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3rd Edition

Business Plans

FOR

DUMMIES®

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Paul Tiffany

Management consultant and business academic

Steven Peterson

Founder of Home Planet Technologies

Colin Barrow

Venture capitalist and entrepreneur



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**by Paul Tiffany, Steven D. Peterson
and Colin Barrow**

WILEY

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Steven has used The Protean Strategist to add excitement, hands-on experience, teamwork and a competitive challenge to corporate training programmes around the world. He has worked with both large and small companies on products and services in industries ranging from telecommunications to financial services and from high technology to consumer goods and industrial equipment. He can be reached by e-mail at peterson@HomePlanetTech.com.

When he's not planning his own business, Steven is planning to remodel his 80-year old house or to redesign the garden. And he confesses that of the three, the garden proves to be the most difficult. Steven holds advanced degrees in mathematics and physics, receiving his doctorate from Cornell University. He teaches part-time at the Haas School of Business, University of California at Berkeley, and lives in the Bay Area with his long-time companion, Peter, and their long-lived canine, Jake.

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Thousands of students have passed through Colin's start-up and business growth programmes, raising millions in new capital and going on to run successful and thriving enterprises. He held non-executive director appointments in two venture capital funds, is on the board of several small businesses and has served on a number of Government Task Forces.

Dedication

Paul Tiffany:

For the thousands of students and executives whom I have taught in the past, and who have provided me with constant inspiration and insight about the challenges facing management in the modern world.

Steven Peterson:

To my parents, Mary and Pete, for always being there to encourage and support me in whatever path I chose to pursue. Your love and devotion to each other and our family are beyond measure. And to my sister, Susie, for her deep and constant friendship, and for giving me the chance to be a big brother and an uncle.

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— Colin

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— Paul and Steven

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Introduction



So you pulled this book off the shelf and decided to give us a try. Good move. You've come to the right place. Believe it or not, we don't need to read tea leaves to know a bit about your background. In fact, we'd go so far as to suggest that you probably find yourself in one of the following situations:

- ✓ You've a great idea for a brand-new gadget and can't wait to get your own company up and running.
- ✓ Your boss just turned over a new leaf and wants a business plan from you in three weeks.
- ✓ You've always run the business without a business plan, and you're the one who turned over the new leaf.
- ✓ You thought you had a business plan for the company, but it doesn't seem to be doing the job that it should.
- ✓ The business and economic climate looks a whole lot more hostile than the last time you thought about writing a business plan and you want to be doubly sure of getting it right.

Are we close? Whatever your situation, you're not going to need those tea leaves to make a business plan, just read this book instead. We can't tell you the future of your business. But the business plan that we help you put together prepares you for the future. And we're with you every step of the way.

Why You Need This Book

You may not know how to make a business plan just yet, but you're smart enough to know that a plan is important. We know, from years of working with companies large and small, that a business plan is crucial – your plan is the only way that you can get where you want to go.

This book helps you create your business plan step by step. Along the way, you may discover things about your business that you never realised – things that just may help you beat the competition. We even throw in a few laughs as well.

Sure, for some of you, a business plan is something that you're required to put together to raise money for a startup company. At best, it's a formality; at worst, a real pain in the neck. But a business plan isn't just there to raise money; it can also be a powerful tool – one that's bound to make your company a better place to work and your business a more successful operation.

Is a business plan magic? No – no sorcery here. A business plan works because it forces you to stop and think about what you're doing. It prompts you to figure out what you want your company to be in the future and how you intend to make the future happen. Then your plan acts as a template, guiding you through the steps required to meet your goals. For example:

- ✔ A business plan requires you to look carefully at your industry, your customers and the competition to determine what your real opportunities are and what threats you face.
- ✔ A business plan takes a good hard look at your company as well, so that you can honestly and objectively recognise its capabilities and resources, its strengths and weaknesses and its true advantages.
- ✔ A business plan coaxes a financial report, a forecast and a budget out of you, so that you know where you stand today and what the future holds.
- ✔ A business plan prepares you for an uncertain future by encouraging you to come up with business strategies and alternatives to increase your chances of success down the road.

How to Use This Book

Business Plans For Dummies, 3rd Edition will help your business succeed no matter who you are or what your job description is, whether you're part of a large corporation or a one-person show. Depending on your situation, you may find yourself dipping into and out of the book in different ways:

- ✔ If business plans are new to you, you may want to start at the beginning and let us be your guides. We take you from your company mission all the way through to making your business plan work, and we keep your head above water the whole way.
- ✔ If you're a little more experienced, you may want to head straight for one of the more interesting watering holes: how to recognise the critical success factors in your business, for example, or where to look for your company's strengths and weaknesses. After dipping in anywhere along the way, you'll most likely discover yet another section where you want to spend some time.

Just remember – no matter where you find yourself, you’re never too late to start a business plan, and never too late to make the one that you have even better. In each case, you can find what you’re looking for between these bright-yellow covers.

How This Book Is Organised

Business Plans For Dummies is divided into six parts, based on the major elements of your business plan. You don’t have to read all the parts, however, and you certainly don’t have to read them in order. Each chapter is devoted to a particular business-planning topic, and you may need some chapters more than you do others. Feel free to skip around; pick and choose what you’re really interested in.

Part I: Determining Where You Want to Go

When putting together a business plan, you have to decide where you want to end up in the future. This part helps you get on track right away by establishing a mission for your company, along with business goals and objectives. Then we help you examine your company’s values and your vision for the future.

Part II: Sizing Up Your Marketplace

To make a useful plan for your business, you have to know something about the market you’re going after. In this part, we help you examine your industry and figure out what it takes to be successful by identifying where your opportunities and threats come from. We also help you analyse your customers, so that you can understand who they are, what they need and how you can group them to better serve them. Finally, we help you scope out your competition, trying to determine exactly what you need to win.

Part III: Weighing Up Your Company’s Prospects

In this part, we turn our full attention to your company. We help you look as objectively as you can at your capabilities and resources, identifying the

strengths that you can count on and the weaknesses that you need to deal with. We also help you zero in on what you do best, enabling you to figure out the real value that you provide for your customers and the true advantage that you have over your competitors. Finally, we guide you through your finances and help you put together a financial forecast and a budget.

Part IV: Looking to the Future

The main reason why you make a business plan in the first place is to get ready for what lies ahead for your business. Part IV helps you look into your future and prepares you for change. We introduce several standard alternatives and show you how you can use them to come up with strategies of your own. And we consider the different directions that you can take as your company grows bigger.

Part V: A Planner's Toolkit

Your business plan is no good if you can't put it to work. In this part, we help you shape your company to be as efficient and effective as it can be. We also help you prepare the people in your company so that they've the skills they need to accomplish the goals set out in your plan. Finally, we show you a sample of a real business plan, so that you know – start to finish – what you're aiming for.

Part VI: The Part of Tens

The Part of Tens is a collection of reminders, hints, observations and warnings about what to do – and not to do – as you work through your business plan. These chapters focus on the big picture, so look at them whenever you need a little perspective on where you stand and where you're headed, especially if the road ahead starts to look a little bumpy.

Icons Used in This Book

To guide you through your business plan preparation, we include icons in the left margins of the book. Here's what they mean:



This icon indicates tips to put you way ahead of the competition.



Wherever you see this icon, you find definitions of business-guru terms.



This icon calls your attention to illuminating examples from the business world.



This icon flags situations that apply mostly to large companies, but that may help small companies as well.



Ouch!, you may get burned unless you heed these warnings.



This icon serves as a friendly reminder that the topic at hand is important enough for you to note down for the future.



This icon lets you know about websites from which you can download free financial spreadsheets, tables and other useful goodies. These can help take the grunt and groan out of number-crunching cashflow forecasts, 'what if' projections and other tedious but vital repetitive calculations, as well as keep you up-to-date on important rules and regulations.

Where to Go from Here

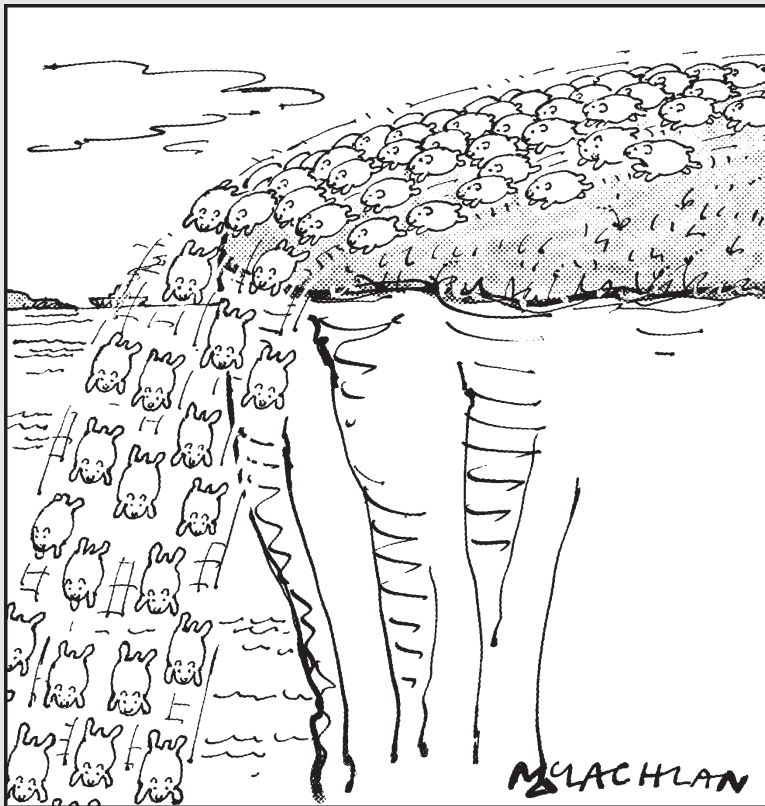
Take a minute to thumb through this book and get comfortable with what's inside. Then pick out one or two chapters that tickle your fancy. Better yet, turn to a chapter that you already know something about. Or, if you're really daring, turn the page and start at the beginning.

Don't forget to use the table of contents for a chapter-by-chapter breakdown. The index is also an excellent place to turn to find a specific topic right away.

Want to make your business plan look great, or need some hands on support? Go to www.dummies.com/go/businessplansfordummies to find tips and advice on shaping up your business plan. You can also download a glossary from here to get your head around the business jargon.

Part I

Determining Where You Want to Go



'In a previous life, before I became a lemming,
I was a small company without a business plan'

In this part . . .

No matter what you'd like to finish, from wallpapering the bedroom to hooking up the new router, it's awfully easy to pass over all the preliminary stuff and jump right into the thick of the project. Let's face it, the preliminaries are a bit boring. But for the really important things in life – and in business – preparation is everything. So *preparing* to do your business plan ranks right up there in importance with each of the other major steps as you create a plan.

In this part, we help you prepare to plan by looking at what a business plan is all about. First, we look at how to establish a mission for your company and develop business goals and objectives with all your stakeholders in mind. We also point out why values are so important to your company, and show you how you can use your company's values. Finally, we look at how a vision for your company gives you something to aim for and a direction to take.