

# ExpertAnswers: Writing a Strong Business Plan with Cynthia McCahon— Founder, Enloop



After years of providing business planning and development services for private clients, including founding SamplePlan.com, **Cynthia McCahon** founded **Enloop** to provide aspiring entrepreneurs with an automated, affordable, and easy system for creating customized business plans and accurate financial forecasts—the foundation of every successful businesses. Her experience has given her a unique perspective into not only the basics of business plans, but also the thought processes necessary to successfully develop and manage them.



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## **Q: What have you found to be the biggest obstacle toward moving forward with a small business idea, and how can it be overcome?**

The single biggest hurdle that people confront when they consider launching a new business is not knowing if their business idea is truly a good idea. Can they support themselves and their family? What’s the likelihood they’ll succeed – or fail? Most people aren’t trained accountants, and struggle with understanding the principles behind financial forecasting.

## **Q: A business plan is only as good as the research and information the user provides. What are some “must haves” that every aspiring entrepreneur needs before getting started?**

Start by identifying what problem you’re solving with your product or service and then define the customer profile that benefits from your solution. That’s your market. It’s your job to know how to provide a better solution than the competition.

## **Q: Similarly, what are some mistakes to avoid?**

Assuming that you’ll be successful is the most common mistake, particularly among first-time entrepreneurs. This is closely followed by not correctly forecasting financial projections. Entrepreneurs can increase their odds of succeeding by letting the financial model inform their decision making. Sometimes the harsh reality is that a business idea may not be the basis for a strong business model. Entrepreneurs need to be able to make that tough call.

## **Q: What are three key elements every business plan needs?**

- Know your industry’s average financial performance statistics. Using the North American Industry Classification System (NAICS) code for your proposed business, you can see how your financial projections measure up to how the rest of the industry performed. If you’re over- or under-projecting your financial forecasts you might be in for an uphill battle in creating a successful business.
- Know your Cost of Goods/Cost of Services. Find out exactly how much you’ll pay to source or manufacture your product, including delivery. Your retail price should have an adequate markup over what you paid for the product.
- Know the competition’s retail price. If you’re priced higher, you’ll have to justify why customers would choose your product over theirs. Stress the product’s qualities in your marketing message and make sure the customer understands the added benefits.

## **Q: A business plan requires a tremendous investment of time. How do you balance pursuit of your entrepreneurial future with current “day job” responsibilities?**

Leaving a “day job” that provides for your family is a hard decision. Make sure the business you’re planning can drive enough net profit to support your family’s needs. The important element here is to not ignore the financial forecasts and cash planning for your entrepreneurial business. The number one reason businesses fail is because they run out of money. Take a basic accounting class, eliminate the fear factor, and put yourself in control of your future.

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**Q: You stress the importance of testing an idea before starting business plan. What's the best way to do this?**

I'm a big advocate of testing a new business idea in stages before diving into the actual launch. One of the keys is to get your product into the hands of objective testers who can provide critical feedback. Listen carefully to their comments, including pricing. This feedback allows you the luxury of addressing and correcting issues before you go any further. Stepping gradually into entrepreneurial waters is far better than diving into the deep end without understanding your customer or your product.

**Q: What business plan elements are banks studying more closely today?**

Lending practices have changed dramatically since the recession, which was driven in large part by losses from risky loans. Because most small business loans are collateralized by personal assets, banks are looking more closely at an individual's debt and personal credit scores.

**Q: What attributes of a business plan will most impress prospective lenders?**

Your ability to repay the loan is key. Showing a clear path to profit and sustainable positive cash flow are important elements for funding. Most importantly, be able to substantiate your forecasts and demonstrate that you truly understand them.

**Q: Many factors can change as a business plan evolves. How can you make sure your data and information are always "fresh"?**

Taking the time to update your business plan is an important element in understanding the financial health and growth opportunities for your business. Its value comes from the active engagement that happens when you're forced to think about planning. Updating your business plan provides you with the opportunity to see your business as it changes. This can help you understand where the business has been lacking and where it's succeeding.

**Q: A business plan is also a "living document" that should be reviewed and updated regularly. What are 2-3 elements that entrepreneurs should pay close attention to?**

- Total gross margins for all of your products and services. Keeping a close eye on gross margins forces you to examine your costs of goods and identify ways to keep sourcing or manufacturing costs down.
- Expenses. As with cost of goods, keeping an eye on the percentage of your overall spending patterns for each line item expense is a great way to manage costs.
- Financial ratios. Lenders and investors scrutinize financial ratios to better understand risk of default. You can evaluate your own risk by monitoring your company's financial ratios and working on improving each ratio over time.

**Q: What creative elements can enhance a business plan's attractiveness (e.g., videos, graphics, etc.)? And are there limits to how creative you should get?**

The focus of a business plan should be on accurate financial forecasts. Lenders look at your numbers first – that's the important story you're telling. Adding graphics such as small product images isn't a bad idea, but be careful not to lengthen the business plan so much that no one will want to wade through it. Twenty-five pages is about right. I'm a big advocate of less is more.

**Q: There are many tools available for assembling and evaluating a solid business plan. How can working with a SCORE small business mentor make a plan even better?**

Sometimes the hardest part is in addressing what you don't know. Simply talking through your idea with a SCORE mentor is an excellent place to start. Sharing your business plan, section by section, with your mentor helps you tackle each important component in stages. This gives you a chance to incorporate feedback from your mentor. Writing a business plan can be a bit overwhelming. Enloop helps by doing the heavy lifting for you. Having a SCORE mentor's input is an invaluable resource during the entire process.