

Appendix A

Introducing Your Business Plan

OVERVIEW

The purpose of the business plan project is to introduce you to the excitement and challenges of starting a business. We want you to be as fascinated with the prospect of running a business as Michael Dell was when he started Dell Computer from his college dorm. Or as enthusiastic as Phil Knight was when he thought of the company now called Nike in order to fulfill a graduate-school assignment.

We're going to give you the same opportunity that Knight seized when he was a student. Working with a team of classmates, you'll develop an idea for starting a company that competes in the same industry as the company that you're studying. Thus, if you're studying Nike, your proposed company will be part of the industry that sells athletic shoes, apparel, and equipment. Like Knight, you, too, will introduce and describe your future business in the form of a business plan.

The business plan project is a major component of the course and has been designed to guide you throughout the semester by helping you focus on the job of developing and preparing your business plan. The quality of the final product is up to you and your fellow team members. We hope that each team will not only provide a business plan that they're proud of but will enjoy the process of collaborating on the project.

CHOICES AND TASKS

As you progress with this project, you'll face a number of choices and tasks:

1. Type of Company

Your fictitious company can be any type of company as long as it's connected to the industry in which the company that you're studying competes. It doesn't have to do exactly the same thing that your sample company does. For example, it could be a component supplier to the industry, a competitor (making some innovative product), an industry publication, a company providing services to those in the industry, or a retailer.

The most important decision that your team will make is what your *great business idea* will be. Put a lot of thought into this task. A great business idea won't ensure a successful business plan, but you'll find it hard to construct a workable business plan if you don't build it around a good business idea.

2. Resources

Use multiple resources to develop your business plan. Resources include your text, other texts, the Internet, materials handed out in class or obtained from the class Web site, library research, newspapers (such as the *Wall Street Journal*, the *New York Times* and the *Financial Times*), business periodicals (such as *BusinessWeek* and *Fortune*), industry publications, materials received directly from companies in the industry, discussions with business leaders, and consultations with your course instructor.

To produce an excellent business plan, you should also take advantage of the constructive feedback that you'll get throughout the course from your classmates, your instructor, and others.

3. Format for the Written Business Plan

A **business plan** is a written description of a business. It provides the reader with an interesting story of what the proposed business will be like. It's also an indispensable tool for attracting investors and/or obtaining bank loans for a new business. The standard business plan format section of this document lays out the format to follow in creating your business plan.

4. Group Writing Assignments (Subsections of the Business Plan)

During the course, your team will complete 10 group writing assignments, in addition to the final version of your business plan. Each of these group writing assignments pertains to a subsection of the business plan. These subsections are described in the "Section Descriptions" section of this document. The group writing assignments are designed to ensure that teams make steady progress on their business plan projects. You'll receive feedback from your instructor on these group writing assignments, and you'll be expected to respond to these suggestions and incorporate your responses into the writing of your final business plan.

Although your final business plan will build on the subsections submitted throughout the semester, the final version should be more than just a cut-and-paste version of previously submitted sections. Producing a final version of the business plan requires additional research and substantial rewriting of the sections that you've produced during the course. In addition, your final version will include sections that haven't been assigned earlier.

STANDARD BUSINESS PLAN FORMAT: INSTRUCTIONS

Length

The team-prepared business plan should be no more than 15 single-spaced pages (not including the title page and table-of-contents page), with a maximum of 10 pages of appendixes. Double space after headings and between paragraphs and use 12-point type.

Writing Style

Spelling errors are inexcusable (there's a spelling-check on your computer), and grammatical errors are frowned upon. Although it will be a team effort, you want your business plan to read as if one person wrote it, not as if individually written sections had been glued together at the last minute. With these stipulations in mind, each group should assign someone to ensure that the individual sections fit together into a coherent presentation.

Minimum Requirements

Your team-prepared business plan should address all the issues raised in this document. Each team is encouraged to supplement required information with additional relevant material. For example, if social responsibility issues are particularly relevant to your company, you can add a section even though the topic is not required.

Deviations from Standard Format

Because the structure and content of a business plan can vary according to the type of business proposed, your team may need to alter some details in the sample format in order to describe your proposed company. You should let your instructor know of any significant changes in format.

Section Descriptions

1. Title Page

The title page must contain the following:

- Name of the proposed business
- Name of each team member

2. Table of Contents

Self-explanatory.

3. Executive Summary

The **executive summary** is a synopsis that should give the reader a preview of what's contained in the business plan. It's what the reader looks at first and should capture the reader's attention. An effective approach in writing the executive summary is to paraphrase important sentences from each section of the business plan. This process will ensure that the essential information of each section is included in the executive summary. The executive summary should be one to three pages long and should be written *after the entire business plan is completed*. This section is very important. Spend time on it.

4. Description of Proposed Business

Here, you present a *brief* description of your proposed company. The purpose of this section is to tell the reader why you're starting your business, what benefits it provides, and why it will be successful. Some of questions to answer in this section include:

- Why are you starting your company? What market need will you meet?
- What is the basic activity of the business?
- Will the company focus on manufacturing, retail, or service?
- What goods or services will the business provide?
- Who will be your primary customers?
- Where will your company be located?
- Why will your company be successful?

Because later parts of the plan will provide detailed answers to many of these questions, this section should provide only an overview.

5. Industry Analysis

In developing this section of your business plan, the team's first challenge will be to identify the industry in which its company will compete. Next, you'll need to learn as much as possible about that industry. The industry analysis section of your plan should provide an overall assessment of the industry. It should answer such questions as:

- How large is the industry? What are total sales for the industry in volume and dollars?
- Is the industry mature or are new companies successfully entering it?
- What opportunities exist in the industry? What threats?
- What factors will influence future expansion or contraction of the industry?
- What is the overall outlook for the industry?
- Who are your major competitors in the industry?
- How does your product differ from those of your competitors?

6. Mission Statement and Core Values

The **mission statement** describes the purpose or mission of your organization—the reason for its existence. It tells the reader what the organization is committed to doing.

Core values are fundamental beliefs about what is and is not appropriate and what is important in conducting company activities. Core values are not about profits, but rather about ideals. Their function is to help guide the behavior of individuals in the organization.

7. Management Plan

Management makes the key decisions for the business, such as its legal form and organizational structure. This section of the business plan should outline these decisions and provide information about the qualifications of the key management personnel.

- Legal Form of the Organization.** Report the legal form of business ownership chosen by your company, along with the rationale for your choice.
- Qualifications of Management Team and Compensation Package.** (*Note: In describing management qualifications, pretend that all team members graduated from college 10 years ago.*) Provide information about the qualifications of the management team members (education, experience, expertise, etc.). Also indicate the estimated annual salary to be paid to each member of the management team.
- Organizational Structure.** Describe the relationships among individuals within the company, listing the major responsibilities of each member of your management team. Present these relationships graphically by including an organization chart (either in the body of the document or as an appendix).

8. Goods or Services and (If Applicable) Production Process

This section provides a detailed description of all goods and services to be provided to the marketplace. You should identify the characteristics of your goods or services, such

as appearance, features, quality, reliability, durability, usability, and ease of maintenance. Explain why your proposed goods or services have advantages over those offered by your competitors. In other words, be sure to answer the question: What competitive advantage will your company have over similar goods or services now on the market?

This section should also indicate how the company intends to obtain or produce the products that it will sell. Your write-up will depend on whether your company is a service company, a retailer, or a manufacturer.

- A. Service Companies.** For each service offered, indicate how the service will be provided. Also furnish information about the number and qualifications of people that the company will employ.
- B. Retail Companies.** Explain where the company will purchase the products that it will resell. Who will be your key suppliers?
- C. Manufacturers.** Furnish information about product design and production process. Be sure to address the following questions: How will products be designed? What technology will be needed to design and manufacture products? Will the company run its own production facilities, or will products be manufactured by subcontractors? Where will production facilities be located? What type of equipment will be used? What are the design and layout of the facilities? How will the company ensure that its products are of high quality?

9. Marketing

This section should focus on your target market and customer needs as well as product characteristics, pricing, distribution, and promotion. Each of these items is briefly described below:

- A. Target Market.** Provide a profile of your intended customers (age, gender, income, interests, etc.). If your company plans to sell to other companies, profile the typical business customer who will purchase your products.
- B. Customer Needs and Product Characteristics.** Identify your customers' needs or wants and link them to the characteristics (appearance, features, quality, reliability, durability, usability, ease of maintenance) you described in your "Goods or Services and Production Process" section.
- C. Pricing.** Describe your proposed pricing strategy for each product and indicate why you selected that particular pricing option. Compare your pricing strategy to that of your competitors.
- D. Distribution.** Describe the means by which your goods or services will be distributed to customers. Will you sell to customers directly, over the Internet, or through retailers or wholesalers? How will you get

your products from your suppliers, subcontractors, or manufacturing facilities to your customers? Will you have your own warehouse?

- E. Promotion.** Outline a promotion strategy for your company. How will you tell people about your product and persuade potential customers to buy it? What types of advertising will you use? How will you maintain positive relationships with your customers?
- F. E-Business.** If you intend to use the Internet to promote or sell your products, also provide answers to these questions:
 - Will your company have a Web site? Who will visit the site?
 - What will it look like? What information will it supply?
 - Will you sell products over the Internet?
 - How will you attract customers to your site and entice them to buy from your company?

10. Global Issues (If Applicable)

Will your company be involved in international markets, whether by buying, manufacturing, or selling in other countries? If so, what obstacles will you face because you're operating in a global environment? How will you overcome these obstacles? If you don't plan to operate internationally when you first start up, what strategies, if any, will you use to move into international markets at a later time?

11. Financial Plan

This section will provide projected sales forecasts and income statements for a three-year period. It will also indicate the funding you need for start-up and initial operations as well as proposed sources of funding. We provide details on how to estimate sales in Appendix B. We'll tell you what you'll need for your financial plan and how to prepare your financial reports in Appendix C.

12. Appendixes

You may want to provide certain information in an appendix rather than in the body of the document. For example, you might want to include the detailed financial reports in the appendix (although you should still include a summary discussion of financing in the body of the document). Other possible attachments you could include in the appendix: organization chart, résumés of your management team, drawings or pictures of your product, sketches or pictures of your facilities, floor plans of manufacturing facilities, results of any marketing surveys, or documents used to apply for a patent.

13. References

Be sure to cite any outside sources that you use in preparing your business plan.