Human Resource Management



Why is human resource management important to business success?

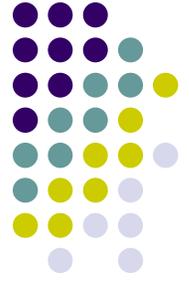
- Good quality management and professional, efficient personnel.
- Poor quality human resource management projects a bad image for the business



# HR Responsibilities

What are some of the HR responsibilities for a small business?

- Leadership
- Hiring (recruitment, selection)
- Orienting
- Managing (supervising, motivating, H&S)
- Training
- Compensating
- Evaluating



# HR Planning

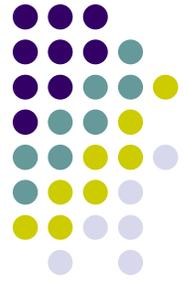
Planning involves activities developed by the entrepreneur prior to the hiring and supervising processes. The entrepreneur plans to determine whether additional workforce is needed, how many new employees are needed, what kind of qualifications they should have, and how to hire and supervise employees

- Business Plan stage



# Financial Planning

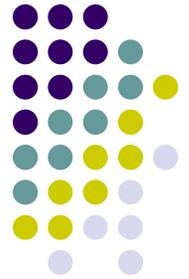
- Financial planning is a critical activity for every business irrespective of its age and size.
- Financial models are used:
  - to compile budgets, forecasts and projections
  - to assess possible funding requirements
  - to explore the likely financial consequences of alternative funding, marketing or operational strategies.



# Financial Planning

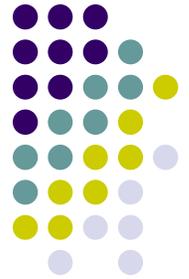
- Before using a financial model to help plan the future of a business, a manager or entrepreneur should:
  - Decide on the central purpose of the planning exercise:
  - the target audience
  - the time horizon

# CICA Standards and Guidance



- Future Oriented Financial Information (FOFI)
  - Prospective results of operations, financial position and/or cash flows, based on assumptions about future economic conditions and courses of action
  - Presented as either a forecast or projection

# CICA Standards and Guidance



- Forecast
  - FOFI prepared using assumptions all of which reflect the entity's planned courses of action for the time period covered given management's judgment as to the most probable set of economic conditions.
- Projection
  - Same as Forecast except the FOFI contains one or more hypotheses that are assumptions which are consistent with the purpose of the information but are not necessarily the most probable in management's judgment.

# CICA Standards and Guidance



- General Purpose
  - Prepared for external users with whom the entity is not negotiating or dealing directly.
- Special Purpose
  - Prepared for external users with whom the entity is negotiating or dealing directly.

# CICA Standards and Guidance



A FOFI should:

- use appropriate, reasonable and supportable assumptions
- not extend beyond that which can reasonably be estimated (time period)
- be prepared in accordance with the accounting policies expected to be used in presenting financial statements for the future period
- should be clearly labeled as either a forecast or a projection
- disclose significant assumptions



# Projecting Market Demand

- A **Market Demand** for a product is the total volume that would be bought by a defined customer group in a defined geographical area in a defined time period in a defined marketing environment under a defined marketing program.

\* Not a number but a function of the stated conditions



# Projecting Market Demand

A **Market** is the set of all actual and potential buyers of a product.

The **Potential Market** is the set consumers who profess a sufficient level of interest in a defined market offer

The **Available Market** is the set of consumers who have interest, income and access to a particular market offer

The **Qualified Available Market** is the set of consumers who have interest, income, access and qualifications to a particular market offer.

**Target Market** – portion/segment of the QAM the business pursues and **Penetrated Market** are those in the target group that buy

# Projecting Market Demand

## Example - New Light Beer



Demand for the New Light Beer

= population x personal discretionary income per capita  
x avg. % of discretionary income spent on food x avg.  
% of amount spent on food that is spent on alcoholic  
beverages x avg. % of amount spent on alcoholic  
beverages that is spent on beer x expected % of  
amount spent on beer that will be spent on light beer

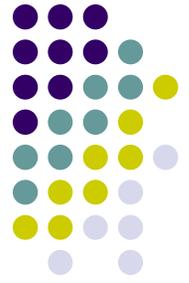
\*\*Refine further by adding access, qualifications, price,  
etc.



# Financial Planning Traps

- Using financial forecasting as a substitute for business planning.
- Ignoring historic trends or performances at company, sectoral and national levels.
- Overstating market shares and growth, sales forecasts, and profit levels.
- Giving insufficient consideration to working capital requirements.

# Financial Planning Traps



- Underestimating costs and delays likely to be encountered.
- Disregarding industry performance norms and competitors' responses.
- Breaching generally-accepted financial guide lines and ratios.
- Making unduly optimistic assumptions about the availability of loans, trade credit, grants, equity etc.
- Seeking spurious accuracy while failing to recognize matters of strategic importance.

# Questions and Answers

