

# Business Plans: The Executive Summary

Contributed by the AIA Knowledge Resources staff

April 2008

---

*The AIA collects and disseminates Best Practices as a service to AIA members without endorsement or recommendation. Appropriate use of the information provided is the responsibility of the reader.*

---

## **SUMMARY**

As the old adage “Fail to plan, plan to fail” suggests, the development of a business plan is critical to the success of a new venture. Business plans vary in depth and length depending on the business venture and the intent of the plan. A plan can be used for business administration purposes to clarify a business’s goals and strategy, or it can be used to garner startup loans or lure potential investors. When used to secure initial financing, the business plan should be a formal, well-organized, broad-reaching document. If it will not be used to acquire a loan, the document can be a comprehensive executive summary.

## **THE CORE OF A BUSINESS PLAN**

The U.S. Small Business Administration (SBA) Web site suggests considering four questions before writing a business plan: “(1) What service or product does your business provide and what needs does it fill? (2) Who are the potential customers for your product or service, and why will they purchase it from you? (3) How will you reach your potential customers? And (4) where will you get the financial resources to start your business?” A well-written business plan should answer these questions and include supporting documentation.

## **ELEMENTS OF A BUSINESS PLAN**

According to the 14th edition of the *Architect’s Handbook of Professional Practice* most business plans have three sections: market analysis, operations management, and financial information. Similarly, the SBA outline for a business plan includes a cover page and statement of purpose, a description of the business, a marketing section, a finance section, a management section, and an appendix of supporting data.

If an architecture firm does not require outside financial assistance to get started, a strong executive summary with supporting data can serve as a business plan. As long as the summary provides enough information to show the owner has

thought through each aspect of a business plan as listed above, it will suffice.

## **THE EXECUTIVE SUMMARY**

Typically, an executive summary is fewer than two pages, but if it is serving as the entire business plan, somewhere between two and five pages may be more appropriate. The writing in a summary should be very direct and to the point. Additional information can be provided in backup statements. For example, if a firm’s focus is to provide great customer service, the summary should explain what constitutes great customer service and how the firm will fulfill this guarantee.

Following is a sample of subtopics in an executive summary and a description of what should be covered in each section.

### **The Company**

The opening paragraph should state the name of the firm, type of architectural services offered, name of the owner(s), location, and target market.

### **Company Mission**

Every company needs a driving mission such as high design, sustainable design, or great client relations. The mission statement can be used to differentiate the firm or define a niche market.

### **Services**

Succinctly describe which services the firm will offer and which will be outsourced to subcontractors and consultants. A thorough description would include the names of subcontractors and consultants.

### **Marketing Strategy**

Unfortunately, potential clients do not start calling the day a firm hangs up its sign. Word of mouth is a relevant marketing strategy, but it only works when there are clients to do the talking. Thus, business owners need to develop a marketing strategy. This may include public relations or advertising, but the most important aspect of marketing is researching and understanding your client’s needs—and being able to answer those needs.

### **The Competition**

The section of the business plan that analyzes the competition is similar to the marketing section in its need for due diligence. Mine the local AIA component and chamber of commerce for data about competing firms. Determine how many firms could be considered direct competition, and analyze the current size of the market. This section should answer these questions: Is there room for another firm? Which companies are the firm's five biggest competitors?

### **Target Market**

Once the competition has been determined, define the firm's target market. Answer questions like these: Is the target market corporate clients, developers, public institutions, or private clients? What is the financial backing of potential clients?

### **Management**

Include a brief biography of the owner(s), and attach additional information in the appendix about past work and other relevant experience. Keep this type of information up-to-date.

### **Operations**

The operations section will need to be explored much further if the summary business plan is to be used for funding purposes. If the plan will not be used to acquire funding, this section can be one or two paragraphs. It should take the reader from the first day of operation through the first few years and include the following:

- Where the business will be located
- When the firm will hire staff, with associated financial benchmarks
- Salary ranges for staff and the owner
- Benchmarks for growth
- Long-reaching goals

### **Stage of Development**

This section will continuously change throughout the life of a business and can be very brief. If the firm is not in operation, cite a timeline for start-up.

### **Financials**

The goal of this section is to outline potential revenues for the first three to five years and assess cash flow and profitability based on these projections. The terms "financial performance" and "cash flow analysis" may sound intimidating, but don't let that stop you from trying to develop this information. For those who really struggle with this

area of the business plan, go to the local bookstore or library and look for business references that can help.

Format calculations in three separate columns with different scenario projections for "as expected," "better than expected," and "worse than expected." Projections based on different circumstances are called pro forma. Develop a pro forma condensed balance sheet and condensed income statement.

A pro forma balance sheet should include projected cash, current assets, current liabilities, retained earnings, and potential profit for each circumstance. Include subcategories for each.

A pro forma income statement should include expected revenues, expenses, and both net and gross profit for each circumstance. Remember that the firm or owner, depending on legal structure, will have to pay taxes on gross profits. Start to think about the profit benchmarks and revenue amounts needed to meet profitability goals.

### **Funds Sought and Utilization**

Create a spreadsheet of all initial start-up costs, the more detail the better. List any costs the firm will incur in the first two months of business. Categorize start-up costs in a spreadsheet by one-time expenses (e.g., furniture and computers) and ongoing expenses (e.g., salary and utilities).

#### *Typical start-up costs*

- Hardware (computers, printers, plotters, fax machine, phones)
- Business cards
- Software (accounting, BIM, CAD, graphic)
- Legal fees for business start-up
- Furniture and fixtures
- Start-up advertising fees

#### *Ongoing Expenses*

- Utilities, rent, insurance
- Public relations
- Salaries

Once these expenses have been identified, define where the money will come from. Will your savings finance the company? If not, how much external funding is needed and where will it come from?

### **CONCLUSION**

Businesses do not always operate as planned, and initial projections may change drastically in the first

year. Writing a business plan should provide insight into all areas of business ownership and give a potential owner a direction to follow.

## RESOURCES

### More Best Practices

The following AIA Best Practices provide additional information related to this topic:

- 04.03.01 Business Planning for Small Firms
- 08.01.01 Accounting Basics: The Income Statement & Key Performance Indicators
- 08.01.02 Starting a Firm: Essential Financial Vocabulary

### For More Information on This Topic

See also “Starting an Architecture Firm” by Elena Marcheso Moreno, in *The Architect’s Handbook of Professional Practice*, 14th edition, Chapter 4, page 82 and “Financial Planning” by Lowell V. Getz, page 312. *The Handbook* can be ordered from the AIA Bookstore by calling 800-242-3837 (option 4) or by sending an e-mail to [bookstore@aia.org](mailto:bookstore@aia.org).



### Feedback

The AIA welcomes member feedback on Best Practice articles. To provide feedback on this article, please contact [bestpractices@aia.org](mailto:bestpractices@aia.org).

### Key Terms

- Practice
- Business planning
- Business plan
- Financial planning
- Firm start-up