

7-1978

## Personal Management: The Business Plan

Tony Olmi

Patricia C. Elliott

Follow this and additional works at: <https://egrove.olemiss.edu/wcpa>



Part of the [Accounting Commons](#), and the [Women's Studies Commons](#)

---

### Recommended Citation

Olmi, Tony and Elliott, Patricia C. (1978) "Personal Management: The Business Plan," *Woman C.P.A.*: Vol. 40 : Iss. 3 , Article 8.

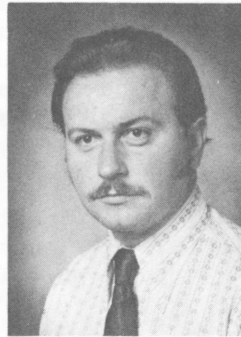
Available at: <https://egrove.olemiss.edu/wcpa/vol40/iss3/8>

This Article is brought to you for free and open access by the Archival Digital Accounting Collection at eGrove. It has been accepted for inclusion in Woman C.P.A. by an authorized editor of eGrove. For more information, please contact [egrove@olemiss.edu](mailto:egrove@olemiss.edu).

---

# Personal Management

## The Business Plan



GUEST WRITER

*Tony Olmi is a Business Management Specialist and Management Assistance Officer with the Small Business Administration in Albuquerque, New Mexico. He frequently lectures in SBA seminars for entrepreneurs and counsels small businesses in financial affairs and management.*

Editor:

Patricia C. Elliot, CPA, Ph.D.  
University of New Mexico  
Albuquerque, New Mexico

It is the intended purpose of this article to familiarize a prospective or existing entrepreneur with the accepted approach to business planning and to develop an understanding of the commercial lender's point of view. A small business generally experiences all the difficulties and problems of a large business without the human and financial resources of larger corporate entities. The small closely held corporation of ten or fewer stockholders certainly cannot claim the benefits realized by her big corporate sisters in raising capital and attracting qualified managerial talent. Therefore, whether or not the corporate form is selected for a new venture, the entrepreneur is still confronted with the same tasks confronting established and successful businesses in a competitive and sophisticated environment.

If the problems are similar it is reasonable to assume that their resolution would logically require a similar approach.

### The Four C's Of Commercial Credit

It is unlikely that many business ventures, existing or contemplated, would not need to raise capital at some point or another. It is less likely that the search for capital would exclude the local bank or savings and loan.

Fishing in the right stream is just as important as using the right bait. The prospective borrower needs to know where to look for money as well as what is required to attract it. Banks or bankers may specialize in certain types of lending as dictated by circumstance, interest, or bank policy. Therefore, the ideal place to look would be at a bank financially capable of meeting specific business needs with sympathetic loan officers knowledgeable in certain business areas. For example, a mortgage banker may not necessarily feel comfortable in "Women's Ready-to-wear." The point is, shop around! When the right source is found, be prepared.

Few bankers will be willing to spend an entire day trying to figure out the prospective borrower's objectives and capabilities. By knowing what a banker is looking for the applicant can be better prepared to respond to questions, suggestions, and potential objections. Consider the four C's of credit and how a banker might look at a would-be borrower.

**Character** — This part of the credit function is part objective and part subjective. The subjective aspect is the

manner in which you are perceived by the loan officer. Do you make a good first impression? Do you appear to be sincere, honest, ambitious, and hardworking? The objective part can be measured by past performance and credit history. Have you met your credit obligations? One must remember that individual traits are important considerations in the credit process.

**Capability** — A potential lender wants to feel confident that a prospective borrower has the ability to manage a business generally as well as the knowledge required for a specific enterprise. What do you know about your business? What do you know about your business?

**Collateral** — The nature and amount of collateral required will vary greatly

from situation to situation. Generally speaking, desirable collateral is that which retains its value and would be easy to liquidate should the lender find it necessary. Collateral that meets the above criteria and that can also be used in the business should be considered as ideal by both the lender and borrower. If the collateral, such as real estate, machinery, or inventory, can be used in the business, it can lower the amount of money that would otherwise need to be borrowed. Remember, the greater the amount that needs to be borrowed, the harder it is to borrow. The more that is borrowed, the greater the debt burden on the business. Your best assets are generally those that can do the most for you when you need them. An asset unrelated to your business may be

excellent collateral but may contribute little to your business venture.

**Capacity** — How have you demonstrated the capacity of the business to repay the loan from profits? This is probably the ultimate test of any credit decision.

By now, you may have gained some insight into how a banker thinks and what he or she is looking for. We have proposed many of the lender's questions and provided some answer. However, the important questions that you will ask are:

1) Is this a good venture for me?

2) How do I attract either invested or borrowed capital?

In both cases the best possible answers will come from the prepared business plan.

### The Plan Procedure

Planning has been defined as advance decision making. The decisions made prior to actually going into business will greatly influence the future success of the venture. However, it is a generally accepted fact that the preparation of a business plan is no easy chore. Therefore, it is desirable to break down a seemingly complex problem into smaller, more manageable problems. To accomplish this the business plan can be divided into three separate but related parts comprised of the marketing, organizational, and financial functions.

### Marketing

The Committee on Marketing of the American Marketing Association has defined marketing as "the performance of business activities that direct the flow of goods and services from producer to consumer or user." This broad, all-incompassing definition cannot be explored in great detail in a single article. What we can do, however, is to outline some of the key considerations in the marketing analysis process which we will call the five P's.

- 1) **Product** — What product or products, service or services are being contemplated?
- 2) **People** — Who is the ultimate consumer and what is known about the potential user's needs, habits, and willingness to pay for our product?
- 3) **Price** — Can the product be marketed at a price that the customer can and will pay and that will insure us a reasonable profit?
- 4) **Placement** — What channels of distribution will be used to get the

product/service to the consumer? How can the purchasing process be facilitated for customers? In other words, how can the product be made easy to buy? How important is the selection of location to attract customers and to insure proximity to suppliers?

- 5) **Promotion** — Promotion is really selling a product or service and presenting it in a manner to induce buying. Typical promotional tools are advertising, sales, free samples, gala events like grand openings, window displays and demonstrations. An important promotional tool that should not be overlooked is the civic activity that entrepreneurs might engage in such as joining a business club or local chamber of commerce. All promotional efforts should be designed to create a particular image for the business.

Not enough emphasis can be placed on the need to really research and understand the market place. Once the marketing concept is thoroughly developed, the subsequent organizational and financial planning is facilitated.

### Organization

As stated earlier, the typical small business doesn't have the financial or human resources of a larger company. Therefore, the functions of management often rest with three or fewer persons. The small business person is indeed required to wear many hats but none can be expected to be a lawyer, certified public accountant, marketing specialist, and production engineer simultaneously. The secret is to seek out and maximize the services of professionals. Professionals have an interest in a client's success and should become important members of the management team. The professionals can assist in the planning and design of a business as well as assist in its on-going management.

A probable approach to designing the organizational structure is to take the functional needs approach. What functions must be performed in the business and what type of skills are required to perform them? The functional tasks and requirements should be thought out carefully and committed to writing. With a clearly defined functional (job description) needs list, the next step is to analyze your own skills. What duties are you best qualified to perform and what duties should be delegated to others?

Unlike a large organization, duties and functions in a typical small business are not specialized. In other words, one person will probably have several areas of responsibilities. In hiring employees it is very important that both the employer and employee have a clear understanding of what is expected of each other.

Paper management and internal control mechanisms are important managerial tools of any organization. The telephone company can help analyze telephone needs. Paper products companies and office machinery companies such as NCR and IBM can assist in developing office systems and procedures as part of their marketing effort. Trade associations provide useful business tips through publications, workshops and conventions. Literature is available from the Small Business Administration. Your attorney can help you to determine what legal structure is best suited to your business. Should the business be a sole proprietorship, partnership, or corporation? The legal, tax and business considerations involved should be thoroughly investigated.

### Financial

The critical element of any business plan or proposal rests in the analysis and understanding of the financial data to be gathered. Failure to have a working knowledge of the "language of business" generally precludes any real opportunity to succeed in business. Although the learning process should never cease, failure in business can prove to be an expensive education.

Emotional considerations for going into business must not be overlooked. The need to manage, organize, and be "one's-own-boss" are necessary human qualities. However, the economic realities of any venture will influence the psychic rewards to be realized.

### SUMMARY

In conclusion, it is impossible to over stress the necessity to thoroughly research a business opportunity and to prepare a comprehensive plan. Take your time and be certain that you are convinced of the viability of your business. Prepare yourself by learning as much as you can about business **BEFORE YOU GO INTO BUSINESS. ■**