

Entrepreneurship 7



Writing an Effective Business Plan: Building a Roadmap to Success

“There is real magic in enthusiasm. It spells the difference between mediocrity and accomplishment.”

--Norman Vincent Peale

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Business Plan

- A detailed road map for converting a recognized opportunity into a profitable business
- helps entrepreneurs to formulate specific goals and concrete plans for reaching them
- Describes the business model
- Persuades potential investors
- Contributes to the ultimate success of the venture

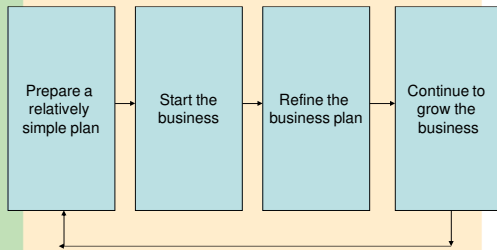
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A Living Document

- A business plan changes often as a new business develops.
- Do just enough business planning to get the new company started.
- Refine the plan with information gathered from running the new venture.

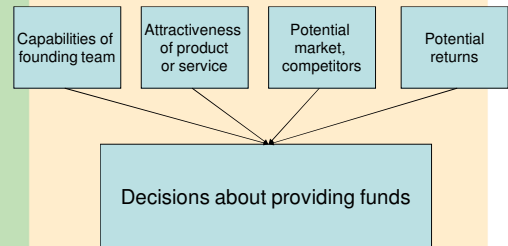
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Model of Successful Business Planning



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Key Aspects of Information in Business Plans



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Business Plan Components

- What is the basic idea?
- Why is the new product appealing—and to whom?
- How will the idea be realized?
- Who are the entrepreneurs?
- How will the venture be structured & operate?
- How much funding is needed? What type of financing? How will it be used? How will you realize a return?

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A Successful Plan

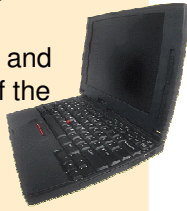
- Orderly
 - Cover page
 - Table of contents
 - Executive summary
 - Various sections
 - Appendices
- Succinct
- Persuasive
- In proper form



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Executive Summary

- An impassioned statement about the wonderful things going on in the industry involved
- Provides a brief, clear, and persuasive overview of the new venture
- Target 2 to 3 pages



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Business Plan Sections

1. Background, purpose, and opportunity
2. Marketing
3. Competition
4. Development, production, and location
5. Management
6. Financial section
7. Risk factors
8. Harvest or exit
9. Scheduling and milestones
10. Appendices

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Background, Product, & Opportunity

- What is the nature of the idea driving your company and how did it arise?
- What does the product/service have to offer?
- What is the basic nature of the company?
- What are the company's mission & goals?

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Market Analysis

- What have you done to identify the market?
- How large is the market?
- How will products or services be promoted?
- What do you know about competing products and companies?
- How will the product or service be priced?

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Development, Production, and Location

- Where are the products or services in the development process?
- What are the projected costs and timetable for making the product or delivering the service?
- What steps have been taken to assure quality and safety?

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Management Team

- Do team members have the experience, expertise, skills, and personal characteristics needed?
- Do team members having good working relationships, defined roles, and clear communication?

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Financial Plans and Projections



will be closely & carefully examined by potential investors

- Proforma balance sheet
- Proforma income statement
- Cash flow statement
- Breakeven analysis

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Critical Risks

- Price cutting by competitors
- Unforeseen industry trends
- Sales projections not achieved
- Costs exceed estimates
- Schedules not met
- Lack of experience
- Difficulties raising required financing
- Unforeseen political, economic, social or technological trends

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Harvest and Exit

- Management succession
- Exit strategies



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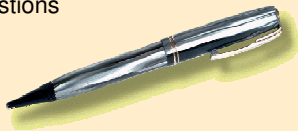
Scheduling and Milestones

- Formal incorporation
- Completion of design
- Completion of prototypes
- Hiring of initial personnel
- Product displays
- Agreements
- Moving into production
- Receipt of orders
- First sales
- Profitability

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The Intangibles

- The extra “something”
- Pay attention to organization, clarity, word choice, and style
- Have good writers read your plan
- Revise according to their suggestions



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Seven Deadly Sins

- Plan is poorly prepared and/or unprofession.
- Plan looks too slick
- Executive summary is too long – not to point
- Development stage of product is unclear
- Fails to answer “Why would anyone ever want to buy one?”
- Doesn’t state clearly management qualifications
- Financial projections seem wishful thinking

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Venture Capitalist Decision Criteria

- Market familiarity
- Leadership ability of founding team
- Proprietary protection
- Market potential & growth
- Number of competitors
- Strength of competition

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The Presentation

More than 90% of the plans do not generate an invitation to make a presentation!

- Remember: This has real & serious consequences!
- Prepare, prepare, prepare
- Choose content carefully
- Persuade, don't overwhelm
- Show enthusiasm tempered with reality
- Rehearse
- Don't overlook the basics
- Respond positively to questions

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