



Crafting a Plan for your Business

Business Planning Workbook



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About this Workbook

Overview

The Battle River Economic Opportunities Committee (BREOC) is a partnership of seven communities that have taken ownership over driving and leading economic prosperity in their region. This region spans the County of Paintearth and Flagstaff County, two counties in East Central Alberta which house the municipalities involved: Castor, Coronation, Halkirk, Forestburg, and Heisler.

BREOC has developed a comprehensive strategy to diversify, strengthen, and create lasting success in their regional economy. A goal of this strategy is to support and develop entrepreneurship in the region. A direct way to support existing and potential entrepreneurs is to provide tools to help them brainstorm, strategize, and create business plans for new and existing ventures, which is why this workbook has been created.

Purpose

The purpose of this document is to provide a path for aspiring entrepreneurs to engage in thought experiments, critical thinking, and brainstorming with the goal of collecting information crucial in creating a business plan. Please note that completing this booklet alone will not produce a complete business plan. However, it will allow you to identify and organize information that is essential in doing so. The Battle River Innovation Centre (BRIC) offers other tools to create a formalized and complete business plan in which the information gathered using this workbook will be useful. If interested, make sure to ask a BRIC representative about further resources and one-on-one support.

How to Use the Workbook

This workbook was developed to assist the thought process and brainstorming of an entrepreneur with a business idea. Many individuals have had an idea with potential, but a challenge lies in creating a formalized plan to develop that idea into a viable business.

The workbook will guide the entrepreneur with key questions that allow them to plan parts of their business that have not been considered. This guide has 10 (ten) easy-to-follow steps for the entrepreneur to write a business plan.

Step 1: Entrepreneurial Self-Assessment

Step 6: Human Resources

Step 2: Identifying the Opportunity

Step 7: Financials

Step 3: Market Research

Step 8: Risk Identification

Step 4: Marketing

Step 9: Evaluation of Proposed Business

Step 5: Operations

The success of start-ups is highly dependent on the effort put into researching and understanding the business environment. With a sound knowledge of the relevant industry as a baseline, business plans can be developed to outline a path to a successful future. Therefore, each step in the following workbook should be performed free of bias and approached objectively to avoid misleading information.

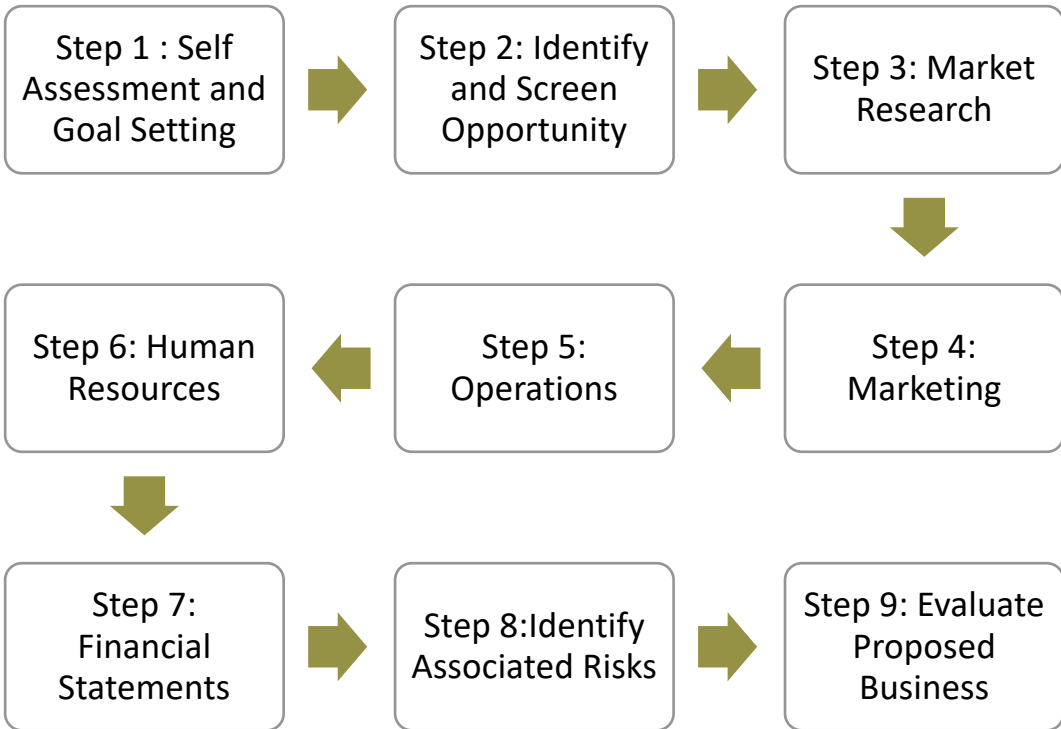
It should be noted that each business and business model is different; even very similar business models will have different plans depending on the entrepreneur’s characteristics and situation. Therefore, there may be some aspects of the reader’s business venture that may not be included in this document. The entrepreneur should be on the lookout for aspects of their specific business that will require more focus or consideration than other ventures.

This is Just the Beginning

Again, this workbook is the first step in curating information for the business plan. It will allow the reader to process key aspects of their business idea and conduct research to build a more robust business model. If a business plan is the end goal, this is just the beginning. Make sure to ask the local BRIC for other resources to accomplish this goal.

Business Planning Workbook Process

Each step defined below will have its own section that will be explored with different questions and activities.



Step 1: Self-Assessment and Goal Setting

Key Lessons

Completing this section will provide the following key lessons:

- Professional strengths possessed by the entrepreneur
- Professional gaps the entrepreneur will need to fill
- The entrepreneur's personal and professional goals

Entrepreneurial Resume

Does the entrepreneur have experience owning or running a business previously? If so, describe the business and the role they played within it.

What are the entrepreneur's skills and strengths?



What skills and attributes held by the entrepreneur will contribute to the success of the business?

What are some areas that the entrepreneur can improve on professionally? Can, or should, these needs be filled by external professionals, subcontractors, or peers?

What kind of computer experience does the entrepreneur have? What are they comfortable with undertaking online? Think of word processing, excel, and financial tools, a website, social media marketing, e-commerce site, etc.

Personal Goals and Vision

What is most appealing about being an entrepreneur? What is the draw to starting a business?



What are the entrepreneur's personal goals for this project? Ensure that they align with the SMART goal methodology (specific, measurable, attainable, realistic, time-bound)

Personal Goals:

Professional Goals:

Describe the most successful version of this business in 1 year, 3 years, and 5 years. Think about more than financial goals. For example size of business, number of products or services, the entrepreneur's role in the business, the business's place in the community, etc.

1 year:

3 years:

5 years



Step 2: Identify and Screen the Opportunity

Key Lessons

Completing this section will provide the following key lessons:

- A full explanation of the business idea including the name
- The 'why' behind running your business also known as the value proposition

Fully Explain your Business Idea

The following section is designed to provide a chance to describe the business idea, structure, and name.

Describe the business idea. Is it product or service-based? Who will use the product or service?

Why is this idea specifically being pursued? What is the problem the product/service will solve?



What is the business ownership structure? Why? (Sole Proprietor, Partnership, Corporation)

List the business name or name ideas. Ensure that the name clearly relates to the industry/service.

Will it be a storefront, online business, business-to-business, manufacturing, production, or mobile venture participating in farmer's markets, for example?



Step 3: Market Research

Key Lessons

Completing this section will provide the following key lessons:

- Potential market share
- Identification of competitors and their strengths and weaknesses
- An analysis of the industry

Potential Market Share

How big is the accessible market – number of potential customers with the problem?

Why will they specifically have an interest in the business's product/service offerings?



How much of the accessible market can you attract? (Estimated market share - this estimation will be the basis of the sales projections)

List any potential orders or firm “commitments” that the business may have received from potential customers.



Competition

What do other businesses offer like products/services in the area? What Products/Services do they offer? What are their pricing strategies? How are they perceived by the public? An example is provided in the first row.

Competitor	Product/Services	Price Point	Reputation
<i>Extra IT Solutions</i>	<i>Providing IT support for local business</i>	<i>They are priced higher compared to the market for their quality service</i>	<i>Known as the go-to business in the area for IT support</i>



What are the strengths and weaknesses of the competition listed above? (Compare the list of competing businesses on the basis of quality, price, performance, customer service, etc.) An example is provided in the first row below. The research will need to be conducted to fill out the chart.

Competitor Name	Strengths	Weaknesses
<i>Extra IT Solutions</i>	<ul style="list-style-type: none"> • <i>Quality Service and Quality Customer Service</i> • <i>Quality Branding and Reputation</i> 	<ul style="list-style-type: none"> • <i>High Price Point</i> • <i>Low Capacity (Long wait times for customers)</i>

Given this information, who are the top competitors, and why?



What does the business's product/service offer that the competitors do not? Is there a potential niche in the marketplace? (What are your unique selling points?)



Industry

Describe the industry the business will operate in. How does the industry operate? (What are the distribution channels etc.?)

Is there an influx of businesses into the industry? Is it easy or difficult to enter this industry? If difficult, what are the obstacles to entry?



What are the past, present, and future trends in the industry? Is the industry ripe for disruption/change?

What are the legal and regulatory considerations necessary for this industry? Consider national, provincial, and local contexts.

What is the actual and potential size of the industry? How do you know the size/what is the source of information?



Is the industry growing or shrinking? What are the reasons for this?

Is this industry seasonal? What are the more regular fluctuations, if any, in this industry?



Step 4: Marketing

Key Lessons

Completing this section will provide the following key lessons:

- Strategies surrounding the execution of the five 'P's' of marketing (Product, Price, Promotion, Place, and People) which make up the core of a marketing plan

Target Market

To develop a target market profile, it might be helpful to think of a 'day in the life' of a potential client. (i.e., What do they do? Where do they go? What do they value? What do they wear?)

	Customer Profile #1	Customer Profile #2	Customer Profile #3
Demographics			
Psychographics			
Behavioral Tendencies			
Geographics			



What motivates and influences the customer to buy this product or service (what is the problem the customer is looking to resolve)? Where do they currently purchase a similar item and why? How do they currently solve the problem they have? (Describe the customer's purchasing behavior)

Product (or Service)

Describe the product or service in detail.

Product/Service #1:

Product/Service #2:

Product/Service #3:



What will differentiate the product or service from the competition? If the product/service is new to the area, provide further explanation as to why it will be attractive to customers

What is the competitive advantage over the competition (for example price, quality, effectiveness)? Is it financially sustainable?

Why is there a belief that the business can gain a share of the market? What is the current opportunity in the market?



Price

Calculate the cost of goods sold per unit for each product or service the business intends on providing. Calculate the cost of all materials and supplies (including staff time) used in producing or offering products and services and divide that by the number of units produced. This information may not be available at this point in time so feel free to come back to this section.

What is the gross margin for providing products/services? (Sales price – Cost of Goods Sold = Gross Margin)

What prices are the competitors charging?



What pricing strategy is being taken upon entering the market (for example, budget, premium, freemium, etc.)? Will this pricing strategy change as the business cycle continues?

Given the information collected, what price will the products be selling for? How do you know the market will pay that price?



Place (Distribution)

How will the product/service be distributed? i.e., directly to the customer, through retailers, wholesalers, agents, etc. Note: even service-based businesses have channels of distribution

What is the path of distribution? What intermediaries will be involved?

How selective will the sites of distribution be? i.e., everywhere possible, strategically placed, exclusive.



People

What staffing requirements are present? Are there any specific skills needed?

Provide a list of people currently involved in the business and the roles they are playing.



What specific characteristics are important in choosing staff for the business?



Promotion

How will customers be reached and communicated with?

What types of promotional activities are does the entrepreneur plan on utilizing?

What marketing mediums do the business plan on using?



What are the monthly marketing activities, timeline, and budget? How will the success of these activities be measured (performance indicators)?

Month	Activities	Amount (\$)	Performance indicators



Step 5: Operations

Key Lessons

Completing this section will provide the following key lessons:

- Product and/or services list
- Business location and the reason behind it
- Process of creating the product or offering services
- Key suppliers
- Key operational equipment

Operational Analysis

Product and Services List

Include a complete list of products and services

Product Creation

Explain the process of creating the product/service from beginning to end. What controls are in place for quality and inventory?



Business Location

Where will the business be located, and why? What is the reachable client base from this location?

Key Resources

Key Equipment

Describe specific machinery or equipment requirements including cost if known. If cost is not known, it may be beneficial to get quotes or conduct research.

Identifying Suppliers

What suppliers are needed to provide a product or service?



Are there suppliers readily available for the materials or services needed to produce and deliver the product/service? If not, how far away are the potential suppliers and are there any problems with the location of these suppliers?

Provide a list of all the major and minor suppliers and the services they provide.

Supplier Name	Material/Service Provided	Amount (\$)

What are the specific payment terms for chosen suppliers?



What is the delivery time once an order is made?

List any commitments made with potential suppliers.



Step 6: Human Resources

Key Lessons

Completing this section will provide the following key lessons:

- The staff requirements to offer the products and/or services
- The professionals, mentors, peers, and organizations required

Staff

Who are the key employees/partners/managers in the business?

Are there specific skills needed for the business? If there are missing skills in the human resource portfolio, how will that problem be solved? (i.e., hiring out, personal development). Think of an organizational chart and the functions performed: sales, production, marketing, administration, etc.



Additional Support

Is there external professional assistance required?

Are there mentors in the local network who can assist with the business? List them here and their potential value to the business.



Step 7: Financial Statements

Key Lessons

Completing this section will provide the following key lessons:

- An understanding of all financial statements of import
- Complete workbook of financial statements including personal financial statement, start-up, and operating expenses, sales forecasting expenses, projected balance sheet, projected income statement, projected cash flow, and breakeven analysis.

The following segment of the workbook leads the entrepreneur through completing key financial statements critical for completing a business plan. For a more formal version of these statements, please refer to the BRIC Business Planning Guide which is available at the local BRIC.

Personal Financial Statement

What is it?

The personal financial statement is a statement of all assets, equity, and debt held by the individual beginning the business. These are the financials separate from the business. This is a simple exercise to assess the personal financial situation of the entrepreneur(s) involved in the business.

How to Complete it

First, list the personal debts of the owner or ownership team. This includes mortgages, lines of credit, student loans, credit cards, and more.

Table 1 - A Calculation of Personal Debt

Personal Debt	
Debt Type	Amount (\$)
Total	



Next, list the personal equity and savings of the owner or ownership team. These include savings and investments, property, vehicles, and more.

Table 2 - A Calculation of Personal Equity

Personal Equity/Savings	
Savings/Investments	Amount (\$)
Total	

Now, list what is owed by the company in the following table. These include loans, mortgages, lines of credit, and more. It is the same as personal debt except these debts is the responsibility of the company. The business may not be at this stage yet, but if it is, this is important to the state.

Table 3 - A Calculation of Company Debt

Company Debt	
Debt Type	Amount (\$)
Total	



Now, list what is owned by the company in the following table. These include assets, vehicles, savings, investments, and more. It is the same as the personal equity except these savings are listed under the company.

Table 4 - A Calculation of Company Savings

Company Equity	
Savings/Investments	Amount (\$)
Total	

The previous four tables make up the personal financial statement and provide an outline for the financial situation of the ownership and the business.

Start-Up and Operating Expenses

What is it?

Start-up expenses are different out-of-pocket expenses incurred when starting a business. A great deal of these expenses will be a one-time, occasional, or even once a year cost. It is important to consider all the costs of opening the doors to the business including renovations, logo design, web design, incorporation costs, and many more. There will be a lot to consider and some surprises, so to limit these surprises, ensure that a full assessment is completed upfront.

How to Complete It

Start-up expenses are a combination of operating expenses and up-front costs. These upfront costs include starting inventory, equipment purchases, logo/web design, licensing, and much more. It is very dependent on the nature of the business idea. Therefore, we will find and add the operating costs and one-time expenses to find total start-up expenses.



Table 5 - Monthly Operating Expenses

Operating Expenses	Amount (\$)
Rental/Mortgage	
Utilities	
Accountant/Lawyer/Other Consultants	
Equipment Rentals	
Insurance	
Office Supplies	
Licenses and Municipal Taxes	
Marketing	
Utilities	
Raw Materials	
Staffing Costs	
Other	
Total Operating Expenses	

Table 6 - Upfront One-Time Expenses

One Time Expenses	Amount (\$)
Renovations	
Equipment	
Starting Inventory	
Logo Development	
Web Design	
Total One Time Expenses	

Total Start-Up Expenses = Operating Costs + One Time Expenses = _____



Sales Forecast Schedule

What is it?

Sales forecasting is exactly as it sounds; it is the practice of predicting future sales. Forecasting sales for a new business can be a difficult task as there can be many uncertainties at this point. The quality of this section relies heavily on the quality of previous research including market research, customer demand, competition, and production limits. So, if this is not done to the necessary quality, now is the time to go back and complete it.

How to Complete it

The challenge with sales forecasting is finding a strategy to get an accurate projection. For this example, the Top-Down strategy was used which requires the entrepreneur to predict the number of reachable customers that may purchase the product or service offering. Fill in the table below to assess how many monthly sales may be made.

Table 7 - Sales Forecasting using the Top-Down Method

Number of Available Consumer Meeting Target Market Criteria (x)	
Expected Market Share % (y)	
Number of Total Customers (x*y)	
Purchases per Month by One Consumer (z)	
Price per Unit (a)	
Potential Monthly Income ((x*y)*z*a)	

This strategy should be used for each product and service line and done on a monthly schedule. This can be listed in a table as shown below.

Table 8 - Sales Forecast Format for One Product

Product One	Month 1	Month 2	Month X
Units Sold			
Sales Price			
Total Revenue (Units Sold *Sales Price)			



Projected Cash Flow

What is it?

The projected cash flow statement is the most important financial statement and one that potential lenders will flip to right away within a business plan. It is a future projection of the money coming into the business, and the money being spent by the business. It is an important timeline indicator for the business and gives clues as to when money will need to be borrowed, or when the business will start making a profit. This can be challenging and requires ample research, deduction, and knowledge of the business and its industry.

How to Complete It

As stated above, a cash flow statement is a summary of money coming into the business and money being spent by the business. To begin, state all the cash brought in by the business in the table below.

Table 9 - The Details of all Cash Coming into the Business (on a monthly basis)

Cash In	Amount (\$)
Beginning Cash Balance (In Reserve)	
Cash Sales	
Collection from Accounts Receivable	
Sale of Assets	
Total	

Next, calculate all money being spent by the business in the following table. This includes all operating costs, purchases, and accounts payable. Brainstorm the money that may be spent by the business on a monthly basis and enter it into the table below. Total all entered items.



Table 10 - The Details of all Cash Being Spent by the Business (on a monthly basis)

Cash Out	Amount (\$)
Total	

$$\text{Monthly Cash In} - \text{Monthly Cash Out} = \text{Monthly Cash Flow}$$

Complete a cash flow analysis like this for one (1) to three (3) years of operations to assess the business viability in the short to medium term. At what point does the cash flow turn positive?

Balance Sheet

What is it?

The Balance Sheet is a snapshot of the business's financial position. It demonstrates what the business owns (assets), and what it owes (liabilities), at the present time. What belongs to the owner, called owners' equity, is the difference between the total assets and the company's total liabilities.

How to Complete it

As explained above, a balance sheet entails a statement of assets and liabilities. Begin by filling out the assets held by the business in the table below. This includes current assets and fixed assets.



Table 11 - A Statement of Current and Fixed Assets Held by the Business

Assets	
<i>Current Asset</i>	
Current Assets	
Cash	
Accounts Receivable	
Inventory	
Prepaid Expenses	
Total Current Assets	
<i>Fixed Assets</i>	
Property/Land	
Equipment	
Vehicles	
Total Fixed Assets	
Total Assets (Current + Fixed)	

Next, create a statement of liabilities using the table below.

Table 12 - A Statement of Current and Fixed Assets Held by the Business

Liabilities	
Current Liabilities	
Accounts Payable	
Federal and Provincial Taxes Owed	
Mortgages Payable	
Others	
Total Liabilities	

$$\text{Total Assets} - \text{Total Liabilities} = \text{Owner's Equity}$$

Taking the difference of the assets and liabilities will reveal owners' equity at that specific point in time.



Projected Income Statement

What is it?

The Income Statement forecasts the sales revenues and the expenses for a specific period of time, usually one year, with the goal of finding the projected profit/loss before taxes. This statement asks what sales are for the entire year and subtracts all the costs of doing business and provides an assessment of the company's net profit or loss before taxes.

How to Complete It

Choose a time period for which the income needs to be projected. Typically, it is a year. Next, calculate the projected gross margin for this time period using the table below.

Table 13 - Projected Annual Gross Margin

Category	Amount
Sales	
Cost of Goods Sold	
Gross Margin (Sales – Cost of Goods Sold)	

Next, list all costs of doing business. This has been completed in the cash flow analysis as well as start-up and operating costs so the number should be readily available. Once this number is obtained and accurate, follow the next equation.

$$\text{Gross Margin} - \text{Total Operating Expenses} = \text{Net Profit/Loss Before Taxes}$$

Break-Even Analysis

What is it?

The break-even analysis defines the revenue needed to cover all expenses. It also shows how much product is needed to be manufactured to cover costs. This creates a baseline of revenue that needs to be made during the worst of times to cover costs.

How to Complete It

The following table outlines how to complete a break-even analysis. Follow the equations in the left column.



Table 14 - Conducting a Break-Even Analysis

Monthly Break-Even Analysis	
Cost of Goods Sold	
Total Sales	
Gross Margin (Total Sales – Cost of Goods Sold)	
Gross Margin % (Gross Margin/Total Sales)	
Break Even Point (Total Operating Expenses/Gross Margin %)	



Step 8: Risk Identification

Key Lessons

Completing this section will provide the following key lessons:

- Identification of potential risks of the business

Are there any risks or major threats that have been identified that may affect the business? Think of potential political, economic, social, technological, legal, and environmental risks (PESTLE)

Table 15 - Risk Identification Exercise

Identified Risk	Probability (High, Medium, Low)	Strategy to Minimize Risk



Step 9: Evaluate Proposed Business

Key Lessons

Completing this section will provide the following key lessons:

- Is the proposed business a potentially viable venture worth pursuing?

Using all the pieces throughout the workbook, it is at this stage that you objectively evaluate the viability of the proposed business. Answer the following questions to assess its viability.

Does the business have potential for growth?

Does the amount of business vary from season to season?

Are the necessary skills to run the business available in the accessible labour market?



Will the revenue cover the expenses? If not, when is it projected that this would happen?

In what month/year will the business recuperate the initial investment/start-up costs?

Is the entrepreneur personally in a financial position to start this business?



Has the research collection been objectively performed?

Does any single customer account for a large portion of the forecasted sales?

Thinking back to the goals that were defined at the beginning of the workbook, will this business fulfill the personal and professional goals identified?

Given the answers to all of the questions above and the information collected throughout the workbook, it's time to critically assess the viability of the business. Is it viable? If not, what changes need to be made, or what elements need to be added to make it viable?



Conclusion

Now that the workbook has been completed, the entrepreneur should be farther ahead in their journey to accomplishing their business goals. Many subjects have been covered that will prepare the entrepreneur for creating a formalized business plan or creating their business model. If further assistance is needed for the future development of this plan, the BRIC and their staff are there to help. Ensure to ask BRIC staff for further resources and individuals who can further assist the entrepreneur along their path to launching and growing their company.

