



# ENTREPRENEURSHIP: THEORY & PRACTICE (HS308)

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# CONTENTS

## **Module 3: Business Planning and Mitigating Risks**

The concept of a planning paradigm, the four stage growth model, fundamentals of feasibility plan, search for an opportunity and selecting the right product (Product Design), market survey and research, techno-economic feasibility assessment, preliminary project report (PPR), formulating detailed project report (DPR)



# Business Planning

- An official document that **outlines a business's core activities, objectives, and roadmap to achieving its goals**. Eg., if you are starting a new bakery, a business plan would include information about your products, marketing strategies, and financial situation.
- A good business plan helps a business **focus** on its **short-term and long-term goals**, and **outlines the specific steps needed to achieve them**. In short, **business planning is a key process that businesses undertake to achieve their goals and success**.
- Business planning commonly involves collecting ideas in a formal business plan that outlines a summary of the business's current state, as well as the state of the broader market, along with detailed steps the business will take to **improve performance** in the coming period.
- Business plans **aren't just about money**. The business plan outlines the **general planning** needed to start and run a successful business, and that includes profits, but it also goes beyond that. A plan **should account for everything from scoping out the competition and figuring out how your new business/existing business will fit into the industry to assessing employee morale and planning for how to retain talent**.



- The business plan is prepared by the entrepreneur in consultation with lawyers, accountants, consultants, engineers, etc.
- Investors, venture capitalists, bankers, and suppliers read the business plan.
- **Each group reads it for a different purpose.**
- **The focus and contents of the business plan will differ from one venture to another depending on its nature and size.**
- Any new business should have a business plan in place prior to beginning operations. In fact, banks and venture capital firms often want to see a business plan before they'll consider making a loan or providing capital to new businesses.
- Even if a business isn't looking to raise additional money, a business plan can help it focus on its goals.
- A 2017 *Harvard Business Review* article reported that, **"Entrepreneurs who write formal plans are 16% more likely to achieve viability than the otherwise identical non-planning entrepreneurs."**



# Why Do You Need a Business Plan?

A good business plan is critical for any business, **providing a roadmap** for achieving success and ensuring that all stakeholders are aligned and working towards the same goals.

- A business plan helps a company **track its growth** and stay in line with its stated business objectives. If something is going off track, the managers/entrepreneurs can review the business plan and steer things back in the right direction.
- A good business plan **notifies investors how the business is operated** and if it is worth investing in. It attracts investors and sells them the idea of your business.
- A business plan provides a **unified working structure among employees and business owners**. It keeps employees and business owners on the same page about strategic actions needed to be taken.
- A well-crafted business plan can **help startups attract investment or get loans without a proven financial record**. It provides investors and lenders with an understanding of the company's goals, strategies, and financial projections.



# Benefits of a Business Plan

- **See the whole business-** Business planning done right **connects the dots in the business** so the entrepreneur get a better picture of the whole. **Strategy is supposed to relate to tactics with strategic alignment.** Does that show up in your plan? Do your sales connect to your sales and marketing expenses? Are your products right for your target market? Are you covering costs including long-term fixed costs, product development, and working capital needs as well?
- **Strategic Focus-** Startups and small business need to focus on their special identities, their target markets, and their products or services tailored to match
- **Set priorities-** You can't do everything!! Business planning helps entrepreneur to keep track of the right things, and the most important things. Allocate his/her time, effort, and resources strategically
- **Manage change-** With good planning process entrepreneur can regularly review assumptions, track progress, and catch new developments so they can adjust
- **Develop accountability-** Good planning process sets expectations and tracks results. It's a tool for regular review of what's expected and what happened. Good work shows up. Disappointments show up too. A well-run monthly plan review with plan vs. actual included becomes an impromptu review of tasks and accomplishments



- **Manage cash-** Good business planning **connects the dots in cash flow**. Sometimes just watching profits is enough. But when **sales on account, physical products, purchasing assets, or repaying debts are involved, cash flow takes planning and management**. Profitable businesses suffer when slow-paying clients or too much inventory constipate cash flow. A plan helps entrepreneur to see the problem and adjust to it
- **Milestones-**Good business planning **sets milestones entrepreneur can work towards**. These are key goals they want to achieve, like reaching a defined sales level, hiring that sales manager, or opening the new location. We're human. We work better when. We have visible goals we can work towards
- **Realistic regular reminders to keep on track-** We all want to do everything for our customers, but sometimes we need to push back to maintain quality and strategic focus. It's hard, during the heat of the everyday routine, to **remember the priorities and focus**. The business planning process becomes a regular reminder



# Types of Business Plans

1. **Lean Start-up Business Plans:** These use an **abbreviated structure** that highlights key elements. These business plans are **short**—as short as one page—and **provide only the most basic detail**. If a company wants to use this kind of plan, it should be prepared to provide more detail if an investor or a lender requests it.
2. **Traditional business plans:** These plans tend to be **much longer** than lean startup plans and contain considerably **more detail**. As a result they **require more work** and time on the part of the business, but they can also be **more persuasive** (and reassuring) to potential investors.





# Common Elements/Components/Fundamentals of a Business Plan

Length of a business plan can vary greatly from business to business.

It should include key elements that help to provide a complete overview of the business and its plans for success

## 1. Executive Summary

Provides an **overview of the business plan** as a whole and highlights what the business plan will cover. Gives a brief **description of the business**. It gives information on the **business leadership, its employees, operations, and location**. It also provides the **business mission statement, goals, and vision**.

## 2. Products and Services

The company should **describe the products and services it offers or plans to introduce**. That might include details on **pricing, product lifespan**, and unique benefits to the consumer. Other factors that could go into this section include **production and manufacturing processes, any relevant patents** the company may have, as well as proprietary technology. Information about **research and development (R&D)** can also be included here.



## 3. Market Analysis

A company needs to have a good handle on the **current state of its industry and the existing competition**. This section should explain where the **company fits in, what types of customers it plans to target, and how easy or difficult it may be to take market share**. The goal of this section is to **clearly define the target audience** so that entrepreneur can make strategic estimations about how the product or service might perform with this audience. **SWOT** (Strength, Weakness, Opportunities & Threats) analysis provides detailed information on business strengths and weaknesses along with details on the business competitor and market opportunities available.

A SWOT analysis is a **strategic planning tool used by business owners to identify a business's strengths, weaknesses, opportunities, and threats in the market**. Conducting a SWOT analysis will guide on what the business do well, identify the weak points, maximize the opportunities, and avoid threats.



## Eg. of Pantaloon Apparel SWOT Analysis

### Strengths

- Easy access to resources needed
- An already established customer base who are loyal to the brand
- Design flexibility appreciated by customers

### Weaknesses

- Locally made shirts cheaply priced
- New customers appreciate already established brands
- Staff shortages

### Opportunities

- Advertising on social media platforms like instagram would increase customer base
- People are shifting attention to locally made cloth designs

### Threats

- Established brands are starting to shift focus to locally made cloth designs
- Little financing to compete threatening to shut us down



## 4. Marketing & Sales Strategy

This section can describe how the **company plans to attract and keep customers**, including any anticipated **advertising, marketing and sales campaigns**. It should also describe the **distribution channel** or channels it will use to get its products or services to consumers. Fundamentally, it shows how a business intends to build and keep its audience.

Example:

- **Using social media marketing and influencer marketing** - the business aims to reach the audience by telling the story behind the products and how they can help the customers. The company also focuses on price, product distinction, product promotion, and customers' feelings.
- **Running a guerrilla marketing campaign** in train stations and on public transport - this is done with the aim of letting people know as much as possible about the products and how beneficial and memorable it will be for them to own the product.

**Guerrilla Marketing Campaign-** creating use of novel or **unconventional methods** in order to **boost sales or attract interest in a brand or business**



## 5. Management and Organisation

This section describe the **management team and the organization's structure**, including the **roles and responsibilities of each team member**. Introduce the **company leaders and their qualifications and responsibilities within the business**.

## 6. Financial Plans and Projections

Established businesses can include **financial statements, balance sheets, and other relevant financial information**. New businesses can provide **financial targets and estimates for the first few years**. Entrepreneur's plan might also include any **funding requests**. It should also **include break-even analysis**, which shows the level of sales needed to cover all expenses. Well-prepared financial calculations **can attract investors, banks, and venture capitalists**.



## 7. Operating Plan

This part describes how entrepreneur plan to **operate the company**. Include information regarding **how and where the company plans to operate, such as shipping logistics or patents for intellectual property**. The operating plan also details **operations related to personnel**, like how many employees the company hope to hire in various departments.

## 8. Exhibits and Appendices

The last section of business plan **provides any extra information to further support the details outlined in the plan**. Can also include **exhibits and appendices to support the viability of the business plan and give investors a clear understanding of the research that backs the plan**. Common information to put in this section includes:

- Resumes of company management and other stakeholders
- Marketing research
- Permits
- Proposed or current marketing materials
- Relevant legal documentation
- Pictures of the services/product
- Financial documents

# SIMPLE BUSINESS PLAN OUTLINE TEMPLATE

## TITLE PAGE

- Company name and contact information
- Website address
- Presented to: (Company or Individual Name)

## TABLE OF CONTENTS

1. Executive Summary
2. Company Overview
3. Products and Service Offerings
4. Competitive and Market Analysis
5. Sales and Marketing Plan
6. Ownership Structure and Management Plan
7. Operating Plan
8. Financial Plan
9. Appendix

## 1: EXECUTIVE SUMMARY

- Company background and purpose
- Mission and vision Statement
- Management team
- Core product and service offerings
- Briefly describe target customers
- Describe the competition and how you will gain market share
- Define your unique value proposition
- Summarize financial projections for the first few years of business operations
- Describe your financing requirements, if applicable

## 2: COMPANY OVERVIEW

- Describe your business and how it operates in the industry.
- Explain the nature of the industry (e.g. trends, external influences, statistics).
- Historical timeline of your business

## 3: PRODUCT AND SERVICE OFFERINGS

- Describe your product or service and the problem it is solving
- List current alternatives
- Describe the competitive advantage (or unique value proposition) of your product in comparison to the alternatives

## 4: COMPETITIVE AND MARKET ANALYSIS

- Define the estimated size of the market
- Describe your target market segment(s)
- Outline how your offering provides a solution to your segment(s)
- Estimate the number of units of your product or service target buyers might purchase, and how the market might be affected by external changes (e.g. economic, political).
- Describe your projected volume and value of sales compared to competitors.
- Discuss how will you differentiate yourself from competitors

## 5: SALES AND MARKETING PLAN

- Describe your pricing strategy for your offerings
- List the various methods you will use to get your message to prospects (marketing channels)
- Detail the market materials will you use to promote your product, including an approximate budget
- Describe how you will distribute your offerings to customers (distribution methods)

## 6: OWNERSHIP STRUCTURE AND MANAGEMENT PLAN

- Describe the legal structure of your business
- List the names of founders, owners, advisors, etc.
- Detail the management team's roles, relevant experience, and compensation plan
- List out the staffing requirements of your business, including if external resources or services are needed
- Detail any training plans you will put in place for employees and management

## 7: OPERATING PLAN

- Describe the physical location(s) of your business
- Detail any additional physical requirements (e.g. warehouse, specialized equipment, facilities)
- Describe the production workflow
- Describe materials needed to produce your product or service, and how you plan to source them

## 8: FINANCIAL PLAN

- Demonstrate the potential growth and profitability of your business
- Create a projected income statement
- Create a projected cash flow statement
- Create a projected balance sheet
- Provide a breakeven analysis

## 9: APPENDIX

- Attach supporting documentation, which can include:
  - Charts and graphs
  - Market research and competitive analysis
  - Information about your industry
  - Information about your offerings
  - Samples of marketing materials
  - Professional references



# Why Do Business Plans Fail?

- A business plan is **not a surefire recipe for success**.
- The **plan may have been unrealistic in its assumptions and projections** to begin with.
- **Markets and the overall economy might change in ways that couldn't have been foreseen.**
- **A competitor might introduce a revolutionary new product or service.**
- All of this calls for **building some flexibility** into the business plan, so that the entrepreneur can pivot to a new course if needed.