37 TB

This is a tall order for a two-page summary, but it will either sell investors on reading the rest of the plan or convince them to forget the whole thing.

The Table of Contents—After the executive summary, include a well-designed table of contents. List each of the business plan's sections and mark the pages for each section.

An attractive appearance, an effective length, an executive summary, a table of contents, proper grammar, correct typing, and a cover page—all are important factors when putting together a complete package. These points often separate successful plans from unacceptable ones.

Guidelines to Remember

The following points are a collection of recommendations by experts in venture capital and new-venture development.[12] These guidelines are presented as tips for successful business plan development. Entrepreneurs need to adhere to them to understand the importance of the various segments of the business plan they create, which will be discussed in the next section.

KEEP THE PLAN RESPECTABLY SHORT

Readers of business plans are important people who refuse to waste time. Therefore, entrepreneurs should explain the venture not only carefully and clearly but also concisely. (Ideally, the plan should be no more than 25 pages long, excluding the appendix.)

ORGANIZE AND PACKAGE THE PLAN APPROPRIATELY

A table of contents, an executive summary, an appendix, exhibits, graphs, proper grammar, a logical arrangement of segments, and overall neatness are elements critical to the effective presentation of a business plan.

ORIENT THE PLAN TOWARD THE FUTURE

Entrepreneurs should attempt to create an air of excitement in the plan by developing trends and forecasts that describe what the venture *intends* to do and what the opportunities are for the use of the product or service.

AVOID EXAGGERATION

Sales potentials, revenue estimates, and the venture's potential growth should not be inflated. Many times, a best-case, worst-case, and probable-case scenario should be developed for the plan. Documentation and research are vital to the plan's credibility.

HIGHLIGHT CRITICAL RISKS

The critical-risks segment of the business plan is important in that it demonstrates the entrepreneur's ability to analyze potential problems and develop alternative courses of action.

GIVE EVIDENCE OF AN EFFECTIVE ENTREPRENEURIAL TEAM

The management segment of the business plan should clearly identify the skills of each key person as well as demonstrate how all such people can effectively work together as a team to manage the venture.

DO NOT OVER-DIVERSIFY

Focus the attention of the plan on one main opportunity for the venture. A new business should not attempt to create multiple markets or pursue multiple ventures until it has successfully developed one main strength.

IDENTIFY THE TARGET MARKET

Substantiate the marketability of the venture's product or service by identifying the particular customer niche being sought. This segment of the business plan is pivotal to the success of the other parts. Market research must be included to demonstrate how this market segment has been identified.

KEEP THE PLAN WRITTEN IN THE THIRD PERSON

Rather than continually stating "I," "we," or "us," the entrepreneur should phrase everything as "he," "she," "they," or "them." In other words, avoid personalizing the plan, and keep the writing objective.

CAPTURE THE READER'S INTEREST

Because of the numerous business plans submitted to investors and the small percentage of business plans funded, entrepreneurs need to capture the reader's interest right away by highlighting the uniqueness of the venture. Use the title page and executive summary as key tools to capture the reader's attention and create a desire to read more.

Questions to Be Answered

A well-written business plan is like a work of art: It's visually pleasing and makes a statement without saying a word. Unfortunately, the two are also alike in that they are worth money only if they're good. Researchers Donald F. Kuratko and Jeffrey S. Hornsby recommend the following key questions to consider when writing an effective business plan.

- *Is your plan organized so key facts leap out at the reader?* Appearances do count. Your plan is a representation of yourself, so don't expect an unorganized, less than acceptable plan to be your vehicle for obtaining funds.
- *Is your product/service and business mission clear and simple?* Your mission should state very simply the value that you will provide to your customers. It shouldn't take more than a paragraph.
- *Are you focused on the right things?* Determine what phase of the business you are really in, focus on the right tasks, and use your resources appropriately.
- *Who is your customer?* Does the plan describe the business's ideal customers and how you will reach them? Is your projected share of the market identified, reasonable, and supported?
- *Why will customers buy? How much better is your product/service?* Define the need for your product and provide references and testimonial support to enhance it. Try to be detailed in explaining how the customer will benefit from buying your product.
- *Do you have a competitive advantage?* Focus on differences and any unique qualities. Proprietary processes/technology and patentable items/ideals are good things to highlight as competitive strengths.
- *Do you have a favorable cost structure?* Proper gross margins are key. Does the break-even analysis take into consideration the dynamics of price and variable costs? Identify, if possible, any economics of scale that would be advantageous to the business.
- *Can the management team build a business?* Take a second look at the management team to see whether they have relevant experience in small business and in the industry. Acknowledge the fact that the team may need to evolve with the business.
- *How much money do you need?* Financial statements—including the income statement, cash-flow statement, and balance sheet—should be provided on a monthly basis for the first year and on a quarterly basis for the following two or three years.
- *How does your investor get a cash return?* Whether it's through a buyout or an initial public offering, make sure your plan clearly outlines this important question regarding a harvest strategy.[11]

These guidelines and questions have been presented to help entrepreneurs who are preparing to write a business plan. The following section analyzes the ten major segments of a business plan.

Table 12.1 Complete Outline of a Business Plan (*Continued*)

B. Obstacles and risks
C. Alternative courses of action

Section VIII: Harvest Strategy

A. Liquidity event (IPO or sale)
B. Continuity of business strategy
C. Identify successor

Section IX: Milestone Schedule

A. Timing and objectives
B. Deadlines and milestones
C. Relationship of events

Section X: Appendix or Bibliography

Source: Donald F. Kuratko and Robert C. McDonald, *The Entrepreneurial Planning Guide* (Bloomington: Kelley School of Business, Indiana University, 2007).

Executive Summary

Many people who read business plans (bankers, venture capitalists, investors) like to see a summary of the plan that features its most important parts. Such a summary gives a brief overview of what is to follow, helps put all of the information into perspective, and should be no longer than two to three pages. The summary should be written only after the entire business plan has been completed. In this way, particular phrases or descriptions from each segment can be identified for inclusion in the summary. Because the summary is the first—and sometimes the only—part of a plan that is read, it must present the quality of the entire report. The summary must be a clever snapshot of the complete plan.

The statements selected for a summary segment should briefly touch on the venture itself, the market opportunities, the financial needs and projections, and any special research or technology associated with the venture. This should be done in such a way that the evaluator or investor will choose to read on. If this information is not presented in a concise, competent manner, the reader may put aside the plan or simply conclude that the project does not warrant funding.

Business Description

First, the name of the venture should be identified, along with any special significance (for example, family name, technical name). Second, the industry background should be presented in terms of current status and future trends. It is important to note any special industry developments that may affect the plan. If the company has an existing business or franchise, this is the appropriate place to discuss it. Third, the new venture should be thoroughly described, along with its proposed potential. All key terms should be defined and made comprehensible. Functional specifications or descriptions should be provided. Drawings and photographs also may be included.

Fourth, the potential advantages the new venture possesses over the competition should be discussed at length. This discussion may include patents, copyrights, and trademarks, as well as special technological or market advantages.

Marketing Segment

In the marketing segment of the plan, the entrepreneur must convince investors that a market exists, that sales projections *can be achieved*, and that the competition can be beaten.

This part of the plan is often one of the most difficult to prepare. It is also one of the most critical, because almost all subsequent sections of the plan depend on the sales estimates developed here. The projected sales levels—which are based on the market research and analysis—directly influence the size of the manufacturing operation, the marketing plan, and the amount of debt and equity capital required.

Most entrepreneurs have difficulty preparing and presenting market research and analyses that will convince investors that the venture's sales estimates are accurate and attainable. The following are aspects of marketing that should be addressed when developing a comprehensive exposition of the market.

Market Niche and Market Share

A market niche is a homogeneous group with common characteristics—that is, all the people who have a need for the newly proposed product or service. When describing this niche, the writer should address the bases of customer purchase decisions: price, quality, service, personal contacts, or some combination of these factors.

Next, a list of potential customers who have expressed interest in the product or service—together with an explanation for their interest—should be included. If it is an existing business, the current principal customers should be identified and the sales trend should be discussed. It is important to describe the overall potential of the market. Sales projections should be made for at least three years, and the major factors affecting market growth (industry trends, socioeconomic trends, governmental policy, and population shifts) should be discussed. A review of previous market trends should be included, and any differences between past and projected annual growth rates should be explained. The sources of all data and methods used to make projections should be indicated. Then, if any major customers are willing to make purchase commitments, they should be identified, and the extent of those commitments should be indicated. On the basis of the product or service advantages, the market size and trends, the customers, and the sales trends in prior years, the writer should estimate market share and sales in units and dollars for each of the next three years. The growth of the company's sales and its estimated market share should be related to the growth of the industry and the customer base.

COMPETITIVE ANALYSIS

The entrepreneur should make an attempt to assess the strengths and weaknesses of the competing products or services. Any sources used to evaluate the competition should be cited. This discussion should compare competing products or services on the basis of price, performance, service, warranties, and other pertinent features. It should include a short discussion of the current advantages and disadvantages of competing products and services, and why they are not meeting customer needs. Any knowledge of competitors' actions that could lead to new or improved products and an advantageous position also should be presented.

Finally, a review of competing companies should be included. Each competitor's share of the market, sales, and distribution and production capabilities should be discussed. Attention should be focused on profitability and the profit trend of each competitor. Who is the pricing leader? Who is the quality leader? Who is gaining? Who is losing? Have any companies entered or dropped out of the market in recent years?

MARKETING STRATEGY

The general marketing philosophy and approach of the company should be outlined in the marketing strategy. A marketing strategy should be developed from market research and evalu-

the entrepreneurial process

Common Business Planning Mistakes

Entrepreneurs endure uncertainty in almost everything they do. From hiring the right employees to finding reliable suppliers, building a business requires an entrepreneur to handle significant pressure on a daily basis. Given the variability which is inherent in any new venture, a business plan is crucial for effective management. In spite of the importance of business planning, few activities are more daunting for entrepreneurs than formalizing their thoughts on paper. In order for entrepreneurs to stay driven to succeed, they have to remain optimistic, so the fear of discovering some insurmountable obstacle while planning leads some management teams to avoid the process altogether. Whether the business is a startup or a well-established corporation, a business plan, when done correctly, serves as the company's blueprint to ensure that all parties involved are in agreement regarding the business's overarching purpose. In the business plan sections listed below we present some of the common mistakes that entrepreneurs make when developing their plan:

Overall Mistakes

- Entrepreneurs are unable to clearly articulate their vision in the plan.
- Entrepreneurs fail to provide sufficient details regarding the implementation of their strategy.
- Entrepreneurs ineffectively present the goals and objectives which are most important to the business's success.
- Entrepreneurs do not convincingly present the basis for their strategy.
- Entrepreneurs do not improve their plan based on the feedback from investors.

Executive Summary

- Entrepreneurs are not precise about their needs and capabilities.
- Entrepreneurs waste words with fillers and superfluous information.

Management

- Entrepreneurs forget to include their previous successes and/or failures.
- Entrepreneurs dismiss the importance investors place on an experienced management team.

Marketing

- Entrepreneurs rely heavily on secondary market research rather than soliciting the opinions of their potential customers.
- Entrepreneurs claim the percent of the market their company will own without research support.

Financials

- Entrepreneurs overlook and, in turn, underestimate their cash-flow requirements.
- Entrepreneurs inflate or understate their margins in order to arrive at their ideal profitability.

Sources: Adapted from Mark Henricks (2007, February). Build a Better Business Plan. Retrieved June 21, 2008, from Entrepreneur Magazine Website: https://www.entrepreneur.com/startingabusiness/businessplans/article174002.html; Andrew Clarke (2005, November). Top 10 Business Plan Mistakes. Retrieved June 21, 2008, from Entrepreneur Magazine Website: https://www.entrepreneur.com/startingabusiness/businessplans/article81188.html; and Andrew J. Sherman (2007) *Grow Fast, Grow Right: 12 Strategies to Achieve Breakthrough Business Growth* (pp. 20-26). Chicago: Kaplan Publishing)

ation data and should include a discussion of (1) the kinds of customer groups to be targeted by the initial intensive selling effort; (2) the customer groups to be targeted for later selling efforts; (3) methods of identifying and contacting potential customers in these groups; (4) the features of the product or service (quality, price, delivery, warranty, and so on) to be emphasized to generate sales; and (5) any innovative or unusual marketing concepts that will enhance customer acceptance (for example, leasing where only sales were previously attempted).

This section also should indicate whether the product or service initially will be introduced nationally or regionally. Consideration also should be given to any seasonal trends and what can be done to promote contra-seasonal sales.

PRICING POLICY

The price must be "right" to penetrate the market, maintain a market position, and produce profits. A number of pricing strategies should be examined, and then one should be convincingly presented. This pricing policy should be compared with the policies of the major competitors. The gross profit margin between manufacturing and final sales costs should be discussed, and consideration should be given to whether this margin is large enough to allow for distribution, sales, warranty, and service expenses; for amortization of development and equipment costs; and for profit. Attention also should be given to justifying any price increases over competitive items on the basis of newness, quality, warranty, or service.

ADVERTISING PLAN

For manufactured products, the preparation of product sheets and promotional literature; the plans for trade show participation, trade magazine advertisements, and direct mailings; and the use of advertising agencies should be presented. For products and services in general, a discussion of the advertising and promotional campaign contemplated to introduce the product and the kinds of sales aids to be provided to dealers should be included. Additionally, the schedule and cost of promotion and advertising should be presented; if advertising will be a significant part of the expenses, an exhibit that shows how and when these costs will be incurred should be included.

These five subsets of the marketing segment are needed to detail the overall marketing plan, which should describe *what* is to be done, *how* it will be done, and *who* will do it.

Research, Design, and Development Segment

The extent of any research, design, and development in regard to cost, time, and special testing should be covered in this segment. Investors need to know the status of the project in terms of prototypes, lab tests, and scheduling delays. Note that this segment is applicable only if research and development (R&D) is involved in the business plan.

To achieve a comprehensive section, the entrepreneur should have (or seek out) technical assistance in preparing a detailed discussion. Blueprints, sketches, drawings, and models often are important.

It is equally important to identify the design or development work that still needs to be done and to discuss possible difficulties or risks that may delay or alter the project. In this regard, a developmental budget that shows the costs associated with labor, materials consulting, research, design, and the like should be constructed and presented.

Operations Segment

This segment should always begin by describing the location of the new venture. The chosen site should be appropriate in terms of labor availability, wage rate, proximity to suppliers and customers, and community support. In addition, local taxes and zoning requirements should be sorted out, and the support of area banks for new ventures should be touched on.

Specific needs should be discussed in terms of how the enterprise actually operates and the facilities required to handle the new venture (plant, warehouse storage, and offices), as well as any equipment that needs to be acquired (special tooling, machinery, computers, and vehicles).

Other factors that might be considered are the suppliers (number and proximity) and the transportation costs involved in shipping materials. The labor supply, wage rates, and needed skilled positions also should be presented.

Finally, the cost data associated with any of the operation factors should be presented. The financial information used here can be applied later to the financial projections.

Management Segment

This segment identifies the key personnel, their positions and responsibilities, and the career experiences that qualify them for those particular roles. Complete résumés should be provided for each member of the management team. In this section, the entrepreneur's role in the venture should be clearly outlined. Finally, any advisors, consultants, or members of the board should be identified and discussed.

The structure of payment and ownership (stock agreements, consulting fees, and so on) should be described clearly in this section. In summary, the discussion should be sufficient so that investors can understand each of the following critical factors that have been presented: (1) organizational structure, (2) management team and critical personnel, (3) experience and technical capabilities of the personnel, (4) ownership structure and compensation agreements, and (5) board of directors and outside consultants and advisors.

Financial Segment

The financial segment of a business plan must demonstrate the potential viability of the undertaking. Three basic financial statements must be presented in this part of the plan: the pro forma balance sheet, the income statement, and the cash-flow statement.

THE PRO FORMA BALANCE SHEET

Pro forma means "projected," as opposed to actual. The pro forma balance sheet projects what the financial condition of the venture will be at a particular point in time. Pro forma balance sheets should be prepared at start-up, semiannually for the first years, and at the end of each of the first three years. The balance sheet details the assets required to support the projected level of operations and shows how these assets are to be financed (liabilities and equity). Investors will want to look at the projected balance sheets to determine if debt/equity ratios, working capital, current ratios, inventory turnover, and so on are within the acceptable limits required to justify the future financings projected for the venture.

THE INCOME STATEMENT

The income statement illustrates the projected operating results based on profit and loss. The sales forecast, which was developed in the marketing segment, is essential to this document. Once the sales forecast (earnings projection) is in place, production costs must be budgeted based on the level of activity needed to support the projected earnings. The materials, labor, service, and manufacturing overhead (fixed and variable) must be considered, in addition to such expenses as distribution, storage, advertising, discounts, and administrative and general expenses (salaries, legal and accounting, rent, utilities, and telephone).

THE CASH-FLOW STATEMENT

The cash-flow statement may be the most important document in new-venture creation because it sets forth the amount and timing of expected cash inflows and outflows. This section of the business plan should be carefully constructed.

Given a level of projected sales and capital expenditures for a specific period, the cash-flow forecast will highlight the need for and the timing of additional financing and will indicate

entrepreneurship in practice

Straying from Your Business Plan?

A well-written, thoughtful business plan is an important tool for any entrepreneur; however, even the most conservative strategy fail to address some obstacles that are ountered between the inception of a concept the eventual harvest of the business. One mple of such a hurdle is when a business ounters an economic downturn. What is the ropriate strategy when the general economy begun to falter, leading consumers to tuck y dollars that they would have otherwise spent our business?

The answer is that there is not one solution for ling with an ailing economy. Despite the need for usiness plan, entrepreneurs often find that strict erence to their plan is as dangerous as not having at all. The key is to know when to stray from your n. Following are steps to take when your plan does effectively address the environment in which you your business:

d together. Partnering with companies that offer nplimentary products to your own is an effective y to share the responsibility of building the market. only can advertising expenses be split but you can o introduce consumer incentives that encourage ssover purchasing from customers who otherwise uld not have bought from your company. A common tegy is to determine what purchases your customers currently making at other establishments that closely associated with their purchases at your siness. For instance, if you own a coffee shop and r customers are regularly walking in with pastry rchases from a local bakery, a partnership with the kery could be a logical fit. The key is to take advantage the existing behavior of your customers rather than to change it.

k to customers. When times are lean, your existing stomers are your lifeblood, so keeping them happy comes increasingly important. If your marketing dget will not allow for extravagant advertising, ft your focus to working closely with your current stomers. Often you will find that your customers are more than willing to share their perspective on your business, which could lead to easy and cheap modifications that will build loyalty. By keeping track of prospective customers, you will be in a better position to follow-up with them when times are slow. For instance, if your business involves providing quotes to potential customers, make note of those who chose not to make a purchase. When speaking with them, you will get insight about why they went elsewhere, and your efforts might convince them to rethink doing business with you.

Be flexible. When the economy slackens, consumers become more conservative with their purchases and are more inclined to base their shopping on price alone. The problem with cutting prices during an economic downturn is that consumers will expect them to remain low when the economy improves. One way to avoid having to resort to cost-cutting measures is by offering more for the same price. For instance, extending your business's hours to better accommodate your customers' schedules or offering free in-home estimates for service-related businesses are both quick measures to take that could help set your business apart from the competition.

Build relationships. As an entrepreneur, the ability to network is an important skill, especially when your business begins to wane. One important forum for many new ventures is the local chamber of commerce. By interacting with local businesses, entrepreneurs can keep close tabs on what the local economic trends are as well as gain access to potential commercial customers. In addition, working with other businesses can help you locate resources in your community, such as local talent and sources of funding; moreover, having a group of fellow entrepreneurs can be useful for vetting ideas as well as for moral support.

This list is not meant to be exhaustive. The underlying theme is that entrepreneurs need to maintain the versatility that they had when first starting their businesses. Developing a strategy is important for entrepreneurs to effectively manage their business, and formally documenting that strategy is important for ensuring the continuity of their business; however, entrepreneurs who depend solely on their business plan to direct their business decisions run the risk of locking themselves into a strategy that could quickly become obsolete due to a shift in the environment. Planning is crucial for your business, but knowing when to change your plan is equally important.

Source: Adapted from Rich Sloan, "Bad Economy? Time to Get Aggressive," *Fortune Small Business*, March 3, 2008, http://money.cnn.com/2008/03/03/smbusiness/startup_nation.fsb/index.htm (accessed April 2, 2008).

peak requirements for working capital. Management must decide how this additional financing is to be obtained, on what terms, and how it is to be repaid. The total amount of needed financing may be supplied from several sources: part by equity financing, part by bank loans, and the balance by short-term lines of credit from banks. This information becomes part of the final cash-flow forecast. A detailed cash flow, if understood properly, can direct the entrepreneur's attention to operating problems before serious cash crises arise.

In the financial segment, it is important to mention any assumptions used to prepare the figures. Nothing should be taken for granted. This segment also should include how the statements were prepared (by a professional certified public accountant or by the entrepreneur) and who will be in charge of managing the business's finances.

The final document that should be included in the financial segment is a break-even chart, which shows the level of sales (and production) needed to cover all costs. This includes costs that vary with the production level (manufacturing labor, materials, sales) and costs that do not change with production (rent, interest charges, executive salaries).

Critical-Risks Segment

In this segment, potential risks such as the following should be identified: effect of unfavorable trends in the industry, design or manufacturing costs that have gone over estimates, difficulties of long lead times encountered when purchasing parts or materials, and unplanned-for new competition.

In addition to these risks, it is wise to cover the what-ifs. For example, what if the competition cuts prices, the industry slumps, the market projections are wrong, the sales projections are not achieved, the patents do not come through, or the management team breaks up?

Finally, suggestions for alternative courses of action should be included. Certainly, delays, inaccurate projections, and industry slumps all can happen, and people reading the business plan will want to know that the entrepreneur recognizes these risks and has prepared for such critical events.

Harvest Strategy Segment

Every business plan should provide insights into the future harvest strategy. It is important for the entrepreneur to plan for a liquidity event as an exit strategy or for the orderly transition of the venture if the plan is to grow and develop it. This section needs to deal with such issues as management succession and investor exit strategies. In addition, some thought should be given to change management—that is, the orderly transfer of the company assets if ownership of the business changes; continuity of the business strategy during the transition; and designation of key individuals to run the business if the current management team changes. With foresight, entrepreneurs can keep their dreams alive, ensure the security of their investors, and usually strengthen their businesses in the process. For this reason, a harvest strategy is essential.

Milestone Schedule Segment

The milestone schedule segment provides investors with a timetable for the various activities to be accomplished. It is important to show that realistic time frames have been planned and that the interrelationship of events within these time boundaries is understood. Milestone scheduling is a step-by-step approach to illustrating accomplishments in a piecemeal fashion. These milestones can be established within any appropriate time frame, such as quarterly, monthly, or weekly. It is important, however, to coordinate the time frame not only with such early activities as product design and development, sales projections, establishment of the management team, production and operations scheduling, and market planning, but with other activities as well:

- Incorporation of the venture
- Completion of design and development
- Completion of prototypes
- Hiring of sales representatives
- Product display at trade shows
- Signing up distributors and dealers
- Ordering production quantities of materials
- Receipt of first orders
- First sales and first deliveries (dates of maximum interest because they relate directly to the venture's credibility and need for capital)
- Payment of first accounts receivable (cash in)

These items are the types of activities that should be included in the milestone schedule segment. The more detailed the schedule, the more likely the entrepreneur will persuade potential investors that he or she has thought things out and is therefore a good risk.

Appendix and/or Bibliography Segment

The final segment is not mandatory, but it allows for additional documentation that is not appropriate in the main parts of the plan. Diagrams, blueprints, financial data, vitae of management team members, and any bibliographical information that supports the other segments of the plan are examples of material that can be included. It is up to the entrepreneur to decide which, if any, items to put into this segment. However, the material should be limited to relevant and supporting information.

Table 12.2 provides an important recap of the major segments of a business plan, using helpful hints as practical reminders for entrepreneurs. By reviewing this, entrepreneurs can gain a macro view of the planning process. Table 12.3 is a personal checklist that gives entrepreneurs the opportunity to evaluate their business plan for each segment. The step-by-step evaluation is based on coverage of the particular segment, clarity of its presentation, and completeness.

12.2 Helpful Hints for Developing the Business Plan

Executive Summary

- No more than three pages. This is the most crucial part of your plan because you must capture the reader's interest.
- What, how, why, where, and so on must be summarized.
- Complete this part after you have a finished business plan.

Continued

Table 12.2 Helpful Hints for Developing the Business Plan (*Continued*)

II. Business Description Segment

- The name of your business.
- A background of the industry with history of your company (if any) should be covered here.
- The potential of the new venture should be described clearly.
- Any uniqueness or distinctive features of this venture should be described clearly.

III. Marketing Segment

- Convince investors that sales projections and competition can be met.
- Use and disclose market studies.
- Identify target market, market position, and market share.
- Evaluate all competition and specifically cover why and how you will be better than your competitors.
- Identify all market sources and assistance used for this segment.
- Demonstrate pricing strategy. Your price must penetrate and maintain a market share to produce profits; thus, the lowest price is not necessarily the best price.
- Identify your advertising plans with cost estimates to validate proposed strategy.

IV. Operations Segment

- Describe the advantages of your location (zoning, tax laws, wage rates). List the production needs in terms of facilities (plant, storage, office space) and equipment (machinery, furnishings, supplies).
- Describe the specific operations of the venture.
- Indicate proximity to your suppliers.
- Mention the need and use of personnel in the operation.
- Provide estimates of operation costs—but be careful: Too many entrepreneurs underestimate their costs.

V. Management Segment

- Supply résumés of all key people in the management of your venture.
- Carefully describe the legal structure of your venture (sole proprietorship, partnership, or corporation).
- Cover the added assistance (if any) of advisors, consultants, and directors.
- Give information on how and how much everyone is to be compensated.

VI. Financial Segment

- Give actual estimated statements.
- Describe the needed sources for your funds and the uses you intend for the money.
- Develop and present a budget.
- Create stages of financing for purposes of allowing evaluation by investors at various points.

VII. Critical-Risks Segment

- Discuss potential risks before investors point them out—for example:
  - Price cutting by competitors
  - Any potentially unfavorable industry-wide trends
  - Design or manufacturing costs in excess of estimates
  - Sales projections not achieved
  - Product development schedule not met
  - Difficulties or long lead times encountered in the procurement of parts or raw materials
  - Greater than expected innovation and development costs to stay competitive
- Provide some alternative courses of action.

VIII. Harvest Strategy Segment

- Outline a plan for a liquidity event—IPO or sale.
- Describe the plan for transition of leadership.
- Mention the preparations (insurance, trusts, and so on) needed for continuity of the business.

IX. Milestone Schedule Segment

- Develop a timetable or chart to demonstrate when each phase of the venture is to be completed. This shows the relationship of events and provides a deadline for accomplishment.

X. Appendix or Bibliography

Source: Donald F. Kuratko and Robert C. McDonald, *The Entrepreneurial Planning Guide* (Bloomington: Kelley School of Business, Indiana University, 2007).