



**Universität
Zürich^{UZH}**

Department of Business Administration - Chair for Entrepreneurship

A Primer in Entrepreneurship

Prof. Dr. Ulrich Kaiser

Chair of Entrepreneurship

Universität Zürich

Fall 2016



Content





**Universität
Zürich^{UZH}**

Department of Business Administration - Chair for Entrepreneurship

A Primer in Entrepreneurship

Part II Developing Successful Business Ideas

Lecture 4 Writing a Business Plan

Prof. Dr. Ulrich Kaiser
Chair of Entrepreneurship
Universität Zürich

Fall 2016



Agenda

- 1. The Business Plan**
- 2. Guidelines for Writing a Business Plan**
 - 2.1 Structure of the Business Plan
 - 2.2 Content of the Business Plan
 - 2.3 Style/ Format of the Business Plan
- 3. Outline of the Business Plan**
- 4. Presenting the Business Plan**



Questions



What is a business plan ?

What are the primary reasons to write a business plan ?



Why is it important for a business plan to follow a conventional structure rather than be highly innovative and creative ?



What should be included in a business plan and what are the most important topics to discuss ?

...to be answered in today's lecture.



1 The Business Plan

A business plan is a written narrative (25-35 pages) that describes what a new business plans to accomplish and how it plans to accomplish it.

The Business Plan is a dual-purpose document.

It is important, since it is both an internal document and a selling document.

Inside the firm

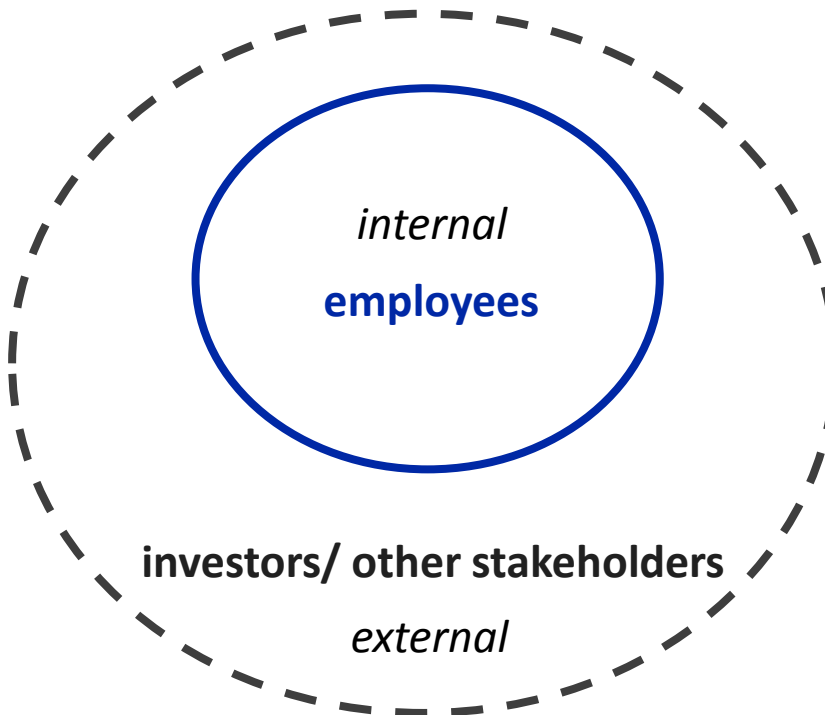
The plan helps the company to develop a “road map” to follow in executing its strategies and plans.

Outside the firm

The plan introduces potential investors and other stakeholders to the business opportunity the firm is pursuing and how it plans to pursue it.

1 The Business Plan

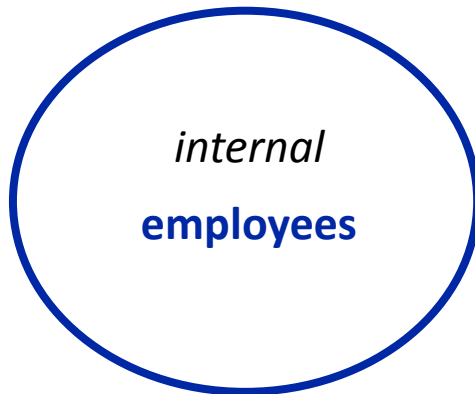
There are two primary audiences for a firm's business plan: a firm's employees, and investors as well as other external stakeholders.



A firm must validate the feasibility of its business idea, develop an effective business model, and have a good understanding of its competitive environment prior to presenting its business plan to its audiences.

1 The Business Plan

A clearly written business plan is important for both the management team and the rank-and-file employees of a new venture.



A clearly written business plan, which articulates the vision and future plans of the firm, helps the employees of a firm to operate in sync and move forward in a consistent and purposeful manner.

1 The Business Plan

External stakeholders, such as investors, potential business partners, potential customers, and key employees who are being recruited to join a firm, are the second audience for a business plan.



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 other external stakeholders.

The key is to include facts generated through a properly conducted feasibility analysis.



A business plan rings hollow if it is based strictly on what an entrepreneur or team of founders "thinks" will happen.



2 Guidelines for Writing a Business Plan

structure

content

style / format

2 Guidelines for Writing a Business Plan

2.1 Structure of the Business Plan

To make the best impression, a business plan should follow a conventional structure.

Basic Structure

Typically, investors are very busy people and want a plan where they can easily find critical information.



Departing from the basic structure of the conventional business plan format in order to demonstrate creativity is usually a mistake.

2 Guidelines for Writing a Business Plan

2.1 Structure of the Business Plan

Software Packages

Software packages employ an interactive, menu-driven approach to assist in the writing of a business plan.



However, entrepreneurs should avoid creating a boilerplate plan that looks as though it came from a “canned” source.

Sense of Excitement

Along with facts and figures, a business plan needs to project a sense of anticipation and excitement about the possibilities that surround a new venture.

2 Guidelines for Writing a Business Plan

2.2 Content of the Business Plan

The Business Plan should give clear and concise information on all the important aspects of the proposed venture.

long enough to provide sufficient information,

YET

short enough to maintain reader interest.





2 Guidelines for Writing a Business Plan

2.2 Content of the Business Plan

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



2 Guidelines for Writing a Business Plan

2.3 Style/ Format of the Business Plan

The appearance of the Business Plan must be carefully thought of.

It should look **sharp**

BUT **not** give the impression that **a lot of money was spent** to produce it.



3 Outline of the Business Plan

Most business plans do not include all the elements introduced: Each entrepreneur must decide which elements to include in his or her plan.

- a) Cover Page and Table of Contents
- b) Executive Summary
- c) The Business
- d) Management Team
- e) Company Structure, Ownership, and IP
- f) Industry Analysis
- g) Marketing Plan
- h) Operations Plan
- i) Financial Plan
- j) Critical Risk Factors
- k) Appendix
- l) Putting It All Together



3 Outline of the Business Plan

a) Cover Page

should include the name of the company, its address, its phone number, the date, and contact information for the lead entrepreneur.

b) Executive Summary

is a short overview of the entire business plan and should be created after the plan is finished; it provides busy readers with everything that needs to be known about the new venture's distinctive nature.

In many instances, an investor will first ask for a copy of the executive summary and will request a copy of the full business plan only if the executive summary is sufficiently convincing.



3 Outline of the Business Plan

c) The Business

The most effective way to introduce the business is to describe the opportunity the entrepreneur has identified – that is, the problem to solve or the need to be filled – and then describe how the business plans to address the issue.

The description of the opportunity should be followed by a brief history of the company, along with the company's mission statement and objectives.

An explanation of the company's competitive advantage and a brief description of the business model follow.



3 Outline of the Business Plan

d) Management Team

One of the most important things investors want to see when reviewing the viability of a new venture is the strength of its management team. If it does not “pass muster”, most investors will not read further.

“Skin In The Game” is often called the amount of money the management team has invested. Investors wary if there is no “skin”.

Relevant Information

- relevant employment
- professional experience
- significant accomplishments
- educational background



3 Outline of the Business Plan

e) Company Structure , Ownership, and Intellectual Property

This section should describe and discuss ...

- 1.** The structure of the new venture, including the reporting relationships among the top management team members
- 2.** How the firm is legally structured
- 3.** The intellectual property owned by the firm, including patents, trademarks, and copyrights



3 Outline of the Business Plan

f) Industry Analysis

This section should discuss ...

- 1.** Major trends in the industry in which the firm intends to compete, along with important characteristics of the industry, such as its size, attractiveness, and profit potential
- 2.** How the firm will diminish or sidestep the forces that suppress its industry's profitability
- 3.** The firm's target market, along with an analysis of how it will compete in that market

An investor should have a good grasp on the future prospects of the relevant industry, along with an understanding of the target market the firm will pursue and how it will defend its position.



3 Outline of the Business Plan

g) Marketing Plan

The Marketing Plan immediately follows the industry analysis and provides details about the new firm's products and services.

This section is very important to investors, since it is supposed to assure them that a new venture has a product that people will buy and has a realistic plan for getting that product to market.

This section should contain

- Fuller description of the product that the firm will sell than has been provided in previous sections.
- Results of the feasibility analysis, including the results of the concept and usability tests.



3 Outline of the Business Plan

g) Marketing Plan

After reading this section, an investor should be confident that the firm's

- overall approach to its target market and
- product strategy,
- pricing strategy,
- channels of distribution, and
- promotional strategy

are in sync with one another and make sense.



3 Outline of the Business Plan

h) Operations Plan

This section deals with the day-to-day operations of the company and should describe and disclose ...

- An overview of the manufacturing plan (or service delivery plan),
- A description of the network of suppliers, business partners, and service providers that will be necessary to build the product or produce the service the firm will sell,
- Any risk or regulations pertaining to the operations of the firm, such as non-routine regulations regarding waste disposal and worker safety.

An increasingly common feature of many business plans for start-ups is a reliance on outsourcing certain function to third parties as a way of allowing the start-up to focus on its distinctive competencies.



3 Outline of the Business Plan

i) Financial Plan

This section must demonstrate the financial viability of the business and includes explanations and descriptions of ...

- Funding that will be needed by the business during the next 3-5 years,
- How the funds will be used,
- Financial projections to further demonstrate the financial viability, including 3-5 years pro forma income statements, balance sheets, and statements of cash flows,

... which will be scrutinized by careful readers.

3 Outline of the Business Plan

i) Financial Plan



to remember

The business plan should be based on realistic projections. If it is not and the company gets funding or financing, there will most certainly be a day of reckoning. Investors and bankers hold entrepreneurs accountable for the numbers in their projections.



3 Outline of the Business Plan

j) Critical Risk Factors

Although a variety of potential risks may exist, a business should tailor this section to depict its truly critical risk.

One of the most important things that a business plan should convey to its readers is a sense that the venture's management team is on the ball and understands the critical risks facing the business.



3 Outline of the Business Plan

k) Appendix

Any material that does not easily fit into the body of a business plan should appear in an appendix.

Examples of materials that might appear in the appendix include:

- Résumés of the top management team members,
- Photos or diagrams of products or product prototypes,
- Certain financial data,
- Market research projections
- ...

3 Outline of the Business Plan

1) Putting All Together



In evaluating and reviewing the completed business plan, the writers should put themselves in the reader's shoes to determine if the most important questions on the viability of their business venture have been answered.



3 Outline of the Business Plan

The 10 most important questions a business plan should answer ...

- **?** Is the business just an idea, or is it an opportunity with real potential ?
- **?** Is the product or service viable? Does it add significant value to the customer?
 - Was a feasibility analysis completed?
- **?** Does the firm have an exciting and sensible business model? Will other firms be able to easily copy it?
- **?** Is the industry in which the product or service will be competing growing stable, or declining?
- **?** Does the firm have a well-defined target market?



3 Outline of the Business Plan

The 10 most important questions a business plan should answer ...

- **?** Is the management team experienced, skilled, and up to the task of launching the new firm?
- **?** Are the financial projections realistic, and do they project a bright future for the firm? What rate of return can investors expect?
- **?** Is the firm organized in an appropriate manner? Are its strategy and business practices legal and ethical?
- **?** How will the firm's competitors react to its entrance into their market?
- **?** What are the critical risks surrounding the business, and does the management team have contingency plans in place if risks become actual problems?



3 Outline of the Business Plan

The 10 most important questions a business plan should answer ...

- **?** Is the management team experienced, skilled, and up to the task of launching the new firm?
- **?** Are the financial projections realistic, and do they project a bright future for the firm? What rate of return can investors expect?
- **?** Is the firm organized in an appropriate manner? Are its strategy and business practices legal and ethical?
- **?** How will the firm's competitors react to its entrance into their market?
- **?** What are the critical risks surrounding the business, and does the management team have contingency plans in place if risks become actual problems?



4 Presenting the Business Plan to Investors

The Oral Presentation of the Business Plan

- ! Preparation of PowerPoint slides: sharp and not cluttered with material.
- ! Follow the instructions (time slots, etc.).
- ! Be well-rehearsed and present smoothly.
- ! Have a good idea of what questions and feedback to expect from investors and be prepared for these queries

In the initial meeting, investors typically focus on whether a real opportunity exists and whether the management team has the experience and skills to pull off the venture.



4 Presenting the Business Plan to Investors

There are 10 PowerPoint slides to include in an Investor Presentation.

1. Title
2. Problem
3. Solution
4. Business model
5. Management team
6. Industry and target market
7. Competition
8. Intellectual property
9. Financial projections
10. Current status, amount of money requested, and projected use of funds



Do you know the answer ?



What is a business plan ?

What are the primary reasons to write a business plan ?



Why is it important for a business plan to follow a conventional structure rather than be highly innovative and creative ?



What should be included in a business plan and what are the most important topics to discuss ?

...test yourself.



References

Barringer, B. and D., Ireland (2008): Entrepreneurship - Successfully Launching New Ventures, Pearsons Prentice-Hall.



Outlook

