



SMALL CONTRACTORS INITIATIVE: BONDING & ACCESS TO CAPITAL

SESSION 1

Design Your Business Plan

Before all the hard work is started, your business planning and analysis must be designed and packaged into one document. A business plan for a construction venture must look good, sound credible, and present the strongest case for your proposed venture.

BEFORE WRITING YOUR PLAN

Focus on each audience. Different readers will have different interests. Discuss with them what they would like to see in your plan.

- Bankers may turn first to the financial sections.
- General contractors may be evaluated on how a potential partnership “fits” with their objectives.
- Government contract officers may first be concerned with compliance, and lending representatives may look first at what you propose and how you mitigate risk.

Let trusted colleagues and advisors review your analysis and provide feedback. They may see some things that you overlooked.

All owners must review and approve the document before it becomes public. Describe in detail the ripple effects that the new project may have on the existing organization or other business operations.

Think about how the written document will look.

- Make it clear and concise.
- Write in language that promotes your firm’s capacity.
- Use headlines to break up sections, and use bullets to make the copy easy to read.
- Use simple art, drawings, and graphics to retell your success path.
- Find a trusted reader to make a final edit.

SUGGESTED FORMAT FOR A CONSTRUCTION BUSINESS PLAN INCLUDES:

Cover Letter

- Thank reader for interest.
- For More Information

Cover Page

- A separate page with the title of your business, date, your name, address, and phone.
- Back of cover page: Project photos, endorsements, awards.

Executive Summary

- A short, one- to two-page overview of your plan that is as interesting, believable, and exciting as you can make it, since many decision makers will only get this far!
- Image goals clearly promoted.

Table of Contents

List headings of major sections, and be sure to number all pages.

Business Description

Describe the business; its product and services; and the market, management, and financial situation. If the principal audience is a funding source, specifically summarize the funding request.

Market Analysis

- Identification of scarce resources.
- “Big picture” issues that impact your market.
- Numbers: Market size, area, trends, demographics.
- Locational considerations.
- Price considerations.
- Do not explain need; prove demand for your services.

Organization/Management/Personnel:

- Legal structure.
- Organizational structure.
- Staffing plan.
- Summary descriptions of key personnel that highlight related experience.
- Advisors and references.
- Site and facilities.
- Equipment and/or machines.
- Timetable and schedules.
- Continuity plan.

Financial Projections for 3 Years:

- Narrative explaining the following Excel attachments:
- Projected Operating Budget.
- Projected Startup Budget.
- Projected Capital Budget.
- Cashflow Projections.

Marketing Strategy:

- Methods of attracting customers/partners.
- Work backlogs.

Risk Analysis:

- Five to seven primary risks.
- The potential of each risk to derail the plan.
- Realistic alternative actions for each risk.

Continuity Plan:

- Who will take over your responsibilities?
- How will financial commitments be met?

Appendixes might include:

- Portfolio of work in progress, with status.
- Resumes of key personnel.
- Financial reports.
- Excel spreadsheet projections.
- Credit reports.
- Letters of support.
- Supporting legal, contractual, and other documents.

EXECUTIVE SUMMARY AND PRESENTATION SLIDES

It is important to communicate your message effectively. Different decision makers require different levels of detail. A succinct, two-page Executive Summary may be all that a surety or lending officer will look at. Depending on the audience, this would normally include the following:

- A short introduction, normally taken from the vision and mission.
- The objectives of the business.
- Why you intend to do it; that is, the rationale for the rest of the business.
- The current state of the business.
- Strategy and sources of competitive advantage.
- Demand and market share forecast.
- How you intend to do it; that is, an outline of operations and required resources.
- Summary (income statement) figures.
- Required funding.
- Implementation timeline.

Some people prefer to look at PowerPoint slides rather than reading through documents. This means that the Executive Summary should also be available in the form of a PowerPoint presentation. In any event, you will have to prepare slides for a face-to-face presentation.

PRESENTING THE PLAN

Lenders do not just look at documents;; they must also have confidence in the ability of the people who will run the business. Assuming that these people will also present the plan, a professional, smooth presentation is an essential element of gaining approval for a business plan.

Begin the presentation by introducing everyone, mentioning relevant experience and qualifications. Decision makers must get to know you and start to believe in you. However well-researched and -supported your business plan is, personal credibility and the ability to execute the plan are what investors are looking for.

Even when the presentation has been circulated in advance, do not assume that anyone has actually looked at it. Almost invariably, there will be questions during the presentation. Rehearse the presentation and be sure to have key data in your head. You must be able to answer questions such as sales growth or time to breakeven without referring to a document. Try to find out who will be at the meeting. This may allow you to tailor the presentation to particular people and to anticipate their questions.

If a question is not straightforward or requires a detailed answer, try to find out why it is being asked. Understanding the motive for a question will allow you to give the answer the person is looking for, rather than getting lost in detail. If you sense a potential stumbling block, you can gloss over it and modify your business plan to remove it. This does not mean that you misrepresent facts. Sometimes, a question is not really a question but a request to modify certain aspects of the business plan. By listening to your audience and showing flexibility, you increase the chances of success.

At the end of the presentation, agree on what the next steps are and make dates in your diary for follow-up meetings. This makes it easier to chase decision makers for responses. Before you leave the room, ensure that you have everyone's contact details and that they have yours. Also leave sufficient copies of the business plan and the presentation with the audience, and offer to email copies of both.

(Excerpted from *Business Planning for Affordable Housing Developers* 2013)