

ENT 2112 Homework 6

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Application Question

All uncited quotes are from the textbook

21. Travis Ryan is one of four cofounders of a skateboard company. The cofounders have decided to write a business plan to obtain funding for their venture. During a recent meeting, Travis said, "I know that we're all really busy, so I'd like to volunteer to write our business plan. A friend of mine has a house on a lake near where we are going to school. If the three of you agree, I'll take my laptop to my friend's house for a couple of days and knock out our business plan. Any objections?" If you were one of Travis' cofounders, what would you say? What alternative approaches to writing a business plan would you propose and why?

- I have no problem with it so long as all of the founders go over it together afterwards. There's no reason to waste everyone's time on an initial draft if no one cares. Travis is volunteering to do the heavy-lifting so that everyone else can focus on other parts of the business. I could propose a group session where we write it together but we don't need to. If I'm starting a business with someone, I'd better trust him enough to do a decent job on a rough draft.
- TL;DR: Don't care. It's a rough draft. We'll go over it together later.

22. A good friend of yours, Andrew Waters, has decided to leave his corporate job in order to launch a private SEO (search engine optimization) consulting firm. He is putting together a business plan for this venture and says the following to you: "I've read several books and articles about how to write a business plan, and there is a point about which I am still a bit confused. Is a business plan written more for learning and discovering or is it written more for pitching and selling?" What would you say to Andrew in response to his question?

- It's a little bit of both. You should not be discovering or learning anything substantially new, but it should help you flesh out your business idea and make sure everything is in order and that it'll work. However, a finished business plan can be used for pitching and selling as it is a complete roadmap of what you want to do with your business.

23. Josh White has a brilliant idea—an e-payment business using online payment kiosks. He is looking for investors to fund his business, and he has called on you for advice on writing a good business plan to do so. He needs a structured plan detailing how the potential of his ideas may be achieved and is anxious that it might look hastily put together. Advise Josh on some of the pitfalls that he should avoid while preparing the plan.

- Some common red flags are "founders with none of their own money at risk", "a poorly cited

plan", "defining the market size too broadly", "overly aggressive financials", and "sloppiness in any area". In addition, the business plan should be complete but also concise and free of grammatical and spelling errors.

24. Ginny Welch is proposing to start a wellness center and needs to prepare a market analysis for her business plan for a loan provider. The analysis is due in the next two weeks, but she does not know what to write and who her target market is—all she knows is that her potential customers are those who seek a healthy lifestyle. She has completed her industry analysis but only recently learned the difference between market analysis and industry analysis. What is the next step she should take to complete the market analysis?

- "Whereas the industry analysis focuses on the industry in which a firm intends to compete (e.g., toy industry, fitness center industry, men's clothing industry), the **market analysis** breaks the industry into segments and zeroes in on the specific segment (or target market) to which the firm will try to appeal." To complete the market analysis, she should do the market analysis and not just copy her industry analysis. They should first identify their specific target market with **market segmentation** and then do a **competitor analysis**. Lastly, they should estimate their sales and market share.

25. The entrepreneurship class you are taking meets for four hours once per week. A break of 10 minutes or so takes place after the first two hours of each class. During a recent break, you overheard one of your classmates say to another person that in her opinion, the teacher is overselling the importance to potential investors of a start-up's management team. "After all," the classmate says, "A good product outweighs any deficiency a firm may have in terms of managers and their abilities." Given what you have learned about business plans, what would you say to your classmate to convince her that she needs to rethink her view regarding potential investors' views about the quality of a proposed venture's management team?

- Frankly, it's none of my business if my classmate is an idiot. I'm just going to make fun of them behind their back. BUT, a good manager is more important than a good product because most products can't sell themselves to investors and without people managing the product, there is no product.

26. d.light, which operates as a for-profit social enterprise, is the focus of Case 6.2. What, if any, special factors should be kept in mind when writing a business plan for a for-profit social enterprise?

- For-profit social enterprises probably aren't going to make money from selling product so they constantly need new investors. I don't think any social enterprise should be profit focused because that means they're focusing on lining their pockets rather than helping the people they claim to want to help.

27. Michael Graves and Jill Simpson just left their jobs with Microsoft to launch a business that will sell a new type of fax machine. They wrote a full business plan that they've asked you to review. When reading the plan, you noticed that several key sections begin with the phrase "We believe . . ." Is any knowledgeable person who reads this business plan going to

know what "We believe . . ." really means? What is the problem with including the phrase "We believe . . ." to introduce key sections of a business plan?

- First off, constantly saying "we believe" is boring. Second, if you only believe it, it may not be true. Many people believe birds are real. The fact is, birds are government drones. Their belief that birds are real has nothing to do with fact. It's better if business people deal with facts for key sections of a business plan.

28. Two co-founders have \$100,000 each that they are prepared to invest in a new business venture. A third potential co-founder actually came up with the business idea but has no funds to invest in the business. How would you divide the equity in this instance when two of the partners have money to invest and the third has the idea and will actually be doing most of the work? Is this an issue that can make or break a new venture?

- Just because you have no money to put upfront doesn't mean you don't have any debt. If the business succeeds, they should pay each partner \$33k so that at the end everyone's contributed \$66k. If the business does not take off, they owe each partner a sixth of what was lost so at the end of the day, they've lost a third of the total losses. This could be a make or break, but if it's a good idea, it won't be.

29. Janine Morris has prepared a business plan for her online shoe business. She has approached an angel investor to support her business financially. As you are a close friend, she has shown you her business plan and asked for your opinion. After reading through it, you noticed that it did not include important elements that the investor would look for. Moreover, her business plan was very vague and did not clearly state the real intention of starting the business. Advise Janine.

- The advice is right there in the problem. "After reading through it, you noticed that it did not include important elements that the investor would look for. Moreover, her business plan was very vague and did not clearly state the real intention of starting the business." Maybe Janine should consider including important elements that the investor would look for. Moreover, her business plan should not be vague and should clearly state the real intention of starting the business.