

Advising Instructions

In an effort to equip you as a Business Plan Advisor, we have included in-depth instructions along with instructions for each section of the business plan. Please read the instructions carefully before you dig in to the business plan!

General Instructions

- **Track changes:** All changes to the document should be made using the Track Changes feature in Microsoft Word. The document should open with Track Changes already activated. If it is not activated, go to the Tools menu and click Track Changes. For newer versions of Word, go to the Review tab and click Track Changes.
- **Formatting:** Please do not change the font or aesthetics of the file. We have a standardized format across all plans.
- **File names:** Please do not change the file names. We have an automated process to handle the files we receive from each advisor, and it saves us time to have standardized file names.
- **Encouragement:** We hope that you build a meaningful relationship with your participant, and to facilitate that relationship, we encourage you to include words of support at the end of the document you are editing. Due to prison restrictions, this communication should stay within reasonable, professional bounds. It should not include any promises or personal information including, your email address, phone number or mailing address. Please include these comments in the document that you are editing or in a second document. Anything sent in the email back to the Advising Program Manager (not as an attachment) will not reach the prison.
- **Gifts:** You cannot give gifts to participants. This includes money (including cash deposited through the prison system), books and other materials that are of value to the participant's project. These items can instead be donated to PEP and added to the prison library (see next bullet).
- **Donations:** Books and other information relevant to the participants can be donated to the PEP library, in honor of the participant, but they cannot become the property of the participant, per prison rules. Donated items can be sent to the main PEP office: 4140 Director's Row, Suite B, Houston, TX 77092.

Letter to Participant (optional)

Please write your participant a letter as a separate Word document and, if you are comfortable, feel free to include a small photo in the document. Please save as “LastnameFirstinitial Advisor Letter.doc” (last name of PEP participant + first initial). Please include the following in the letter:

1. Your Name
2. Your School/Company
3. Your favorite hobbies
4. A little about your professional background
5. Why you chose to volunteer for PEP
6. Whether you plan to visit prison

Participant Profile for Business Plan Advisor

This document does not require editing. This is your introduction to the participant.

Personal Statement

The Personal Statement tells the participant’s story with the goal of demonstrating personal transformation. This is not a standard part of a business plan, but because of his history, we feel it is important to include. We tell the participant that the day he committed his crime, he was the furthest away from being considered “financially backable” as a future entrepreneur—even to the most high-risk venture capitalist. For people to trust him as an entrepreneur, the participant must demonstrate that he has changed his values and is ready to live a productive life. Therefore, we ask him to share his story, in detail, including his childhood and criminal history. Then we ask him to answer the questions: How have you changed? Why do you want to become an entrepreneur? Why should society trust you with a small business? Ideally, the document should provide good evidence of personal transformation.

Please suggest the elimination of anything that seems like “too much information.” It’s good for the participant to talk about his upbringing, family situation, crime, etc., but there is a fine line between what is appropriate and what is considered too much information. Also, please suggest the elimination of sections where the participant goes into far too much detail (e.g., lengthy descriptions of family members or that he owned a red tricycle growing up). Help your participant create a concise and moving Personal Statement. Please use your best judgment.

The Personal Statement should be up to two pages, single-spaced in length and written in first person form (e.g., I was born in Houston, Texas).

Mission Statement

The Mission Statement is a brief description of what the participant's business will provide for its customers. This statement should be two to three sentences long and should provide an understanding of the business's goals. The statement must include the following four components:

1. company name,
2. location of business,
3. brief description of product or service and
4. a differentiating quality/feature of the product or service.

Leadership Statement

The purpose of the Leadership Statement is to establish credibility as a future entrepreneur by highlighting the participant's experience, accomplishments and leadership abilities. This professional biography can include both free-world and prison accomplishments such as classes, education and work experience. He should also state his role and responsibilities in his new company. It should be written in third person (e.g., John Doe has 30 years of work experience in the construction industry.) and should be two to four paragraphs in length.

Information provided in this statement should not have significant overlap with the Personal Statement (although there may be a bit of overlap)—they have two different purposes.

Market Research

Many of our participants have been incarcerated for extensive periods of time, ranging from 18 months to 30 years. While they've been locked up, the world has changed significantly—pricing, technology, the Internet, cell phones, distribution channels, etc. Many have little understanding of business competition, differentiation and current markets. Inmates are not granted Internet access; thus, you are their link to the outside world in terms of collecting relevant information from which they will write their business plans.

Your participant will complete his market research request form, which includes his mission statement, industry and market research requests. There is a place on the form where he may have indicated any known sources where you may find relevant industry information. He may know exactly where to point you, or he may have no idea. He may ask for relevant demographic information or may still be a bit confused about what he needs to ask for or what is "relevant."

Your job is to determine the type of information he will really need to write his business plan and to

track down this information on his behalf. On the second half of the form, we've indicated some research items that would help him write his plan. Please feel free to review the completed business plan under the Samples tab to get an idea of the finished product. The Market, Competition and Differentiation section will give you a good feel for the type of information necessary to create the plan.

Helpful information will include:

- Names of competitors: both large, national competitors, and small regional competitors. Please include direct competitors and indirect competitors (e.g., for McDonald's, a direct competitor is Burger King, and indirect competitors include any other non-burger fast food restaurant or even cooking meals at home).
- Pricing information: This is one of the most important things you can supply! Your participant may not know what his products/services sell for, and it's difficult to build a financial plan without accurate pricing information. For a catering business, you could send competitors' menus. For a barber shop, send a list of services and prices. For some businesses, it would be helpful if you picked up the phone and called a few local competitors in the participant's regional area to get pricing information.
- Start-up costs: When considering start-up costs, please provide pricing information for the lowest-cost alternative. We encourage each participant to start businesses with start-up costs of \$10,000 or less—unless he has family money or personal funds saved. For example, you could rationalize a cost of \$30,000 to start a landscaping business, which could be the case if you were to purchase a brand new truck and all of the equipment up-front. A low cost alternative could include distributing flyers door-to-door, purchasing a used lawn mower and pulling the lawn mower in a small trailer behind a bicycle. The point is: please provide the lowest cost alternatives for starting their businesses. They may think they need to purchase a truck to start a business, but maybe leasing would be a more affordable option!
- Differentiation: What is the main competitive advantage and strategy to differentiate in your participant's industry? Do most businesses compete on price, cost, customer service, brand or quality? Try to provide creative ideas on how to stand out in his industry.
- Market: Is it highly fragmented? Consolidating? How large is the market nationwide? How large is the market in his region? Is demand increasing or not? What are the main trends? Barriers to entry? Seasonal trends?

Please note that if your participant made a very unusual, hard-to-find request, you do not have to fulfill every bit of the request! He probably can live without all of the information. Please use your best judgment in determining the critical information.

Also, we try to compile good research sites and sources to prevent the duplication of efforts. Please send the Advising Program Manager links to any helpful web sites or sources of information. If you come

across any books that would be helpful to your participant, please notify the Advising Program Manager of the book title and author, and PEP may be able to purchase it for the participant.

You will notice that some of these forms are incomplete and many also include spelling and grammatical errors. For many participants, the first few weeks in PEP have been their first-ever exposure to a computer. We have to teach them how to use a mouse so please bear with us as we teach them how to type!

You have two options for submitting market research information for your participant:

1. Copy information from your research into a Microsoft Word document, and send it along with the completed market research form provided.
2. 1) If you would like to print out information from your research, you can send the information to our Houston office. Please include the participant's name and business name and the completed market research form on the top of the package. Please send the information to:

PEP
Attn: Business Plan Advising
P.O. Box 926274
Houston, TX 77292

Of all deadlines throughout the advising process, the market research deadline is the most important! Writing the rest of their plans is dependent upon the receipt of this information so please respond in a timely manner!

IMPORTANT NOTE: Please **do not include any maps** in your market research, as TDCJ policies prohibit maps inside the prison. Thank you in advance for helping us stay in compliance with prison policies.

Résumé

The résumé is an extremely important document for your participant, as he will use this document to help find employment upon release. It is imperative that you spend the time to help make this document as complete and correct as possible.

Here are some considerations for the résumé:

- Please note that the participant wrote "State of Texas" to reflect the jobs he has had in prison. This is the acceptable way to state his prison experience without putting words like "prison, jail, incarcerated, etc." on his résumé. We advise the participant to reveal his criminal background at the interview and on the job application form, but not explicitly on his résumé.
- We encourage the participant to include prison work experience whenever possible. Please help him convey his skills and abilities utilized in that experience.

- For his PEP experience, we use the name “PEP-Entrepreneurship Program.” He can list this under “Work Experience” or under “Education.”
- If his résumé has gaps of two or more years due to incarceration, we encourage him to put the following statement at the bottom of his résumé: “Personal statement available upon request to explain missing time in workforce.”
- Additionally, you will note that his résumé says “Graduate” regarding PEP and is written as though he has completed the program. This is so he can use this résumé the day he is released.
- Lastly, please do **not** change the formatting or style. All PEP résumés are in the same format.

Product/Service Offering

In this section, the participant should describe his product or service in great detail. He does not need to go into pricing or marketing, but he should elaborate on the range of products/services and how they will be delivered. This should be one to three paragraphs.

Market, Competition and Differentiation (“MCD”)

For the MCD section, the participant relies on the market research you provided. If the participant does not have the necessary information, we told him to write what he needed and literally put in a blank line (e.g., “The landscaping industry is a \$___ billion market”). PLEASE make the time to obtain necessary market research and fill in the blanks for him. However, if he is asking for unnecessary or irrelevant data, add a comment stating why you feel the information is not needed.

MCD should be three separate sections. If he didn’t have any information on his competitors, he may have had very little to write. Please try to obtain information on both regional and national competitors. Think outside of the box. For home remodeling, other companies in the same business are direct competitors. Our participants also compete against stores like Home Depot who are willing to train homeowners to do the work themselves. Home Depot may also have its own contractors in-house who can perform the work.

For differentiation, we encourage our participants to compete on issues other than price. We do not want our men to fall into the trap of thinking they always have to be the least costly. Offer suggestions where the participant can create added value for his customer (convenience, cleanliness, response time, etc.).

Marketing Strategy

This document should have separate sections labeled: Price, Place and Promotion. These sections should contain specific information on each topic. For example, the participant’s business probably offers one, two or three products/services. He should specifically discuss the pricing of each. He may need to

discuss his overall pricing strategy, as well. For promotion, consider whether the marketing technique is cost-effective and consistent with the business's products/services. For example, distributing fliers in a grocery store parking lot is not the most effective way to promote premium bathroom tile work.

An optional section that may be included is his "Sales Pitch," in which he could write one to two paragraphs of his "elevator pitch" to a potential customer. The sales pitch can be written in the first person. Each of these sub-sections should be a separate paragraph with a header.

Vision and Objectives

The participant should have written tangible, quantifiable goals for several time periods. We instructed him to use bullet points and to write in fragments. An example of good objectives:

- Hire first employee.
- Obtain DBA.
- Expand to Ft. Worth.
- Increase profits by 10%.

Examples of poorly written objectives:

- I want to grow the business.
- Get more customers.

Included in the Vision and Objectives document is the participant's Community Impact section. We teach him about giving generously to the community and about corporate social responsibility. Each participant has hurt society by committing his crime and taking up taxpayer dollars while incarcerated. We hope that his business not only becomes successful, but also creates significance in the lives of others. We encourage him to give back personally beginning right when he is released, so that giving and volunteering become a way of life—not something that he waits until he becomes "rich" to do.

That said, you will notice that a participant may be a bit ambitious with his plans (e.g., giving back 20% of his first year's revenues). We do encourage him to tithe (10%) out of his personal income, but giving back so aggressively out of his company's revenue may be too much. Please advise him to give back generously but in a realistic way. He does not need to give back financially out of his company; he can also give by providing pro-bono services (e.g., a window washing business could clean a church's windows for free).

Corporate social responsibility is a different matter than corporate giving and will be more relevant to some businesses than others. Please help your participant to brainstorm on the best ways to run an

ethical and socially-conscious business. He may have written that he will be running an “honest business” which really doesn’t need to be stated in writing; honesty is to be assumed.

Complete Business Plan

The final document you will receive is the complete business plan. Besides including the sections which you have previously reviewed, you will see the following sections for the first time. Please read the entire plan and review it closely for internal consistency and completeness. Realize it is possible the participant has more than one advisor, and as such, he may have received different changes and/or feedback from both of you and had to choose between the comments. Because of this, all of your previous comments may not have been included in the final draft. Please do not let that limit your feedback.

- **Financial Projection:** The Excel spreadsheet is a 12-month budget for his company’s first year in operation. The first two worksheets detail the assumptions the participant is using. The third worksheet provides an income statement and cash flow statement calculated from the assumptions. A participant’s numbers may be unrealistic. Please provide feedback on realistic budget projections. Please write your comments and/or suggestions in a Word document, rather than changing the numbers directly in the spreadsheet.
- **Financial Summary:** In the Product/Service Offering section, the participant described what the company will offer. The Financial Summary should explain his revenue model with numbers (average sales price, variable cost and gross profit per unit). This is the meat and potatoes of whether his business concept can be profitable. This section also includes a brief description of overhead and net income. He may also include a breakeven point.
- **Financing Strategy:** This section details how much money the participant needs to start his business, a brief summary of what he will use the money for and how he intends to raise his initial capital. Most business plans will require \$10,000 or less in initial capital. This may seem extremely small to you; however, we encourage the participant to bootstrap his business. If the participant is looking for third-party funding, he should distinguish between debt and equity and how he intends to repay either.
- **Executive Summary:** The last item the participant writes is the Executive Summary. This will include two to four sentence summaries of each section except Vision and Objectives. A reader should be able to have a good understanding of the basic business concept. We intend to send this to judges of our Business Plan Competition. As such, ask yourself, “What, if anything, is missing from this to give the reader an accurate picture of the participant’s business?” Lastly, please do **not** change the formatting/summary style. All of the PEP Executive Summaries are in the same format.