

**AT** MICROFICHE  
REFERENCE  
LIBRARY

A project of Volunteers in Asia

The Business Plan

by Gerard R. Dodd and friends of The Maine Idea

Published by:

Dodd-Blair and Associates  
P.O. Box 644  
Rangeley, Maine 04970  
USA

Available from:

same as above

Reproduced by permission.

Reproduction of this microfiche document in any form is subject to the same restrictions as those of the original document.

# THE BUSINESS PLAN

SURE  
HOPE THIS  
WORKS OUT!



FOR THE SELF-EMPLOYED

EFFECTIVE PRESENTATION  
OF YOUR BUSINESS IDEAS

#### WORKBOOKS IN THIS SERIES:

<b>VOL. I</b>	<b>The Business Review</b>
<b>VOL. II</b>	<b>The Business Plan</b>
<b>VOL. III</b>	<b>Basic Finances</b>
<b>VOL. IV</b>	<b>Basic Marketing</b>
<b>VOL. V</b>	<b>Managing Time &amp; Personnel</b>

#### FRIENDS OF THE MAINE IDEA

Among those who made an **outstanding contribution** to these workbooks are: Sheila Denton, Maria Gasbarrone, Ron Goldstein, Mindy Loveitt and Paul Nevin (The Maine Idea), Bill Burrus, Jeff Ashe and Bill Taffel (ACCION International), Gerry Mitchell, Roland Hallee and Lynn Carlow (Royal Printing), Tim Sample (The Sample Studio), Ed Armstrong (C. P. Snowman & Co.), Lester Clark (Clark's Heating Oil), Barbara Luce (Rocky Luce Chimney Sweep), Dick Parkhurst (Oakes & Parkhurst Glass), Dick Peck (Peck's Welding), Puck Purnell (OBERON), Ron Serina (POP's Advertising), Nancy Whitman (Goose Eyed Shuttle), Carlton McGary & Joel Stevens (Key Bank), John Moulis (Bank of Maine), Les Stevens (State Development Office), Roy Taylor (Piscataquis Economic Development) and, of course, Annie Blair without whose help, encouragement and love this second edition could have never occurred.

These workbooks were initially prepared by The Maine Idea, a non-profit affiliate of ACCION International. Special acknowledgement is made to The Private Industry Council, the State Development Office, the Calvin K. Kazanjian Economic Foundation and, most especially, the Public Welfare Foundation for their support of The Maine Idea which made the books possible.

**MANAGEMENT WORKBOOKS FOR SELF-EMPLOYED PEOPLE, VOL. II**

# **THE BUSINESS PLAN**

by  
**Gerard R. Dodd  
and friends of  
The Maine Idea**

**DODD-BLAIR & ASSOCIATES, P.O. BOX 644, RANGELEY, ME. 04970**

The contents of **Management Workbooks for Self-employed People** are derived from a wide variety of sources, including direct experience with micro-businesspeople throughout Maine. The information presented is intended only for use as general management guidelines. These workbooks stress self-help, but are not a substitute for competent professional assistance. Although the material has been prepared meticulously, the publisher is not aiming to provide legal, accounting or other professional services and cannot assume responsibility for errors and omissions.

COPYRIGHT © 1984  
by DODD-BLAIR & ASSOCIATES

All rights reserved. No part of these workbooks may be reproduced in any form without written permission from the publisher.

Artwork by Tim Sample

Layout/Design by Gerry Dodd

Printed by  
Royal Printing Service, Inc.  
Pittsfield, ME 04967

Published by  
DODD-BLAIR & ASSOCIATES  
P.O. Box 644  
Rangeley, ME 04970

First Printing, August 1981  
Revised & Expanded Second Edition  
November 1984

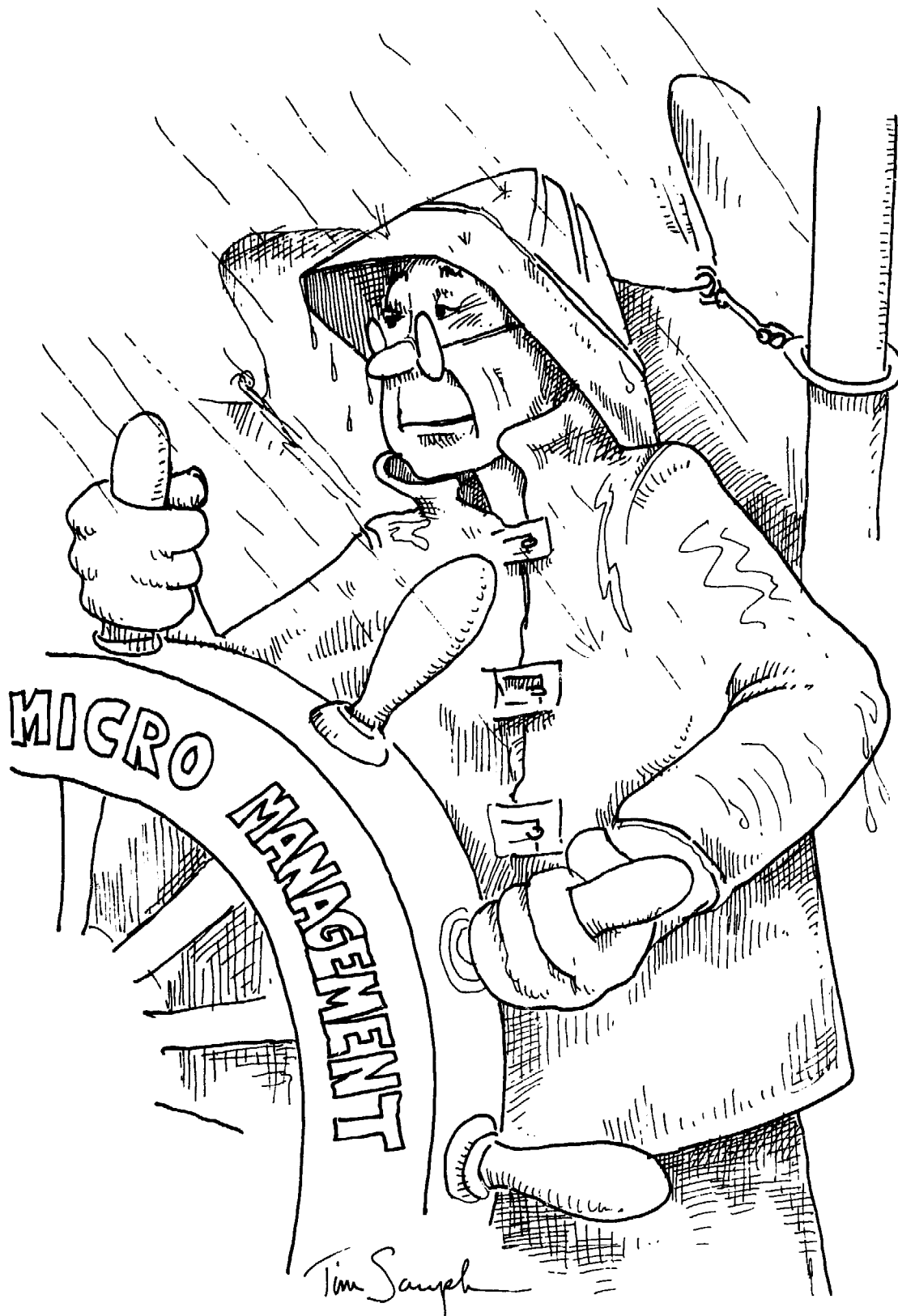
Printed in the United States of America

ISBN: 0-930205-00-6 (5 volume set)  
ISBN: 0-930205-02-2 (Business Plan)

*To the 22,000 self-employed people in the State of Maine.  
May these workbooks serve you and help you continue being  
the backbone of our community.*

**A MICRO BUSINESS...**is the smallest economic venture — usually owner-operated with few employees and less than \$200,000 annual sales. Most craftspeople, service people, small farmers, “mom and pop” shops, cooperatives, and alternative businesses are micro businesses.

The terms “self-employed person,” “small time operator” and “micro (or mini) businessperson” are used interchangeably in these workbooks.



**STAY ON THE RIGHT COURSE!**



## Introduction

When was the last time you really analyzed all the different aspects of your business? That long ago?

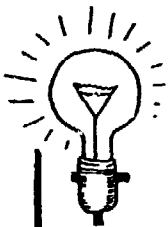
By now, you've probably discovered a few of the hard truths about being in business for yourself — there are no 40 hour weeks, regular paychecks or paid vacations! There are certain rewards — being your own boss, offering a quality product, financial independence. Despite frustration and long hours, most micro businesspeople wouldn't have it any other way!

Here's another point: to be successful you've got to be a jack-of-all-trades — owner, manager, chief mechanic and salesperson all in one. Just turning out good work isn't enough. You have to organize it, finance it, package it and sell it. No matter if you're a carpenter, a welder or a drugstore owner, you have to be a manager as well!

This workbook can help you become more effective. The process of setting goals helps you to analyze your problems and sort through options. A well-prepared business plan is the best way of presenting your ideas to others; it's indispensable if you're looking for credit. The business plan is proof that you are seriously managing your business and the operation is a viable one.

## PARTS TO CONSIDER

<b>PART I:</b>	
<b>DEVELOPING A COMPLETE IDEA FOR YOUR BUSINESS</b>	<b>7</b>
...Defining Your Ideas & Setting Goals	
...Testing & Refining Your Ideas	
...Independent Study	
<b>PART II:</b>	
<b>PUT YOURSELF IN YOUR BANKER'S SHOES</b>	<b>17</b>
...Planning Ahead for Your Capital Needs	
...Choosing a Bank...or a Banker	
...What Banks Look for and Expect	
...Preparing Yourself to go to the Bank	
...Approaching the Bank for a Loan	
...Types of Loans	
<b>PART III:</b>	
<b>PRESENTING YOUR IDEAS IN A WRITTEN PLAN</b>	<b>33</b>
...Statement of Purpose	
...Business Description	
...Market	
...Management	
...Production & Personnel	
...Annexes	
<b>PART IV:</b>	
<b>LOOKING AT A COMPLETED BUSINESS PLAN</b>	<b>53</b>



IDEA BLOCKS like this are for jotting down changes you want to make and new things you want to try out in your business. If you carefully use the idea blocks, they will be helpful when you start organizing your ideas into a coherent plan later on.

## **A WORD ABOUT MONEY....**

There doesn't seem to be much "easy" or "cheap" money around these days. If it's true "you need money to get money," the dilemma of the small time operator is pretty serious!

If you're a recent start-up or are just thinking about going into business, be prepared to put a lot of effort and inventiveness into finding the resources you need. Don't expect to get help from others if your ideas are not complete and if you've not fully committed your own resources to the project. To get started, most businesspeople we know pull together all of their liquid assets, borrow against their fixed assets and dig up whatever they can from relatives and friends!

Many people think that money is the solution to their problems. Sure it helps, but when you don't have it, you tend to hustle more! In the long run, this can result in establishing a better base for your business.



## **PART I**

---

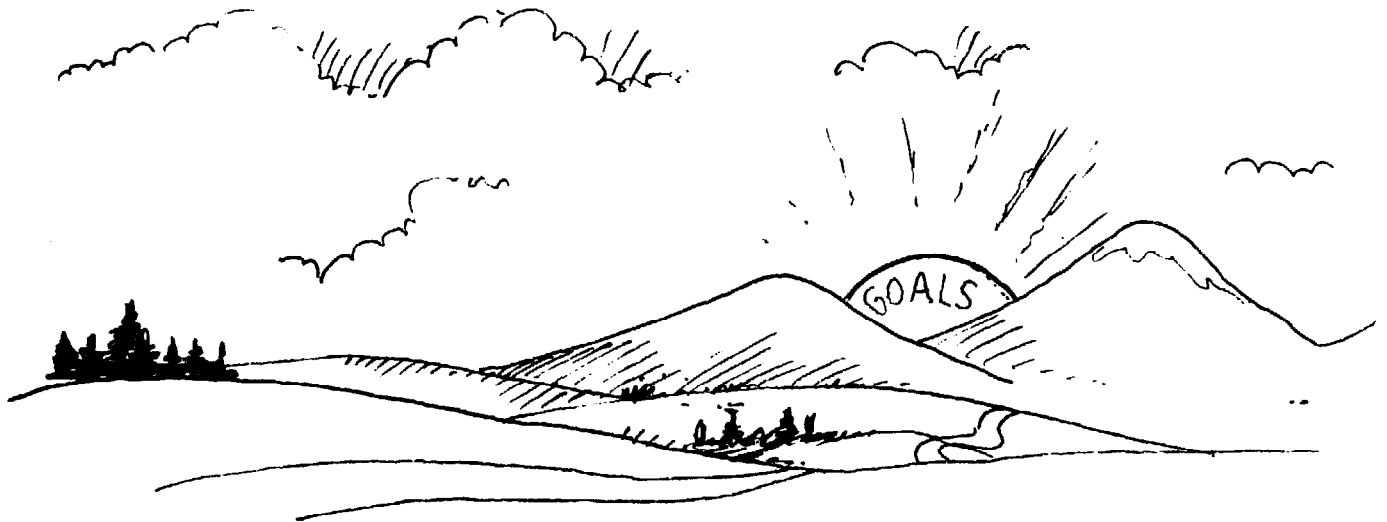
**DEVELOPING A COMPLETE IDEA FOR YOUR BUSINESS  
OR  
PUTTING TOGETHER AN OVERALL GAME PLAN  
AND TESTING IT**

---

## DEFINING YOUR IDEAS & SETTING GOALS

When you are starting a business with a new idea, work the idea out entirely, examine all its ramifications and nuances, keep developing it until you are certain of its validity and then execute it completely. The integrity of the whole will show through and your vision will be constantly supported by your customers as well as your imitators.\*\*

In **Honest Business**, Michael Phillips and Salli Rasberry discuss "A Complete Idea," a significant concept to the small operator. An example of a complete idea is the sheep farmer who, when faced with a highly seasonal meat market, decides not only to sell fleeces but to spin wool and make finished products from the spun wool. This decision alters the nature of the farmer's market and business. It complements the central business activity (raising sheep) while providing work during slack times and opening new marketing options.



**LET'S BE PRACTICAL ABOUT THIS!!!**

\*\*Michael Phillips and Salli Rasberry, **Honest Business**, New York, Random House, 1981; \$6.00 (Quoted with permission).

It will take patience and careful thought to perfect your complete idea. Consider the whole picture — the overall concept behind your business. Look at your goals and consider where you want your operation to go over the short, medium and long term. How do your different ideas fit together? What's unique about your business?

**The Business Review** provides you with an organized way of considering the strengths and weaknesses of your operation. Set practical goals; don't water down your ideas or just accept the conventional solutions.

**What do you hope to achieve?**

**How big do you want to get?**

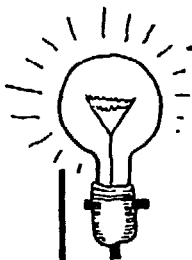
**Do you have any special limitations?**

**What customer needs are you targeting?**

**What image do you want to project to the public?**

**What are the economic realities?**

Once you've set overall, longer term goals, begin thinking more about the short term — the next year or the next few months. In **The Business Review**, we provide yearly and monthly activity charts. They go hand-in-hand with the Complete Idea worksheet on the next page.



**HOW COMPLETE  
ARE  
MY BUSINESS IDEAS?**

Are my ideas developed fully enough? Do they fit together in a coherent, logical way? What can I or should I do differently?

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

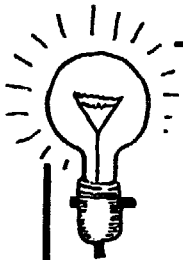
---

---

<b>MY CURRENT SITUATION....</b>
How big is the business and how is it organized?
Who are my actual customers and what am I offering them?
What's the scope of my marketing efforts and how do people perceive me?
What's the status of my production or service delivery?
What are my financial needs and limitations?
Anything else?



**YOU CAN'T BE ALL THINGS.... TO ALL PEOPLE!**



A large empty rectangular box for writing notes or ideas.



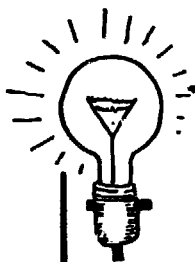
## TESTING & REFINING YOUR IDEAS...

Once you've set goals, you need to determine if they are achievable. Get other people involved. They can be a sounding board for your ideas and help you refine your plans. Ask for advice from friends, acquaintances, employees, customers, suppliers, bankers, etc. — it's free! On the other hand, professional assistance will cost something, but may be worth it for the savings in time, energy and money.

**BANKERS & ACCOUNTANTS...** deal with many types of businesses all day. Their technical know-how and experience, especially in financial analysis, can be invaluable. In **Basic Finances**, we consider more specifically how they may be of assistance.

**OTHER PROFESSIONALS...** (a lawyer, a management or marketing consultant, etc.) can be extremely helpful in their areas of expertise. They can sometimes help you anticipate problems and deal efficiently with complex situations. This can save you needless headaches and help you improve your plan of action.

**SUPPLIERS** .. are an important source of technical assistance for the micro businessperson. Information about your competitors, new regulations and conditions in your industry is usually available for the asking. Suppliers can also give you marketing assistance and hints about financial management.



# THE COMPLETE IDEA — BUSINESS GOALS

BUSINESS NAME: \_\_\_\_\_

PERIOD COVERED: \_\_\_\_\_ to \_\_\_\_\_

CONSIDERATIONS	ONE YEAR GOALS	THREE YEAR GOALS	FIVE YEAR GOALS
<b>SIZE &amp; STRUCTURE OF BUSINESS</b> Consider gross income, take home pay, legal structure, workforce & principal collaborators, organizational structure, special goals or limitations....			
<b>THE MAIN IDEA(S)</b> Consider type of production, major products, and/or services, uniqueness, customer needs targeted, complimentary or diversity or seasonality of products....			
<b>PUBLIC IMAGE &amp; MARKET</b> Consider name, logo, location, principal (targeted) customers, geographic coverage, promotional & advertising strategy, reputation & position in the community....			
<b>PRODUCTION &amp; SERVICE</b> Consider production volume, organization & workflow, equipment & facilities, suppliers, inventory, new methods or techniques....			
<b>MANAGEMENT &amp; FINANCE</b> Consider internal systems & record-keeping, working capital & credit needs, time & personnel management, activity planning....			
<b>MISCELLANEOUS &amp; OBSERVATIONS</b>			

**ONCE YOU'VE DEFINED OVERALL GOALS, IT'S EASIER TO DEVELOP YEARLY & MONTHLY PLANS!**

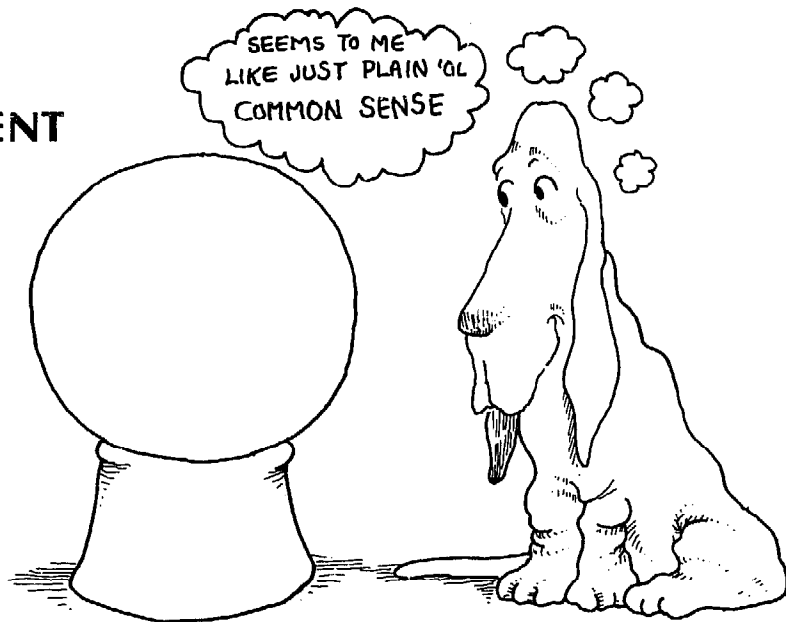
**TRADE ASSOCIATIONS...** can be useful in several ways. They are good sources of contacts and information relevant to your type of business. They help with product promotions, meetings and idea exchanges, training opportunities, etc. Locate your trade association through the **Encyclopedia of Associations**. Ask for it at your local library.

**CHAMBERS OF COMMERCE & BUSINESS CLUBS...** offer opportunities for workshops, seminars and social get-togethers. Through them you can meet other businesspeople in your community who could be helpful to you.



***SHOP AROUND FOR THE RIGHT HELP!***

**SOME INDEPENDENT  
STUDY CAN GO  
A LONG WAY!!!**



***LOOK INTO THINGS CAREFULLY!***

**LIBRARIES...** now have a tremendous array of services and are excellent places to look for information. If your library doesn't have exactly what you need, get suggestions about where to search. A good librarian can be very helpful!

**BOOKSTORES...** sometimes carry a good selection of business and management related publications. They are **always** glad to special order books for you if you supply the title, author and publisher. There are also many mail order book suppliers who specialize in business publications. By requesting catalogues and answering ads in a few business magazines, you'll be on all of their mailing lists in no time!

**ADULT EDUCATION...** is a great opportunity to learn new skills. Check with local high schools and vocational schools about their programs. Some business related courses are usually offered.

Also watch for special talks, seminars and workshops in your area which may be sponsored by local banks, chambers of commerce or associations. Such events are usually inexpensive or free, and you can learn a lot in a short time.

## SOME BOOKS AND PUBLICATIONS WE CAN RECOMMEND

### **Honest Business**

Michael Phillips & Salli  
Rasberry  
Random House, Inc.  
New York 1981

A book we highly recommend for anyone actually in business or thinking about it. Provides a refreshing conceptual framework for viewing your operation. Encourages you to focus your energy, to go slow, to study the books, to have fun and to completely develop your ideas. Light, stimulating reading! \$6.00

### **The Incredible Secret Money Machine**

Don Lancaster  
Howard W. Sams & Co.  
4300 W. 62nd St.  
Indianapolis, IN 46268  
1978

According to Michael Phillips (above), "There is nothing comparable in wisdom, wit and genuine experience that I've seen in writing...Out of hundreds of books I've read on small business practices, this is the front runner by a large distance. It's fun to read and exciting." \$6.95

### **Small-Time Operator**

Bernard Kamoroff  
Bell Springs Publishing Co.,  
P.O. Box 640, Laytonville,  
CA 95454  
1976, 1980

"How to start your own small business, keep your books, pay your taxes, and stay out of trouble." A practical guide to financial recordkeeping by a CPA who really empathizes with the problems of micro-businesspeople. Includes good advice and clear instructions...also, the forms you need to set up a simple bookkeeping system. \$7.95

### **Minding Your Own Business**

Federal Business Development Bank  
901 Victoria Square  
Montreal, Quebec, Canada

An excellent series of small business books covering a wide range of topics including service, manufacturing, retail and tourism. This series is the most extensive in subject matter and the most like a textbook (though non-technical) in style on our list.

### **Common Sense**

Upstart Publishing Co., Inc.  
P.O. Box 323  
Portsmouth, New  
Hampshire 03801

A superb monthly publication. Each issue contains detailed, step-by-step information covering one topic ("Managing Your Advertising", "Analyzing Your Competition," etc.) It's worth looking into because the information is so relevant to micro-businesses. Request their current rates and a few free samples.

**In Business**

The J.G. Press, Inc.  
Box 323  
18 South Seventh St.  
Emmaus, Pennsylvania  
18049

A bi-monthly magazine offering insights into the small business sector of the economy. Small business success stories and articles with concrete advice on business management are written in an informal, newsy style. An annual subscription is \$18.00.

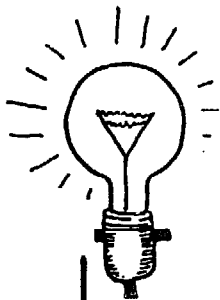
**Small Business Reporter**

Bank of America  
Department 3120  
P.O. Box 37000  
San Francisco, California  
94137

An extensive series of booklets which has withstood the test of time. One set covers Business Operations ("Understanding Financial Statements," "Avoiding Management Pitfalls," etc.). Another set covers Business Profiles (home furnishing stores, auto supply stores, etc.) Countless businesses have benefited from these publications. Prices vary, but are reasonable.

***KEEP GOOD LITERATURE AROUND!***

***LET EVERYONE KNOW YOU'RE INTERESTED IN BETTER MANAGEMENT!***



## **PART II**

---

**PUT YOURSELF IN YOUR BANKER'S SHOES  
OR  
UNDERSTANDING WHERE YOUR BANKER'S COMING  
FROM AND APPRAISING HOW GOOD A DEAL THE  
BANK IS GETTING**

---

## PLANNING AHEAD FOR YOUR CAPITAL NEEDS...

These days, you're in trouble if you look for long term financing without adequate forethought and planning. Avoid problems by planning ahead! Carefully develop your expansion or modernization ideas by writing down the various requirements of your projects. This is the best way to analyze alternatives in an organized manner.

WHAT KIND OF FINANCIAL HELP WILL YOU NEED? \_\_\_\_\_

---

---

---

WILL YOU NEED TO BORROW MONEY? WHEN? \_\_\_\_\_

---

---

---

FROM WHOM WILL YOU BORROW? \_\_\_\_\_

---

---

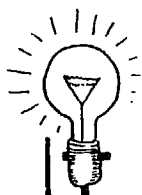
---

ARE THERE ANY ALTERNATIVES TO BORROWING? \_\_\_\_\_

---

---

---







**IMPROVE YOUR CHANCES BY KEEPING  
GOOD RECORDS AND PRESENTING YOURSELF WELL!**



## CHOOSING A BANK ...OR A BANKER

Take time to SHOP AROUND before deciding on a bank. Every bank is different! Some are conservative. Some are receptive to the needs of the small operator. Some have a wider variety of services.

Find a bank (...and a banker) that you feel comfortable with! Consider the bank's rates, services and the customer attention you can expect. Think about these points:

**HOW BIG IS THE BANK AND WHAT ARE THE POLICIES?** Size (for big or for small) may make a difference in the services offered and the availability of credit. Does the bank have a reputation for loaning to small businesses?

**IS THE BANKER ALERT & PROGRESSIVE?** Does s/he understand the needs of a developing community? Does s/he take an active part in community affairs?

**IS THE BANKER FAVORABLY DISPOSED TOWARDS YOU?** How does s/he approach your problems? Does s/he appear interested and helpful?

**WHAT ARE YOUR PROSPECTS FOR GETTING CREDIT?** Does the banker understand your particular needs? Is s/he prepared to service them?

**COMPARE THE BANKS!**

**RATE EACH:** (5) excellent  
 (4) very good  
 (3) good  
 (2) average  
 (1) poor

	<b>BANK NAME</b>				
<b>SERVICE FACTORS</b>					
<b>CUSTOMER ATTENTION</b>					
<b>SMALL BUSINESS PHILOSOPHY</b>					
<b>POTENTIAL OF TECH. ASSIST.</b>					
<b>POTENTIAL OF CREDIT</b>					
<b>COST FACTORS</b>					
<b>CONVENIENCE &amp; LOCATION</b>					
<b>BANKER'S FRIENDLINESS</b>					
<b>TALLY</b>					

**NOTE!!!**

This type of grid can be helpful in making decisions. When comparing factors, however, be careful about giving them equal weight — **YOU CAN'T!** Service factors are the most important. For example, a branch office that is convenient, but seldom has a loan officer on duty, has 9 to 3 hours, and has no night depository would have little to offer.

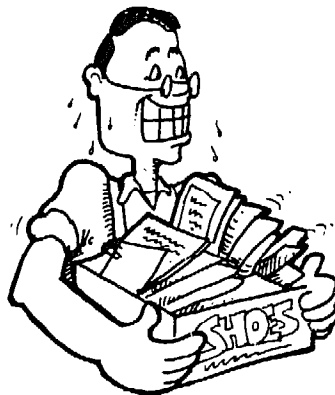
***THE CHART CAN ONLY POINT YOU IN THE RIGHT DIRECTION!***

## WHAT BANKS LOOK FOR AND EXPECT

Bankers want to make loans to businesses which are solvent, profitable and growing. They judge you (...at least partly) on your farsightedness and your management. They expect you to plan ahead and anticipate your needs!

Try to understand your banker. Banks are profit-making operations — just as yours should be — and bankers have a big responsibility to shareholders and depositors alike.

One of the worst approaches is to appear at your banker's door and say, "Look, you gotta bail me out; my whole business is about to go under!" This tells the banker that you haven't stayed on top of things. Conscientious planning and management are essential if you want to use the bank's money. If you're in trouble, you'll need convincing evidence that your new plan will turn the business around whether the source of funds is a new partner or a "banking" partner.



The bank will require a lot of information on which to base its loan decision. You'll have to supply much of it; the rest will come from credit files and outside sources.

***CONSCIENTIOUS PLANNING AND MANAGEMENT ARE ESSENTIAL!***

## YOUR RATING AS A BORROWER

### The "Cs" of Credit

**CHARACTER:** What sort of a person are you? Are you trustworthy? Competent? Reliable? How good a manager are you? Will you squander funds?

**CAPACITY:** When and how do you plan to pay back the loan? Can the company generate enough to pay it back through its normal business activities? Does the Cash Flow Projection show this? Do past Profit & Loss Statements and Balance Sheets show this?

**CAPITAL:** What's the extent of your personal investment in the business? (If you're not a firm believer in your business, how can you expect the banker to be?)

**COLLATERAL:** Which of your assets could be used as security against a loan? Do you own real estate, stocks or bonds, vehicles and equipment, etc.?

**CIRCUMSTANCES:** What's the outlook for business in general and your business in particular? Does the loan make sense, or will it be the straw that breaks the camel's back?

**COVERAGE:** Do you have insurance against basic risks? How would the loan be repaid if there was an accident or catastrophe?

## PREPARING YOURSELF TO GO TO THE BANK

Before approaching anyone for financing, you should determine how much capital is required, how much you will put up yourself, and whether the proposition is a reasonable one for the bank or investor. Then you'll need some hard data to back up your proposition — Balance Sheet, Profit & Loss, Cash Flow Projection, etc.

To get a general sense of you and your business, expect the banker to ask a few questions like these:

HOW DID YOU USE THE MONEY YOU STARTED WITH?

IS THERE A BIGGER MARKET FOR YOU?

CAN YOU FILL MORE ORDERS IF YOU GET THEM?

CAN YOU STAY AHEAD OF THE COMPETITION?

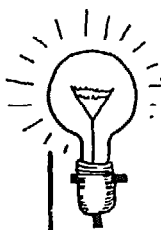
WHO SAYS SO BESIDES YOU?

But bankers really want facts. They **will** carefully study your records, needs and plans. To do this, a great deal of confidential information will be required. This is when good recordkeeping starts paying off!

Smart businesspeople use their records to create confidence on the part of potential lenders or investors. The two documents of **most** interest to your banker in evaluating a loan is your Profit & Loss Statement and your Balance Sheet. The P & L is like a speedometer; it shows how fast you're going. The Balance Sheet is like the gasoline gauge; it shows what you have to go on. Both are discussed in greater detail in **Basic Finances**.

## WHY SOME BANKS HAVE A HARD TIME LENDING TO SMALL OPERATORS

- Due to lack of planning and cash management, most micro-businesses approach the bank when it's already too late.
- The cost of processing a \$5,000 to a \$50,000 loan is about the same which leaves little incentive for spending time and effort on the smaller proposition.
- Banks like to see at least three years of accurate financial records which many micro-businesses don't have.
- Banks have difficulty financing new businesses without solid track records and they don't make speculation capital loans. (If you're looking for start-up capital, go elsewhere — family and friends, silent partner, private investment company, etc.)
- Lending to one-person operations (most micro-businesses) is risky. If you get sick or hurt, there won't be anyone to carry on business.
- As a low return, high risk borrower, you have to have collateral to match the loan. Most micro-businesses don't.
- Many small businesses are chronically under-capitalized from the beginning. You need capital to borrow capital!



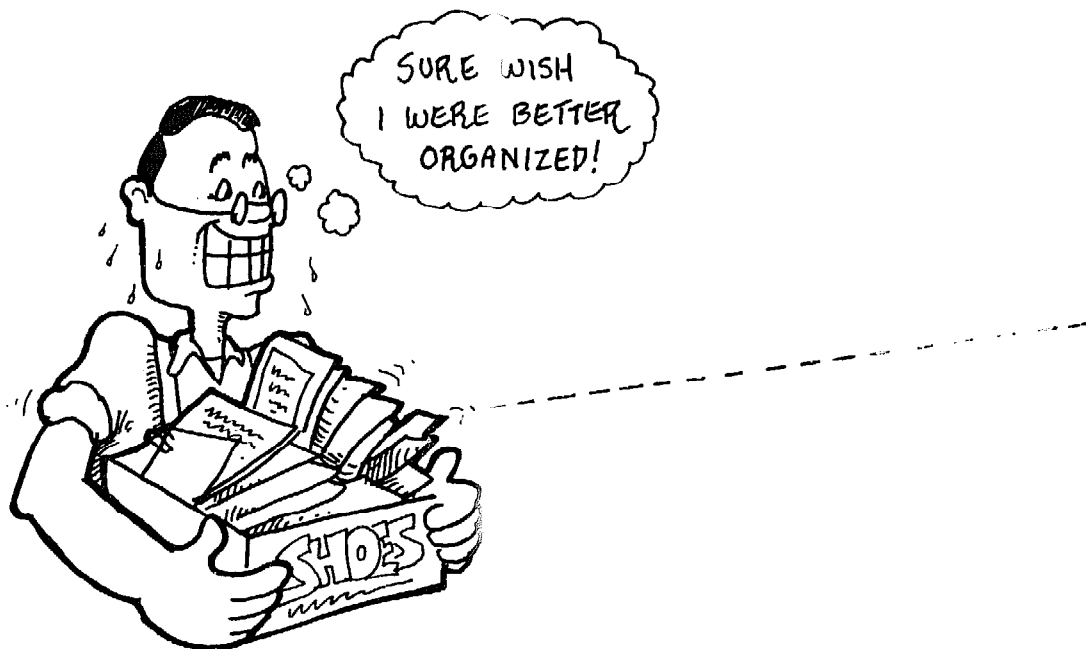
## APPROACHING THE BANK FOR A LOAN

### YOUR FIRST VISIT

Improve your chances by giving yourself enough lead time. Visit the bank(s) at least three months in advance of when you need money. This demonstrates foresight and allows you to say "I'm only here to see how the bank might be able to help me when I'm ready." Don't go to the bank in a crisis situation!

For your own planning, ask about the types of loans available, the terms and conditions, and the paperwork. Find out about short term business loans and lines of credit as well as longer term loans. Show the banker your cash flow projections and get his/her opinion of them. What would s/he recommend to someone in your position? How serious a loan prospect are you for the bank?

TALK TO DIFFERENT BANKS AND COMPARE THEIR RESPONSES! (...and don't neglect to talk to the local credit union.)





## YOUR SECOND VISIT

You've decided what you need and you're now **fully** prepared to "talk turkey." This means you have a written business plan which clearly explains your situation and request. There's no better way to insure getting full consideration for your proposal.

Look at it from the banker's point of view. Which would you be more interested in: someone who shows up with a shoebox of old records and a vague idea of borrowing "some money," or someone who can show a written plan including an explanation of how much is needed, how the money will be used, and how the loan will be repaid??? Too many viable micro-businesses get turned down at the banks due to lack of adequate information.

Again, talk to different banks about your proposal. A friend of ours took his proposal to five banks before accepting an exceptionally good rate from one.



## TYPES OF LOANS

**SHORT-TERM LOANS...**are usually sought for working capital purposes, e.g. to build up inventory for a seasonal increase in sales. The repayment of such a loan may vary from 30 days to six months, and is expected when the purposes of the loan are served. If your credit rating is good, you may get the money on an unsecured basis. Otherwise you'll have to put up collateral. Don't ask for a 30-day loan if you don't expect to have the funds in 30 days. A 30-day note that requires five renewals could be your last bank loan.

**A LINE OF CREDIT...**is an understanding whereby the bank agrees to give a businessperson loans when s/he needs them up to a maximum pre-established limit. These loans are usually unsecured, and are granted almost automatically during the period of the agreement (normally one year). A line of credit can be valuable in allowing the small operator to take advantage of unique opportunities. A one-year line of credit must be paid up during at least 30 days at the end of the business cycle.

**INTERMEDIATE TERM LOANS** (commonly called Term Loans)...are used for other than temporary needs. Such a loan gives you a chance to build equity. Typically, it is used to purchase an existing business or to help establish a new one. The money is normally paid back in installments. While a term loan is in force, you may be restricted in how you manage your business.

### **REGARDING TERMS...**

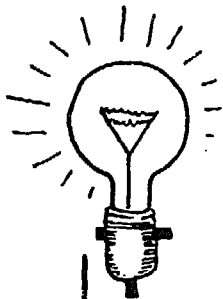
Sometimes a lender may "give" a little on the terms if you negotiate. This is one reason for knowing what you can get from the other banks. Try to get terms that you know your company can live with. Once they're set, you're stuck with them!

## BE FAIR AND RECIPROCATE

Once you've started having a satisfactory banking relationship, continue to consult with your banker. Keep him/her informed about new developments in your business, discuss your financial problems and supply regular and complete financial statements — even at times when you have no need for credit.

If the bank helps you out with your credit needs, reciprocate by opening a savings account and keeping your deposits there. Give them business! Spread the good word to friends and other serious-minded businesspeople in your community.

***HAVING BANK CREDIT MAY BE HELPFUL AT SOME POINT.  
GET TO KNOW YOUR BANKER BEFORE THERE'S AN URGENT NEED!***



**USE THIS SPACE FOR NOTES AND TO CONSOLIDATE YOUR IDEAS**

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

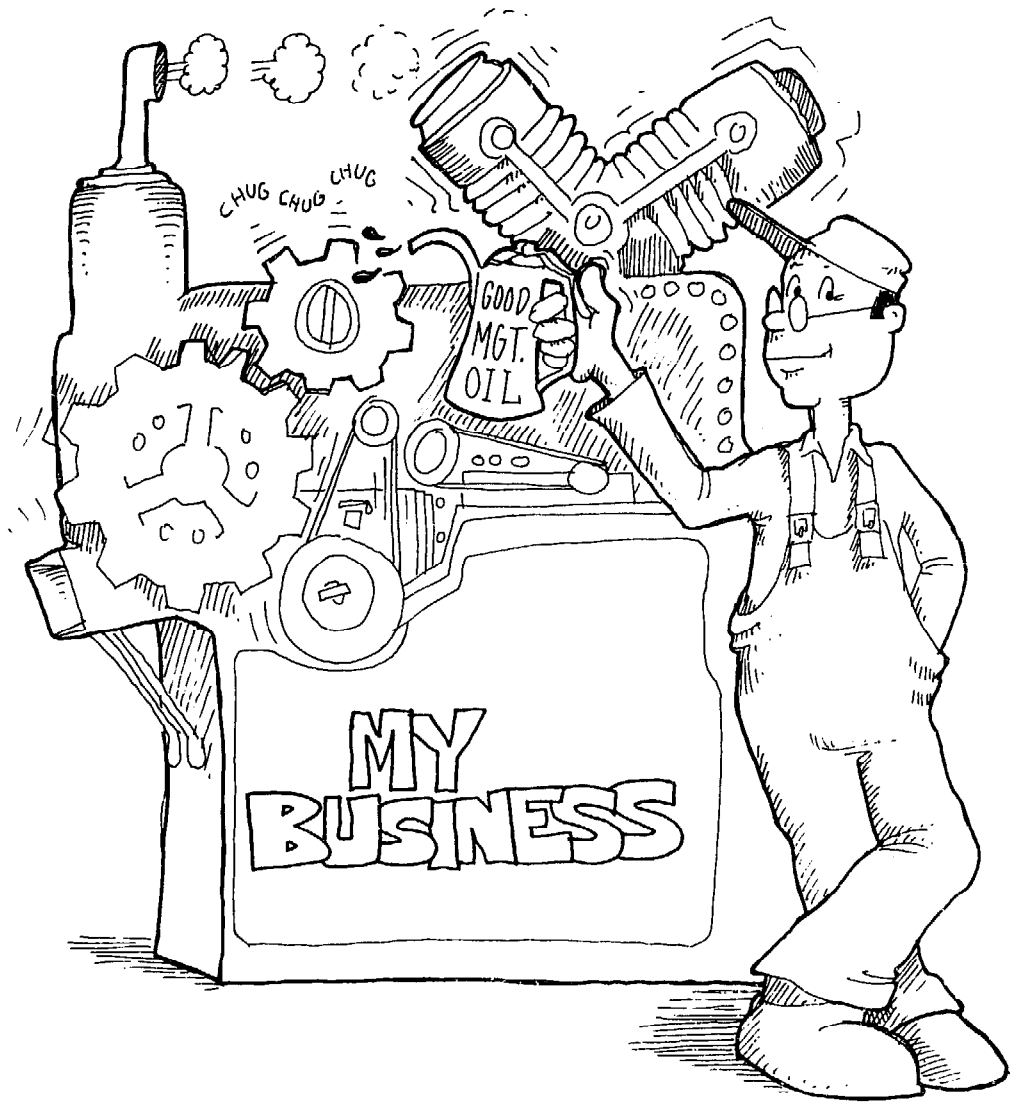
---

---

---

---

Handwriting practice lines consisting of 20 horizontal lines spaced evenly down the page.



**GOT BIG PLANS? WRITE THEM DOWN!**

### **PART III**

---

**PRESENTING YOUR IDEAS IN A WRITTEN PLAN  
OR  
PUTTING IT ALL TOGETHER IN A WAY THAT'S  
CONVINCING AND MAKES SENSE!**

---

## A WRITTEN PLAN CAN HELP YOU...

### **...TO MANAGE THE BUSINESS**

By thinking things out carefully and objectively, you can pinpoint problems, correct organizational and production errors, and run things more efficiently.

### **...TO EXPRESS YOURSELF MORE CONVINCINGLY & CONCISELY**

Writing things down helps you to organize and consolidate your ideas so that you are more effective in selling yourself and your business.

### **...TO PREPARE PROMOTIONAL MATERIALS**

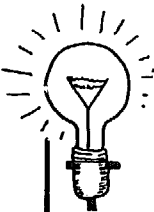
Having a written plan will save you time and effort when it comes to putting together brochures and other printed materials.

### **...TO USE OUTSIDE HELP MORE EFFICIENTLY**

Since the plan is a basis for presenting your ideas and getting input from others — your accountant, a business consultant, prospective suppliers, etc. — you'll give them more complete information which could save time in the long run.

### **...TO STRUCTURE A LOAN REQUEST OR A ATTRACT INVESTORS**

It puts your best foot forward and demonstrates that you're a serious manager with lots of good ideas and the know-how to make something work!





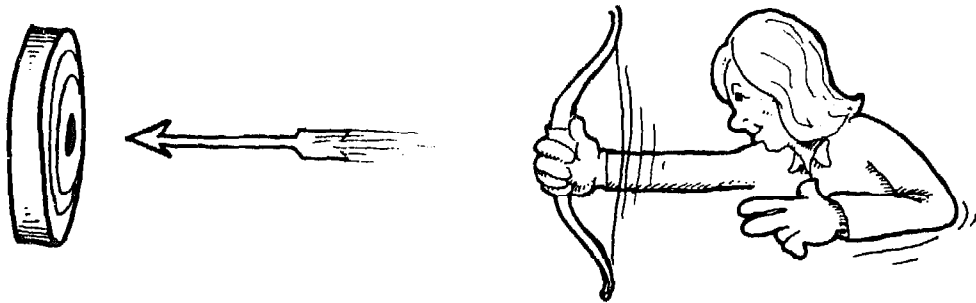
In this section, we guide you in putting together a written plan for your business. This plan includes a brief narrative description of your business plus a series of annexes which support it. We've used lots of examples from completed business plans for referral.

Before starting, we want to remind you that a lot of planning goes into management work. It **does** take time, but there are rewards. It's said that every hour spent in planning will save you four hours later on! Anything you can do to plan is better than a shot in the dark.

You may find it helpful to complete **The Business Review** prior to beginning a written plan. By stepping back from your company's daily operation, you may begin seeing your business in a different light.

The plan here outlined is suitable for use as an in-house organizational tool or for presenting your business ideas to others. The narrative description of your business should be a **maximum of three to four neatly typed pages and include:**

**STATEMENT OF PURPOSE  
BUSINESS DESCRIPTION  
MARKET  
MANAGEMENT  
PRODUCTION & PERSONNEL**



**TARGET YOUR BEST IDEAS!**

## A FEW EXAMPLES OF THE STATEMENT OF PURPOSE

---

Our goal is to operate a more efficient and profitable business to provide both management and personnel a safe, happy and clean working environment in which to produce a quality product in a timely manner at a reasonable price, thereby promoting a good image for our company. This will encourage our customers to return.

A Printer

---

My long term business objective is to provide a dependable, high quality welding service in the Onset area and expand enough to support my family well. ACME Welding Service is presently seeking a capital improvement loan of \$5,300 and a line of credit of up to \$10,000. The \$5,300 will finance the renovation of my shop facilities and the line of credit will be used as needed to offset cash flow problems during the coming year. Renovation of the shop will allow me to operate full-time during the winter months and make working conditions safer.

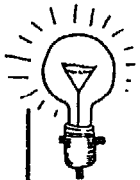
A Welder

---

...to organize business better so that it runs more efficiently and produces higher profits. So I know where the money is going and can plan ahead for slack times! So the management end of the business isn't neglected and new ideas don't fall to wayside for lack of communication!

A Chimney Sweep

---





## A FEW EXAMPLES OF THE BUSINESS DESCRIPTION

---

The Goose Eyed Shuttle is a textile arts business whose primary focus is in the handwoven production of rugs and the production of written research in the areas of textiles. High pile rag rugs, uniquely designed, are the main product; shawls, wall hangings, tapestries, and decorative useable items for the home are also produced in limited amounts. Classes and workshops in weaving, drafting and design, and special weaving techniques are given every other year.

A Weaver

---

This is a welding service organized as a sole proprietorship with no outside employees. Customers from two counties bring objects to my shop in Onset to be repaired and welded, or I use my portable equipment to do the work on location. Currently I am able to weld full-time only nine months of the year, but renovations of the barn will allow me to bring large projects inside during the winter. Almost any type of broken metal can be repaired and welded at my shop.

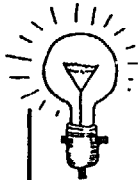
The Welder

---

A. B. Letterman, Inc. is a 50-year-old business, which operates as a Sub-Section S corporation. We are located at 500 Grant St. at the very edge of downtown Lincoln. We are primarily a letterpress and offset print shop but we also manufacture rubber stamps and do plastic laminating. We have eight direct competitors for printing and rubber stamps, as well as a number on the periphery of our trading area. We have no competition in our plastic laminating.

The Printer

---





## A FEW EXAMPLES OF THE MARKET WRITE UP

---

My rugs are marketed mainly in summer tourist shops in Maine, at craft fairs, and by orders from personal contact with buyers. I am in the process of developing sales representatives in New England and the San Francisco Bay Area.

The Weaver

---

"Presently the bulk of our market is wholesale through fine craft and furniture stores. Our work is sought out by people in the medium to higher income ranges who want quality products and are willing to spend time and money for what they want. We offer a broad range of products and also build to specification. The growth potential of our market is not limited to our area, or even to Maine. We are now advertising regularly in local and statewide newspapers. Our new brochure is designed so that it can be updated regularly. Now signs are being made for our building and our truck. Maine has a fast growing population of professional people bringing more and more demand for our services and products."

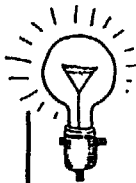
The Furniture Maker

---

I am the only certified welder in the area with complete (all metals) service available both in-shop and on the road. The growth potential for my company is tremendous since the only real competition comes from the person who does his metal working himself. Presently, my customers include local farmers, truckers, loggers, camper boaters, and even housewives. Anyone with a piece of machinery or fabricated metal could need a qualified welder at some point.

The Welder

---





## A FEW EXAMPLES OF THE MANAGEMENT WRITE UP

---

Except for three hours a week spent on bookkeeping, I spend all my time in production and service. I have spent my life fixing all kinds of machinery and have worked steadily in the metal business for the past eight years. I also have management experience running a boat dealership that will help me to make this business a success. At this time, I receive assistance from a general business service and from ABCO for technical information on welding.

The Welder

---

I use a cash flow projection and a monthly bookkeeping system to organize and plan business activities. The Goose Eyed Shuttle has both checking and savings accounts, a large inventory of equipment, and has been able to maintain its original rule of never letting expenses be over the amount of money available from business revenues or the resources of the owner.

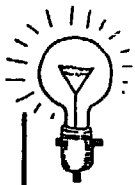
The Weaver

---

I spend most of my time on product development, production and promotion. My wife is responsible for bookkeeping and office management. We retain the help of a professional bookkeeper in addition to a general business service. I managed my own carpentry business in Boston prior to coming to Maine, and have always been keenly interested in building a successful business. I completed two years of machinist training after high school. Since childhood I have worked with wood and have a long standing reputation for creativeness and attention to detail. I work well with others and have good directive abilities.

The Furniture Maker

---





# MANAGEMENT



Your plan should include a thorough review of your abilities and use of resources. Write down any particular experiences or skills you have which enable you to run your business well, and list anyone else who helps you manage better — an accountant, lawyer, insurance agent, etc. Describe those procedures which demonstrate that you are running the business rather than being run by it — cash flow analysis, regular business meetings, yearly reviews, use of outside resources, etc.

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

## A FEW EXAMPLES OF THE PRODUCTION WRITE UP

---

As an older business, we have many established accounts. We recently moved into larger facilities and have initiated changes in production with the ultimate goal of increasing sales. We organized a "Chain of Command" and appointed a shop foreman. This, and a series of other measures, gives me more time to plan and manage. We have over two dozen suppliers, 12 of which are major. Our equipment includes five presses, 2 cutters, 2 typesetters, and a complete darkroom. We also have everything needed to laminate, to manufacture stamps and to make 20" x 40" magnetic signs. There are four full-time and two part-time employees, who, with our new organizational chart, are working at peak efficiency. Our people work together well as a team.

The Printer

---

First an appointment is made, relevant information gathered and an estimate is given. If I'm way off in my quote, Lucky will re-quote it before beginning work.

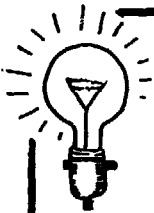
The basic procedure is:

- (1) Arrive at household, evaluate the heating situation, decide what equipment is to be used (brushes, scrapers, vacuum, etc.).
- (2) Tape any outlet to prevent any uncontrolled soot!
- (3) Brush/scrape chimney clean, clean out stove pipes and bottom of chimney.
- (4) Re-install stove pipes/stove.
- (5) Advise as to any corrections to improve heating efficiency and safety.

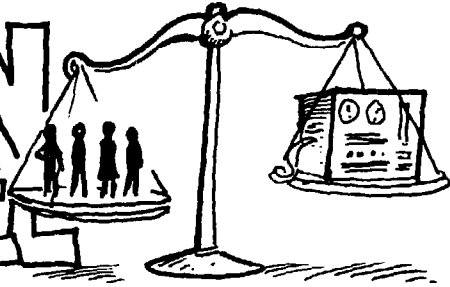
We eventually want our own facilities so there can be a separate office, and a shop for chimney care products!

The Chimney Sweep

---



# PRODUCTION & PERSONNEL



Write a few words about basic business operations. How does it work and who makes it run? Include something about supplies and suppliers, the equipment used and your facilities. Describe your workforce and any major functional breakdowns.

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---





## **ANNEXES**

**THE ANNEXES TO THE BUSINESS PLAN SAY SOMETHING IMPORTANT ABOUT THE FINANCIAL STATUS OF YOUR BUSINESS AND YOUR PERSONAL SITUATION!**

***ARE YOU RUNNING YOUR BUSINESS...***

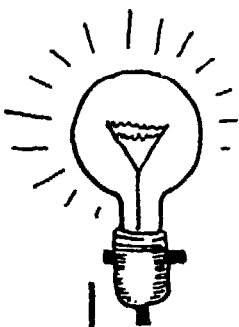
***OR IS YOUR BUSINESS RUNNING YOU?***

Thinking about your present financial situation and trying to determine your business directions is one of your more important tasks as a manager. You must be realistic and not kid yourself with projections! A careful study of your Profit & Loss Statement and your Balance Sheet will help you see what has happened and where the financial strength of the business lies.

A simple cash flow projection can be invaluable in planning your company's growth. It needn't be complicated, and will provide a warning about cash problems well enough in advance so that you can correct or minimize them.

Remember, keeping good records and using them effectively is the best way to cut costs and increase profits!

***WORK SMARTER, NOT HARDER!***



## THE ANNEXES

- DESCRIPTION OF YOUR LOAN REQUEST
- BALANCE SHEET AND P & L STATEMENTS FOR PAST YEARS\*\*
- CASH FLOW PROJECTION FOR ONE YEAR\*\*
- COMPLIMENTARY FINANCIAL INFORMATION
- RESUMES OF KEY PERSONNEL

Most bankers would agree that if the business is three years old, it should provide three years' P & L figures. In addition, a graphic record or chart of monthly figures is useful when applying for a loan. Since it shows a TREND, it answers any questions the banker might have.

The trends and the track record are big factors. Ideally, you can show how your business has had steady growth, but even if the comparative analysis isn't **all** favorable, maybe you can point out your mistakes and demonstrate how they were recognized and corrected.



***TRY TO ANTICIPATE THE BANKER'S QUESTIONS!***

\*\*For descriptions of these financial tools, see **Basic Finances**.

## **DEVELOPING YOUR LOAN REQUEST**

### **A Worksheet**

Use this worksheet to organize and clarify your ideas about your loan request. Items #3 and #6 are particularly important.

(1) THE AMOUNT NEEDED: \_\_\_\_\_

(2) TYPE OF LOAN SOUGHT: \_\_\_\_\_

\_\_\_\_\_

(3) DESCRIBE WHAT THE MONEY WILL BE USED FOR: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

(4) DESCRIBE OTHER RESOURCES & HOW THEY WILL BE USED: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

(5) EXPECTED IMPACT OF THE LOAN ON THE BUSINESS: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

(6) DESCRIBE HOW MONEY WILL BE GENERATED TO REPAY THE LOAN:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

(7) COLLATERAL OFFERED AS SECURITY: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_



## COMPLIMENTARY FINANCIAL INFORMATION Another Worksheet

By organizing this information in one place, you'll be able to quickly transfer it to any standardized forms required by the loaning institution.

### OUTSTANDING LOANS & FINANCIAL COMMITMENTS

Creditors' Name, Address & Account Number	Purpose	Total Amt.	Unpaid Bal.

Today's Date: \_\_\_\_\_

### CREDIT REFERENCES

(Names and addresses of other institutions and suppliers)

---

---

---

---

---

---

### CHECKING & SAVINGS ACCOUNTS

(Names and addresses of institutions and account numbers)

---

---

---

---

---

### OTHER ASSETS

(Stocks and bonds, real estate owned, etc.)

---

---

---

**CHARACTER REFERENCES**

(Anyone who can speak about you from a professional point of view.)

---

---

---

---

---

---

**ACCOUNTANT**  
(Name, address & phone)

**LAWYER**  
(Name, address & phone)

<b>A RELEASE....</b>	
For the purpose of procuring credit from time to time, I furnish the foregoing as a true and accurate statement of my financial condition. Authorization is hereby given to the bank to verify in any manner it deems appropriate any and all items indicated in this application.	
_____	_____
Date	Signature
	_____
	Position or Title

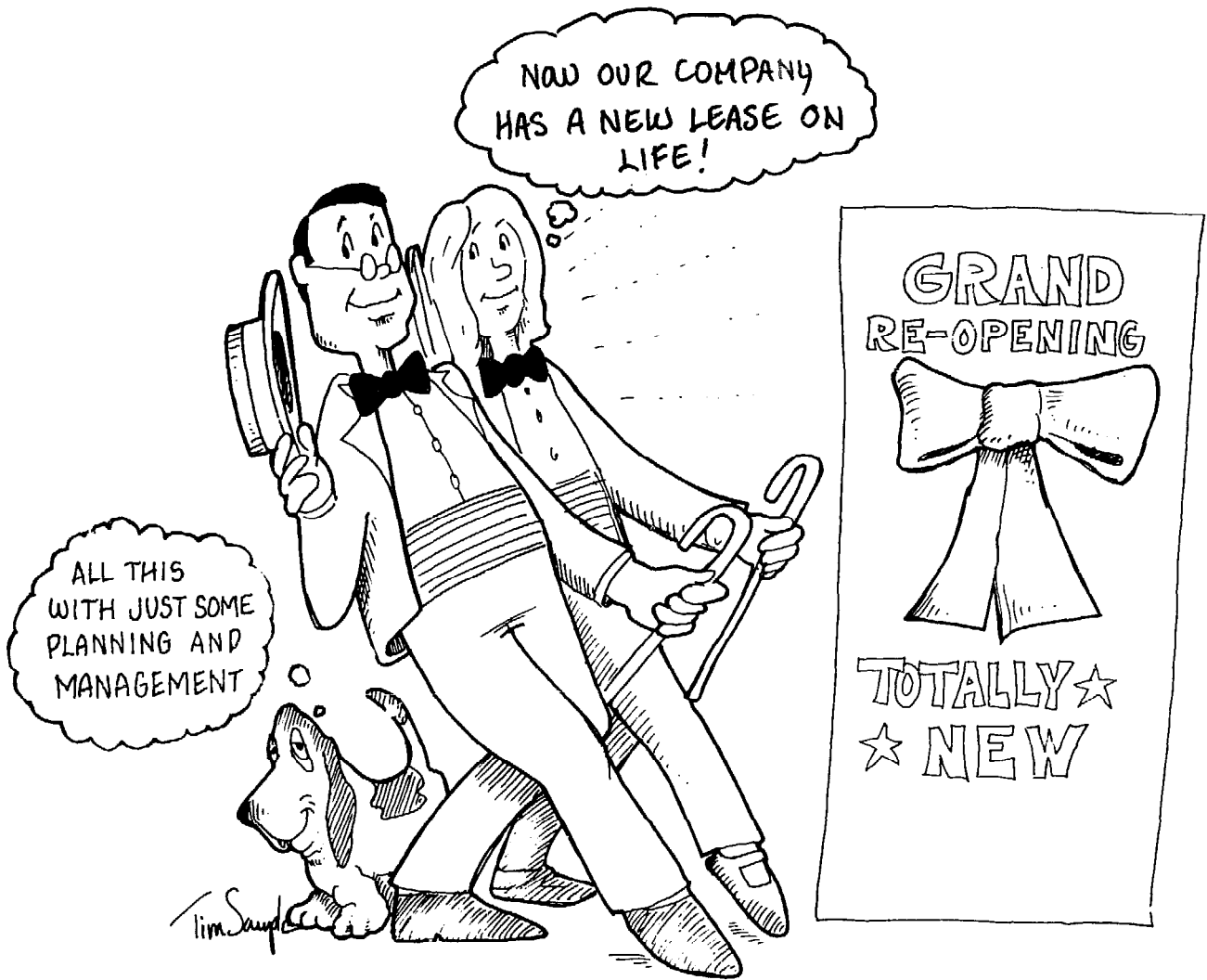
***WHEN YOU'RE NOT USING A STANDARDIZED FORM,  
YOU MAY WANT TO INCLUDE A RELEASE SUCH AS THIS IN YOUR COVER LETTER.***

**PART IV**

---

**LOOKING AT A COMPLETED BUSINESS PLAN  
OR  
THE CASE OF SMITH'S  
DOWNHOME PRODUCTS & SERVICES**

---



## ***ALWAYS PUT YOUR BEST FOOT FORWARD!***

This plan for Smith's DownHome combines elements from several real business plans developed by various of our clients. Remember, your objective is to concisely present your ideas and to put your best foot forward!

**BUSINESS PLAN  
and  
FINANCIAL PROPOSAL  
for  
SMITH'S DOWNHOME PRODUCTS & SERVICES**

**OWNERS:**

**Joe & Helen Smith  
P.O. Box 777  
Smalltown, Maine  
Tel.: 555-5555**

**FEBRUARY, 19\_\_\_\_**

## STATEMENT OF PURPOSE

The purpose of this plan is to organize the business better so that it produces higher profits and functions more efficiently. **Smith's DownHome** is currently seeking a short term loan of \$8,000 to build inventory for its up coming busy season. The business has experienced steady growth since its inception in 1980 and expects to gross over \$60,000 this year.

## BUSINESS DESCRIPTION

**Smith's DownHome** is a sole proprietorship based in Smalltown, Maine. Ours is principally a home renovation business. We sell and install a wide variety of products including major kitchen appliances, floor coverings, countertops, paneling, etc. We are equipped to handle most any type of home remodeling job, and pride ourselves on the quality of our products and service. Our customer attention includes on-site advice on interior design and modifications — a unique service that we alone offer.

*Our business is located in our home which is within a half hour drive from either Anywhereville or Anothertown. We modified two rooms to provide us with ample space for a display and sales area, and parking is readily available in front.*

## **MARKET**

Our market is primarily within a 25 mile radius of Smalltown. Over the past four years, we have developed a good core of steady customers who come to us because of our convenient location, the quality of our products and service and our fair prices. Since 1980, a large part of our business has come through referrals, and approximately  $\frac{1}{3}$  of our clientele are steady customers. Except for a short seasonal slump in the middle of the winter, we maintain a steady flow of business throughout the year.

We do both sub-construct work for full-time builders and our own private installations. The sub-contracts account for about 40% of our work, but the private installations give us a higher profit margin and a steady income.

Our competition in the immediate area is from two larger building supply companies located respectively in Anywhereville and Anothertown. Neither of these competitors cuts significantly into our market due to our efficiency, superb customer attention and the full range of services we offer. Our prices are fair and we have a good reputation for standing behind our products and work. This, together with our year 'round advertising, explains the continuous increase in monthly sales that we have experienced since last Spring (about 10% per month).

We already have several jobs lined up for this spring (two larger contracts and five private installations). Prospects for this summer and fall are very promising especially if the current building trends continue. We think we can project a modest expansion

of our inventory to help us capture a larger share of the market. We are anxious to move more aggressively in our own installation and remodeling work where there is a higher profit margin. To do this, we have developed a comprehensive marketing strategy which includes advertising, special mailings and direct contact with certain targeted customers.

## **PRODUCTION**

Our operation is entirely oriented towards meeting customer needs and offering the best possible value for the money. The products we sell are not the most expensive nor the cheapest, but those that will serve the customer's specific needs best.

To keep prices down, we are careful to diversify suppliers. Our products come from a wide variety of sources, and we routinely shop around to keep our channels of supply open and diversified.

To the extent possible, we group our jobs according to location to save travel time and increase productivity. Joe and his assistant do all the installation and remodeling work while Helen takes care of the store traffic and telephone.



## MANAGEMENT

We hold weekly meetings to determine where the business stands financially and to plan the week's activities. Helen does the bookkeeping on a daily basis. Last September, the bookkeeping system was completely reorganized — the company now uses a One-write System and works closely with an accountant to keep the management function under close control.

The management of our company is especially enhanced by Joe's specific sales and technical experience. He managed W. W. Small Hardware in Onset for five years prior to becoming the branch manager of Crocker and Zowie in Anothertown. Just before starting **Smith's DownHome**, he worked for three years as installation and sales specialist with Noway Lumber in Anywhereville. Joe has participated in sales and marketing clinics offered by Frigidaire, Galaxie Carpets and others around the country, as well as many in-store training programs on sales and management.

Complimenting Joe's more technical background, Helen grew up in a small business family where she learned the fundamental concepts of marketing, sales and finance. She took an accounting course recently and has also attended a variety of small business management seminars.

It is possible for micro businesspeople to organize their activities better and to develop their ideas more fully. Spend some time thinking about where you're at and where you're going before asking others to join you on the path!

Before approaching a bank or anyone else for assistance, think about your plans and ask yourself some tough questions. "Do I really need credit?" "Will the loan generate enough income to justify the cost and the hassle?" View it as objectively as possible and put yourself in your banker's shoes. No banker wants to make a loan that will put a small company out of business.

Planning is important before and after receiving a loan, to assure that the money is used effectively...according to your written business plan. This is the best way to keep your business healthy and growing.



## DODD-BLAIR & ASSOCIATES

Dear Self-employed Friends,

In our work with self-employed people throughout Maine, we find great pride and integrity in the high quality of the products and services they produce. We, too, are proud of our work and know you'll appreciate our publications!

These workbooks fill the need for practical, down-to-earth information which can be easily applied to daily business operations. The focus is on BASICS — the general principles behind effective, profitable management. Since all business situations are different, you can apply the material as best suits your needs. Let us know what you think of them. We guarantee your satisfaction!

**Basic Finances** provides a clear, simple description of basic recordkeeping procedures and their use as management tools. It outlines the five steps to better financial control, complete with sample forms and concise instructions. Emphasis is placed on cash flow analysis and projection.

Using **Basic Finances**, you can review your financial management to pinpoint those areas that need attention. The workbook is also invaluable to those who are just starting. Don't let the financial management of your operation be a burden! Integrate it into your overall activity plan to be accomplished in time.

In addition to the workbooks, we've developed a variety of management services including workshops and one-to-one consulting. We stress practical, self-help information designed especially for the small operator. Our business is based in Rangeley, a beautiful micro business community in the western mountains. For further information, please write P.O. Box 644, Rangeley, ME 04970 or call (207) 864-5195.

Best wishes,

*Gerry + Annie*

\$18.00 (set of five)

0-930205-00-6 (5 volume set)  
0-930205-03-0 (Basic Finances)