

SOUTHWEST REGIONAL ENTERPRISE CENTER

# A Guide For a Small Business Review

---

For use by the customer of an Enterprise Development/Assistance Center

**Version 1.0**

8/4/2014

## **INTRODUCTION:**

The business world is an ever-changing, sometimes volatile, place where fortunes can be made or lost. In this place, ideas and dreams can become reality, or they can become living nightmares.

Good planning and dedication can go a long way toward making a business into a success story. Sometimes, a business operates for some time, and then the owners or management decide that someone else should take a look at what goes on inside the business. Reasons for an independent and unbiased review can range from a poor economy to a possibility for business expansion, or anything in between.

**This guide** will aid the small business owner or business management team in preparing the information necessary for a business enterprise development and assistance center to provide the requested help in a timely manner. This guide itself is formatted to work with spreadsheets and data used by the local business assistance center. Following the outline presented in this document can greatly improve the speed and accuracy with which results can be expected.

## **DISCLAIMER:**

This document is intended for use by business enterprise development and assistance centers and their clients for internal management use only. This form of business review is not intended to replace the work performed by Certified Public Accountants (CPAs), Attorneys, or others who prepare legally binding documents. Much care has gone into preparation of this booklet, spreadsheets, and related documents. However, results from use of this document and related materials cannot be guaranteed as results and opinions of the Analyst are highly subjective.

Feedback on this document and related materials is greatly appreciated.

Prepared by:

SOUTHWEST REGIONAL ENTERPRISE CENTER, INC.  
P.O. BOX 1097  
WYTHEVILLE, VA 24382

# Table of Contents

---

Complete each section of the review. This will allow us to take a look at the big picture for your business, as well as drill down into some details in order to find areas for improvement. Use additional pages, if necessary. For information you are unable to provide, we will determine if we need to complete that section in order to proceed effectively.

## Contents

- 1. Desired Results..... 4
- 2. Twenty Questions to Answer before Starting a Business Review ..... 4
- 3. Your Business Plan ..... 6
- 4. Your Business Plan—Create a New Plan ..... 6
- 5. Your Business Plan—The Executive Summary ..... 7
- 6. Your Business Plan—Company Description ..... 8
- 7. Your Business Plan—Market Analysis ..... 8
- 8. Your Business Plan—Organization and Management ..... 9
- 9. Your Business Plan—Service or Product Line ..... 10
- 10. Your Business Plan—Marketing and Sales ..... 10
- 11. Your Business Plan—Funding..... 11
- 12. Your Business Plan—Financial Data ..... 12
- 13. Your Business Plan—Appendix ..... 13
- 14. Additional Information..... 14
- 15. What Comes Next? ..... 14
- 16. Income (P/L) Statement ..... 15
- 17. Balance Sheet..... 15
- 18. SWOT Analysis..... 15

## **1. Desired Results**

What results are you seeking from this review? Use this space to write a description of your expected outcome in order for us to better determine the information we need from you.

## **2. Twenty Questions to Answer before Starting a Business Review**

Please answer the following questions to give us a better idea about how your business operates. If you are uncertain, we may need to answer some of the questions as a part of the review. Use a separate sheet of paper if necessary.

1. Why am I in business? Give a Vision Statement or Mission Statement or similar.
2. What kind of business do I want versus the kind of business I now have? Do I perceive any changes I need to make in my business?
3. Who is my ideal customer?
4. What products or services does my business provide?
5. Am I prepared to spend the time and money needed to get my business on the right track? (Within reasonable limitations, and what are those limitations, if possible)
6. What differentiates my business idea, my company, and the products or services I provide from others in the market?

7. Who am I? (Provide your full business name as registered, as well as any DBA names)  
Where is my business located? (Provide both address and location description. e.g., 1487 Grove Ln, Hometown, VA 24333; just off exit 95 of I-81)
8. How many employees do I have, including myself? Include paid, unpaid, and contract employee counts. Do I have a written Employee Handbook which is provided and explained to each employee?
9. What types of suppliers do I have? What types of suppliers do I need in the future?
10. How much money do I already have to get an action plan started?
11. Will I need to get a loan? How do I currently finance my business (personal, loans, grants)?
12. How long will it take before my products or services are available for sale?
13. How long do I have until I start making or increasing profits?
14. Who is my competition?
15. How will I price my product compared to my competition?
16. What is the legal structure of my business? Sole proprietorship, partnership, LLC, S-Corp, C-Corp, other. Please specify.
17. What taxes do I pay, or need to pay after a business change?
18. What kind of insurance do I have/need?
19. How do I manage my business? (Closely controlled, loosely controlled, management team, seat-of-the-pants, etc.) Please describe.

20. How do I market/advertise my business?

### **3. Your Business Plan**

If you currently have a business plan, please provide a copy. If you do not have one, or if your plan needs some work or revisions, we can work on the plan as a part of this review. Items numbered 4 through 13 pertain to the creation or revision of a business plan.

### **4. Your Business Plan—Create a New Plan**

A business plan is a roadmap for success in your business. This living document generally projects 3-5 years ahead and outlines the steps intended to preserve and to increase revenues. An effective business plan should be reviewed at least yearly and updated to reflect current conditions and future projections.

Any copies of your business plan should be controlled; keep a distribution record. This will allow you to update and maintain your business plan on an as-needed basis. You may want to include a private placement disclaimer with your business plan if you plan to use it to raise capital.

#### **Executive Summary**

The executive summary is a snapshot of your business plan and touches on your company profile and goals. Consider this to be a five minute (at most) introduction to your company and its goals.

#### **Company Description**

The company description provides information on what you do in your own words, what differentiates your business from others, and the markets your business serves. This is an overview. Each topic here will be discussed in more detail later in the document.

#### **Market Analysis**

It is essential to research your industry, market, and competitors. In a business review, the market analysis can help to provide insight into any developing advantages or disadvantages. This is a good spot to insert a SWOT analysis (Strengths, Weaknesses, Opportunities, Threats). The SWOT analysis is discussed later in this review booklet.

## **Organization & Management**

Every business is structured differently, even if they use the same model. Here you describe the organization and management structure for your business.

## **Service or Product Line**

What do you sell? How does it benefit your customers? What is the product lifecycle? Tell your story about your products or services.

## **Marketing & Sales**

How do you market your business? What is your sales strategy? In a business review, describe your current marketing techniques, along with your sales strategy.

## **Funding Request**

If you are seeking funding for your business, certain information should be provided: financial statements and projected financial statements, specific uses of funds and when required, etc.

## **Financial Projections**

If you need funding, providing financial projections to back up your request is critical. You will most likely need to provide a startup costs budget, projected revenues, a cash-flow projection, a 3 year profit and loss projection, and a projected balance sheet.

## **Appendix (Optional)**

An appendix is good to include information such as resumes, permits and leases, along with other information to clarify or expand ideas presented in other sections of the plan.

## **How to Make Your Business Plan Stand Out**

What makes your business unique? Determining this could help you stand out from the crowd and give you advantages over your competitors.

# **5. Your Business Plan—The Executive Summary**

The executive summary is considered by many to be the most important section of a business plan. It briefly tells your reader where your company is, where you want it to go, and why you will be successful. If you are looking for financing, the executive summary is also your first opportunity to get a potential investor's interest.

The executive summary should highlight the strengths of your plan and therefore it should be the last section you write. It usually appears first in your business plan document.

## **What to Include in Your Executive Summary**

**The Mission Statement** – This explains your business. It should be between several sentences and a paragraph.

**Company Information** – Include a short statement that covers when your business was formed, the names of the founders and their roles, the number of employees, and your business location(s).

**Company Growth** – Include examples of company growth, such as financial or market (for example, “ABC Co. increased profit margins and market share each year since its inception). Graphs and charts are helpful.

**Your Products/Services** -- Briefly describe the products or services you provide.

**Financial Information** – If you are seeking financing, include any information about your current investors.

**Summarize future plans** – Explain what you would like your business to become.

## **6. Your Business Plan—Company Description**

This section provides a high-level overview of the different aspects of your business. This can help readers quickly understand the goal of your business and its value-added proposition.

Describe the nature of your business and list the marketplace needs that you are trying to fill.

Explain how your products or services meet these needs.

List specific consumers, organizations or businesses that your company serves or will serve.

Explain any competitive advantages that you believe will help to make your business a success.

## **7. Your Business Plan—Market Analysis**

The market analysis section should illustrate your industry and market knowledge as well as your research findings and conclusions.

Describe your industry, including current size and historic growth rate as well as other trends and characteristics (e.g., life cycle stage, projected growth rate).

**Target Market** – Make your target market a manageable size. Do not try to appeal to too many target markets. What are the critical needs of your current and/or potential customers? Are those needs being met? What are the demographics of the group and where are they located? Are there any seasonal or cyclical purchasing trends? What do you know about the annual purchases your market makes? What is the forecast for market growth? How many customers do you have or expect to have in a defined geographic area? Explain your calculation.

**Pricing and gross margin** – Define your pricing structure, gross margin levels, and any discount that you use.

Identify your competition by product line or service and market segment.

**Strengths and weaknesses, Opportunities and threats** – This is the SWOT Analysis and should be included in some form as part of your plan.

**Regulatory Restrictions** – Include any customer or governmental regulatory requirements affecting your business, and how you comply. Also, include any operational or cost impact the compliance process has for your business.

## 8. Your Business Plan—Organization and Management

This section should include your company's organizational structure, details about the ownership of your company, profiles of your management team, and the qualifications of your board of directors, if one exists.

Who does what in your business? What is their background and why are they in the business as board members or employees? These may seem like unnecessary questions, but people reading your business plan want to know who's in charge of what. Give a detailed description of each department and its function.

What kind of salary and benefits package do you have for your people? What incentives do you offer? Promotions?

An organizational chart with a narrative description is simple and effective.

### **Ownership Information**

This should also include the legal structure of your business. Have you incorporated? If so, is it a C or S corporation? Or, have you formed a partnership. If so, is it a general or limited partnership? Or maybe you are a sole proprietor.

The following ownership information should be included:

Names of owners

Percentage of ownership

Extent of involvement with the company

Forms of ownership (i.e., common stock, preferred stock, general partner, limited partner)

Outstanding equity equivalents (i.e., options, warrants, convertible debt)

Common stock (authorized or issued)

Provide resumes for key people in your organization. Show how each person's unique experience contributes to the success of your business.

## 9. Your Business Plan—Service or Product Line

The Service or Product Line section of your plan is where you describe your service or product, emphasizing the benefits to potential and current customers. Focus on why your particular product will fill a need for your target customers.

**Include a description of your product or service**--Include information about the specific benefits of your product or service from your customers' perspective, including the ability to meet consumer needs, advantages your product has over the competition, and the current development stage of your product (e.g., idea, prototype, mature, etc).

**If you have any existing, pending, or anticipated copyright or patent filings**, list them here. Also disclose whether any trade secrets exist. Include information pertaining to existing legal agreements, such as nondisclosure or non-compete agreements.

**Outline any Research and Development (R&D) activities**, not only of your own business, but also of others in your industry.

## 10. Your Business Plan—Marketing and Sales

Marketing is the process of creating customers. Without customers, your business cannot survive. Marketing strategy should be part of an ongoing evaluation process which is unique to your company.

Four different strategies:

A **market penetration** strategy.

A **growth** strategy. This might include how to increase your human resources, an acquisition strategy such as buying another business, a franchise strategy for branching out, a horizontal strategy where you would provide the same type of products to different users, or a vertical strategy to continue providing the same products but would offer them at different levels of the distribution chain.

**Channels of distribution** strategy. Choices for distribution channels could include original equipment manufacturers (OEMs), an internal sales force, distributors, or retailers.

**Communication** strategy. How do you reach your customers? Promotions, advertising, public relations, personal selling, and printed materials such as brochures, catalogs, flyers, etc.

After you have described a comprehensive marketing strategy, you can then define your sales strategy. This covers how you plan to actually sell your product.

Your **sales strategy** should include:

A **sales force** strategy. If you are going to have a sales force, do you plan to use internal or independent representatives? How many salespeople for your sales force? What type of recruitment strategies do you use? How do you train your sales force? Compensation for your sales force?

Your **sales activities**. Break your sales methods down into activities. Identify your prospects. Prioritize the contacts, selecting the leads with the highest potential to buy first. Next, identify the number of sales calls you will make over a certain period of time. And next, you need to determine the average number of sales calls you will need to make per sale, the average dollar size per sale, and the average dollar size per vendor.

## 11. Your Business Plan—Funding

If you are seeking funding for your business venture, use this section to outline your requirements.

Your funding request should include the following information:

Your current funding requirement

Any future funding requirements over the next five years

How you intend to use the funds you receive: Is the funding request for capital expenditures? Working capital? Debt retirement? Acquisitions? Whatever it is, be sure to list it.

Any strategic financial situational plans for the future, such as: a buyout, being acquired, debt repayment plan, or selling your business. These areas are extremely important to a future creditor, since they will directly impact your ability to repay your loan.

When you are outlining your funding requirements, include the amount you want now and the amount you want in the future. Also include the time period that each request will cover, the type of funding you would like to have (e.g., equity, debt), and the terms that you would like to have applied.

To support your funding request you'll also need to provide historical and prospective financial information.

## **12. Your Business Plan—Financial Data**

You should develop the Financial Projections section after you've analyzed the market and set clear objectives. That's when you can allocate resources efficiently. Following is a list of the financial statements to include in your business plan packet.

### **Historical Financial Data**

If you own an established business, you will be requested to supply historical data related to your company's performance. Most creditors request data for the last three to five years, depending on the length of time you have been in business.

Include your company's income statements, balance sheets, and cash flow statements for each year you have been in business (usually for up to three to five years). Often, creditors are also interested in any collateral that could be used to ensure your loan, regardless of the stage of your business.

### **Prospective Financial Data**

All businesses will need to supply prospective financial data. Most of the time, creditors will want to see what you expect your company to be able to do within the next five years. Each year's documents should include income statements, balance sheets, cash flow statements, and capital expenditure budgets. For the first year, you should supply monthly or quarterly projections. After that, you can stretch it to quarterly and/or yearly projections.

Make sure that your projections match your funding requests; creditors will be on the lookout for inconsistencies. It's much better if you catch mistakes before they do. If you have made

assumptions in your projections, be sure to summarize what you have assumed. This way, the reader will not be left guessing.

Finally, include a short analysis of your financial information. Include a ratio and trend analysis for all of your financial statements (both historical and prospective). Since pictures speak louder than words, you may want to add graphs of your trend analysis (especially if they are positive).

### **13. Your Business Plan—Appendix**

The Appendix should be provided to readers on an as-needed basis instead of being included with the main body of your business plan. Your plan is your communication tool; as such, it will be seen by a lot of people. Some of the information in the appendix you will not want everyone to see, but specific individuals (such as creditors) may want access to this information to make lending decisions.

The appendix could include:

Credit history (personal & business)

Resumes of key managers

Product pictures

Letters of reference

Details of market studies

Relevant magazine articles or book references

Licenses, permits or patents

Legal documents

Copies of leases

Building permits

Contracts

List of business consultants, including attorney and accountant

## 14. Additional Information

1. Does the business require any special licenses or permits to operate?
2. Are there any specific business laws that apply to your situation?
3. Furnish SUMMARY balance sheets, income (P/L) statements for the past 3 years using copies of the forms included in this booklet. Use the categories pre-printed on the forms as much as possible.
4. Furnish monthly balance sheets, income (P/L) statements for at least the past 6 months using copies of the forms included in this booklet. Use the categories pre-printed on the forms as much as possible.
5. On the Income (P/L) Statements, indicate in the left column which costs are Fixed and which costs are Variable.

## 15. What Comes Next?

After completing all of the questions and forms provided in this booklet, you should be ready to schedule a visit with your local business enterprise development and assistance center. They will be able to use this data to build business ratios, make business projections, answer questions, and provide advice and recommendations for your business.

Next meeting date \_\_\_\_\_ Location of Meeting

## **16. Income (P/L) Statement**

Complete pages 16 and 17. Totals are not necessary for each grouping on the sheet. Totals will be completed during the review process by the Business Analyst.

## **17. Balance Sheet**

Complete page 18. Totals are not necessary for each grouping on the sheet. Totals will be completed during the review process by the Business Analyst.

## **18. SWOT Analysis**

Perform a SWOT Analysis as printed on page 19. Completing this analysis can enhance the information given in other sections of the business plan and can present a clearer picture of the business to the reader.

The SWOT analysis is an extremely useful tool for decision-making in business. SWOT is an acronym for Strengths, Weaknesses, Opportunities, and Threats. The SWOT analysis provides a method to review strategy, position and direction of a company.

----- END OF REVIEW TEXT -----

Name:		HISTORY	ongoing_review_worksheet.xlsx			
Name:			Date:			
Type		INCOME (P/L) STATEMENT				
Results of up to 12 Periods (months or years) of Operations						
		<b>ACTUAL PERFORMANCE</b>				
<b>FILL IN ALL SHADED AREAS</b>						
Opening Investment=		Period (M)thly (Y)yrly	Total Periods Reported			
Startup Costs=						
	Period Actual	Period Actual	Period Actual	Period Actual	Period Actual	Period Actual
DESC / PERIOD	1	2	3	4	5	6
<b>SALES</b>						
Sales-Major Product						
Sales-Other						
Sales-Other						
Sales-Other						
<b>OTHER INCOME</b>						
Other Income						
Other Income						
Other Income						
Other Income						
<b>EXPENSES AFFECTING CASH</b>						
V Purchases--Merchandise						
V Purchases--Merchandise						
V Purchases--Merchandise						
V Purchases--Merchandise						
V Payroll wages						
V Payroll Soc Sec						
V Payroll Medicare						
V Payroll-Unemployment tax						
F Payroll-Emplr contrib health						
V Payroll-Other expense						
F Rental property expense						
V Utilities--electricity						
V Utilities--fuel						
F Utilities--phone and internet						
F Utilities--water						
V Repairs and Maintenance						
F Cleaning						



Name:  
Name:  
Type

**HISTORY**  
**BALANCE SHEET**

ongoing\_review\_worksheet.xlsx  
Date:

**FILL IN ALL SHADED AREAS**

	Current: mm/yyyy to mm/yyyy	Most Recent Past Year	Next Most Recent Past Year
<b>Assets</b>			
Cash/ Equivalents			
Trade Receivables			
Inventory Value			
All other current incl. prepaid			
<i>Total Current Assets</i>	0.00	0.00	0.00
Fixed Assets (net)			
Intangibles (net)			
All other			
<b>Total Assets</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Liabilities/ Equity</b>			
Notes payable (ST)			
Current L. T. Debt			
Trade Payables			
Income Tax Payable			
All other current incl. accruals			
<i>Total Current Liabilities</i>	0.00	0.00	0.00
Long-term Debt			
Deferred Taxes			
All other non-current			
Net Worth			
<b>Total Liabilities &amp; Net Worth</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Income Data</b>			
Net Sales			
Cost of Sales (COGS)			
Operating Expenses			
All other expenses			

## SWOT Analysis

<p><b>Strengths</b>—generally internal to business. Positive characteristics within control of the business.</p>	<p><b>Weaknesses</b>—generally internal to business. Disadvantages and shortcomings within control of the business.</p>
<p><b>Opportunities</b>—generally external. Situations which the business can use to competitive advantage.</p>	<p><b>Threats</b>—generally external. Factors that are generally beyond control of the business and which can put the business at risk.</p>