DEPARTMENT: **General Education**
COURSE NAME: **Entrepreneurial Skills**
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Module 2: Crafting a Business Plan

A business plan is a written summary of an entrepreneur's proposed business venture, its operational and financial details, its marketing opportunities and strategy, and its managers' skills and abilities.
The plan serves as an entrepreneur's road map on the journey toward building a successful business. Building a business plan is one controllable factor that reduces the risk and uncertainty of launching a company.

1. Present the steps involved in conducting a feasibility analysis

A feasibility analysis consists of three interrelated components:

- An industry and market feasibility analysis
- A product or service feasibility analysis
- A financial feasibility analysis

The goal of the feasibility analysis is to determine whether an entrepreneur's idea is a viable foundation for creating a successful business.

2. Benefits of preparing a business plan

A business plan serves two essential functions:

- It guides the company's operations by charting its future course and devising a strategy for following it.
- To attract lenders and investors. Applying for loans or attempting to attract investors without a solid business plan rarely attracts needed capital.

3. Explain the three tests every business plan must pass.

- Reality test

The external component of the reality test revolves around proving that a market for the product or service really does exist. The internal component of the reality test focuses on the product or service itself.

- Competitive test

  The external part of the competitive test evaluates the company's relative position to its key competitors. The internal competitive test focuses on the management team's ability to create a company that will gain an edge over existing rivals.

- Value test

  To convince lenders and investors to put their money into the venture, a business plan must prove to them that it offers a high probability of repayment or an attractive rate of return.

4. Describe the elements of a solid business plan.

Although a business plan should be unique and tailor-made to suit the particular needs of a small company, it should include the following basic elements:

- An executive summary
- A mission statement
- A business and industry profile
- A description of the company's business strategy
- A profile of its products or services
- A statement explaining its marketing strategy
- A competitor analysis,
- Owners' and officers' resumes
- A plan of operation
- Financial data
- The loan or investment proposal

5. Explain the "five Cs of credit" and why they are important to potential lenders and investors reviewing business plans.

Small business owners need to be aware of the criteria bankers use in evaluating the creditworthiness of loan applicants—the five Cs of credit, which are capital, capacity, collateral, character, and conditions.

- Capital

  Lenders expect small businesses to have an equity base of investment by the owner(s) that will help support the venture during times of financial strain.

- Capacity

  A synonym for capacity is cash flow. The bank must be convinced of the firm's ability to meet its regular financial obligations and to repay the bank loan, and that takes cash.

- Collateral

  Collateral includes any assets the owner pledges to the bank as security for repayment of the loan.

- Character

  Before approving a loan to a small business, the banker must be satisfied with the owner's character.

- Conditions

  The conditions—interest rates, the health of the nation's economy, industry growth rates, etc.—surrounding a loan request also affect the owner's chance of receiving funds.

6. Understand the keys to making an effective business plan presentation.
Lenders and investors are favorably impressed by entrepreneurs who are informed and prepared when requesting a loan or investment.
Tips include:

- Demonstrate enthusiasm about the venture, but don't be overemotional
- "Hook" investors quickly with an up-front explanation of the new venture, its opportunities, and the anticipated benefits to them
- Use visual aids
- Hit the highlights of your venture
- Don't get caught up in too much detail in early meetings with lenders and investors
- Avoid the use of technological terms that will likely be above most of the audience
- Rehearse your presentation before giving it
- Close by reinforcing the nature of the opportunity
- Be prepared for question