

**BUSINESS PLAN - STATEMENT OF WORK
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Preamble

Question: What is the most important question that any investor (including the owner/proprietor, lenders or government funding program) want answered in a business plan?

Answer: **Should I invest in this business?**

Purpose:

- Investment Decision.
- Management Tool - Act as a “roadmap” in short and long-run. Continuously review and update your plan (e.g. compare actual results to your plan and adjust).

A good business plan is:

- Understandable (readable, concise, to the point, nothing extra).
- Consistent (no conflicting information).
- Complete (nothing missing).
- Verifiable (proves what you say, supported by evidence from independent and quality sources).
- Realistic (can it be implemented).
- Useable (completes due-diligence = answer all the reader’s questions, including your own).
- Objective (honest analysis of potential or not)

Ultimately an investor (including a lender and/or funding agency, owner/proprietor) will decide if the business plan meets their needs or if the information in the plan provides them with a reason to invest. Sometimes a plan will support a decision that is not expected. The original idea may have to change or stop. If the plan is deficient or the information leads an investor to make a decision that you do not agree with, you may have to provide them with a revised plan. Other investors, including lenders and funding agencies, are not obligated to provide the business with any funds – it is at their discretion!

The following is an overview of basic business plan requirements and the typical categories of information required. Before starting the plan you should discuss the individual objectives and information requirements with each potential investor.

The Statement of Work is a tool to help you prepare a detailed business plan, some sections or information requests may not apply to a given business opportunity; therefore, the final business plan should be tailored to fit the proposed business opportunity. If you have any questions, please contact your local Aboriginal Business Development Program office.

1.0 Executive Summary

- One or two page summary that describes the overall plan and hi-lights the key elements of the plan.
- Include a brief summary on the business, industry/market, unique advantages, project costs and financing, business strengths and risks, environmental issues, implementation plan and overall viability.

2.0 Purpose

- Provide a brief outline on why the plan has been developed – obtain commercial and other financing, attract equity capital, start a new business, expand an existing business, diversify a business, acquire an existing business, conduct a diagnostic review to mitigate current weaknesses, etc.

3.0 Contact Information

Business/Proprietor Name(s), Address, Telephone, Fax, E-mail, Website, etc.

Business Consultant Name, Address, Telephone, Fax, E-mail, Website, etc.

4.0 Business Description

- Concise accurate description of the business, the product and services to be provided, its physical location, and the assets/equipment/facilities required.
- Description of ownership structure: sole proprietorship, partnership (percentage of ownership, Aboriginal and non-Aboriginal), incorporated business (date incorporated, incorporation number, federally/provincially incorporated)
- List of required business permits, licenses, and certificates required for operation.

5.0 Project Costs and Financing

- Itemized schedule of project costs (start-up capital and operating) and financing (client equity, government contributions and commercial financing, confirmations should be included).
- All costs should be reasonable, and the key terms and conditions of any commercial or government financing should be described (term loan, interest rate, security/collateral or performance conditions, etc.)
- Include price estimates/quotes for any major purchases/leases.

6.0 Industry/Market Analysis

- History/Outlook – what is the industry, its past and current profile, growth potential – where will it be in 3-5 years (shrinking, stagnant, expanding, restructuring in the products/services it markets), who are the major competitors and suppliers
- What are the key factors to industry success – marketing, pricing, location, bidding, cost control, customer service, quality control, after sales service policies and guarantees, etc. Can the proposed business take advantage of the key factors to success?
- What are the barriers to entry – high technical or professional standards, high capital costs, patents, licensing, customer loyalty, narrow market niche, competition – who, where, strengths and weaknesses, etc. What impact would the proposed business have on other commercial operations – saturate the market place, initiate a price/discount war, etc. Can the proposed business overcome any identified barriers?
- What is the target market – age, income, education, size, location, other businesses, etc? Evaluate target market demand, what is the potential sales volume (3-years) from the described target market? What percentage of this target market does the business have to capture/obtain to reach potential sales volume? What is the average purchase size (\$) ? Is potential gross sales volume sufficient to sustain the proposed business operations?
- What are the target market's needs and wants, how do they make their buying decisions (price, service, quality, impulse buy, planned purchase)?
- Is the target market buying activities dependent on local, national or global economic conditions – e.g.; one industry town, cyclical changes in the economy, demographic shifts, etc? What is the economic outlook and can it support the potential sales volume?
- How is price determined, what price will be charged (manufacture, wholesale, retail), how does it compare with the competition? What are the selling terms (cash/credit), if credit; does the business possess enough resources or sufficient cash-flow to survive long repayment terms?

7.0 Promotion/Marketing

- How will they market the business (e.g. the four-Ps: product, price, promotion, place)?
- How will the business be promoted, outline the specific activities to be undertaken, their costs and schedule of activities (web page, media advertising, brochures, catalogues, trade shows, signage, word of mouth, etc.)?
- What impact will specific activities have on revenues and is the cost justified?
- How will the product or service be sold – direct sales (retail location), sales representatives, web-site, wholesaler, etc?
- Outline the after sales and service policies and guarantees.

8.0 Management/Personnel

- Name(s), Title, Roles and Responsibilities, Level of Involvement, Salaries/Drawings
- Outline management's education, experience, drive and capacity to successfully implement and operate the proposed business. Describe management's knowledge of the industry, competitors and how they will distinguish themselves in the marketplace?
- Prepare an organizational chart of key management and employee positions, include a brief job description for each including duties and responsibilities
- What are the key management controls for this business – cash, inventory, scheduling, credit, quality control, etc? How will this be managed and controlled?
- Describe the strengths and weaknesses of the management team, and develop a mitigation strategy to overcome any observed weaknesses – management or technical training courses, on-site mentoring, learn and utilize accounting and information management systems, seek and utilize professional advice; accountant, lawyer, banker, other professionals.
- Number of employees required – full-time, part-time, seasonal, temporary, Aboriginal, non-Aboriginal.
- What skill level is required, for skilled positions is there an adequate supply of potential employees? What job training maybe required and what will it cost?
- How will they recruit and retain staff?
- What is the method of payment – hourly, salary, commission, or other compensation strategy? How much will labour cost, including owner(s) and management compensation; and is this normal for the industry? What workplace insurance, benefits and permits are required, including cost?

9.0 Operations

- Provide a detailed description of the facilities (buildings/leasehold), equipment, intellectual property, supplies, inventory, overhead (utilities, rent, insurance, and communications) and storage requirements of proposed business, including their costs. Outline the benefits or drawbacks of purchasing or leasing of facilities and/or equipment and other services.
- For a manufacturing businesses include a step by step description of the production process, describe the technology and processes, prepare a production plan outlining the cost per volume, the equipment, maintenance, labour, overhead, inventory and suppliers/sub-contractors required to maintain production.
- Provide a general description of the day to day operations (hours of operation, seasonality of business, daily activities (who does what), suppliers, etc.)
- Are supplies and inventory readily available at a competitive price, could the business be adversely affected by too few suppliers or limited access, how will these risks be addressed?
- Describe any special requirements and how will they be provided, by whom and at what cost – roadways, potable water, sewage disposal/drainage, hazardous waste, ventilation, health and safety inspections, etc.

10.0 Environmental Issues

- Outline whether or not any environmental concerns exist. If yes, how will they be addressed and at what cost?
- Describe any consultations or community support for the proposed business.
- Outline the environmental approvals, permits and licenses required, how and when they will be acquired?
- Describe the mitigation strategies in place to limit environmental damage; insurance, disaster and clean-up plans, cost (if relevant – e.g., retaining dykes), etc.

11.0 Financial Projections and Analysis

- If available, include historical financial statements (balance sheet and income statement) for the last 3-years as well as an analysis outlining strengths, weaknesses or any area(s) of concern.
- Financial projections should consist of the following:
 1. Opening Balance Sheet (at start of proposed project)
 2. Balance Sheet (at end of year 1, 2 & 3)
 3. Cash Flow Statement (for years 1, 2 & 3, with the first 12-months being presented on a monthly basis)
 4. Income Statement (for years 1, 2 & 3, with the first 12-months being presented on a monthly basis)
- X Financial projections should be accompanied by all assumptions; e.g. sales are based on what analysis - historical sales, market analysis, etc.
- X Outline any strengths, weaknesses or area(s) of concern with financial projections.
- X Financial analysis should include:
 - Breakeven analysis – how much sales volume is required to cover costs
 - Ratio Analysis, e.g.
 - Liquidity: Current Ratio = Current Assets/Current Liability
 - Leverage: Debt to Equity (%) = Total Debt/Equity * 100
 - Profitability: Return on Equity (%) = Net Income/Owner's Equity * 100
 - Return on Investment (%) = Net Income/Total Assets * 100
 - Ratio analysis should include a comparison against industry norms (Dun & Bradstreet Canada, Performance Plus – ic.gc.ca) and explanation of any significant variances that occur.

12.0 Risks and Mitigation

- Describe all potential risk factors to the business (e.g. regulatory, legal, environmental, political, economic, financial, market) and outline the plans to manage these risks.

13.0 Consultations

- List all third-parties contacted, date and provide a brief outline on the discussions undertaken.

14.0 Implementation Plan/Exit Strategy

- Outline key dates and targets for implementing of the plan; explain who will be doing what?
- Identify key performance dates or targets (e.g. construction/leasehold, financing, human resources, permits, inventory, supplies/equipment, contracts, deadline for opening/completion, etc.) for management to achieve and ensure a process for the timely implementation of the proposed business venture.
- How easy is it to exit from this business? Should it not succeed what steps are necessary for the orderly closure of the business? What portion of the investment might be recovered?

15.0 Recommendation

- Given the identified risk and potential return, is it worth investing in this business, should the owner(s) undertake the project?
- Provide an overall opinion of the project's viability and why it will (or will not) be a success?

16.0 Supporting Documents

- The following is a list of documents that should be attached to the plan:
 - ownership agreements
 - organizational chart, job descriptions, resumes
 - detailed list of assets/investments/net worth, credit check, letters of reference
 - contracts, leases, letters of intent, business permits, licenses
 - environmental reports and permits
 - property appraisals, insurance coverage, etc.
- The consultant is responsible for collecting all necessary information not provided by the proponent and the research conducted is from independent and quality sources.