

The Business Plan: A Key to MWBE Supplier Development

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Abstract. Most corporations today face a major challenge in organizing and developing successful Minority and Women Owned Business Enterprise (MWBE) programs. One of the key elements in developing MWBEs to become long term suppliers is to assist them in developing a comprehensive business plan to achieve and maintain sustainable growth. The goal of this session is to help participants learn how to develop and critique business plans that they will encounter when developing and qualifying MWBE sources of supply.

Objectives. Our three objectives for this workshop presentation and the paper are to: 1) Understand why a business plan is an important part of achieving success for MWBE enterprises. 2) Be exposed to the critical components of a business plan and be able to analyze a MWBE's business plan. and 3) To assist a MWBE by making the necessary recommendations to strengthen their plan.

The Business Plan: A Key to MWBE Supplier Development. Our nation is becoming more diverse and as a result the customer base at most organizations has more diversity. It makes good business sense to extend this diversity up the supply chain to suppliers. Statistics shown below highlight this diversity trend.

Figure 1 **People and Business Diversity**

People:

Minorities make up 31% of the population, women 51% of the population
Minorities are the majority in 6 of the 8 largest metropolitan areas of the United States
By 2050, no single racial group will make up more than 50% of the total population

Business:

Minority-owned firms (MBEs) constitute 15% of all U.S. Businesses
Women-owned firms (WBEs) constitute 28% of all U.S. Businesses
In the past 10 years MBEs grew 168% in number and 343% in revenue
In the past 5 years, WBEs grew 14% in number and 40% in revenue
Source: Mark Graham, 2002, Pharmacia

Sources: Rand Corporation, U.S. SBA, U.S. Census Bureau

Business plans are at the core of successful businesses. However, very few Minority and Women Owned Business Enterprises (MWBEs) actually develop a plan to guide their future. This lack of planning limits their likelihood to remain in business. Since purchasers must be proactive in seeking out MWBE suppliers there is a need to assist and develop these sources into viable, competitive, and long-term suppliers.

The intent of the business plan is to provide a vehicle that focuses energy and efforts of the MWBE toward sustainable growth. The entire business planning processes forces an MWBE to analyze all aspects of the venture and prepare an effective strategy to deal with the uncertainties that will undoubtedly arise. Thus a business plan will help an MWBE avoid a project that is marginal or doomed to failure. If the business is marginal at best the plan will indicate why this endeavor should be avoided prior to and not after thus avoiding the tuition cost of business failure. There are key questions that every business plan should answer and these are listed below.

Table 2	
Nine key questions every MWBE business plan should answer	
	Who are the MWBEs customers
	How does the customer make decisions about buying from the MWBE
To what degree does the MWBE product/service differentiate itself from the competition	
	How will the product or service be priced
	How will the MWBE reach all the identified customers
	How much does it cost the MWBE to acquire customers
	How much does it cost to produce and deliver the product/service
	How much does it cost to support the customer
	How does the MWBE retain a customer

When purchasers make outreach efforts to develop MBWEs it is critical to assess the above questions. Perhaps a bigger discipline established by carrying out the planning process. This assessment includes: analyzing the market, industry and competition; assessing the management team; reviewing operational processes; and analyzing financial projections. Writing the business plan guides the business owner in addressing the critical areas of the business in a realistic data driven model. The plan also provides purchasers with key information to assess the potential long-term viability of the business.

The purchaser needs to understand that the planning process is a continual. Assisting the MWBE with the planning process will insure that he/she has begun implement a more disciplined and focused approach to managing the business and enhancing chances for success. It is helpful to allow review by those outside as well in the firm to gain a broader perspectives to the business, customers and markets. Once purchasers understand the planning process they will be better able to review and critique an actual business plan.

This session will allow participants to evaluate and critique an actual business plan. Knowledge of an effective business plan will provide a framework that purchasers can use when assisting MWBEs in their business development. Additionally, participants will be provided with other resources and tools to evaluate various components of business plans. The purchaser will have several scenarios where the planning process can prove helpful including: 1) to assist financially troubled suppliers; 2) those where the purchaser needs new products; or 30 in situations where the purchasers needs are growing and the supplier will need to expand or add capacity to meet the growing needs.

Sources:

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