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The Business Plan

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In the hyper-competitive environment of today, there is perhaps nothing more important than planning and specifically developing a business plan. In any organization, there are many different types of plans – financial, human resource, marketing, production and sales. These plans may be short-term or long-term, strategic or operational, and varying greatly in scope. In spite of the differences in scope and coverage, each plan has a common purpose: to provide guidance and structure on a continuing basis for managing the organization in a rapidly changing hypercompetitive environment.

Purpose of a Business Plan

In this era of planning and intense competition among nonprofits for funds and market share, increasing competition between for profits and nonprofits, and increasing opportunities and pressures for nonprofits to collaborate with other non-profits as well as with business corporations, a business plan becomes an integral part of strategically managing an organization. By describing all the relevant external and internal elements involved in managing the organization, the business plan integrates the functional plans such as finance, human resources, and marketing, providing a road map for the future of the organization. There are various types of nonprofit ventures that may require a business plan such as a commercial venture attempting to raise net revenues for the nonprofit as well as ventures that directly address the mission of the organization and may not generate profits from sales but still need adequate support.

A business plan is usually read by a variety of stakeholders, and often has many different purposes. It needs to be comprehensive enough to address the issues and concerns of advisors, bankers, funders, community members, foundations, corporations, individual donors, government program officers, and affected client groups. Generally, the purpose of a business plan is to: obtain financial resources; obtain other resources; develop strategic alliances; and/or provide direction and guidance for the organization. While a business plan can serve several purposes, its most frequent use is to obtain financial resources. A well developed business plan then is important as it: (1) provides guidance to the organization in decision making and organizing the direction of the company; (2) indicates the viability of an organization in the designated market; and (3) serves as a vehicle in obtaining financing.

Aspects of a Business Plan

Given the importance and purpose of a business plan, it is imperative that it be comprehensive and covers in depth all aspects of the organization. The plan will be read

by a variety of individuals, each of who is looking for a certain level of detail. The business plan can be divided into three primary areas, each of which has several sections.

The first primary area, while the shortest, is perhaps the most significant, particularly when the purpose is to secure financing. This area consists of the title page, table of contents, and executive summary. The title page should contain the following information: (1) the name, address, telephone, fax, and e-mail numbers of the organization; (2) the name and position of the principle individuals in the organization; (3) three to four sentences briefly describing the nature of the organization and the purpose of the business plan; and (4) a statement of confidentiality such as “this is confidential business plan number 3 which cannot be reproduced without permission.” This statement is important, as each numbered business plan needs to be accounted for by recording the person and organization of the individual receiving it and the date of receipt.

The table of contents is perhaps the easiest part of the business plan to develop. It should follow the standard format with major sections and appendixes (exhibits) indicated along with the appropriate page numbers.

The final part of the first primary area of the business plan – the executive summary – is the most important and most difficult to develop. This no more than three page summary is frequently used to determine if the entire business plan is worth reading and analyzing. The executive summary then affects if more detailed attention will be given to the plan.

Given its importance, the executive summary should be written last and be written and rewritten until it highlights the organization in a concise, convincing manner covering the key points in the business plan. The executive summary should emphasize the three most critical areas for the success of the organization. In order of importance, these are the characteristics, capabilities, and experience of the management team; the nature and degree of innovativeness of the product or service and its market size and characteristics; and the expected results over the next three years.

The second primary area of the business plan is the essence of the plan which contains the following sections: description of the organization, description of the area of service, marketing plan, financial plan, organization plan, operations plan, and summary. This area should be self contained, flowing smoothly from the description of the organization section to the summary section.

The first section in this second primary area – the description of the organization – describes in detail the past, present, and future of the organization. The person reading the business plan needs to understand the history of the organization, its present size and scope, and its future over the next three years. The mission statement of the organization needs to be stated and show how this guides the organization. It is also important to clarify the tax status of the organization and especially if there is IRS approval for tax-exempt status.

Following the organization section comes the description of the area of service. This section is important as it puts the organization in its proper context and competitive

position. This section gives a historical overview of the service area, its present situation in terms of size and offerings, and its future outlook. A particularly important part of this section is competitive analysis, which should describe the strengths and weaknesses of each major competitor with respect to the corresponding strengths and weaknesses of the organization. This section should conclude with a forecast of the size and future outlook of the service area.

The fourth section begins the three parts dealing with the important functional aspects of the organization. The first, the marketing plan describes the nature of the product or service and how it will be distributed, priced, and promoted to achieve the amount of activity indicated each year for the next three years. Since everyone realizes that marketing is involved in achieving the necessary sales, each marketing aspect should be discussed in detail in as comprehensive terms as possible.

Given the close relationship, the financial plan follows logically. This section revolves around the preparation of four basic statements: the sources and uses of funds statement, the pro-forma income statements for at least the next three years, the pro-forma cash flow statements for at least the next three years, and the pro-forma balance sheets for at least the next three years. If the organization has already been in operation then past income statements and balance sheets should be in the appendix and discussed in the financial plan section

The sixth section – the operational plan – describes overall how the organization will operate. This section should focus on the flow of work enabling the reader to understand the process that occurs from the time an order is received until the resource is delivered. This provides an understanding of the overall operation of an organization.

Primary area two concludes with a summary. This short section merely summarizes the preceding sections by highlighting the most important points and concludes with any requests of the reader. Following this core of the business plan comes primary area three – the appendices or exhibits. These provide supporting and additional information amplifying the material presented in primary area two. Typical appendices include: resumes of principals, markets statistics, market research data, competitors brochures and price lists, and leases and contracts.

Using The Plan

Given the amount of time and effort needed to develop a good business plan, it is important that the plan be carefully implemented and used to provide guidance for the organization in all areas of its operation. The business plan will be most effective when controls are simultaneously implemented and the progress toward the established objectives is reviewed on a regular basis. Since the organization is operating in a competitive, changing environment, it is important that the organization be sensitive to changes in its field or industry, and market, and make the appropriate changes in the business plan as needed. This will allow the business plan to be most effective in successfully guiding the organization over time.

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