UNIT–V

Creating and Starting the venture:

- Creativity and the business idea (Self-discovery, Opportunity discovery);
- Developing the business plan (Business model – Lean canvas by Alexander Osterwalder);
- Marketing plan (Customer & Solution- Value proposition, Marketing & Sales);
- Financial plan (Validation, money),
- Human Resource Plan (Team).

CREATIVITY AND THE BUSINESS IDEA

One of the key requirements for entrepreneurial success is **your ability to develop and offer something unique to the marketplace**. Over time, entrepreneurship has become associated with **creativity, the ability to develop something original, particularly an idea or a representation of an idea.**

Innovation requires creativity, but innovation is more specifically **the application of creativity**. Innovation is the manifestation of creativity into a usable product or service. **In the entrepreneurial context, innovation is any new idea, process, or product, or a change to an existing product or process that adds value to that existing product or service.**

How is an invention different from an innovation? **All inventions contain innovations**, but not every innovation rises to the level of a unique invention. For our purposes, an **invention is a truly novel product, service, or process. It will be based on previous ideas and products, but it is such a leap that it is not considered an addition to or a variant of an existing product but something unique**.

Definitions of Creativity

- Creativity is defined as the tendency to generate or recognize ideas, alternatives, or possibilities that may be useful in solving problems, communicating with others, and entertaining ourselves and others.
- Creativity is the ability to produce new ideas and to identify new and different ways of looking at a problem and opportunities.
- A process of assembling ideas by recombining elements already known but wrongly assumed to be unrelated to each other.

This definition has several key elements that are worth considering:

- **Process**: Creativity is also a process (implying, among other things, that it is more like a skill than an attitude, and that you can get better at it with practice).
- **Ideas:** Creativity results in ideas that have potential value.
- **Recombining**: The creative process is one of putting things together in unexpected ways.

THREE **REASONS** WHY PEOPLE ARE MOTIVATED TO BE CREATIVE:

1. Need for novel, varied, and complex stimulation.
2. Need to communicate ideas and values.
3. Need to solve problems.

- In order to be creative, **entrepreneurs need to be able to view things in new ways or from a different perspective**. Among other things, they need to be able to generate new possibilities or new alternatives.
- **Tests of creativity measure not only the number of alternatives that people can generate but the uniqueness of those alternatives**. The ability to generate alternatives or to see things uniquely does not occur by change; it is linked to other, **more fundamental qualities of thinking, such as flexibility, tolerance of ambiguity or unpredictability, and the enjoyment of things so far unknown.**

Thus, creativity is the development of ideas about products, practices, services, or procedures that are novel and potentially useful to the organization.

STEPS IN THE CREATIVE PROCESS: The creative process is the evolution of an idea into its final form through a progression of thoughts and actions. The creative process involves critical thinking and problem-solving skills.

1. **Opportunity or Problem Recognition**: A person discovers that a new opportunity exists, or a problem needs resolution.

2. **Immersion**: The individual concentrates on the problem and becomes immersed in it. He will recall and collect information that seems relevant, dreaming up alternatives without refining or evaluating them.

3. **Incubation**: The person keeps the assembled information in mind for a while. He does not appear to be working on the problem actively; however, the subconscious mind is still engaged. While the information is simmering it is being arranged into meaningful new patterns.

4. **Insight**: The problem-conquering solution flashes into the person's mind at an unexpected time, such as on the verge of sleep, during a shower, or while running. Insight is also called the Aha! Or Eureka! Experience.

5. **Verification and Application**: The individual sets out to prove that the creative solution has merit. **Verification procedures include gathering supporting evidence, using logical persuasion, and experimenting with new ideas.**

Creating the business idea (Self-discovery, Opportunity discovery):

Sources of new Ideas

Idea: A thought or suggestion as to a possible course of action. Some of the more frequently used sources of ideas for entrepreneurs include

1. **Consumers**
2. **Existing product & services**
3. **Distribution channels**
4. **Government**
5. **Research & development**

1. Consumers:

- Entrepreneurs should continually pay close attention to customers; this attention can take the form of informally monitoring potential ideas & needs or formally arranging for consumers to have an opportunity to express their opinions.
- New product or service idea may come from customer reaction to the present product and from expected product idea.
- Care needs to be taken to ensure that the idea or need represents a large enough market to support a new venture.

2. Existing products & services: Entrepreneurs should also establish a formal method for monitoring & evaluating competitive products & services on the markets. This may result in a new product or service that has more market appeal & better sales & profit.

3. Distribution channel: Members of the distribution channels are also excellent sources for new ideas because of their familiarity with needs of the market. They suggest new products & also helps entrepreneurs in marketing their newly developed products.

4. Government: Government can be a source of new product ideas in two ways:

- **First:** The files of the patent Office contain numerous new product possibilities, although the patents themselves may not be feasible they can frequently suggest other more marketable products ideas.
- **Second:** • New product idea can come in response to government regulations.

5. Research & development: The largest source of new ideas is the entrepreneur's own R&D efforts. One research scientist in Fortune 500 company developed a new plastic resin that became the basis of a new product, but the company was not interested. He started making a plastic moulded modular cup pallet as a new venture and build a company Arnolite pallet Company .

Methods of Generating New Ideas / Opportunity discovery: Even with such a wide variety of sources available, producing an idea to serve as the basis for a new venture can still be problematic.

The entrepreneur can use several methods to help generate & test new ideas such as:

• Focus groups • Brainstorming • Brain writing & • Problem inventory & analysis

1. Focus groups: groups of individuals providing information in a structured format. For generating new ideas, the focus group is an excellent method for initially screening ideas & concepts. The group of 8-14 participants is stimulated by comments from each other in creatively conceptualizing & developing a new product idea to fill a market need.

Example: one company interested in the women's slipper market received its new product concept for a "warm & comfortable slipper that fits like an old shoe" from a focus group of 12 women from various socioeconomic backgrounds in the Boston area.

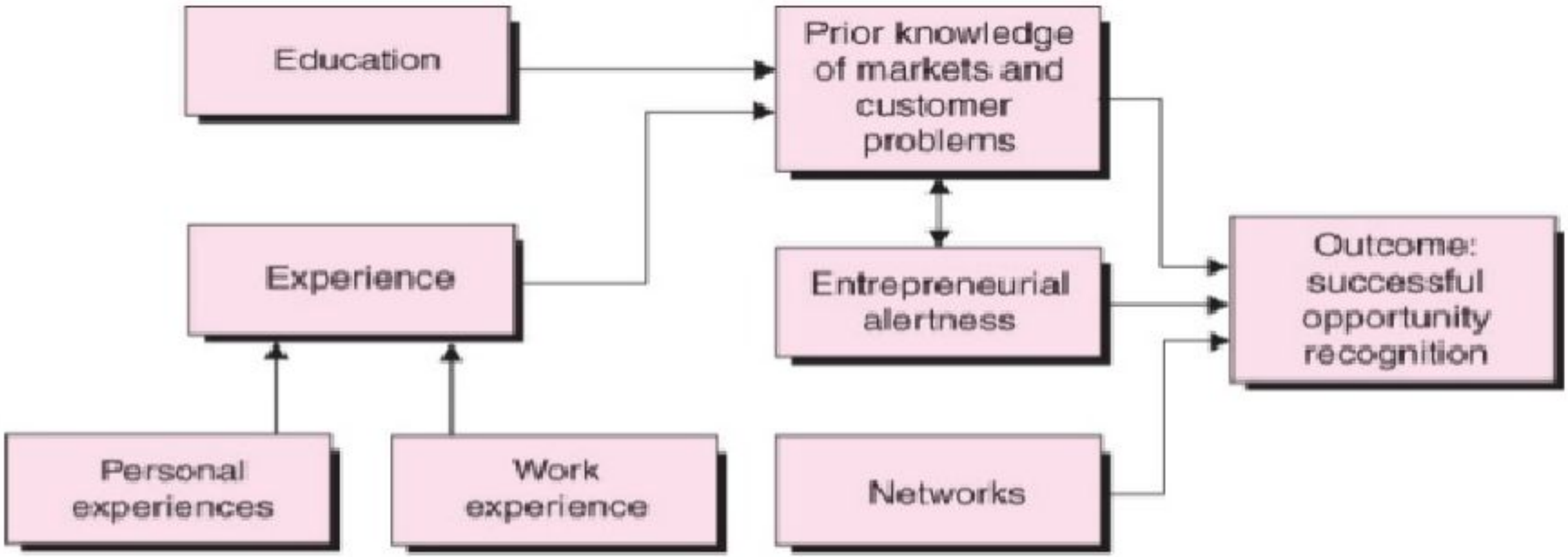
2. Brainstorming: It is a group method for obtaining new ideas & solutions. **It is based on the fact that people can be stimulated to greater creativity by meeting with others and participating in organized group experiences. The characteristics of this method are keeping criticism away; free wheeling of idea, high quantity of ideas, combinations and improvements of ideas.** Such type of session should be fun with no scope for domination and inhibition. Brainstorming has a greater probability of success when the effort focuses on specific product or market area.

3. Brain writing: (created by Bend Rohr Bach in 1960 & named Method 635) : **It is the written form of brainstorming. Brain writing is a silent, written generation of ideas by a group of people.** The participants write their ideas on special forms or cards that circulate within the group, that consists of usually 6 members. Each group member generates & writes down three ideas during a 5-minute period, until each form has passed all participants. The leader monitors the time interval & can reduce or lengthen the time given to participants according to the need of the group.

4. Problem inventory & analysis: A method for obtaining new ideas & solutions by focusing on problems. **This analysis uses individuals in a manner that is analogous to focus groups to generate new product ideas**. However, instead of generating new ideas themselves, the consumers are provided with list of problems and then asked to have discussion over it and it ultimately results in an entirely new product idea.

Opportunity Recognition

Some entrepreneurs have the ability to recognize a business opportunity, which is a fundamental to the entrepreneurial process as well as a growing business. A business opportunity represents a possibility for the entrepreneur to successfully fill a large enough unsatisfied need that enough sales & profit results. The aspects of the opportunity recognition process is indicated in the model of the opportunity recognition process.



Opportunity Analysis Plan

Each innovative idea should be carefully assessed by the entrepreneur. One good way to do this job is opportunity analysis plan . **But opportunity Analysis Plan is not Business Plan , as it focuses on the idea and the market for the idea. It also is shorter than a business plan and does not contain a formal financial statement of the venture**. A typical opportunity analysis plan has four sections:

- A description of the idea and its competition
- An assessment of the domestic and international market for the idea
- An assessment of the entrepreneur and the team
- A discussion of the steps needed to make the idea basis for a viable business venture

The Business Plan: Creating & Starting the Venture

Planning as a part of the Business Operation : Planning is a process that never ends for a business. It is very important in the early stages of any new venture when the entrepreneur will need to prepare a preliminary business plan . For any organization it is possible to find financial plans, marketing plans, human resource plans, production plans, & sales plans to name a few. Plans may be short or long term and all plans have one important purpose that is to provide guidance to management in a rapidly changing market environment.

What is the Business Plan?

- Business Plan is "**a written document prepared by the entrepreneur that describes all the relevant internal and external elements and strategies for starting a new venture".**
- It is an integration of functional plans such as marketing, finance, manufacturing, sales and human resources.it also addresses both short- & long-term decision making for the first three years of operation.

Who should write the plan and who reads the plan?

- The business plan should be prepared by the entrepreneur. The entrepreneur may consult with many other sources in its preparation, such as lawyers, accountants, marketing consultants, and engineers. Internet also provides a wealth of information as well as actual sample templates or outlines for business planning.
- To help determine whether to hire a consultant or to make use of other resources, the entrepreneur can make an objective assessment of his/her own skills. Through such an assessment the entrepreneur can identify what skills are needed & where to obtain them.
- **The business plan may be read by employees, investors, bankers, venture capitalists, suppliers, customers, advisors, and consultants. Since each of these groups reads the plan for different purposes, the entrepreneur must be prepared to address all their issues & concerns**.
- Since each of these groups reads the plan for different purposes, the entrepreneur must be prepared to address all their issues & concerns. **There are three perspectives should be considered in preparing the plan** :

  1. **Perspective of the entrepreneur:**
  2. **Marketing perspective**
  3. **Investor's perspective**

1. Perspective of the entrepreneur: Entrepreneur understands better than anyone else the creativity & technology involved in the new venture. The entrepreneur must be able to clearly articulate what the venture is all about.

2 . Marketing perspective: Too often, an entrepreneur will consider only the product or technology & not whether someone would buy it. Entrepreneurs must try to view their business through the eyes of their customer.

3. Investor's perspective: The entrepreneurs should try to view his/her business through the eyes of the investor.

Need of business plan for an entrepreneur

1. The business plan is valuable to the entrepreneur, potential investors, or even new personnel, who are trying to familiarize themselves with the venture, it goals, and objectives.
2. It helps determine the viability of the venture in a designated market
3. It provides guidance to the entrepreneur in organizing his or her planning activities
4. It serves as an important tool in helping to obtain financing.
5. The entrepreneur should do a quick feasibility study of the business concept to see whether there are any possible barriers to success.
6. The information, obtainable from many sources, should focus on marketing, finance, & production, internet can be a valuable resource.

Writing the Business Plan : A business plan should be comprehensive enough to give any potential investor a complete picture and understanding of the new venture. It should help the entrepreneur clarify their thinking about the business.

1. Introductory Page: This is the title/cover page that provides a brief summary of the business plan's contents. The introductory should contain the following:

- Name and address of business
- Name of the entrepreneur(s), telephone number, fax number, e-mail address, and web site address if available.
- A paragraph describing the company & nature of business
- Statement of financing needed
- Statement of confidentially of report

This title page sets out the basic concept that the entrepreneur is attempting to develop. Investors consider it important because they can determine the amount of investment needed without having to read through the entire plan.

I. Introductory Page

A. Name and address of business

B. Name(s) and address(es) of principal(s)

C. Nature of business

D. Statement of financing needed

E. Statement of confidentiality of report

II. Executive Summary—Three to four pages summarizing the complete business plan

III. Industry Analysis

A. Future outlook and trends

B. Analysis of competitors

C. Market segmentation

D. Industry and market forecasts

IV. Description of Venture

A. Product(s)

B. Service(s)

C. Size of business

D. Office equipment and personnel

E. Background of entrepreneur(s)

V. Production Plan

A. Manufacturing process (amount subcontracted)

B. Physical plant

C. Machinery and equipment

D. Names of suppliers of raw materials

VI. Operational Plan

A. Description of company's operation

B. Flow of orders for goods and/or services

C. Technology utilization

VII. Marketing Plan

A. Pricing

B. Distribution

C. Promotion

D. Product forecasts

E. Controls

VIII. Organizational Plan

A. Form of ownership

B. Identification of partners or principal shareholders

C. Authority of principals

D. Management-team background

E. Roles and responsibilities of members of organization

IX. Assessment of Risk

A. Evaluate weakness(es) of business

B. New technologies

C. Contingency plans

X. Financial Plan

A. Assumptions

B. Pro forma income statement

C. Cash flow projections

D. Pro forma balance sheet

E. Break-even analysis

F. Sources and applications of funds

XI. Appendix (contains backup material)

A. Letters

B. Market research data

C. Leases or contracts

D. Price lists from suppliers

2. Executive Summary: This section of the business plan is prepared after the total plan is written. About two to three pages in length, **the executive summary should stimulate the interest of the potential investor**. Generally, the executive summary should address several issues or questions that anyone picking up the written for the first time would want to know: e.g.

- What is the business concept or model?
- How is this business concept or model unique?
- Who are the individuals starting this business?
- How will they make money and how much?

3. Environmental and Industry Analysis: The environmental analysis **assesses external uncontrollable variables that may impact the business plan**. Examples of these environmental factors are:

Economy: The entrepreneur should consider trends in the GNP, unemployment by geographic area, disposable income & so on.

Culture: An evaluation of cultural changes may consider shifts in the population by demographics.

Technology: Advances in technology are difficult to predict. Entrepreneur should develop his technology used in business.

Legal concerns: There are many legal issues in starting a new venture. The entrepreneur should be prepared for any legislation that may affect his product or service. E.g., ban on cigarettes ads. Once the environmental assessment is complete the entrepreneur should conduct industry analysis which reviews industry trends & competitive strategies. Examples are:

Industry demand: knowledge of whether the market is growing or declining, the number of new competitors, the possible changes in consumers needs.

Competition: Most entrepreneurs generally face potential threats from larger cooperation's. The entrepreneur must be prepared for these threats & should be aware of who the competitors are & what their strengths & weaknesses are.

4. Description of Venture: The description of the venture should be detailed in this section of **the business plan & Provides complete overview of the product, service, size of business, office equipment and personnel, background of entrepreneurs & operation of a new venture**. There are some of the important questions that an entrepreneur needs to answer when preparing this section of the business plan. **Note:** if the building or site decision involves legal issues, such as a lease then the entrepreneur should hire a lawyer.

Describing the venture

1. What is the mission of the new venture?
2. What are your reasons for going into business?
3. Why will you be successful in this venture?
4. What development work has been completed to date?
5. What is your product(s) and/or service(s)?
6. Describe the product(s) and/or service(s), including patent, copyright, or trademark status.
7. Where will the business be located?
8. Is your building new? old? in need of renovations? (If renovation is needed, state costs.)
9. Is the building leased or owned? (State the terms.)
10. Why is this building and location right for your business?
11. What office equipment will be needed?

5. Production plan: Details how the product will be manufactured. If the new venture is a manufacturing operation, a production plan is necessary. This plan should describe the complete manufacturing process. If some or all the manufacturing process is to be subcontracting, the plan should describe the subcontractor, including location, reasons for selection, costs, & any contracts that have been completed. If the manufacturing is to be carried out in whole or in part by the entrepreneur, he/she will need to describe the physical plant layout, machinery, equipment. Raw materials & suppliers name, address & cost of manufacturing. Some questions of this section are

1. Will you be responsible for all or part of the manufacturing operation?
2. If some manufacturing is subcontracted, who will be the subcontractors? (Give names and addresses.)
3. Why were these subcontractors selected?
4. What are the costs of the subcontracted manufacturing? (Include copies of any written contracts.)
5. What will be the layout of the production process? (Illustrate steps if possible.)
6. What equipment will be needed immediately for manufacturing?
7. What raw materials will be needed for manufacturing?
8. Who are the suppliers of new materials and what are the appropriate costs?
9. What are the costs of manufacturing the product?
10. What are the future capital equipment needs of the venture?

6. Operation plan: All businesses (manufacturing or nonmanufacturing) should include an operations plan as part of the business plan. **This section goes beyond the manufacturing process & describes the flow of goods & services from production to the customer**. Some key issues for both the manufacturing & non-manufacturing new venture are:

1.From whom will merchandise be purchased?

2.How will the inventory control system operate?

3.What are the storage needs of the venture and how will they be promoted?

4.How will the goods flow to the customer?

5.What are the steps involved in a business transaction?

7. Marketing plan: Describes **market conditions and strategy related to how the product(s) and service(s) will be distributed, priced, and promoted**. It helps in forecasting of sales, budget & appropriate controls. Marketing planning will be an annual requirement (with careful monitoring & changes made on a weekly or monthly basis) for the entrepreneur & should be regarded as the road map for short term decision making.

8. Organizational plan: Describes form of o**wnership and lines of authority and responsibility of members of new venture**. It describes the venture form of ownership that is proprietorship, partnership or corporation. If the venture is a partnership, the terms of the partnership should be included. **Entrepreneur should answer the following questions in preparing the organizational plan:**

1. What is the form of ownership of organization?
2. If a partnership, who are the partners & what are the terms of agreement?
3. If incorporated, who are the principal shareholders & how much stock do they own?
4. Who are the members of the board of directors? (give name, address, resume)
5. Who has check sighing or authority?
6. Who are the members of the management team & what are their backgrounds?
7. What are the roles & responsibilities of each member of the management team?
8. What are the salaries, bonuses, or other forms of payment for each member of the management team?

9. Assessment of risk: Identifies potential hazards & alternative strategies to meet business plan goals & objectives. Assessment of risk should be based on:

- Potential risks to the new venture.
- Discussion of what might happen if risks become reality.
- Strategy employed to prevent, minimize, or respond.

Major risks for a new venture could from:

- Competitor's reaction.
- Weaknesses in marketing/ production/management team.
- New advances in technology.

10. Financial plan: It determines the potential investment commitment needed for the new venture & indicates whether the business plan is economically feasible. **Generally, three financial areas are discussed in this section**:

- ✔ The entrepreneur should summarize the forecasted sales and the appropriate expenses for at least the first three years.
- ✔ Cash flow figures for three years.
- ✔ Projected balance sheet.

11. Appendix: The appendix of the business plan generally contains any backup material that is not necessary in the text of the document. Appendix may include:.

- Secondary data or primary research data used support plan decisions.
- Leases, contracts, or other types of agreements.
- Price lists from suppliers and competitors

Using & Implementing the Business Plan

a) The business plan is designed to guide the entrepreneur through the first year of operations. **Implementation of the strategy contain control point to ascertain progress and to initiate contingency plan if necessary**. Business plan end up once the financing has been attained and the business launched.

b) There has been a tendency among many entrepreneurs to avoid planning. The reason often given is that planning is dull or boring & is something used only by large companies. This may be an excuse, perhaps the truth is that some entrepreneurs are afraid to plan.

c) Without good planning, the venture may face many problems like employees will not understand the company goals & how the are expected to perform in their jobs.

Measuring plan progress: Typically, the business plan projections will be made on 12-month schedule, however the entrepreneur cannot wait 12 months to see whether the plan has been successfully achieved. Instead on a frequent i.e., at **the beginning of each month t**he entrepreneur should check the profit & loss statement, & information on inventory, production, quality, sales, collection of accounts receivable & disbursements for the previous month.

Updating the Plan: The most **effective business plan can become out-of-date if condition change. Environmental factors** such as the economy, customers, new technology, or competition & internal factors such as the loss can all change the direction of the business plan.

If the change are likely to **affect the business plan, the entrepreneur should determine what revisions are needed**. In this manner, the entrepreneur can maintain reasonable targets and goals and keep the new venture on a course that will increase probability of success.

Why some Business Plan Fails?

Generally, a poorly prepared business plan can be blamed on one or more of the following factors.

- Goals set by the entrepreneur are unreasonable.
- Goals are not measurable
- The entrepreneur has not made a total commitment to the business.
- The entrepreneur has no experience in the planned business.
- The entrepreneur has no sense of potential threats or weaknesses to the business.
- No customer need was established for the proposed product or service.

Business plan (Business model – Lean canvas by Alexander Osterwalder)

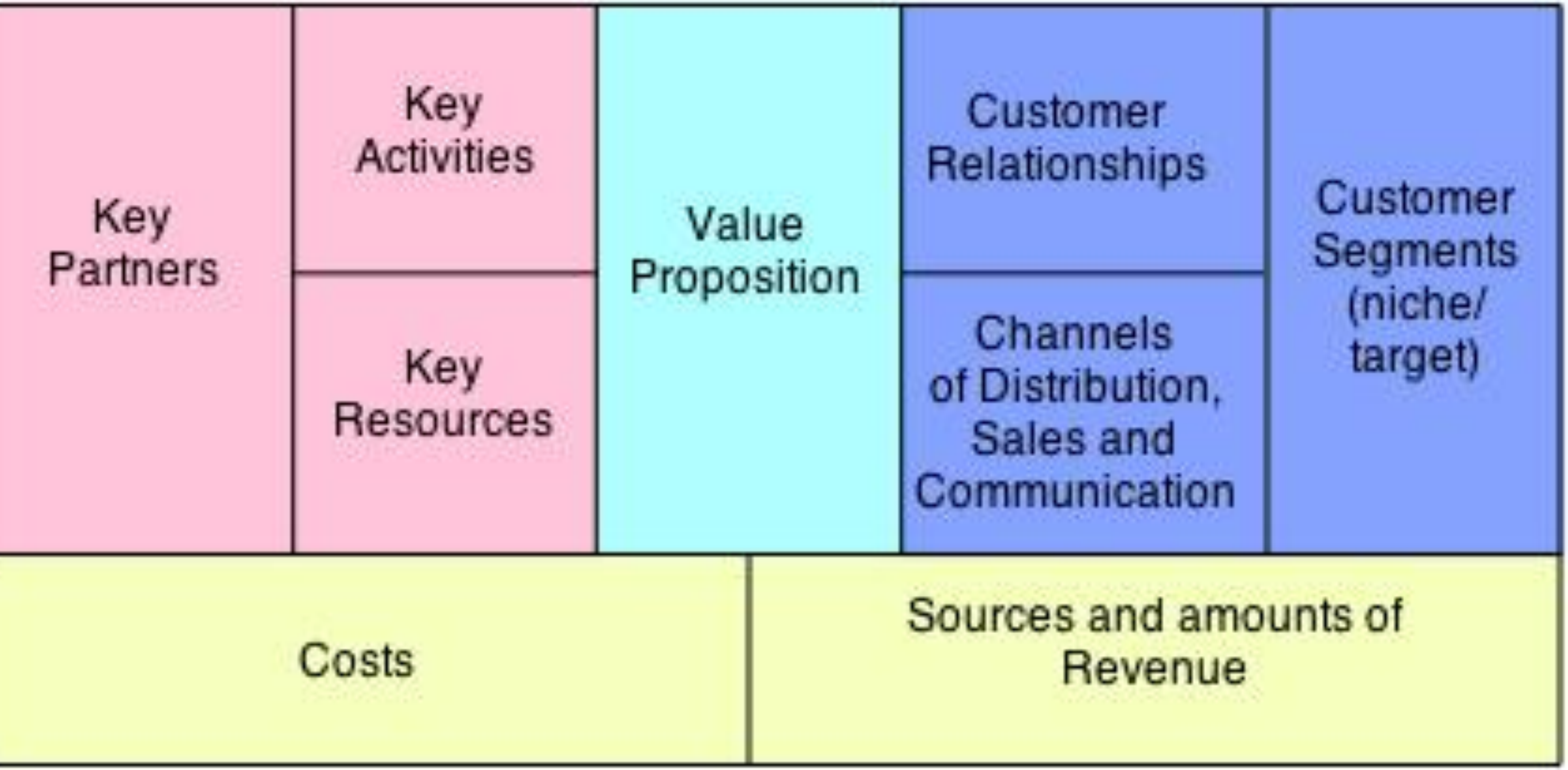
- The Business Model Canvas is a strategic management template that helps businesses to describe, design and analyse their business models.

- The canvas was invented by Alex Osterwalder, a Swiss business theorist and entrepreneur as a part of his PhD research. The Business Model Canvas was elaborated in a book called Business Model Generation co-authored with his graduate supervisor Yves Pigneur, a Belgian computer scientist.

- The model is in the form of a **visual chart with various elements that describe the value proposition of an organisation, its infrastructure, market and finances**. The objective of the model is to assist firms to align their activities through the illustration of potential trade-offs.

- **The basics of the Business Model Canvas, describes why it's useful, how to use it, and provides a downloadable template of the canvas.**

OSTERWALDER'S BUSINESS MODEL CANVAS



- **Value proposition of the business: Value proposition** refers to the product or service the firm intends to offer to its customers to meet their needs. It is unique to an organisation as it sets it apart from its competitors. The description may be qualitative, outlining the intended outcome and customer experience, or quantitative, describing the efficiency and price.

- **Infrastructure:** Shown at the left of the canvas, the organisation's infrastructure comprises three key elements. They are:
  - The **key activities** that generate the value proposition
  - The **key resources** it used to create value for its customers
  - Its alliances or **key partner** networks and the things that motivate them to be part of the business model
  - Considered together these describe how the company delivers the value proposition.

- **Cost structure:** The cost structure section outlines all the monetary costs the business incurs while operating under the model. They could be fixed costs incurred to pay employee salaries and rent for the premises, economies of scale, variable costs and economies of scope.

Customers

On the right side of the canvas, the model analyses three aspects of the customers of the business. They include:

- **Customer segments** break the total market down to help identify and describe its target customers more specifically.

- **Channels** of delivery connect a customer segment to the value proposition. For example, an organisation can deliver value to its clients using its own channels, major distributors or both. Perhaps customers access it online, maybe they visit a store.

- The type of **relationship** between the business and its customers. For example, transactional, long-term, self-service, co-creation, etc.

Considered together, these describe how the customer expects to access the value proposition.

Revenue streams: This is the last of the nine components of the Business Model Canvas. It describes how the company makes money from its target market. For example, businesses can generate revenue through the sale of a physical product, selling a continuous service in the form of subscriptions, renting or leasing an asset such as a car, licensing or charging fees to advertise products.

The Marketing Plan: The written document that describes your advertising and marketing efforts for the coming year; it includes a statement of the marketing situation, a discussion of target markets and company positioning, and a description of the marketing mix you intend to use to reach your marketing goals.

- A marketing plan considers the **value proposition of a business**. The **value proposition is the overall promise of value to be delivered to the customer** and is a statement that appears front and centre of the company website or any branding materials.
- The **value proposition should state how a product or brand solves the customer's problem, the benefits of the product** or brand, and why the customer should buy from this company and not another. The marketing plan is based on this value proposition to the customer.
- The marketing plan **identifies the target market** for a product or brand. Market research is often the basis for a target market and marketing channel decisions.
- The marketing plan details the strategy that a company will use to market its products to customers.
- The plan identifies the target market, the value proposition of the brand or the product, the campaigns to be initiated, and the metrics to be used to assess the effectiveness of marketing initiatives.
- The marketing plan should be adjusted on an ongoing basis based on the findings from the metrics.

For designing an effective marketing plan, it is necessary to do an industry, competitor analysis

Industry analysis: Prior to the preparation of marketing plan the entrepreneur will need to complete the industry analysis section of the business plan. It provides sufficient knowledge of the environment that can affect marketing strategy decision making. Information can be gathered through secondary sources and market research. The entrepreneur can begin to understand competitors' strengths and weaknesses; provides insight into how to position products or services.

Competitor Analysis: The entrepreneur should begin this step by first documenting the current strategy of primary competitors. Information can be utilized to formulate the market positioning strategy. This analysis provides a solid basis for marketing decision making.

Marketing Research for the New Venture: Information for developing the marketing plan may necessitate conducting some marketing research. Marketing research involves the gathering of data to determine such information as who will buy the product or service, what is the size of the potential market what price should be charged what is the most appropriate distribution channel & what is the most effective promotion strategy to inform & reach potential customers. Marketing research may be conducted by the entrepreneur or by an external supplier or consultant.

There are four steps in market research they are:

Step One: Defining the Purpose or Objectives: Make a list of the information that will be needed to prepare the marketing plan. E.g., the entrepreneur may think there is a market for his /her product but not be sure who the customers will be.

Objective my be to determine the following:

- How much would potential customers be willing to pay for the product/service?
- Where would potential customers prefer to purchase the product or service?
- Where would the customer expect to hear about or learn about such a product/service.

Step Two: Gathering Data from Secondary Sources: The most important purpose of reviewing secondary sources is to obtain information that will assist the entrepreneur in making the best decision regarding the marketing of a product or service. Secondary sources can include trade magazines, newspaper articles, libraries, government agencies, the Internet, and commercial data.

Step Three: Gathering Information from Primary Sources: Information that is new is primary data. Gathering primary data involves a data collection procedures such as Observation, networking, interviewing, focus groups, and experimentation & usually a data collection instrument such as Questionnaire.

Step Four: Analysing and Interpreting the Results: Depending on the size of the sample, the entrepreneur can hand tabulated the results or enter them on a computer. Evaluated and interpreted should be based on research objectives. Cross-tabulated data can provide more focused results. E.g. the entrepreneur may want to compare the results to questions by different age groups, sex, occupation, location & so on.

Understanding the Marketing Plan: Marketing plan - A written statement of marketing objectives, strategies, and activities to be followed in business plan. It is designed to provide answers to three basic questions:

1. **Where we have been?** When marketing plan is integrated as part of the business plan, this segment would focus on some history of the marketplace, marketing strengths & weaknesses of the firm & market opportunity & threats.
2. **Where do we want to go (in the short term)?** This question primarily address the marketing objectives & goals of the new venture in the next 12 months.
3. **How do we get there?** This question discusses the specific marketing strategy that will be implemented, when it will occur, & who will be responsible for the monitoring of activities.

Characteristics of a Marketing Plan A marketing plan should:

1. Provide a strategy for accomplishing the company mission & goal.
2. Be based on facts/assumptions.
3. Describe an organization for implementation.
4. Provide for short-term and long-term continuity.
5. Be simple and short.
6. The success of the plan may depend on its flexibility.
7. Specify criteria for control.

The Marketing Mix :A combination of product, price, promotion, and distribution and other marketing activities needed to meet marketing objectives is termed as marketing mix. Some of the critical decisions in each area are

Variable	Critical Decisions
Product	Quality of components or materials, style, features, options, brand name, packaging, sizes, service availability, and warranties.
Price	Quality image, list price, quantity, discounts, allowances for quick payment, credit terms, and payment period.
Channels of distribution	Use of wholesalers and/or retailers, type of wholesalers or retailers, how many, length of channel, geographic coverage, inventory, and transportation.
Promotion	Media alternatives, message, media budget, role of personal selling, sales promotion (displays, coupons, etc.), and media interest in publicity.

Steps in Preparing the Marketing Plan

1. Defining the business situation: The situation analysis is a review of where we have been i.e., the past & present business achievements of new venture. In case of a new venture, information should relate to how and why the product or service was developed. If the plan is being written after a new venture has started up information should relate to: Present market conditions.

a. Performance of the company's goods and services.
b. Present market conditions.
c. Future opportunities or prospects.

2. Defining the target market: opportunities & threats: The target market is specific group of potential customers toward which the venture aims its marketing plan. From industry analysis or from marketing research the entrepreneur should have a good idea of who the customer or target market will be. The defined target market will usually represent one or more segment of the entire market. Thus, it is important even before beginning the research to understand what market segmentation is before determining the appropriate target market. Market segmentation is the process of dividing a market into small homogeneous groups.

3. Considering strengths & weaknesses: It is important for the entrepreneur to consider strengths & weaknesses in the target market.

4. Establishing goals & objectives: Marketing goals & objectives are statements of level of performance desired by new venture. Realistic and specific marketing goals and objectives respond to the question: "Where do we want to go?". Limit the number of goals or objectives to between six and eight. Too many goals make control & monitoring difficult. Goals should represent key areas to ensure marketing success.

5. Defining Marketing Strategy and Action Programs: Marketing Strategy and Action plans are specific activities outlined to meet the venture's business plan goals & objectives. Once the marketing goals & objectives have been established, the entrepreneur can begin to develop the marketing strategy & action plan to achieve them. Some possible decisions that might be made are discussed under.

Product or service: This element of the marketing mix indicates a description of the product or service to be marketed in the new venture. This product or service definition may consider more than the physical characteristics. Involves packaging, brand name, price, warranty, image, service, delivery time, features, style, and even the Web site.

Pricing: Prior to setting the price, the entrepreneur, in majority of situations will need to consider three important elements:

- **Costs - Material costs, labor costs, cost of goods from suppliers, labor and overhead expenses, etc.**
- **Margins or markups - Expected to cover overhead costs and some profit.**
- **Competition.**

Distribution: The factor provides utility to the consumer. If the market for a new venture is highly concentrated, then the entrepreneur my consider direct sales to the customers or to a retailer then using a wholesaler. Channels can include retail stores, websites, newspapers etc.

Promotion: To inform potential consumers about the product's availability or to educate the consumer. Promotion methods include print, radio, or television advertising, Internet, direct mail, trade magazines, or newspapers. The entrepreneur should consider both costs and effectiveness of the medium in meeting the market objectives.

6. Marketing Strategy: Consumer versus Business-to-Business Markets: Business-to-business markets involves selling of products or services to another business. Usually aims at selling a large volume in one transaction. Involves a more direct channel of distribution. Use trade magazine advertising, direct sales, and trade shows. Consumer markets involve sales to households for personal consumption. Like food, beverages, furniture are few examples.

7. Budgeting the marketing strategy: Effective planning decisions must also consider the cost involved in the implementations of these decisions. If the entrepreneur has followed the procedure of detailing the strategy & action program to meet the desired goals & objectives, costs should be reasonably clear. Useful in preparing the financial plan.

8. Implementation of the marketing plan: The plan is meant to be a commitment by the entrepreneur to a specific strategy. Entrepreneur should ensure coordination and implementation of the plan.

9. Monitoring the Progress of Marketing Actions: Generally monitoring of the plan involves tracking results of the marketing effort. Entrepreneur should prepare for contingencies. Minor adjustments in the plan are normal; significant changes indicate a poorly prepared plan.

Weaknesses in market planning may be due to:

a) Poor analysis of the market and competitive strategy.

b) Unrealistic goals and objectives.

c) Poor implementation of the outlined plan actions.

d) Unforeseen hazards like weather or war.

What Is a Financial Plan?

A financial plan is a document containing a person's / business current money situation and long-term monetary goals, as well as strategies to achieve those goals. **The financial section of your business plan determines whether the business idea is viable and will be the focus of any investors who may be attracted to the business idea. The financial section is composed of four financial statements: the income statement, the cash flow projection, the balance sheet, and the statement of shareholders' equity. It also should include a brief explanation and analysis of these four statements**.

Income Statement: An income statement is a scorecard on the **financial performance of your business that reflects a balance between sales and expenses.** An income statement is calculated by combining earnings, business expenses, capital, and inventory and raw material costs. Using these financial categories, an income statement will show a net profit or net loss, usually over a company's fiscal year.

Cash Flow Statement: Cash flow statements show **"how much cash will be needed to meet obligations, when it is going to be required and from where it will come**. It shows a schedule of the money coming into the business and expenses that need to be paid," according to Entrepreneur website. These figures in turn make up what is known as a profit and loss statement -- most commonly referred to as a P&L statement. P&L statements are generated on a monthly, quarterly or yearly business during a company's operation.

Balance Sheet:

The balance sheet outlines a business' assets, liabilities and equity. Assets are cash on hand, inventory, accounts receivable, and equipment and fixtures owned by the business. Liabilities are business loans, credit lines and accounts payable. Equity is the amount of worth a business obtains by amortizing loans and the worth of company issued shares or stock. The term balance is derived from the fact that assets must be equal or balanced to the company's liability and owner's equity.

Statement of stockholders' equity: A statement of stockholders' equity is another name for the statement of shareholder equity. This section of the balance sheet is also known as a statement of shareholders' equity or a statement of owner's equity. It gives shareholders, investors or the company's owner a picture of how the business is performing, net of all assets and liabilities.

Components of stockholders' equity: Stockholders' equity has a few components

Share capital: **Share capital is the cash a company raises by issuing stock.** In an initial public offering, a set amount of stock is sold for a set price. After that, the stock can be traded freely, but the money that is paid directly to the company for that initial offering is the share capital.

Retained earnings: **Retained earnings is the amount of money left in the business after the shareholders are paid dividends.** With dividend stocks, shareholders are entitled to a percentage of the company's profits. The company still needs to calculate how much money it has to work with after these payments are made, and that calculation is the retained earnings.

Net income: **Net income compares profits to expenses and deductions.** In short, the net income is the money left after you subtract expenses and deductions from the total profit. In this case, profit is the amount of money made after subtracting the cost of operations.

Dividends: **Dividends refer to funds paid to shareholders. Investors who own stock in a company own a portion of the business.** As such, they are entitled to a percentage of the profits. A dividend is the amount of money paid per share of stock, and it is not necessarily equal to the profit. Instead, the company will set aside a portion of its profits to pay dividends, and that portion is usually outlined in the stock agreement.

Human resource planning (HRP) is the continuous process of systematic planning ahead to achieve optimum use of an organization's most valuable asset—quality employees. Human resources planning ensures the best fit between employees and jobs while avoiding manpower shortages or surpluses.

Human resource aspect of a business plan key personnel resources:

- Organizational chart with the names and titles of the key executives.
- Brief details of this executives with their previous experiences,
- Educational qualification and detailed resume of each executive.
- Contribution of each individual to the company, the duties and responsibilities
- Specify their initial salary, incentives, fringe benefits, and other benefits provided.
- What key position remains unfilled?
- Bring out plans to retain and attract the efficient existing Employees.
- List of top-level executives.

Human resource management strategy:

- HR plan reveals the required skills for the business, i.e., If a firm is service oriented, it requires specific skills and if the firm is production unit it requires people with technical as well as capabilities.
- The business plan should cover the profit sharing and employee's share profits if any.
- The business plan should project on HRD and give details training and development programs.
- The business plan should also furnish about the promotion, transfer, performance appraisal, the audit etc.
- The business plan should also mention about the number of employees presently and the future requirements

Human Resource Plan in Business Planning: This is where HR plays a vital role. It should work alongside key senior staff to ensure that plans include areas of HR involvement and participation.

Aligning the HR function with the business plan will ensure that the full potential of staff members is realised.

Visions and Values: In the business planning process, HR ensures that executive focus includes the heart and core of the business. This is its vision and values. The HR professional position aligns the business' vision and values as a solid foundation for strategy. This guarantees they are highlighted in strategy discussions. It also ensures that it is the values of the business that drives people's motivations and behaviours. The HR professional demonstrates the importance of business culture. They also highlight how a dysfunctional culture can disable even the best of strategies.

HR is the only function with a business-wide view of employee performance, productivity and effectiveness. Financial goals are usually the top priority, sometimes being the only priority. However, the HR professional can demonstrate how the attraction, retention and use of the most talented people can enhance secure financial rewards. This is particularly when centred around a culture that is aligned to a progressive vision and strategy. Naturally, this is when addressed up front in the business plan.

Key elements of HR in the business planning process

1. Resource Planning: **Once the business goals are set, it is people involved who will carry them out**. So, having the right people in the right roles at the right time is key. A resource plan is the people equivalent of a financial forecast. Consider these questions:

When will the business require more people? How many and what type and skill-set?

Where will you find them and how will you recruit them? How long before you need them do you need to commence your recruitment activities to ensure they are in place, inducted, fully trained and ready to go?

The HR professional will be able to define every aspect of the process for hiring the right people. They will:

- Working with management to define the profile of the role
- Compose the specification of the person who will best fulfil the role
- Dictate how and where to advertise and know what to put in an advertisement to attract suitable candidates
- Define and structure interviews so that the best person may be selected.
- HR can also ensure that before any hiring process begins, the hiring fits with the long-term business plan.

This ensures that the role is not just a knee-jerk reaction to a stressful period of overload. Or one that will not become quickly redundant as the business stabilises, grows and changes.

2. Organisational Design and Development: **Psychological studies from as far back as the 1930's have revealed that organisational structures and processes can influence the behaviour and motivation of a workforce**.

In the modern era, the objectives of Organisational Design (OD) are twofold

a) To put in place **structures and processes that will increase operational efficiency and success**, decrease risk and improve problem solving

b) To create **structures and processes that increase trust, motivation and commitment in the workforce**, enabling better problem solving by confronting and managing problems through worker enablement and co-operation.

HR has a unique role here. It is involved in the creation and development of what the design of the organisation is and should be on a company-wide issue.

HR, with its whole-company overview can ensure that the creation of new systems and processes in one area are likely to have an impact on other related areas.

The HR professional will put forward people-based strategies to guarantee the consistency of the alterations across the organisation.

3. Training and Development: **OD is likely to include the need for some new roles and changes to others. Therefore, training and development are guaranteed to be needed as part of the strategic growth process**. The business plan is likely to be looking at where the organisation will be in 5 -10 years' time. HR can ask if the workforce is acquiring sufficient skills to meet the growing demands that company's a business' growth.

- ❖ Individuals who report using their skills fully in the workplace have higher levels of job satisfaction, earn more and are more resilient to change, while businesses benefit from a more productive workforce and increased profitability.
- ❖ So, it's going to be the HR professional who can speak authoritatively on the need for a strategic approach to training and development. This is part of business planning and will provide input to help the business achieve its goals effectively.

The HR professional, with access to objective data, is best placed to offer insightful ideas and plans on how to support the people aspect of the business plan. If HR is allowed to be a key influencer in the business, they can solicit ideas, suggestions and feedback from both management and employees about both input and execution of strategy.