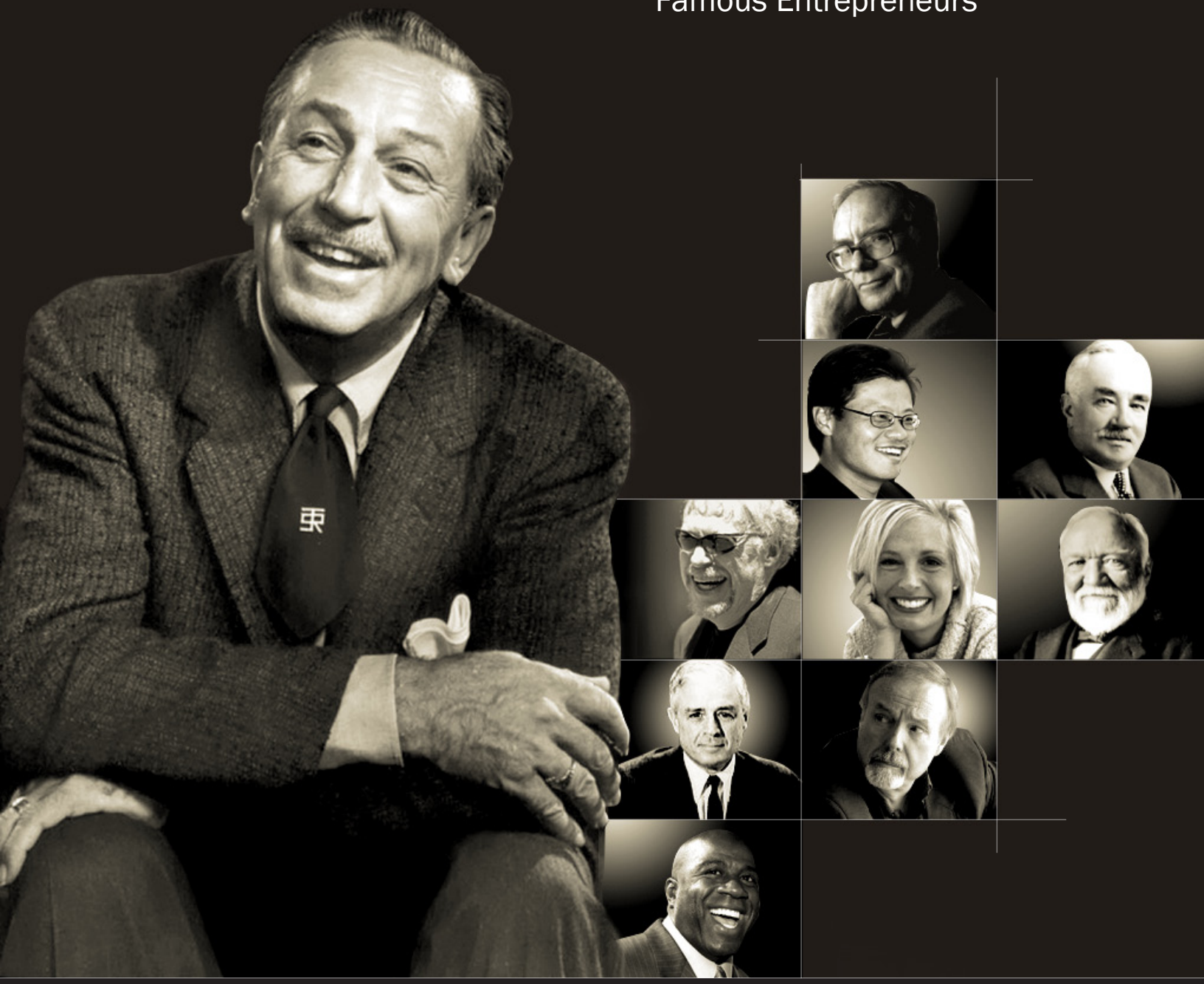
HOW TO WRITE A

BUSINESS PLAN

Lessons in success from 31 of Today's Most Famous Entrepreneurs



Walt Disney • Warren Buffett (Berkshire Hathaway) • Jerry Yang (Co-Founder of Yahoo!) • Milton Hershey (Hershey Foods) • Philip Knight (Nike) • Julie Aigner-Clark (Baby Einstein) Andrew Carnegie (Carnegie Steel) Thomas Watson Sr. (IBM) • Terry Matthews (Mitel) • Earvin "Magic" Johnson (Johnson Development Corp)

Inspired by his young daughters, Walt Disney sketched out an idea to turn a plot of orange groves and walnut trees in Anaheim into an amusement park and make it the "happiest place on Earth." He spent the next five years developing the concept, construction began on July 18, 1954 and Disneyland was opened exactly one year later. It was an instant success and over 1 million people visited Disneyland in the next six months.

Disney's quick victory came from the time he spent studying the project and planning for success. The business plan is your chance to demonstrate that you have done your homework and that there is a significant opportunity to make money selling your products and services. Whether you are trying to impress investors, bankers, partners, suppliers, employees, or the media, you will need a well researched business plan to convince them that you will succeed where others have failed. A business plan will also help you cement your ideas and give you the confidence that you need to strike out and start your new venture. Entrepreneurs who complete the process of writing their business plan never regret the effort they went through to put it together.

Once you've finished writing the business plan, make sure to have friends, family, and advisors review it to see if it makes sense to them before you show it to anybody who can have a serious impact on your business.

Keep in mind that while every business plan is different and the sample plans attached all have slightly varied formats, they all contain the same basic information. This guide discusses the various parts of what a business plan should look like and provides a template for you to begin writing it.

Good luck!

> ***"When we consider a project, we really study it-not just the surface idea, but everything about it. And when we go into that new project, we believe in it all the way."***
>
> – Walt Disney

1

Your Company Name

BUSINESS PLAN

2

(insert company logo)

3

(insert your name and contact details)

(insert company address)

1. Table of Contents

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2. Executive Summary

> ***"Risk comes from not knowing what you're doing."***
>
> **– Warren Buffett, Berkshire Hathaway**

Warren Buffett is one of the most successful investors in history and was ranked as the richest man alive until he pledged nearly $40 billion of his fortune to charity. His personal startup money for his business was $100 in 1956 and today, his company has grown to have assets worth hundreds of billions of dollars. Buffett did it by investing into businesses he believed were undervalued and were poised for a significant increase in price.

If you want to attract the attention of a successful investor like Warren Buffett the first step is to get them to read and like your executive summary. You need to be able to quickly tell the story of your company so people can understand who you are and what you do.

The executive summary is the first thing that your readers will look over when they open your business plan but it should be the last thing you write.

Imagine that you are on the top floor of a tall office building and are taking the elevator down and the one person you need to convince to buy into your business is with you in the elevator. You have until you reach the ground floor to convince him or her that your idea is worth looking into.

That's what your executive summary should do – it should give your reader an understanding about what you do, why there is a good opportunity to make money with you, and why they should continue reading on. Most investors see thousands of business plans and they make a judgment call based on the executive summary. If it's interesting, they will continue to read, if it's not, your entire plan ends up in the trash can. The standard executive summary will be two to three pages – long enough to give an overview of your business and get people excited but short enough so it can be read through quickly.

Make sure you can address the significant opportunities that there are to get involved with your business and also focus on showing how you are going to reduce the risk for them. As Warren Buffet reminds us, risk only comes when you don't know what you're doing so make sure you can show your reader quickly in your executive summary that you do indeed know what you are doing.

A final reminder is to see if your executive summary can pass the "grandmother test" – show it to your grandmother, or someone else who has no idea what you do, and see if they can understand it. Remember that people reading your business plan are not experts in your industry and if you write in technical language and it's confusing to a non industry expert it will be hard to convince people to continue reading your plan and to believe in your business. If your grandmother can understand it then you are ready to show decision makers your plan.

3. Company Overview

- Mission Statement
- Goals & Objectives
- Company Values
- Target Market
- Industry Trends
- Team & Structure

"I think that it's always possible to have a great company if you have great ideas...you have to have the idea first."

- Jerry Yang, Co-Founder of Yahoo!

Jerry Yang and David Filo started Yahoo! in 1994 as a way to keep track of their favorite websites. Originally called "Jerry's Guide to the World Wide Web," the pair worked with a friend of theirs to create a business plan as part of a university assignment. They incorporated their business on March 1, 1995 and used the plan with some modifications to seek out venture capital financing. One month later they closed a $3 million deal with Sequoia Capital.

Despite not having revenue yet for their new business, Yang and Filo were able to raise the $3 million because they could clearly describe their business and the opportunities that lay ahead. You need to be able to quickly tell the story of your company so your readers can understand who you are and what you do.

This section will discuss the main elements that you should cover in your Company Overview

3. Company Overview

- Mission Statement
- Goals & Objectives
- Company Values
- Target Market
- Industry Trends
- Team & Structure

Mission Statement

This is a short formal written statement which describes the purpose of your company. It should act as a guide for how your company will act and make decisions.

"Our mission statement about treating people with respect and dignity is not just words but a creed we live by every day. You can't expect your employees to exceed the expectations of your customers if you don't exceed the employees' expectations of management. That's the contract."

– Howard Schultz

Famous Entrepreneur Advice

Howard Schultz, Starbucks

Starbucks grew from a single location in Seattle to become the world's largest coffee company. Their mission statement is "To inspire and nurture the human spirit— one person, one cup, and one neighborhood at a time."

Your Turn – Write Your Mission Statement Below

3. Company Overview

- Mission Statement
- Goals & Objectives
- Company Values
- Target Market
- Industry Trends
- Team & Structure

"If you don't know where you're aiming, you don't have a goal. An average person with average talents and ambition and average education can outstrip the most brilliant genius in our society, if that person has clear, focused goals."

– Mary Kay Ash

Goals & Objectives

Once you've laid out your company's direction via your Mission Statement, you need to set quantitative targets for what your company will achieve. How much revenue and profits do you expect to make next year? What does your company look like in five years? How many customers do you need to close to make those numbers happen? What other goals do you have for your business? If you are seeking financing, how much do you need, how will you use the funds, and what will the return on investment be?

Famous Entrepreneur Advice

Mark Kay Ash, Mary Kay Cosmetics

Frustrated when passed over for a promotion in favor of a man that she had trained, Mary Kay Ash quit her job to break out on her own. In her first year in business, Ash set clear objectives for herself and company sales reached $198,000. She would continue to set and reach new goals as she grew her business. At the time of Ash's death, Mary Kay Cosmetics had over 800,000 representatives in 37 countries, with total annual sales over $2 billion.

Your Turn – Write Your Goals & Objectives Below

3. Company Overview

- Mission Statement
- Goals & Objectives
- Company Values
- Target Market
- Industry Trends
- Team & Structure

Company Values

Your company values describe how your company will conduct itself and what ideals you think are important. These values will help define your culture, brand, and business strategies.

"It doesn't matter what your core values are, as long as you commit to them. First, figure out what your core values are. Second, seek alignment across all staff. Values must be "real," not overly corporate/lofty."

– Tony Hsieh

Famous Entrepreneur Advice

Tony Hsieh, Zappos

Zappos.com is an online shoe and clothing shop that started up in 1999 and in 2009 sold to Amazon.com for over $1 billion. The company is famous for its company values which include:

- *Deliver WOW Through Service*
- *Embrace and Drive Change*
- *Create Fun and A Little Weirdness*
- *Be Adventurous, Creative, and Open-Minded*
- *Pursue Growth and Learning*
- *Build Open and Honest Relationships With Communication*
- *Build a Positive Team and Family Spirit*
- *Do More With Less*
- *Be Passionate and Determined*
- *Be Humble*

Your Turn – Write Your Company Values Below

3. Company Overview

- Mission Statement
- Goals & Objectives
- Company Values
- Target Market
- Industry Trends
- Team & Structure

Target Market

Your target market is who you plan on selling your products and services to. It will be covered in more depth in the Sales & Marketing section so be brief.

"UFC is definitely a younger guy's sport. Our target audience is anywhere from age 18 to 34. One of the things we have always said, is we know what this is for – it's for males 18-34. To go out and market toward (other target markets) would be very expensive and not make much sense."

– Dana White

Famous Entrepreneur Advice

Dana White, UFC

The UFC used to be nothing more than an underground fighting league, and one which was scarcely accepted in America. Fast forward to 2006 and the UFC broke the pay-per-view industry's all-time records for a single year of business, generating over $222,766,000 in revenue, surpassing both WWE and boxing. Much of that success came from CEO Dana White knowing who his target market is and actively promoting to them.

Your Turn – Briefly Describe Your Target Market

3. Company Overview

- Mission Statement
- Goals & Objectives
- Company Values
- Target Market
- Industry Trends
- Team & Structure

Industry Trends

This segment should describe the industry you are in and showcase the opportunities you see ahead. Is your industry growing? Where is there money to be made right now? How will it change over the coming years? How can your company take advantage of those changes?

"Times were really tough in the beginning. When I started my business in 1950, I was in a tight spot financially. I already had some work experience, but I had an advantage in competing with other companies – I was willing to learn the latest industry trends."

– Li Ka Shing

Famous Entrepreneur Advice

Li Ka Shing, Hutchison Whampoa

Li Ka Shing is one of the top 20 richest people in the world and the wealthiest person of East Asian decent. It all began when he realized that plastics would be a growing market in China and he jumped into the industry before his competitors. Li avidly read trade publications and business news before deciding to supply the world with high quality plastics at low prices. A few years later, Li grew to be the largest supplier of plastic flowers in Asia and made a fortune selling them before moving to other markets.

Your Turn – Describe Your Industry's Trends

3. Company Overview

- Mission Statement
- Goals & Objectives
- Company Values
- Target Market
- Industry Trends
- Team & Structure

Team & Structure

What unique skills and experiences do you and your team bring that will help you win out over your competitors? What are your core strengths and how will they give you an advantage in the marketplace? Demonstrate that you are not just like everyone else and that you have the necessary team in place to win. Again, be brief as this topic will be given more focus in the Management section of the business plan.

"Steve and I were kind of driving the business and Paul and I were driving the technology. Our success has really been based on partnerships from the very beginning."

– Bill Gates

The structure of your business is the legal form of ownership. Are you a sole proprietor, partnership, corporation, or limited liability corporation? Explain which option you chose and a brief sentence as to why.

Famous Entrepreneur Advice

Bill Gates, Microsoft

Bill Gates consistently ranks as one of the world's wealthiest people. He founded Microsoft to take advantage of the personal computer revolution. During Microsoft's early years, all employees had broad responsibility for the company's business. Gates oversaw the business details, but continued to write code as well. His early success was in large part due to the two trusted friends who helped grow the business, Steve Ballmer and Paul Allen.

Your Turn – Describe Your Team and Structure

4. Products & Services

- Product & Services Overview
- Competitive Advantages
- Pricing & Business Model

"Give them quality. That's the best kind of advertising in the world."

– Milton Hershey, Hershey Foods

Throughout his career, Milton Hershey remained dedicated to providing the best possible product and value for his customers. With a reputation for being a hands-on perfectionist, Hershey made it his mission to ensure that every single chocolate that went out with his name on it was up to his standards of approval. It was his quest for quality that differentiated Hershey's chocolates from his competitors and helped Hershey's become the largest chocolate manufacturer in North America.

Hershey knew his market and created a line of products that were of the highest standards. Having a quality product or service that targets a specific need is critical to any entrepreneur trying to establish a successful company.

This section will discuss how you should showcase your product and services so that the readers of your business plan will understand what you are selling and believe that you have a valuable opportunity ahead of you.

4. Products & Services

- Product & Services Overview
- Competitive Advantages
- Pricing & Business Model

"But wait, there's more!" and "Now how much would you pay?"

– Ron Popeil

Product & Services Overview

In this segment you should provide a description of what your products and services are and how they work. Try to write it so that an average person who does not know your industry will be able to understand what you do. Avoid technical descriptions, industry jargon, and abbreviations.

In addition to showcasing the various features that you can offer, make sure to explain what the benefits are to your customers. You can include technical documentation in the appendix so that if the reader wants more information it is available.

Famous Entrepreneur Advice

Ron Popeil, Ronco

Ron Popeil is best known for his informercials promoting his inventions like the Veg-O-Matic. Over his career Popeil sold over $2 billion worth of products. His key to success: Make the product the star of the show. In creating his infomercial for the meat cooker, he opens with shots not of himself, but of the luscious, juicy poultry slowly rotating inside his latest invention. The voice then comes on: "a delicious six-pound chicken...a succulent whole duckling...a mouthwatering pork-loin roast." The camera focused on the tempting food almost the entire time and Popeil's seductive voice guides viewers through the entire process.

Your Turn – Describe Your Products and Services

4. Products & Services

- Product & Services Overview
- Competitive Advantages
- Pricing & Business Model

"I wanted to show them that I was trying to make my product different. So I brought my product with me."

- Debbie Fields

Competitive Advantages

Use this segment to explain what makes your product and services different from the competition and gives you an advantage. How does it compare to what's currently on the market when you look at features, quality, service, and pricing? Why will you win market share way from the competition and better serve the needs of your target market?

Famous Entrepreneur Advice

Debbie Fields, Mrs. Fields Cookies

With no college degree, no support from her family, and no money, Debbie Fields was able to start up and build a multimillion dollar business from scratch which would eventually be acquired by an investment company. She went from being a housewife to being the name behind some of the country's most beloved cookies. Eventually, her "try and buy" scheme worked, and she found a banker to sign on to her project. And, she figured if it worked with a banker, it would work for customers too. She was right.

Your Turn – Describe Your Competitive Advantage

4. Products & Services

- Product & Services Overview
- Competitive Advantages
- Pricing & Business Model

Pricing & Business Model

This segment should describe how you are going to make money from your products and services. How much are you going to charge? Do you have different pricing options available? What is your business model you will use to build a profitable company?

"The razor was looked upon as a joke by all my friends. A common greeting was, 'Well, Gillette, how's the razor?' If I had been technically trained, I would have quit. The greatest feature of the business is the almost endless chain of blade consumption, each razor paying tribute to the company as long as the user lives."

– King Gilette

Famous Entrepreneur Advice

King Gillette, The Gillette Company

King Gillette's greatest invention was not the improvement he made to the safety razor but rather the high profit margin business model that he created to sell the razors. The money in his business came not from selling razors but from selling the disposable blades that went along with the razors. Once customers would buy a razor they would need to keep coming back to buy the blades.

Your Turn – Describe Your Pricing and Business Model

5. Sales & Marketing

- Market Research
- Target Market
- Competition
- Sales Forecast
- Promotion Strategy
- Distribution Channels

Nike was started when a 26 year old Philip Knight and his good friend and former track coach from the University of Oregon, Bill Bowerman, invested $500 each into the company. Knight was an accountant by day and sold shoes from the back of his car at track and field meets across the Pacific Northwest. A firm believer in guerilla marketing, when he set out to brand his company Knight paid only $35 to have his now famous "swoosh" logo designed. When Knight resigned as Nike's CEO in 2004 he was worth close to $10 billion and was among America's 30 wealthiest people.

Nike might be known for their multimillion dollar ad campaigns today but when the company was first started Philip Knight did everything he could to put his company on the map while spending his limited money as wisely as possible. This is the essence of a good sales and marketing plan – show that you will be able to generate revenues for your company, explain how you are going to go about it, and produce results without having to invest enormous sums of money.

"At first, we couldn't be establishment, because we didn't have any money. Our job is to wake up the consumers. If we become predictable, that's not waking them up. We have to get consumers' attention. We don't have six months to check with focus groups."

– Philip Knight, Nike

This section will discuss the main elements that you should cover in your Sales and Marketing plan.

5. Sales & Marketing

- Market Research
- Target Market
- Competition
- Sales Forecast
- Promotion Strategy
- Distribution Channels

"When I started out in business, I spent a great deal of time researching every detail that might be pertinent to the deal I was interested in making. I still do the same today. People often comment on how quickly I operate, but the reason I can move quickly is that I've done the background work first, which no one usually sees. I prepare myself thoroughly, and then when it is time to move ahead, I am ready to sprint." – Donald Trump

Market Research

You have already discussed the industry trends in the Company Overview section. Now it's time to dig deeper and tell your readers more about the market you are targeting and the current demand for your products and services. Make sure to include: the size of your market, the growth history of your market, the changing demands of your customers, the main pain points that your customers are experiencing, and the potential for growth for your business. Try to cite credible sources to demonstrate that a demand exists.

Famous Entrepreneur Advice

Donald Trump, The Trump Organization

Donald Trump is one of the most recognizable entrepreneurs in the world. Trump was 27 years old when he first became a Manhattan real estate developer and has built a multi-billion dollar real estate empire by doing careful market research. He is now among the richest people in the world and runs the largest privately held company in New York. He credits his rise into wealth to the intense research that he does before starting every new project.

Your Turn – Explain What Market Research You Have Done

5. Sales & Marketing

- Market Research
- Target Market
- Competition
- Sales Forecast
- Promotion Strategy
- Distribution Channels

Target Market

This segment should clearly explain who you customers are. You can look at different factors, depending on your business. If you sell to consumers you should include the following about your target market: age, gender, household income, location, and education levels. If you sell to the business market you will want to include: industry, location, and size of firm (revenues or employees). Be sure to also explain any other specific information on your target market that could be relevant.

"We look for opportunities where we can offer something better, fresher, and more valuable, and we seize them. We often move into areas where the customer has traditionally received a poor deal, and where the competition is complacent. And with our growing e-commerce activities, we also look to deliver 'old' products in new ways. We are pro-active and quick to act, often leaving bigger and more cumbersome organizations in our wake. When we start a new venture, we base it on hard research and analysis. Typically, we review the industry and put ourselves in the customer's shoes to see what could make it better." – Richard Branson

Famous Entrepreneur Advice

Richard Branson, The Virgin Group

Richard Branson's school headmaster predicted he would be a millionaire or end up in jail. He ended up doing both and not only became a millionaire but a billionaire. Branson is best known for his Virgin brand of over 350 companies and he has accomplished his success by paying close attention to his target market to service their needs.

Your Turn – Describe Your Target Market

5. Sales & Marketing

- Market Research
- Target Market
- Competition
- Sales Forecast
- Promotion Strategy
- Distribution Channels

"I would advise those starting out to carefully research your niche and know your competition and the marketplace before you start a small business."

– Lillian Vernon

Competition

The competition segment is one that is often overlooked or not given much attention but is of critical importance to your business plan if you are hoping to bring investors on board. You might be in a high growth, profitable niche but how will you beat your competition so they do not grab all the market share? In this segment make sure you include who your major direct and indirect competitors are, which areas they compete with you in, and how you compete on the features that your customers need most. It is common practice to include a table of you versus your competitors to show how you compare. Never say that there is no competition.

Famous Entrepreneur Advice

Lillian Vernon, Lillian Vernon Corp.

Lillian Vernon was 22 years old when she, with a baby on the way, looked for a way to supplement her husband's earnings. She used $495 from the $2,000 the couple received in wedding gifts and started a fashion accessories business from her kitchen table. Vernon would go on to become the first female-owned company to be listed on the American Stock Exchange and sold her company in 2003 for $60 million in cash to an investment company.

Your Turn – Describe Your Competition

5. Sales & Marketing

- Market Research
- Target Market
- Competition
- Sales Forecast
- Promotion Strategy
- Distribution Channels

"In the first year, with one title, we made $100K in revenue. This was nearly five times my teaching salary. By the time we sold the company in 2001, we had revenue of over $20 million in sales for the year, with just ten videos and a handful of books. The company was still just my husband and me – we had five employees and a couple of consultants."

- Julie Aigner-Clark

Sales Forecast

This segment needs to show your readers how much revenue you plan on bringing in. A popular technique is to do a sales forecast for the first year and then for the next five years. It's also common to show three scenarios for each – a worst case, best case, and most likely case. Make sure to list your assumptions and show how you came up with the numbers. If you plan to use the business plan to obtain financing this section will be of critical importance to your investors or lenders. You should be prepared to have detailed answers that are based on solid research for every single number on your sales forecast.

Famous Entrepreneur Advice

Julie Aigner-Clark, Baby Einstein

Baby Einstein was founded in 1997 by Julie Aigner-Clark out of her home in Georgia. She invested $18,000 of her savings into creating their first educational video but had a sales plan to expand into other products and sell across the United States. Her successful planning worked and she was acquired by the Walt Disney Company only four years after founding her company.

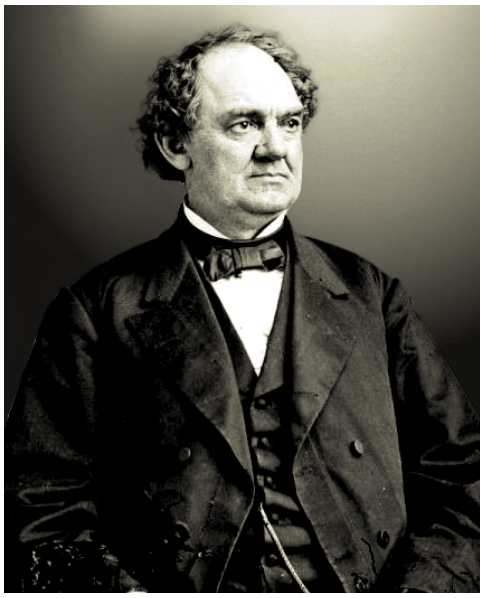
Show Your 12 Month And 5 Year Sales Forecasts

5. Sales & Marketing

- Market Research
- Target Market
- Competition
- Sales Forecast
- Promotion Strategy
- Distribution Channels

Promotion Strategy

This segment should focus on how you plan to promote your company and bring in revenue. How will you get the word out? Are you using advertising, trade shows, referrals, online marketing, or other methods? Make sure you describe which tactics you will be using, how effective you expect each to be in terms of generating revenue, and how much each method will cost you. Try to also show supporting information for why your estimations make sense based on what other companies have achieved inside and outside your industry.



"Without promotion something terrible happens, nothing! If you hesitate, some bolder hand will stretch out before you and get the prize."

– P.T. Barnum

Famous Entrepreneur Advice

P.T. Barnum, Barnum and Bailey Circus

P.T. Barnum is one of the most creative American promoters in history. Even if you did not have a ticket to his show, when Barnum's circus was in town, you would know it. He would sweep into the city with gusto; elephants would be paraded through the streets and clowns would be sent to local hospitals to visit with sick children. He even went so far as to have an elephant continuously plow his backyard which enticed the media to want to know more about who this man was and what he did for a living.

Your Turn – Describe Your Promotion Strategy

5. Sales & Marketing

- Market Research
- Target Market
- Competition
- Sales Forecast
- Promotion Strategy
- Distribution Channels

"It's better selling 40,000 accounts than it is 5 accounts. It's more difficult to do, but for the longevity of the company and the profit margins, it's the better of the two."

– Ty Warner

Distribution Channels

This segment lays out how you will sell your products and services. The common models include: retail, wholesale, direct mail, online, catalogue, internal sales people, and external sales agents. If you plan on using a mix of models break down what percentage of sales will come from each and provide evidence that these numbers are supported by research from other companies who have done what you are looking to do.

Famous Entrepreneur Advice

Ty Warner, Ty Inc (Beanie Babies)

When Ty Warner started Ty Inc to create his Beanie Babies products, people said he was crazy. He invested his entire life savings, took up two mortgages on his house, and used his father's inheritance to launch his company – all with the hope of selling a $5 to $20 product. To reach critical mass, Warner shunned traditional advertising campaigns and the large, national toy store chains for distribution. Instead he chose non-traditional routes of distribution and built a toy empire. He has a net worth of billions of dollars because of it and is ranked higher on the Forbes wealthiest people in the world than Donald Trump.

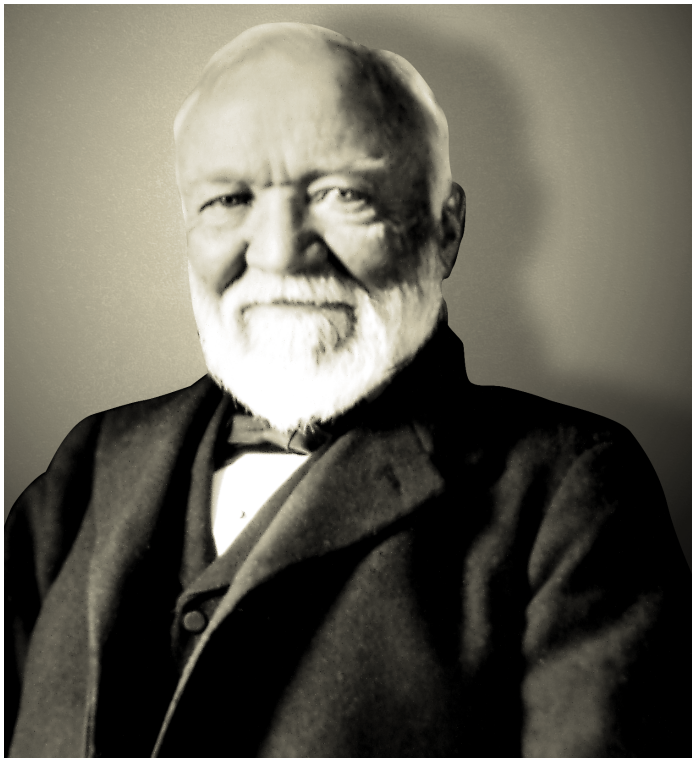
Your Turn – Describe Your Distribution Channels

6. Operations

- Production
- Location
- Staffing
- Suppliers
- Legal

Falling on hard times in Scotland, Andrew Carnegie's family moved to America when he was 13 years old to search for a better life. His first job in 1848 was as a bobbin boy, changing spools of thread in a cotton mill twelve hours a day, six days a week earning only $1.20 per week. Carnegie would go on to build the first billion dollar company and become the second richest man in American history, behind only John D. Rockefeller. It is estimated that the Carnegie's fortune would be worth up to $300 billion in today's dollars.

Andrew Carnegie was known for understanding his companies in great detail, focusing on them to improve



results, and building operations that were lean and efficient. Similarly you need to show that you recognize how your business works and that you can build a company that can operate effectively with limited resources.

This section will discuss the main elements that you should cover in your Operations plan.

"And here is the prime condition of success, the great secret: concentrate your energy, thought, and capital exclusively upon the business in which you are engaged. Having begun in one line, resolve to fight it out on that line, to lead in it; adopt every improvement, have the best machinery, and know the most about it."

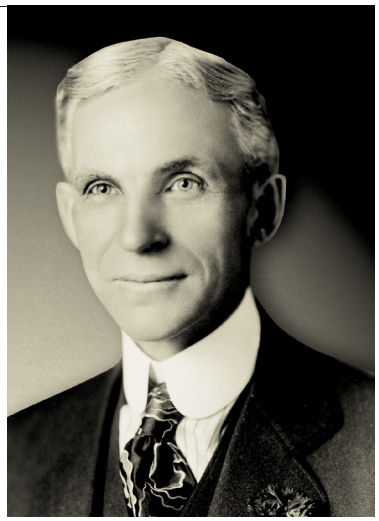
– Andrew Carnegie, Carnegie Steel

6. Operations

- Production
- Location
- Staffing
- Suppliers
- Legal

Production

This segment provides an overview of how your products and services will be created. Important elements to touch on include the methods of production, how much it will cost to produce, how you will maintain and monitor quality, how much inventory you intend on keeping, and plans you have for future product development and expansion. If you have obtained a process patent for specific production methods then you can make reference to it in this section. If your production method is a trade secret then provide enough information so that the reader can get a sense of what you are doing, has confidence in your abilities to deliver the product or service, but cannot replicate your system.



"We are never satisfied with the way that everything is done in any part of the organization. We always think it ought to be done better and that eventually it will be done better. Everything can always be done better than it is being done."

– Henry Ford

Famous Entrepreneur Advice

Henry Ford (Ford Motor Company)

When Henry Ford got into production mode he wanted to manufacture like no one had before him. At his factory he paid workers more than double the average wage to attract the best and brightest. He also introduced the assembly line to his production plants which revolutionized the way products were built. Ford was always looking for ways to improve his production methods to improve efficiencies and deliver consistent quality. Thanks to his innovations in production, if he were still alive today he would have a net worth of almost $200 billion.

Your Turn – Describe Your Production Plan

6. Operations

- Production
- Location
- Staffing
- Suppliers
- Legal

"(The first Subway store was in a) crummy location. In February, the store was doing so bad that we were thinking of closing up. We talked ourselves into building the second store. The business in that second store was good from the day we opened it."

– Fred DeLuca

Location

Where will you produce your goods and how important is it for your business? If you're running a retail store then location is paramount. If you run a home renovation practice where you meet you clients at their houses, an office location is not as crucial. The more important the location is to your business, the more details you want to provide in this section. Items to focus on include: how much space you need, where your space will be, what type of zoning you require,

is it in a convenient place for your customers and suppliers to find you, do you need parking or other transportation requirements, do you need money to build or improve the location, and if so how much will it cost? What are the benefits and drawbacks of the locations you are looking at and why are you choosing one location over another?

Famous Entrepreneur Advice

Fred DeLuca (Subway Sandwiches)

When Fred DeLuca was 17 years old, he borrowed $1,000 from a family friend to start his first sandwich shop in 1965. He was trying to raise money to pay for college and at the time, he could not even afford the $25 lawyer's fee he needed to sign the lease. After making some early mistakes with his store he realized the importance of choosing the right location for a business. Subway Sandwiches now has over 30,000 locations in almost 100 countries.

Your Turn – Describe Your Location Plan

6. Operations

- Production
- Location
- Staffing
- Suppliers
- Legal

"Good employees will energize you and your business. As an entrepreneur, it is most gratifying to watch a group of intelligent, talented people be transformed from employees working for a paycheck into an energetic staff that collaborates day and night to achieve a common goal."

– Martha Stewart

Staffing

As any company grows it is going to need a team of people to help run the business. In this segment you want to highlight what your staffing strategy will be and include details such as: how many people you will hire, what functions they will perform, what specific skills they need to have, how much you will pay them, where you will recruit them, are they full time or part time staff, have you created detailed job descriptions, and how much training they will need to be successful in your company.

Famous Entrepreneur Advice

Martha Stewart (Martha Stewart Living Omnimedia)

While in grammar school, Martha Stewart planned birthday parties for neighborhood children to supplement her baby-sitting income of $1 an hour. On the way to building an empire Stewart has hired hundreds of employees. While she admits to having made a number of hiring mistakes throughout her career, she recognizes the importance of finding employees who have the right 'fit' with her company.

Your Turn – Describe Your Staffing Plan

6. Operations

- Production
- Location
- Staffing
- Suppliers
- Legal

Suppliers

Producing a quality product often relies on having quality supplies. In this segment you will want to outline who your key suppliers are, what terms you've been able to negotiate, which supplies you're buying from each of them, how reliable are they, if you anticipate any shortages, what the costs are, if the costs are stable, and if you plan to have multiple supplier options for your key inputs to reduce your risk.

"SpaceX has the ability to make almost any part in house, so has a great deal of bargaining power with suppliers. We are never locked in to anyone."

– Elon Musk

Famous Entrepreneur Advice

Elon Musk (Paypal, SpaceX)

After founding PayPal and selling it to eBay for $1.5 billion Elon Musk launched SpaceX, a manufacturer of space launch vehicles with an emphasis on low cost and high reliability. In 2008, SpaceX was awarded a $1.6 billion NASA contract for 12 flights of their rockets and spacecraft to the International Space Station and in 2009, SpaceX's Falcon 1 rocket became the first privately funded vehicle to put a satellite into Earth's orbit. Part of Musk's success has come from the ability to choose their suppliers and negotiate a low price with them because SpaceX has the in house capabilities to make the supplies themselves.

Your Turn – Describe Your Suppliers Plan

6. Operations

- Production
- Location
- Staffing
- Suppliers
- Legal

"In retrospect it was ridiculous to try to put this system together, which required so much up front money, and required changing a lot of government regulations, but I didn't know that at the time ... I didn't know that I couldn't do this."

– Fred Smith

Legal

Some industries are more heavily regulated and have more legal requirements than others. If your industry does have a lot of regulations make sure you discuss them and your plans to comply in this segment of your business plan.

Some common issues to look at are: permits, insurance, zoning, licensing requirements, intellectual property, health regulations, and building code specifications. Include any other legal requirements as well that would apply to your business.

Famous Entrepreneur Advice

Fred Smith (FedEx)

In 1971 Fred Smith used a $4 million dollar inheritance and raised another $91 million in venture capital (over $500 million total in today's dollars) to start FedEx and almost lost it all because what he was trying to do had never been done before and required making changes to many different government requirements and regulations. Fortunately, Smith was able to get the changes he needed before he ran out of money and built FedEx into an internationally recognized company.

Your Turn – Describe Your Legal Plan

7. Management

- Management Team
- Board Members & Advisors

Thomas Watson developed IBM's renowned management style and corporate culture, and turned the company into one of the most effective selling organizations yet seen. Watson might have been at the top of the corporate ladder, but he knew that if it weren't for those under him, that ladder would easily crumble. A leading self-made industrialist, he was one of the richest men of his time and was called the world's greatest salesman when he died in 1956.

Watson believed that it was impossible for one person to do all the work that was needed for a company to be successful. Entrepreneurs need to surround themselves with a capable team who can compliment their skills and have everyone contribute to the success of the business.

"A man is known by the company he keeps. A company is known by the men it keeps."

- Thomas Watson Sr., IBM

This section will discuss the main elements that you should cover in your Management plan.

7. Management

- Management Team
- Board Members & Advisors

Management Team

This segment should discuss who the key people are on your team who will help guide the company towards achieving its goals. What are their specific skills and backgrounds and how will they help you succeed? If you're looking at getting investors or lenders on board this will be one of the most important sections they look at as new companies usually have one or two talented founders but rarely have all the skills in house that they will need to build a highly successful company. Include short bios on each key person and you can attach a full resume in the appendices.

"From a management standpoint, it is very important to know how to unleash people's inborn creativity. My concept is that anybody has creative ability, but very few people know how to use it."

– Akio Morita

Famous Entrepreneur Advice

Akio Morita (Sony)

Akio Morita built Sony to become an internationally recognized brand by hiring talented people who had ideas and talents which were different from his own. Just one example is Norio Ohga. Ohga was an opera singer who was dissatisfied with the low quality of Sony's tape recorder. He wrote a letter to complain and Morita offered him a job. Ohga accepted and would go on to eventually become the CEO and Chairman of Sony. Morita was willing to work with people who challenged his ideas and made the company stronger.

Your Turn – Describe Your Management Team

7. Management

- Management Team
- Board Members & Advisors

> ***"I try to bring with me other African-Americans who can then use my experience and gain credibility from what I've done to be their own successful person."***
>
> – Robert Johnson

Board Members & Advisors

If you don't have a lot of business experience or need some expert credentials within the industry you are targeting it can be a good idea to build a board of directors or advisors. These are people who are not involved in the day to day running of your business but do provide ongoing advice and support to help you grow. If your management team is missing key skills and you can't afford to hire them you can ask for help in an advisory capacity. These people can help bring your company credibility as well as valuable advice and contacts.

Famous Entrepreneur Advice

Robert Johnson (B.E.T.)

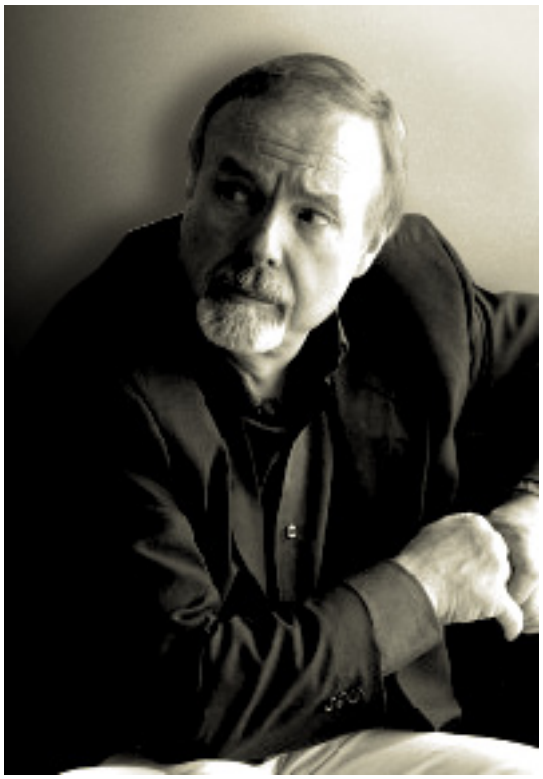
In 2001 Robert Johnson became the first African American billionaire, and the first black person to be listed on any of Forbes world's rich list. He built B.E.T. as the first cable television network aimed at African Americans and later sold it to Viacom for $3 billion. Now Johnson serves as a mentor to young entrepreneurs and adds instant credibility to any new business that he attaches his name to.

Your Turn – Describe Your Board Members and Advisors

8. Financial Plan

"We set it up with $4,000 of borrowed money and now it's making $1.5 billion revenues. It doubled its revenues every year for the first 11 years and generally in electronics a successful company can do that and remain stable. Anything above that can be unstable"

– Terry Matthews, Mitel



Terry Matthews is a serial high tech entrepreneur, and Wales' first billionaire. Matthews has founded over 100 companies in the United Kingdom and Canada in the high tech communications field. His most notable successes so far have been with Mitel which he sold to British Telecom, and Newbridge Networks which was acquired for $7 billion dollars by Alcatel. Matthews is also the founder of Celtic House Venture Partners, an early stage technology venture capital firm.

Terry Matthews knows his numbers and understands how to create a financial plan that will lead to success. Similarly you need to demonstrate that you know how your company will grow, how much it will cost, and how much profit you will generate.

Creating your financial plan can be challenging as you want your numbers to be ambitious enough to attract investors and conservative enough to be credible. Typically you will want to include a one year projection broken down into 12 months and a five year projection as well. Your projections should show how much revenue you will earn, what it will cost to acquire that revenue, and any other costs you anticipate spending. You should conclude with a net profit / loss.

The faster you can get to profitability and the more profits you can generate, the more attractive your company will look but the numbers do have to be realistic and attainable. You can also attach a written explanation of the assumptions you've made in order to reach the numbers you projected.

Make sure you have the research to back up every number on your financial plan because it will be heavily scrutinized if you are looking to attract investors or lenders.

Your Turn – Show your 12 month and 5 year Financial Plan

9. Appendices

"You have to get into the numbers, research and asking people what their needs and wants are, picking the right locations. There's a lot that goes into business. It's not just, 'OK, I want to be a businessman. Boom - go with something,' and hope they come in. It doesn't work like that...I prepared for games; I prepare for business."

– Earvin "Magic" Johnson

(Johnson Development Corp)

Magic Johnson is one of the world's most successful athletes turned entrepreneurs. He runs Magic Johnson Enterprises, whose subsidiaries include a promotional company, a nationwide chain of movie theaters, and a movie studio. He is also the only person to own a Starbucks franchise after forming a partnership with Starbucks CEO Howard Schultz. From a humble upbringing characterized by a strong work ethic, to a career distinguished by big deals and even larger profits, Johnson has defied his critics to create a multi-million dollar business empire.

Despite not having a business background Magic Johnson was able to achieve tremendous success as an entrepreneur by being prepared. Similarly you can demonstrate to your business plan readers that you know your business thoroughly and are prepared by having a complete list of appendices.

The appendices should provide all the background information that is too detailed to include in the regular sections of your business plan. It can contain: industry reports, management team resumes, letters of intent, patent information, technical specifications, blueprints, supplier agreements, leases and other contracts, market research white papers, and any other information that can be used to backup the information in your business plan. You can make reference to the appendices in your business plan for each section that contains support material.