

# Small Business Management <sup>19e</sup>

LAUNCHING AND GROWING ENTREPRENEURIAL VENTURES

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## CHAPTER

# 6

The Business Plan:  
Visualizing The  
Dream

# An Overview of the Business Plan

## Business Plan

- Outlines the basic concept underlying a business—what problem will be solved—and describes how the business will execute its plan to solve the problem
- A “Game Plan”

## Key Elements of a Business Plan

- A logical statement of a problem and its solution
- A significant amount of hard evidence
- Candor about the risks, gaps, and assumptions that might be proved wrong.

## 6.1 Users of Business Plans

### Insiders



- Entrepreneur and management team



- Employees

### Outsiders



- Potential customers



- Lenders



- Suppliers



- Investors

Family and  
friends

Private  
investors

Venture  
capitalists

# The Balance Between Planning and Executing

Factors affecting the extent of a business plan:

- Cost in time and money to prepare the plan
- Management style and ability
- Preferences of the management team
- Complexity of the business
- Competitive environment
- Level of uncertainty



# Keeping the Right Perspective

- Good business plan **does NOT ensure success**
  - Effective implementation (**Execution**) is what succeeds
- Writing is an ongoing process
  - The **process** is just as important as—if not more so than—the finished product
  - Represents **what has been anticipated**
  - A good entrepreneur **adapts the plan** to fit the unexpected

# Types of Business Plans

## The Short Plan (Loans)

- A short form of a business plan that presents only the most important issues and projections

## The Comprehensive Plan (Operations)

- A complete plan
- In-depth analysis of the critical factors
- Underlying assumptions.



# Begin With the Business Model

- The business model serves as the foundation of the business plan.
- Without a good business model, there can be no good business plan.
- We covered Business Models during Start Ups
- After business model - move to feasibility ...

# Prior to Writing Your Business Plans

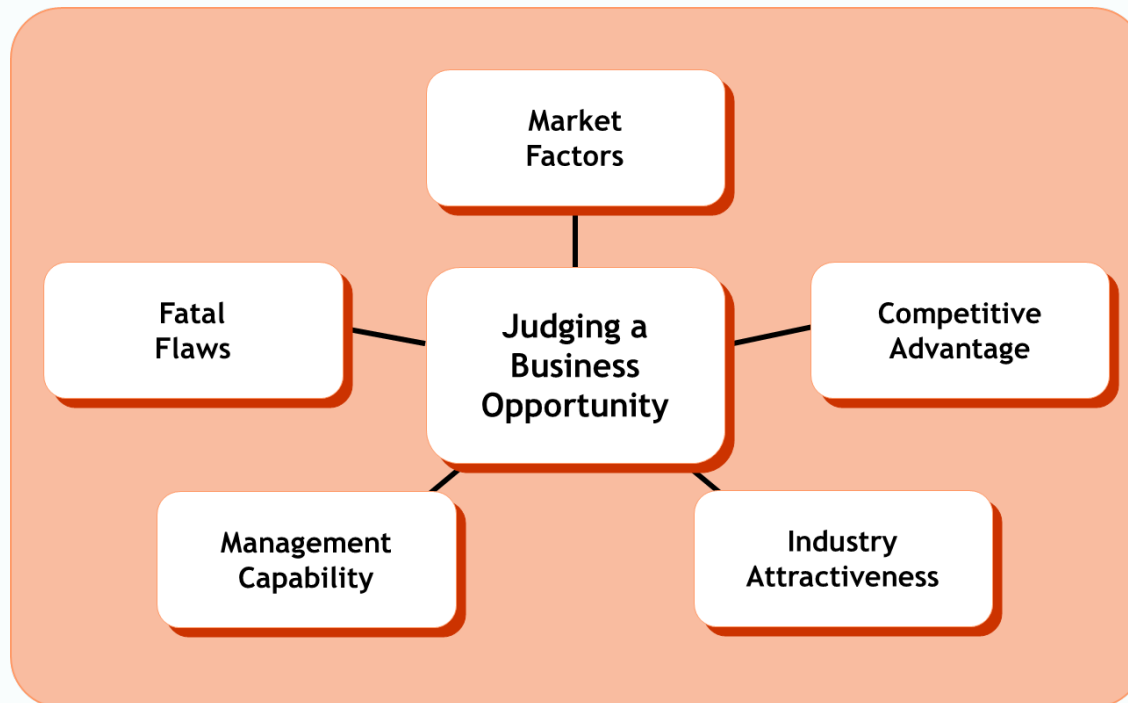
## Feasibility Analysis (FREE PDF file for you)

– Go to:

<http://goo.gl/082ctc> ([PDF](#) file to download)

<http://goo.gl/8fc0d> ([PDF](#) file to download)

– Complete feasibility 1<sup>st</sup>, then business plan (6-8 mths later)

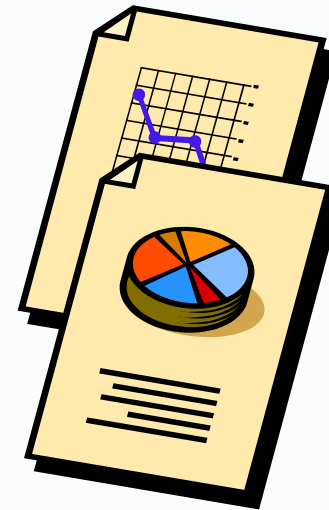




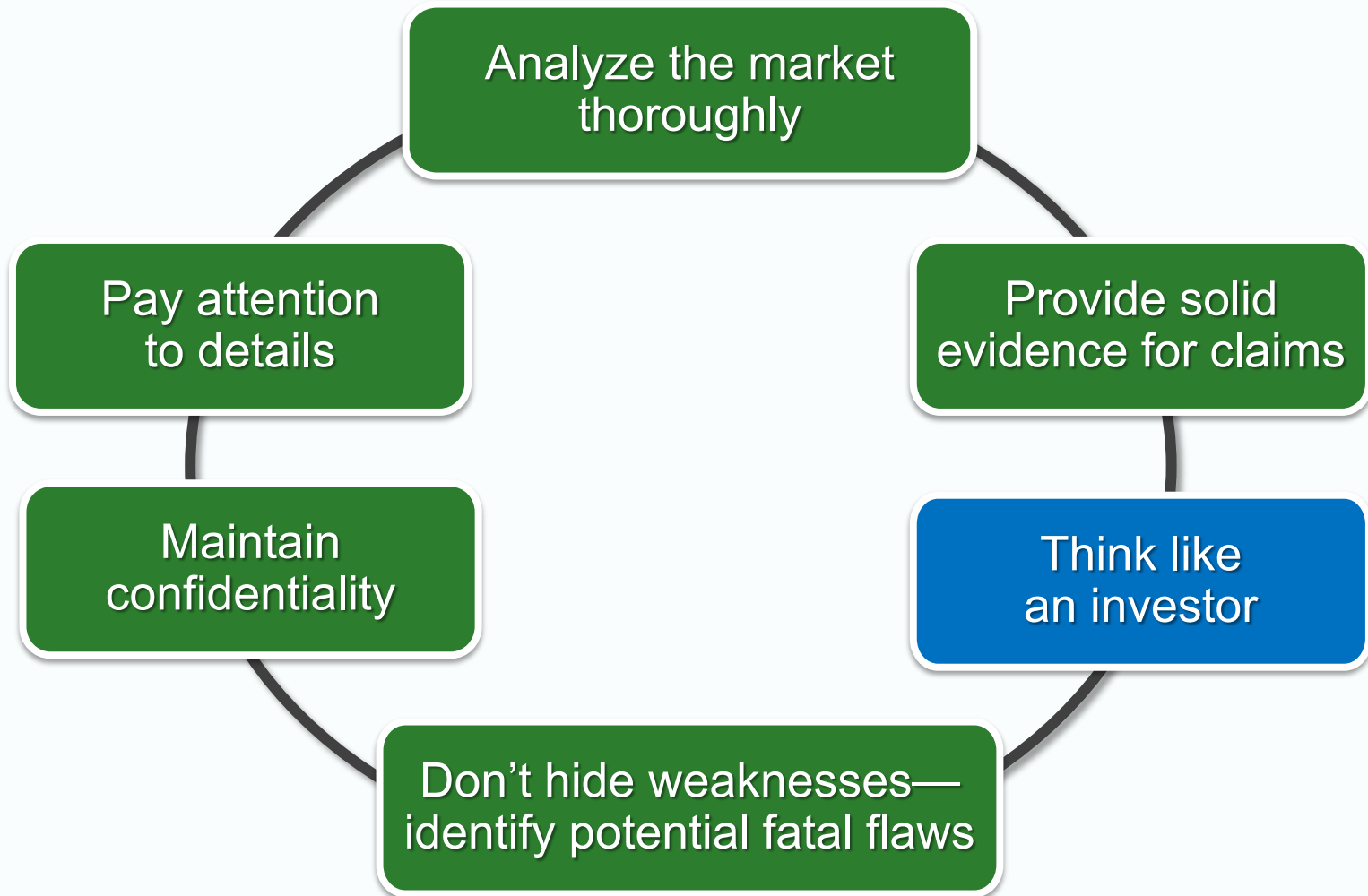
# Major Sections of Business Plans

## Section Headings

- Cover Page
- Table of Contents
- Executive Summary
- Industry, Target Customer, and Competitor Analysis
- Company Description
- Product/Service Plan
- Marketing Plan
- Operations and Development Plan
- Management Team
- Critical Risks
- Offering
- Exit Strategy
- Financial Plan
- Appendix of Supporting Documents



# Advice for Writing a Business Plan



# PITCHING TO INVESTORS

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- In addition to having a written business plan, an entrepreneur seeking capital from investors may be asked to give a pitch.
  - **Pitch** – An oral presentation of the business idea to investors.
  - Frequently, the entrepreneur is given 15 to 20 minutes to present, followed by about the same amount of time for questions and answers.
- What investors want to know is relatively straightforward, as is the order in which they want to see the topics in the pitch.
- Also, the essential topics that need to be covered are the same for most businesses.

Caroline Cummings at Palo Alto Software suggests that 12 PowerPoint slides be prepared to accompany the pitch:

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1. Identify the problem to be solved.
2. Introduce your solution to the problem.
3. Discuss your beginning traction for getting sales.
4. Identify the target market.
5. Explain the costs of acquiring customers in your target market.
6. Communicate the value proposition relative to competitors.
7. Describe the basics of the revenue model.
8. Provide financial projections, along with the assumptions.
9. Sell the team.
10. Identify your funding needs, and explain the use of the funds.
11. Describe possible exit strategies.
12. End on a high note—remind investors why your product/service/team is so great.

# PITCHING TO INVESTORS

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Guy Kawasaki's 10/20/30 rule provides guidelines for the pitch:

- Have only 10 presentation slides.
- Limit the presentation to 20 minutes.
- Use a 30-point font in your slides.

# Resources for Business Plan Preparation

- Computer-Aided Business Planning
  - Word-processors
  - Spreadsheets
  - Specialized business plan software packages
- Professional Assistance
  - Accountants
  - Marketing specialists
  - Attorneys
  - Investment banker
  - Financial intermediary
- Professional Assistance (cont'd)
  - Small business development centers (SBDCs)  
<https://ociesmallbusiness.org/>
  - Incubator organizations
  - Regional and local economic development offices.
  - Service Corps of Retired Executives (SCORE)  
<http://www.score.org>

# Sample Business Plans – Group

Let's take a look at sample business plans: [LINK](#)

Go to: <http://goo.gl/DDHqR> Pick one – **rate it** on the following criteria:

	Good	Neutral	Poor
<b>Brief</b>			
<b>Attractive (space/charts)</b>			
<b>Organized</b>			
<b>Where Sales Come From?</b>			
<b>Business Model</b>			
<b>Financial Projections</b>			
<b>Do You Believe It?</b>			
<b>Would you invest? Why or why not? (Provide Detailed Response)</b>			

# BUSM 66 Project – Clarifications

Follow instructions on the Project handout sheet

- Write ONLY in 1<sup>st</sup> person “I ...” (Not “Mrs. Jones ...”)
- Type input into text file, then edit your work for content
- Provide detailed responses – ask for more details, feel free to paraphrase, and add your own enhancements of detail

Look at Grading Rubric (on syllabus)

- Screen your own paper through the rubric (to maximize pts.)
- After editing again, please copy and paste into web form
- Verify that your project posted correctly

Check on Progress ...