

Workstation #1

What's Your Business Idea?

Steven Abram, Professor
Kirkwood Community College




Benefits of Creating a Business Plan

Business plan:

- A written summary of:
 - An entrepreneur's proposed business venture
 - The operational and financial details
 - The marketing opportunities and strategy
 - The managers' skills and abilities

A business plan is the best insurance against launching a business destined to fail or mismanaging a potentially successful company.



A Plan Must Pass Three Tests

1. The *Reality Test*: proving that:
 - ❖ A market really does exist for your product or service.
 - ❖ You can actually build or provide it for the cost estimates in the plan.
2. The *Competitive Test*: evaluates:
 - ❖ A company's position relative to its competitors.
 - ❖ Management's ability to create a company that will gain an edge over its rivals.
3. The *Value Test*: proving that:
 - ❖ A venture offers investors or lenders an attractive rate of return or a high probability of repayment.

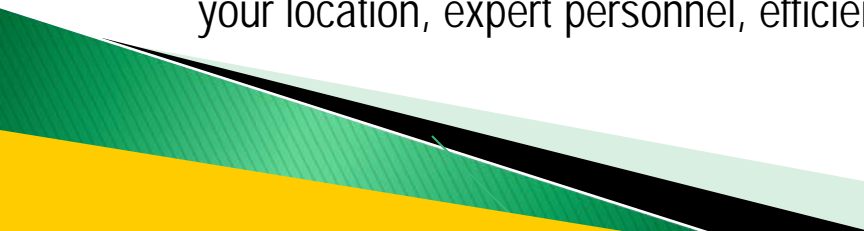
Executive Summary

- ❖ The executive summary goes near the beginning of the plan but is written last.
- ❖ It should provide a short, concise and optimistic overview of your business that captures the reader's attention and gives them an interest in learning more about it.
- ❖ The executive summary is a written version of “the elevator pitch”


Company Description

This section of your business plan provides a high-level review of the different elements of your business and it can help readers and potential investors quickly understand the goal of your business and its unique proposition.

What to Include in Your Company Description

- Explain your company history and its vision (Passion)
 - Mission Statement
 - Describe the nature of your business and the marketplace needs that you are trying to satisfy.
 - Explain how your products and services meet these needs.
 - List the specific consumers, organizations or businesses that your company serves or will serve.
 - Explain the competitive advantages that you believe will make your business a success such as your location, expert personnel, efficient operations, or ability to bring value to your customers.
- 


Product or Service Description

- ❖ Describe the benefits customers get from the product or service
 - ❖ A **feature** is a descriptive fact about a product or service.
 - ❖ A **benefit** is what the customer gains from the product or service feature.
- 

Step 1: Develop a Vision and Create a Mission Statement

Vision: the result of an entrepreneur's dream of something that does not exist yet and the ability to paint a compelling picture of that dream for everyone to see.

Mission statement: addresses the question: “what business are we in?”

- What are we in business to accomplish?
 - Who are we in to business to serve?
 - How are we going to accomplish that purpose?
 - What principles and beliefs form the foundation of the way we do business?
- 

Step 2: Assess Company Strengths and Weaknesses

Use a balance sheet to identify:

Strengths

Positive internal factors a company can draw on to accomplish its mission, goals, and objectives.

Weaknesses

Negative internal factors that inhibit a company's ability to accomplish its mission, goals, and objectives.



Step 3: Scan for Opportunities and Threats

Identify and manage:

Opportunities

Positive external factors the company can exploit to accomplish its mission, goals, and objectives.

Threats

Negative external factors that inhibit the firm's ability to accomplish its mission, goals, and objectives.



Step 4: Identify Key Success Factors


Key success factors (KSFs): factors that determine the relative success of market participants.

The keys to unlocking the secrets of competing successfully in a particular market segment.



Step 5: Analyze the Competition

Goal of competitive intelligence:

- Conduct continuous rather than periodic analysis of competition.
 - Avoid surprises from existing competitors' use of new strategies and tactics.
 - Identify potential new competitors.
 - Improve reaction time to competitors' actions.
 - Anticipate rivals' next strategic moves.
- 

Three Strategic Options

		Competitive Advantage	
		Uniqueness perceived by the customer	Low cost position
Target Market	Industry	Differentiation	Low cost
	Niche	Differentiation focus	Cost focus