

DEVELOPING BUSINESS AND MARKETING PLANS FOR NEW VENTURES

Course Number: MBA543



Jones International University®, Ltd.

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Developing Business and Marketing Plans for New Ventures
MBA543
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TABLE OF CONTENTS

Introduction	6
Course Performance Objectives	6
Course Evaluation	8
Overview of Course Modules	8
Course Matrix	11
Module 1 The Process of Business Planning	<u>1414</u>
Path to Complete the Module	<u>1414</u>
Performance Objectives	<u>1414</u>
Overview and Critical Themes	<u>1414</u>
Assignments	<u>1616</u>
Required Readings:	<u>1616</u>
Exercises (non-graded).....	<u>1616</u>
Applications/Projects (graded)	<u>1616</u>
Lesson Synthesizer and Extensions/Challenges	<u>1717</u>
Module 2 Business Description: What is Our Business?	<u>1818</u>
Path to Complete the Module	<u>1818</u>
Performance Objectives	<u>1818</u>
Overview and Critical Themes	<u>1818</u>
Assignments	<u>2020</u>
Required Readings:	<u>2020</u>
Exercises (non-graded).....	<u>2020</u>
Applications/Projects (graded)	<u>2020</u>
Lesson Synthesizer and Extensions/Challenges	<u>2222</u>
Module 3 Marketing Analysis: Who are Our Customers?	<u>2323</u>
Path to Complete the Module	<u>2323</u>
Performance Objectives	<u>2323</u>
Overview and Critical Themes	<u>2323</u>
Assignments	<u>2424</u>
Required Readings:	<u>2424</u>
Exercises (non-graded).....	<u>2424</u>
Applications/Projects (graded)	<u>2424</u>
Lesson Synthesizer and Extensions/Challenges	<u>2525</u>
Module 4 Marketing Analysis: Who are Our Competitors?	<u>2727</u>

Path to Complete the Module	<u>2727</u>
Performance Objectives	<u>2727</u>
Overview and Critical Themes	<u>2727</u>
Assignments	<u>3030</u>
Required Readings:	<u>3030</u>
Exercises (non-graded).....	<u>3030</u>
Applications/Projects (graded)	<u>3030</u>
Lesson Synthesizer and Extensions/Challenges	<u>3131</u>
Module 5 Marketing Strategy: How will We Deliver Value to Our Customers?	<u>3333</u>
Path to Complete the Module	<u>3333</u>
Performance Objectives	<u>3333</u>
Overview and Critical Themes	<u>3333</u>
Assignments	<u>3535</u>
Required Readings:	<u>3535</u>
Exercises (non-graded).....	<u>3535</u>
Applications/Projects (graded)	<u>3535</u>
Lesson Synthesizer and Extensions/Challenges	<u>3636</u>
Module 6 Management/Organization/ Operations/Execution: How will We Deliver Value to Our Customers?	<u>3737</u>
Path to Complete the Module	<u>3737</u>
Performance Objectives	<u>3737</u>
Overview and Critical Themes	<u>3838</u>
Assignments	<u>4040</u>
Required Readings	<u>4040</u>
Exercises (non-graded).....	<u>4040</u>
Applications/Projects (graded)	<u>4040</u>
Lesson Synthesizer and Extensions/Challenges	<u>4242</u>
Module 7 Financial Plan: How Will We Measure the Results?	<u>4343</u>
Path to Complete the Module	<u>4343</u>
Performance Objectives	<u>4343</u>
Overview and Critical Themes	<u>4343</u>
Assignments	<u>4545</u>
Required Readings	<u>4545</u>
Exercises (non-graded).....	<u>4545</u>
Applications/Projects (graded)	<u>4545</u>
Lesson Synthesizer and Extensions/Challenges	<u>4646</u>

Module 8 Using the Business Plan	<u>4848</u>
Path to Complete the Module	<u>4848</u>
Performance Objectives	<u>4848</u>
Overview and Critical Themes	<u>4848</u>
Assignments	<u>4949</u>
Required Readings	<u>4949</u>
Exercises (non-graded).....	<u>4949</u>
Applications/Projects (graded)	<u>4949</u>
Lesson Synthesizer and Extensions/Challenges	<u>5050</u>
 Author Biography.....	 <u>5151</u>
William B. Gartner	<u>5151</u>
 Business Plan Outline for MBA 543	 <u>5252</u>
Cover Page.....	<u>5252</u>
Executive Summary.....	<u>5252</u>
Table of Contents	<u>5252</u>
Business Description	<u>5353</u>
Market Analysis/ Marketing Strategy.....	<u>5454</u>
Management and Organization	<u>5555</u>
Operations	<u>5555</u>
Execution Plan.....	<u>5656</u>
Financial Plan	<u>5656</u>
Appendix (Supporting Documents)	<u>5656</u>
 Bibliography and Resources	 <u>5757</u>

INTRODUCTION

Students will write a business plan to launch and operate a new venture. In addition, this course emphasizes strategies to identify, attract and sell to customers through the development of a detailed marketing plan. The course covers the components of a business plan as well as techniques for developing and presenting sections of the plan. The course examines the uses of business plans for raising capital and attracting commitments from potential customers, suppliers, and employees. The course also offers insights into how business and marketing plans can be implemented. The course builds on the knowledge, skills, and exercises learned in MBA 541 and MBA 542.

An important assumption about students taking this course is that they have either completed MBA 541 and MBA 542 or have attained the competencies required in both courses. Both of these prerequisites will have prepared the student with the skills and knowledge to complete activities in MBA 543.

COURSE PERFORMANCE OBJECTIVES

By the conclusion of the course, the student will be able to undertake all activities necessary for the completion of a business plan. These activities include:

- Describe the nature and type of business.
- Explain the goals and objectives of this business.
- Describe the products/services of this business in detail (i.e., customer need fulfilled, unique features, industry perception).
- Discuss competitive products/services on the market (i.e., compare quality and features, why customers buy, pricing strategies).
- Summarize the expected costs and profits for product line, product category and service.
- Assess the life cycle of each product line, product category and service.
- Describe current and potential types of customers (i.e., Who are they? Why will they purchase? What is their sensitivity to price, quality, service, and benefits?)
- Describe the market (i.e., size, growth rate, history, forecast of the future, trends.)
- Describe the competition (list major participants by Critical Success Factors).
- Describe sales goals and their rationale (i.e., strategies for identifying, targeting and attracting customers; distribution; advertising and promotion; pricing; selling)

- Identify the key skills required for this business to succeed.
- Identify the key managers (and employees) who have these key skills
- Identify strategies for attracting and retaining key personnel.
- Identify other experts and advisors that are important to the company
- Describe how the business will sell its product and deliver its service.
- Describe the kinds of training for sales and service personnel that are necessary to attract and retain customers.
- Describe critical elements, likely bottlenecks, quality, supply, sales, service, delivery, inventory, and cash flow issues.
- Identify necessary resources and equipment likely to be required.
- Identify the systems (e.g., sales management, inventory control) necessary to operate the business.
- Provide a timeline of important activities that were identified in other parts of the plan.
- Present prospective financial information for next two to five years (i.e., income statements, balance sheets, cash flow statements).
- Provide key assumptions for all financial statements.
- Link financial statements to key industry ratios and standards.
- Identify financing needs

REQUIRED MATERIALS AND TECHNOLOGY

Required Textbooks

Dollinger, Marc J. (2003). Entrepreneurship: Strategies and Resource. Upper Saddle River, NJ: Prentice Hall.

Check the course Web site for all other readings/articles/resources.

Required Technologies

For a current list of our Technical Requirements, please visit <http://www.jonesinternational.edu/techreq>.

COURSE EVALUATION

The primary activity of this course involves the creation of a business plan. A section of the business plan is submitted to the instructor each module, beginning in Module 2. Each section of the plan is evaluated and feedback given to each student for each module. The modules where sections of the plan are submitted are modules two through seven. Sections of the plan submitted for each module receive 5% of the course grade (6 modules X 5%/module = 30% of the course grade). Students will submit the entire final plan for evaluation at the end of the course. The entire final plan submitted during module eight will receive 60% of the course grade. The remaining 10% of the course grade will be for class participation and discussion.

30%	Submission of 6 sections of the business plan during the course
60%	Submission of the entire business plan at end of the course
<u>10%</u>	Class Discussion and Participation
100%	Total Grade

OVERVIEW OF COURSE MODULES

Module 1 - The Process of Business Planning

Objectives

- Review process and activities of business planning
- Review and evaluate different business plan formats

Module 2 - Business Description: What is Our Business?

Objectives

- Explore personal goals: The owner's imperative
- Describe the nature and type of business.
- Describe the business concept
- Explain the goals and objectives of this business: The organizational imperative

Module 3 - Marketing Analysis: Who are Our Customers?

Objectives

- Describe current and potential types of customers (i.e., Who are they? Why will they purchase? What is their sensitivity to price, quality, service, and benefits?)

Module 4 - Marketing Analysis: Who are Our Competitors?

Objectives

- Describe the market (i.e., size, growth rate, history, forecast of the future, trends.)
- Describe the competition (list major participants by Critical Success Factors).

Module 5 - Marketing Strategy: How will We Deliver Value to Our Customers?

Objectives

- Describe sales goals and their rationale (i.e., strategies for identifying, targeting and attracting customers; distribution; advertising and promotion; pricing; selling)

Module 6 - Management/Organization/Operations/Execution: How will We Deliver Value to Our Customers?

Objectives

- Identify the key skills required for this business to succeed.
- Identify the key managers (and employees) who have these key skills
- Identify strategies for attracting and retaining key personnel.
- Identify other experts and advisors that are important to the company
- Describe how the business will sell its product and deliver its service.
- Describe the kinds of training for sales and service personnel that are necessary to attract and retain customers.
- Describe critical elements, likely bottlenecks, quality, supply, sales, service, delivery, inventory, and cash flow issues.
- Identify necessary resources and equipment likely to be required.
- Identify the systems (e.g., sales management, inventory control) necessary to operate the business.
- Provide a timeline of important activities that were identified in other parts of the plan.

Module 7 - Financial Plan: How will we measure the results?

Objectives

- Present prospective financial information for next two to five years (i.e., income statements, balance sheets, cash flow statements).
- Provide key assumptions for all financial statements.
- Link financial statements to key industry ratios and standards.
- Identify financing needs

Module 8 - Using the Business Plan

Objectives

- Using the plan for managing and growing the business
- Using the plan for acquiring resources
- Using the plan for attracting and retaining employees
- Using the plan for guiding the organization

COURSE MATRIX

Module/Topic	Reading Assignment	Assignments
Module 1: <i>The Process of Business Planning</i>	<i>Text:</i> <ul style="list-style-type: none"> • Dollinger, pp. 364-506 (see 1.1) <p><i>See course web site for additional readings.</i></p>	<i>Applications/Projects (graded):</i> <ul style="list-style-type: none"> • 1.1) Business Plan Formats <p><i>Exercises (non-graded):</i></p> <ul style="list-style-type: none"> • 1A and 1B <p><i>See course web site for more information about assignments, practice exercises, and web activities.</i></p>
Module 2: <i>Business Description: What is Our Business?</i>	<i>Text:</i> <ul style="list-style-type: none"> • Dollinger, pp. 364-506 (see 2.1) <p><i>See course web site for additional online readings.</i></p>	<i>Applications/Projects (graded):</i> <ul style="list-style-type: none"> • 2.1) Comparing Business Descriptions • 2.2) The Business Plan: Business Description <p><i>Exercises (non-graded):</i></p> <ul style="list-style-type: none"> • 2A and 2B <p><i>See course web site for more information about assignments, practice exercises, and web activities.</i></p>
Module 3: <i>Marketing Analysis: Who are Our Customers?</i>	<i>Text:</i> <ul style="list-style-type: none"> • Dollinger, pp. 364-506 (see 3.1) <p><i>See course web site for additional online readings.</i></p>	<i>Applications/Projects (graded):</i> <ul style="list-style-type: none"> • 3.1) Description of Customers • 3.2) The Business Plan: Customers <p><i>Exercises (non-graded):</i></p> <ul style="list-style-type: none"> • 3A and 3B <p><i>See course web site for more information about assignments, practice exercises, and web activities.</i></p>

<p>Module 4: <i>Marketing Analysis: Who are Our Competitors?</i></p>	<p><i>Text:</i></p> <ul style="list-style-type: none"> • Dollinger, pp. 364-506 (see 4.1) <p><i>See course web site for additional online readings.</i></p>	<p><i>Applications/Projects (graded):</i></p> <ul style="list-style-type: none"> • 4.1) Description of Markets and Industries • 4.2) The Business Plan: Market and Competition <p><i>Exercises (non-graded):</i></p> <ul style="list-style-type: none"> • 4A and 4B <p><i>See course web site for more information about assignments, practice exercises, and web activities.</i></p>
<p>Module 5: <i>Marketing Strategy: How will We Deliver Value to Our Customers?</i></p>	<p><i>Text:</i></p> <ul style="list-style-type: none"> • Dollinger, pp. 364-506 (see 5.1) <p><i>See course web site for additional online readings.</i></p>	<p><i>Applications/Projects (graded):</i></p> <ul style="list-style-type: none"> • 5.1) Description of Sales Goals and Marketing Tactics • 5.2) The Business Plan: “Sales Goals” <p><i>Exercises (non-graded):</i></p> <ul style="list-style-type: none"> • 5A <p><i>See course web site for more information about assignments, practice exercises, and web activities.</i></p>
<p>Module 6: <i>Management/ Organization/ Operations/ Execution: How will We Deliver Value to Our Customers?</i></p>	<p><i>Text:</i></p> <ul style="list-style-type: none"> • Dollinger, pp. 364-506 (see 6.1) <p><i>See course web site for additional online readings.</i></p>	<p><i>Applications/Projects (graded):</i></p> <ul style="list-style-type: none"> • 6.1) Descriptions of management and Organization, Operations, and Execution Plans • 6.2) The Business Plan: “Management and Organization, Operations, Execution” <p><i>Exercises (non-graded):</i></p> <ul style="list-style-type: none"> • 6A <p><i>See course web site for more information about assignments, practice exercises, and web activities.</i></p>

<p>Module 7: <i>Financial Plan: How will we measure the results?</i></p>	<p><i>Text:</i></p> <ul style="list-style-type: none"> • Dollinger, pp. 364-506 (see 7.1) <p><i>See course web site for additional online readings.</i></p>	<p><i>Applications/Projects (graded):</i></p> <ul style="list-style-type: none"> • 7.1) Description of Financial Plans • 7.2) The Business Plan: Financial Plan <p><i>Exercises (non-graded):</i></p> <ul style="list-style-type: none"> • 7A and 7B <p><i>See course web site for more information about assignments, practice exercises, and web activities.</i></p>
<p>Module 8: <i>Using the Business Plan</i></p>	<p><i>Text:</i></p> <ul style="list-style-type: none"> • Dollinger, pp. 364-506 (see 8.1) <p><i>See course web site for additional online readings.</i></p>	<p><i>Applications/Projects (graded):</i></p> <ul style="list-style-type: none"> • 8.1) Using Business Plans • 8.2) The Business Plan <p><i>Exercises (non-graded):</i></p> <ul style="list-style-type: none"> • 8A and 8B <p><i>See course web site for more information about assignments, practice exercises, and web activities.</i></p>

MODULE 1

THE PROCESS OF BUSINESS PLANNING

PATH TO COMPLETE THE MODULE

1. Read the study guide section for this module
2. Do the assigned test and article readings
3. Read Web Theme 1 and do Exercises 1A
4. Read Web Theme 2 and do Exercises 1B
5. Do Application/Project 1.1
6. Review the Lesson Synthesizer and Extensions in the study guide

PERFORMANCE OBJECTIVES

After completing this module students will be able to:

- Review process and activities of business planning
- Review and evaluate different business plan formats

OVERVIEW AND CRITICAL THEMES

I cannot think of one entrepreneur who I have met who really likes to plan. Planning is often seen, and in many respects is, steps removed from the actual operation of a business. Planning just doesn't have the same sense of satisfaction, or urgency, that comes from activities that are more directly related to business success, such as, selling, merchandise selection, motivating and training employees, etc. Entrepreneurs like to "do," that is, entrepreneurs are action oriented. Planning often seems to be about "thinking," rather than actually doing something about the business.

I don't believe that entrepreneurs can actually "think" their way to success. Successful businesses are based on actions. As an analogy to business success, a winning basketball team doesn't think their way to a championship title. While a winning team will have a strategy and tactics for each game, the outcome is determined by insuring that the winning team scores more baskets than their opponent. Scoring more baskets is, primarily, determined by such actions as: good offense -- making baskets,

getting rebounds, passing the ball, and good defense -- blocking shots, "filling the lane," staying in front of your opponent. Success is the result of how well certain activities can be executed under particular circumstances. Different opponents require changes in how certain activities are emphasized (that is where the strategy and tactics come in), but the final score depends on making baskets (execution of actions). I want you to think about planning as generating a game plan for competing against your competitors in the game of business that you are in today, and will be in tomorrow, and in the future.

A plan (a business' strategy and tactics) provides a business with some broad guidelines for preparing for the changing dynamics of competition. You know, as well as I, that a plan is not as directly connected to business success as making a sale to a customer. But, a good plan should provide guidance about appropriateness of the methods your business uses for selling to the kinds of customers your business is likely to attract. You don't want to be doing the "right" things to the "wrong" customers. For example, potential customers that are interested in price as the only criteria for purchasing a product or service, are unlikely to be convinced to buy if your message to them is about service and installation. Executing a message about service and installation in a game with customers that are interested only in price is a losing game. You want to be playing the game of business in situations where you can be successful.

I firmly believe that good planning involves doing and thinking, with the majority of emphasis on the doing. By actually going through the process of planning, you will identify your customer's attitudes and expectations, monitor your competitors, understand the critical success factors for your company's competitive strategy, evaluate the operations of your business, and specify your company's present and future financial needs.

The actions you take in doing planning should result in selecting a strategy and tactics for your business that will be appropriate to win in your competitive environment. Therefore, going through this process is more important than the plan, itself. The planning process described in this course is not intended to help you write a document that will end up in a desk drawer. I like to think of the plan created in this course as a "WORKING Business Plan" because I want you to go through the process of planning. Planning is a process of doing.

One last thought about the process of planning. I find that most entrepreneurs have been successful because they have an intuitive sense about how to be successful in business. Entrepreneurs are somewhat like natural athletes. Some individuals just seem to be gifted with an ability to play sports successfully. I think of the process of planning as similar to what natural athletes need to do if they want to be excellent in a specific sport -- practice. Practicing something involves becoming conscious about how specific actions and behaviors are linked to particular outcomes. When you plan, you are making yourself aware of what you are doing (or not doing) that leads to success (or failure). As an educator, I make the assumption that people perform better when they understand what they are doing.

ASSIGNMENTS

Required Readings:

Dollinger, Marc J. Entrepreneurship: Strategies and Resource. pp. 364-506 (see 1.1 below)

Check the course web site for additional readings.

Exercises (non-graded)

- 1A) Read articles on the business planning process. See the course web site for details on this assignment.
- 1B) Read articles on the business plan format. See the course web site for details on this assignment.

Applications/Projects (graded)

1.1) Business Plan Formats

Look over the cases in Dollinger (2003), pp. 364-506. These ten cases will be analyzed and evaluated during the course. For this module, compare and contrast the formats (the outlines of the material presented) of the ten plans in the book. What differences, in format, do you find among these ten plans? Are these differences in format due to the type of business or industry the plan focuses on? Do any of these plans seem to communicate and engage the reader better than the others? Why?

The business plan format that will be used for the course is in Appendix B. Compare the business plan format for this course to the formats used in the ten cases. Are there similarities and differences in these formats compared to the course format? In addition, compare the formats of the business plans described in the web exercises to the format used for this course.

The class will discuss the differences among the formats of these ten plans, the format to be used for the business plan for this course, and the business plan formats in the web exercises. Class discussions for the eight modules will be graded as 10% of the total grade for this course.

LESSON SYNTHESIZER AND EXTENSIONS/CHALLENGES

I like to think of a business plan (the document, itself) as a kind of puzzle that the entrepreneur is constantly putting together to form the big picture of what business success will look like. Each one of the sections of this outline is a piece of the puzzle that makes up part of the big picture of your business. Just like the process of putting together a puzzle, you will get different pieces of the big picture "out of sequence," that is, one piece of the puzzle might be a top edge, the next piece be something that might fit towards the middle. The process of planning helps generate all of the different pieces of the big picture. The business plan format provides an outline for putting all of these pieces together.

So, in writing a business plan, you are filling in different sections of the plan at different times. For example, as you work on the marketing section, you'll also be generating information that will help you fill in some of the other sections, like operations, and the financial statements. As you add to each section, some sections will more quickly reveal a pattern, while other sections will remain disjointed unconnected bits of information. Part of the process of filling in the business plan is finding out what sections of the puzzle are "filled in," and what sections of the puzzle still remain "blank."

There are many different variations of what the format of a business plan document might look like. As you will see from examples of other business plans that we evaluate during the course, all formats cover the same information provided in the outline that follows. I am asking that all of the students follow the same format in completing the business plan for this course for two reasons. Following the same format will prompt students to consider similar issues and problems during the planning process. I think some important learning and insights will take place when similar issues are considered in the class. Second, the format will make it a bit easier for the instructor to evaluate all of the plans in the class. The format will make comparisons for depth and comprehensiveness among all of the plans, a bit easier to achieve.

Finally, there is a certain amount of redundancy in a business plan. For example, descriptions of the products and services provided by your business are covered from a number of different perspectives in a number of different sections in a business plan. I believe there is some value in filling in each section, even though you might feel that you have already covered that issue. Each section of the business plan has certain nuances that might help you surface a critical success factor that might have not been apparent.

MODULE 2

BUSINESS DESCRIPTION: WHAT IS OUR BUSINESS?

PATH TO COMPLETE THE MODULE

1. Read the study guide section for this module
2. Do the assigned text and article readings
3. Read Web Theme 1 and do Exercises 2A
4. Read Web Theme 2 and do Exercises 2B
5. Do Application/Project 2.1 and discuss with the class
6. Submit Application/Project 2.2 to the instructor
7. Review and Lesson Synthesizer and Extensions in the study guide

PERFORMANCE OBJECTIVES

After completing this module students will be able to:

- Explore personal goals: The owner's imperative
- Describe the nature and type of business
- Describe the business concept
- Explore and goals and objectives of this business: The organizational imperative

OVERVIEW AND CRITICAL THEMES

In most small companies, the business is the owner. A critical aspect of going through the process of business planning is to help you judge whether the business will meet your future needs and goals. I believe there has to be a significant "alignment" between the owner's goals THE OWNER'S IMPERATIVE and the goals of the business THE ORGANIZATIONAL IMPERATIVE. I am assuming that you are going to be the owner of the business for the business plan you are generating. Since you are the owner, the

direction of the business will likely be determined by your needs, first. The bottom line is: If the business is not satisfying to you, why are you in it? Conversely, if this business is really satisfying to you, how can you insure this will continue?

There are a number of personal questions to explore that are important for planning a business.

What do you want from the business?

Ownership of a business provides many benefits: current income, income for your retirement, a sense of satisfaction, a place to go each day, something to do, a purpose for living, "free time," "being your own boss," opportunities to work with other people, new and interesting customers, etc.

What are your personal needs, wants, and goals?

It is important to separate the needs of the business, from your needs. First, decide what you have to have, your needs: e.g., income for shelter, clothing, food, etc. Second, determine what you want: e.g., more time to be with your family, time to yourself, more income, a long-term sustainable source of income. Third, determine what your personal goals are. Where do you want to be next year? Five years from now? Ten years from now? Finally, *For what do you want to be remembered?*

As you have imagined your business, does the business satisfy your needs? Why or why not?

Do you see the business meeting your future needs and goals? Why or why not?

I have found that each business has a "life of its own," that is, each business has a need for growth, a need for capital, an organizational structure, and a way to be operated, that might be very different from what the owner wants or desires. I call this need, the ORGANIZATIONAL IMPERATIVE. For example, your imperative might be to spend more time at home, so you would like to have the business be open a limited number of hours during the week and weekends. Yet, if you are operating a retail store, such as an audio-video equipment store, you will have the costs of a building, rent, etc. that need to be allocated over many customers that will visit the store each hour. The successful operation of an audio-video retail business might require that the business have technicians and staff available early in the morning and late at night to handle equipment drop-offs and pick-ups, or to answer questions from customers who are confused about the operation of their audio-video systems. The business may require a manager be on the premises of your store every hour that it is open. As the ways in which customers purchase audio-video products change, the store environment will need to be changed. In addition, the pressure from competitors offering a changing mix of new products and services will also impact the business. The investment to improve the business may require more capital than the owner wants to risk. But, the business will need this investment in order to compete successfully. These needs of the business are the organizational imperative.

There are a number of important questions to ask about the likely imperatives of the proposed business. What are the reasons this business exists? Offer reasons from the perspective of yourself, customers, employees, and suppliers. What are the results this business seeks to accomplish? What are the strengths of this business? What does this business do better than others? What are the weaknesses of this business? What does this business do that is ineffective compared to other businesses?

ASSIGNMENTS

Required Readings:

Dollinger, Marc J. Entrepreneurship: Strategies and Resource. pp. 364-506. (see 2.1 below)

Exercises (non-graded)

- 2A) Read the materials on personal planning. See the course web site for details on this assignment.
- 2B) Find business descriptions for companies pursuing similar opportunities to your idea. See the course web site for details on this assignment.

Applications/Projects (graded)

2.1) Comparing Business Descriptions

Look over the cases in Dollinger (2003), pp. 364-506. For this module, compare and contrast the ways that the nature, goals, and objectives of these businesses are described. How is the concept for each business presented? What differences, in the description of the business concept, do you find among these ten plans? Are these differences in descriptions of business concept due to the type of business or industry the plan focuses on? Do any of these business concept descriptions seem to communicate and engage the reader better than the others? Why? What are the goals of the entrepreneurs involved in this venture? What seem to be the reasons they are involved in pursuing this business opportunity?

The class will discuss the differences among the business descriptions of these ten plans, the business description format to be used for the business plan for this course, and the business descriptions in the web exercises. Class discussions for the eight modules will be graded as 10% of the total grade for this course.

2.2) The Business Plan: Business Description

Submit the first section of the business plan: Business Description to the instructor for feedback. Answer the questions for the "Business Description" section of the Business Plan Outline for MBA 543. The submission of this section of the business plan is worth 5% of the course grade.

Business Description

1. Describe the kind of business you are in.
2. Explain the goals and objectives of this business.
3. Describe your products/services in detail (customer need fulfilled, unique features, industry perception).
4. Discuss competitive products/services on the market (compare quality and features, why customers buy, pricing strategies).
5. Provide a chart that compares your product lines, product categories and your services to other product lines, product categories and services offered by competitors by price and benefits. Describe the benefits in detail. For example:

Product	Price	Benefit A	Benefit B	Benefit C...
Your Product	\$\$\$	Details	Details	Details...
Product X	\$\$	Details	Details	Details...
Product Y	\$\$\$\$	Details	Details	Details...
...				

Product	Price	Benefit A	Benefit B	Benefit C...
Your Service	\$\$\$	Details	Details	Details...
Product X	\$\$	Details	Details	Details...
Product Y	\$\$\$\$	Details	Details	Details...
...				

6. Indicate the business' mix of products/services by % of sales.
7. Summarize the expected costs and profits for product line, product category and service.
8. Assess the life cycle of each product line, product category and service.

LESSON SYNTHESIZER AND EXTENSIONS/CHALLENGES

The typical feeling you are likely to have upon turning in the first section of the business plan is a sense of "terror" in realizing the number of "gaps" and "missing information" you might have in your knowledge of the business you are planning to start. As was mentioned in the first module, the business plan is like a puzzle. Each part of the plan adds new pieces to the picture of your business. As you develop one section of the plan, information is also provided to help you make decisions about other sections of the plan. At this point in the process, it is better to know what you don't know, about your business.

It is really important that the business you are planning to start is in alignment with your personal goals. Starting a business that will not fulfill a passion in your life is not a wise choice. Business creation requires too many hours of your life to assume that the future monetary rewards from starting this business will sufficiently compensate you for the time and hassle involved now. Please insure that you are pursuing a business that you are passionate about.

Annual reports and company information supplied to the Security and Exchange Commission provide a substantial amount of insight into how organizations articulate their business concepts. In addition, most industries are followed by analysts at investment firms. Their reports can offer additional insights into how various companies are described in terms of their concept and business description.

MODULE 3

MARKETING ANALYSIS: WHO ARE OUR CUSTOMERS?

PATH TO COMPLETE THE MODULE

1. Read the study guide section for this module
2. Do the assigned text and article readings
3. Read Web Theme 1 and do Exercises 3A
4. Read Web Theme 2 and do Exercises 3B
5. Do Application/Project 3.1 and discuss with the class
6. Submit Application/Project 3.2 to the instructor
7. Review the Lesson Synthesizer and Extensions in the study guide

PERFORMANCE OBJECTIVES

After completing this module students will be able to:

- Describe current and potential types of customers (i.e., Who are they? Why will they purchase? What is their sensitivity to price, quality, service, and benefits?)

OVERVIEW AND CRITICAL THEMES

The identification of customers for the business is probably the most important activity of the business planning process. The customer section of the business plan provides information, and a logic, for supporting the "Sales" forecasts in the financial statements. The reliability and validity of the sales forecast depends on a thorough understanding of who your customers are and the reasons they will purchase the business' products and services. In an ideal situation, you would want commitments from customers to purchase products (i.e., purchase orders) as evidence of demand.

It is worth reviewing the strategies and tactics for identifying, marketing, and selling to prospective customers that was learned in MBA 541 and 542. Interviewing actual customers is very important for

describing the reasons that customers buy, as well as the "selling cycle" for contacting customers to receiving payment. The activities involved in moving from first customer, to second customer, to tens, then hundreds of customers is another important consideration when estimating sales for the business.

As with all of the sections of the business plan, the evidence and logic you offer for convincing your reader about the reliability and validity of your findings, is very important. What facts have you found that will convince the reader of your plan that your estimates of the number of customers who will purchase your products or services is accurate? What facts are missing? Why are those facts missing?

ASSIGNMENTS

Required Readings:

Dollinger, Marc J. Entrepreneurship: Strategies and Resource. pp. 364-506. (see 3.1 below)

Exercises (non-graded)

- 3A) Review the materials on marketing research. See the course web site for details on this assignment.
- 3B) Find descriptions of customers for companies pursuing similar opportunities to your idea. See the course web site for details on this assignment.

Applications/Projects (graded)

3.1) Descriptions of Customers

Look over the cases in Dollinger (2003), pp. 364-506. For this module, compare and contrast the ways that customers are described (location, demographics, purchase reasons, sensitivity to price, quality, service, and benefits). How are the customers for each business presented? What differences, in the description of these customers, do you find among these ten plans? Are these differences in descriptions of customers due to the type of business or industry the plan focuses on? Do any of these customer descriptions seem to communicate and engage the reader better than the others? Why? Do some of these plans provide more convincing evidence about customers than the other plans? What kinds of evidence are likely to convince you of the accuracy of these sales forecasts? (Assessment as part of class participation grade.)

The class will discuss the differences among the customer descriptions of these ten plans, the customer description format to be used for the business plan for this course, and the customer descriptions in the web exercises. Class discussions for the eight modules will be graded as 10% of the total grade for this course.

3.2) **The Business Plan: Customers**

Submit the "Customer" section of the business plan: Market Analysis/ Market Strategy to the instructor for feedback. Answer the questions for the "Customer" section of the Business Plan Outline for MBA 543. The submission of this section of the business plan is worth 5% of the course grade.

Market Analysis/ Marketing Strategy (Customer Section)

1. Describe current and potential types of customers: (a) Who are they? (location and demographics), (b) Why will they purchase?, (c) What is their sensitivity to price, quality, service, features?

LESSON SYNTHESIZER AND EXTENSIONS/CHALLENGES

Your business will have a number of different customer groups besides the people who buy your products and services. Academics label these people as stakeholders. A stakeholder has some interest (stake) in the operation of your business. Stakeholders of your business would be groups such as the business' employees, the government (taxes, licenses, regulations - OSHA, ADA), other merchants, suppliers, competitors, and local charities. I like to categorize customer groups into two types: primary customers - those people who buy your products and services, and secondary customers - those people who have some interest in the operation of your business.

Who are your primary customers? What do your primary customer groups value? What value do you provide to each of these primary customer groups? Do the strengths of the business match what each primary customer group values? Why or why not? Who are your secondary customers? What other groups of people affect your business? What do your secondary customer groups value? Do the strengths of the business match what each secondary customer groups values? Why or why not? What other groups of customers should this business be serving? Why? What are the strengths of the business that would benefit these customers?

I believe that convincing evidence of knowledge of customers requires documentation that dozens, if not hundreds of potential customers have been contacted and interviewed. In depth interviews will offer proof of reasons that customers will purchase your products of services, as well as reasons for their sensitivity

to price, quality, and other benefits. The more evidence that can be offered that the estimates of sales offered in the financial statements are not "guesses," the more likely your plan is not just wishful thinking.

MODULE 4

MARKETING ANALYSIS: WHO ARE OUR COMPETITORS?

PATH TO COMPLETE THE MODULE

1. Read the study guide section for this module
2. Do the assigned text and article readings
3. Read Web Theme 1 and do Exercises 4A
4. Read Web Theme 2 and do Exercises 4B
5. Do Application/Project 4.1 and discuss with the class
6. Submit Application/Project 4.2 to the instructor
7. Review the Lesson Synthesizer and Extensions in the study guide

PERFORMANCE OBJECTIVES

After completing this module students will be able to:

- Describe the market (i.e., size, growth rate, history, forecast of the future, trends.)
- Describe the competition (list major participants by Critical Success Factors).

OVERVIEW AND CRITICAL THEMES

Most entrepreneurs will be developing businesses in an established market. That is, an already identifiable base of customers and competitors serving those customers exists. Often, new products and services are offered to an established group of customers who have unmet needs, or insufficiently met needs. Determining sales forecasts for markets and customers that don't yet exist, is a quick way to create a non-viable business. All businesses need to have identifiable customers because a business will need sales in order to survive. If your business depends on developing a base of customers over a long period of time, consider whether you will have sufficient resources to engage in this process. Having readily identifiable customers is important for generating sales. And, all businesses have identifiable

competitors. Describing the characteristics of the market requires efforts towards finding industry studies, as well as industry experts who can validate forecasts for future changes in the growth of the market.

Individuals who are considering selling a new product or service often believe that they have no competition, and that their new company will be wildly successful because no other competitor offers a similar product or service. **WRONG!** All products and services have competition. All products and services have substitutes. What entrepreneurs create are businesses that offer products and services that offer some competitive advantages over other competitors. It is rare that a business can create a product or service that will customers will immediately purchase without a comparison to other products or services already on the market. If you cannot identify your competition or substitutes, you need to devote substantial efforts to this task.

The intellectual framework that many strategists have used for exploring the competitive dynamics of their industry is Michael E. Porter's Competitive Strategy, published in 1980 by the Free Press. This book uses information from a branch of economics called "Industrial Economics" to specify a set of rules that govern whether a particular company can/will be successful in a particular industry. One of the primary tenets of this book is that the profitability of a business is often determined by the characteristics of its industry. For example, nearly all companies in the pharmaceutical industry are very profitable, while companies that are in industries such as farming and coal mining are less likely to be very profitable. We review some of the reasons that determine whether an industry will be profitable, or not. In addition, we cover some of the ways a business might take advantage of the structure of its industry to develop a "sustainable competitive advantage."

There are five forces that drive industry competition: direct competitors, the threat of new entrants, substitute products/services, the power of suppliers, and the power of customers.

Direct Competitors - Rivals Industries that are more competitive, that is, industries that have lower overall profitability (i.e., lower margins), are likely to be composed of firms that have: (1) Numerous or equally balanced competitors, (2) Slow industry growth, (3) High fixed costs, (4) Lack of differentiation or switching costs, (5) Capacity augmented in large increments, (6) Diverse competitors - each company seems to be playing by different rules of the game, (7) High strategic stakes, and/or High exit barriers such as: high fixed costs to exit, specialized assets, emotional barriers, government and social restrictions, strategic interrelationships.

Threat of Entry - Possible New Competitors "Barriers to Entry" are ways to keep possible new competitors out of your industry. High barriers to entry should lead to high profits. Some ways that barriers to entry might be attained are through: (1) Economies of Scale, (2) Product/Service Differentiation, (3) Capital Requirements, (4) Switching Costs, (5) Access to Distribution Channels, (6)

Government policy, (7) Cost Disadvantages Independent of Scale, such as: proprietary technologies or products, location, and "the learning curve."

Substitute Products/Services Substitute products/services perform the same "function" as the products/services in your industry. For example, a new boat, a ski vacation in Colorado, or a home computer, might all be considered as substitutes for a home audio/video entertainment system. Substitute products/services can become a major factor in determining the profitability of an industry if the price/performance ratio changes between your product/services and the substitutes. For example, could airfares decline to the point where the costs of a ski vacation are substantially less than they are now? Could the cost of boats decline? How will the functions, price, and capabilities of home computers affect sales of home audio/video entertainment systems? If the value of your product/services is perceived to decline relative to other substitutes, your industry will become less profitable.

Power of Customers Customer power is the ability to drive prices lower, insist on higher quality and service, and create bidding wars among various competitors. Customers are powerful if: (1) Purchases are perceived as "standard" or undifferentiated, (2) There are few switching costs, (3) If customers can integrate backward (do what you do, such as, buy direct from the manufacturer or rep, and service and install the products themselves), and (4) If the industry's products/services are unimportant to the buyer.

Power of Suppliers Suppliers have power if they can unilaterally raise prices or reduce quality. A supplier group is powerful if: (1) The supplier group is more concentrated than the industry it sells to, (2) It does not have to contend with other substitutes to sell to your industry, (3) Your industry is not an important customer to them, (4) The supplier's product is a critical input for the success of your industry, (5) The supplier's products have switching costs, (6) The supplier group can forward integrate (do what you do, set up their own retail stores).

Having a competitive strategy is being able to find (or create) a position that you can defend and maintain. The primary measure of a successful competitive strategy is that your company is able to generate profits. The two basic generic competitive strategies are: (1) Low cost - sell the most for less (economies of scale), (2) Differentiation - have a unique product/service customer niche that other companies will have difficulty duplicating or acquiring.

The underlying issues that an entrepreneur is exploring when considering market size and competition are: Is the market large enough (are there enough customers) for your business to earn the kinds of profits to warrant investment? How are you different (better) than your competitors? What do you do better than other competitors? What will it take for a competitor to gain that same competitive advantage as your business?

ASSIGNMENTS

Required Readings:

Dollinger, Marc J. Entrepreneurship: Strategies and Resource. pp. 364-506. (see 4.1 below)

Exercises (non-graded)

- 4A) Review the materials on industry and competitor analysis. Find industry reports for the kind of business you are pursuing on the web. See the course web site for details on this assignment.
- 4B) Find descriptions of customer benefits that your competitors offer. See the course web site for details on this assignment.

Applications/Projects (graded)

4.1) Descriptions of Markets and Industries

Look over the cases in Dollinger (2003), pp. 364-506. For this module, compare and contrast the ways that the market (size, growth, history, forecast for the future, trends) and the competition (direct rivals, substitutes, barriers to entry, role of innovation) are described. How are the markets and competition for each business presented? What differences, in the description of the markets and competition, do you find among these ten plans? Are these differences in descriptions of markets and competition due to the type of business or industry the plan focuses on? Do any of these market and competition descriptions seem to communicate and engage the reader better than the others? Why?

The class will discuss the differences among the market and industry descriptions of these ten plans, the market and industry format to be used for the business plan for this course, and the market and industry descriptions in the web exercises. Class discussions for the eight modules will be graded as 10% of the total grade for this course.

4.2) The Business Plan: Market and Competition

Submit the "Market and Competition" sections of the business plan: Market Analysis/ Market Strategy to the instructor for feedback. Answer the questions for the "Market and Competition" sections of the Business Plan Outline for MBA 543. The submission of this section of the business plan is worth 5% of the course grade.

Market Analysis/ Marketing Strategy (Market and Competition)

2. Describe your market: (a) Size, (b) State of growth, (c) History, (d) Forecast for future, (e) Trends.
3. Describe your competition (list major participants by Critical Success Factors - CFS).
 - a) Provide a chart that compares your company to your competitors. For example:

Company	CSF1	CSF2	CSF3...
Your company	Details	Details	Details...
Competitor A	Details	Details	Details...
Competitor B	Details	Details	Details...
...			

- b) Discuss the chart and point out strengths and weaknesses of your company and your competitors.
- c) Describe the barriers to entry and growth in this industry.
- d) How will changes in the economy affect the industry?
- e) What is the role of innovation and change?
- f) What roles does government regulation play?

LESSON SYNTHESIZER AND EXTENSIONS/CHALLENGES

An ability to thoroughly describe the characteristics of the industry that your company will be competing in, as well as the details about the competitors in this industry will help convince others about the thoughtfulness and thoroughness of your preparation to start your company. Naïve entrepreneurs often underestimate the power of competitors and companies offering substitutes to change and adapt their products and services to meet the competitive threats of new entrants. Naïve entrepreneurs often underestimate the loyalty of customers to established companies, goods and services.

One way to consider the value of conducting a thorough industry analysis is to view the descriptions of competitors and substitutes as "background" for celebrating the benefits of your company's products and services. The more detail you can provide about other products and services on the market, the more information you have available to make valid and insightful comparisons with your company's offerings.

It should also be noted that descriptions of competitors and substitutes should honestly recognize their strengths, as well as weaknesses. Often, entrepreneurs fail to admit that their competition is formidable and that their competition does offer products and services that provide many benefits to customers. Smart entrepreneurs recognize their competitors' strengths. An established company has typically been in business because they are doing something right for their customers. Accurately describing why your competitors are successful can help you generate arguments for how your company can successfully compete as well. Your company may be selling to different customers, or your company may offer benefits that other companies are not able to provide.

MODULE 5

MARKETING STRATEGY: HOW WILL WE DELIVER VALUE TO OUR CUSTOMERS?

PATH TO COMPLETE THE MODULE

1. Read the study guide section for this module
2. Do the assigned test and article readings
3. Read Web Theme 1 and do Exercise 5A
4. Do Application/Project 5.1 and discuss with the class
5. Submit Application/Project 5.2 to the instructor
6. Review the Lesson Synthesizer and Extensions in the study guide

PERFORMANCE OBJECTIVES

After completing this module students will be able to:

- Describe sales goals and their rationale (i.e., strategies for identifying, targeting and attracting customers; distribution; advertising and promotion; pricing; selling)

OVERVIEW AND CRITICAL THEMES

The focus of this section of the business plan is on "how." How will specific customers be identified? How will specific customers be targeted? How will these customers be attracted to purchase products/services? The purpose of this section is to identify the specific activities the business will undertake to generate sales. The reader of the business plan needs to be "walked through" the entire process of identifying customers to collecting the cash from the purchase to providing ongoing service (if the purchase requires it). Details, details, details. The success of the business will depend on how these details about sales are executed.

A stage model is likely to be the most viable way for describing the activities involved in identifying, targeting and attracting customers. A stage model begins with describing how the first customer is

identified and sold to. The second stage involves how the second and third customers are identified and sold to. The third stage involves how additional customers are found, etc. As customers accumulate, they will likely reflect a pattern of similar characteristics. Patterns of similar customers emerge as a "target market." From these specific target markets, groups of customers form into the business' total market. A strong business plan can picture each customer in detail, and describe all of the activities involved in the sales process.

Some the specific details that will be covered in this section of the plan involve making determinations about advertising and promotion. If sufficient effort has been undertaken in the section on identifying customers, you will have completed numerous personal interviews of potential customers. These interviews will provide you with the information you need to describe how they are alerted to new products and services and how they are likely to be reached through advertising and promotion. Some products and services will need to be sold through personal selling (e.g., medical supplies and pharmaceuticals), while other products might require an advertising campaign (e.g., groceries and soft drinks). Your customers will tell you how they buy.

It is also likely that the purchase process involves a channel of distribution from your business to a final customer. You will need to describe how the business' products and services will reach your final customer and how each link in this distribution process will be sold to. For example, if your product/service requires an intermediary, such as a wholesaler, or a value added reseller in order to reach your final customer, this section of the business plan will describe how these intermediaries will be satisfied. What kinds of incentives will these intermediaries need to sell and service your products and services? How will these intermediaries be supported to insure they can accomplish the sales goals your have specified?

If your business will depend on an internal sales force, the business plan will describe how these individuals will be hired, trained and rewarded. If the business will use manufacturers' representatives, or other kinds of intermediaries, the plan will describe how these companies will be selected and how these companies will be given sales support and training to insure that your products and services will be actively sold and serviced.

From the previous section in the business plan, on the business' industry, you will have detailed information on the pricing policies of your competitors (price, terms, credit policy, service and warranty policies) so that you will able to differentiate your business from others. In addition, you will be able to offer reasons for why the industry prices products at certain levels and why the margins for certain products and services are as they are.

For businesses that are selling products to customers through a retail channel, you will describe the details of your merchandising strategy. How will products be sold in retail environments? Will the product

require packaging? How will the product be displayed by retailers? What kinds of incentives might be required for retailers to actively sell your products?

Finally, please insure that all of these tactics involved in identifying and selling to customers make "sense," as a whole. For example, if a certain customer type is identified, are the methods for attracting these customers consistent with the places these customers purchase products and services? Do these customers require service and warranties that are covered in the price of the product offered?

ASSIGNMENTS

Required Readings:

Dollinger, Marc J. Entrepreneurship: Strategies and Resource. pp. 364-506. (see 5.1 below)

Exercises (non-graded)

5A) Find descriptions of how companies go about selling to customers on the web. See the course web site for details on this assignment.

Applications/Projects (graded)

5.1) Descriptions of Sales Goals and Marketing Tactics

Look over the cases in Dollinger (2003), pp. 364-506. For this module, compare and contrast the ways that sales goals and objectives are identified and achieved. How are the sales goals for each business presented? What differences, in the description of the sales goals do you find among these ten plans? Are these differences in descriptions of the sales goals due to the type of business or industry the plan focuses on? Do any of these sales goals descriptions seem to communicate and engage the reader better than the others? Why? How important is describing the process of identifying, targeting, attracting, and selling to customers for convincing you that this company can achieve its sales goals?

The class will discuss the differences among the sales goals descriptions of these ten plans, the sales goals description format to be used for the business plan for this course, and the sales goals descriptions in the web exercises. Class discussions for the eight modules will be graded as 10% of the total grade for this course.

5.2) The Business Plan: "Sales Goals"

Submit the "Sales Goals" section of the business plan: Market Analysis/ Market Strategy to the instructor for feedback. Answer the questions for section 4 a-f (Describe sales goals and their rationale) of the Business Plan Outline for MBA 543. The submission of this section of the business plan is worth 5% of the course grade.

Market Analysis/ Marketing Strategy (Sales Goals Section)

4. Describe sales goals and their rationale:
 - a) How will you identify, target and attract customers?
 - b) For advertising and promotion, where (media selection) will you spend your dollars? How much will you spend? How often will you spend? What is your message? How will you measure the results?
 - c) What are your pricing options? (price, terms, credit policy, service and warranty policies)
 - d) Who will sell the product and what kind of training is needed to enable them to be effective?
 - e) What is your merchandising strategy?
 - f) Is there "congruence" among your advertising and promotion strategy, pricing options, selling strategy, and merchandising strategy?

LESSON SYNTHESIZER AND EXTENSIONS/CHALLENGES

The "Sales Goals" section of the business plan provides some of the strongest evidence about the entrepreneur's understanding of how the business will be successful. The "Sales Goals" section of the plan offers concrete information about the entire process of generating sales. Knowing that the possible market for a product/service may have a potential in the millions is important, but showing how sales will specifically be achieved is critical. Being able to demonstrate to a reader that you have detailed knowledge of the entire sales process is a significant undertaking. Yet, describing all of the details of identifying, targeting, attracting, and selling to customers insures that sales to customers will likely occur. An in-depth and comprehensive description of all of the details of the selling process is a significant indicator that the business will be viable and successful.

MODULE 6

MANAGEMENT/ORGANIZATION/ OPERATIONS/EXECUTION: HOW WILL WE DELIVER VALUE TO OUR CUSTOMERS?

PATH TO COMPLETE THE MODULE

2. Read the study guide section for this module
3. Do the assigned text and article readings
4. Read Web Theme 1 and do Exercises 6A
5. Do Application/Project 6.1 and discussion with the class
6. Submit Application/Project 6.2 to the instructor
7. Review the Lesson Synthesizer and Extensions in the study guide

PERFORMANCE OBJECTIVES

After completing this module students will be able to:

- Identify the key skills required for this business to succeed.
- Identify the key managers (and employees) who have these key skills
- Identify strategies for attracting and retaining key personnel.
- Identify other experts and advisors that are important to the company
- Describe how the business will sell its product and deliver its service.
- Describe the kinds of training for sales and service personnel are necessary to attract and retain customers.

- Describe critical elements, likely bottlenecks, quality, supply, sales, service, delivery, inventory, and cash flow issues.
- Identify necessary resources and equipment likely to be required.
- Identify the systems (e.g., sales management, inventory control) necessary to operate the business.
- Provide a timeline of important activities that were identified in other parts of the plan.

OVERVIEW AND CRITICAL THEMES

The focus of the Management and Organization, Operations, and Execution sections of the business plan is to describe, in detail, how the business will implement the activities necessary for business success. These sections of the plan should provide the necessary information to enable the reader to see how the business will conduct its day-to-day operations. These sections of the plan are often very difficult to write. It will require an imagination and significant "due diligence" to describe the operations of the business in a concrete way. After writing these sections of the plan, an entrepreneur should have a very detailed understanding of how the business will operate. Entrepreneurs who assume that they can learn about the operation of their business as the business "emerges" will have some costly lessons. The failure to recognize that an emerging business can face critical problems (e.g., suppliers fail to deliver critical parts, equipment failure, manufacturing problems, incompetent and poorly monitored employees, customers who fail to pay on time) can easily overwhelm a fledgling firm. These sections of the business plan indicate to the reader that the entrepreneur is prepared for success by knowing what to do when things go wrong.

The Management and Organization section of the business plan identifies all of the key managerial and organizational skills necessary to run the business and links these skill sets to positions within the organization. In addition, the plan should identify which individuals who are a part of the startup team have these necessary skills. If the existing management team does not have all of the necessary skills, then, the plan needs to outline how critical personnel will be hired and compensated. The Management and Organization section of the business plan will provide organization charts of duties and responsibilities for the present as well as the next few years of growth. There should be some discussion of the sequence of critical people who will be hired, and the process for hiring these individuals. Few startups will have a team of individuals who have all of the necessary skills to successfully operate the business. Be honest about weaknesses in the skills and abilities of the current management team. Show how these weaknesses will be solved by how you will hire employees, consultants, or advisors. The experts and advisors that an entrepreneur uses for assisting the business is a strong indicator that the business will be successfully managed. Provide descriptions of critical outside board members, advisors, and consultants, lawyers, and accountants. Describe how these individuals are involved in the management of the business and provide information on how these individuals are compensated.

The Operations section of the business plan provides a detailed description of all of the activities necessary to run the day-to-day operations of the business. We will outline some of the issues important for firms that makes and sells products as well as for service businesses. For manufacturing firms, this section of the plan will describe the entire manufacturing process: from the purchase of raw materials to the sales and service of the product in the field. The reader should be "walked through" the factory. Critical problems that might occur in the manufacturing process should be identified and solutions for these issues should be offered. An often ignored issue in managing a business is determining cash flow needs. The operations section will identify the payment terms specified by suppliers for parts and raw materials as well as the likely time the business will need to collect cash from customers. Identify all critical suppliers and provide evidence that critical parts and raw materials will be delivered on time. Identify important machines and equipment that will be necessary for the manufacturing process. Identify the kind of business necessary to house these machines, as well as requirements for space of raw materials, work in process, and finished good inventory. Show how all critical machines will be located in the factory and identify all individuals who will be operating these machines. Indicate how all critical machinery will be repaired and identify alternative methods of production of critical machinery is "down."

For service businesses, describe, in detail, how the services will be provided. Identify the individuals responsible for providing services to customers and describe all the tasks necessary for insuring customer satisfaction. How will service personnel be managed from initial customer contact through payment? How will quality control be undertaken? What kinds of support systems and equipment will service personnel need to complete their assignments?

For all businesses, provide a description of the accounting and control systems necessary to operate the business. Who will be responsible for managing the company's assets and cash? How will cash accounts be monitored to prevent fraud and malfeasance? How will inventory and supplies be managed? Are there important business licenses and permits that are necessary to operate the business? Will the location of the business need to be inspected?

What kinds of measurement systems will the business have to insure that the business is successful? What are the key "metrics" that will be used monitor the business' critical success factors? What are the key indicators that the business is on the path to success? What are the key indicators that the business is failing? What kinds of activities will be undertaken if the business appears to be failing?

The Execution Plan section of the business plan will indicate all of the critical milestones in the life the organization. When will critical employees be hired? When will a building and offices be rented or purchased? When will machinery be purchased and installed? When will training for key manufacturing and service tasks be undertaken? A time line will help the entrepreneur identify the critical events that are necessary for business success and the correct sequence of some of these events. For example, the manufacture of a product will require that raw materials and parts be ordered and delivered beforehand,

as well as having all of the machinery installed and operating properly. Few machines, and few systems work properly immediately. The time line will identify the critical path of events that will likely delay the successful operation of the business.

It is well worth the effort involved to describe a series of contingency plans for likely problem situations in the business. What will happen if a key part necessary for the manufacture of your product is not delivered? Will you manage this problem by having a substantial inventory of this product, or, will you have identified alternative sources of supply? What will occur if a critical machine breaks down? What will occur if renovations to your plant and offices are late? What if critical permits and licenses are delayed? What will occur if a key employee quits? Will your business have the resources, skills and capabilities to weather foreseen problems? If you have not considered that problems will occur, why not? Startups tend to follow Murphy's Law: Any thing that can go wrong, will. Are you prepared?

ASSIGNMENTS

Required Readings

Dollinger, Marc J. Entrepreneurship: Strategies and Resource. pp. 364-506. (see 6.1 below)

Exercises (non-graded)

- 6A) Find descriptions of how companies have described their management, organization, operations, and execution plans on the web. See the course web site for details on this assignment.

Applications/Projects (graded)

6.1) Descriptions of Management and Organization, Operations, Execution Plans

Look over the cases in Dollinger (2003), pp. 364-506. For this module, compare and contrast the ways that Management, Organizational, Operations, and Execution issues are identified and achieved. How are these issues for each business presented? What differences, in the description of these issues do you find among these ten plans? Are these differences in descriptions of these issues due to the type of business or industry the plan focuses on? Do any of these Management, Organizational, Operations, and Execution descriptions seem to communicate and engage the reader better than the others? Why?

The class will discuss the differences among the Management and Organization, Operations, and Execution plan descriptions of these ten plans, the format of these sections to be used for the

business plan for this course, and the descriptions of Management and Organization, Operations, and Execution plans found in the web exercises. Class discussions for the eight modules will be graded as 10% of the total grade for this course.

6.2) **The Business Plan: "Management and Organization, Operations, Execution"**

Submit these sections of the business plan: Management and Organization, Operations, Execution Plan to the instructor for feedback. Answer the questions for these sections of the Business Plan Outline for MBA 543. The submission of this section of the business plan is worth 5% of the course grade.

Management and Organization

1. What are the key skills required for this business to succeed?
2. Who are the key managers (and employees) who have these key skills and what are their backgrounds? (Provide resumes in the Appendix)
3. If you don't have all the key personnel, how will you attract them?
4. What other experts and advisors are important to the company?

Operations

1. How will the business sell its product and deliver its service? (Describe how the sales and service functions are undertaken, the personnel needed to accomplish these tasks and the training necessary for each role.)
2. What kinds of training for sales and service personnel are necessary to attract and retain customers?
3. Describe critical elements, likely bottlenecks, quality, supply, sales, service, delivery, inventory, and cash flow issues.
4. Identify necessary resources and equipment likely to be required.
5. Identify the systems (e.g., sales management, inventory control) necessary to operate the business.

Execution Plan

1. Provide a timeline of important activities that were identified in other parts of the plan. The time line will show that your activities are internally consistent and coordinated with the financial projections.

LESSON SYNTHESIZER AND EXTENSIONS/CHALLENGES

Many entrepreneurs are "big picture" visionaries: Good at seeing and selling the possibility of success and opportunity. The ability to grasp the specific details necessary to achieve these opportunities often requires a different mindset and skills. The successful development and growth of a business will require attention to these details. If the Management and Organization, Operations, and Execution sections of the business plan are written thoroughly, the ideas and vision of the business will come to life. The reader of the plan should be able to see how all of the aspects of the business are connected, and how the business will operate in a way that it will be successful. Invariably, as the business develops and grows, there will be unforeseen problems and issues that will come to the forefront that were not considered in the business plan. The entrepreneur who is prepared to solve problems, no matter what kinds they are, beforehand, will be better prepared to solve unforeseen issues and circumstances that will eventually arise. Show that you are prepared.

MODULE 7

FINANCIAL PLAN: HOW WILL WE MEASURE THE RESULTS?

PATH TO COMPLETE THE MODULE

1. Read the study guide section for this module
2. Do the assigned test and article readings
3. Read Web Theme 1 and do Exercises 7A
4. Read Web Theme 2 and do Exercises 7B
5. Do Application/Project 7.1 and discussion with the class
6. Submit Application/Project 7.2 to the instructor
7. Review the Lesson Synthesizer and Extensions in the study guide

PERFORMANCE OBJECTIVES

After completing this module students will be able to:

- Present prospective financial information for next two to five years (i.e., income statements, balance sheets, cash flow statements).
- Provide key assumptions for all financial statements.
- Link financial statements to key industry ratios and standards.
- Identify financing needs

OVERVIEW AND CRITICAL THEMES

The financial plan section of the business plan looks to be the most daunting aspect of the planning process because of the myriad of forms and numbers that are required. There is a strong temptation to create a set of financial documents and reports by using formulas with estimations of growth rates as a quick way to insure that all of the numbers are filled in. For example, it is easy to create a series of

scenarios with "good, better, best" estimations for sales and expenses, where good might be a 5% growth rate, better is a 15% growth rate, and best is a 50% growth rate. Using formulas to create the numbers in a financial spreadsheet can quickly complete the financial plan. Yet, it is far better to struggle through the logic involved in generating each number. Please, do not use formulas for determining changes to any figures in the financial statements.

A good strategy for completing all of the financial statements for the financial plan section of the business plan is to "start at the end." First begin by identifying all of the specific financing needs of the business. Identify specific cash outlays and when these cash outlays must occur. For example, list out the cash outlays for salaries, rent, purchases of raw materials, machines, and all other expenses and capital investments. Identify when, specifically, these cash outlays will occur. In addition, identify when you will be receiving cash inflows through investments, loans, and the collection of cash sales and accounts receivables. These figures are the basis of your cash flow statement. The cash flow statement should be the fundamental operating document for the day-to-day management of the business. Without cash, the business will be unable to meet its financial obligations. Insuring that the business has sufficient cash reserves is, therefore, critical.

For each figure listed in the financial statements, provide a footnote for how this figure was arrived at. For example, if cash is used to purchase equipment, reference the operations section of the business plan that describes this equipment. You should also prepare an appendix that would include documents describing the details of this equipment: price, where the equipment will be purchased, maintenance agreements, and any other important technical data. For sales and expense estimates on the income statement, reference the marketing sections of the business plan that describe how sales forecasts were generated. You should also submit materials in the appendix that will support how these sales estimates were validated (e.g., purchase orders from prospective customers, marketing research reports). For your own benefit, you want to know which figures in the financial statements are "solid," and which figures are guesses. The goal is to derive financial estimations that can be substantiated with evidence and logic.

An important source for supporting your financial estimations is information on key industry ratios and standards. The two web exercises for this module should be helpful for gathering this information. During this course you have been finding companies that are similar to your proposed business. The financial information you have gathered about these companies can be used to support your financial estimates. And, a number of financial services companies offer comparative financial statistics on businesses in various industries. These financial ratios can provide evidence that your business is within similar industry financial ratios and parameters. If your financial estimations are outside of industry norms, you will need to offer explanations for these differences.

If the business plan is being generated for a business that is already in operation, you will need to provide past financial information for the last two to five years. Provide financial information that helps the reader

understand how the business has operated successfully (or not) in the past, and describe the reasons for why certain financial figures are, as they are. Again, footnote these financial statements. Offer reasons for why certain financial figures have occurred.

You will be generating prospective financial statements for two to five years. The estimations should cover a sufficient number of years so that some determination can be made about the likely profitability of the firm, as well as its cash flow needs. It is important to generate some accuracy regarding the amount of cash that will be needed for the business and when this cash will need to be invested. The date when positive cash flow occurs is a very important milestone. Make sure to generate financial estimates that go at least two years beyond the date of positive cash flow. Important financial statements to include are: Income statements, balance sheets, cash flow statements, sources and uses of funds, and a list of all capital equipment and the dates and prices of purchase.

For this course, prepare statements showing monthly figures for the first year, and quarterly figures for subsequent years.

ASSIGNMENTS

Required Readings

Dollinger, Marc J. Entrepreneurship: Strategies and Resource. pp. 364-506. (see 7.1 below)

Exercises (non-graded)

- 7A) Find financial statements on the web of companies that are similar to your business. See the course web site for details on this assignment.
- 7B) Find key financial ratios and standards on the web for firms in your industry. See the course web site for details on this assignment.

Applications/Projects (graded)

7.1) Descriptions of Financial Plans

Look over the cases in Dollinger (2003), pp. 364-506. For this module, compare and contrast the ways that financial issues are identified and described. How are these issues for each business presented? What differences, in the description of these issues do you find among these ten plans? Are these differences in descriptions of the financial issues due to the type of business or

industry the plan focuses on? Do any of these financial descriptions seem to communicate and engage the reader better than the others? Why?

The class will discuss the differences among these ten financial plans, the format of the financial plan section of the business plan to be used in this course, and the financial plans found in the web exercises. Class discussions for the eight modules will be graded as 10% of the total grade for this course.

7.2) **The Business Plan: Financial Plan**

Submit this section of the business plan: Financial Plan to the instructor for feedback. Answer the questions for the Financial Plan section of the Business Plan Outline for MBA 543. The submission of the business plan is worth 5% of the course grade.

Financial Plan

1. Present any past financial statements for the past two to five years
2. Present prospective financial information for next two to five years: Income statements, balance sheets, cash flow statements. Prepare statements showing monthly figures for the first year and quarterly for years 2 to 5.
3. For all financial statements, provide key assumptions, such as your goals for profits and sales. The best way to do this is to footnote all items.
4. Link your financial statements to key industry ratios and standards.
5. Identify your financing needs

LESSON SYNTHESIZER AND EXTENSIONS/CHALLENGES

Don't succumb to the temptation to complete the financial plan by generating a bunch of numbers through formulas and guesses. The numbers in financial statements are meaningless without evidence. Footnote all key numbers in the financial statements. Describe how these numbers were arrived at. References to other sections of the business plan should be used to support key numbers. Information in appendixes can support how sales and expense figures were generated.

For the purposes of this course, numbers that cannot be supported through evidence, or logic, should be referenced as "guesses." It is important to see what figures in the financial plans are "real" or not. The process of generating the numbers in the financial plan should provide many helpful indications about

what you actually know about your business, and what you don't. For your sake, don't pretend to know information that you don't. If you are having problems generating specific numbers for parts of the financial plan, these problems are a good indication that you have undertaken insufficient research on previous business plan sections.

MODULE 8

USING THE BUSINESS PLAN

PATH TO COMPLETE THE MODULE

1. Read the study guide section for this module
2. Do the assigned text and article readings
3. Read Web Theme 1 and do Exercises 8A
4. Read Web Theme 2 and do Exercises 8B
5. Do Application/Project 8.1 and discuss with the class
6. Submit Application/Project 8.2 to the instructor
7. Review the Lesson Synthesizer and Extensions in the study guide

PERFORMANCE OBJECTIVES

After completing this module students will be able to:

- Using the plan for managing and growing the business
- Using the plan for acquiring resources
- Using the plan for attracting and retaining employees
- Using the plan for guiding the organization

OVERVIEW AND CRITICAL THEMES

The majority of your attention and efforts for this course module will likely be directed towards completing the business plan and submitting it to the instructor. As you strive to complete all of the sections and appendixes of the business plan, it is well worth considering the different ways that business plans can be used. The activities of this course have generated a substantial amount of information about your business. The exercises in module one offered various formats for how this information could be presented to different audiences. This module explores how this information can be used to attract resources, hire employees, and operate the business.

A business plan can have different audiences: yourself, investors, suppliers, customers, and employees. As you look over the business plans presented in Dollinger, and in the web exercises, explore how these plans might be different because their audiences are different. In some respects, every business plan is different, not only because each plan represents a unique business, but also because each business plan has a unique audience. Understanding the needs of these different audiences is important if the purpose of the business plan is to convince these other potential stakeholders to invest, or participate in the prospective business. How are business plans likely to be different for different kinds of audiences? What would a supplier look for in a business plan that an investor wouldn't? What would an investor look for in a business plan that an employee wouldn't? What would all stakeholders (employees, investors, suppliers, customers) look for in a business plan?

ASSIGNMENTS

Required Readings

Dollinger, Marc J. Entrepreneurship: Strategies and Resource. pp. 364-506. (see 8.1 below)

Exercises (non-graded)

- 8A) Explore how business plans are used for different audiences. See the course web site for details on this assignment.
- 8B) Find different types of investors on the web and evaluate their investment criteria. See the course web site for details on this assignment.

Applications/Projects (graded)

8.1) Using Business Plans

Look over the cases in Dollinger (2003), pp. 364-506. For this module, compare and contrast the ways that these plans are used. Who are the audiences for each plan? How does each plan seem to recognize each audience? Are these differences in the audiences due to the type of business or industry the plan focuses on? Overall, do any of these plans seem to communicate and engage the reader better than the others? Why? Which of these plans would be valuable for helping an entrepreneur operate and grow the business?

The class will discuss the different ways these ten plans are used in relationship to the kinds of audiences each plan appears to be written for. In addition, the class will discuss insights gained

from the web exercises on the various opinions that experts have on how business plans are used, and what investors are looking for when evaluating business plans. Class discussions for the eight modules will be graded as 10% of the total grade for the course.

8.2) **The Business Plan**

Submit the entire business plan to the instructor. Be sure to include all back up materials and details that provide evidence of forecasts and estimations in appendixes. Include such information as purchase orders, logs of customer contacts, interviews of entrepreneurs and industry experts and other materials that can serve to document the insights and logic used in the text of the business plan. The submission of the entire business plan is 60% of the course grade.

Submit the business plan in the format described in Appendix B: "Business Plan Outline for MBA 543."

LESSON SYNTHESIZER AND EXTENSIONS/CHALLENGES

Congratulations! If you have persevered in completing all of the sections of the business plan in sufficient detail, you have built a business on paper. The business plan you have created provides you with a good indication of how the business will operate and the critical issues that will determine its success, or failure. The creation of a business plan provides you with a road map of where you are likely to encounter difficulties, as well as meet with success.

The business plan reflects your understanding of your business, at one particular moment in time - now. As you move forward, the business will change, and the knowledge and experience you gain in developing your business will require you to modify your business, if, you decide that having a business plan is helpful for the ongoing operations of your business. Business plans are helpful for enabling you to see how the business should operate, and whether your assumptions are accurate. A business plan will help you be conscious and thoughtful, rather than managing your business moment to moment.

Please consider the opportunities to modify your business plan on a quarterly, semi-annual, or annual basis, as chances to reconsider why and how your business is successful. A reevaluation of your business plan will help you see whether your assumptions about your business are accurate, and whether new metrics and measures are needed. Typically, as your business grows, your priorities change. And, customers, suppliers, and employees change as well.

Remember, if you don't have a road map and plan for your business, any route will get you there. Having a business plan will help you achieve the goals you set for yourself. Keeping your business plan updated will help you reexamine your goals and priorities. Good luck.

APPENDIX 1

AUTHOR BIOGRAPHY

WILLIAM B. GARTNER

Ph.D., M.B.A., B.A., University of Washington

Henry W. Simonsen Chair in Entrepreneurship at the University of Southern California

Dr. William B. Gartner is a leading authority on entrepreneurship, new venture development, and the problems of emerging organizations. He is one of the top 10 scholars in the entrepreneurship field¹, and he has been listed as the most cited author in entrepreneurship for academic articles written since 1986.² He has won awards for his research from the Academy of Management and Entrepreneurship: Theory and Practice.

Professor Gartner serves on the Executive Committee of the Entrepreneurship Research Consortium (ERC), a group of 30 universities and foundations involved in the development of a national longitudinal database of nascent entrepreneurs who are in the process of starting companies. Professor Gartner's research on nascent entrepreneurs explores how they: find and identify opportunities, recognize and solve startup problems, and undertake actions to successfully launch a new venture.

In addition, Professor Gartner is currently studying how neighborhood "climate" (e.g., public safety, transportation, neighborhood appearance, and governmental licensing and permit processes) affects the growth and success of new and small businesses in Southern California. He is also involved in efforts to streamline the licensing and permit processes for small businesses at the city and county level.

Prior to joining USC he was on the faculty at Georgetown University, the University of Virginia and San Francisco State University. Professor Gartner completed his doctoral work, received his M.B.A., and his B. A. from the University of Washington.

¹ Shane, S. A. (1997). "Who is Publishing the Entrepreneurship Research?" Journal of Management 23: 83-95

² Ratnatunga, J. and Romano, C. (1997). "A Citation Classics' Analysis of Articles in Contemporary Small Enterprise Research." Journal of Business Venturing 12: 197-212.

APPENDIX 2

BUSINESS PLAN OUTLINE FOR MBA 543

COVER PAGE

1. Your name
2. Company name
3. Address
4. Phone number
5. Month and year plan issued
6. Copy number
7. Statement of plan's confidentiality

EXECUTIVE SUMMARY

A two to four page summary of the Business Plan. It should provide an overview of the entire business plan and describe the plan's highlights and its significant details. Most readers will only read the Executive Summary. A good Executive Summary should be able to serve as a stand-alone document. It should be short, but comprehensive and thorough.

TABLE OF CONTENTS

1. Business Description
2. Market analysis/marketing strategy
3. Management and organization
4. Operations
5. Execution plan
6. Financial plan
7. Appendix (supporting documents)

BUSINESS DESCRIPTION

1. Describe the kind of business you are in.
2. Explain the goals and objectives of this business.
3. Describe your products/services in detail (customer need fulfilled, unique features, industry perception).
4. Discuss competitive products/services on the market (compare quality and features, why customers buy, pricing strategies).
5. Provide a chart that compares your product lines, product categories and your services to other product lines, product categories and services offered by competitors by price and benefits. Describe the benefits in detail. For example:

Product	Price	Benefit A	Benefit B	Benefit C...
Your Product	\$\$\$	Details	Details	Details...
Product X	\$\$	Details	Details	Details...
Product Y	\$\$\$\$	Details	Details	Details...
...				

Product	Price	Benefit A	Benefit B	Benefit C...
Your Service	\$\$\$	Details	Details	Details...
Product X	\$\$	Details	Details	Details...
Product Y	\$\$\$\$	Details	Details	Details...
...				

6. Indicate the business' mix of products/services by % of sales.

7. Summarize the expected costs and profits for product line, product category and service.
8. Assess the life cycle of each product line, product category and service.

MARKET ANALYSIS/ MARKETING STRATEGY

1. Describe current and potential types of customers: (a) Who are they? (location and demographics), (b) Why will they purchase?, (c) What is their sensitivity to price, quality, service, features?
2. Describe your market: (a) Size, (b) State of growth, (c) History, (d) Forecast for future, (e) Trends.
3. Describe your competition (list major participants by Critical Success Factors - CFS).
 - g) Provide a chart that compares your company to your competitors. For example:

Company	CSF1	CSF2	CSF3...
Your company	Details	Details	Details...
Competitor A	Details	Details	Details...
Competitor B	Details	Details	Details...
...			

- h) Discuss the chart and point out strengths and weaknesses of your company and your competitors.
- i) Describe the barriers to entry and growth in this industry.
- j) How will changes in the economy affect the industry?
- k) What is the role of innovation and change?
- l) What roles does government regulation play?
4. Describe sales goals and their rationale:
 - g) How will you identify, target and attract customers?

- h) For advertising and promotion, where (media selection) will you spend your dollars? How much will you spend? How often will you spend? What is your message? How will you measure the results?
- i) What are your pricing options? (price, terms, credit policy, service and warranty policies)
- j) Who will sell the product and what kind of training is needed to enable them to be effective?
- k) What is your merchandising strategy?
- l) Is there "congruence" among your advertising and promotion strategy, pricing options, selling strategy, and merchandising strategy?

MANAGEMENT AND ORGANIZATION

1. What are the key skills required for this business to succeed?
2. Who are the key managers (and employees) who have these key skills and what are their backgrounds? (Provide resumes in the Appendix)
3. If you don't have all the key personnel, how will you attract them?
4. What other experts and advisors are important to the company?

OPERATIONS

1. How will the business sell its product and deliver its service? (Describe how the sales and service functions are undertaken, the personnel needed to accomplish these tasks and the training necessary for each role.)
2. What kinds of training for sales and service personnel are necessary to attract and retain customers?
3. Describe critical elements, likely bottlenecks, quality, supply, sales, service, delivery, inventory, and cash flow issues.
4. Identify necessary resources and equipment likely to be required.
5. Identify the systems (e.g., sales management, inventory control) necessary to operate the business.

EXECUTION PLAN

1. Provide a timeline of important activities that were identified in other parts of the plan. The time line will show that your activities are internally consistent and coordinated with the financial projections.

FINANCIAL PLAN

2. Present any past financial statements for the past two to five years
3. Present prospective financial information for next two to five years: Income statements, balance sheets, cash flow statements. Prepare statements showing monthly figures for the first year and quarterly for years 2 to 5.
4. For all financial statements, provide key assumptions, such as your goals for profits and sales. The best way to do this is to footnote all items.
5. Link your financial statements to key industry ratios and standards.
6. Identify your financing needs

APPENDIX (SUPPORTING DOCUMENTS)

1. Include resumes of the management team
2. Provide documentation for assumptions you make in the body of the plan.
 - (a) market analysis data and market research studies
 - (b) product specifications and photos
 - (c) letters of reference
 - (d) census and demographic data
 - (e) contracts
 - (f) letters of commitment from customers, suppliers, and lenders
 - (g) buy/sell agreements among partners

APPENDIX 3

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