

Syracuse University
Whitman School of Management

ENTREPRENEURSHIP AND EMERGING ENTERPRISES

THE NUTS & BOLTS OF GREAT BUSINESS PLANS

2024

Dream > Believe > Pursue



DEPARTMENT OF ENTREPRENEURSHIP & EMERGING ENTERPRISES

“Home of dreamers and doers”

Dear entrepreneur,

The Nuts & Bolts of Great Business Plans is a publication of the Entrepreneurship & Emerging Enterprises Program at the Whitman School of Management at Syracuse University. This guide represents the accumulated 'lessons learned' from an accomplished faculty and staff who work everyday teaching and training individuals to realize their entrepreneurial dreams and aspirations.

As you read through the Nuts & Bolts guide, you'll see that it offers a number of guidelines to help navigate the processes and activities that you'll face as you pursue the creation of your own venture. The points raised in each section in the guide are just that - a guide (not a checklist) of the types of information that you might include in developing a comprehensive business plan. Ultimately, the success of your business will depend on the actions that you take as you build connections with your customers and partners. These types of connections are essential as you begin down your path toward starting and growing your own venture.

You have taken the first step toward realizing those goals by working with the Entrepreneurship Program at the Whitman School of Management for help and support. We're delighted you're part of our team, and we look forward to working with you as you continue on your entrepreneurial journey!

All the best in your entrepreneurial endeavors,



Maria Minniti, Ph.D.

Department Chair | Professor of Entrepreneurship | Bantle Chair in Entrepreneurship and Public Policy
Department of Entrepreneurship & Emerging Enterprises | Whitman School of Management |
Syracuse University

Table of Contents

A Note on Your Overall Approach	4
A Plan is Worthless without the Research	5
The Business Plan: An Overview	8
Key ‘Best Practices’ for Plan Completion	11
The Breakdown: Detailing the Major Sections of Your Plan	13
Appendix 1: The ‘Checklist’ of Business Planning Musts	34

A NOTE ON YOUR OVERALL APPROACH

~ A business plan is where imagination meets discipline ~

A business plan is not a checklist, where you address sections one by one. Instead, the business plan is a living, breathing document. You are telling a story and bringing a venture to life. It is about a company, *not a product or an idea*. A company has many facets, and these are reflected in the various sections of the plan. Most critically, the sections are **highly interdependent**. They must be internally consistent and “hang together.” As you subsequently make changes to one section, you will find yourself having to go back and make adjustments to a number of other sections. This is why we say it is a ‘living document’. Your plan will continue to change and be amended throughout your journey. One of the most common areas of mistake is when you change one element of your plan, without consideration to the many other parts of the plan that are impacted by that change.

It is the **discipline** of the plan that will help you see critical flaws in your idea, in your target market, how you plan to price, your cost requirements, your operational approach, your marketing methods, and so forth. You will have to continually adapt as you learn more about the business and the industry within which it will operate. Using the plan as a framework, it will help you to ‘tweak’, pivot, or adjust aspects of what you propose to do in ways that make the venture more viable.

IMPORTANT:

A business plan is also an objective and fact-based document. It is not a “puff-piece”, nor a sales/advertising piece. You are not continually clarifying why you are the greatest, nor the most insightful. Your reader already knows that you believe in your plan. Continual reinforcement of your faith in future success quickly becomes off-putting to your reader. You should address both the upside and the downside. Your plan is meant to educate the reader, not to continually ‘toot your horn’. You should make clear you understand what can go wrong. Be conservative in your estimates.

Importantly, **the plan is not written in first person**, so be sure to eliminate all use of ‘I’, ‘We’, ‘Our’, and ‘Us’. Prior to submission, you should use your word-processing software to scrub your document to remove these forbidden terms. By example, rather than write “we plan to...”, instead write “...management intends to...”, or something similar. Your plan should be written almost as if you are a reporter writing about a company as a third person. Use your company name to refer to the business. By example “NewCo intends to...”.

Be careful as well to write in terms that reflect certitude. You do not want to convey uncertainty to your reader. By example, rather than write “...in such a circumstance, the company would likely do the following...”, you should prefer to write “...in such a circumstance, the company intends to initiate the following...”. Almost always, replacing the word “would” with ‘will’ is most effective. Remember that your plan represents months of work by a talented team of entrepreneurs. All major questions should have been settled by the time of publication. Yours is not a plan that reflects hope and chance, but rather certitude and confidence.

It is critical that you organize your business planning process in a logical fashion. If you divide sections among team-members or employees, remember that some sections might require multiple people for a

number of weeks, while others might only require a single person and can be accomplished in a shorter time period. Complete the pro forma financial statements toward the end of the process, *but* finish refining and developing your economic model fairly early in the process - this really is the baseline of what you do. The market analysis section will be the hardest, take the longest, and be the most important. A logical approach is to break the overall plan down into **THREE STAGES**.

- **Stage 1:** First, attack four key sections: the Company/Concept/Products, the Industry, the Market, and Economics (think of this as **stage one**). These sections will lay out the nature of the opportunity and how you are going to capitalize on it.
- **Stage 2:** Address the Marketing, Design and Development, Operations, and Management Team sections. These sections really get at the nitty-gritty of how you will make things operational, basically how things work behind the scenes.
- **Stage 3:** Address the Risks and Assumptions, Timetable, Financials, and the Offering or Deal. Here you focus on implementation, what can go wrong, how the business will perform, and how much money is needed.

Ultimately, write the plan for yourself - not for a financier, a course, an instructor, or a competition. It will be an invaluable part of your professional portfolio and will give you a skill set that you can use for the rest of your professional life. You will refer back to it more often than you might think. In fact, it is common for faculty to receive requests from former students, who 5 or 10 years later, want to obtain a copy of this Guide for their entrepreneurial pursuits.

THE PLAN IS WORTHLESS *IF YOU DON'T DO THE RESEARCH*

~ Some Helpful Hints ~

The best plans are almost always the ones where the entrepreneur has obtained comprehensive supporting information and completed primary research. The best practitioners complete the most field research (talk to prospective competitors, customers, suppliers, and others), and dig for information about their target market and the nature of competition in their targeted industry. At the end of the day, your plan is literally worthless unless there is a substantial amount of customer validation - evidence and support that your company provides products or services that are wanted and needed by your customers. Without the customer feedback and support, many of your assumptions and plans will fail their very first tests - do I offer something that is worth paying for, and can I generate a profit when doing so?

Not only does the information you include in your plan help you better justify declared positions, and act as a reality check, but it is also a rich source of creative inspiration. When you see some of the more innovative approaches and techniques being employed by others, these insights will help you think differently - for example - about creative ways to refine your product or effectively communicate with your customers. Most of the answers you seek are hard to find, do not exist in one place, and must be pieced together. It is up to you to go forth and obtain this information. This method of acquiring information is called “inquiry-based learning”. The research you do is truly a scavenger hunt of sorts. Here are some other ‘helpful hints’ when it comes to performing research that will inform your plan:

- If you limit the scope of your research to Google searches, you will only get a very limited - and also very public - picture of your market and industry. Get out into the field and talk to customers, suppliers, competitors and others. The results of this work - whether observations, quotes or survey data from potential customers - should be highlighted in your plan. This is not to say Google does not provide substantial benefit. By example, you should avail yourself of, and routinely use, “Google Alerts”.
- Librarians can be extremely helpful. You should be especially encouraged to seek help from the business publications librarian. There are a large number of databases or sources of information that librarians are aware of, that most others might not know exist.
- Speak to, and visit, trade associations, trade shows/conventions, and potential investors. They will open your eyes to things that you simply had not considered. This is an example of crucial primary research.
- Leverage the internet for data collection. Start a discussion topic and follow discussions on blogs and using social media. Know where your customer gets their information. Learn how to develop and execute online surveys, as they are quick and powerful tools to get feedback directly from your target customers. But only do surveys after you have validated some of your ideas with your customers; surveys are great for getting broad support for your idea. Your faculty leader can help you with advice on how to conduct worthwhile surveys and identify common mistakes to avoid.
- Be creative. Think about ‘non-traditional’ ways that you might be able to solicit customer feedback and industry information to support your plan. Give away product samples or hold a party for

industry 'insiders' - the goal here is to use such tactics to truly gain a complete understanding of your potential market, and the other firms that compete for those same customers.

Remember that a business plan is not a term paper, so references should be used sparingly, but are needed to support claims. A section called '**references**' or '**key sources**' should be included as an appendix to the plan. Always provide citations for key numbers or research that support your case. When you conduct interviews, cite the date and place of the interview in your 'references' section.

THE BUSINESS PLAN: AN OVERVIEW

In what follows you will find a suggested outline for the business plan. Each of these sections is explained in greater detail later in the *Guide*. However, this overview is provided to present the ‘big picture’ as to the flow and structure of the plan.

- a. **EXECUTIVE SUMMARY** (for summary, a brief overview of each below / length: 2-3 pages)
 - Opportunity Statement
 - Business Concept and Product or Service
 - Description of the Target Market
 - Competitive Advantage
 - Essence of Marketing Approach
 - Economics and Breakeven
 - Technology and Operational Issues
 - The Team
 - Financial Highlights
 - Financing Needs and How the Team Proposes to Raise the Money
- I. **THE COMPANY, CONCEPT AND PRODUCT(S) OR SERVICE(S)** (length: 2-3 pages)
 - a) The Company and the Concept
 - b) The Product(s) or Services(s)
 - c) Entry and Growth Strategy
- II. **THE INDUSTRY ANALYSIS** (length: 2-3 pages)
 - a) Identify Industry & Sector
 - b) Industry Size and Annual Growth Rate
 - c) Structure of Industry at Present
 - d) Key Trends in the Industry
 - e) Key Success Factors for the Industry
 - f) Standard Financial Ratios for the Industry
- III. **MARKET RESEARCH AND ANALYSIS** (length: 3-4 pages)
 - a) Definition of Your Relevant Market and Customer Overview
 - b) Market Size and Trends
 - c) Buyer Demographics and Buyer Behavior
 - d) Market Segmentation and Targeting
 - e) Competition and Competitive Edges
 - f) Estimated Size of your Addressable Market
 - g) Ongoing Market Evaluation
- IV. **THE ECONOMICS OF THE BUSINESS** (length: 2-3 pages)
 - a) Revenue Drivers and Profit Margins (contribution margins)

- b) Fixed and Variable Costs
 - c) Operating Leverage and its Implications
 - d) Start-up Costs
 - e) Breakeven Chart and Calculation
 - f) Overall Economic Model
 - g) Profit Durability
- V. THE MARKETING PLAN (length: 2-3 pages)**
 - a) Overall Marketing Strategy
 - b) Pricing
 - c) The Selling Cycle
 - d) Sales Tactics, Advertising, Sales Promotions, Publicity
 - e) Customer Service, Warranty/Guarantee Policies
 - f) Distribution
- VI. DESIGN AND DEVELOPMENT PLAN (also called R&D) (length: 1-2 pages)**
 - a) Development Status and Tasks
 - b) Difficulties and Risks
 - c) Product Improvement and New Products
 - d) Projected Development Costs/Budget
 - e) Proprietary Issues/Intellectual Property (patents, licenses, copyrights, brand names)
- VII. OPERATIONS PLAN (length: 1-2 pages)**
 - a) Operations Strategy, Operating Model and Cycle (front stage and back stage)
 - b) Geographic Location and Physical Location Requirements
 - c) Facilities and Improvements/Equipment Requirements
 - d) Capacity Levels and Inventory Management
 - e) Legal Issues Affecting Operations
- VIII. MANAGEMENT TEAM (length: 2-3 pages)**
 - a) Key Management Personnel and Responsibilities
 - b) Organization Structure, Management Compensation
 - c) Present Ownership Structure
 - d) Other Partners and Current Investors
 - e) Employment and Other Agreements, Stock Option and Bonus Plans
 - f) Board of Directors, Other Shareholders, Rights, and Restrictions
 - g) Supporting Professional Advisors and Services
- IX. OVERALL SCHEDULE (length: 2-3 pages)**
- X. CRITICAL RISKS, PROBLEMS, AND ASSUMPTIONS (length: 1-2 pages)**
- XI. FINANCIAL PLAN (length: 1-2 pages)**

- a) Highlights of the Financial Statements
 - b) Months to Breakeven and to Positive Cash Flow
 - c) Key Financial Assumptions (unless covered in preceding section)
 - d) Key Cost Controls
 - e) Pro Forma Income Statements (appendix)
 - f) Pro Forma Balance Sheets (appendix)
 - g) Pro Forma Cash Flow Analysis (appendix)
 - h) Company Valuation (appendix)
- XII. PROPOSED COMPANY OFFERING** (length: 1-2 pages)
- a) Desired Financing, Proposed Offering
 - b) Capitalization & Use of Funds
 - c) Investor's Return
- XIII. APPENDICES** (including one on key sources used / length: no more than 14 pages)

FORMATTING AND USE OF TABLES AND FIGURES

This plan is a professional business document and should be prepared with that fact in mind. It is generally expected that you will use one inch margins on all sides, and an 11- or 12-point font. Anything less than an 11 font is not acceptable. Plans are typically either single-spaced or 1.5 spaced. You should refer to key sources of information in the text of the plan (i.e. 'According to a 2010 U.S. Small Business Administration report...'), but also include a complete set of references at the end of the plan. Typically, there is no specific rule for citation method. Most of the time, authors will use an 'in-line' citation immediately after the relevant portion, however, it is entirely acceptable to use footnotes or any other preferred methodology. The key is to provide the reader with citation evidence so that they can independently verify the information you've referenced.

It is important to also bring the plan alive. One of the worst things you can do is to write a plan that consists of page after page of unbroken text, long, unwieldy paragraphs, and run-on sentences. Provide the reader with visually appealing text and layout. Use headings, sub-headings, and sub-sub-headings to break up the text. Just as critically, use tables and figures (exhibits) to break up the text, to illustrate key points, and to bring the plan to life. It is often possible to significantly shorten the text in a given section by using a couple of tables and figures. A picture or diagram can tell a vivid story. Be sure every table and figure are numbered, titled, and referred to in the text.

KEY 'BEST PRACTICES' FOR PLAN COMPLETION

1. Your faculty leader has literally coached the development of hundreds of student business plans in the past. This *Guide* represents a compilation of their experiences with students completing Whitman's Capstone course. Here is an assemblage of **Do's & Don'ts** to help you and your team smoothly complete your unique business plan:

2. This *Guide* is laid out in 'bulleted' fashion among individual sections. When preparing each section of your plan, be sure to ignore those bullets that are not applicable to your firm's plan. When drafting this *Guide*, faculty have understandably tried to write it with a comprehensive eye (to include points to consider for various types of companies). That is, some of your firms will sell a literal product, others will deliver a service, yet still others will offer apps or position themselves as non-profits. All are acceptable; however, each type of firm does not require identical prompts. By example, if your firm is offering an app, then your Operations section will be substantially different than that of a manufacturing firm. When completing plan sections, focus only upon those elements that are applicable to your particular business. ALL entrepreneurs should bear in mind that their completion of various plan sections is NOT limited to only the bullets referenced in this *Guide*. If you have additional information to offer that is not already anticipated in this *Guide*, you should deliver that additional information.

3. While this *Guide's* sectional instructions are presented in outline fashion (bullets), your firm's deliverable(s) should be written in a **narrative**. It is not acceptable to deliver a bulleted outline when preparing your firm's response to the sections found below. Your attention is directed to previous Capstone business plans for clarification.

4. There is a true skill to be developed when writing in 'business English'. When doing so, it is critical to convey ample amounts of information, in succinct fashion, using very little space in your plan. This is an acquired skill. You are reminded that there are no Pulitzer Prizes for business writing! We are not here to write novels, or even short stories. Your writing style should be hard-hitting, direct, informational, and clear. You typically are afforded very little space to convey a great deal of information. Your sectional length guidelines are real and should not be routinely exceeded. There is a skill to writing in a business setting, and mastering this skill will reward you many times over in your future career. To this point in your educational experiences, you have typically been rewarded when delivering a longer assignment than requested. In the past, if your teacher asked for 3 pages, it was often better to give them 5 pages. Not so in Capstone! It is YOUR responsibility to edit your submissions down to comport with the suggested length guidelines found in this *Guide*.

5. This *Guide* provides you with suggested headers in the sectional descriptions found below. However, you **MUST** personalize yours. When the *Guide* suggests a header as: "Describe your Products(s) or Services(s)", you should NOT retype that verbatim into your own plan. Doing so alerts the reader that you are using a 'recipe guide' for your plan and causes them to wonder if you even know whether you are offering a product or a service! Instead, you should personalize that header to reflect the particulars of your specific company.

6. It is common for inexperienced teams to assign specific parts of each plan's section to be completed by different team members. This often results in repetitive parts, portions (often next to one another) that don't agree, and different author's styles of writing. The reader immediately realizes that the team simply 'bolted' the various sections together after completion by individual authors. **This practice is entirely unacceptable.** Prior to submission, each plan Section should be edited so that the deliverable is written in one common 'voice', is not repetitive, and has been scrubbed to remove forbidden first-person terminology.

7. There is NO reason for your firm to 'toot their horn' throughout the plan. There is only one section of the plan where this is permissible (the Executive Summary). The balance of the plan should be focused upon delivering factual information. The reader already knows you are a big fan of your plan. It is your job to convey real information to them so that they might independently come to that same opinion. Routinely restating your love of the plan, or continually reminding the reader why your firm is so great, quickly becomes a major turnoff. To the reader, it makes you appear like a carnival barker, rather than a steely-eyed, informed entrepreneur.

8. PRIOR to setting out to complete any section of the plan, it is critical that the team members **meet to strategize** upon what they wish to convey in that specific section. Failure to do so normally results in work product from various authors that doesn't line up, is repetitive, or worse is not in agreement with one another. Every team eventually comes to this realization. The question is whether you want to reach this realization the hard or the easy way. Your grades will suggest that this is a lesson best learned quickly!

9. It is helpful to immediately attach a company name to your writing effort. Don't fret, you can determine your best and final company name later on, but even a temporary name is helpful as a placeholder. In your narrative, you will routinely want to refer to your company by name. Choose a temporary name right away, or even use "NewCo" or something similar.

10. While the Executive Summary is the first document found in the Business Plan, we choose to write this portion last. It is impossible to foresee enough particulars at the *beginning* of your journey to write such a section. Any effort to do so at the beginning would be wasted and subject to significant revision. Although it lines up at the beginning of your final plan, the Executive Summary is written only after the plan has taken its final turn.

11. It is common to see students begin every plan section with a reminder of what the firm does and who it does it for. This is a mistake and will immediately become repetitive to your reader. You will have done this once in your Executive Summary and again in your section 1 (the company). That is enough....

THE BREAKDOWN:

DETAILING THE MAJOR SECTIONS OF YOUR PLAN

General Note: In what follows, we have attempted to detail each and every possible issue that might require development in your plan, and also illustrate the appropriate section of the plan where such 'issues' should be addressed. These are guidelines, not a checklist. Consequently, if a particular question or issue identified below does not apply to your proposed venture, then don't feel any need to address that issue in the plan. Some issues may not fit your plan - for example, there is no need to discuss your plan for patents if you don't have a patentable product. In the end, do your best to address all of the issues that apply.

THE EXECUTIVE SUMMARY

Length: 2-3 pages

Objective: When the reader's appetite for more. After reading your executive summary (or E/S), are they excited to turn to the rest of your plan? Although this is the first section of the plan, the Executive Summary is the last section that you write. The Executive Summary concisely summarizes the essence of the business and the **key decisions made by the entrepreneurial team in each area of the plan**. It is not merely an abbreviated business plan, but instead represents an opportunity for you to provide the reader a clear, basic picture of the business, and be enticed to want to read more. Essentially, the goal for this section is to entice the reader to continue to dig deeper into your plan. More than that, the job of the executive summary is to **sell**- your vision to potential investors, employees, and other stakeholders. This is the only section of your plan where it is permissible to overtly sell and to 'toot your company's horn'.

Many entrepreneurs fail to consider adequately their markets, their customers and a business model that will enable them to achieve success. Instead, they often get wrapped up in an interesting technology or product, which is not the same thing as an attractive business. The questions below will help you focus on the aspects of your executive summary that are relevant to the business plan. These are some initial considerations that first time readers (venture capitalists, banks, competition judges, etc.) look at before going on to evaluate the members of the team and the soundness of your financial projections. Make sure that your executive summary provides answers to these questions in addition to giving the reader an overview of the highlights from your business plan for the new venture. Remember: this section is not a mini business plan!

Problem-Opportunity Statement:

- Identify the market problem and your 'big solution.' This sets the tone for the rest of the summary!
- Be direct and specific, not abstract and conceptual.
- What forces are creating the opportunity?
- Why is the opportunity 'right now?' What is the size of the opportunity? Is this the right time for the Window of Opportunity?

Business Concept and Product or Service:

- What is your value proposition?
- Remember: Customers don't care about your technology or shiny new service, they only care if you can deliver value to solve their problem.
- Develop a brief but powerful concept statement that can be shown to potential customers.
- How will the product be used? What are some unique features? What existing problem(s) will you solve with your service or product offering? What are the primary benefits to customers? How does your solution improve or replace current offerings?
- What is unique about this venture?
- Briefly describe the legal structure of the venture.

Competitive Advantage:

- What is your firm's 'unfair advantage' in the marketplace?
- What special knowledge or technology do you possess and how will you protect it?
- What are the barriers to your entry? Who will the competitors be?
- How will your service or product compare to those of your competitors in terms of usefulness, cost, styling, ergonomics, time-to-market, alliances, compatibility with related products, etc.?

Description of the Target Market:

- Briefly define your relevant market (not Industry).
- What is the current size and expected growth of your target market?
- What segments will you be targeting?
- Who will your first customer(s) be?
- What proof can you offer that your target customers value your product or service?

Essence of Marketing Approach:

- What do you need to do very well in order to win this market?
- Indicate the key marketing methods used to accomplish sales. If using 'social media', be more descriptive.
- Summarize your pricing position relative to the rest of the industry
- Summarize the distribution channel approach.

Technology and Operational Issues:

- What technology will you employ?
- Where are you in terms of R&D on the products/services?
- Will you be partnering with a patent holder, or other party who has already developed I/P?
- Will production be handled by you or outsourced?

The Team:

- Who are you and why can you do this?
- Briefly summarize your team's qualifications.
- Highlight key board members/advisors.

Economics:

- Make clear the model for making money.
- What are the firm's margins and volumes?
- Is the cost structure more fixed or variable?

Financial Highlights:

- When will breakeven be achieved? (Remember, this is your first period of operational profitability. No one cares when you become profitable overall).
- What is the level of potential sales of your product or service?
- What level of profits do you expect to achieve?
- Address cash from operations/burn-rate of cash during the start-up period.

Financial Need:

- How much money are you requesting?
- Does your request include a reserve or buffer?
- From what sources are you looking for money and in exchange for what (e.g., how much equity)?
- What is the rate of return investors will receive and when will they receive their return?

It is IMPERATIVE that the executive summary is comprehensive, clear, concise, and well written. Often this is the first (and sometimes only) section of the plan that a potential investor or partner will read when making decisions, such as whether or not to take a meeting with the entrepreneur. Sometimes the most effective executive summaries are those where you can use an example of the 'customer pain' and how you will resolve it.

SECTION I:

THE COMPANY, CONCEPT, AND PRODUCT(S) OR SERVICE(S)

Length: 2-3 pages

Objective: Introduce your value proposition. Clearly describe your product or service. This is normally the first section that you will write for your plan. In this section the focus is squarely on the venture. First outline the nature of the entity you plan to create and where you are in that process. Next, clarify the essence of your business concept simply and clearly, and detail the products and/or services you anticipate selling. Finally, discuss your entry strategy into your market.

A. The Company and the Concept:

- What legal form will the company take, where will it be based, and when will it commence operations? You should plan to commence operations in January (if you are a Fall student), or in June/July if you are a spring student.
- Briefly summarize the company history, how the concept was discovered, as well as the current status of the company. Spell out the mission and main objectives of the company.
- Describe specifically the concept behind the business and your **unique value proposition**...the core benefits you will provide to a user, the need or pain you will address.

B. The Product(s) or Service(s) Mix:

- Describe (in general detail) each product or service you will be selling (what it is and isn't - describe the product fully and provide pictures or a brochure in the appendix if you can). Begin to subconsciously sell your idea here by generating some excitement about your product or service. This needs to be very clear. If the reader doesn't understand what you do, then it will be difficult to evaluate the rest of your plan.
- Discuss the application (what it does) of the product or service and describe the primary end use as well as any significant secondary applications (who will use it and why).
- Detail which products will likely generate the lion's share of the revenue
- Emphasize any unique features of the product or service and how these will create or add significant value; also, highlight any differences between what is currently on the market (the Next Best Alternative) and what you will offer that will account for your market penetration. Be sure to describe how value will be added to the customer.
- Discuss any head start you might have that would enable you to achieve a favored or entrenched position in the industry (e.g., proprietary rights, patents, copyrights, trade secrets or non-compete agreements). Describe the key factors that dictate the success of your product/service. Describe any features of the product or service that give it an "unfair" advantage over the competition (e.g., proprietary knowledge or skills).
- Discuss any opportunities for the expansion of the product line or the development of related products or services. Emphasize opportunities and explain how you will take advantage of them.

C. Entry and Growth Strategy:

- How and where will you initially enter the market?
- Share your vision for where the firm will be in five years (geographic scope, markets entered, number of locations, and expansion of product mix).
- Summarize how quickly you intend to grow during the first few years and your plans for growth beyond your initial product or service.
- Discuss how you will create barriers to entry to prevent others copying your success.

SECTION II: *THE INDUSTRY ANALYSIS*

Length 2-3 pages

Objective: Clarify your understanding of your industry and its dynamics. The "industry" refers to the larger landscape, as in the "computer hardware wholesale industry" or the "card and gift retail industry" or the "architectural services industry". The focus here is on what is happening in, and the relative attractiveness of, the industry as a whole. This could be in your specific geographic location, nationally, or even globally. As such, this section does not involve any description of your company or your market. This section requires significant secondary research. You must first determine your firm's most applicable NAICS Code, and then conduct relevant database research through Bird Library. This section of your plan should address the type of information below:

A. Summarize the industry in which the proposed business will operate:

- Give the relevant industry NAICS code and description.
- How is the industry constructed/segmented?

B. Discuss briefly industry size (in dollars) and annual growth rate (%):

- Where is the industry in its life cycle---emerging, early growth, rapid growth, early maturity, maturity, decline?
- What are the implications of the current stage, for your venture strategy? Will you ride the wave of a growing industry, or reinvigorate a mature industry with your innovation?

C. Discuss the structure of the industry at present.

- How concentrated or fragmented is the industry? What are the implications of this reality?
- How many players are there, and how many are large versus small?
- Who are the largest and most important players in the industry? What can you learn about them?
- What is the basis for competition in the industry (i.e. price, differentiation, etc.)?
- What are the keys to success for the winners in this industry?

D. Highlight key trends in the industry:

- Are costs going down or up? What about prices? Margin trends?
- Discuss any new products or developments, the rate of new product development, new markets and customers, new selling approaches, new pricing methods, new requirements or regulations, new entrants and exits, new technologies.
- Discuss any other national or economic trends and factors that could affect the venture's business positively or negatively.

E. Determine the key success factors for the industry and draw conclusions.

- What are the winners able to do consistently that the losers or also-rans do not do?
- What are the implications of the above for your strategy?

F. Provide standard financial ratios for the industry:

- Summarize key ratios (i.e. liquidity ratio/ROI/revenue per employee, etc) You must research averages within your industry. Do not simply write a passage about why current ratios (by example) are important. Do not simply copy/paste a chart found in your research. Choose 3 or 4 ratios that you deem important for your industry, and report what you found for industry averages.
- Interpret your chosen ratios so as to inform your competitive strategy.

SECTION III: ***MARKET RESEARCH AND ANALYSIS***

Length: 3-4 pages

Objective: Clarify the demographic that you will pursue, how well you know your customer, and who you will compete with to do so. This section of the business plan is one of the most difficult to prepare, yet it is arguably the most important. Get this right and other portion of your plan will fall into place. Future sections of the business plan depend on the market research and analysis presented here. As a consequence, it is worthwhile to prepare this section of the business plan with great attention to detail. Take the time to do this section thoroughly and to check alternative sources of market data. You should fully explain what you did as part of your market research - how many conversations you had with customers, example quotes, how many people responded to surveys, the results from other data collection, etc.

In other words, this section should convince the reader or investor that **you truly know your customers and that there is demand or need for your product or service**. To do that, you need to provide the tangible evidence of that need. It should convince the reader that your product or service a) solves a customer need that customers want solved; b) will have a substantial market in a growing industry; and c) can achieve sales in the face of competition. For example, the predicted sales levels directly influence such factors as the size of the manufacturing operation, the marketing plan, and the amount of financing you will require. Show your primary research but also consult industry publications, articles in trade magazines, and trade associations, to understand how the industry defines, identifies and segments its customers.

A. Definition of Your Relevant Market and Customer Overview:

- Provide a very specific definition of your relevant market. What are the parameters that you are using to define the relevant market?
- Provide demographics of your targeted customer base in your defined market (note: below you will get into segmentation of this market and descriptors of segments).
- Make it clear if you serve more than one market (e.g., a website that must sell both to advertisers and to users of the site). Include separate discussions of the issues for each market.

B. Market Size and Trends: For your defined market, assess market size and potential in dollars and units.

- Note any assumptions that your assessments are based upon.
- Describe the potential annual growth rate for at least three years of the total market for your product(s) or service(s) for each major customer group, region, or country, as appropriate.
- Discuss the major factors affecting market growth (e.g., industry trends, socioeconomic trends, government policy, and population shifts) and review previous trends in the market. Any differences between past and projected annual growth rates need to be explained.

C. Buyer Behavior:

- Who buys, when, why, where, what and how?
- Who is the actual purchase decision-maker? Does someone or something influence that decision? Does anyone else get involved in the buying decision process?
- How long is the customer's buying process (i.e., how long from when they become aware of your offering to when they purchase)?
- What are the key stages or steps in the customer's buying process in each stage? These developments over the buying process have important marketing implications!

- Indicate whether customers have strong loyalties to the next best alternative or if high switching costs exist.
- Describe customers' purchasing processes, including on what they make purchase decisions (e.g., price, quality, timing, delivery, training, service, personal contacts, or political pressures). Why they might change current purchasing decisions.
- Highlight interviews or other market research you had with customers or users.
- List any orders, contracts, or letters of commitment you have in hand. These are far and away the most powerful data you can provide. List also any potential customers who have expressed an interest in the product(s) or service(s) and indicate why.
- Which are the twenty percent of customers likely to account for eighty percent of revenue? List and describe five potentially largest customers. What percentage of sales do they represent?
- In what way are customers dissatisfied with current offerings in the marketplace or what emerging customer groups are being ignored?

D. Market Segmentation and Targeting:

- Discuss if/how your defined market can be broken down into specific market segments. Be creative and insightful in describing the existing segments.
- Note that potential customers need to be classified by relatively homogeneous groups having common identifiable characteristics (they must be homogeneous in terms of needs or buying behavior). What characteristics define your target customers (demographics, psychographics, benefits sought, information sources utilized, product usage rate, etc.).
- Include a table summarizing the various segments.
- Which segments represent the greatest sales potential?
- Indicate which segments you will be prioritizing.

E. Competition and Competitive Edges:

- Identify potential/actual direct and indirect competitors. DO NOT INDICATE THAT THERE IS NO COMPETITION. Make a realistic assessment of their strengths and weaknesses. Discuss 3 or 4 key competitors, their strengths and weaknesses.
- Assess these substitute and/or alternative products/ services, why customers buy from them, and why customers might leave them. Discuss the current advantages and disadvantages of competitor products and the extent to which they are not meeting customer needs.
- Compare important attributes such as quality, price, performance, delivery, timing, service, warranties, and pertinent features of your product/service with those of competitors.
- Discuss why any companies have entered or dropped out of the market in recent years.
- Using Porter's 5 Forces, BRIEFLY assess the present environment of your targeted market.

F. Addressable Market Size:

- Apply Chain Ratio Analysis using reasonable estimations and hypotheses to determine your Addressable Market. This is not the size of your entire market, but rather that portion of the market that you can reasonably market to in each of the next three years. Remember to show assumptions used in your calculations. DO NOT INDICATE THAT IT IS A \$100 MILLION MARKET AND THAT YOU ONLY HAVE TO CAPTURE EIGHT TENTHS OF ONE PERCENT TO BREAK EVEN---AS THAT MAY SEEM EASILY ACHIEVABLE TO YOU BUT IT IS NOT!

A. Ongoing Market Evaluation:

- Explain how you will continue to evaluate your target markets so as to assess customer needs and services.
- Consider future product-improvement programs and new product, expansion in new geographic markets, expansion to your target market and other future-looking market issues.

SECTION IV: ***THE ECONOMICS OF THE BUSINESS***

Length: 2-3 pages

Objective: Show your planning to address the economic model of your business. This section addresses the basic logic of how profits are earned and the sales level required to attain profitability. As companies in the same industry make profit in very different ways, describing your venture's economic model is important and has implications for the attractiveness and feasibility of your business. To do so, you must be able to categorize your sunk, fixed, and variable costs. You need to address contribution margin(s) and breakeven levels using reasoned estimates.

A. Revenue Drivers and Profit Margins (*contribution margins*):

- Summarize the major revenue drivers (major products and product lines) of the business, and indicate (as a percentage) how each will contribute to total revenue
- Describe the gross margins (i.e., sales price less cost of goods sold or variable costs) for each of the major revenue drivers. If you have multiple products, calculate the contribution margin for each product (or use the margin for the most typical product that falls within that revenue driver). Then determine the weighted average contribution margins by weighing the individual contribution margins of each revenue driver based on the percentage of total sales expected to come from that revenue driver.

B. Fixed and Variable Costs:

- Provide a detailed summary (in table form) of fixed and variable costs, in dollars and as a percentage of total costs. To get variable costs, identify a "unit of analysis". Fixed costs assume a given range of volume or capacity. For simplicity, classify semi-variable costs as either fixed or variable.
- If you don't yet know your specific costs, use relevant industry benchmarks for costs.

C. Operating Leverage and its Implications:

- Characterize whether your cost structure is predominantly fixed or variable and then indicate the implications. For example, if you have a high fixed cost structure, you have high operating leverage which means it takes longer to reach breakeven, but once there, much more of your revenue flows straight to the bottom line. High operating leverage (high fixed costs) suggests a riskier venture, at least initially.

D. Start Up Costs: Distinguish the one-time start-up costs of the business (put into a table). These costs are distinct from the ongoing operating costs.

- E. **Breakeven Chart and Calculation:**
- Make clear what your unit of analysis is for the purpose of calculating breakeven.
 - Calculate breakeven (remember not to include start-up costs here) and prepare a chart showing when breakeven is reached and any stepwise changes in breakeven that may occur. Present a chart for the break-even point in the appendix.
 - Discuss the breakeven shown for your venture and whether it will be easy or difficult to attain breakeven, including a discussion of the size of break-even sales volume relative to projected total sales, the size of gross margins and price sensitivity, and how the breakeven point might be lowered in case the venture falls short of sales projections.
- F. **Overall Economic Model:** Combine the components and indicate how you will make money in terms of the combination of margins, volumes, operating leverage and revenue sources. How attractive is this combination?
- G. **Profit Durability:** Address how solid or vulnerable the profit stream is. Provide reasons for this assessment, such as barriers to entry you can create, technological and market lead time, etc.

SECTION V: *THE MARKETING PLAN*

Length: 2-3 pages

Objective: Clarify how you will innovatively use guerilla skills to create buzz and to market your firm's offering to your Addressable Market. The **Marketing Plan** describes how your projected sales will actually be attained. How will you actually make sales happen? A great idea is meaningless if you cannot reach your customers. This section builds on the earlier **Market Research & Analysis** section, where you defined your addressable market and outlined your targeted segments and their buyer behavior. The marketing plan provides detail on the overall marketing strategy that will exploit the opportunity and your competitive advantages. Include a discussion of sales and service policies, pricing, distribution, promotion and advertising strategies, and sales projections. The marketing plan needs to describe what is to be done, how it will be done, when it will be done, and who will do it.

A. **Overall Marketing Strategy:**

- Describe the specific marketing philosophy of the company.
- How will your business be positioned in the minds of particular target audiences?
- How will you communicate what differentiates your product/service from your competitors? Do not overtly 'toot your horn' here. Be clinical in your comparison of differentiation.
- Include a discussion of the kinds of customer groups that have already placed orders, have expressed an interest, or will be targeted for either initial or intensive selling efforts.
- Make it clear how your marketing strategy reflects the characteristics of the primary market segments you will be targeting.
- What is your unique selling proposition, the central theme of all marketing communications?
- From an overall standpoint, make it clear whether marketing efforts will center on personal selling, media advertising, or something else (you will get into specifics below).

B. Pricing:

- Discuss pricing strategy, including the prices charged for your product and service. Compare your pricing policy with those of your major competitors.
- Explain how the price you set will enable you (1) to get the product or service accepted, (2) to maintain an increase in your market share in the face of competition, and (3) to produce profits.
- Justify your pricing strategy and differences between your prices and those for competitors or substitutes in terms of economic payback to the customer and value added through newness, quality, warranty, timing performance, service, cost savings, efficiency, and the like.
- If your product is priced lower than those of competitors, explain how you will maintain profitability (e.g., through greater value added via effectiveness in manufacturing and distribution, lower labor costs, lower material costs, lower overhead, etc.).
- Discuss pricing structure, or how your prices will differ by aspect of the product or service, by customer group, and by time and form of payment (e.g., the discount structure).
- Make sure to provide evidence of customers willingness to pay the price point of your product/service.

C. The Selling Cycle

- In the Market section you described the customer's buying process. In the Marketing section, map out a selling cycle or process that reflects that buying process. How do you plan to move a customer from never having heard of you to being a loyal user? What are the steps involved? How long does it take?
- Make it vividly clear how your overall use of personal selling, advertising, and publicity will reflect a blend of tools that moves your target customer through their buying process.

D. Sales Tactics

- Note, due to cost and effectiveness, it is usually impossible to initially afford a proprietary force of sales representatives. Do not simply say "The firm will start with a sales force...". That is not realistic and clearly not cost-effective when initially starting a firm. Think more expansively. Show your innovation and creativity here. Show the reader that you can be effective while bootstrapping.
- Describe the methods (e.g., social media, manufacturers' sales organizations, direct mail, or distributors) that will be used to make sales of your product or service. Also include the longer-range plans for a sales force (if applicable).
- Describe how distributors or manufacturer's sales representatives, if they are used, will be selected, the timing of this selection, the areas they will cover and the build-up (e.g., head count) of dealers and representatives, and the expected sales to be made by each.
- Discuss any seasonal trends that underlie the cash conversion cycle in the industry and what can be done to promote sales out of season.

E. Advertising and Sales Promotions:

- Describe the media approaches the company will use to bring its product or service to the attention of prospective customers. How will you inform your market about the availability of your product/service and continue to communicate the benefits you offer to that market?

- If direct mail, magazine, newspaper, social media, telemarketing, or catalog sales are to be used, indicate the specific channels or vehicles, costs (per 1,000), and expected response rates and yield (as percentage) from the various media used. Discuss how these will be built up.
- Indicate the plans for trade show participation, trade magazine advertisements, direct mailings, the preparation of product sheets and promotional literature (if applicable).
- Indicate what kind of advertising and promotional campaign is planned to introduce the product. Specify types of media to be employed and what kinds of sales aids will be provided to dealers, what trade shows, etc., are required.
- Present a schedule and approximate costs of promotion and advertising (direct mail, social media, telemarketing, catalogs, etc.), and discuss how these costs will be incurred. Determine the total marketing budget required. You should plan on an initial marketing budget approximating \$100,000 in year one.
- Discuss the use of special price offers, rebates, coupons, and discounts offered. Bear in mind, that these initiatives represent a 'cost' that is a component of your overall marketing budget.

F. Publicity:

- What sort of guerrilla or viral publicity tactics might you employ/how will you specifically use social media?
- What methods will you use to get free publicity for and news about your business? How will you create 'buzz' about your company and its product(s) in a cost-effective fashion?

G. Distribution (if applicable):

- Describe the methods of distribution you will employ. Why is this best/better?
- Discuss the value chain and the resulting margins to be given to retailers, distributors, wholesalers, and salespeople and any special policies regarding discounts, exclusive distribution rights, and so on, given to distributors or sales representatives and compare these to those given by your competition. Remember that partners in your value chain like to make money too. By example, it is routine for you to sell your product to distribution channels at approximately 50% of what the customer eventually pays at the register. By example, if a consumer is buying an item for \$10 at a retailer, that item was bought from the manufacturer at approximately \$5. If using distribution channels, you need to ensure profitability at these lower net price points.
- What distribution channel(s) will be important to your business? How will you gain access to these channels? Note any special issues that need to be resolved, or present potential vulnerabilities.
- Explain any methods to be employed to obtain distributor cooperation and support.

SECTION VI: *DESIGN AND DEVELOPMENT PLAN*

Length: 1-2 pages

Objective: Clarify what has been done, and what remains to be done to prepare your product/service for launch. This is a very important section for ventures developing a non-existent product, doing research and development, or seeking patent or copyright protection. However, if you are in a business where research and development is not a major issue (e.g., retailing, many consumer services), then you

can leave this section out and just address the technologies you plan to employ in the OPERATIONS section.

The nature and extent of any design and development work, and the time and money required before the product or service is marketable, need to be considered in detail. Design and development might be the engineering work necessary to convert a laboratory prototype to a finished product; the design of special tooling; or the work of an industrial designer to make a product more attractive and saleable.

NOTE: For purposes of Capstone, we suspend reality to ensure that all students have an equal opportunity to compete on Capstone Friday. By example, if R&D realistically takes 18 months to complete, that team would be at a decided disadvantage compared to a team who expects to be in the market after a shorter development period. Our Capstone solution is to assume that all teams will be able to complete their R&D within 6 months. That way, teams will all be in the market selling their product by month 7. This rule does not change the reality of budget, however. All teams should report a realistic budget for their R&D efforts.

A. Development Status and Tasks:

- Define the present state of development of the product or service and how much time and money will be required to fully develop, test, and introduce it. If appropriate provide a drawing, or a summary of the functional specifications and photographs of the product.
- Explain what has been done, and what remains to be done to make the product fully useable and ready for sale.
- Describe briefly the competence or expertise required to complete this development.
- Identify any third parties who are participating in the development, design, and/or testing of the product or service. Indicate results to date or when results are expected.

B. Difficulties and Risks:

- Identify major anticipated design and development challenges and approaches to their solution.
- Discuss possible effects of the cost of design and development on the time to market.

C. Product Improvement and New Products:

- Discuss any ongoing design and development work planned to keep product(s) or service(s) competitive over time and to develop new related product(s) or service(s) that can be sold in the future. Discuss customers who have participated in these efforts and their reactions and include any evidence that you may have.

D. Costs:

- Discuss the design and development budget, including costs of labor, materials, and consulting fees.
- Discuss the cash flow impact of underestimating budget, including a 15-30% contingency.

E. Proprietary Issues/Intellectual Property:

- Describe patent, trademark, copyright, or intellectual property rights you own or are seeking.
- Do you have any trade secrets?

- Describe any contractual rights or agreements that give you exclusive or proprietary rights (attach as an appendix the actual agreements).
- Discuss the impact of any unresolved issues or existing or possible actions pending, such as disputed rights of ownership, related to proprietary rights on timing and on any competitive edge you have assumed.

SECTION VII: *OPERATIONS PLAN*

Length: 1-2 pages

Objective: Explain what life in a day is like at your company. Clarify your big decisions regarding outsourcing, inventory management, etc. The operations section outlines how you will run your business and deliver value to your customers. Operations is defined as the processes that deliver your products/services to a customer, transportation, logistics, travel, printing, consulting, and after-sales service. It also includes such factors as location, the type of facilities needed, space requirements, internal processes, capital equipment requirements, and labor force (both full- and part-time) requirements.

For a manufacturing business, the manufacturing and operations plan needs to include policies on inventory control, purchasing, production control, and which parts of the product will be purchased, which functions will be outsourced, and which operations will be performed by your workforce.

A service business or a retail business may require particular attention to location (proximity to customers is generally a must), the service delivery or merchandising system, minimizing overhead, and obtaining competitive productivity from a labor force.

In many cases, up to 80% of your expenses will be for operations, 80% of your employees will be involved in operations and 80% of your time will be spent worrying about operating problems. You will probably have to make trade-offs with your operations ---it is impossible to have the lowest costs, highest quality, best on-time delivery and most flexibility in your industry all at the same time. This is where you have to make trade-off decisions that fit your other plans.

A. Operating Model and Cycle:

- Outline the operations process for your business. Identify the inputs, operations (key steps or stages) and outputs (present a flow diagram if applicable). This is the process of actually producing your product or creating and delivering your service.
- Distinguish your model for managing 'front stage' versus 'backstage' operations.
- Where are you likely to have bottlenecks in your service delivery or manufacturing process and how will these be anticipated and addressed.
- Describe the lead/lag times that characterize the fundamental operating cycle in your business.
- Explain how any seasonal production loads will be handled without severe dislocation (e.g., by building to inventory using part-time help in peak periods).
- What quality consistency issues exist and how will consistency of quality be ensured?

B. Operations Strategy:

- Describe the management of the manufacturing processes involved in production of your product(s) - what will you do in-house and what will you purchase (i.e. make versus buy decision) or outsource? Be sure to identify your manufacturer(s) and/or supply chain partners *or*
- Describe the service delivery processes involved in providing your service(s) and any aspects of the service that are outsourced or provided by others.
- Identify who potential subcontractors and suppliers are likely to be and any information about, or any surveys that have been made of, these subcontractors and suppliers.
- Describe your approach to quality control, production control, inventory control, and explain what quality control and inspection procedures the company will use to minimize service problems and associated customer dissatisfaction. How will you win in the marketplace on cost, quality, timeliness or flexibility?

C. Geographic Location:

- Describe the planned geographic location of the business. Include any location analysis, site selection etc. that you have done.
- Discuss any advantages or disadvantages of your location in terms of such factors as labor (including labor available, whether workers are unionized, and wage rate), closeness to customer and/or suppliers, access to transportation, state and local taxes and laws (including zoning regulations), access to utilities, and so forth.

D. Capacity Levels and Inventory Management:

- Discuss your capacity (total volume that you can handle in a day or week).
- Explain your approach to managing inventory levels of key products.

E. Legal Issues Affecting Operations:

- Describe any particular legal issues affecting your operations. As examples, in a food service operation, certain permits are required; in a production operation with outsourced production, there are legal issues governing the outsourcing agreement; when selling through a manufacturers rep or a retail channel there are legal issues affecting the distribution agreement; when setting up a franchise system there are legal issues tied to the franchising agreement; when selling something on a university campus there are legal constraints in operating on the campus; when operating in certain countries there may be some legal or regulatory issues that require attention, and so forth. Note that legal issues affecting intellectual property are handled in the 'Design and Development' section.

F. Customer Service:

- How will customer service be defined and measured?
- What systems will you have in place to manage customer service and ensure service levels are consistent?

G. Warranty or Guarantee Policies:

- If your company offers a product that will require service, warranties, or training, indicate the importance of these to the customers' purchasing decisions. Discuss your method of handling service problems.
- Describe the type and terms of any warranties to be offered, whether company service people, agencies, dealers and distributors will handle service, or simply return to the factory.
- Indicate charges for service calls and whether service will be a profitable or loss operation.
- Compare your service, warranty, and customer training practices to those of principal competitors.

SECTION VIII: *MANAGEMENT TEAM*

Length: 2-3 pages

Objective: Identify your team, clarify your ownership structure, your advisors and other leadership. This section includes a description of the functions that will need to be filled, the key management personnel and their primary duties, an outline of the organizational structure, the board of directors and key advisors, and ownership positions of any investors. You need to present indications of commitment, such as the willingness of team members to initially accept modest salaries, and of the existence of the proper balance of technical, managerial, and business skills and experience in doing what is proposed.

A. Organization:

- Present the key management roles that must be filled in the company.
- If it is not possible to fill each executive role with a full-time founder, indicate how these functions will be performed (e.g., using part-time specialists or consultants to perform some functions), who will perform them, and when they will be replaced by a full-time staff member.

B. Key Management Personnel:

- For each key executive, BRIEFLY (2-3 sentences) describe career highlights, with a focus on relevant know-how, skills, and track record of accomplishments that demonstrate his or her ability to perform the assigned role.
- Describe the exact duties and responsibilities of each of key member of the management team.

C. Management Compensation and Ownership:

- State the salary to be paid to the C-level executives (do not claim that you will work for free - that rarely ends well), their present stock ownership, and the balance of treasury stock remaining in the firm. Include a capitalization table that clarifies authorized stock, issued stock, and treasury shares that remain for future investment.

D. Other Current Investors:

- Describe any other investors in your venture, the number and percentage of outstanding shares they own, when they were acquired, and at what price.

E. Employment and Other Agreements, Stock Options and Bonus Plans:

- Describe any existing or contemplated employment or other agreements with key members.

- Indicate any restrictions on stock and vesting that affect ownership and disposition of stock.
- Summarize any incentive stock option or other stock ownership plans planned or in effect for key people and employees.
- Clarify details on how any such plans will work.

F. Board of Directors or Board of Advisors:

- Discuss the company's philosophy about the size and composition of the board.
- Identify any proposed board members and include a one or two sentence statement of the member's background that shows what he or she can bring to the company.
- Clarify their remuneration, if any.

G. Other Shareholders, Rights, and Restrictions:

- Indicate any other shareholders in your company and any rights, restrictions or obligations, such as notes or guarantees, associated with these.

H. Supporting Professional Advisors and Services:

- Indicate the names and affiliations of the legal, accounting, advertising, consulting, and banking advisors selected for your venture and the services each will provide.

SECTION IX: *OVERALL SCHEDULE*

Length: 2-3 pages

Objective: Succinctly show your reader that you have thought out the chronological steps involved with launching your business. A graphical schedule that shows the timing and interrelationship of the major events necessary to launch the venture and realize its objectives is an essential part of a business plan. The underlying cash conversion and operating cycle of the business will provide key inputs for the schedule. In addition to being a planning aid by showing deadlines critical to a venture's success, a well-presented schedule can be extremely valuable in convincing potential investors that the management team is able to plan for venture growth in a way that recognizes obstacles and minimizes investor risk. Since the time necessary to do things tends to be underestimated in most business plans, it is important to demonstrate that you have correctly estimated these amounts in determining the schedule. You should deliver a 1-page narrative providing a general overview of significant events. Additionally, you should create your graphical schedule as follows:

Step 1: Prepare a Gantt chart that shows the timing of such activities as product development, market planning, sales programs, production, and operations, and that includes sufficient detail to show the timing of the primary tasks required to accomplish an activity.

Step 2: Show on the schedule the deadlines or milestones critical to the venture's success, such as:

- Incorporation of the venture.
- Completion of design and development.
- Completion of prototypes.
- Rental of facilities.

- Obtaining of sales representatives.
- Obtaining product display at trade shows.
- Hiring of key managers.
- Obtaining critical financing.
- Initiating marketing activities and in what order.
- Signing up of distributors and dealers.
- Ordering of materials in production quantities.
- Starting of production or operation.
- Receipt of first orders.
- Delivery on first sale.
- Receiving the first payment on accounts receivable.

Step 3: Show on the schedule the “ramp up” of the number of management personnel, the number of production and operations personnel, and plant or equipment and their relation to the development of the business.

Step 4: Discuss in a general way the activities most likely to cause a schedule slippage, what steps will be taken to correct such slippages, and the impact of schedule slippages of the venture’s operation, especially its potential viability and capital needs.

Note: You want to be fairly detailed for the first six months (using WEEKLY granularity), followed by monthly assessments of key developments or benchmarks out to years two and three. A two-year schedule is normally adequate.

SECTION X: *CRITICAL RISKS, PROBLEMS AND ASSUMPTIONS*

Length: 1-2 pages

Objective: Show that you have identified key risks faced by your company AND that you have mitigation plans in place. Let’s face it, every new business has risks and problems. Wise entrepreneurs concede that reality, identify those risks, and show that they have a plan to mitigate them. It is wise to include a description of these risks and the consequences of adverse outcomes affecting your business. Discuss assumptions concerning sales projections, customer orders, and so forth. If the venture has anything that could be considered a fatal flaw, discuss why you do not see it as a problem or how you intend to overcome it. Basically, show that you are aware of the main potential issues or assumptions with your business, industry, and market, and how you will avoid or overcome them. Not recognizing legitimate risks might undermine the credibility of the venture and lead to not getting financing or being ill-prepared for the future. Many potential financiers will prioritize reading this section, so make sure you put sufficient effort in being thorough in this section. Show that you are not naïve about the situation of your business, hope to pull the wool over investors or partners eyes, or don’t have the objectivity necessary to professionally run a business.

In other words, identify and discuss the risks in your venture. But go beyond merely identifying these risks! You must also clarify how you intend to mitigate them. Mitigation involves reducing the probability of a bad event happening and/or reducing its magnitude if it does occur.

A. Discuss assumptions implicit in your plan. Examples of key assumptions might include:

- Revenue forecasts (price, volumes, discounts, margins).
- Development expenses (number of people, key salaries, sub-contracts) and obstacles
- Average cost of a unit.
- COGS (materials, etc.).
- Working capital (accounts receivable, inventory, payables) and approval of critical financing.
- Capital expenditures (major items).
- Ability to obtain a key distribution channel.
- Getting a patent licenses or permit.
- Rate of growth in sales.
- Hiring of key staff members with experience in a critical area.

B. Identify and discuss any major problems and other risks, such as:

- Sufficient market size, market penetration timing.
- Running out of cash before orders are secured.
- Delays or cost-overruns during research and development.
- Competitor risks (e.g., you are pre-empted or price cut in the market by a competitor).
- Technological risks, or design or manufacturing costs.
- Any potential unfavorable industry-wide trends.
- Sales projections not achieved.
- Difficulties or long lead times encountered in the procurement of parts or raw materials.

C. Address plans to mitigate your most significant risks:

- Describe your plans for minimizing the impact of unfavorable developments in each case.
- What is the worst-case scenario and how will you respond?
- Focus on risks that are important and critical to your business, not the ordinary operating risks faced by any business. What can you do to mitigate these significant risks?

SECTION XI: ***FINANCIAL PLAN***

Length: 1-2 pages for narrative. Multiple pages of financial proforma should be included as an Exhibit.

A. Highlights of the Financial Statements:

- Discuss the highlights of your financial statements. The section lays out a picture of the financial performance of the firm as it is started, stabilizes and grows. The financial plan is vital in the evaluation of an investment opportunity and needs to represent your best estimates of financial requirements. These estimates are based on assumptions and data, and you are strongly encouraged to include those assumptions and data points in this section. The purpose of the

financial plan is to indicate the venture's potential and to present a timetable for financial viability. It also can serve as an operating plan for financial management using benchmarks.

- Given the earlier discussed strategies and assumptions, show when the venture will attain a positive cash flow. Note any significant changes in cash flow that will occur as you grow and add capacity. Given your entry strategy, marketing plan, and proposed financing, how long it will take to reach a unit breakeven sales level. How many months to breakeven? Highlight sales and profit performance patterns over time.
- To help validate your financials compare critical financial ratios from your plan with those of your industry. Explain and justify significant differences.

B. Cost Controls:

- Describe how you will obtain information about costs and how often, who will be responsible for the control of various cost elements, and how you will take action on budget overruns. Explain any unusual items not identified in the financial statement.

C. Pro-forma Financial Statements (5 years) (Put Financial Statements in Appendix)

- Pro forma income statements represent financial management of the plan and can indicate the potential financial feasibility of a new venture. Usually the level of profits, particularly during the start-up years of a venture, will not be sufficient to finance operating asset needs. Since actual cash inflows generally do not match the actual cash outflows on a short-term basis, a cash flow forecast that will indicate these conditions and enable the entrepreneur to plan cash needs as recommended. Further, pro forma balance sheets are used to detail the assets required to support the projected level of operations and through liabilities, to show how these assets are to be financed. The projected balance sheets can indicate if debt-to-equity ratios, working capital, current ratios, inventory turnover and the like are within the acceptable limits required to justify future financing that are projected for the venture.
- As part of the financial plan, financial exhibits need to be prepared. Be sure to give the investors the columns and rows that they want to see. The more detail you give them, the more difficult it will be for them to challenge your assumptions. You need to prepare: i) Pro forma income statements; ii) Pro forma balance sheets; iii) Pro forma cash flow analysis; and iv) a Valuation table. Financial statement granularity should be monthly for years 1 and 2, quarterly for years 3 and 4, and annual for year 5. Your pro-forma financials should reflect receipt of your requested funding as detailed in your Offering document. The Valuation table should provide clarity as to your estimate of the firm's present valuation using the projections provided by the accompanying pro-forma financial statements.
- On the appropriate exhibits, or in an attachment, assumptions and research behind such items as sales levels and growth, collections and payables periods, inventory requirements, cash balances, cost of goods, and so forth, need to be specified. Your analysis of the operating and cash conversion cycle in the business will enable you to identify these critical assumptions.

SECTION XII:

PROPOSED COMPANY OFFERING

Length: 1-2 pages

Objective: The purpose of this section of the plan is - if you are looking for external capital -- to indicate the amount of any money that is being sought, the nature and amount of the securities offered by you, a brief description of the uses for that capital, and a summary of how the investor is expected to achieve its targeted rate of return. It is important to realize the terms for financing your company that you propose here are only the first step in the negotiation process with those interested in investing, and it is very possible that your financing will involve different kinds of securities than originally proposed.

A. Desired Financing:

- Securities sold through a private placement (and therefore exempt from SEC registration) should include the following statement at the top of this section (preferably in BOLD type):
“The shares being sold pursuant to this offering are restricted securities and may not be resold readily. The prospective investor should recognize that such securities might be restricted as to resale for indefinite period of time. Each purchaser will be required to execute a Non-Distribution Agreement satisfactory in form to corporate counsel”. Please note that the use of the word ‘Shares’ here is applicable if your firm is a corporation. If your business has taken the form of a Limited Liability Company, you should replace the word “Shares” with “Units”.
- Review the cash flow projections and your estimate of how much money is required over the next few years to carry out the development and/or expansion of your business as described.
- Determine the amount and timing of cash infusions required to prevent cash balances from going negative. Add a cash safety cushion to the anticipated cash needs to protect against unexpected expenses or delayed income. A decent recommended cushion should equal or exceed 3X your firm’s monthly pre-revenue cash burn.
- Clarify that your funding request is in exchange for Shares or Units. Indicate how this capital requirement will be used within the firm.
- Investors like to know how their money is going to be spent. Provide a brief description of how the capital raised will be used. Summarize as specifically as possible what amount will be used for such things as product design and development, capital equipment, marketing, and general working capital needs.

B. Offering (this is the deal structure - your pitch for money):

- Capstone requires that you seek equity capital since the prospects for a debt infusion, either now or in the foreseeable future is unlikely. Describe the type of security being offered (e.g., common stock, preferred stock, Units, etc.), the unit/share price, and the total amount of securities to be sold in this offering. If securities are not just common stock, indicate by type, interest, maturity, and conversion conditions.
- Assuming that you will be offering seat(s) on your Board, clarify the size/makeup of your Board, and how many seats you propose to offer to your new investor.
- Show what share (i.e. the percentage) of the company that the investor will hold for that amount of money or after exercise of any stock conversion/ purchase rights (for convertible debentures or warrants).

C. Capitalization:

- Include a Capitalization Table (similar to the one used in Section VIII (Management)) which now includes the investor's position as your Offering proposes.
- Present the current and proposed (post-offering) number of outstanding shares of common stock. Indicate any shares offered by key management people and show the number of shares that they will hold after completion of the proposed financing.
- Indicate how many shares of common stock/units will remain un-issued after the offering and how many of these will be reserved for stock options for future key employees.
- Identify any other terms that you are willing to negotiate as part of the deal (e.g., right of first refusal, voting rights, and other rights and preferences).

D. Investors' Return (Exit Strategy):

- What is the present value of your company? How did you calculate this value?
- Indicate how your valuation and proposed ownership shares will result in the desired rate of return for the investors you have targeted. Explain how you have calculated the future value of your firm for purposes of Rate of Return calculation.
- What is the exit strategy for the investors and founders? What will be the likely harvest or exit mechanism (IPO, outright sale, merger, MBO, operate and grow, etc.)? Is there a liquidity window that you will offer? How will future shares be valued?

And in Conclusion...

~ The business plan is where discipline opens the door to entrepreneurial action ~

The main benefits of writing a business plan are about determining the feasibility of your idea, communicating some of the most important ideas to stakeholders, providing a guide to action, understanding how the different parts of the business work together, and breaking down a seemingly insurmountable task (starting a business) into many smaller, less intimidating tasks. In the end, the *Nuts & Bolts Guide* is exactly that - a guide. Each venture is unique and thus the nuances of your particular concept might require that you adapt the format presented here to suit your needs. That said, any successful business plan will include customer validation and proof that what you are doing is a worthwhile endeavor! This guide represents what is generally believed to be the 'best practice' in terms of business plan development. Good luck and keep entrepreneuring!

Appendix 1: The “Checklist” of Business Planning Musts

As the *Nuts & Bolts Guide* makes clear, there is much that goes into a great business plan. Often, entrepreneurs wonder what their prospective financier will concern themselves with. While no assurances can be offered, the following checklist provides you with a great ‘study sheet’ to ensure that you have completed a comprehensive business plan and are as ready as you can possibly be for investor presentations.

1. Make sure there are quotes and other customer validation that is front-and-center. If it is not obvious that your business is deeply connected to the customer, then the other parts of the business plan matter much less.
2. What is the need that the business satisfies? How well satisfied is that need already? How high are the customer’s switching costs from whatever they are currently using or doing?
3. Identify the principal components of the business concept. Be sure you define the concept in terms of customer value and customer benefits. Apply the key criteria for a good business concept.
4. Define the industry and characterize it in terms of size and the life cycle and draw implications. If it has an industry code, indicate so. If it works at the intersection of two industries, show how the most important factors in each impact the business.
5. Evaluate the attractiveness of the industry in terms of the basis for competition in the industry.
6. Identify at least three ways that companies differentiate themselves in this industry.
7. Specify other trends in the industry (e.g., in costs, prices, marketing approaches, new products or services, use of technology, etc.) and identify the three most critical success factors in this industry.
8. What is the set of forces creating the opportunity? What is the likely window of opportunity?
9. How is the market defined? What is the size of the market opportunity in dollars, units or both? Distinguish current market size from market potential and estimate the size of the primary and selective demand gaps. What is the growth rate of the market?
10. How do you segment the market? Are the key segments homogenous, sizeable, reachable, and responsive? Provide descriptors (or personas) of the customers who make up the key segments. Which segments will you be targeting and provide a prioritization? Who will be your early adopters? Are there segments with different price elasticities?
11. Develop a simple model of customer buying behavior for this product or service. How long is the buying process? Who is the decision-maker? Why do they buy? Is it a high or low involvement purchase? How loyal are customers to existing vendors/products?
12. What are the key factors affecting sales in the market? Are there patterns or seasonality to the company’s sales. Is the business cyclical? Do interest rates have an impact?
13. Who are the direct competitors? Identify their strengths and weaknesses. How do they differentiate themselves? Who are the indirect competitors? How much of a threat are they and why?
14. Be sure that you have developed a price list. Do prices adequately reflect: a) overall marketing strategy, b) costs, c) competition, d) customer demand, and e) legal issues?
15. Explain how the company will legally be set up (e.g., sole proprietorship, partnership, or limited liability company).
16. Describe the economics of the business. What is your average price, average cost per unit and average margin? How much of your cost structure is fixed versus variable? How much operating leverage do you have, and what are the implications of this? Calculate your contribution margin and

breakeven levels in dollars and units. Make it clear where which revenue streams provide the most money.

17. How will operations be organized? If it is a manufacturing or assembly operation, what is the overall layout? If it's a service business, again describe the operational layout, and then how the service will be delivered.
18. What product policies (warranties, returns policies) are in place? Have you considered the costs involved with performing on that warranty?
19. Have you developed a communications mix that matches your selling process to the customer's buying process? How are personal selling, advertising, sales promotion and publicity coordinated and managed as a mix?
20. What does the distribution channel look like? How much market coverage does this give you? What key approaches will be used to achieve cooperation among channel members?
21. How is customer service defined, measured and managed? What are the key components of customer service?
22. What is the current stage of product development? Is a prototype completed? What further R&D work is needed and by when will it be completed? What's the on-going plan for R&D?
23. Provide an understanding of the cash flow for the first year of operations. Do you have enough money?
24. How will the firm's logistical arrangements work (inventory policies, physically getting products to customers, warehousing/storage)? What is the intended order cycle time?
25. Who will be the key members of the management team? Briefly describe the role of each in the firm and how it fits their background and experience. Also, will there be a board of directors or advisors?
26. What are your staffing needs beyond the management team? What kind of people are you looking for and what is your plan for getting them?
27. Identify the major technology, legal/regulatory, economic and social developments that are likely to impact on this business in the next two years and indicate the likely impact.
28. How much money are you asking for, from which sources, how will investors earn their return, and when? Will funding come in stages?
29. Identify the five major downside risks or things that could go wrong and indicate your contingencies for dealing with each of them.
30. Is there internal consistency in your plan? For example, can one see the logical fit and consistency between your target market, the product/service you are selling, your marketing approach, and the budget you have put together?