

# IT ENTREPRENEURSHIP (SCK3463/ SCD4763)

## Chapter 8 Business Plan

Mohd Iskandar Ilyas Tan

FSKSM

UTM

# Chapter Objectives

1. Explain the purpose of a business plan.
2. Discuss reasons for writing a business plan.
3. Describe who reads a business plan and what they're looking for.
4. Explain the difference between a summary business plan, a full business plan, and an operational business plan.
5. Explain why the executive summary may be the most important section of a business plan.

# Group Table



# Business Plan

- ... formal statement of a set of business goals, the reasons why they are believed attainable, and the plan for reaching those goals.
- a written narrative, typically 25 to 35 pages long, that describes what a new business plans to accomplish.
- It may also contain background information about the organization or team attempting to reach those goals.

# Who Reads the BP & What Are They Looking For?

Audience	What They are Looking For
A Firm's Employees	A clearly written business plan helps the employees of a firm operate in sync and move forward in a consistent and purposeful manner.
Investors and other external stakeholders	A firm's business plan must make the case that the firm is a good use of an investor's funds or the attention of others.

# Business Plan: Structure

- To make the best impression a business plan should follow a conventional structure
- Although some entrepreneurs want to demonstrate creativity, departing from the basic structure of the conventional business plan is usually a mistake.
- Investors are busy people and want a plan where they can easily find critical information.

# Business Plan: Structure

- Software Packages
  - Many software packages available that employ an interactive, menu-driven approach to assist in the writing of a business plan.
- Sense of Excitement
  - Along with facts and figures, a BP needs to project a sense of anticipation and excitement about the possibilities that surround a new venture.

# Business Plan: Type

## Summary Business Plan

10–15 pages

Works best for new ventures in the early stages of development that want to “test the waters” to see if investors are interested in their idea

## Full Business Plan

25–35 pages

Works best for new ventures who are at the point where they need funding or financing; serves as a “blueprint” for the company’s operations

## Operational Business Plan

40–100 pages

Is meant primarily for an internal audience; works best as a tool for creating a blueprint for a new venture’s operations and providing guidance to operational managers



# Business Plan: Content

- The business plan should give clear and concise information on all the important aspects of the proposed venture.
- It must be long enough to provide sufficient information yet short enough to maintain reader interest.
- For most plans, 25 to 35 pages is sufficient.

# Business Plan: Outline

## Executive Summary

- Write this last. It's just a page or two of highlights

## Company Description

- Legal establishment, history, start-up plans, etc.

## Product or Service

- Describe what you're selling. Focus on customer benefits.

## Market Analysis

- You need to know your market, customer needs, where they are, how to reach them, etc.

## Strategy and Implementation

- Be specific. Include management responsibilities with dates and budget.

## Management Team

- Include backgrounds of key members of the team, personnel strategy, and details.

## Financial Plan

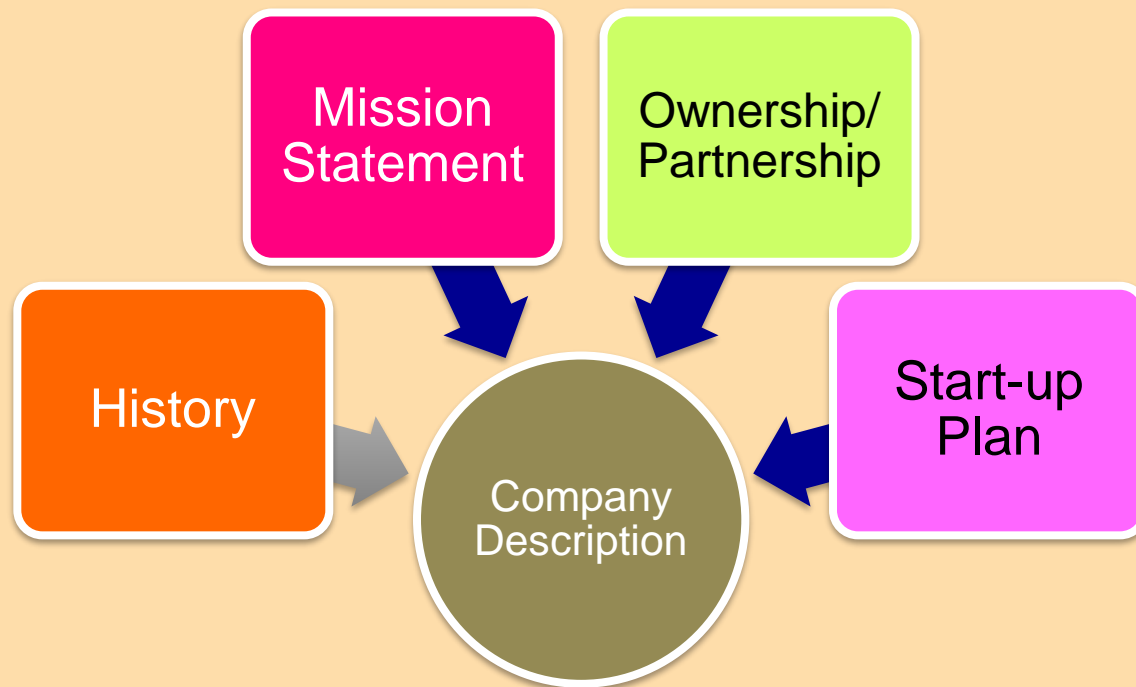
- Include profit and loss, cash flow, balance sheet, break-even analysis, assumptions, business ratios, etc.

# 1. Executive Summary

- ... is a short overview of the entire business plan
- It provides a busy reader with everything that needs to be known about the new venture's distinctive nature.
- Shouldn't exceed two single-space pages.
- The most important section of a business plan – In many instances an investor will ask for a copy of a firm's executive summary and will ask for a copy of the entire plan only if the executive summary is sufficiently convincing.

## 2. Company Description

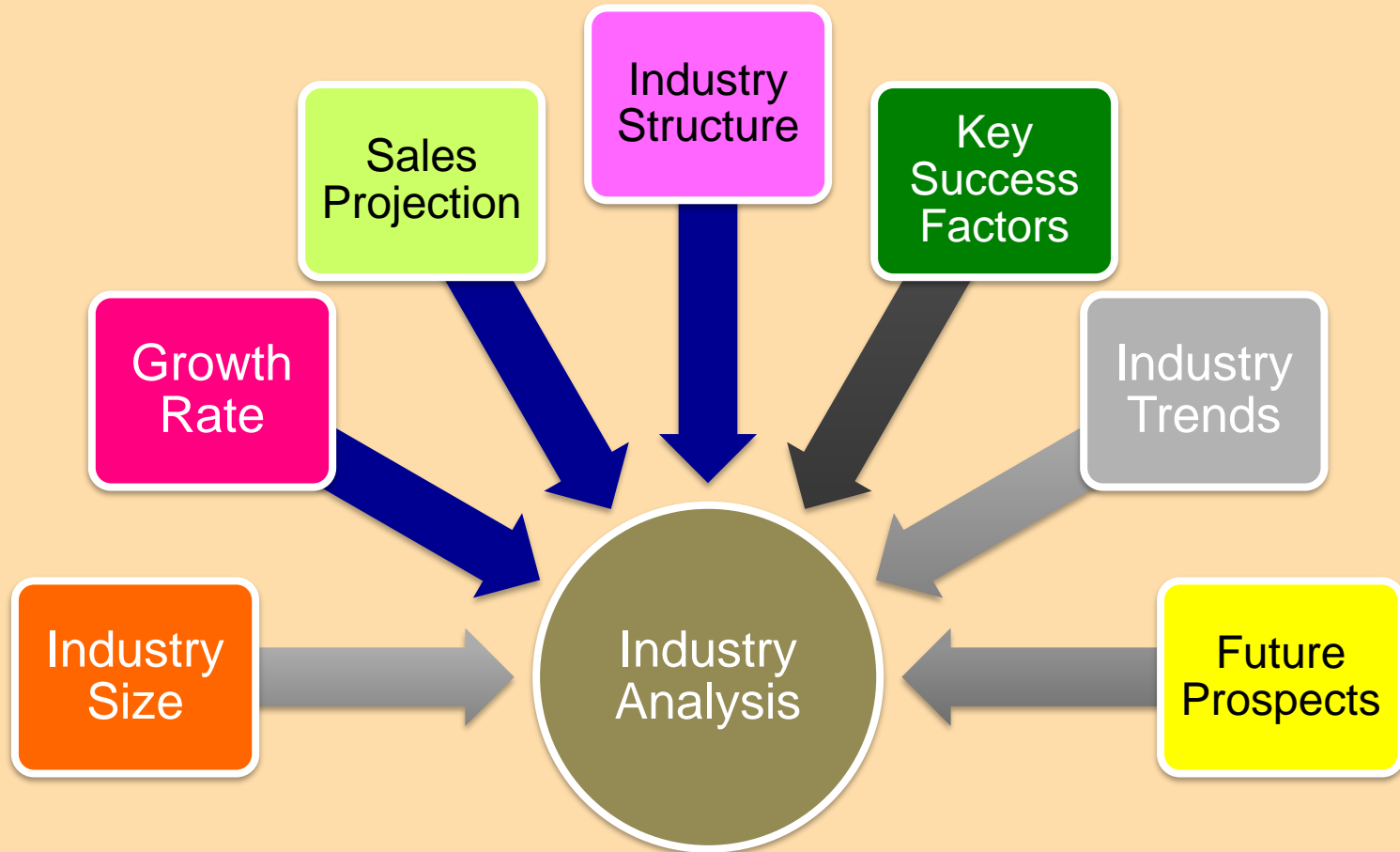
- It demonstrates to your reader that you know how to translate an idea into a business.



## 3.1 Industry Analysis

- Start-up should have a good grasp of its industry - including where its promising areas are and where its points of vulnerability are.

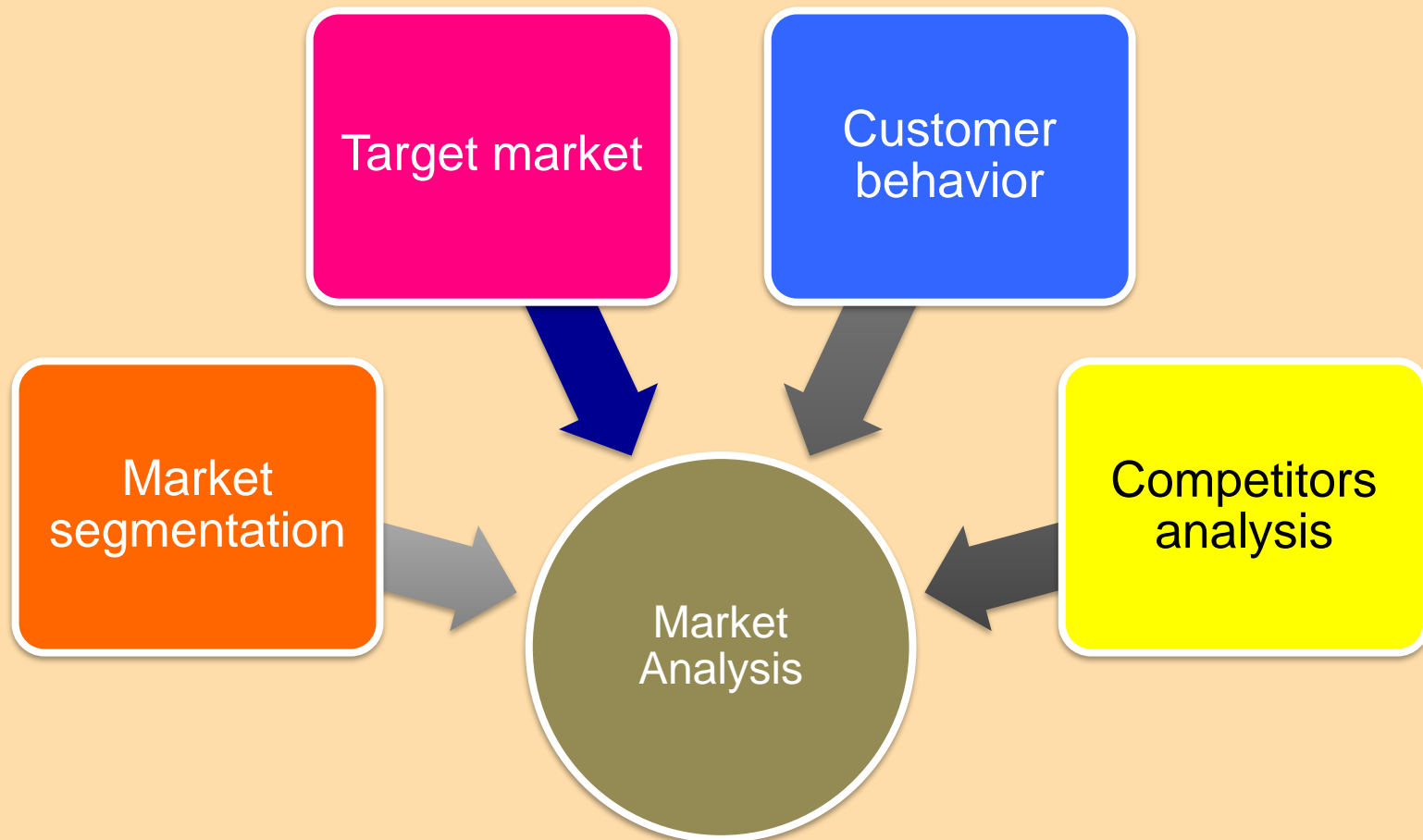
# Industry Analysis



## 3.2 Market Analysis

- Most startups do not service their entire industry. Instead, they focus on servicing a specific (target) market within the industry.
- It's important to include the analysis that deals with the behavior of the consumers in the market – the more a startup knows about the consumers in its target market, the more it can tailor its products or service appropriately.
- The market analysis breaks the industry into segments and zeros in on the specific segment (or target market) to which the firm will try to appeal.

# Market Analysis





## 4. Marketing Plan

- Focuses on how the business will market and sell its product or service.
- The best way to describe a startup's marketing plan is to start by articulating its marketing strategy, positioning, and points of differentiation, and then talk about how these overall aspects of the plan will be supported by price, promotional mix, and distribution strategy.
- Items to include in this section:
  - Overall marketing strategy.
  - Product, price, promotions, and distribution.

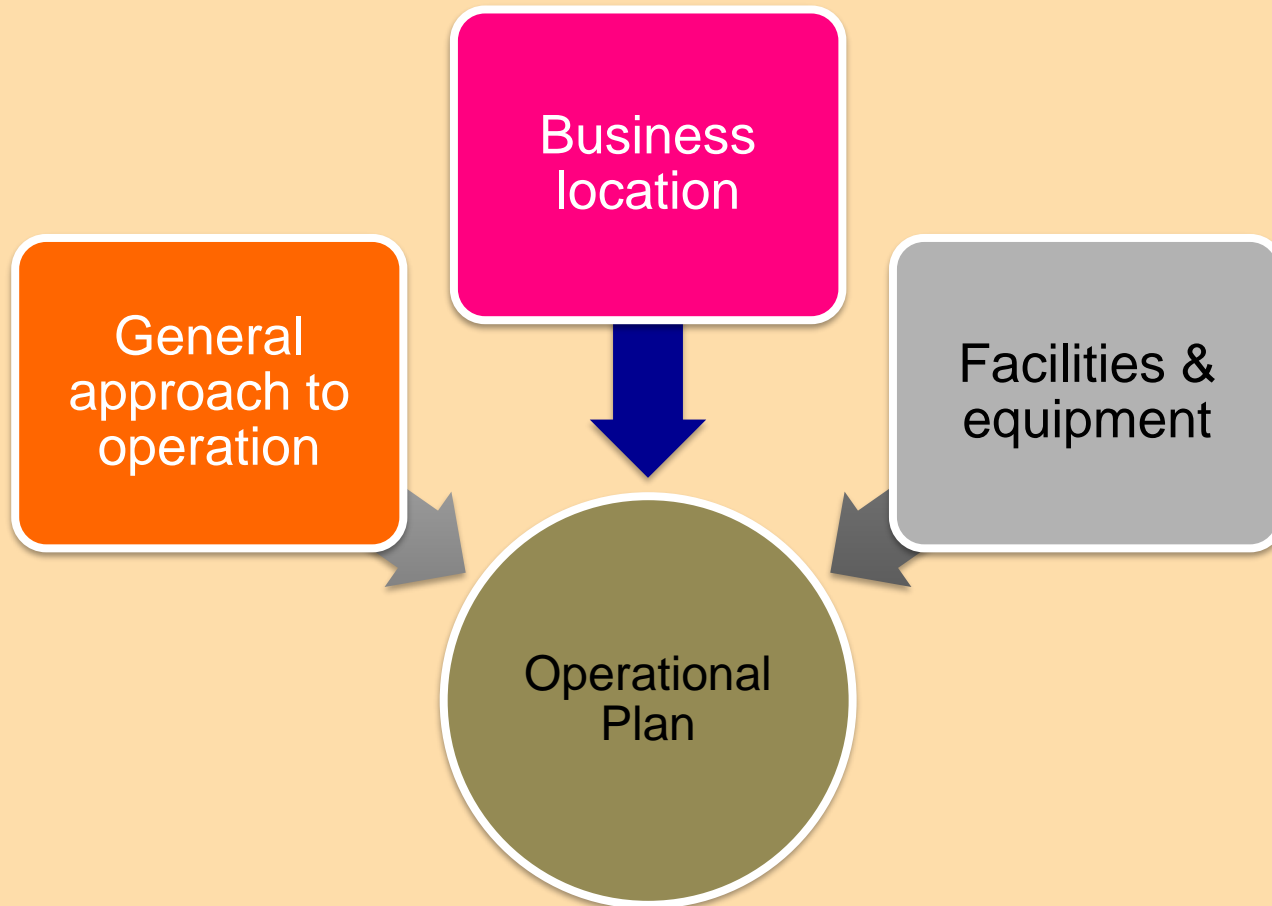
## 5. Management Team and Company Structure

- Typically consists of the founder or founders and a handful of key management personnel.
- Items to include in this section:
  - Management team.
  - Board of directors.
  - Board of advisers.
  - Company structure.
- This is a critical section of a business plan - many investors and others who read the business plan look first at the executive summary and then go directly to the management team section to assess the strength of the people starting the firm.

## 6. Operational Plan

- Outlines how your business will be run and how your product/ service will be produced.
- You have to strike a careful balance between adequately describing this topic and providing too much detail – it is best to keep this section short and crisp.
- A useful way to illustrate how your business will be run is to describe it in terms of “back stage” (unseen to the customer) and “front stage” (seen by the customer) activities.

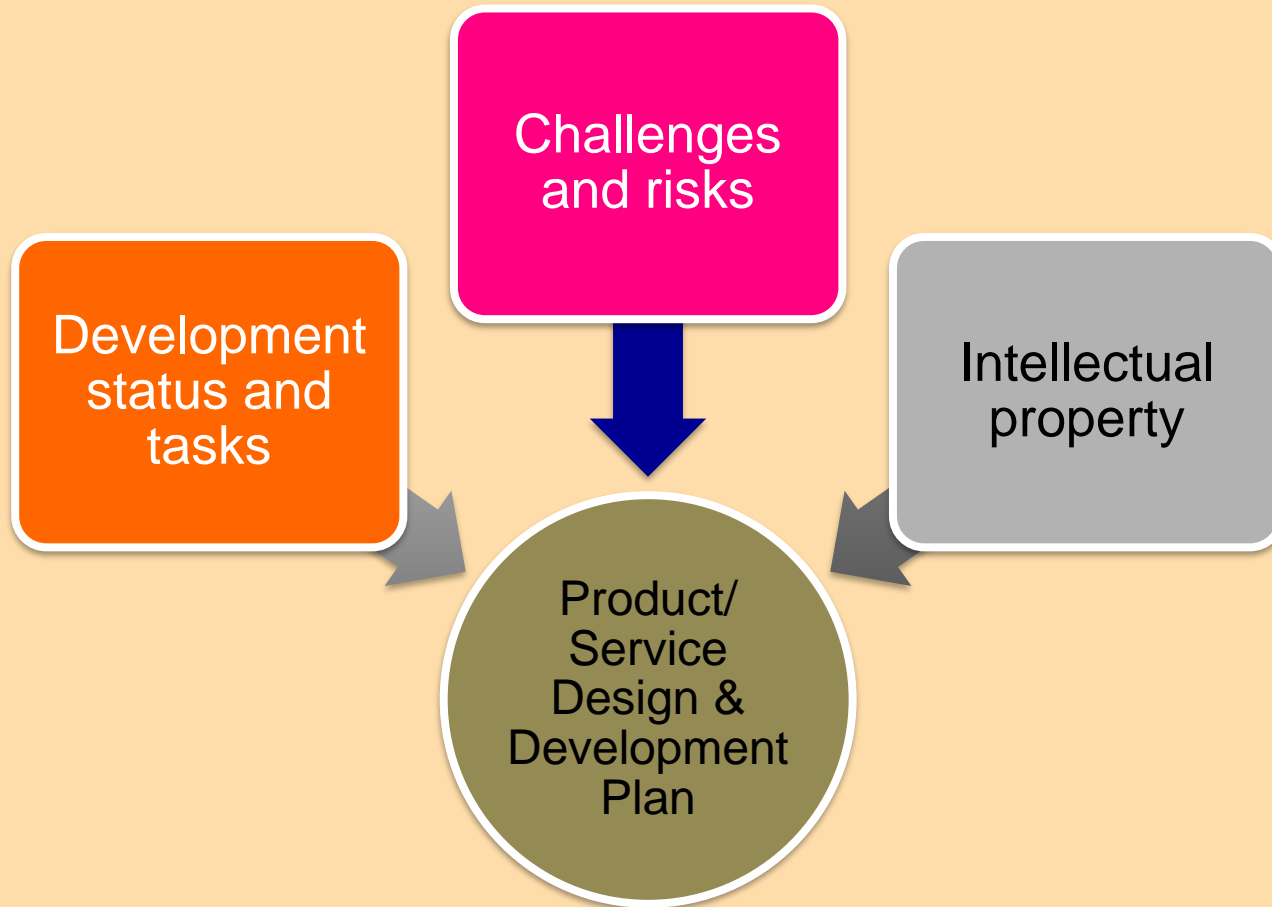
# Operational Plan



## 7. Product/ Service Design and Development Plan

- Many seemingly promising startups never get off the ground because their product development efforts stall or turn out to be more difficult than expected.
- Its important to convince the reader of your plan that this won't happen to you.
- If you're developing a completely new product or service, you need to include a section that focuses on the status of your development efforts.

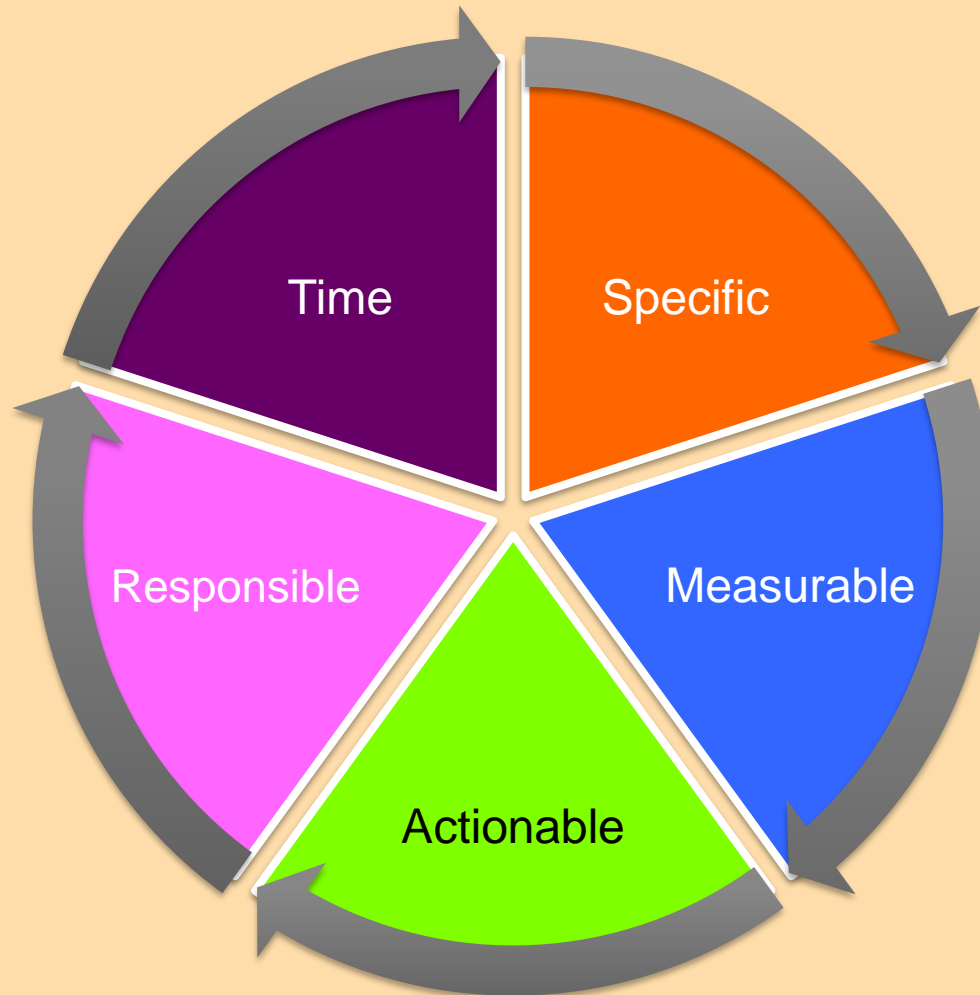
# Product/ Service Design and Development Plan



## 8. Financial Projections

- This section presents a firm's pro forma (or projected) financial projections.
- They take the plans you've developed and express them in financial terms.
- Items to include in this section:
  - Sources and uses of funds statement.
  - Assumptions sheet.
  - Pro forma income statements.
  - Pro forma balance sheets.
  - Pro forma cash flows.
  - Ratio analysis.

# Key to Successful Business Plan: SMART





# Business Plan Presentation

- The first rule in making an oral presentation is to follow directions. If you're told you have 15 minutes, don't talk for more than the allotted time.
- The presentation should be smooth and well-rehearsed.
- The slides should be sharp and not cluttered.
- It's also important to look sharp when presenting a business plan.

# Business Plan Presentation

## Twelve PowerPoint Slides to Include in an Investor Presentation

1. Title Slide
2. Problem
3. Solution
4. Opportunity and target market
5. Technology
6. Competition
7. Marketing and sales
8. Management team
9. Financial projections
10. Current status
11. Financing sought
12. Summary

# Summary

*The single most important aspect of a good business plan is that it must be based on your market and your customers' desires. What you want, and think, as a business owner is much less important than what your customers want and think. The reason for your business to exist is to create and service customers.*

